The Dealer Communicator

Global Channel Partners Summit

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September 8-12, 2013   Chicago, IL

The State of the Channel: 2013

It's where we're headed,
not where we are,
that matters

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Channels are the least flexible aspect of the marketing mix. This is an open invitation to new competition.

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In the Battle for "Place," Convenience Wins

UNITED STATES POSTAL SERVICE™

versus

kindle

iTunes

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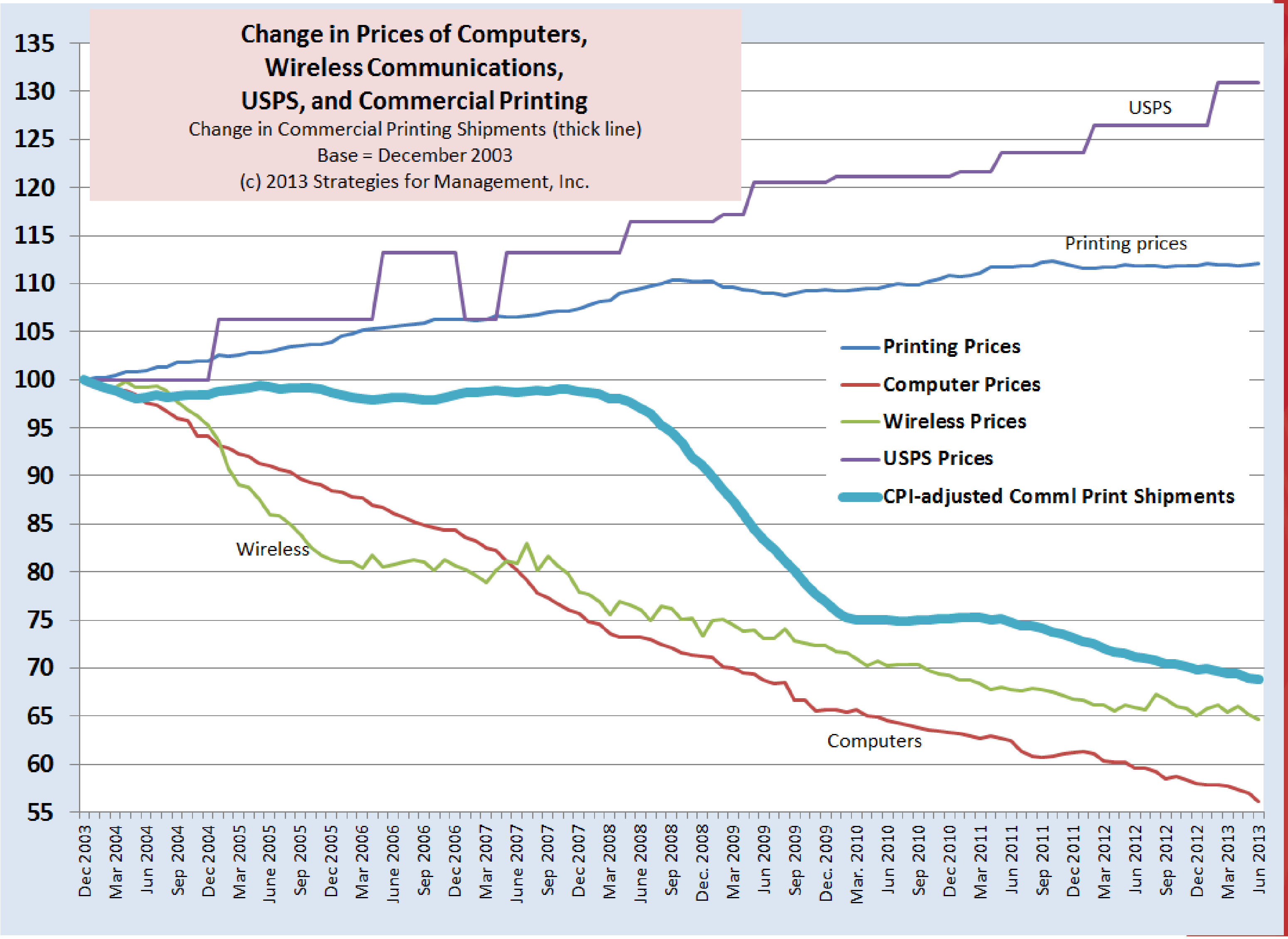
Essential dealer tools for the future

- Flexibility of low fixed costs
- Virtual infrastructure
- Connectivity
- Information + knowledge + wisdom

Channels are reflections of their marketplaces, in good and bad, in sickness and in health.



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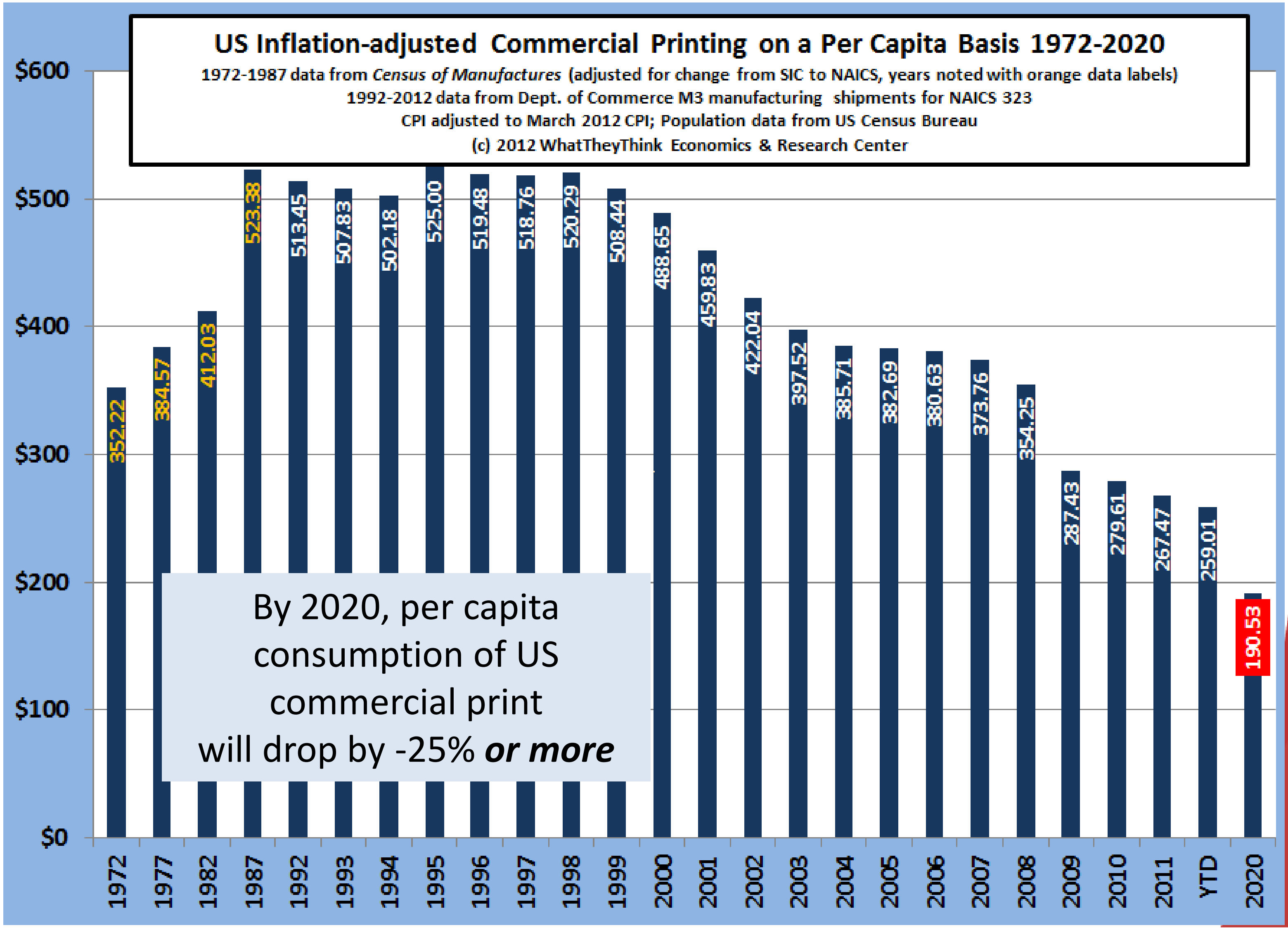

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Back to Basics:
Dealer Channel Advantages

- Proximity: location matters
- On-site insight: vendors won't/can't be everywhere
- Product representation: many things to few people
- Opportunistic specialization: offerings based on unique and timely situations

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Dealer Channel Challenges

- Software-based production, software-based output
- Electrons work all day and don't file expense reports
- Printer consolidation, direct sales, national operations management

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Dealer Channel Opportunities

- Vendor financial weakness
- Wider dispersion of print facilities
- Decline of “mainstream” print
- Rise of specialty print and other output
- Creation of independent training and service networks
- Software hosting and licensing

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The State of the Channel: 2020

Trends Driving the Changes

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A Step Back: Why Channels?

- Channels provide an advantage not easy created internally
- … fill a void in a unique way that is proprietary and preferred
- All channels exist to reduce the total long-term cost and increase the effectiveness of a system of relationships
- (Selling direct is not always what it's cracked up to be)

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Commercial Printing's Undeniable Trends

- Fewer and smaller print businesses
  - Greater distance between commercial print establishments
- Fewer suppliers
- Shrinking offset, increasing digital
- "Mainstream" disappears, replaced by specialties

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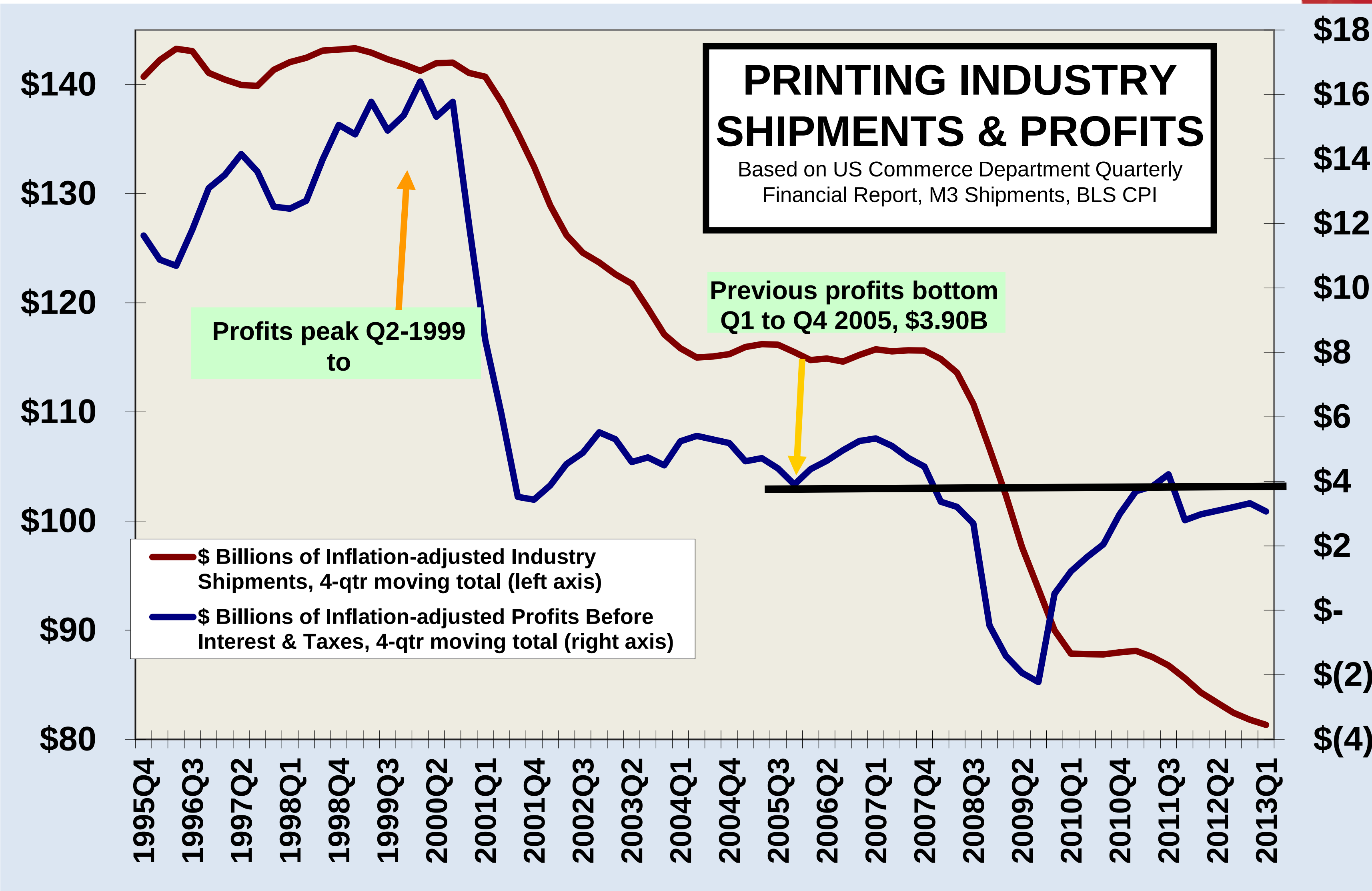

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Fewer US Commercial Printing establishments: down 1/3 by 2020

Year	1-9	10-19	20-49	50-99	100+	Total
2011est	19,709	3,632	2,781	1,123	886	28,131
2012est	19,154	3,442	2,633	1,058	840	27,127
2015fc	17,488	2,873	2,190	862	706	24,119
2020fc	14,711	1,924	1,451	536	494	19,115
2025fc	11,934	975	711	210	316	14,146

… or worse…

-40% from 2012 to 2020

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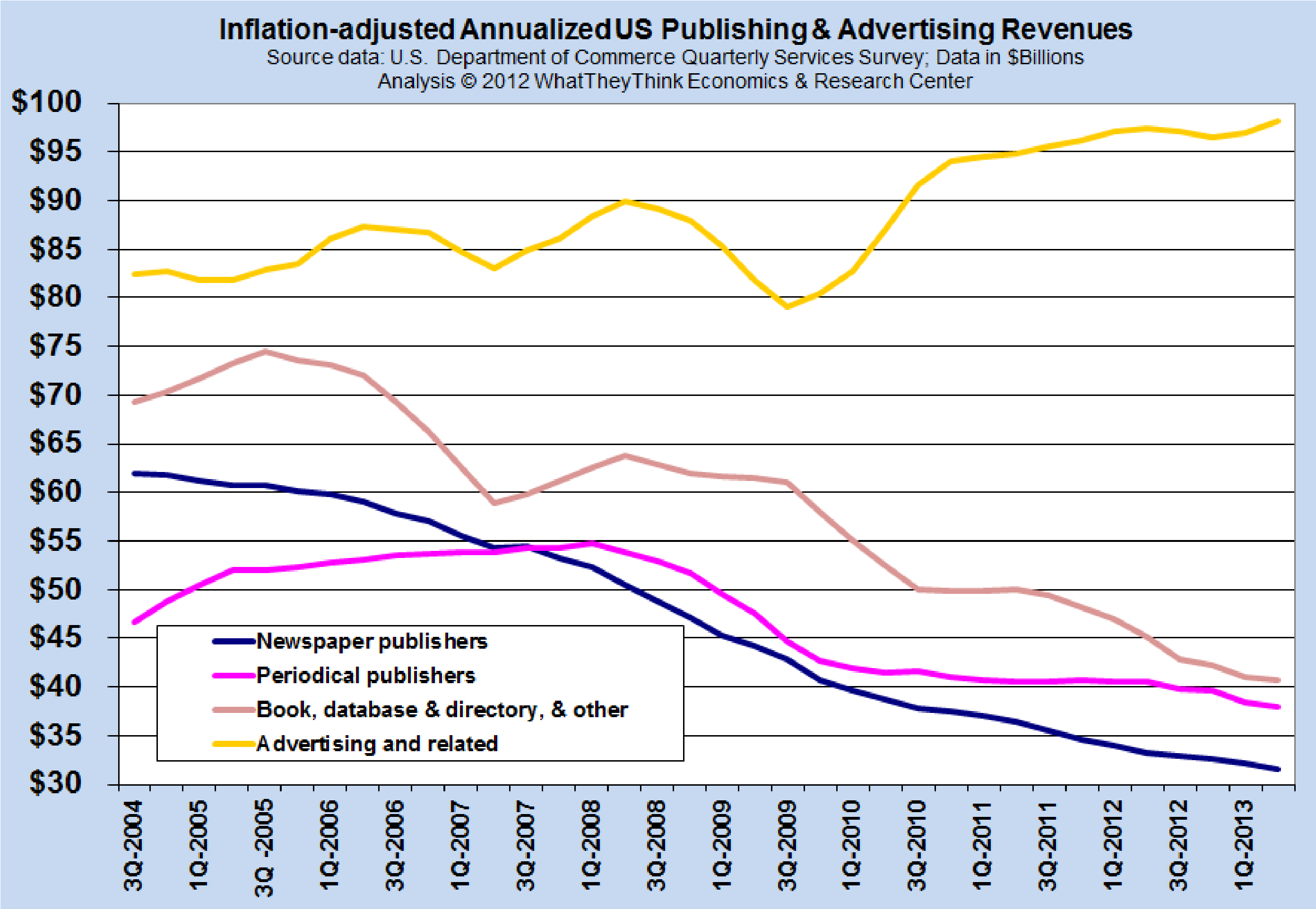
Content is Still Being Created



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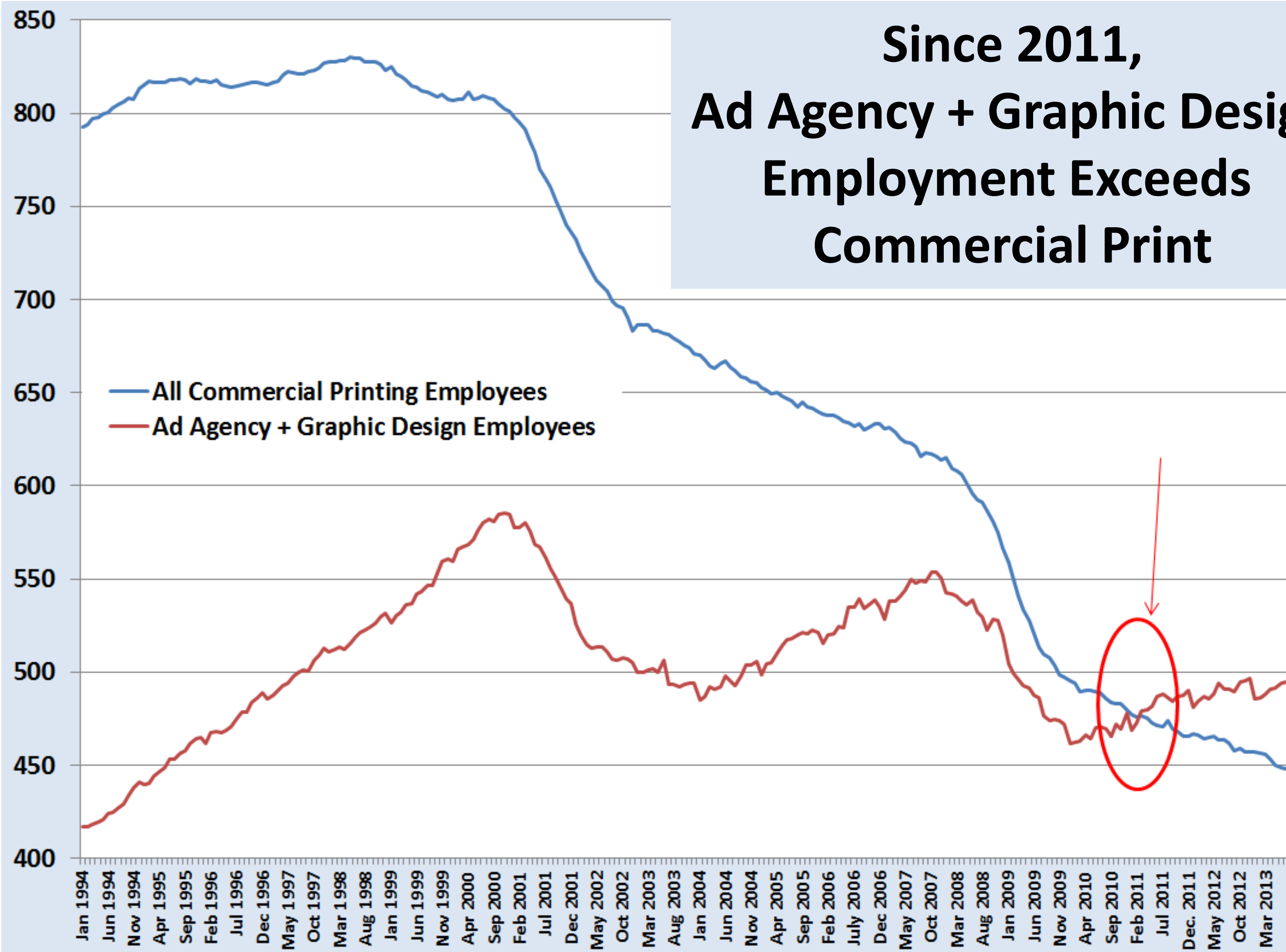
Since 2011, Ad Agency + Graphic Design Employment Exceeds Commercial Print



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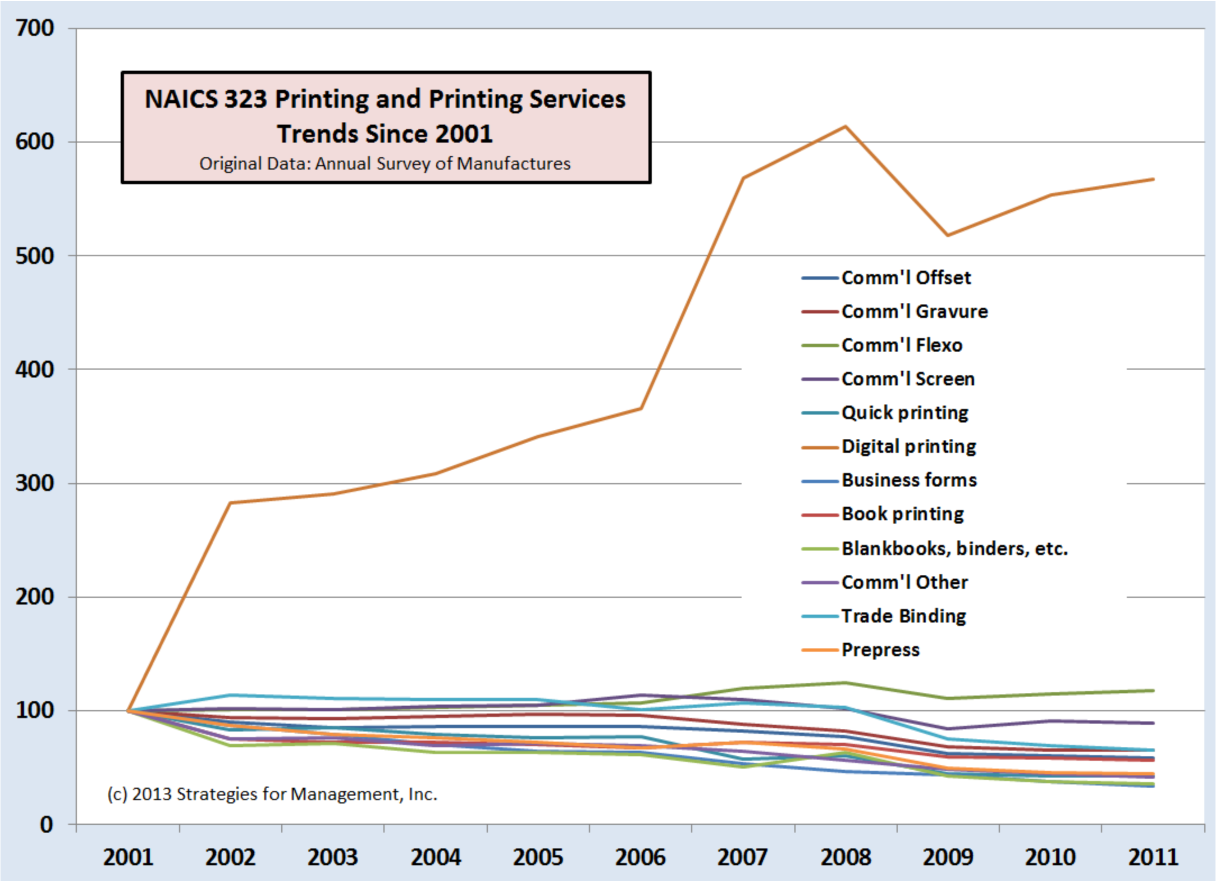
Digital Printing High Growth Rate



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“Mainstream” Print Decreases in Volume

- Specialty production is more tactical than strategic
- More specialized equipment, niche tactics, approaches

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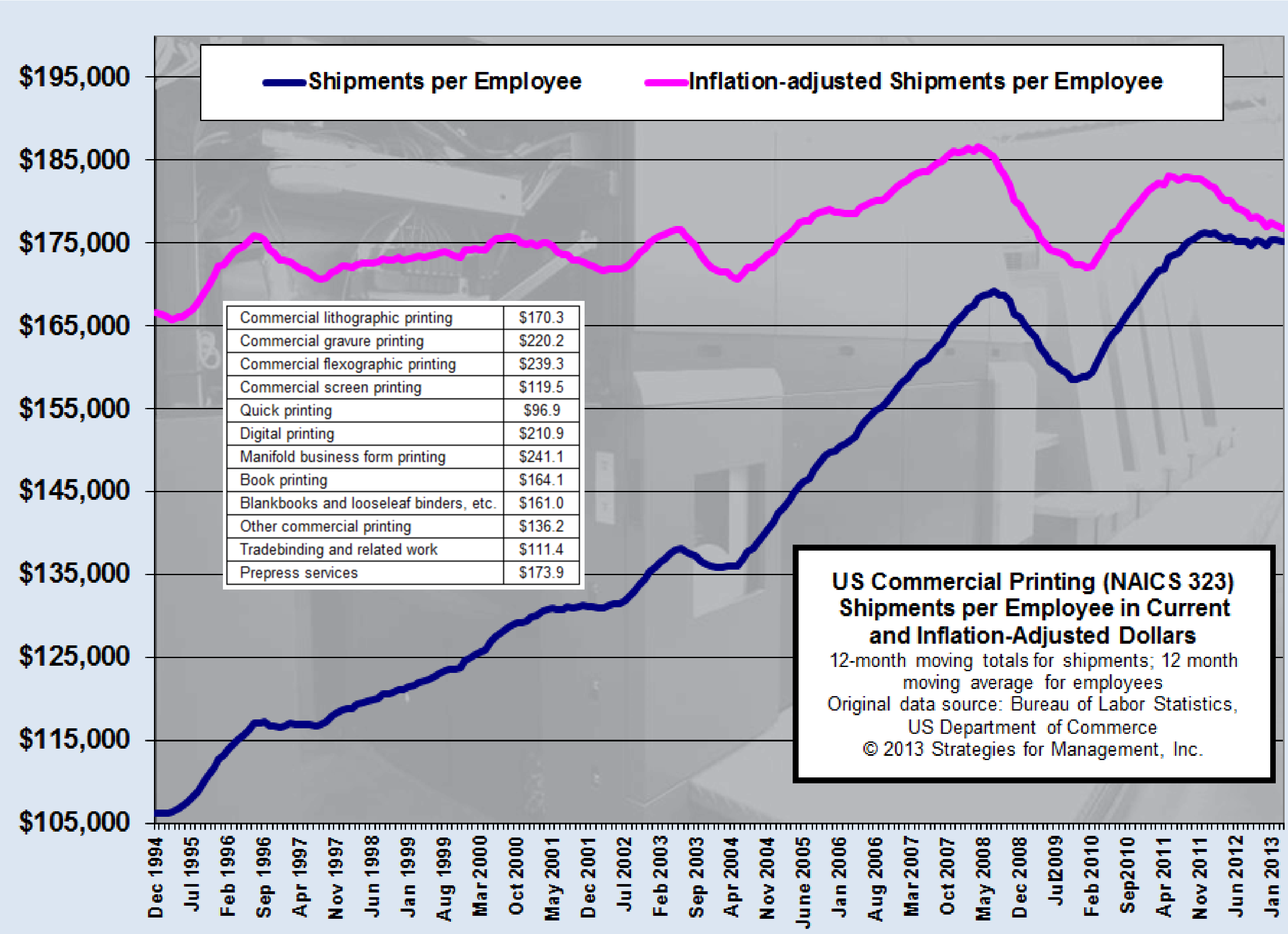
Biggest Traditional Suppliers will Have Trouble Coping

- Industry suppliers will restructure sales and service coverage
  - Shift from W-2 workers to 1099 independents and current dealers
- Independent technical and service personnel

Fewer suppliers

- Influence of long-established vendors is diminishing
  - Kodak through difficult bankruptcy
  - Heidelberg stock about €2 (€40 in 2008)
  - Presstek taken private at 50 cents per share
  - Xerox shares $19 in 2007, now are about $10



Commercial lithographic printing	$170.3
Commercial gravure printing	$220.2
Commercial flexographic printing	$239.3
Commercial screen printing	$119.5
Quick printing	$96.9
Digital printing	$210.9
Manifold business form printing	$241.1
Book printing	$164.1
Blankbooks and looseleaf binders, etc.	$161.0
Other commercial printing	$136.2
Tradebinding and related work	$111.4
Prepress services	$173.9

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CapEx investment rate shrinks

- CapEx decreases from 5% to 3% of sales
- Dealers help find new homes for current installed base as industry consolidates

Capital Equipment Expenditures '98-'11	Capex as % of Shipments	New Capex	Used Capex
1998	*4.9%*	91.5%	8.5%
1999	4.3%	94.6%	5.4%
2000	4.0%	95.7%	4.3%
2001	3.6%	92.6%	7.4%
2002	4.1%	*80.1%*	*19.9%*
2003	4.0%	88.1%	11.9%
2004	3.7%	94.0%	6.0%
2005	3.6%	96.4%	3.6%
2006	3.6%	*96.5%*	*3.5%*
2007	4.2%	96.2%	3.8%
2008	4.0%	94.4%	5.6%
2009	3.1%	83.7%	16.3%
2010	*2.9%*	95.9%	4.1%
2011	3.0%	93.5%	6.5%
Mean 1998-2011	**3.8%**	**92.4%**	**7.6%**
Mean 1998-2004	4.1%	90.9%	9.1%
Mean 2005-2011	3.5%	93.8%	6.2%

Based on US Dept of Commerce Annual Survey of Capital Expenditures, NAICS 323; analysis © 2013 Strategies for Management, Inc.

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Decreases in overall demand create new channel opportunities

- Suppliers need to cut fixed costs
- Workflows must become focused on multi-channel deployment
- Printers seek new revenue sources
- Content creators become new opportunity for graphic arts dealers and reps

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Commercial Printing's Survivors Will be

Healthier

Smaller

Media Integrated

Focused on Specialties

Broadly Dispersed

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Smaller markets

+

More complexity

=

Channel Restructuring

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Digital Media Opportunities for Dealer/Independent Rep?

MEDIA CHART 2.0	OFFLINE	ONLINE
PUSH (you reach out to market)	advertising (broadcast), advertising (space), brochure, catalog, coupons, direct mail (static), direct mail (variable), directory, event/trade show, local deals, newspaper inserts, newsletter, organizations, outdoor (billboard, transit stations/shelters), POS/POP, posters, product placement, product/service reviews, sales personnel, signage, specialties, spokespeople, sponsorship, store, in-store environment/interior design, storefront, telemarketing, training, transactional/transpromotional, vehicle wraps, white paper	advertising (web), brochure, catalog, coupons, direct e-mail, direct mail (variable), directory, event/trade show, in-game advertising, local deals, location-based social media, newsletter, organizations, product placement, public relations, radio program, podcast, RSS (real simple syndication, like news feed), search engine optimization, search, mobile, search, paid, smartphone/tabletPC apps/widgets, SMS/MMS (text messaging), spokespeople, sponsorship, training, transactional/transpromotional, Web site, Web site (mobile), web storefront, Webinars, white paper, YouTube video
PULL (market comes to you)	advertising (broadcast), advertising (space), brand name/company reputation/image, business development/consultation, catalog, dealer-distributors, event/trade show, loyalty programs, newspaper inserts, newsletter, public relations, sales personnel, sponsorship, telemarketing, training, user groups, white paper, word of mouth	advertising (broadcast), advertising (web), blog, brand name/company reputation/image, catalog, crowdsourcing, direct e-mail, direct mail (variable), event/trade show, location-based social media, loyalty programs, market research, newsletter, public relations, radio program, podcast, search engine optimization, SMS/MMS (text messaging), social bookmarking, social media (Facebook, Twitter), social media (mobile), spokespeople, sponsorship, training, user groups, Webinars, white paper, word of mouth, YouTube video
PARTICIPATIVE (collaborative, interactive)	associations, business development/consultation, dealer-distributors, event/trade show, market research, organizations, sales personnel, telemarketing, training, user groups, word of mouth	associations, blog, brand name/company reputation/image, crowdsourcing, event/trade show, location-based social media, loyalty programs, market research, organizations, product/service reviews, public relations, radio program, podcast, SMS/MMS (text messaging), social bookmarking, social media (Facebook, Twitter), social media (mobile), spokespeople, training, user groups, Webinars, word of mouth

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Channel Challenges for 2013-2020

Are dealers the "systems analysts" for marketing services / communications logistics?

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Are dealers the new CapEx sales and service infrastructure for the industry's former high-flying vendors?

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Can dealers bring new ranges of specialties to printers seeking new revenue streams?

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Do dealers have something to offer the emerging media practitioners?

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Are there opportunities in infrastructure design and support?

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What networks of alliances can dealers create and offer clients and vendors?

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What kinds of channels will there be by Print 17?

That's your creative choice.

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QUESTIONS

Thank You Very Much!

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