Executive Summary

SGIA conducted its second quarter industry survey in May 2019. The goal of the survey was to look at the industry's financial performance. A total of 443 respondents participated in the survey. The following report is based on the responses of 123 graphic and sign producers.

The vast majority are U.S. companies (80.5%) while 10.6% are international and 8.9% are based in Canada. With about half of the companies (41.5%) serving more than one segment, the most frequently mentioned additional segment served was commercial printing. About one out of three respondents is an in-plant printer. The respondents tend to serve either businesses only (B2B) (45.5%) or both businesses and consumers (B2B and B2C) (39.8%), and only 4.9% are B2C companies. The majority work on the local (73.2%) and regional (68.3%) levels. While two out of three printers (60.2%) have been in business for at least 20 years, there are new companies as well, with 18.7% having been in business for a decade or less. More than half of the companies (53.7%) are small, with 20 employees or fewer.

Digital technology is used to a varied extent by at least three out of four printers (78.1%). Finishing services and the exchange of production and post-production services among the printers are very popular, as the majority of participants offer them. Capacity utilization is more than 50% for 75.2% of the respondents.

Two out of three printers had sales increase during the current year, with the median of 10.5%, and 70.5% expect their sales to increase in the future. Marketing more effectively, favorable economy and new products and services were mentioned the most as the reasons behind the positive sales expectations. On the profitability side, the number of companies with current profit margin increases is lower than was reported for sales — about every second company (47.9%) had profit increase and slightly more (53.1%) expect their profits to increase. However, the percentage of those with declining profits is getting smaller when comparing current and expected profits. Sales growth (72.5%) was stated as one of the main reasons for the expected increase in profits, but 60.8% believe in cost reduction and higher efficiency in operations while 58.8% attribute an expected increase to capturing more profitable work.

The main obstacles to increasing profitability are costs: rising wages (53.2%), rising costs for health care benefits (40.4%), shortage of skilled labor (40.4%), and materials and supplies costs (47.9%). On the credit terms side, the number of days of sales outstanding is 30 days or more for at least half of the companies (61.5%) and the average is 36.7 days. Sales outstanding terms are getting shorter for 17.7% of the companies, and staying the same for 58.8%.

The financial ratios for the high-profit companies are higher for valued added, profit and EBIT as percentages of sales, and they have higher sales and value added per employee. How do they overcome the obstacles to higher profitability? If we compare the high- and low-profit companies, will their strategies differ? Based on the responses received, high-profit companies focus more on the labor side, while low-profit companies focus on production, but these are preliminary findings that need to be explored further.