



Print Business Outlook Series

COMMERCIAL PRINTING EXECUTIVE SUMMARY



Sponsored by Canon U.S.A., Inc. **Canon**

Produced by the PRINTING United Alliance and NAPCO Research for its members.

FALL 2023

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Visit: <https://www.printing.org/library/business-excellence/economics-forecasting/industry-reports>

If you have any questions, please contact researchteam@printing.org.

The Canon logo is displayed in a bold, red, sans-serif font. It is positioned on the left side of the page, below a thin blue horizontal line. The logo is set against a white background with a subtle, light-colored grid pattern.

Canon U.S.A., Inc. is a leader in digital imaging and printing solutions with one of the broadest portfolios in the industry, offering solutions such as digital presses, production ink-jet presses, wide-format printers, workflow solutions, and professional services. With approximately \$30.6 billion in global revenue, its parent company, Canon Inc. (NYSE:CAJ), as of 2021 has ranked in the top five overall in U.S. patents granted for 36 consecutive years and was one of Fortune magazine's World's Most Admired Companies in 2022. Canon U.S.A. is dedicated to its Kyosei philosophy of social and environmental responsibility.

Executive Summary

The PRINTING United Alliance *Commercial Printing Report, Fall 2023* summarizes the results of 106 commercial printing companies that participated in our midyear State of the Industry Survey. These companies, with sales ranging from less than \$500,000 to more than \$200 million annually, exhibit diverse product portfolios, and a noteworthy 70.2% have diversified beyond commercial printing into sectors such as wide-format graphics, packaging printing/converting, and apparel decoration.

The report provides information about how sales were in mid-2023, what worries commercial printing companies, which products are expected to do well through 2025, and important signs for the future. It highlights the pivotal role of artificial intelligence in maximizing productivity, strengthening mission-critical functions, and supporting superior decision making companywide. Moreover, it delineates methods for profitable diversification, advocating a meticulous evaluation of available options.

PRINTING United Alliance members can download *Commercial Printing Report, Fall 2023* [here](#).

SAMPLE FINDINGS:

During the first half of 2023 commercial printing firms encountered reduced demand and higher expenses, resulting in a deceleration of sales growth from the prior year. With inflation moderating but resistance to price hikes rising, margins were squeezed. Figure 1 indicates a significant slowdown in business activity. Average sales growth dropped to 1.9% from 16.7%, with a decrease in companies reporting growth and an increase in those reporting decline. Operating cost inflation moderated to 4.6%, impacting price increases. Real sales declined by 2.3%, in contrast with growth in the previous year.

Figure 1: Key Business Indicators, First Half 2023 and Full-Year 2022

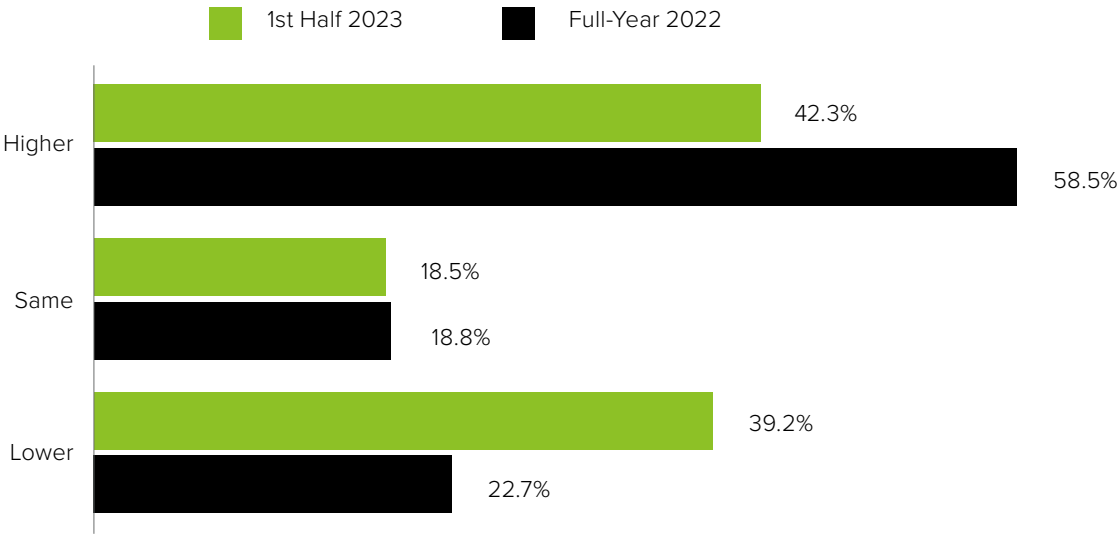
How sales (all sources), operating cost inflation, prices, and real (inflation-adjusted) sales compared with year-earlier levels for SOI participants whose primary business is commercial printing.



Margins faced heightened pressure. As Figure 2 shows, fewer participants in our research – 42.3%, down from 58.5% – observed increasing profitability during the first half of 2023, while more – 39.2%, up from 22.7% – reported a decrease in profitability.

Figure 2: Pre-Tax Profitability Trends, First Half 2023 and Full-Year 2022

Q: How does your pre-tax profitability compare with year-earlier profitability? Responses are for the periods indicated.



What concerns commercial printers most. Rising labor costs, maintaining sales growth, and securing profitability top the list, mirroring their long-standing concerns. About 13.0% expresses substantial worries about material shortages, indicating notable enhancement in supply chains (Figure 3).

Figure 3: Biggest Concerns

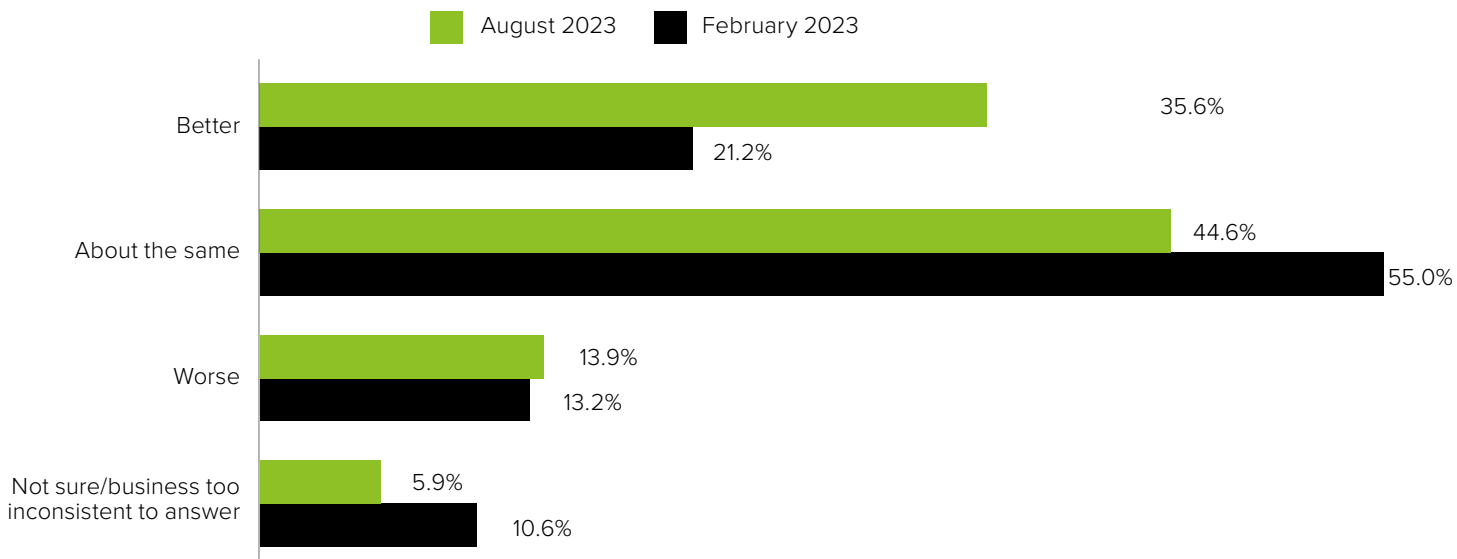
Q: What concerns you most as we move deeper into the second half of 2023?

	Significant Concern	Moderate Concern	Minor/Not a Concern
Rising labor costs	53.3%	25.8%	20.8%
Increasing sales	51.7%	25.8%	22.5%
Maintaining profitability	50.8%	26.2%	23.0%
Labor shortages	42.3%	23.6%	34.1%
Rising transportation costs	41.5%	26.0%	32.5%
Losing clients to print alternatives	40.7%	25.2%	34.1%
Rising energy costs	39.0%	26.0%	35.0%
Maintaining productivity	30.9%	27.6%	41.5%
Rising substrate costs	29.3%	35.8%	35.0%
Rising ink/toner costs	26.0%	22.8%	51.2%
Maintaining healthy cash/working capital balances	24.8%	29.8%	45.5%
Material shortages/inability to acquire materials needed	13.1%	32.0%	54.9%

Confidence increases. Nearly 36.0% of surveyed commercial printers anticipate better business conditions in the next three months, up sharply from a mere 21.2% last winter. The predominant reason behind this is diminished concern that the economy will fall into recession. Conversely, 44.6% foresee unaltered conditions, while 13.9% expect deterioration, and 5.9% grapple with uncertainty due to erratic business patterns (Figure 4).

Figure 4: Expectations for Business Conditions

Q: Apart from seasonal variation, how do you expect business conditions over the next three months to compare to current conditions.



Direct mail expected to grow fastest over the 2023-2025 period. Our research panel analyzed around 50 different printed products, providing average annual expected change in sales from 2023 to 2025 as well as the average projected change over the entire three-year period compounded annually. Direct mail is expected to grow fastest, averaging 3.3%-5.1% annually and 10.1%-16.0% over the three-year period. Labels/decals/tags and retail graphics/POP displays follow.

AI integration is a priority, with a quarter of commercial printers surveyed already incorporating it and many planning to do so within the next year. Leveraging AI effectively involves identifying priorities, evaluating applications, and training employees to harness its benefits and avoid its pitfalls.

The *Commercial Printing Report, Fall 2023* also advocates for productivity evaluation using real sales per hour and smart diversification through rigorous analysis using tools like Cagan’s Opportunity Assessment, Lean Canvas, and Product Opportunity Evaluation Matrix.