

“Printing in Australian Businesses, 2009-2011” - A market report.

- Total business printing market valued at \$6 billion
- Market to contract in 2009
- Transitional shift to in-house printing
- Healthy growth in digital printing
- Managed print services set to escalate

In 2008 businesses spent \$6.07 billion on printing - of which \$3.05 billion comprised outsourced printing (via professional print providers) and \$3.02 was spent on in-house printing products (paper, cartridges and equipment).

Market conditions

The effects of the global financial crisis are currently causing the most significant contraction in the printing market for more than a decade. For the next year we expect market conditions will be dominated by weak demand, tight margins, low investment, heightened competition and price conscious customers. A less noticeable but important and enduring medium term trend is the continued evolutionary shift from outsourced to in-house printing (where businesses self-print on their own equipment).

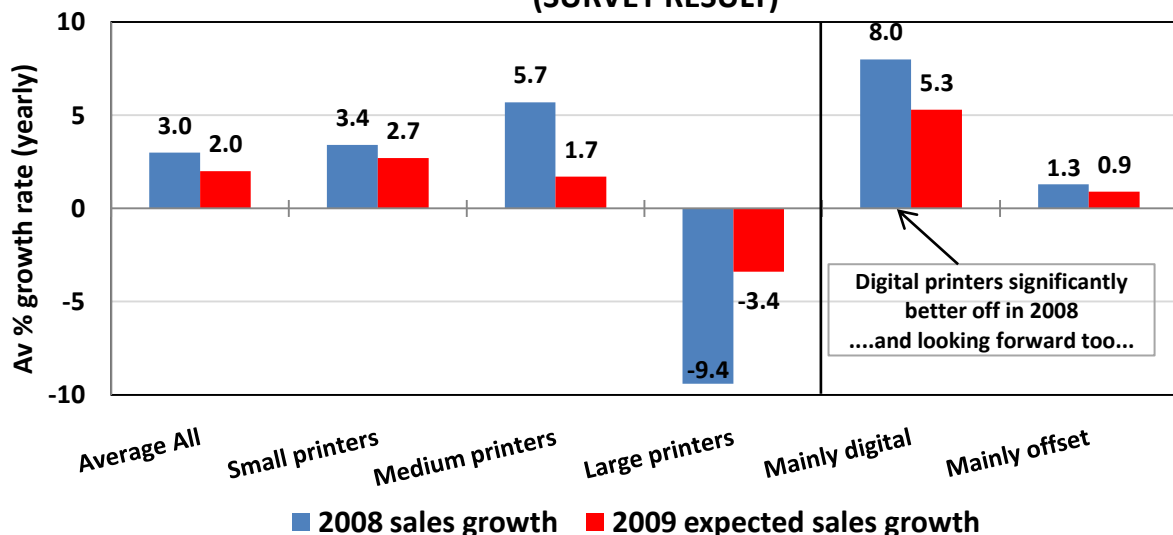
Growth

We expect total market growth of -3.7% in 2009 (calendar year) as the business sector contracts. This will improve slightly to an estimated -0.5% in 2010 before returning to a more normal ‘trend’ rate of 3.8% in 2011.

Print providers are enduring a recessed market that has deteriorated over the course of 2008 and into 2009. The average sales growth across 100 surveyed printers was 3.0% for 2008 and an expected 2.0% in 2009 (see chart). Printers who were mainly digital (ie >50% of their turnover) are growing at around six times the rate of growth of offset printers (ie 8% v 1.3% in 2008).

Note we believe the growth rates from our survey are *better* than those for the total market. The reality is demand in 2009 is contracting and we are forecasting -3% outsourced print growth this year. While offset printers have struggled significantly, digital printers have been cushioned from conditions by a shift to shorter print runs and compressed lead times.

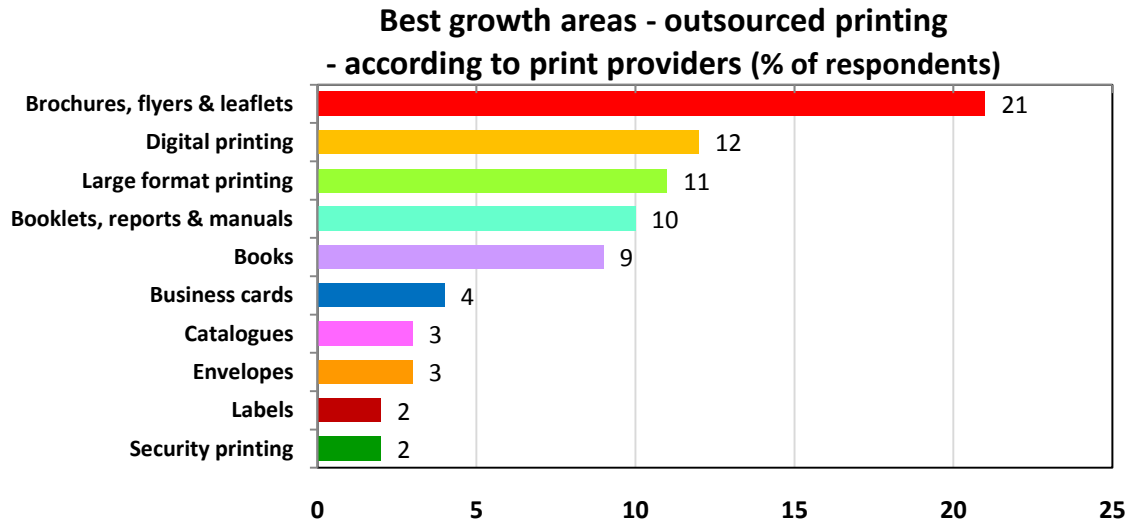
Printers' 2008 sales growth and expected 2009 growth (% pa)
(SURVEY RESULT)



High growth areas

Based on our survey the best areas of growth include;

- Short run digital printing,
- Brochures, flyers and leaflets (promotional media),
- Large format printing,
- Variable printing – including ‘transpromotional,’
- Environmentally-friendly products,
- Managed print services (in-house printing),
- ‘Value’ versions of any products (eg non-OEM cartridges).



Strongest brands of digital equipment/printers

Based on our survey of businesses and print providers, the following were the strongest overall equipment brands (in order) for each of the relevant sectors.

In-house printing equipment – laser & inkjet	Digital print equipment - held by print providers
1. HP (Hewlett-Packard)	1. Fuji Xerox
2. Canon	2. Konica Minolta
3. Brother	3. Canon
4. Epson	4. HP (Hewlett-Packard)
5. Fuji Xerox	

Print providers

The largest print provider, under our market definition is Blue Star Print Group with a 12% market share. The top 10 operators account for 57% of the market, while 33% is held by 3,000 small independents and the rest (10%) is shared amongst a small group of mid-sized players.

Quick printers; Kwik Kopy (78%) and Snap Printing (74%) recorded the highest levels of consumer awareness amongst 775 surveyed businesses. However in terms of actual usage, Snap Printing had the highest responses with 36% of all businesses having used them at some stage, followed by Printworks (32%) and then Kwik Kopy (30%).

Dealers/resellers (of in-house print products)

Corporate Express and Officeworks are clearly the two largest dealers in this sector, commanding an estimated 19% and 14% market share respectively.

An emerging trend has been the growing presence (and share) of the printer OEM's who directly supply businesses with equipment and cartridges. They are mostly servicing medium and large businesses as well as Government – often via managed print services (MPS). The strongest of these include Fuji Xerox, HP and Canon. This trend will grow significantly we believe in the coming years – driven by further penetration of MPS amongst businesses.

Outlook

The current market contraction is cyclical and conditions will return to normal in the next two years. However when they do, operators need to be aware the industry will continue to maintain a rapid rate of evolutionary transformation. The market-place is moving to one where printing (ink on paper) is just one of the competing and complementary methods of business communication. In this sense, successful operators of the future will provide a range of both print and non-print communication solutions.

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About the report.

The study is based on 885 interviews, with a combination of businesses and commercial print providers. An outline of the report is available on our website.

Penfold Research

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