

WHY

2010

WILL BE

BETTER

CANVAS throws
some positive
vibes into
the industry
heading into
the New Year



Look, we get it. It's not like our head has been stuck in the sand, refusing to believe the headlines or acknowledging how most of 2009 was a struggle. Times were tough – are tough – and a recent CANVAS survey only highlighted that. “My customer base is shrinking” some readers said. “The business climate isn't great” they said. “I don't know what to expect.” Etc., etc.

It'd be a disservice to you, the reader, if we didn't cover some of the potential pitfalls in 2010. We'll do that, with analysis from industry experts at The Print Council and NAPL – but in making a fresh start of a new business cycle, we're also going to try something different. We're going to think positive.

The following are insights from print professionals on how and why they think 2010 will be better, whether it's by economic improvement or sheer force of will.



Where We Stand

The NAPL's Andy Paparozzi talks 2010 forecast

Andy Paparozzi, chief economist for the NAPL's Printing Economic Research Center, has been brutally honest in his economic forecasts for the print industry. Last year, he didn't sugarcoat the bleak outlook, and even toward the end of 2007 he was warning of a downturn. So when he says that the print industry should see an increase in sales for the first time in three years, print providers should be optimistic. Just not complacent. Paparozzi says not everyone is going to participate in the recovery.

"In the past, our recoveries were the rising tide," he said. "If you hunkered down enough, you made it through the recession, you could count on the rising tide of recovery to make everything right again. It's profoundly different this time."

Paparozzi says that the industry is undergoing a structural change that can either be considered as a historic opportunity or a profound threat. Recovery isn't reserved for companies that print, he says, but companies that can put print to work for their clients. There is a difference between making it through a recession and participating in the recovery, and print providers would do well to recognize where their business models need to change.

"We can't lose sight with what we've got to do to prepare for long-term success in an industry being redefined," he says.

CANVAS had a chance to speak with Paparozzi on the economy's road to recovery, and what it means for the print industry.

CANVAS: What are some reasons print providers can be optimistic about 2010?

Andy Paparozzi: The main reason is that the economy is healing. In late 2008 and early 2009, you couldn't say that. No one really knew what was going to happen. The financial crisis was so deep; the credit crunch was so severe, that you really didn't know where this was headed. When you look at what's happened since, you see that the economy is still extremely fragile, and is expected to be. But it clearly has not degenerated in the way we feared it might have seven or eight months ago. Seven or eight months ago, frankly, no one

knew where the bottom was. No one was sure where this was going to lead. Now it's very clear that the economy has reached the bottom. The worst case scenarios of an economy in freefall that we can't reverse didn't happen.

When you look at key indicators like initial claims for unemployment insurance, you see the classic signs of an economy that has reached the bottom and is starting to grow again. The fact that the economy is healing – and the healing will be painful and slow at first, but relative to where we thought we might be six or seven months ago – that's why there's reason for optimism.

I will try to qualify that. It's not an economy on the verge of a boom. But when you compare it to where we were, the uncertainty and fear, there is reason for optimism.

CANVAS: Now the flip side: Why should print providers be cautious?

Paparozzi: Two reasons. First, the recovery is going to be painfully slow at first. The end of a recession means the economy has stopped contracting. It doesn't mean business is better again, or we're on the verge of a meaningful upturn. Recoveries can be vigorous, feeble, or anything in between. The end of a recession and beginning of good times are two different events. This recovery is almost certain to be slow at first and not feel like a recovery until well into the second half of 2010, because the excesses we have to correct were so deep and complex. The economy was gravely ill.

We were able to avoid the worst of the possible outcomes. But now the healing process is a long, slow one. We should be very cautious in what we expect when we talk about recovery and what we expect when we talk about the recession being over.

But even more important than that, the second reason is this recovery will leave the unprepared behind. Although in 2010 our industry will grow for the first time in three years, absolutely no one, no matter how big or established, is assured of sharing in that growth. Where our recoveries used to be inclusive, used to be the rising tides that lifted all boats, they are now increasingly exclusive. They are reserved for companies that are prepared for what the industry is becoming.

CANVAS: What is it going to take for customers to start opening up their wallets?

Paparozzi: You have to make that case. It's not a case where you depend on the economy to open up wallets. You must be able to make yourself more valuable to clients and to help them communicate more effectively with their clients. That's what's going to make a difference between who participates in recovery and who doesn't. ■

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Why 2010 Will Be Better

"For those of us about to survive 2009, albeit suffering through an unwanted decrease in business, 2010 will be better. We've tightened our belts, adjusted our levels and continue to be driven by customer service and customer focus.

Those who have already failed or will not survive much longer have lost that focus on the customer. Look around at the struggling retailers, customer service is going or gone. You just have to rebuild your base, and get over it, we've been there before."

– **Brad Wolff, sales consultant for Integrity Graphics**

"I'm not convinced that it will be better for everyone. It should be better though for those that in 2009 (and earlier) were determined to adapt to the changing marketplace, in *how* clients buy, *what* they buy and *why* they buy and restructure how they go to market and position themselves with their clients and prospects."

– **Mike Philie, vice president, Senior Consultant, NAPL**

"There's less of us doing it. It's almost Darwinistic, but a lot of those that dabbled without planning or strategic initiatives have fallen off. De facto, 2010 is going to be better because there's less guys doing it. Secondly, there's a stabilization on the client side. In the toughest times, to quote Jack Welch, the successful companies market more. You're going to start to see some stabilization of the marketing initiatives within our own client and prospect base. The economy is not necessarily better, but it's stabilized."

– **Chris Petro, president and CEO of Global Soft Digital Solutions**

"[In 2010] The crème de la crème of companies are going to rise and be stronger and better, and there's going to be a lot of thawing out of companies that are average or just above."

– **Ryan Sauers, president, Sauers Communications**

"We are super excited about serving a new niche of our market. The response has been very favorable to our new programs."

– **Bill Cole, founder and president, Tri-C**

"The market appears to have bottomed. We are seeing some glimmer of upside sales going into 2010, but not at the levels we had in 2007-2008."

– **Keith Bartlett, Vice President of Operations, doodad**

Show What You've Got

CANVAS spoke with Ben Cooper, executive director of The Print Council, about his expectations for 2010.

CANVAS: Let's throw some positive vibes into the industry. Why will print succeed as a medium in 2010?

Ben Cooper: No one can predict the economic climate in 2010, and historically printing has trailed the economy, but there are some bright spots. First of all, some segments of print, such as packaging, should do well as the economy recovers. Many companies have been reducing inventories, but there is some indication that that is changing. Much of packaging will track that activity. We can expect some improvement in the financial services sector. That should generate increased print. The same is true of housing and mortgages. I also think one of the growth areas will be small business. Small business continues to be a big user of print and it will be a good source of business growth.

The sector that needs to show some improvement is mail – direct mail, catalogs and periodicals. Unfortunately, the forecast is not hopeful. In fiscal year 2009, the Postal Service delivered about 170 billion pieces. They are planning for 165 billion or fewer in 2010. The periodical industry is really hurting right now with major titles being closed due to fall off in advertising revenues. Catalogs are

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also declining and there is little optimism for growth. Advertising mail will see some rebound with the economy, but it would likely be more modest than robust. There is a very aggressive effort now with the Postal Service to have them evolve as a business partner instead of just a delivery service. This year, they conducted a "summer sale." There will have to be

even more creative to get people and businesses back in the mail. Postal costs exceed all other costs of a printed product delivered through the mail. That ratio has to change.

CANVAS: What are you hearing from providers? More of the same? Do they expect to break even in 2010? Cautiously optimistic?

Cooper: Suppliers are optimistic. Some of this may have to do with inventories. Also, I think it has to do with what I perceive to be a new attitude in the industry. Frankly, the sales and marketing strategies of the 1990s simply are no longer valid. Successful printers

now know they have to understand their customers' business and they have to be able to offer solutions that will help their customers grow. This is a stretch for a lot of companies who are more comfortable with bidding on printing jobs.

Generally speaking, I think most printers are holding their breath and hoping for good news.

CANVAS: What do print service providers need to do in 2010 to differentiate themselves from the competition? Is it a different mindset than previous years?

Cooper: First of all, they have to understand their competition and they also have to know that e-mail, Internet and mobile advertising are here to stay. They have a huge advantage in distribution. While print depends on taking its product to the customer, the three major competitors referenced above are virtually anywhere the customer is. Second, print service providers have to know their customer. Finally, they have to know ROI. Successful printers should be able to tell a customer what drives the customers' customer to make a purchase, or a donation, or whatever it is. This includes understanding mailing lists, transpromo, and everything else about a marketing piece.

It isn't good enough for a printer to talk about how print works. They need to show how print works. They need statistics. They need good data.



CANVAS: The Print Council has been making a major push promoting the use of print in various initiatives. How can local providers spread the word in their local markets?

Cooper: The Print Council has done some good things. We have produced several important tools for printers including Why Print, Why Print Is Green, and Print in the Mix. We will do more if we can afford to. We have also started our series of

national, regional and local agency and media decision-maker programs that have been very successful so far. What has made these sessions unique is that they include several elements of the industry – print, offset, digital, paper and distribution (USPS). This is very different from a single printing company making an agency presentation. We want to show there is an industry out there that has been successfully communicating for 500 years.

Of course, with an enterprise like this we need support to keep doing these things. We think that support will come. ■