



A Critical Look At “Offshore” Printing

A New, Sponsored Research Initiative

***Strategies for
Management
Inc.***

A Critical Look At “Offshore” Printing

- *A special report that...*
 - dispels the myths
 - sounds the *right* alarms, without hysteria
 - identifies strategies to compete with offshore printers
 - identifies opportunities for US printers to export and invest



Project Leaders

Biographies at end of presentation

- *Joseph W. Webb, Ph.D*
 - Project Director, Analysis & Forecasting
- *Vincent Naselli*
 - Naselli & Associates, Project Manager
- *Joseph LiPetri*
 - Report Editor



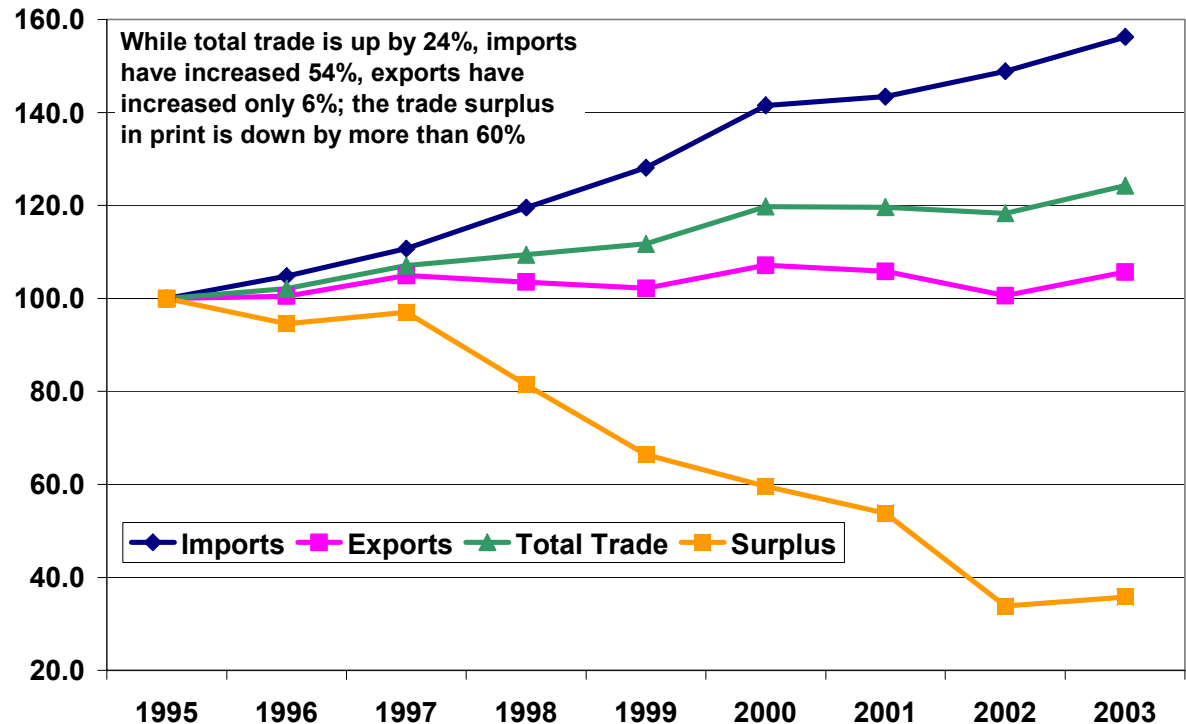
Timeline

- *Prepublication subscriber discount deadline*
 - *September 24, 2004*
- *Research begins*
 - *September 27, 2004*
- *Target publication date*
 - *November 17, 2004*



The U.S. trade surplus in printing materials has eroded

- *In 1995, the U.S. had a 72% surplus in books and printed matter; today it is barely more than 16%. The chart shows how the growth rates have changed, and how the surplus has shrunk.*



First half of 2004 shows printed materials surplus down by 38%

First Half Surpluses and Deficits in Printed Matter Trade, 2004 (in \$ thousands)			
SURPLUS		DEFICIT	
Canada	\$ 455,201	China	\$ (555,383)
Australia	\$ 85,041	Hong Kong	\$ (72,253)
United Kingdom	\$ 73,597	Italy	\$ (58,666)
Mexico	\$ 67,020	South Korea	\$ (19,992)
Japan	\$ 51,901	Federal Republic of Germany	\$ (19,893)
BOTTOM LINE: US Surplus = \$125 million			
First Half Surpluses and Deficits in Printed Matter Trade, 2004 vs. 2003 (in \$ thousands)			
CHANGE IN SURPLUS		CHANGE IN DEFICIT	
Canada	\$ 47,217	China	\$ (135,958)
United Kingdom	\$ 47,070	Mexico	\$ (47,586)
Hong Kong	\$ 16,750	Federal Republic of Germany	\$ (10,595)
Netherlands	\$ 13,703	South Korea	\$ (7,194)
Egypt	\$ 7,636	Japan	\$ (5,808)
BOTTOM LINE: US surplus decreased by \$75 million in the first half of 2004, from \$200 million in 2003 to \$125 million in 2004			



This is a “charged” topic

- *Usually considered too “hot” to discuss*
- *Many of the industry’s major technologies and suppliers are overseas companies*
- *Many major U.S. printers are multinational*
- *Strategies for Management is tackling this “third rail” topic via:*
 - data*
 - common sense*
 - clear thinking*
 - careful documentation*
 - well-referenced resources*



Why should you care?

- *Understanding this transition is vital for...*
 - proper planning of production, staffing, marketing initiatives, and sales deployment
 - offshore pressures will force companies to improve ways they compete, creating opportunities for...
 - productivity enhancing technologies
 - new products and services
 - new approaches to market



Print has historically enjoyed natural protection...until now!

- *The weight of printed goods made shipping from offshore plants expensive*
- *Long lead and shipping times of offshore-printed materials*
- *Many countries have regulations and tariffs that added administrative and logistical burdens to cross-border transactions*
- *Proofing cycles*
- *Language barriers to implementing proofing corrections and the entire job approval process.*
- *Quality control issues typically handled by costly plant visits.*
- *Proximity of U.S. printers allowed easy access to a postal system and greater knowledge of postal regulation compliance*



Barriers to offshore printing are falling

- Digital proofing now allows quick review by print buyers
- Color management advances foster greater production consistencies
- Quality concerns have largely been trumped by advances in technology, fast job turn-around and cost effective pricing.
- Telecommunications shortens proofing cycles
- More capable graphic design, production software and procedures
- Shipping alternatives
- Cutting-edge production technologies are available worldwide
- More countries have freed economies, and are looking to actively and aggressively pursuing manufacturing capabilities that are viewed as “high-cost” in older, established economies
- Trade agreements such as NAFTA, the European Union, the World Trade Organization, reduce barriers to trade



Key questions

- *Is the U.S. printing industry a victim of free trade?*
- *...or is the industry an active player, supplying communications materials and logistics capabilities, and investing worldwide?*
- *Is this a real or imagined danger to the industry?*



The “fear” of China, India and other fast growth economies

- *This report will explore the issues driving these concerns*
 - *What will the landscape look like over the next few years?*
 - *remember the “fear of Japan” in the early ’80s*
 - *as U.S. economy grew again, Japan became a major U.S. investor in factories and distribution; U.S. companies became more competitive, and later Japan fell into deep recession... will this happen again to “offshore printing” countries?*
 - *Where are the impact points?*
 - *What opportunities are emerging?*



Scope of the project

- Identify the dynamics of "offshore" printing
- Economic issues affecting print volumes
- Issues related to production
- Enablers of non- US printing
- Profiles of non-US printers
- What do print buyers say about their use of "offshore" printing?
- What US printers need to do to compete/sell against non-US printers
- How big can non-US printing actually get?



Dynamics of "offshore" printing

- *Print products most affected*
 - *not just coffee table books any more*
- *“Stealth” package printing*
 - *non-U.S. manufactured goods have packaging and support materials produced in their originating countries*
 - *this study will estimate the volume and scope of this challenge*
- *Where U.S. imports of print materials originate*



Issues affecting volume of non-US printing

- *exchange rates*
- *paper costs*
- *shipping costs*
- *shipping time*
- *production costs*
- *technology*
- *capital costs*
- *skill availability/education*
- *financial intermediaries*
- *regulatory/legal*



Issues related to production

- *time / turnaround*
- *management time*
- *language*
- *production / proofing cycle*
- *local language / culture / idioms*
- *print-on-demand*
- *quality of materials / end product*
- *availability of print alternatives*



Enablers of non-US printing

- *Internet*
- *satellite communications*
- *digital proofing/soft proofing*
- *digital workflow/front-end*
- *government subsidies, export programs*
- *labor rates*
- *exchange rates*
- *job cost*
- *job turnaround factors*



Profiles of non-US printers

- *Who are some of the printers active in the U.S.?*
 - *How are they structured?*
 - *How do they sell?*
 - *What marketing strategies do they employ?*
 - *What services do they offer?*
 - *What is their formula for success?*



What do print buyers say about their use of “offshore” printing?

- *What buyers say is important to understanding the future growth of non-U.S printing*
- *How buyers deal with...*
 - turnaround*
 - quality management*
 - logistics issues*
- *How buyers perceive and weigh the benefits of printing offshore*
- *Where buyers see their non-US purchases heading in the future*



Can US printers take action to compete?

- An examination of...
 - low price as a component, but not the entire story... or is it?
 - administrative and management issues as parts of the total cost of working with any supplier
 - the unique implementations of technology affecting the production cost for printers
 - administrative costs on the buyer's side and the tradeoffs they make and don't make
 - unique things that printers can do to make themselves more competitive
 - the U.S. industry's weak points that competitors take advantage of and U.S. printers can deal with them



Why printers need this report

- This report provides a road map of the business terrain ahead and is essential to identifying global competition. It will identify:
 - what the successful non-US printers look like
 - where the buyers of print services are headed
 - what will happen to the nature of the print marketplace as a result of offshore competition.
 - unique things that printers can do to make themselves more competitive
 - where the future opportunities are likely to be.
 - what is the forecast for the future of the industry?



Why industry vendors and suppliers need this report

- This report will identify the flow of print services globally
 - where the print flows, so do the consumables
 - understand impact offshore printing will have on US sales
 - production volumes
 - target markets
 - identify technologies and products printers can use to better compete
 - essential for proper product and sales forecasting



Methodology

- *Interviews with U.S. and non-U.S. printers*
- *Interviews with print buyers who use non-U.S. printers*
- *Quantitative economic analysis*
- *Latest government data, enhanced by SFM analysis and forecasting*
- *Secondary research, including the Internet and many other sources*



Report cost

- *Report price upon publication*
 - \$2,875
- *Special pre-publication price*
 - \$1,975
 - *more than 30% savings (\$900)*
 - *full payment by September 24, 2004 to qualify*



Deliverables

- *During the field research*
 - *password access to data and links to secondary research on a private website*
- *Upon publication*
 - *printed copy of the final report*
- *Post publication release*
 - *60 day access to researchers for questions and discussions about the report, its conduct, and findings*



Report publication schedule

- *Project begins*
 - *September 27, 2004*
- *Planned report release*
 - *November 17, 2004*



Ordering Information

- For more information
 - call Vince Naselli 1-732-568-0316
 - e-mail offshore@sfminc.com
- Pay by credit card
 - go to <http://store.yahoo.com/drjoe/offshore.html>
- Pay by check
 - Mail to: Strategies for Management, Inc., P.O. Box 483, Harrisville, RI 02830
- To request an invoice
 - Send your billing and shipping information to offshore@sfminc.com



Joseph W. Webb, Ph.D.

- Internationally known industry consultant, commentator, and forecaster
 - “Fridays with Dr. Joe” column at WhatTheyThink.com
 - numerous industry presentations, association projects
 - author, “Renewing the Print Industry” and many other reports
- 26+ years industry experience
 - proprietary and multiclient projects with major industry suppliers, major printers (1987 – 2004)
 - former marketing executive with prepress suppliers (1978-1987)
- Founder, the TrendWatch surveys (1995); sold TrendWatch Graphic Arts business to Reed Elsevier in 2000
- Ph.D., NYU Center for Graphic Communications Management & Technology (dissertation project about commercial printers use of marketing and effects on profitability)
- MBA, Management Information Systems



Vincent Naselli

- 20+ years in graphic arts marketing
- Most recently Director of TrendWatch Graphic Arts for Reed Business Information
- Frequent contributor to WhatTheyThink.com and other leading industry publications
- Past committee chairman of Imaging & Prepress and Market Research subcommittees for NPES
- Former president and board of directors member of GAMIS
- Dealer Relations and Regional Sales Manager for Screen USA
- Senior US Marketing Manager for Agfa of market research and competitive analysis
- Bachelor of Science degree in marketing and management from Kean University, New Jersey.



Joseph LiPetri

- Writer and reporter in graphic communications industry for 15+ years, known for case studies and technology adoption analysis in many publications
 - former full-time editor for MacWEEK. com
 - previously East Coast editor for *Micro Publishing News*
 - articles and case studies have appeared in *The Seybold Report on Publishing Systems*, *Electronic Publishing*, *American Printer*, *Printing News*, *Digital Imaging*, *Print-On-Demand*, *Print & Graphics*, *Modern Reprographics*, and *Quick Printing*
- Technology writer for the National Association for Printing Leadership (NAPL) magazines and special reports including digital asset management, digital photography, and others

