



KEYPOINT
INTELLIGENCE

| *InfoTrends*

Designed For



ANALYSIS

WHY DIGITAL PRINTING?

FIVE BENEFITS TO CONSIDER

MAY 2020





contents

Document

Introduction 2
Today's Digital Printing Market..... 2
Applications Benefiting from Digital Print Technology 4
The Top Five Benefits of Digital Printing 5
#1: Digital Printing Caters to the Premiumization Trend..... 5
#2: Customization Translates Data to Dollars..... 6
#3: Printing Responsibly Equals Increased Sustainability..... 7
#4: Faster Order-to-Cash (Time to Market) 8
#5: Printing Short Runs and Batching Jobs Increases Operational Efficiency and Productivity..... 8
Opinion..... 9

Figures

Figure 1: Global Production Digital Color Print Volume (Western Europe & United States) .. 3
Figure 2: Most Compelling Reasons to Read Direct Mail 4
Figure 3: Evolving Print Application Volumes (Western Europe & United States)..... 4
Figure 4: Top Applications by Print Volume (Western Europe & United States) 5
Figure 5: Six Paths to Premiumization..... 6
Figure 6: Factors that Encourage Interaction with Printed Direct Mail 7



Introduction

The rapid pace of technological change has transformed the graphic communications industry—not just in the way that consumers and marketers approach communications today (with mobile innovations and data-centric advancements), but also within the walls of print manufacturing. Yesterday's print methods no longer support the business requirements of today or the future. Digital print technology is a vital investment for any growing print service provider. The increasing demand for premiumization, personalization, sustainability, and speed-to-market will only continue to propel the growth of digital print technology in the future.

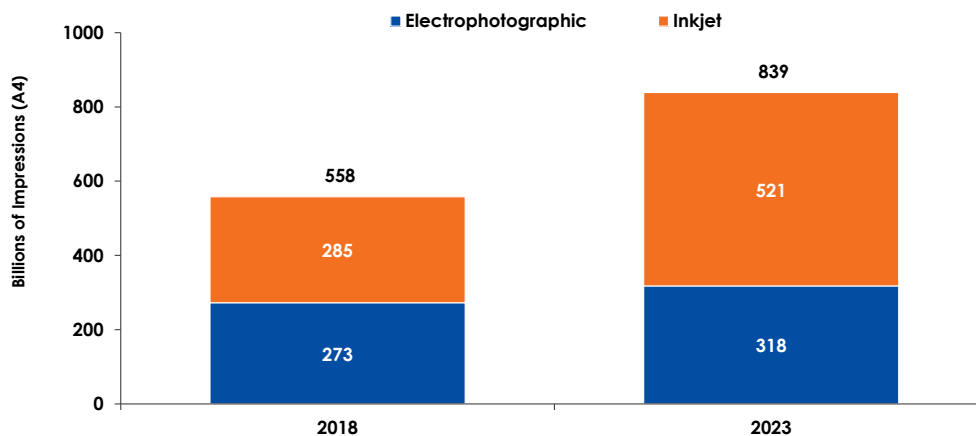
In addition to marking the start of another new decade, early 2020 also saw the rise of a global pandemic. COVID-19 has brought a great deal of uncertainty to our world, and questions continue to swirl about its effects to humanity, the economy, and many industries—including the general commercial printing market. Although some market segments have enjoyed business growth as a result of the pandemic, the commercial printing industry has taken a big hit. At the same time, however, today's challenges bring with them new opportunities for businesses to connect with their customers like never before. The world around us continues to march toward screens and digital media, but print still plays a vital role in customer engagement. Even though COVID-19 took hold and pushed the world online seemingly overnight, some consumers prefer printed communications to e-mail in many instances. Brand owners and marketers can accommodate customers' evolving preferences by leveraging the many advantages of on-demand printing, including shorter print runs and faster turnaround times. Advancements in print quality, speed, and sustainability provide a powerful advantage for today's communication businesses.

Today's Digital Printing Market

Print volumes continue to shift from offset to digital as client demands for short runs, customization, and faster turnaround times increase. Advancements in digital print technology have enabled increased productivity and lower costs, enabling the market to expand into more geographies and industries for profitable print. Keypoint Intelligence – InfoTrends' forecast data indicates that while production printer placements will remain flat, the number of color pages produced digitally will continue to rise. Global digital color production volumes totaled about 558 billion impressions in 2018 and will approach 839 billion by 2023.



Figure 1: Global Production Digital Color Print Volume (Western Europe & United States)



Source: Global Production Printing Market Forecast 2018-2023; Keypoint Intelligence – InfoTrends 2019

In this age of electronic media, there are several factors that favor the rise of digital printing and customization:

- ◆ Increasing data legislations (e.g., the EU's General Data Protection Regulation (GDPR)), which limit the usage and unauthorized transfers of consumer data.
- ◆ The growing number of ad blockers¹ and the incidence of fraud associated with Internet-based marketing schemes. According to the World Federation of Advertisers, the cost of online advertising fraud could hit \$50 billion by 2025.

As shown in the Figure below, Keypoint Intelligence's most recent marketing communications research indicates that there are several compelling reasons for reading direct mail. Specifically:

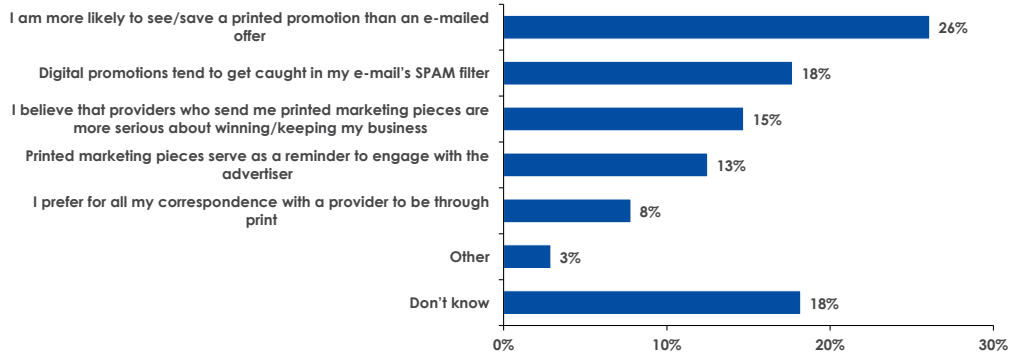
- ◆ Over a quarter of consumers more likely to see and save a printed promotion than a digital offer. Perhaps more intriguing, 18% are compelled to read direct mail because digital promotions tend to get caught in their spam filters or deleted for lack of time.
- ◆ About 15% of respondents believe that providers who send them printed marketing pieces are more serious about winning or keeping their business.
- ◆ Another 13% of respondents believe that printed marketing pieces serve as a reminder to engage with the advertiser.

¹ Source: real.media.collective / Fastfacts Digital & P&G sorts out "murky" media, Paul McIntyre, Financial Review 10.29.18



Figure 2: Most Compelling Reasons to Read Direct Mail

What would be the MOST compelling reasons for you to read a printed direct mail piece instead of a digital marketing message?

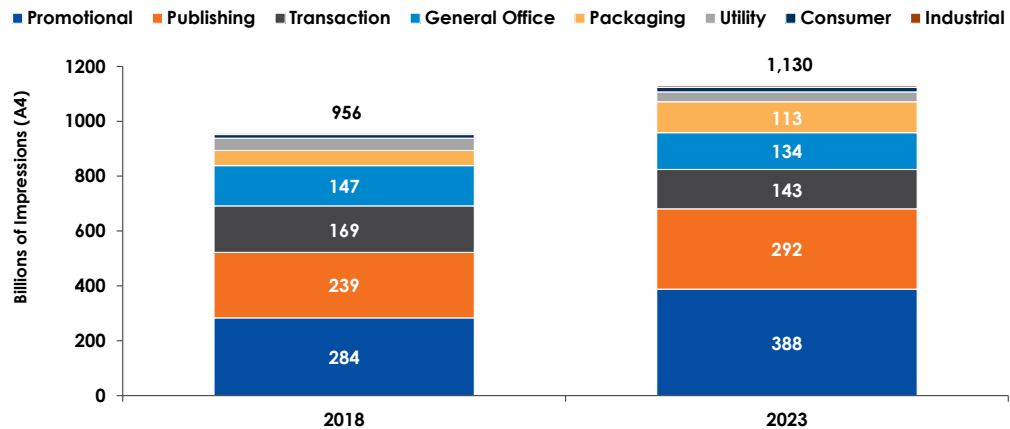


N = 1,085 Consumers in North America and Western Europe who are not more likely to read digital marketing message or printed direct mail
 Source: Annual State of Marketing Communications: Consumer Survey, Keypoint Intelligence – InfoTrends, 2018

Applications Benefiting from Digital Print Technology

Today's technologies mean that the mix of print applications and their volumes continue to evolve. Print volume trends indicate that digital printing is expanding in a much larger number of applications compared to a general stagnation or decline in the analog printing market. Accordingly, volume shares between the application groups will shift. Keypoint Intelligence's most recent forecast data indicates that publishing and promotional applications are showing the most growth, while the transaction and general office application groups continue to decline.

Figure 3: Evolving Print Application Volumes (Western Europe & United States)

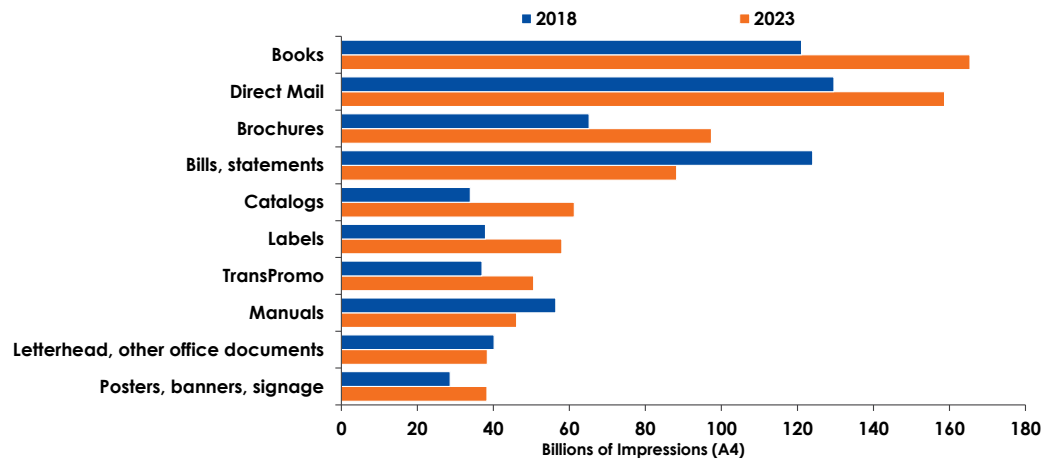


Source: US + WE Digital Production Printing Application Forecasts; 2018-2023; Keypoint Intelligence – InfoTrends 2019

The Figure below lists the 10 largest applications by page volume. Direct mail (129.6 billion impressions) and bills & statements (124 billion impressions) were the top applications in 2018, but books are expected to account for the highest share of print volume in 2023 (165.4 billion impressions). As more customers are opting for electronic delivery methods, the volume of bills & statements is expected to decline.



Figure 4: Top Applications by Print Volume (Western Europe & United States)



Source: US + WE Digital Production Printing Application Forecasts: 2018-2023; Keypoint Intelligence – InfoTrends 2019

Because consumers are happy to see basic information from bills/statements and manuals on electronic devices, print volumes for these applications are expected to decline. Meanwhile, volumes of flashier, marketing-related print applications like brochures, labels, and catalogs are expected to grow. These marketing materials are still seeing success in the physical print space.

The Top Five Benefits of Digital Printing

Overall print volumes are expected to increase by 4.1% between 2018 and 2023, which means print is here to stay. As you explore the trends in print volume and applications, it is important to consider the real benefits of digital printing technology today and the opportunities that they can create for the future.

#1: Digital Printing Caters to the Premiumization Trend

The backdrop of COVID-19 has only served to intensify the price-sensitive nature of today's consumers. At the same time, however, this price sensitivity does not override the desire for a premium experience. Consumers crave value, which is derived from their perception of a brand and its products. Premiumization is a great way to deliver that value to the customer. This new breed of customers craves a differentiated experience, and digital printing can help brands make an impact. As shown in the Table below, behavioral sciences company Beesy Strategy has identified 6 paths to premiumization.



Figure 5: Six Paths to Premiumization

6 Paths to Premium	Why Customers Will Pay a Premium	Examples
Safer	Trusted, safe, high awareness, popular	Coke, McDonald's
More Innovative	Unique, novel, cutting edge, advanced	Apple, Gillette, Dyson
Better Experience	Hedonic, fun, process, craft, service	Red Bull, Lego, Sephora
Easier	Save time/effort/energy, intuitive	Amazon, Simplehuman, Blue Apron
Social Image	Signals image/status, aesthetics, design	Nike, Jordan
More Exclusive	Scarcity/rarity, location, limited production	Zara, Woodford Reserve

Source: Beesy Strategy

Digital printing enables short-run and print on-demand marketing as well as a packaging opportunity with fast turnaround times. The ability to print quality applications that accommodate an ever-changing brand experience is a win for digital print. Whether it's a local brewery or an internationally known brand, flexibility in the print production process allows marketers to experiment and react to consumers' purchasing preferences. Digital printing offers a quality alternative and a fast go-to-market option for premiumization, and it can accommodate everything from a refreshed packaging label to a more relevant promotion that reframes an offering.

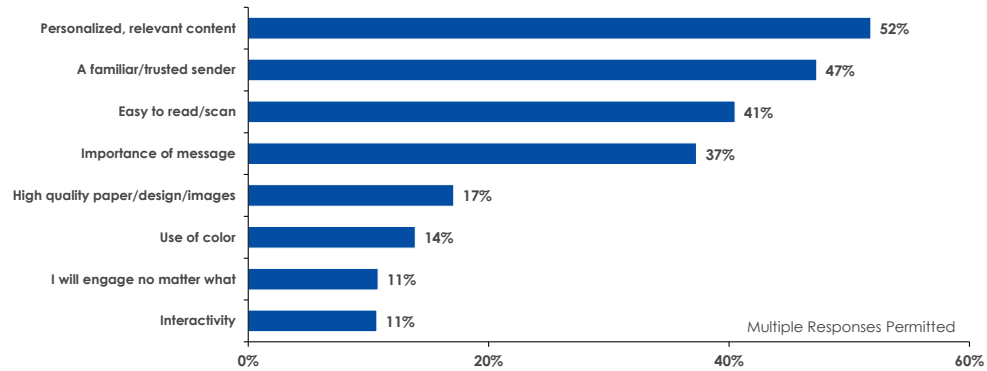
#2: Customization Translates Data to Dollars

Marketers certainly like to talk about geo-targeting, yet consumers aren't exactly excited about being targeted. At the same time, however, customers don't mind the serendipitous experience of receiving an offer that is perfect for them. In fact, today's consumers *want* messages that are tailored to them, and personalized mail pieces are more likely to be engaged with than generic pieces. In fact, personalized/relevant content was the single most important factor in making consumers more likely to read or review printed direct mail. Examples of relevant content that consumers find beneficial include coupons and promotional offers related to products and services they've purchased in the past, and content that reflects their personal interests.



Figure 6: Factors that Encourage Interaction with Printed Direct Mail

Which of the following factors make you most likely to read/review a printed direct mail piece?



N = 3,788 Consumers in North America and Western Europe who review printed direct mail pieces before throwing them out
Source: Annual State of Marketing Communications: Consumer Survey, Keypoint Intelligence – InfoTrends, 2018

Moving forward, the digital printing conversation will be less about personalization and more about the data-driven experience that exists in customization (e.g., varying by generation, location, and product segment). Thanks to ongoing technological innovations in customer segmentation and data mining, today's enterprises now have access to more information about their customers than ever before. In parallel, consumers' expectations are also shifting—people understand that their providers have access to a great deal of their personal information, and they now expect any communications to reflect this level of knowledge. Given the uncertainty in today's market, the perceived relationship between consumer and brand can also serve as a point of differentiation that fosters loyalty.

In most cases, however, marketers have limited resources to take the necessary time to strategically align customized communications. To take their communications to the next level, many marketers will need partners that can help them make sense of the data and match it to a good sales strategy and segmentation plan (loyalty, purchase size and frequency, purchase history and product life cycles) for reaching customers. The opportunity for customization in print can no longer be ignored!

#3: Printing Responsibly Equals Increased Sustainability

In today's market, there is a misconception that it costs more and is not sustainable to create custom printed pieces. The reality is that by printing targeted and customized campaigns, you are actually printing more responsibly and efficiently than what is possible with a blanket campaign. In addition to reducing print waste, the opportunity for digital short-run printing makes it possible to cut costs while conserving resources in set-up and make-ready.

Web-to-print solutions can further increase sustainability by standardizing inbound specification of work and open sales to a wider audience. The ability for the end-user to



customize and visualize the design reduces the need for unnecessary printed proofs or inaccurate information. Likewise, a good network of print service providers with similar production capabilities can reduce energy and resources by printing locally. These outsourcing partnerships for digital printing and inventory supply management efforts can dramatically reduce environmental impact, increasing the opportunity for responsible printing and increased sustainability. In addition, when comparing printed media to electronic media communications, print is actually the more sustainable option!²

#4: Faster Order-to-Cash (Time to Market)

As mentioned earlier, a key benefit of digital printing is the ability to print on-demand (i.e., what you need and when you want it). The speed of execution from design to final product can be reduced significantly when you shift offset print applications to digital print. Furthermore, the time required can be reduced even further when soft proofing is integrated into the approval process. Approval processes can be normalized because digital presses are consistent. When properly managed and maintained, digital printing presses provide reliable color and quality output from job to job. What's more, reprints don't require additional press checks.

#5: Printing Short Runs and Batching Jobs Increases Operational Efficiency and Productivity

Although the ability to handle short runs is an absolute benefit of digital printing, print service providers can expand their options for efficiency even further by batching like jobs into longer runs. Many businesses that operate in multiple geographies or communicate in multiple languages have a desire for versioning and localized content. Coupling short-run printing with high-capacity digital printing devices enables production output that was once possible with only offset presses while still offering all the benefits of digital production printing. In the case of publishing applications, digital printing leverages short-run printing and enables digital collation that cannot be matched on conventional presses alone.

² <https://www.twosides.info/fact-sheets/>



opinion

Opinion

The print methods that worked in the past will not support the business requirements of the future. We've moved into another new decade that is shadowed by a global pandemic that has had a major impact on the commercial printing market. The good news is that the industry is expected to begin its recovery soon, and the path forward remains largely the same—digital printing will be vital to the success of print service providers. Furthermore, consumers' increasing demands for premiumization, personalization, sustainability, and speed-to-market will only continue to propel the growth of digital print technology.

Even in today's digital world, printed communications continue to play a vital role and are actually preferred in certain situations. This is especially true as concerns about COVID-19 have consumers craving customized messages that speak to their specific needs and behaviors. Ongoing advancements in print quality, speed, and sustainability provide a powerful advantage for communication businesses that can leverage their offerings effectively.