



State of the Decorated Apparel Industry | Fall 2023/Winter 2024

EXECUTIVE SUMMARY



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FALL 2023/WINTER 2024

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Executive Summary

PRINTING United Alliance's State of Decorated Apparel (SODA) Survey Fall 2023/Winter 2024 presents an overview of the findings from 69 companies in the decorated apparel industry.

The survey explores various critical business aspects, including trends encompassing sales, operating costs, prices, and profitability, as well as economic performance in 2023 and outlooks for 2024. Additionally, it examines capital investment plans and objectives, credit conditions, biggest concerns, and pivotal actions identified within the industry. It also shares lessons learned from recent market disruptions and emphasizes essential strategies. The survey emphasizes imperatives such as exploring AI for small businesses.

PRINTING United Alliance members can download the *State of Decorated Apparel Report, Fall 2023/Winter 2024* from [here](#).



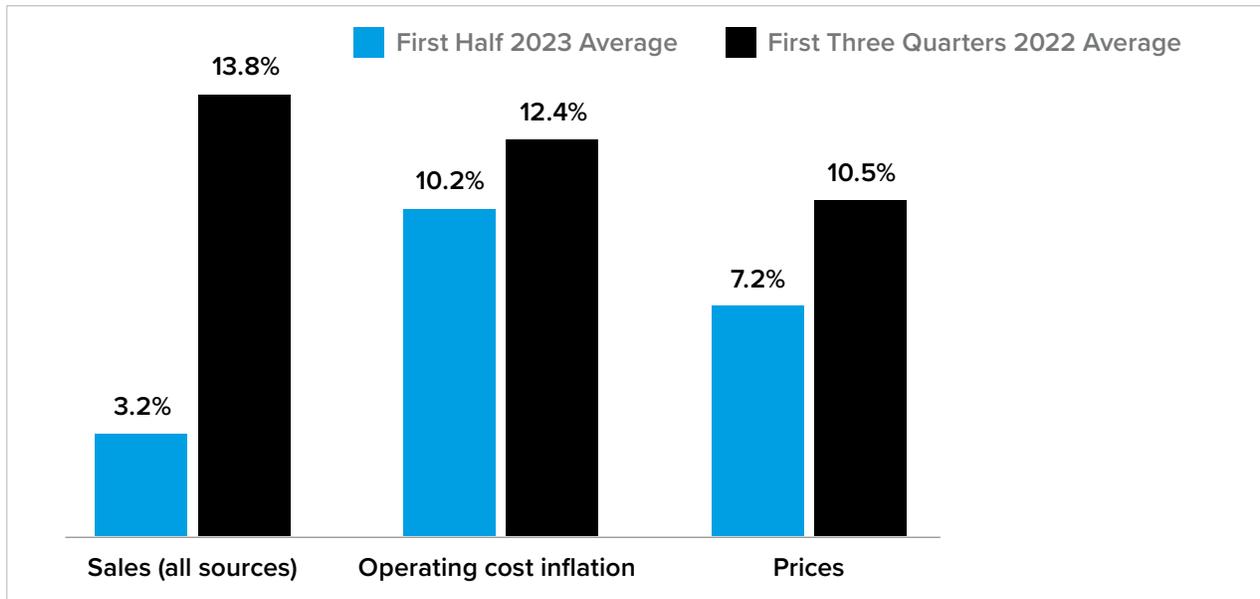
Kornit Digital (NASDAQ: KRNT) is a worldwide market leader in sustainable, on-demand, digital fashion and textile production technologies. The company is writing the operating system for fashion with end-to-end solutions including digital printing systems, inks, consumables, and an entire global ecosystem that manages workflows and fulfillment. Headquartered in Israel with offices in the USA, Europe, and Asia Pacific, Kornit Digital serves customers in more than 100 countries and states worldwide. To learn more about how Kornit Digital is boldly transforming the world of fashion and textiles, visit www.kornit.com.

Sample Findings

A significant slowdown is evident, with companies reporting only a 3.2% average increase in sales growth through midyear 2023, significantly lower than the 13.8% gain observed in the first three quarters of 2022 (Figure 1). Although operating cost inflation moderated, it exceeded price increases, putting pressure on profit margins. Participants in the SODA initiative expressed significant concerns about the likelihood of these challenges persisting. The full report also extensively analyzes changes in the key business indicators compared to 2022.

Figure 1: Key Business Indicators

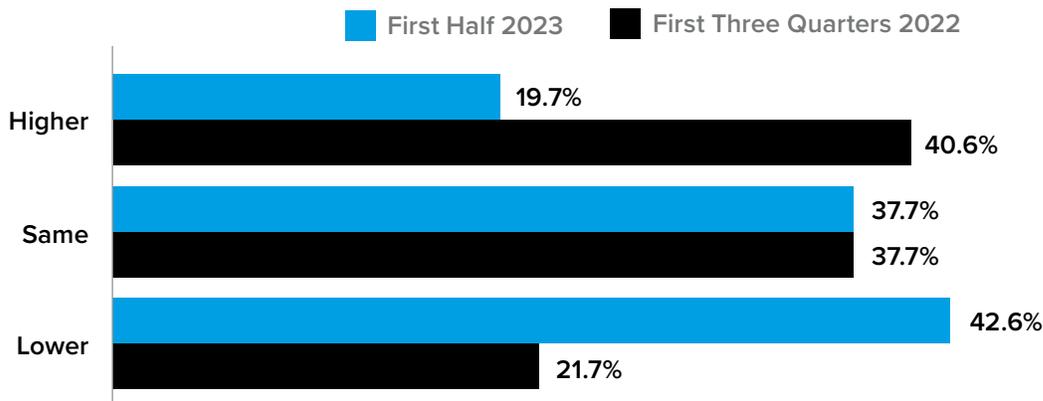
How sales (all sources), operating cost inflation, and prices compared with year-earlier levels for SODA participants.



Margin erosion is visible among participants due to cost inflation exceeding price increases, resulting in a decline in pre-tax profitability. Only 19.7% reported an increase in the first half of 2023, marking a notable decline from the 40.6% observed during the first three quarters of 2022. Notably, 42.6% of participants reported a decrease in profitability during this period, underscoring the significant impact of margin erosion (Figure 2). The full report also investigates whether SODA participants are being affected by tighter credit condition/elevated interest rates and how units per order have trended over the last 12 months.

Figure 2: Pre-Tax Profitability Trends

How pre-tax profitability (pre-tax profits as a percent of sales) compared to year-earlier levels for SODA participants. Data for the first three quarters of 2022 are from the State of Decorated Apparel Survey, Fall 2022

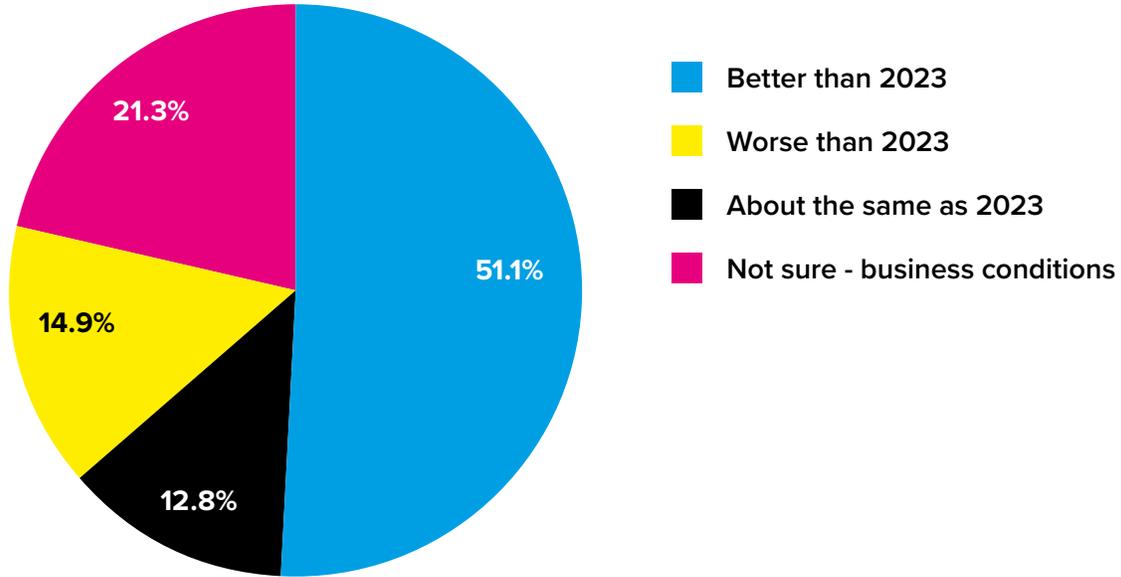


2024 Outlook

Among participants, the 2024 outlook is optimistic, with slightly over half (51%) expecting improved business conditions compared to 2023. Conversely, 13% anticipate conditions to remain stable, while 15% foresee a decline. Notably, 21% express uncertainty about future conditions (Figure 3), underscoring varied expectations within the apparel decoration community. The report also details expected business activities to boost profitability in 2024.

Figure 3: Expected Business Conditions for 2024

Q: It's early and there is a lot of uncertainty, but what are your initial expectations for business conditions in 2024?



Capital Investment Plans

SODA participants have diverse expectations regarding business investments for the next 12 months. Half anticipate investments, 30.4% foresee none, and 19.6% are uncertain. The average expected capital investment rate is 3.8%. The report analyzes expected investment rates, reasons for not planning to invest, and more.

The survey also reveals diverse investment interests among apparel decorators, with e-commerce solutions (44.4%), heat press equipment (42.2%), and direct-to-film transfer (37.8%) being most favored (Figure 4). The report explores investment hesitations, including economic uncertainty and financial constraints. It also analyzes capital investment objectives, emphasizing improving production speed, automating operations, and expanding into new markets as key priorities.

Figure 4: Most Desired Investments

Q: Which capital investments would you most like to make over the next 12 months? Five most frequent responses.

Investment	Percentage
E-commerce solutions	44.4%
Heat press equipment	42.2%
Direct-to-film transfer	37.8%
Workflow software	33.3%
Management integration systems (MIS, ERP, CRM, etc.)	31.1%

Finally, the report also shares what SODA participants have learned from recent market disruptions and actions they are taking in response. Actions to help apparel decorators build a sustainable competitive advantage include embracing artificial intelligence, practicing getting things done methods and understanding the difference between customers who are completely satisfied and customers who are just satisfied.



WHO WE ARE

PRINTING United Alliance is the most comprehensive member-based printing and graphic arts association in the United States, comprised of the vast communities which it represents. The Alliance serves industry professionals across market segments with preeminent education, training, workshops, events, research, government and legislative representation, safety, and environmental sustainability guidance, as well as resources from the leading media company in the industry – NAPCO Media. Now a division of PRINTING United Alliance, Idealliance is the global leader in standards training and certification for printing and graphic arts operations across the entire industry supply chain.

PRINTING United Alliance also produces the PRINTING United Expo (Sept. 10-12, 2024, Las Vegas, the most influential days in printing. The expansive display of technology and supplies, education, programming, and services are showcased to the industry at large, and represents all market segments in one easily accessed place.

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