

State of the Industry Update
Second Quarter 2023
EXECUTIVE SUMMARY



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

SEPTEMBER 2023

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Executive Summary

The PRINTING United Alliance *State of the Industry Update, Second Quarter 2023* is based on a survey of 206 companies from across the printing industry. Participants include commercial printers, graphic and sign (wide-format) producers, apparel decorators, package printers/converters, and functional printers. Annual sales range from less than \$500,000 to more than \$500 million.

Topics include how sales, cost inflation, prices, and pre-tax profitability are trending, factors affecting profitability, expectations for major printed products, and artificial intelligence fundamentals for small businesses.

PRINTING United Alliance members can download the *State of the Industry Update, Second Quarter 2023* [here](#).



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.

SAMPLE FINDINGS

The slowdown that started in early 2023 continued through midyear. Among State of the Industry (SOI) participants, sales growth slowed on average to 2.6% from 12.8% during full-year 2022 and real (inflation-adjusted) sales declined by 1.6% after growing 1.9% the previous year. The percentage of companies reporting sales growth dropped to 44.3% from 79.2% of our sample, while the percentage reporting real sales growth decreased to 37.6% from 55.7%. This significant slowdown highlights the challenging economic environment (Figure 1).

Figure 1: Sales, First Half 2023, and Full-Year 2022

How sales (all sources) and real (inflation-adjusted) sales compared with year-earlier levels for SOI participants.

Indicator	Period	Average Change	Compared to Year Earlier		
			Higher	Same	Lower
Sales (all sources)	1st Half 2023	2.6%	44.3%	22.2%	34.5%
	FY 2022	12.8%	79.2%	11.8%	8.9%
Real (inflation-adjusted) sales	1st Half 2023	-1.6%	37.6%	10.8%	51.6%
	FY 2022	1.9%	55.7%	10.2%	34.1%

While cost inflation has eased, there has been a rise in resistance to price hikes. Operating cost inflation, averaging 5.5%, outpaced price increases, which averaged 4.2%. This increased cost pressure resulted in greater pressure on profitability (Figure 2).

Figure 2: Operating Cost Inflation and Prices, First Half 2023, and Full-Year 2022

How operating cost inflation and prices compared with year-earlier levels for SOI participants.

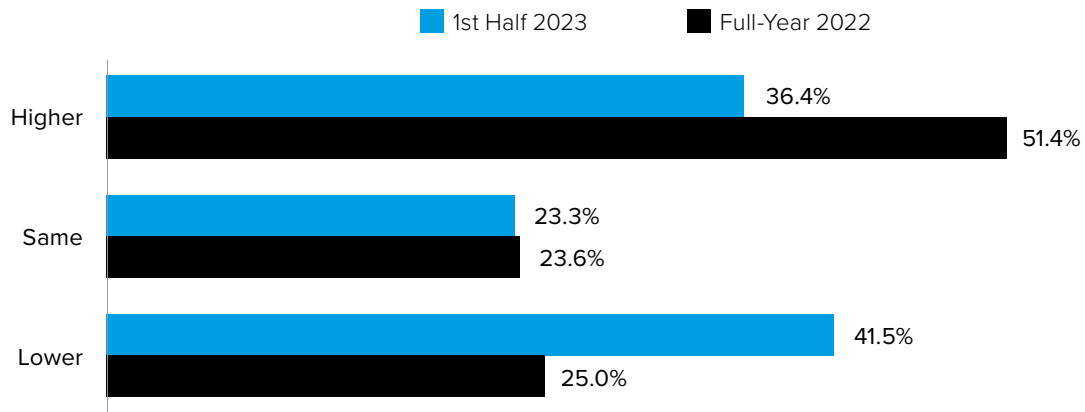
Indicator	Period	Average Change	Compared to Year Earlier		
			Higher	Same	Lower
Operating cost inflation	1st Half 2023	5.5%	80.0%	20.0%	0.0%
	FY 2022	11.1%	88.4%	11.6%	0.0%
Prices	1st Half 2023	4.2%	64.4%	29.8%	5.8%
	FY 2022	11.4%	89.5%	9.8%	0.7%

Margins tend to follow the trajectory of real sales. As depicted in Figure 3, pre-tax profitability increased for only 36.4% of SOI participants through June, a decrease from 51.4% in the full-year 2022, while pre-tax profitability decreased for 41.5%, higher than 25.0% of the previous year.

Key factors impacting profitability include persistent cost inflation, resistance to price hikes from customers, and major clients' cautious approach to the economy. SOI participants are responding with strategies such as capital investment, automation, diversification, and rejecting low-margin pricing.

Figure 3: Pre-Tax Profitability Trends, First Half 2023, and Full-Year 2022

How SOI participants responded to this question: How does your pre-tax profitability compare with year-earlier profitability? Responses are for the periods indicated.



The printed products outlook appears promising, with many SOI participants anticipating growth in sales over the next three years. They shared valuable insights, frequently highlighting how their printed products have demonstrated resilience and adaptability when confronting economic downturns and electronic competition. To quantify these expectations, our research panel projected sales of major printed products over the next three years, recognizing the inherent year-to-year market variations and the uncertainties of long-range forecasting. For every product included in our research, forecasts vary significantly around average. For example, products with the highest anticipated sales growth over the next three years include T-shirt decoration (5.7%-8.6% per year), banners/soft signage/flags (4.5%-6.7% per year), and direct mail (3.5%-5.5% per year), indicating market opportunities in these segments (Figure 4).

Figure 4: Product Market Outlook 2023-2025

How SOI participants expect sales of their major printed products to perform over the next three years. Expected 3-year growth is compounded annually.

Printed Product (number forecasting)	Projected Percent Change	
	Average Annual 2023-2025	3-Year
T-Shirts (224)	5.7% - 8.6%	18.1% - 27.9%
Banners/Soft Signage/Flags (108)	4.5% - 6.7%	14.0% - 21.6%
Direct Mail (137)	3.5% - 5.5%	10.9% - 17.3%

Furthermore, printing companies are dealing with a complicated and uncertain environment, which requires companies to be prepared. In this sense, organizations need tools that let them develop and keep track of the strategy and make sure that the organization’s goals are met. For example, SOI participants shared that AI improves efficiency, reduces costs, and enables businesses to offer more customized and innovative solutions, meeting evolving market demands and increasing competitiveness. Nearly one-quarter (23.4%) have already incorporated artificial intelligence (AI) into their operations, and an additional 28.2% plan to do so within the next year.

Moreover, measuring business performance with the Objective and Key Results (OKRs) model can provide several benefits for the printing industry, which often requires precision, efficiency, and adaptability to thrive in a competitive market.

Concerning the economy, expect GDP to grow modestly – at best – over next 12-18 months as the full effects of sharply higher interest rates and oil prices work through the economy. But whether or not the current slowdown degenerates into a full-fledged recession, it will continue to deeply affect the printing industry, creating winners who move aggressively to capture market share and talent and losers who retreat into survival mode, waiting for the economy to turn up and interest rates to turn down.

JOIN OUR PANEL!

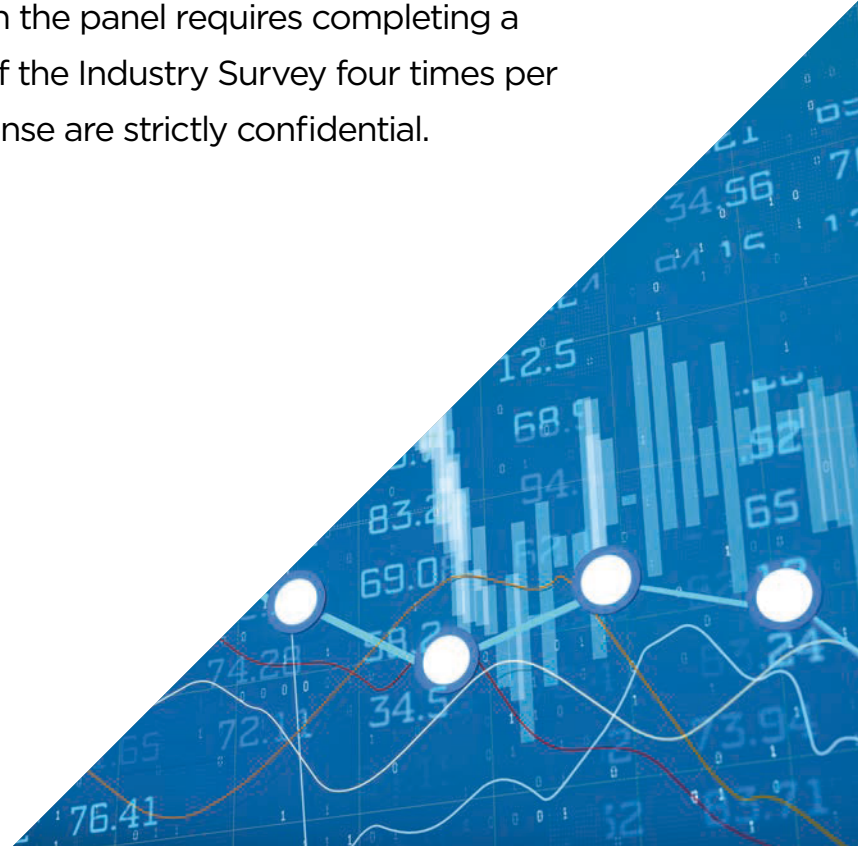
Members of the State of the Industry Panel have access to proprietary reports on the printing industry's performance, prospects, critical issues and defining trends and on how to make those issues and trends an opportunity rather than a threat.

Participation in the panel requires completing a 10-minute State of the Industry Survey four times per year. All survey response are strictly confidential.

Follow the link below to
join our business panel:

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WHO WE ARE

PRINTING United Alliance is the new entity born of the merger between Specialty Graphic Imaging Association (SGIA) and Printing Industries of America (PIA). Marking a milestone in the printing industry, SGIA and PIA officially combined in 2020 to create the largest, most comprehensive member-based printing and graphic arts association in the United States.

Members have unparalleled access to 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. For PRINTING United Alliance membership inquiries, visit printing.org.

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