

Welcome to Our Breakfast

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WhatTheyThink?

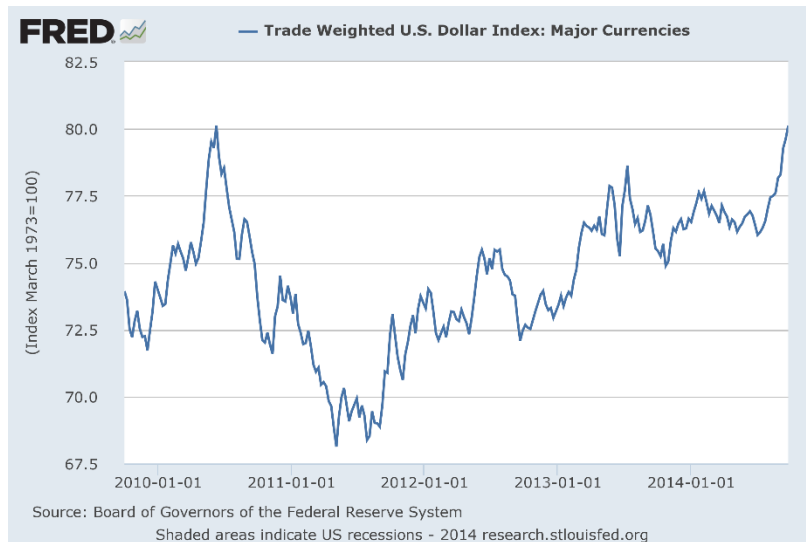
- 8:00 Breakfast is served
- 8:25 Special drawings
- 8:30 Opening comments
- 8:35 Dr. Joe's presentation
- 9:40 One minute break to get
to the show floor
- 9:41 Q&A
- 9:55 Final question
- 10:30 Booksigning at Veritiv /
WhatTheyThink booth 1272

Today's Agenda

- Economic conditions and forecasts
- Mid-term elections and the economic outlook
- The new challenge to print and printers: engaging the automated and analytic communications marketplace
- Print shipment forecasts and the unseen restructuring of the marketplace
- Hidden and emerging challenges to print business management
- This Point Forward: An executive overview of a new book by Dr. Joe Webb and Richard Romano

Value of the dollar

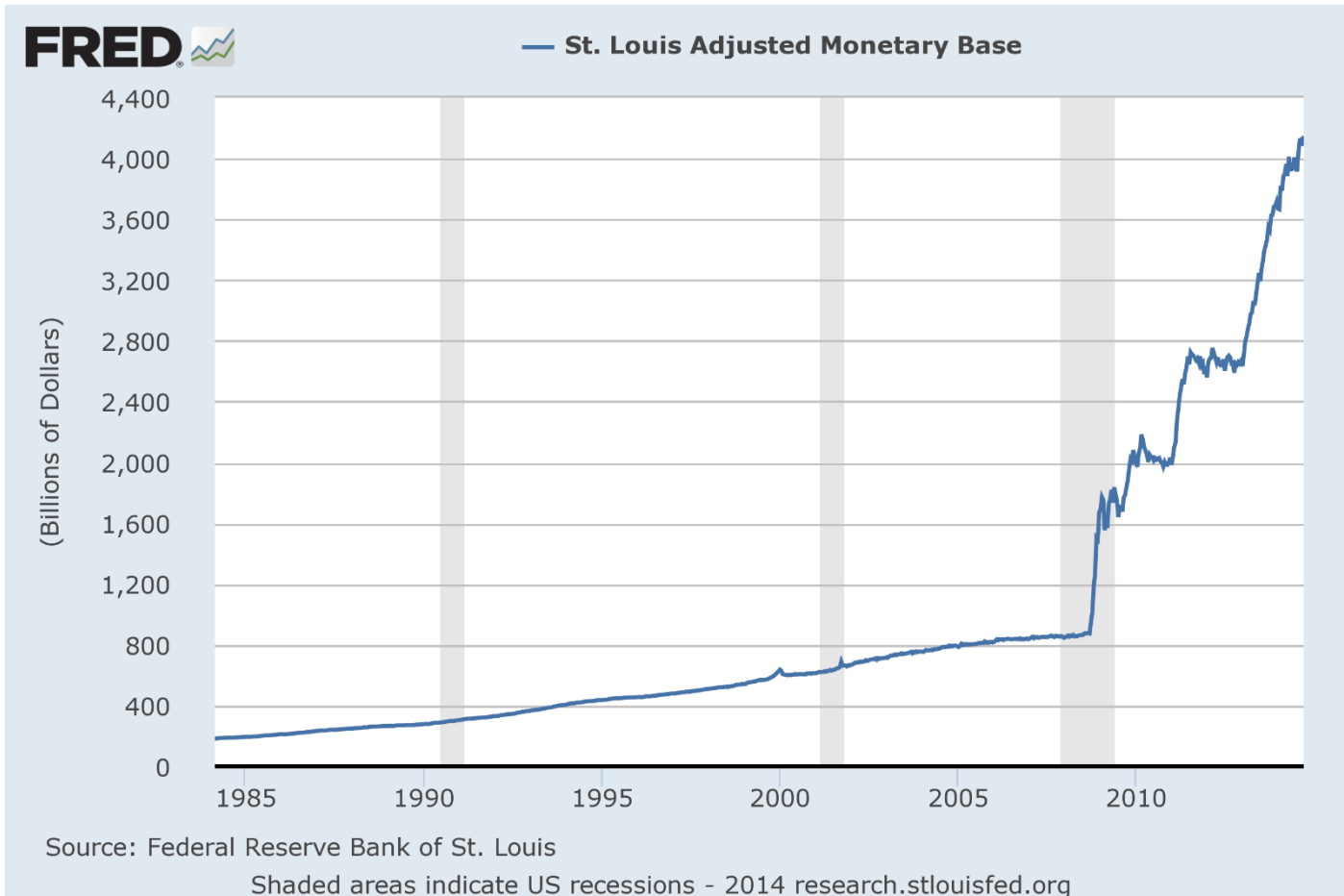
Dollar getting stronger (5 years)



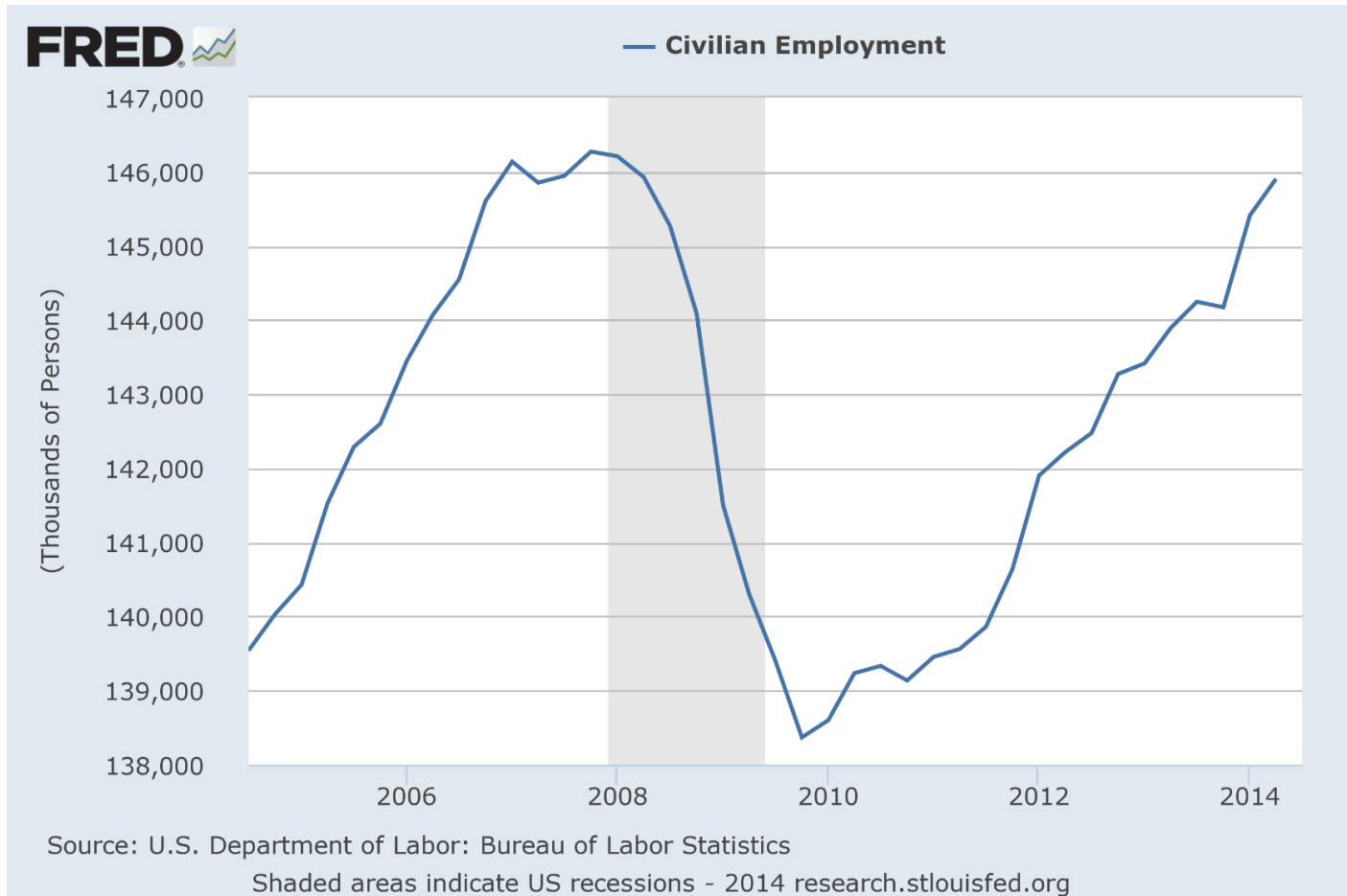
Really? (40years)



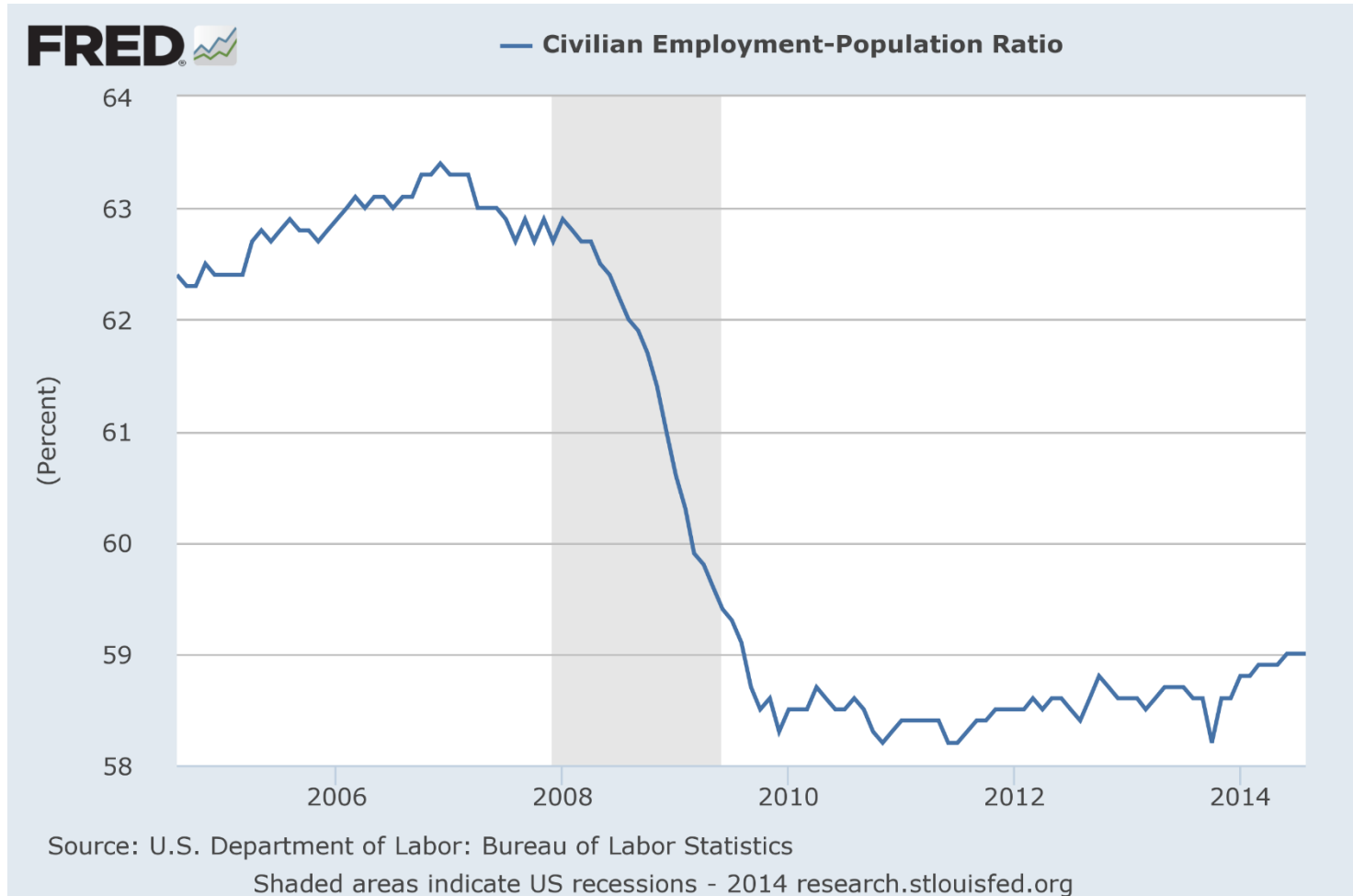
Fed Balance Sheet: Now what happens?



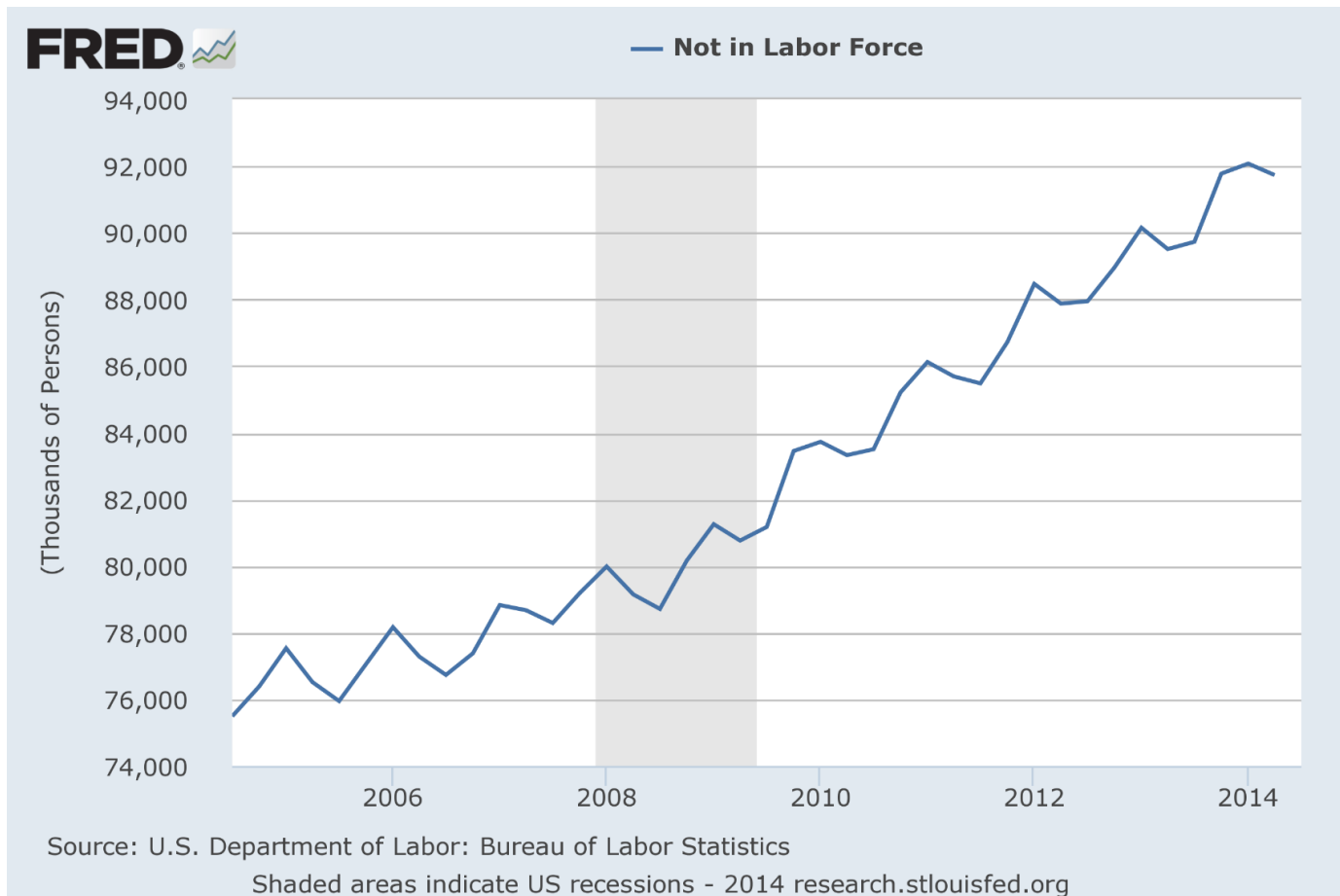
Employment not at pre-recession levels, especially after adjusting for population growth



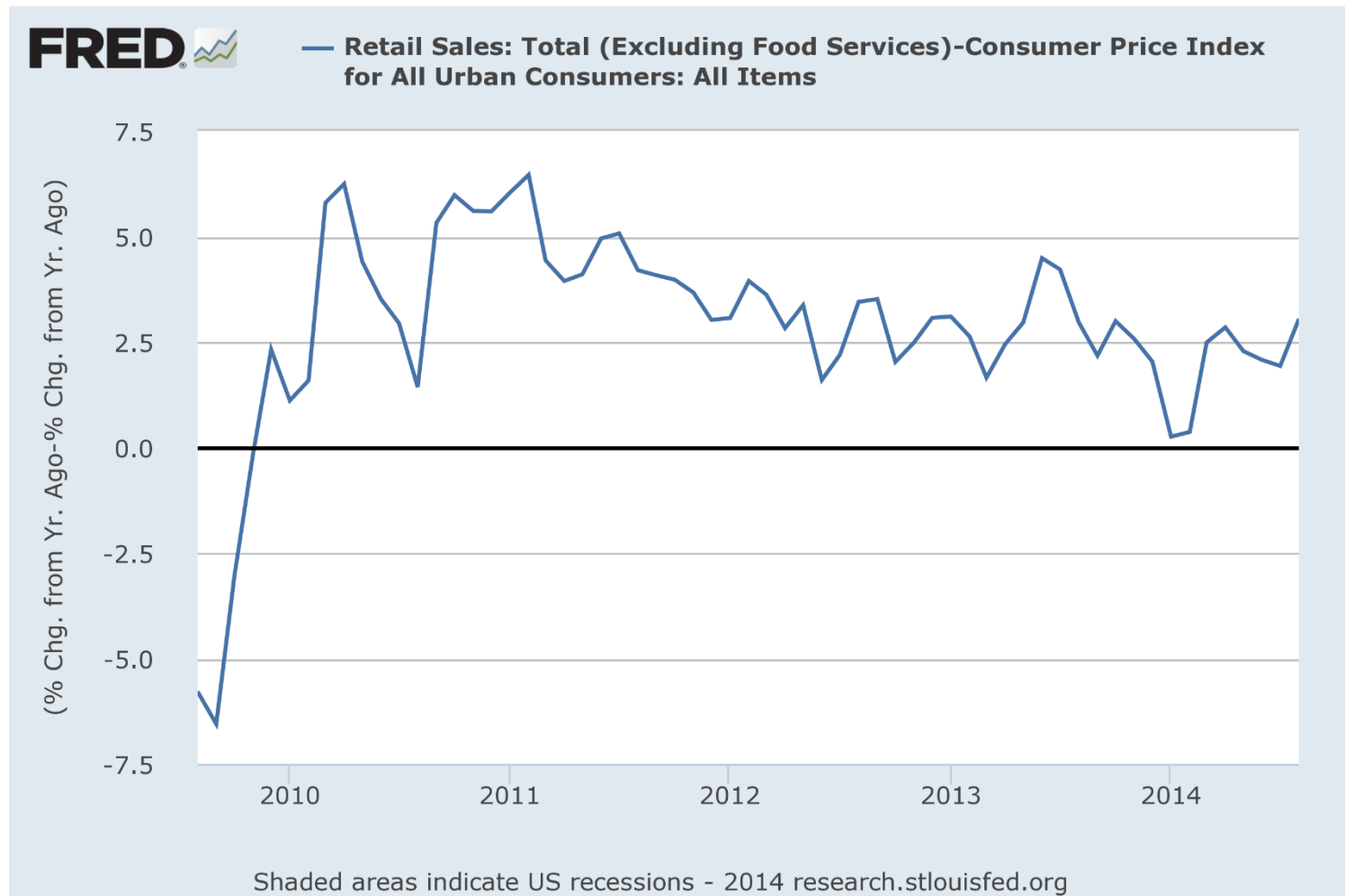
Employment-population ratio near 35-year lows



“Not in labor force” still on upward trend, making unemployment rate look better



Retail sales imply sluggish GDP



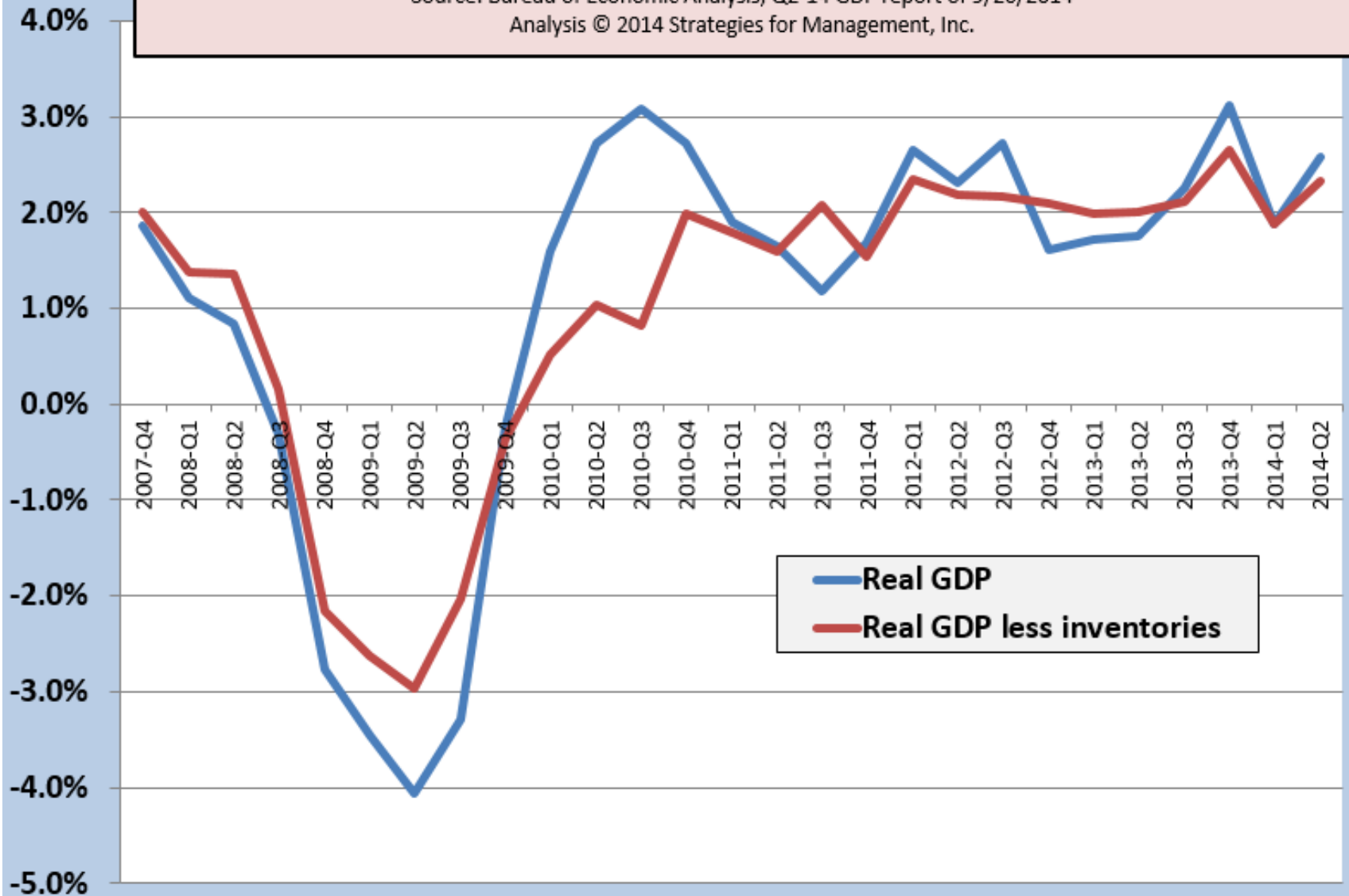
NFIB Small Business Index finally breaks through early 2000s recession bottom



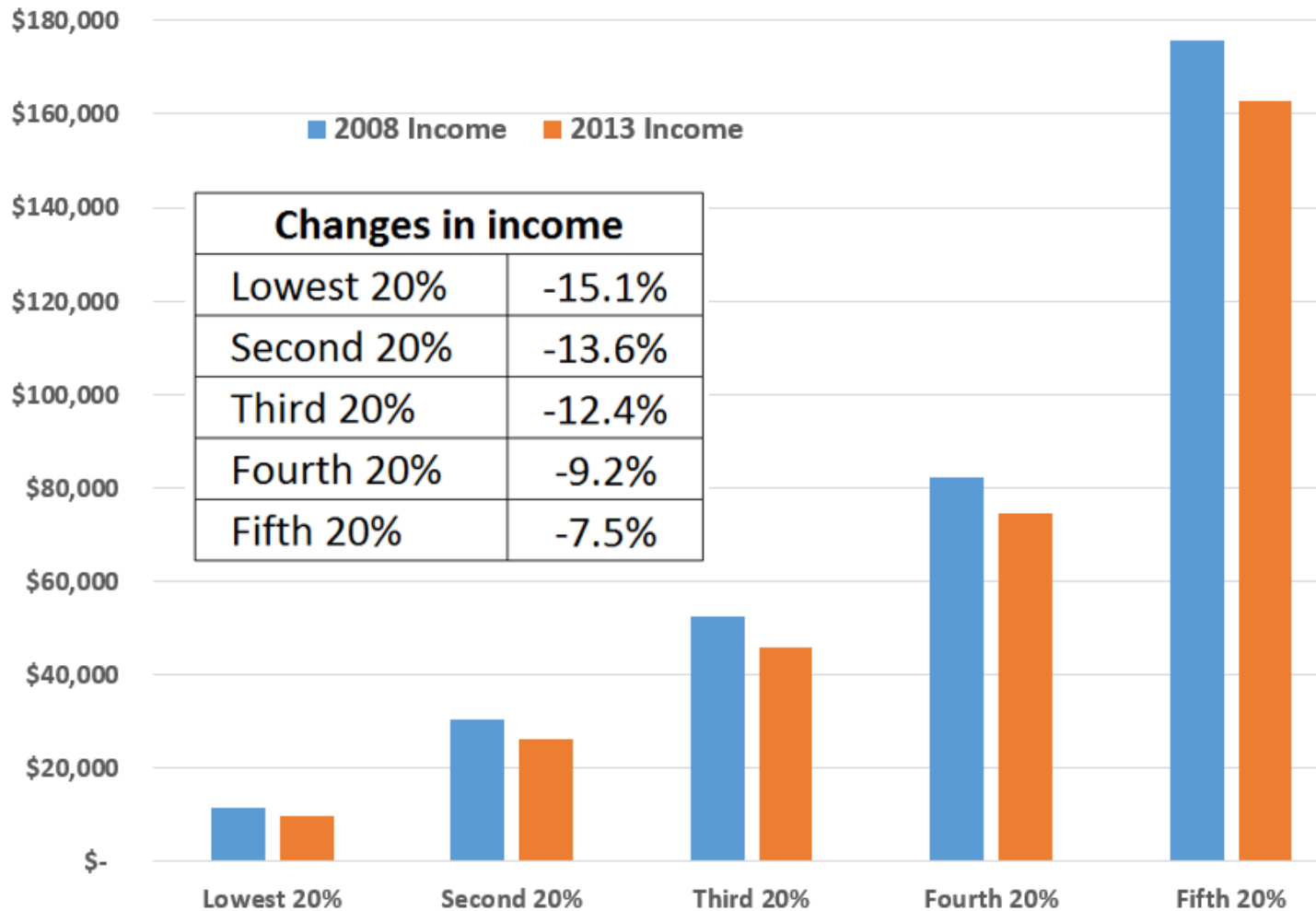
Year-to-Year Change in Real GDP vs. Real GDP Without Inventories

Source: Bureau of Economic Analysis, Q2-14 GDP report of 9/26/2014

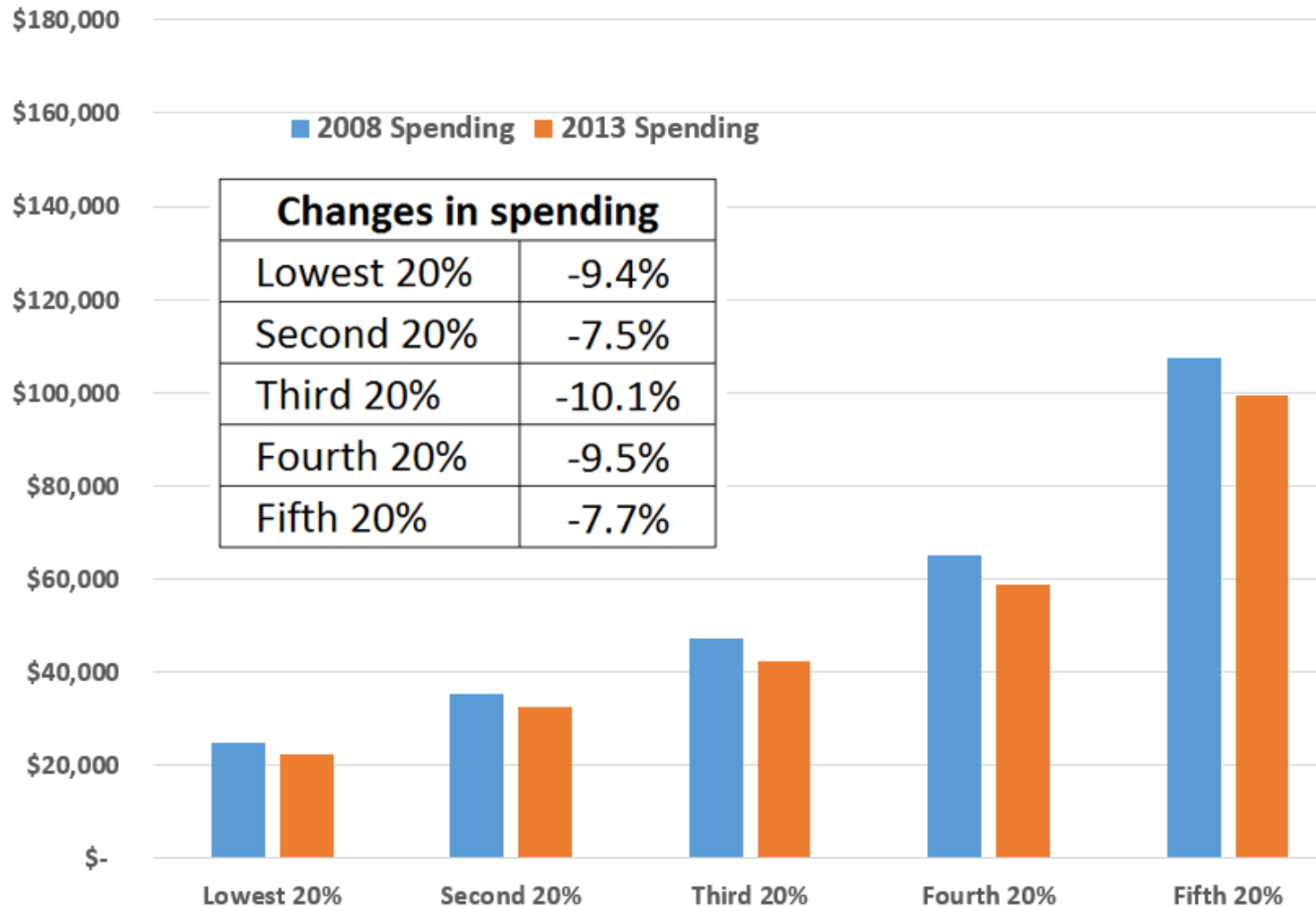
Analysis © 2014 Strategies for Management, Inc.



Changes in income, 2008 vs. 2013



Changes in spending, 2008 vs. 2014



2008 vs. 2013

Changes in...	Income	Spending
Lowest 20%	-15.1%	-9.4%
Second 20%	-13.6%	-7.5%
Third 20%	-12.4%	-10.1%
Fourth 20%	-9.2%	-9.5%
Fifth 20%	-7.5%	-7.7%

Is inflation tame? Not if prices rise and incomes decline

	Income change	Inflation change	Income - inflation
2004	3.1%	3.3%	-0.1%
2005	4.3%	3.4%	0.8%
2006	0.5%	2.5%	-2.0%
2007	0.1%	4.1%	-3.9%
2008	0.7%	0.1%	0.6%
2009	-3.7%	2.7%	-6.5%
2010	-2.1%	1.5%	-3.6%
2011	-1.0%	3.0%	-4.0%
2012	1.2%	1.7%	-0.5%
2013	-4.2%	1.5%	-5.7%

Inflation multipliers

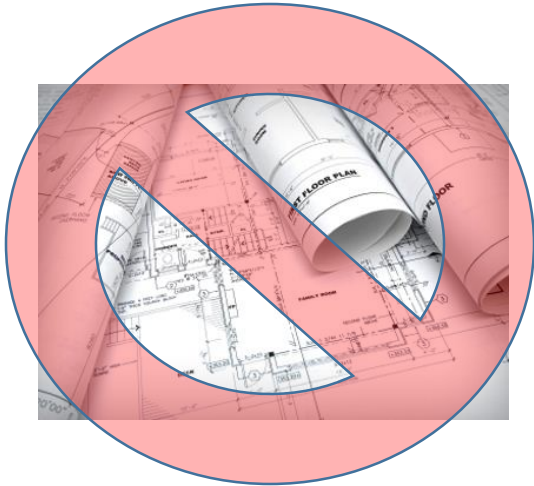
Year	Multiplier
2009	1.109
2010	1.091
2011	1.057
2012	1.036
2013	1.021
2014	1.000

The Counterproductive Economic Environment

Emphasizes efficiency, not expansion; survival, not growth



- **Efficiency investments get first preference**
 - Changes to operations and procedures
 - Paybacks are immediate, predictable, measurable
 - Change/shift costs to reduce overheads, increase flexibility
- **Expansion risk investments discouraged**
 - High future tax rates, high inflation expectations, higher expected & known regulatory compliance costs
 - Future demand for new initiatives harder to forecast
 - Net present value of future returns must be extraordinary to surpass effects of taxes, inflation, and total labor costs to make risk worthwhile
 - Raises bar for all future expansion projects
 - Early negative cash flow years are hard to tolerate
 - Higher risk projects go unexplored
 - Only “safe” projects get funded, risk projects go elsewhere



Bottom lines...

- Be wary of GDP data because the trend is unconfirmed by other data
- GDP rate remains at long-term 2.5% trend
- Unemployment rate will continue to improve but remains hollow because of labor force exits
- Geopolitical tensions and acts raise recession risks

2016 Elections: Dynamic Inertia

- **Governors**
 - Unlikely to change from 29 Republicans, 21 Democrats, 1 Independent
 - Of 27 elections, 14 are considered tossups
- **House of Representatives**
 - 17 races considered “toss-up,” 11 narrowly leaning Republican
 - No change in control of the House



2016 Elections: Dynamic Inertia

- Senate

- Chance of shift in control increasing, according to Washington Post
- Possible 52-47-1 result
 - No reports of possibility of “deadlocked” Senate
- Frustration with Senate in last year (article in WSJ 6/26/14)



- Democrats proposed 676 amendments had votes on 7
- Republicans proposed 812 and got votes on 11
- “Not one of the nine Senate Democrats elected in 2012 has been granted a floor vote on any of their amendments.”

2016 Elections: Dynamic Inertia

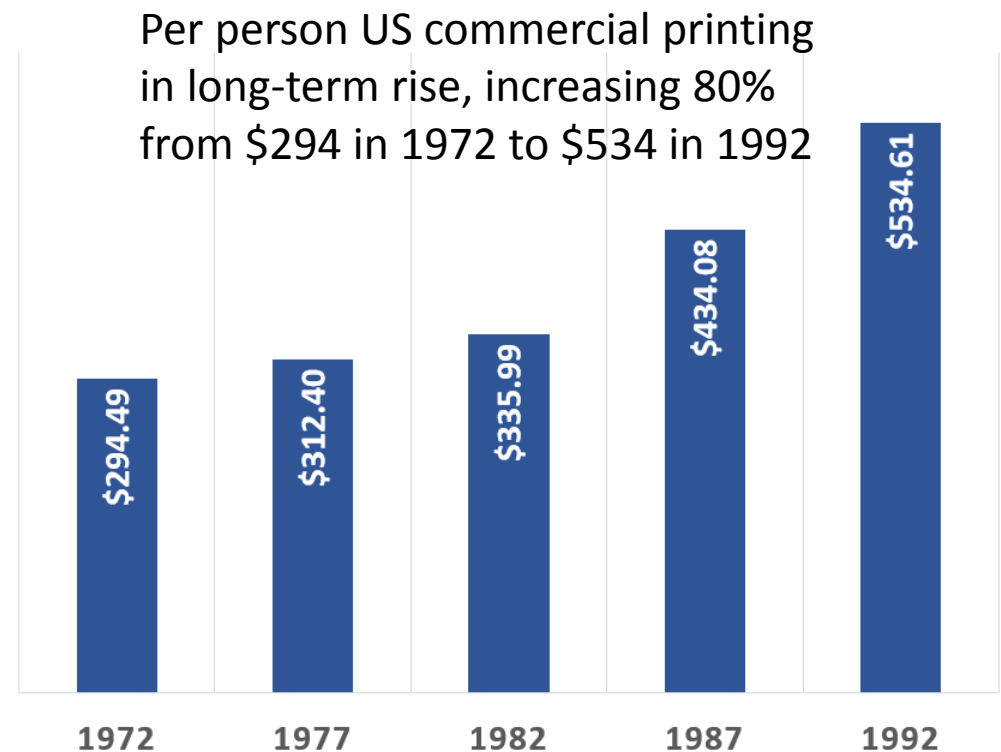
- Result: Senate and House in Republican control, lame duck President
 - Don't expect much action on anything
- ACA will be protected
- No action on tax reform
- Executive orders, regulatory actions likely and often



A new way of looking at
printing shipments

1972-1992: Technological change stimulates the use of print

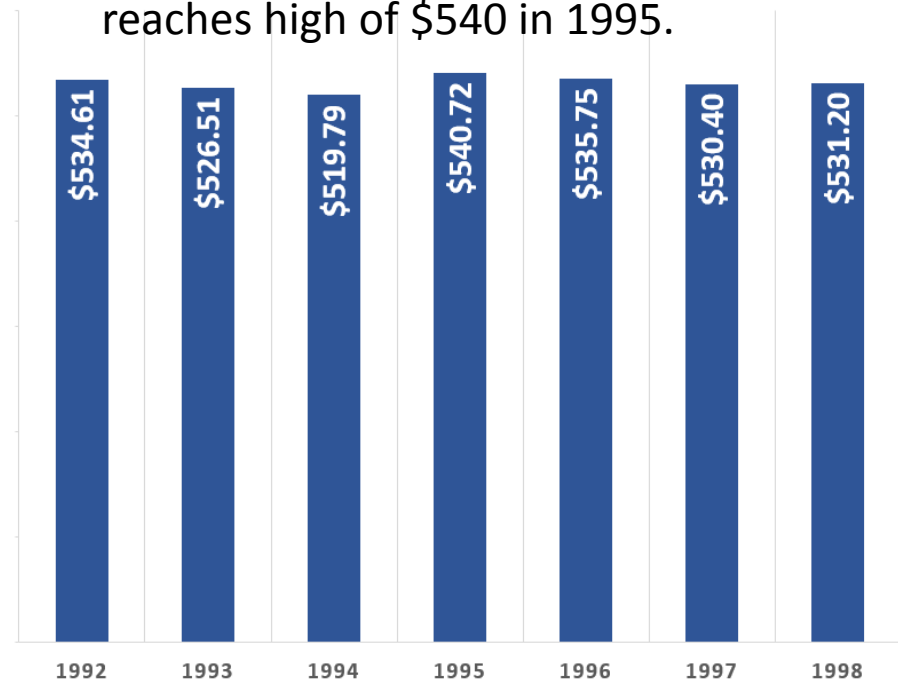
- Computer typesetting
- Color scanners
- Digital prepress
- Lower costs to produce and greater benefits from easier process color
- Data base marketing techniques arrive



1993-1998: The “Great Stagnation”

- Desktop publishing shifts production to designers and creators
- Netscape stock offering in Sept. 1995 starts the public Internet Age
- Google founded, 1997
- Euphoria about advertising and promotion spending of “dot-com” businesses
- Printing profits are very high

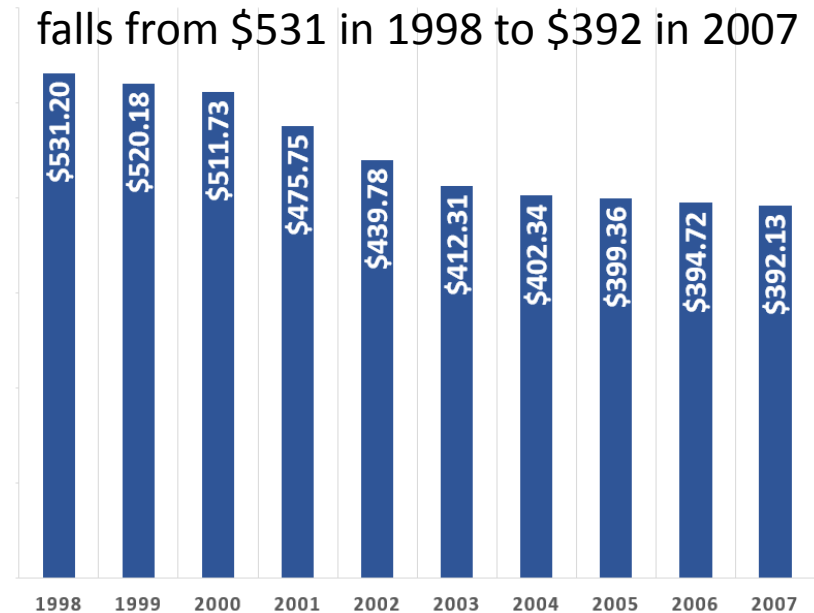
Per person US commercial printing reaches high of \$540 in 1995.



1999-2007: Competitors arrive and print decline begins

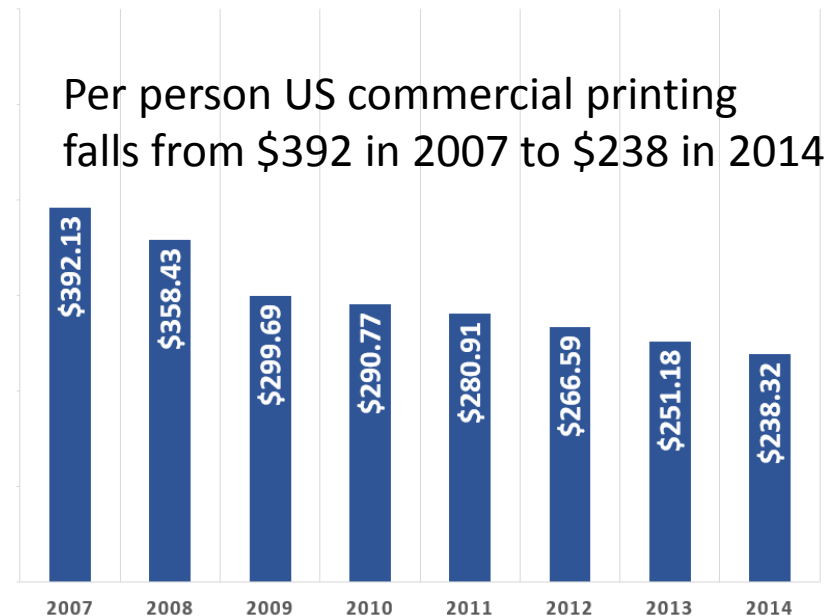
- In-home broadband begins, and reaches 40% of homes by 2007
- Web sites include video, higher quality images
- E-marketing develops
- Search engines change the way consumers and businesses find information
- Everyone expects content to be instantly available online
- iPhone introduced
- Social media begins

Per person US commercial printing falls from \$531 in 1998 to \$392 in 2007

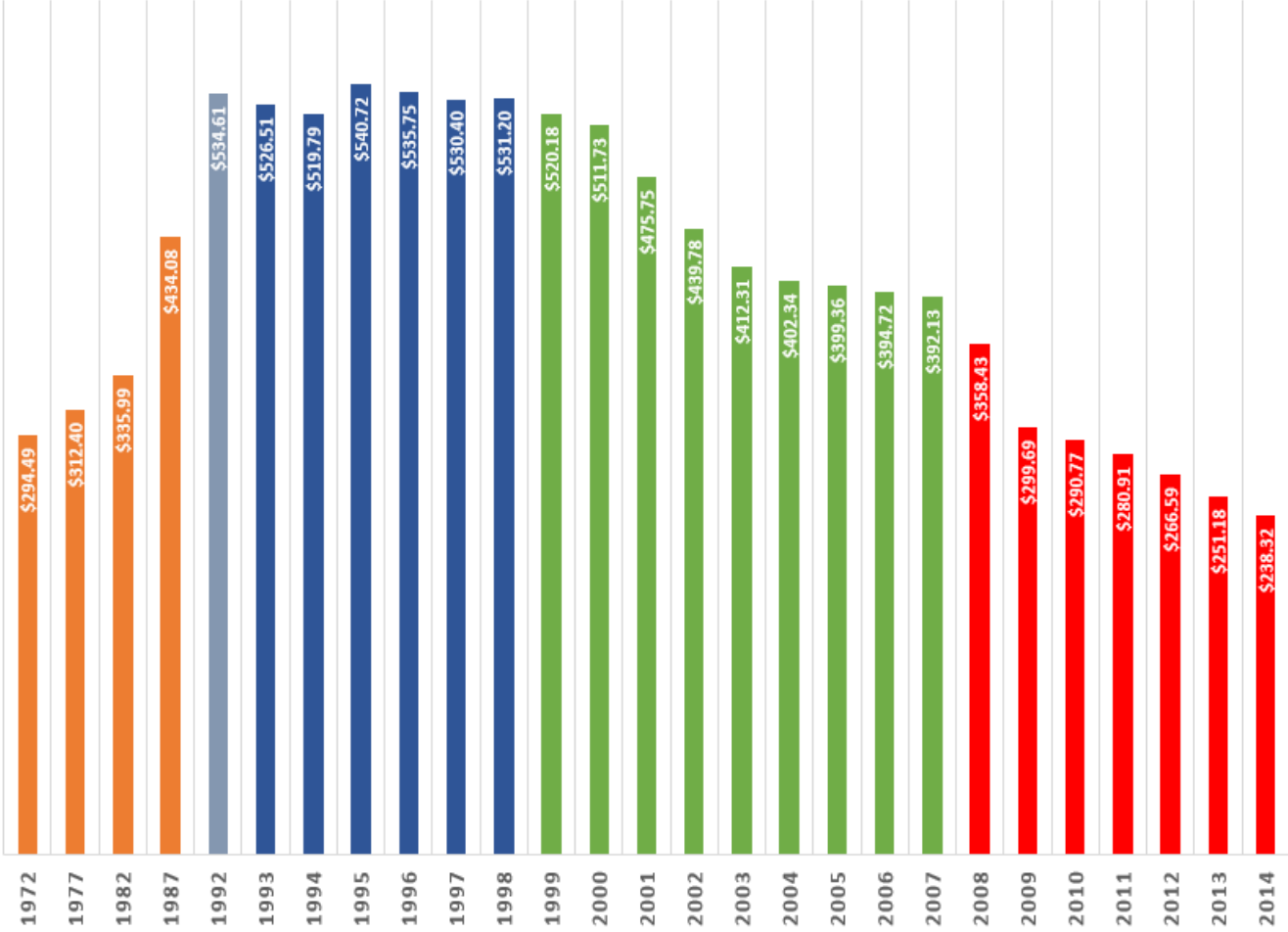


2008-2014: Social media & gadgets become necessities

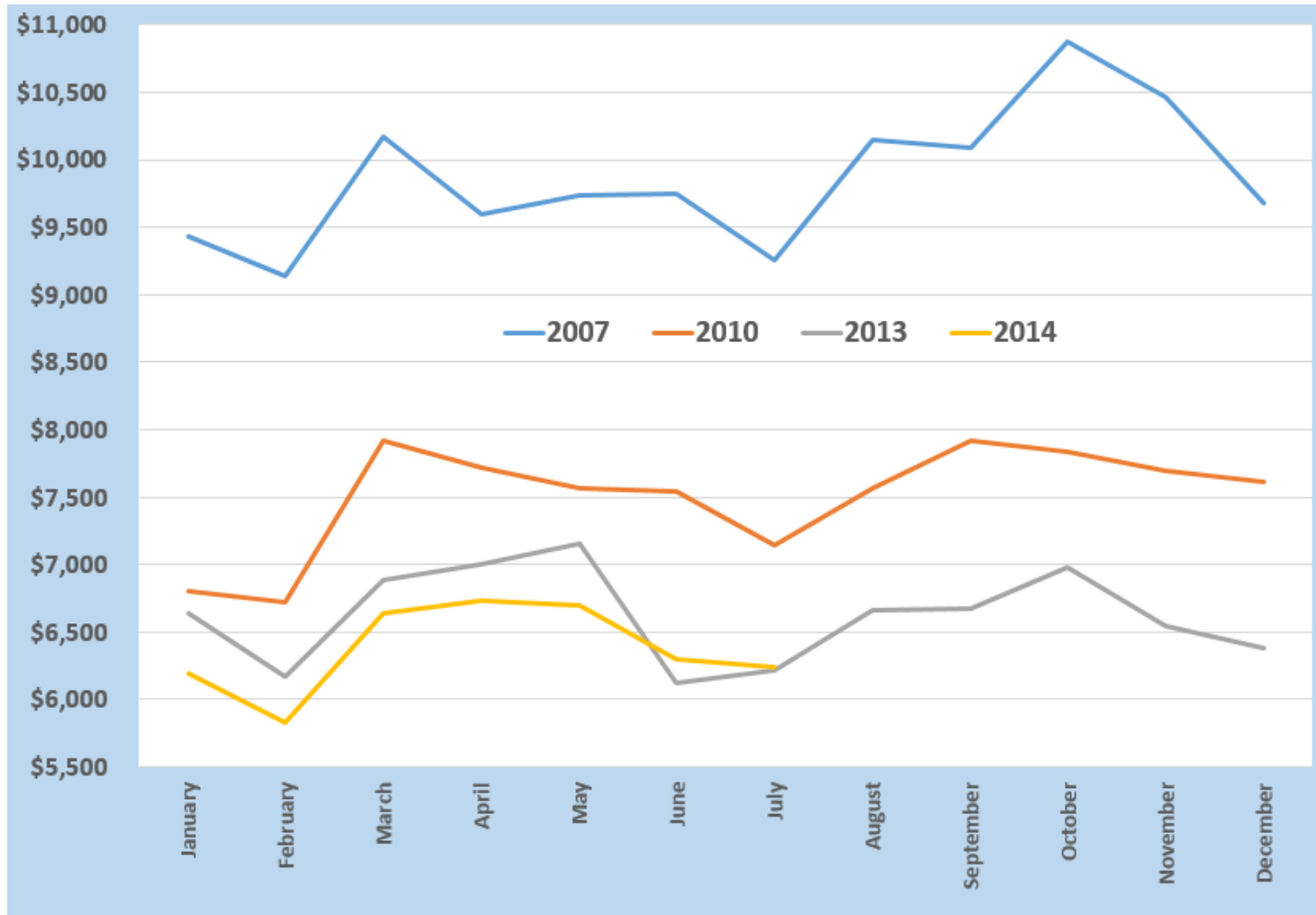
- 70%+ US households have broadband in 2013
- iPad introduced in 2010
- By end of 2013
 - 300+ million iPhones
 - 800+ million Android
 - 170+ million iPads
 - 645+ million Twitter users
 - 1.19+ billion Facebook users
 - Facebook Mobile 874+ million users
- Cloud computing begins its major expansion



Summary chart: 40 years of print



Monthly shipments show change in seasonality and media shift

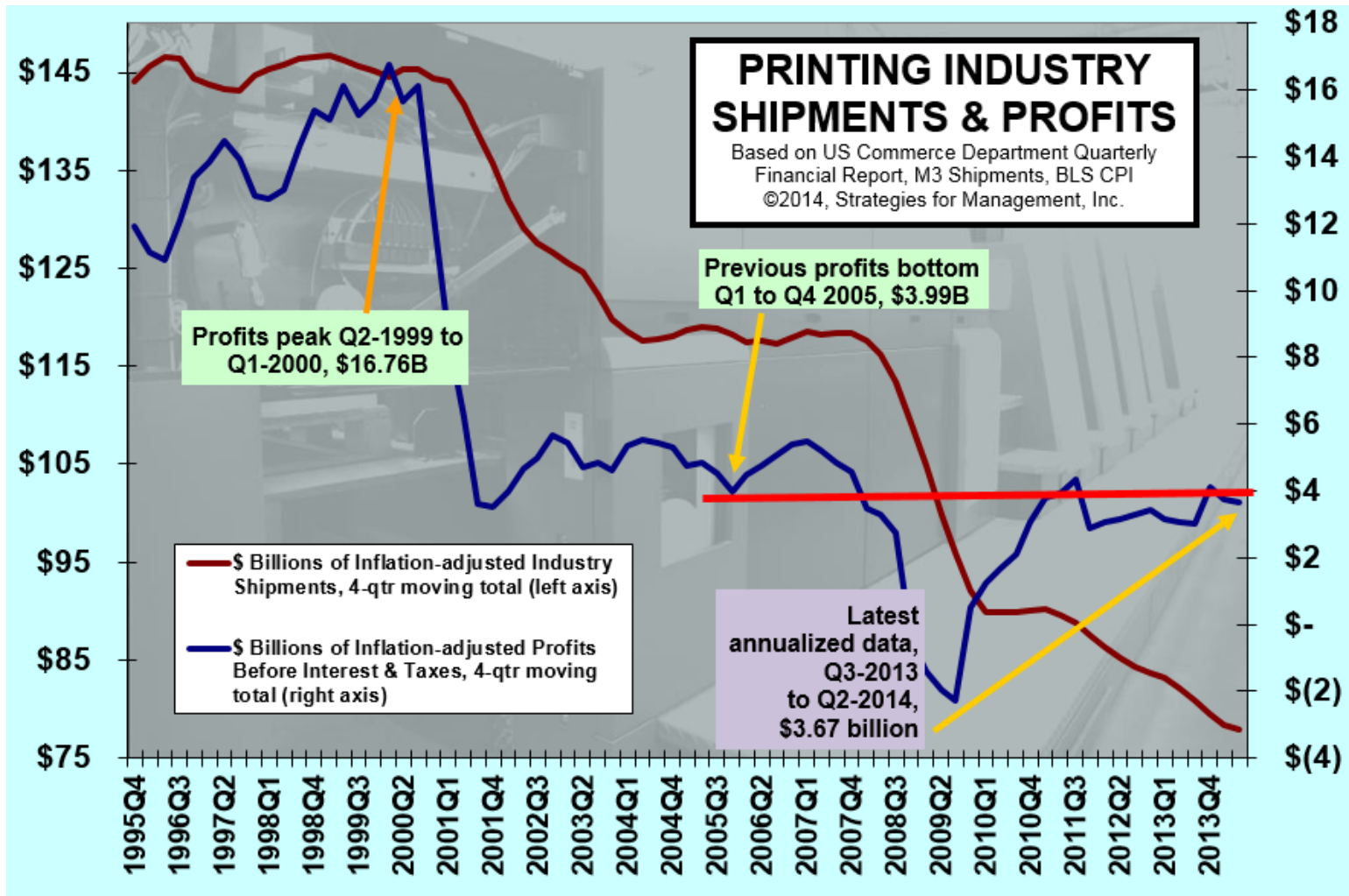


Profit Ratios Data from PIA Financial Ratios Studies	All Printers	Profits Leaders Top 1/4	The Other 3/4	Leaders-Others Gap
2000	3.1%	10.5%	0.6%	9.9%
2001	1.0%	8.0%	-1.3%	9.3%
2002	1.6%	8.4%	-0.7%	9.1%
2003	1.7%	8.7%	-0.6%	9.3%
2004	2.5%	9.4%	0.2%	9.2%
2005	2.7%	10.3%	0.2%	10.1%
2006	3.4%	10.1%	1.2%	8.9%
2007	3.1%	9.7%	0.9%	8.8%
2008	1.5%	9.4%	-1.1%	10.5%
2009	-1.4%	7.0%	-4.2%	11.2%
2010	1.4%	9.5%	-1.3%	10.8%
2011	1.8%	9.6%	-0.8%	10.4%
2012	2.7%	9.9%	0.3%	9.6%
2013	2.6%	10.3%	0.0%	10.3%
2000-2013	2.0%	9.3%	-0.5%	9.8%
2008+	1.4%	9.3%	-1.2%	10.5%
2010+	2.1%	9.8%	-0.4%	10.3%
<i>Data sources</i>	<i>From PIA press releases</i>		<i>calculation by Strategies for Management, Inc.</i>	

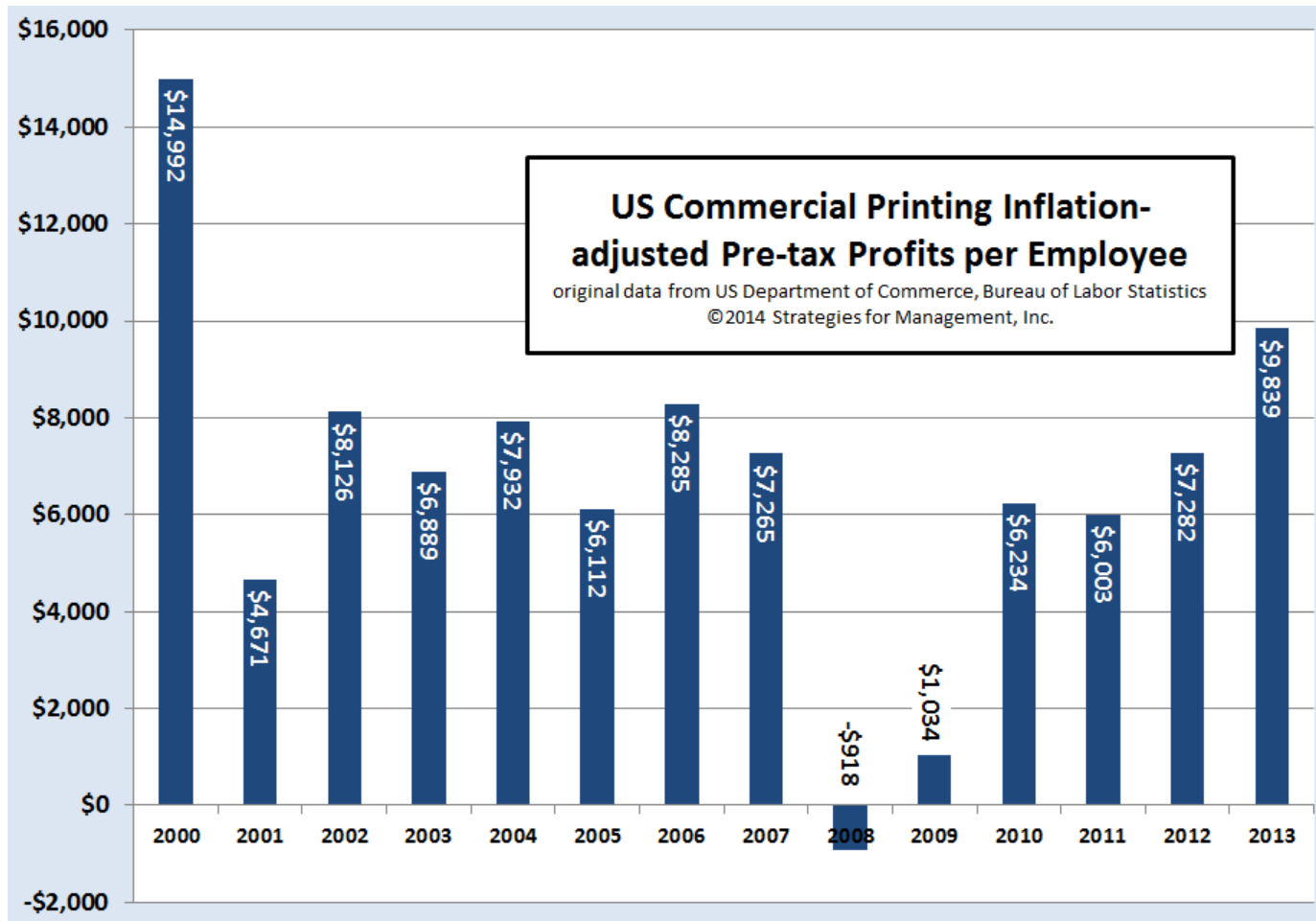
Profit Leaders Make All the Money

- The gap between profit leaders and the rest of the industry **WIDENS** during challenging economic times

Industry profits are rangebound



Profits per employee are highest since 2000



Forecast to 2020, two forecasting models and our own forecast

	Conservative Model	Aggressive Model	SFM Forecast
2014	\$73.0	\$63.8	\$76.0
2015	\$68.3	\$55.5	\$72.0
2016	\$63.6	\$46.8	\$68.5
2017	\$58.9	\$37.6	\$64.0
2018	\$54.2	\$28.0	\$59.0
2019	\$49.6	\$18.0	\$54.0
2020	\$44.9	\$7.6	\$49.0

Industry demographics

2012 County Business Patterns	NAICS	DESCRIPTION	Total	1-9	10-19	20-49	50+
	323///	Printing and Related Support Activities	27,526	19,268	3,557	2,702	1,999
	32311/	Printing	25,762	18,109	3,306	2,486	1,861
	323111	Commercial Printing (except Screen and Books)	20,744	14,508	2,646	2,035	1,555
	323113	Commercial Screen Printing	4,525	3,328	595	400	202
	323117	Books Printing	493	273	65	51	104
	32312/	Support Activities for Printing	1,764	1,159	251	216	138

2014 SFM Estimate	NAICS	DESCRIPTION	Total	1-9	10-19	20-49	50+
	323///	Printing and Related Support Activities	24,957	17,507	3,270	2,399	1,781
	32311/	Printing	23,453	16,502	3,057	2,217	1,677
	323111	Commercial Printing (except Screen and Books)	18,444	12,892	2,400	1,775	1,377
	323113	Commercial Screen Printing	4,525	3,328	595	400	202
	323117	Books Printing	483	282	61	42	98
	32312/	Support Activities for Printing	1,505	1,004	214	182	105

2020 SFM Forecast	NAICS	DESCRIPTION	Total	1-9	10-19	20-49	50+
	323///	Printing and Related Support Activities	18,513	12,922	2,569	1,795	1,227
	32311/	Printing	17,430	12,169	2,417	1,671	1,173
	323111	Commercial Printing (except Screen and Books)	12,618	8,518	1,878	1,284	938
	323113	Commercial Screen Printing	4,394	3,375	490	375	153
	323117	Books Printing	418	276	49	11	81
	32312/	Support Activities for Printing	1,084	753	152	125	54

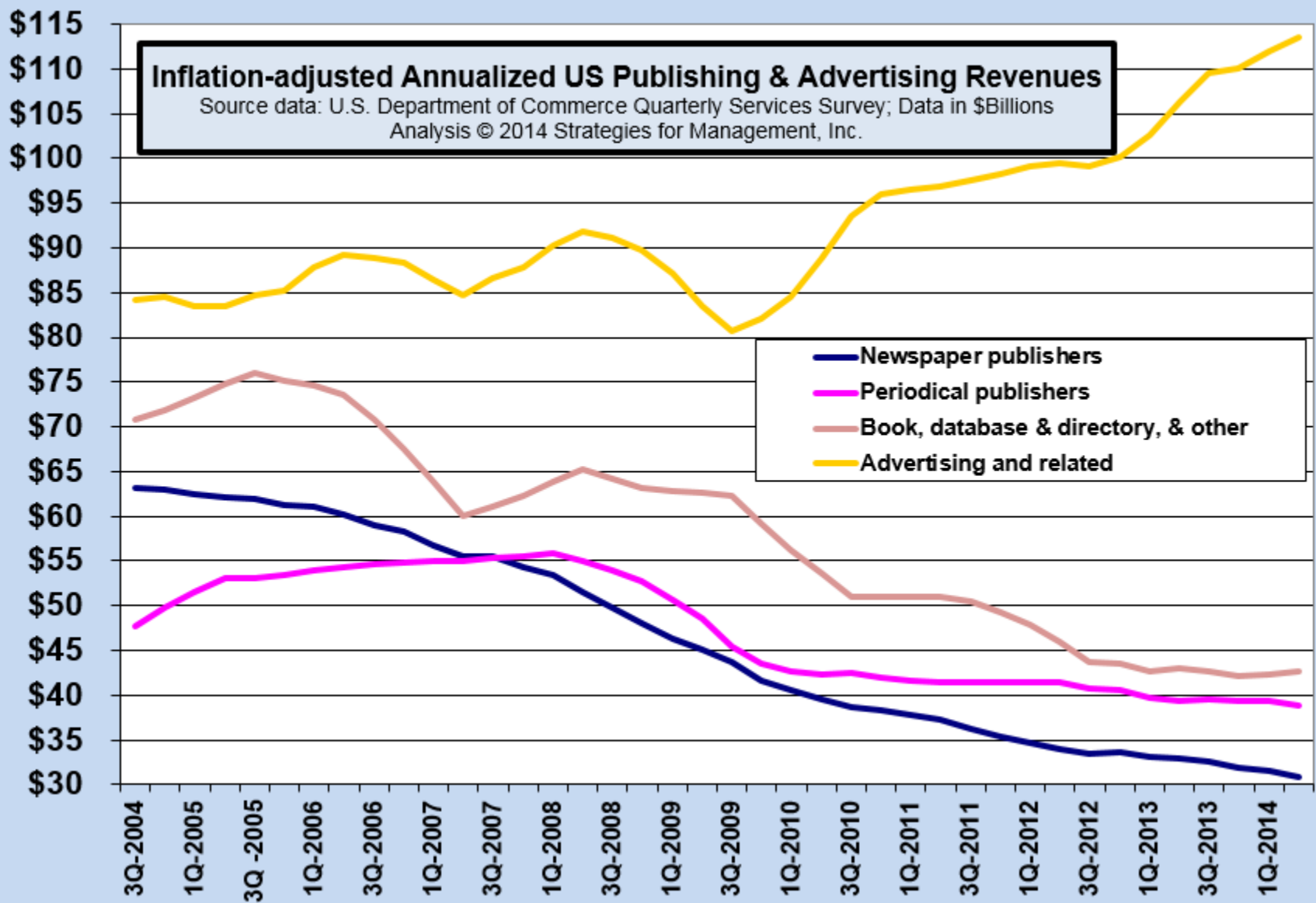
The forgotten NAICS

	Year	Total	1-9	10-19	20-49	50+
Commercial Printing, Lithographic	2012 est	10,151	6,262	1,550	1,291	1,049
	2014 est	9,218	5,746	1,396	1,160	916
	2020 fc	6,745	4,384	1,020	839	502

	Year	Total	1-9	10-19	20-49	50+
Commercial Printing, Digital Printing	2012 est	2,808	2,051	375	249	133
	2014 est	3,083	2,267	425	249	142
	2020 fc	3,907	2,916	576	249	167

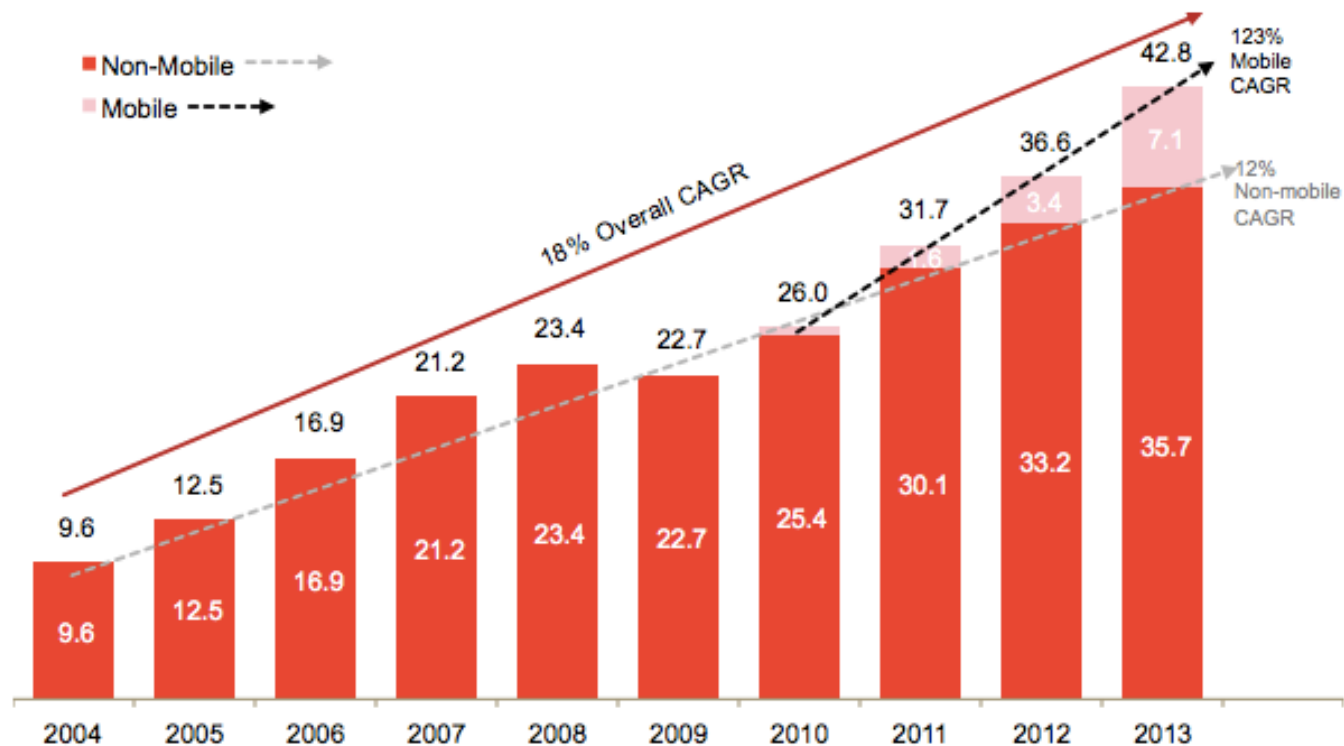
	Year	Total	1-9	10-19	20-49	50+
<i>Ratio, Litho to Digital Printing Establishments</i>	2012 est	3.6	3.1	4.1	5.2	7.9
	2014 est	3.0	2.5	3.3	4.7	6.5
	2020 fc	1.7	1.5	1.8	3.4	3.0

Why a new book?



Internet Advertising Bureau (US): 18% compound annual growth

Annual revenue 2004-2013 (\$ billions)



Source: IAB/PwC Internet Ad Revenue Report, 2013

20 years later and
all of these things
fit in your pocket.

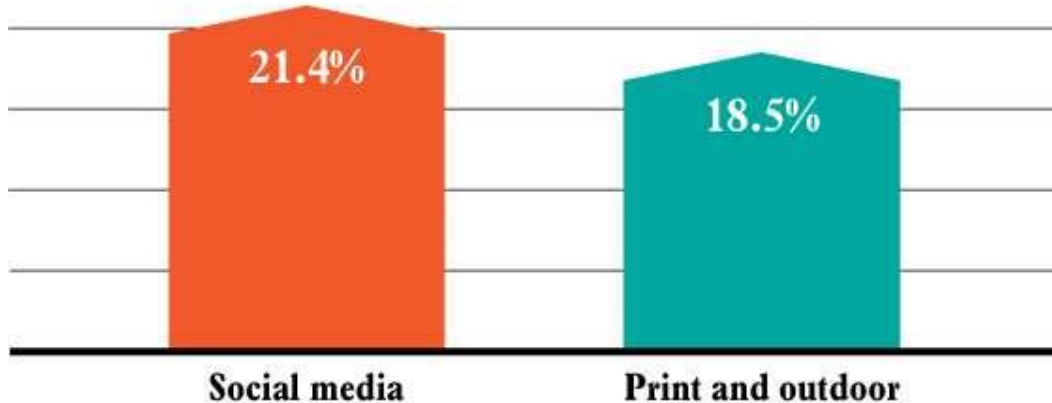


nfigueiroa / 9GAG

Small and medium businesses spend more on social media than print

SMBs SPEND MORE ON SOCIAL MEDIA THAN ANY OTHER MEDIA CATEGORY

Share of SMB media spending on social compared with print and outdoor combined for Q3 2014



SOURCE: BIA/KELSEY LOCAL COMMERCE MONITOR™ (LCM) WAVE 18 (Q3/2014)

Source: BIA/Kelsey Local Commerce Monitor, Advertising Age magazine

- Top categories for ROI rated as “extraordinary” or “excellent”
 - Online ads with video: 59%
 - Streaming audio advertising: 58%
 - Offers distributed by smartphone or tablets: 54%

“By 2017, a CMO will spend more on IT than the CIO.”

—Gartner Group



ExactTarget®
a salesforce.com® company

Marketo®

Constant Contact®

neolane
marketing that delivers

ORACLE® | eloqua.

These marketing automation companies are worth more than \$7.5 billion

If you were born after 1982,
you have never had a full-time
job during an economic boom.

If you were born after 1990,
you do not remember a time
when the Internet
was not in your home.

We almost
called it...

~~Discarding the Past~~
~~Disrupting the Future~~

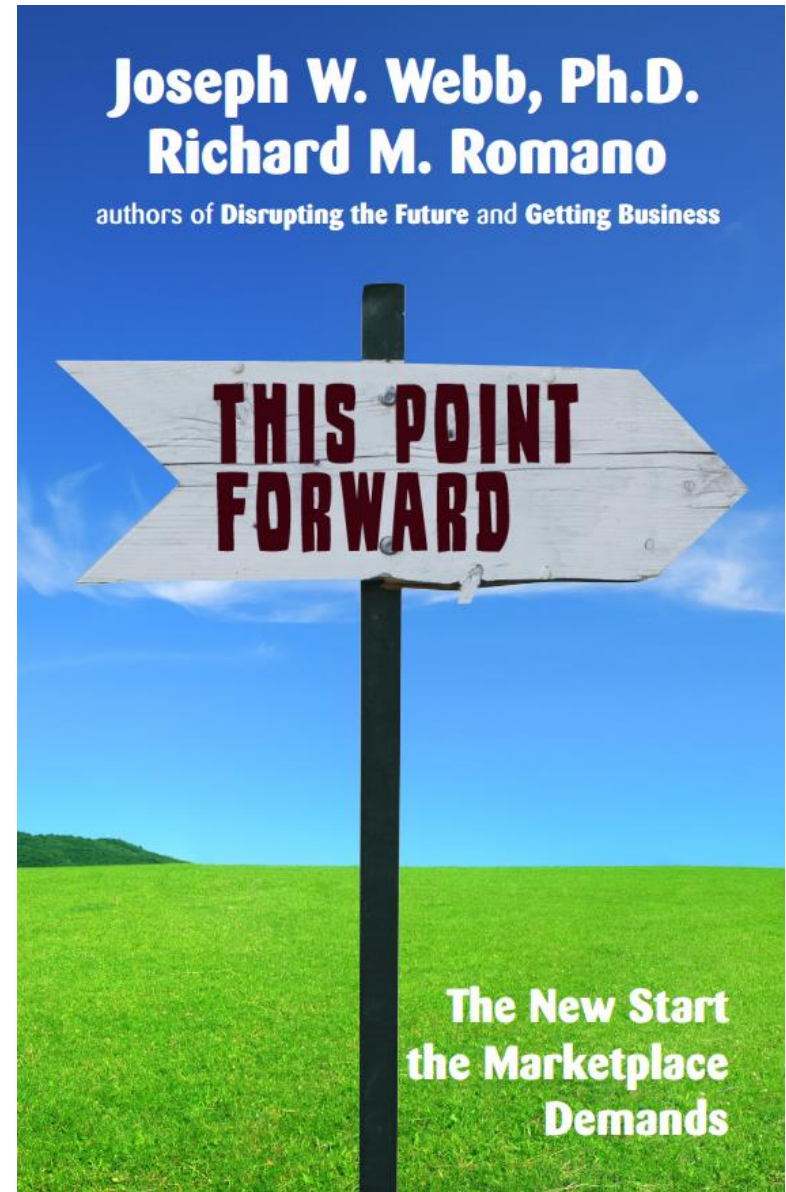


*Uncommon Wisdom for Navigating
Print's Challenging Marketplace*

Joseph W. Webb, Ph.D.
Richard M. Romano

But we called it: *This Point Forward*

- A “jump start” to the marketplace of 2020
- Recognizes the business culture differences of print and other media
- Explains how print’s history is a barrier to engaging the new media buyer
- A new way of structuring the print business



This planning tool
encourages regret,
underfunds opportunities



The past matters little;
Past decisions must be unwound



What's the point?

- Communications executives don't have a frame of reference for print (Internet is 20 years old)
- The organic nature of print has changed
 - There is no longer a large, mainstream printing business
 - We are becoming an industry of niche specialties
 - There are new strategic options for all printing organizations

What makes this book different?

- Industry data are dealt with quickly and dismissed
- Analytics
- Automation
- Build a new business (no matter what)
- Why transitions are risky
- Consolidation, the right way, is critical
- Return to “The Man in the Chair”

Some of the essential points

- Print is part of media and can be used to encourage and expand digital media use
- The number of media have increased, making deployment and management of media difficult
- Consolidation of the industry is necessary to effectively re-allocate past and future capital
- Alliances are necessary to stay ahead of the opportunities and technologies
- Print entrepreneurs need to develop new ways to engage communicators, not just print buyers, learn their objectives and increase communications ROI

Join us at today's book signings

- Veritiv

- 10:30 to 12:00
- Booth 1272



- Kodak

- 12:45 to 3:00
- Booth 831



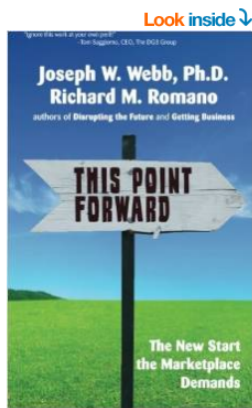
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This Point Forward: The New Start the Marketplace Demands Paperback – September 12, 2014

by Richard M Romano (Author), Joseph W Webb Ph.D. (Author)

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In "This Point Forward," Dr. Joseph Webb and Richard Romano, two printing industry veterans, identify the forces affecting marketing and media choices, and how those forces impact the demand for print and the industry's relevance. By 2020, the marketplace for print and other media will be completely different, and not what the industry is currently structured for. Succeeding will require new approaches to hiring, products and services, and to capital investment. It will require all new corporate cultures that can develop new ways to assist clients by focusing on the client's corporate objectives, using media of all kinds to pursue those objectives, and measure the effectiveness of communications initiatives. "This Point Forward" companies will keep an eye out for emerging technological, economic, and social factors, start acting on them now, and build businesses that keep pace with a very dynamic market. Simply transitioning a current printing business won't work; things are changing too rapidly for

Read more

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Thank you, Veritiv

It's Q&A time!

