



On the Right Side of Creative Destruction

Dr. Joe Webb



Agenda

- Slides of destruction
- Content creators... and us
- Creativity, risks, hard choices,
and a boundless burst of optimism



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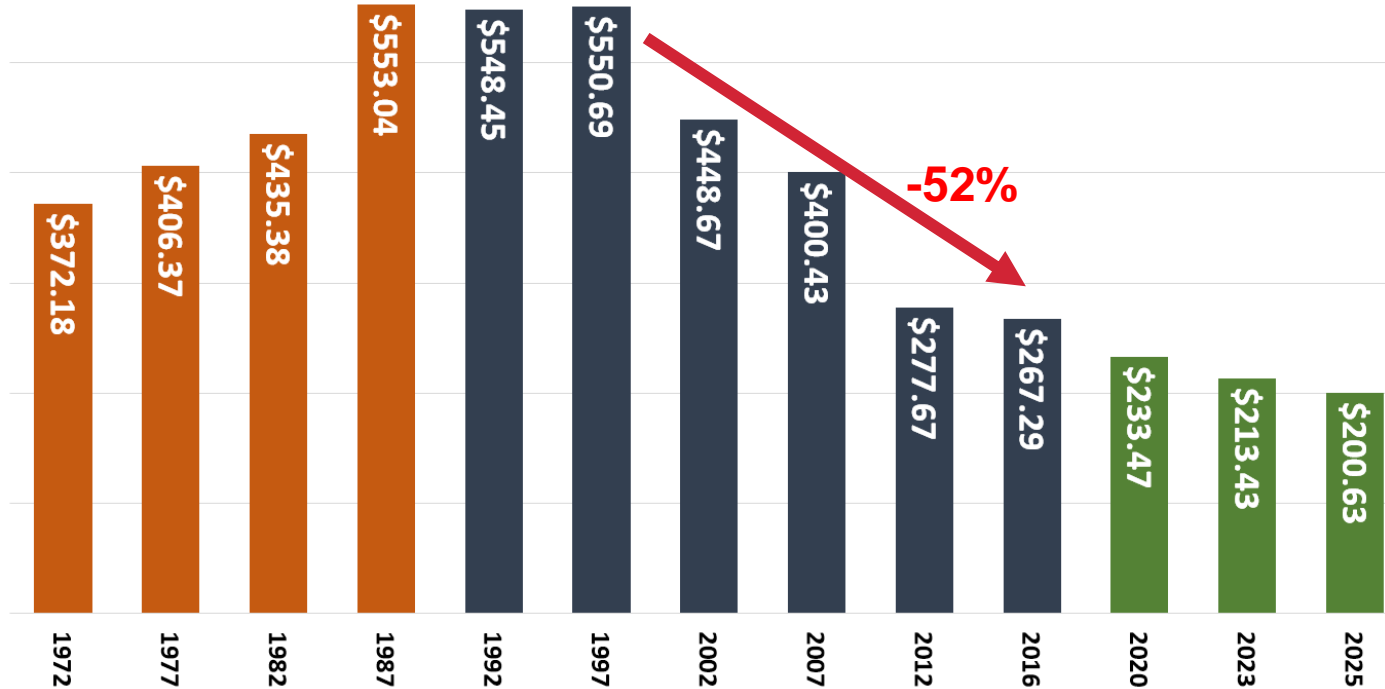


US commercial printing shipments & profits



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1997-2016 US per capita commercial print



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While...

US Real GDP +71%



US Population +23%

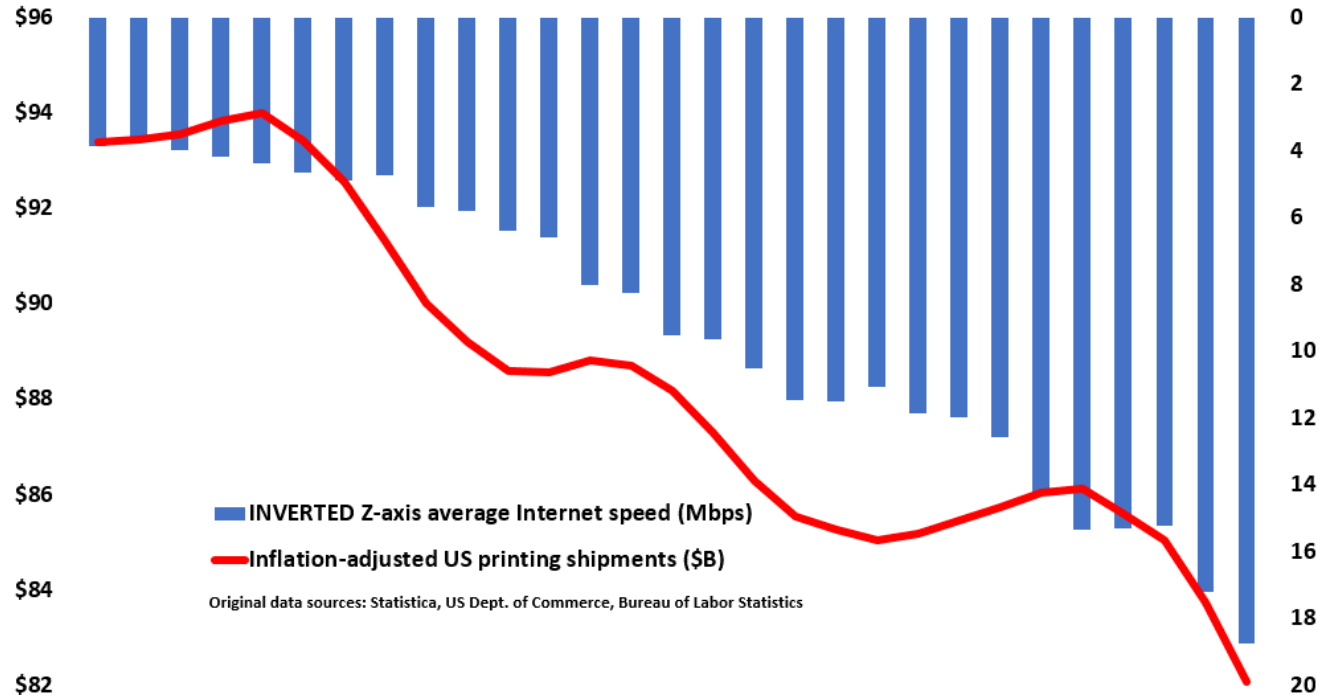


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US Internet speeds increase 4.8x in 7 years

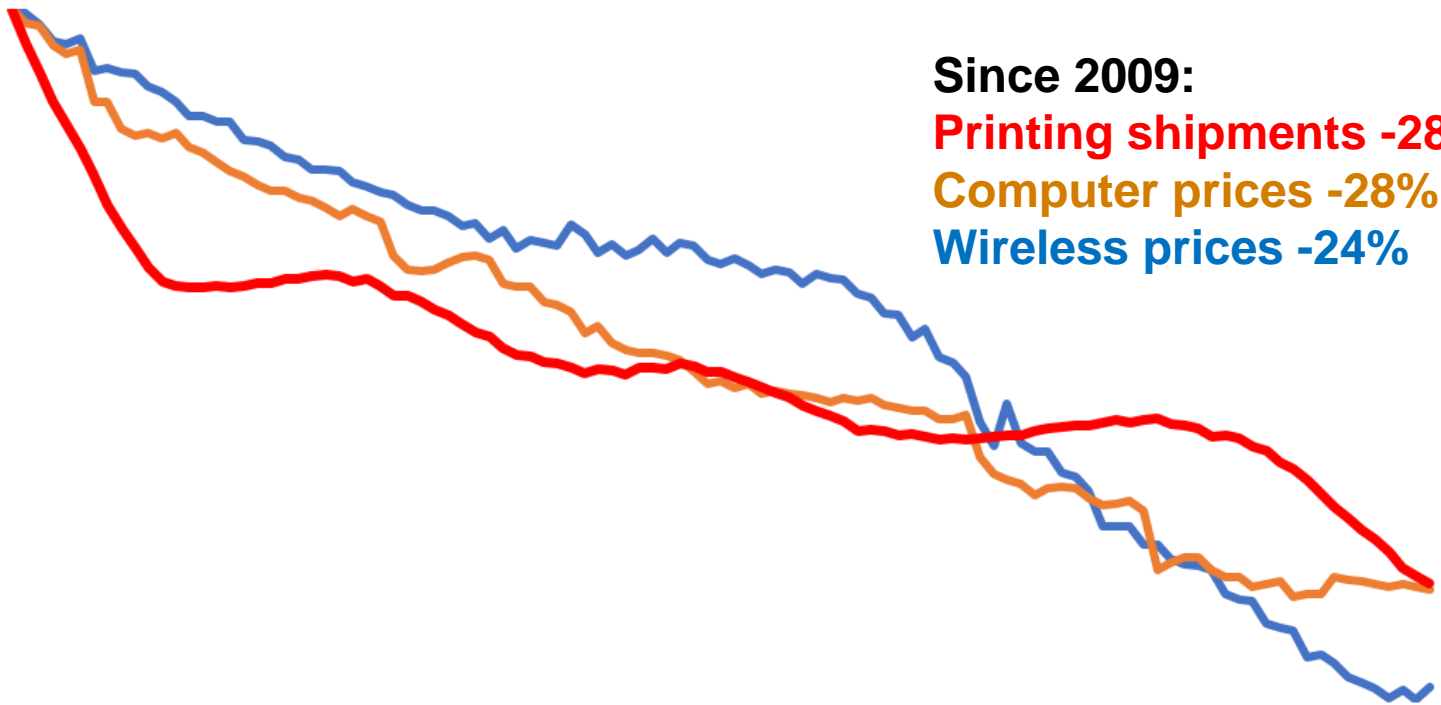
From Q1-2007
to Q1-2017

Shipment rate
falls from
\$93.4B to \$82.0B



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Wireless & computer prices affect print use



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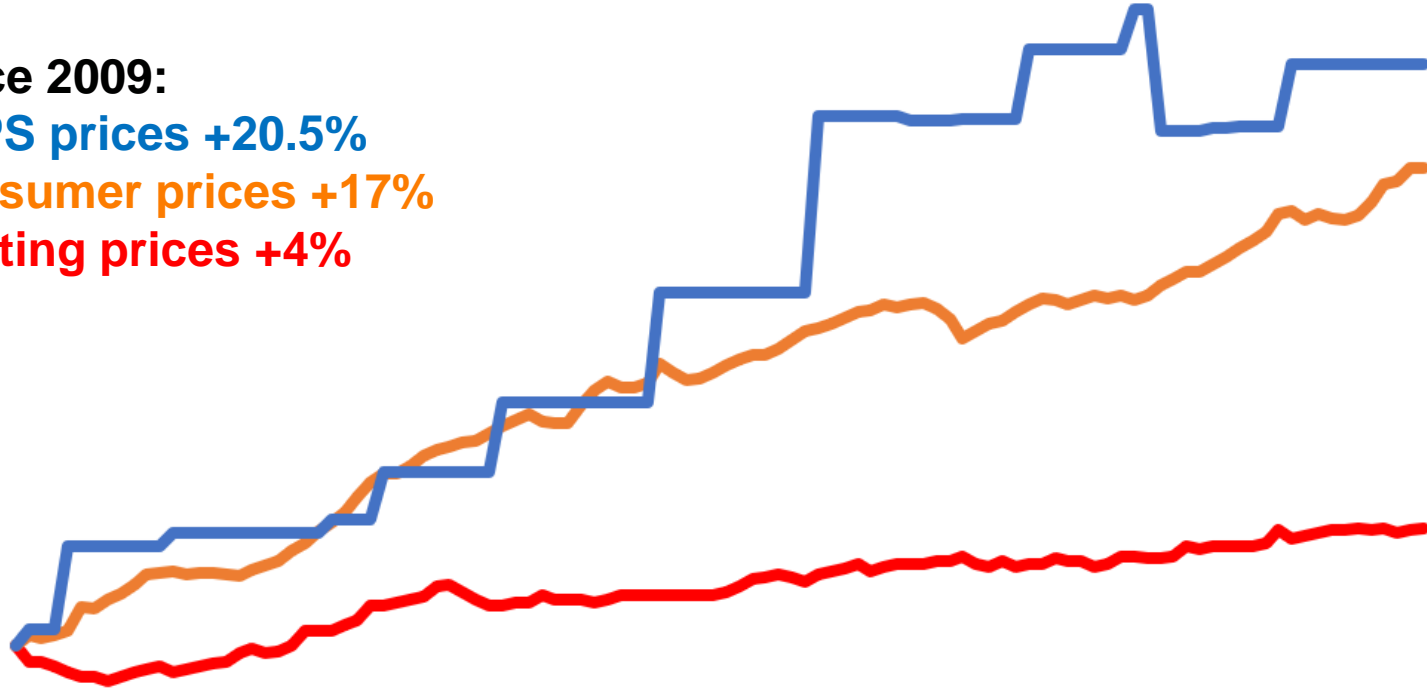
Distribution costs are big print roadblock

Since 2009:

USPS prices +20.5%

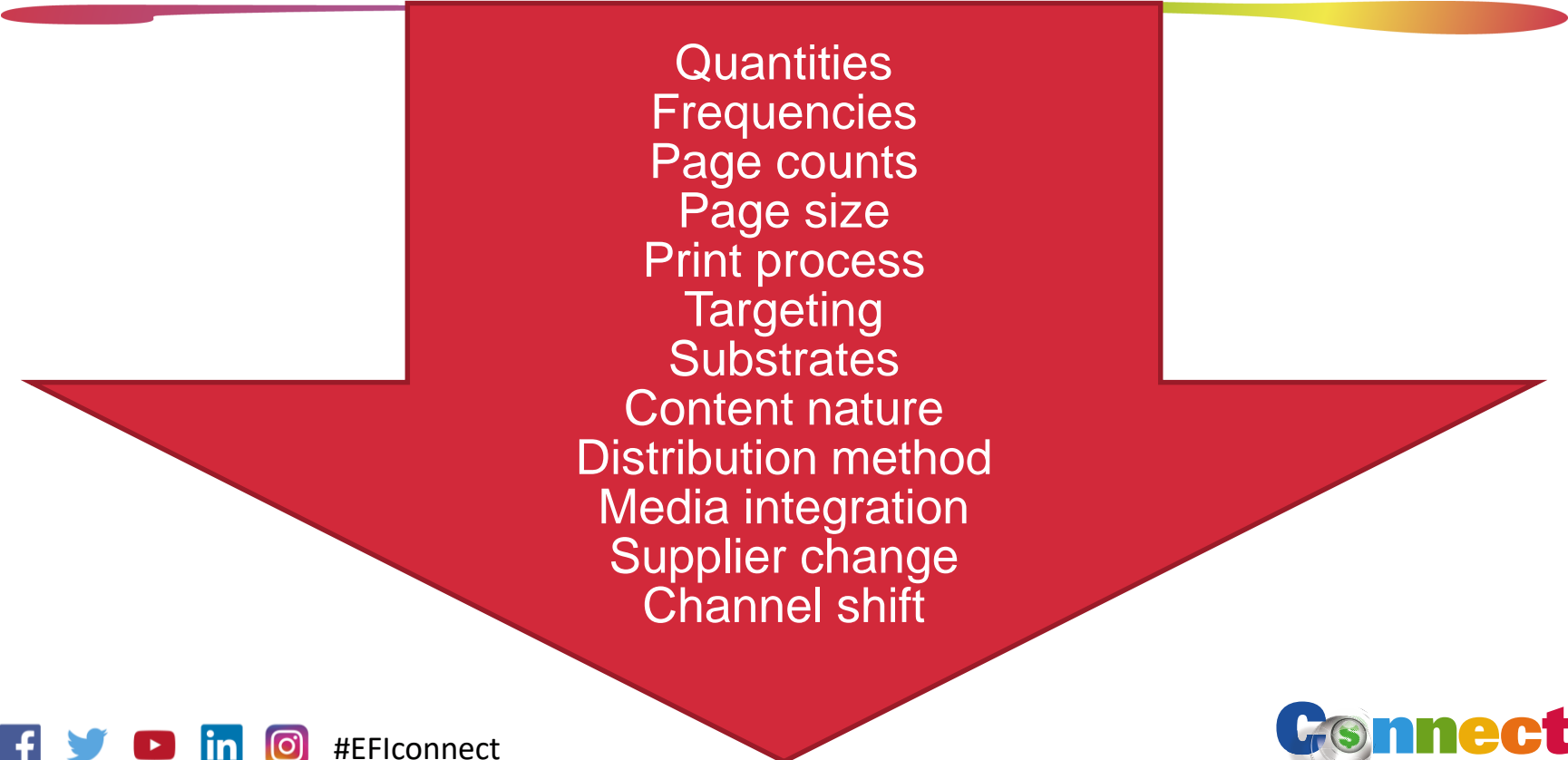
Consumer prices +17%

Printing prices +4%



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How do communicators adjust?

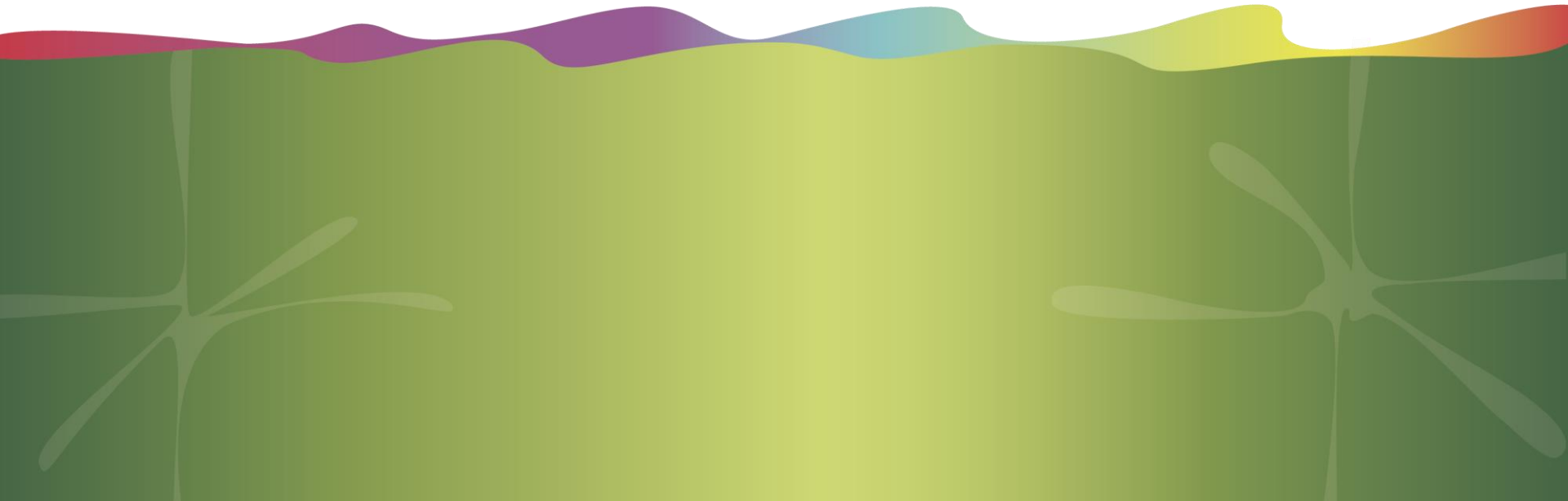


Quantities
Frequencies
Page counts
Page size
Print process
Targeting
Substrates
Content nature
Distribution method
Media integration
Supplier change
Channel shift



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The marketplace changed...



Big vessels...



need big streams...



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Falling levels...



don't strand everyone...



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Opportunities...



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Adapt...

when the terrain changes



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Know the mind of the marketplace



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Industry is out of generational sync

- If you are 35 or younger and a communications media decision-maker
 - You've never worked in an economic boom
 - Computers are a home appliance
 - A camera is a phone app, not a device
 - Google is a verb; Siri is your concierge
 - Print is something you've tried to stop

Imagine my surprise
when I heard...

“Print is intimidating”

Print is “intimidating” because...

- Fear of the lockdown
- Failure penalty
- Hard to measure
- No mid-deployment ah-ha discovery
- Quantity = risk
- Safety stock = failure
- No co-worker has experience



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But digital media are not, because...

- Always used it, and fun to make
- Measurable, now
- Testing without risk
- Tools everywhere
- Inbound effects
- Follow and adapt
- Revise without fear

What the Olgivy & Mather senior executive, and advertising judge at Cannes said...

*I arrived at Cannes **cynical of print.**
I left **inspired and ready to find** ways
to **embrace its strengths,**
not force it into being something it's not.*

What did she see?



- Compelling use of photography
- Interaction with digital media
- “Ride-along” options for distribution
- Event-driven, brash and aggressive because print is not permanent



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What's it all mean for
print business leadership?



Once true, now false...

- Print relies on the economy
- Bigger companies, bigger profits
- A specific niche is a long-term springboard to success
- New equipment lowers costs
- Industry capacity determines industry prices

NO.

What's true...

- Print relies on the skill, creativity, flexibility, and adaptability of its creators, not its producers
- Smaller companies, better profits
- Niches are dynamic, new ones always emerging
- Equipment marketing life is shorter than production life, so invest frugally and wisely
- Communications goals, competitors, distribution, budgets, risks, and effectiveness determine prices



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The surprising big & small profits picture

Assets <\$25 million

Profits	6.30%
+ Interest	0.75%
	<hr/>
Total	7.05%

Handwritten: 11%

Assets >\$25 million

Profits	0.76%
+ Interest	4.50%
	<hr/>
Total	5.26%

Handwritten: 86%

The surprising big & small profits picture

Assets <\$25 million

- ~50% of industry shipments
- 80% of industry profits
- Profits for last 6 quarters: 6.3% of revenues
- Interest expense for last 6 quarters: 0.75%

Assets >\$25 million

- ~50% of industry shipments
- 20% of industry profits
- Profits for last 6 quarters: 0.76% of revenues
- Interest expense for last 6 quarters: 4.5%
(That's 6x profits!)



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What about consolidation?



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Consolidation re-considered

- Marketplace is changing, speed will intensify
 - Lose time in transitions and integrations
 - Technological change waits for no one
- Consolidations tend to be backward looking
 - Rear view mirror risks larger than they appear
- Is it cheaper and better to beat the target companies in the trenches and let them die?
- Forward looking consolidation: new products, new markets, new management, new strategy



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The best consolidation is...

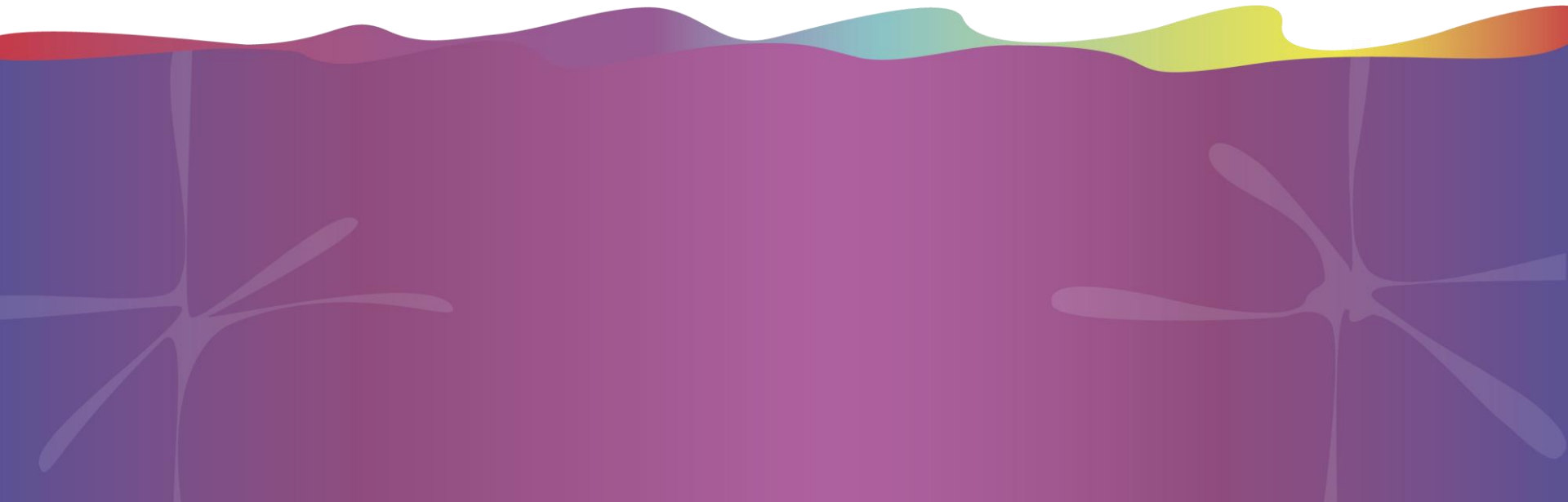
The background features a white upper half and a lower half dominated by a large, vibrant magenta area. A wavy, multi-colored horizon line separates the two, with shades of purple, teal, and yellow. Faint, stylized starburst or sunburst patterns are visible within the magenta field.

entrepreneurship

Investment philosophy is different

- Spend less: know the risks
- Turn equipment over faster: obsolescence is a strategy
- Alliances, joint investment, joint ventures
- Workflow and MIS investments are full-company commitments, not departmental ones

Digital printing dominates
new opportunities



Digital printing dominates

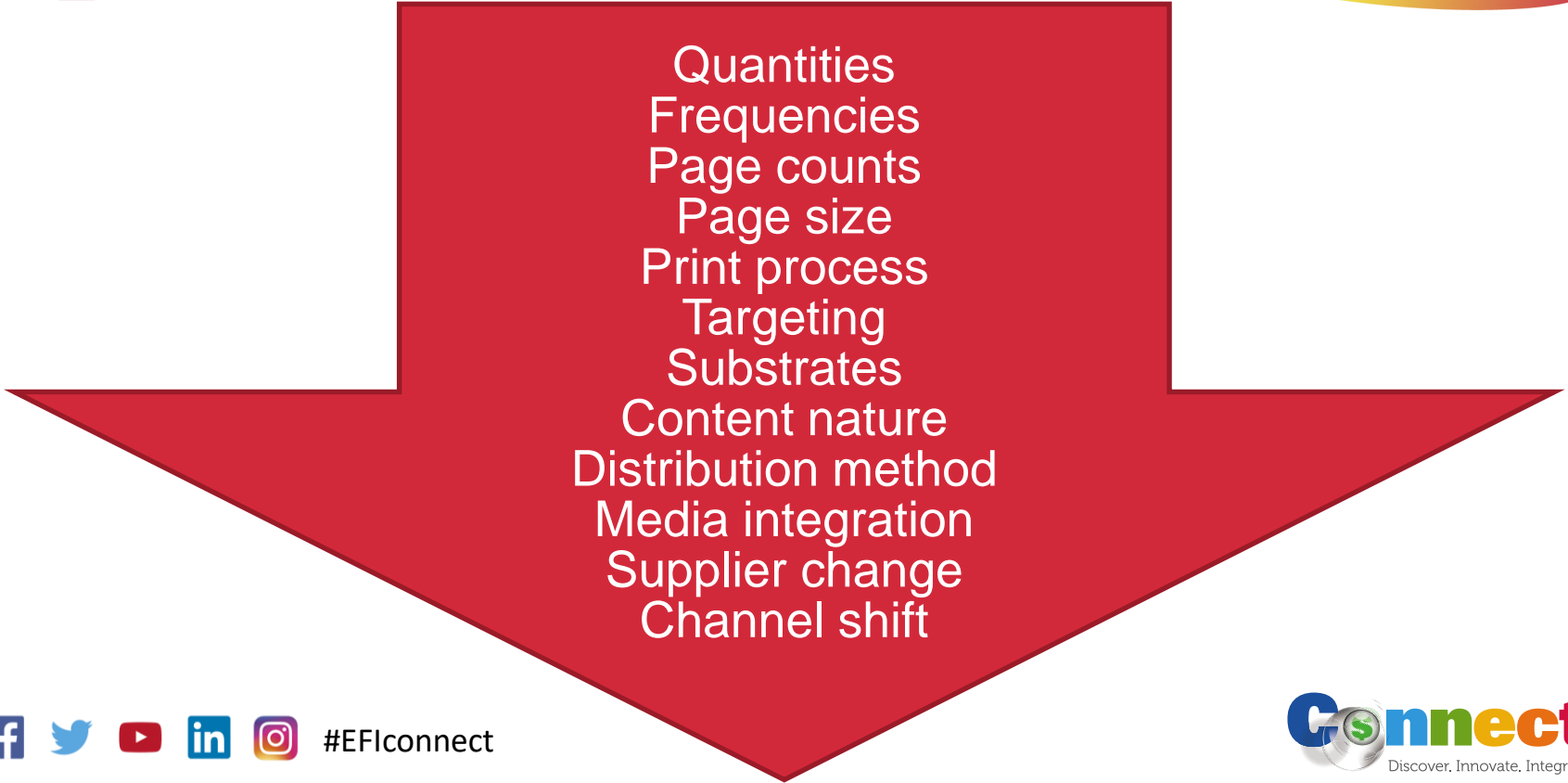
- Choices and capabilities are expanding
- Dramatic total and unit cost reductions are possible
- Data management is more than files, it's a commitment

The glue that holds it together...



- Workflow investment is critical for alliance and joint venture strategy
- Full-company MIS essential for better management, changing costs, flexibility

Digital printing provides flexibility



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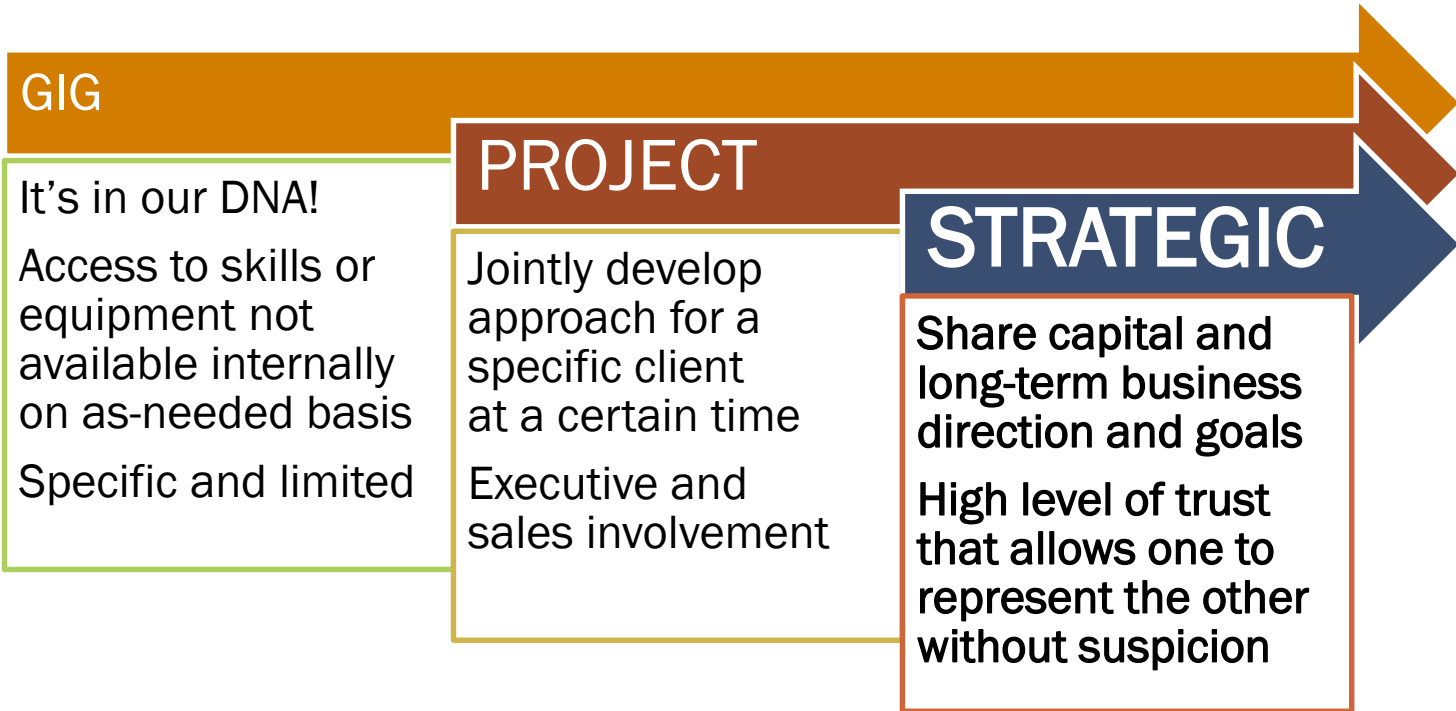
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The three horizons of alliances

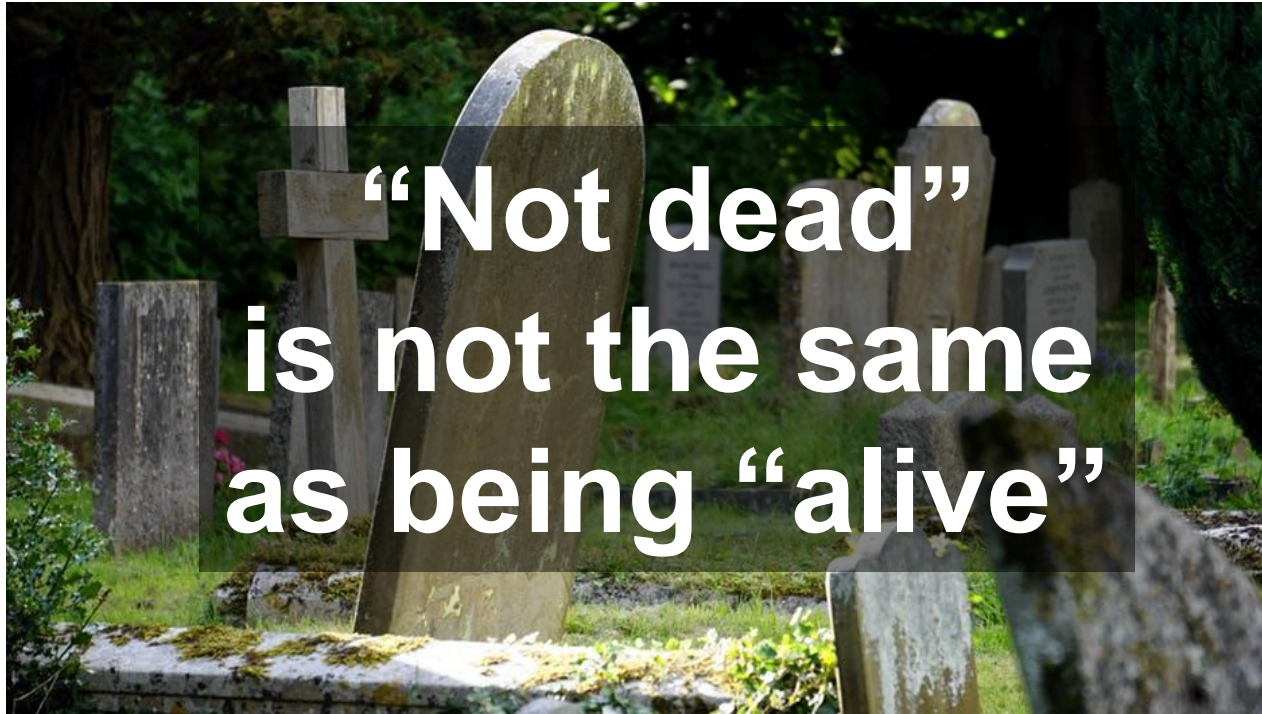


The three horizons of alliances



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“Print is not dead”... no one cares



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Print is... a baby



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The baby strategy...

- Industry history and experience are not relevant
- Learn by listening and watching
- Teach by good example
- Design specific experiences and benefits
- Judge progress by context
- Create a family

Bottom line factor

Purpose,
not process



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The “newness” opportunity

THE SLATE
*is cleaner
than you suspect*



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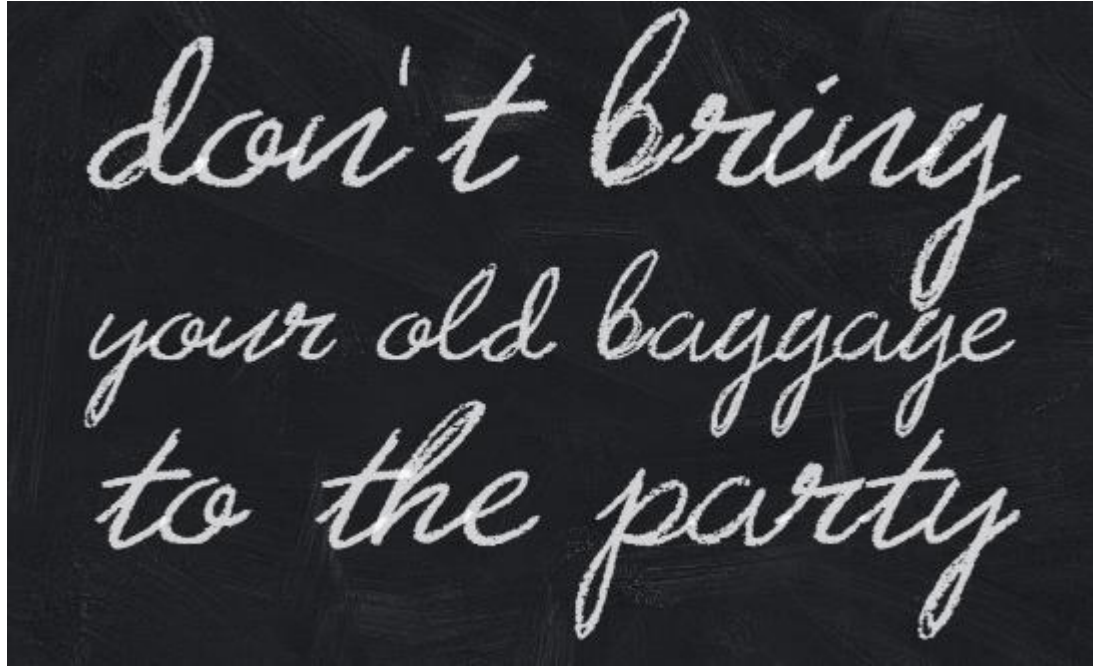


The “newness” opportunity

- Fix the experience disparity, especially in sales and marketing
- Immersion in communications culture
- Earn digital media practitioner credibility



Print is a blank slate to communicators



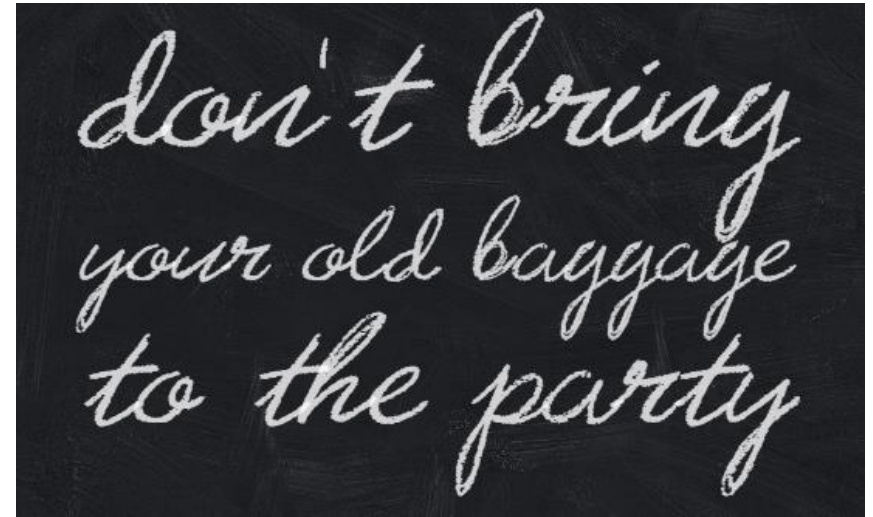
don't bring
your old baggage
to the party



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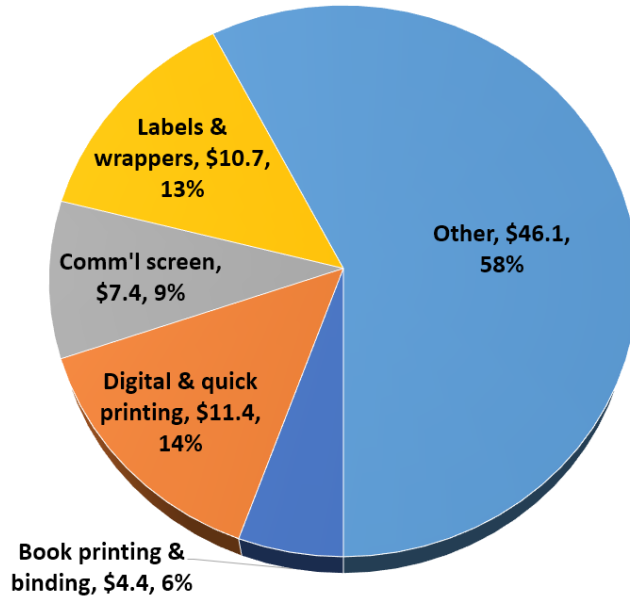
Print is a blank slate to communicators

- Print *IS* intimidating
 - Dig in as an expert
- Print is measurable if you make it so
 - Know project and overall objectives
 - Enhance digital initiatives

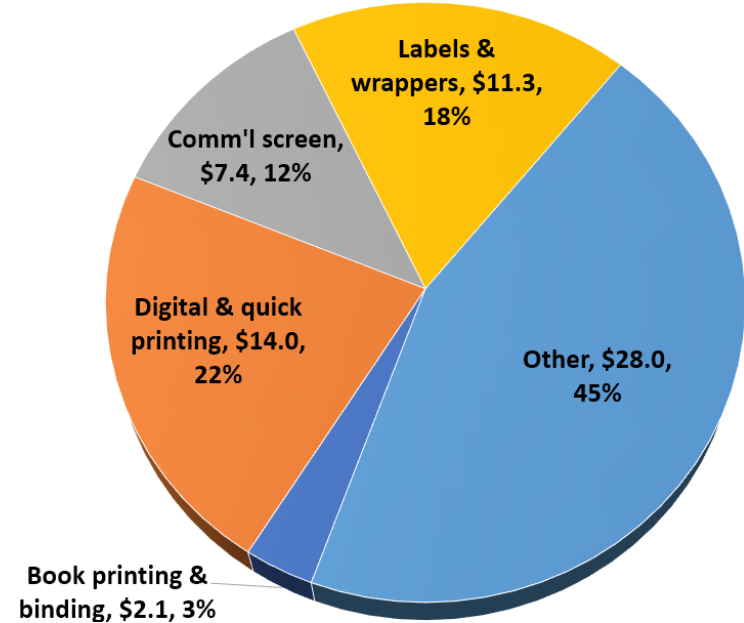


Forecast: commercial printing & specialties

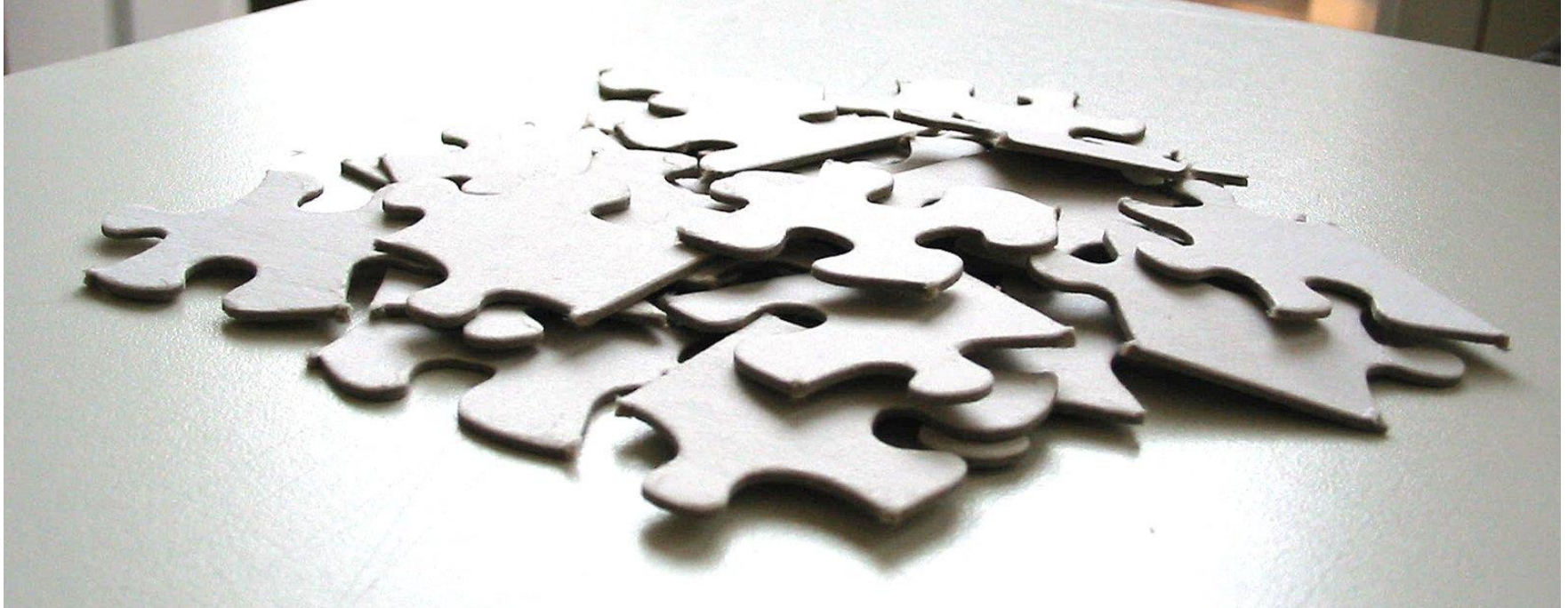
2016: \$80B



2022: \$63B



Commercial printing will “disappear”



Commercial printing will “disappear”

- Digital printing changes industry structure
- Virtually no government industry data reporting; specialties will be “too small” for Census budget
- In-line printing + manufacturing will broaden its base across many markets as tech improves
- “Industrial printing” on goods and non-paper substrates: great strides ahead

Specialty applications and markets



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Specialty applications and markets

- Many opportunities arise from technology and circumstance
- Avoid the fixed cost nightmare of small orders
- Seek out new competitors, threats, opportunities
- Use alliances and joint ventures to manage...
 - Skill shortages and access to distinct expertise
 - Capital scarcity
 - Obsolescence risks
 - Transition risks



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Bottom line: client business outcomes



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Tying it together...



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Tying it together...

- In 10 years we saw tablets, smartphones, and social media
- Today, free broadband, video everywhere
- We all have “adapt amnesia”
- Print is new to today’s communicators, and it needs to become alive to them
- Rampant management paradoxes



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Is a bright golden age of imaging
and print entrepreneurship ahead?



Entrepreneurship... there is no choice

- Seek for the problems in the marketplace
 - Hire curious people with creation and idea experience
- When something don't make sense, that's an opportunity for development and differentiation
- What is the bigger risk?
 - Doing nothing?
 - Doing something?
- Entrepreneurship is forward-looking and seeks to create opportunities for others



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When the industry is going great,
everyone thinks they're a genius

When it's not,
it really helps to be one

Thank you very much

Q&A