



FESPA/InfoTrends World Wide Survey 3

Executive Summary

This is the third of the InfoTrends/FESPA World Wide Survey reports. This report provides detailed information on a variety of the wide format industry dynamics and trends. Respondents from 30 countries completed the survey in four languages and all of the responses were collected in February through March of 2010.

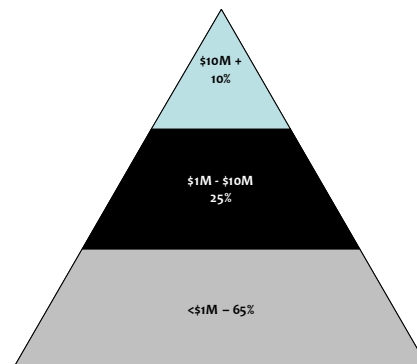
2009 may have been one of the worst years in the history of the wide format digital graphics market but the market is still valued at more than 50 billion Euro. The InfoTrends/FESPA first quarter economic survey indicated that the market declined by about 15% through the course of the year. With these kinds of returns, it is not surprising that more than 2/3rds of the respondents are looking for new market opportunities to try to return their businesses to growth patterns. Print service providers are turning to equipment and supplies manufacturers to provide tools and technologies to help them enter new markets and develop new opportunities.

The decline in overall wide format digital market value from the economic downturn impacted the wide format market acutely as marketing and advertising budgets were reduced. The data within this report, and a lot of InfoTrends other market data, suggests that there will be somewhat of a recovery in the wide format business, keyed by the importance of wide format graphics as an advertising medium that has the ability to provide cost-effective localized advertising content on an "on-demand" basis. InfoTrends continues to expect different geographical markets to grow at different rates, with faster growth coming from emerging markets such as Mexico and a slower recovery coming in areas such as the U.S. and Western Europe that are already highly penetrated with wide format digital equipment.

Wide format digital printing is a dynamic market space, with constantly evolving technologies, print service provider business models, and print buyer requirements. There are a wide variety of types of companies that offer wide format printing services, ranging from small retail print shops to multi-national commercial printing organizations.

The wide format digital printing market is characterized by an orientation around small companies, largely because of the relatively low barriers to market entry and low initial investment in equipment required to start up operations or to enter the market from another print-oriented background. 50% of the survey respondents are companies with 10 employees or fewer and 62% have less than \$1 million in annual sales.

World Wide Survey Respondents Mirror Industry Structure



The increase in competition in the wide format market is one of the most significant trends in the wide format digital printing market. The convergence of the traditional printing segments around the wide format market has resulted in more non-traditional suppliers entering the wide format market space. The benefit to this has been the expansion of new applications and value-added services that traditional wide format print service providers have developed to avoid continuous price competition. It is this need to innovate, to develop new ways to maximize customer investments that competitors in the wide format market must focus on.

Respondents reported that they get 35% of their revenue from wide format printing and that they expect, on average to get 43% of their revenue from wide format in 2 years. This finding confirms the expectation that all types of companies will grow their wide format digital printing business and reinforces the idea that companies in this market are generally very optimistic about their own growth. Wide format digital makes up a greater share of the revenue of smaller companies than it does bigger companies that are more invested in screen or offset equipment.

With the digital printing technologies, the wide format market continues to evolve, with a near constant shifting among the technologies in use. The World Wide survey data shows that respondents expect their use of Latex inkjet, Eco-solvent inkjet, and UV-curable inkjet to grow over the next two years with notable declines in the use of solvent inkjet and analog processes.

InfoTrends is seeing still strong expectations for investment in new wide format digital printing equipment and supplies. Almost 40% of respondents said they plan to buy a new printer in the next 12 months. At the same time, over 54% said they expect to spend more on wide format digital printing supplies than they did last year.

Banners, posters, and signs come up again and again as the leading wide format digital print applications. This is important because as companies consider entering the wide format market they can target those primary applications fairly readily – which makes it easier to compete in that market, increasing competition and depressing prices. Respondents reported that all of these applications are growing more than declining. There are some particularly strong applications such as POP displays, textiles, and signs where growth outweighs declines more strongly.

The trends in client demands all point to an increasing level of digital production of wide format graphics: an increase in demand for faster turnaround times, for just-in-time production, for shorter runs, for versioning/personalization, for web-to-print capability, and for integration with other printed collateral. InfoTrends believes that the economic downturn has accelerated many of these trends as companies are trying to both maximize the impact of advertising and minimize their costs related to storing and managing these materials. In short, print buyers don't want to pay for anything until they need it, and this has a ripple effect all the way through the supply chain in the wide format graphics market.

Just 3% of the respondents reported that they think “pure-play” screen printing is the best model from a print production standpoint in the future. Over 50% responded that they see digital printing as providing the greatest opportunity while 24% responded that a mix of both screen and digital printing will be the best path forward. InfoTrends agrees, and further endorses the 22% of the respondents that reported that they believe the best path forward is the evolution from print service provider to marketing service provider. Marketing services providers are a more value-added business model, driving revenue through print and fulfillment services that include data driven measurement and management services.

More information

If you are interested in receiving more information collected from the World Wide Survey 3, please FESPA at info@fespa.com or Tim Greene at tim_greene@infotrends.com.