

Keynote – Where We Are Now and How We Plan to Grow into 2023



Denise M. Gustavson
Conference Co-Chair | Editorial Director
Wide-Format Impressions



Andy Paparozzi
Chief Economist
PRINTING United Alliance

@WF_Impressions
#WFSummit2022

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SUMMIT

The State Of Our Industry

Where We Are

- Fractured supply chains continue to inflate operating costs, disrupt production, and pressure margins.
- Resistance to price increases is growing as clients try to protect their margins from persistent, embedded inflation.
- Key leading indicators suggest the American economy will be slowing appreciably – quite possibly into recession.

What We Can Do About It

- Maximize productivity. When cost pass-through is limited we either offset rising costs with productivity gains or absorb them. What will we do better next year than we did this year?
- Rigorously evaluate opportunity. There is plenty. But which best fit my company?
- Prepare now for the downturn/recession. Prepare now and we can come out stronger than we went in. Don't prepare and we may not come out at all.

Telling Numbers

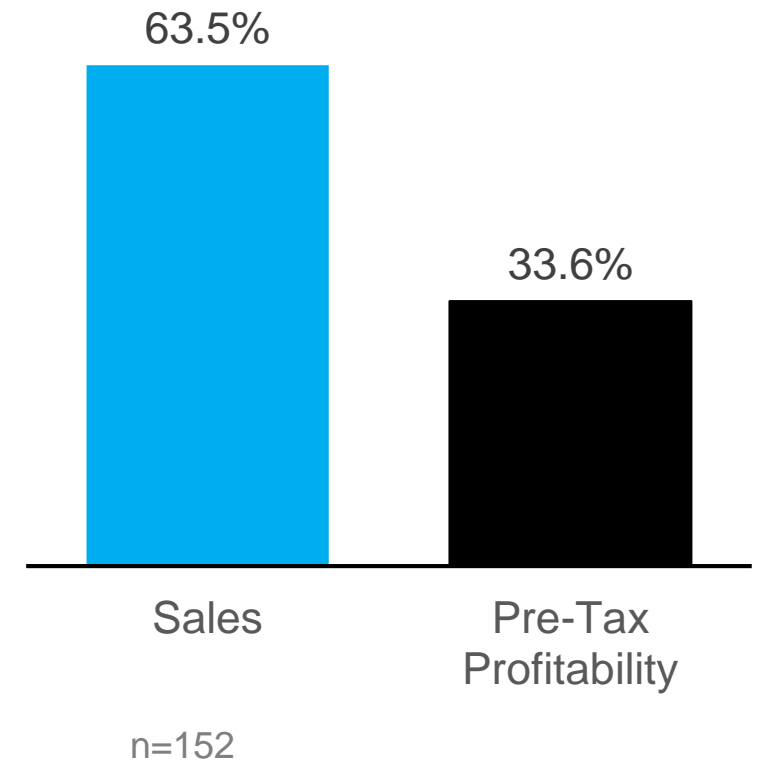
On the surface, things look great:

- 63.5% of wide-format providers surveyed expect sales to increase during the first half of 2022, while just 8.1% expect sales to decline.
- 45.4% expect sales growth of at least 10.0% and 28.3% expect growth of at least 15.0%. Average expected change in sales: 10.7%.

But taking a closer look:

- 45.3% expect operating cost inflation to increase at least as fast as sales. Average expected cost inflation rate: 8.1%
- 33.6% expect pre-tax profitability to increase, little more than half the 63.5% who expect sales to increase.

Percent expecting an increase during the first half of 2022



The Harsh Realities

What are your company's biggest challenges?

Challenge	Citing	Challenge	Citing
Shortages of essential materials	92.5%	Increasing sales	56.6%
Rising substrate costs	88.4%	Maintaining profitability	56.2%
Rising labor costs	73.6%	Rising energy costs	49.3%
Rising transportation costs	69.7%	Losing clients to print alternatives	43.8%
Labor shortages	66.7%	Maintaining productivity	41.1%
Rising ink/toner costs	61.6%	Maintaining healthy working capital	35.6%

n=146

The Biggest Challenge

“Should we purchase whatever materials we can before prices increase again? What if purchases don’t match client requirements, or demand softens, leaving us with costly inventories? What if we don’t stock up, and lose clients because we can’t meet their requirements? **The ‘randomness’ and ‘unpredictability’ of not knowing from week to week what will be available, when, and at what price, has created ‘an unsustainable way to do business’ and ‘disrupted the ability to manage the company as never before.’”**

State of the Industry Update, Second Quarter 2022, PRINTING United Alliance

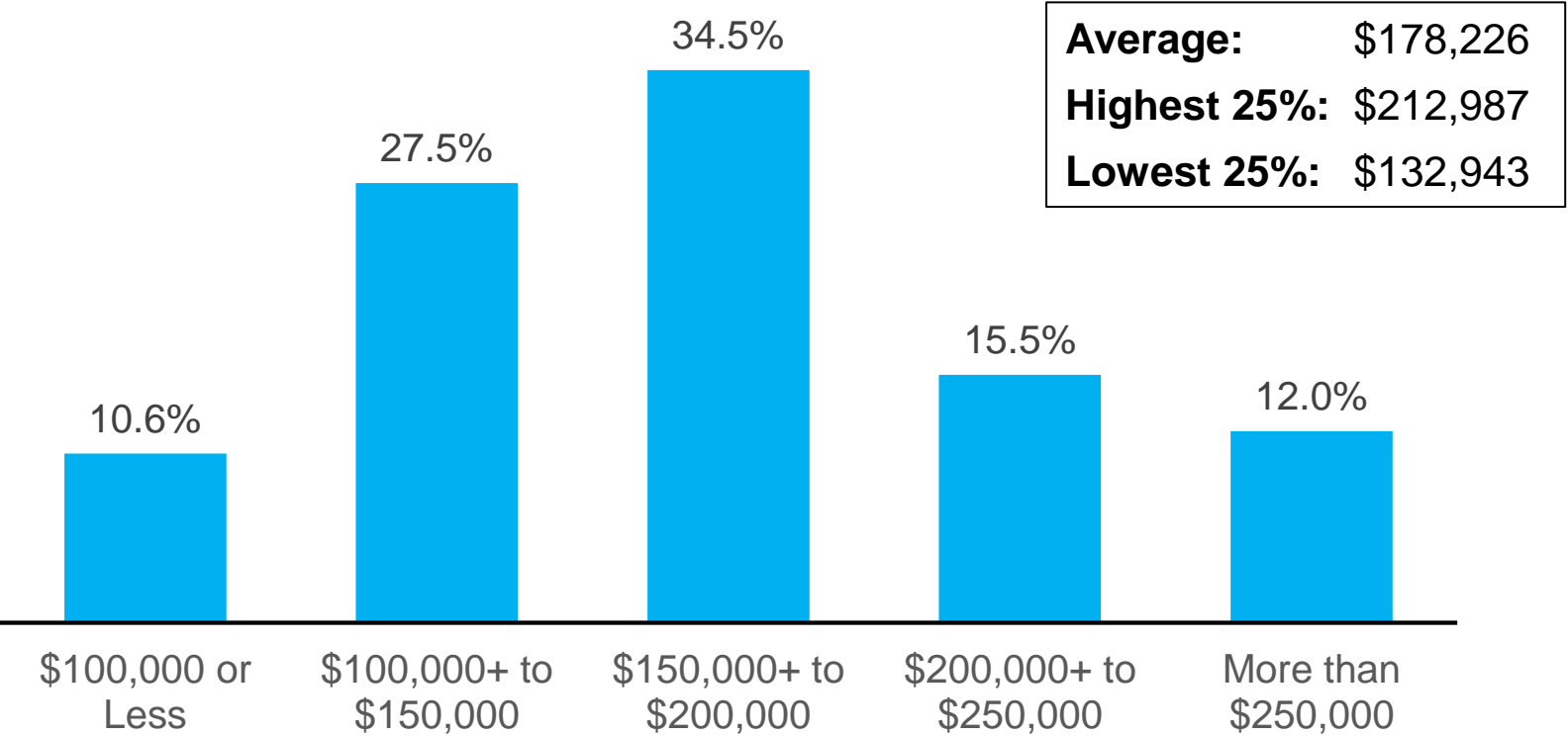
What Are You Going To Do?

Increase productivity companywide – not just in operations – was the most frequent response by far. Key steps:

- capital investment to increase automation and production speeds
- streamlining workflow
- squeezing steps and touches out of processes and procedures from job entry to invoicing
- better use of MIS
- continuous improvement, lean manufacturing, etc.
- building skills/flexibility of workforce through training (including cross training) and employee education

n=133

Sales Per Employee



n=142

Opportunity Evaluation

- Our gamut of opportunity is expanding, but our margin for error is shrinking.
- Which opportunities best fit my company's specific resources, capabilities, and circumstance?
- **The right choices contribute to sustainable competitive advantage. The wrong choices deplete resources, fragment operations, and undermine core capabilities.**
- Three evaluation methods can help us decide:
 - Cagan Opportunity Assessment
 - Lean Canvas
 - POEM: Product Opportunity Evaluation Matrix

Cagan Opportunity Assessment

Evaluating opportunity by answering 10 questions. Among them:

- What value will we deliver to the client/what problem will we solve?
- Precisely for whom will we create the value/solve the problem?
- How big is the opportunity?
- What alternatives are out there?
- Why are we best suited to pursue this? What's our differentiator?
- Why now?
- How will we measure success?
- What factors – internal and external -- are critical to success?

The goal of option evaluation is “either to a) prevent the company from wasting time and money on poor opportunities; or b) for those that are good opportunities, to understand what will be required to succeed.”

Marty Cagan, “Assessing Product Opportunity”, svpg.com

Lean Canvas

Opportunity Evaluation on One Page

Each box in the lean canvas pertains to a factor we must evaluate to determine whether an option is an opportunity for us. We enter our thoughts as bullet points. “An Introduction to Lean Canvas,” Steven Mullen, medium.com

Problem/Pain Point Why this product/service will be important to clients	Solution How we are going to solve the problem/relieve the pain	Customer Segment Our target market
Channels How we will reach the target market	Unique Value Proposition Why target market will buy from us rather than the competition	Revenue Streams Revenues the product/service is expected to generate
Cost Structure Costs of bringing the product/service to market	Key Metrics How we will measure performance/if expectations are being met	Our Unfair Advantage Specific skills/attributes that will differentiate us

Product Opportunity Evaluation Matrix

- POEM creates a scorecard for an opportunity by grading it across six dynamics:
 - Customer
 - Product
 - Timing (current state of the market)
 - Competition
 - Finance
 - Team
- “Dynamics” because they are always “moving and changing.”

POEM requires us to “understand all the dynamics of the market that may impact the success or failure of your product.”

Neal Cabage, “A Framework for Evaluating Market Opportunity”, mindtheproduct.com

Opportunity Evaluation Matrix

- Does the product/service satisfy a pressing need for customers? Or is it nice but not essential?
- What is our differentiator? What will make us stand out?
- Does the product/service fit our core offerings? Will it enhance our core capabilities or be a distraction?
- What kind of margins can we expect? Is the market commoditized or will it soon be commoditized?
- How are market conditions? Are clients confident and expanding?
- Do we have the expertise—technical, sales, marketing, leadership, etc.—necessary to make the option work? If not, how will we acquire the expertise?

Opportunity Evaluation Matrix

Opportunity: _____

Overall Grade: C

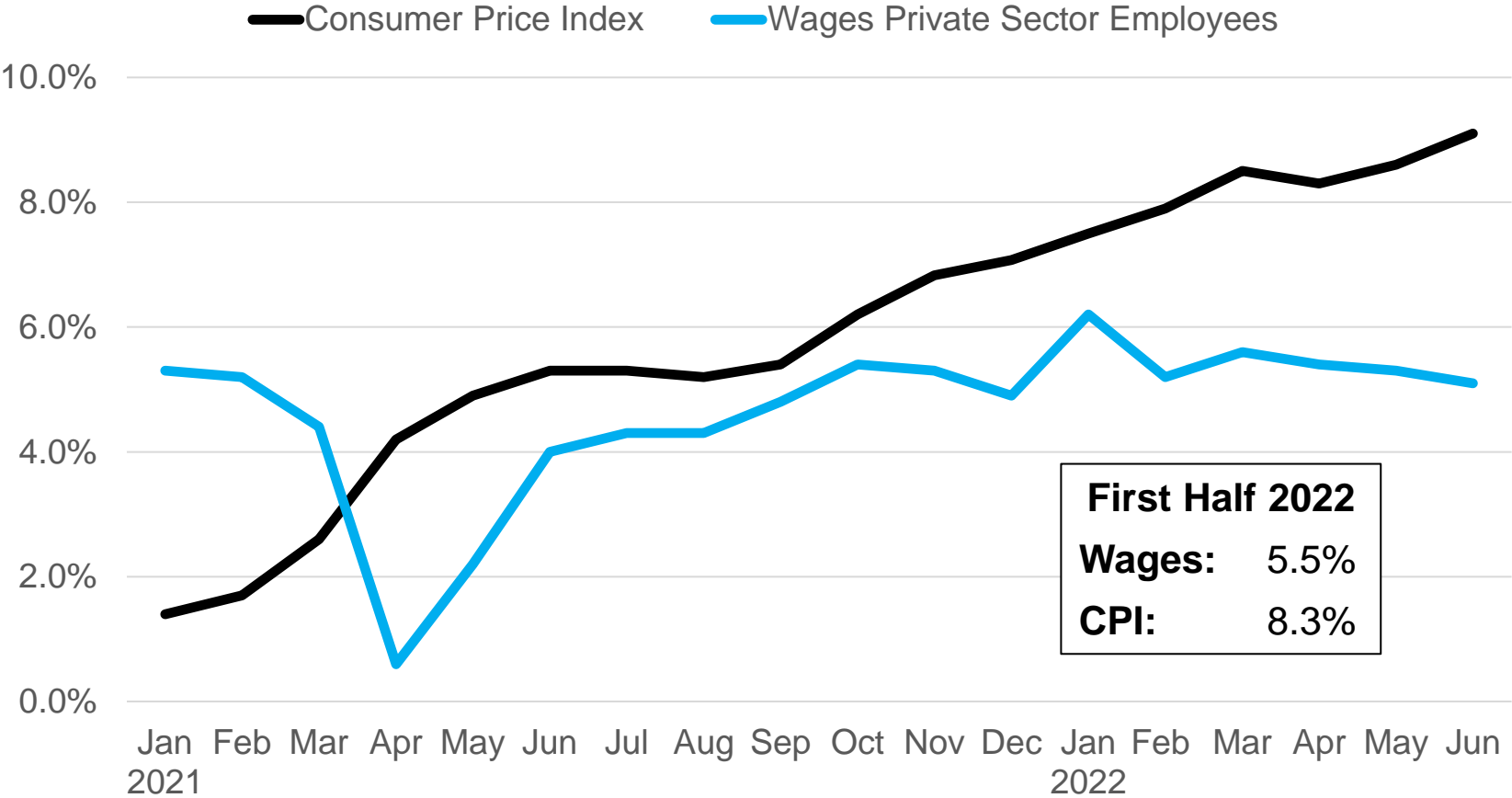
Dynamic	Key Questions	Grade
Customer	Have we identified a customer base – or are we counting on build-it-and-they-will-come? Is the market big enough to justify development costs?	B
Product/Service	Does the product/service address an essential customer need? Is it necessary, not just nice to have? Can we communicate the benefit to clients effectively? Will it enhance our core capabilities or be a distraction?	C
Timing	How are market conditions? Are clients confident and expanding? Why now? Will we be getting the jump on the competition? Will we fall too far behind if we delay?	A
Competition	Do we have a differentiator? What's going to make us stand out? How commoditized is the market? What do margins look like?	C
Financial	How do up-front costs, expected cash flow, monthly working capital requirements, and expected break-even look?	C
Team	Do we have the expertise — technical, sales, marketing, leadership, etc. — necessary to make the option work? If not, can we acquire it?	D

Opportunity Evaluation Matrix

POEM is only effective if we:

- **Grade accurately** — i.e., no inflating grades to justify an opportunity.
- **Have the discipline to pass on opportunities with low grades no matter how much buzz they are creating.**
- **Are wary of options with low scores (1 or 2) in even one dynamic.** Very unfavorable conditions in one area can overwhelm favorable conditions in several others.

Prices Rising Faster Than Wages



Percent change over previous year . Source: U.S. Bureau of Labor Statistics.

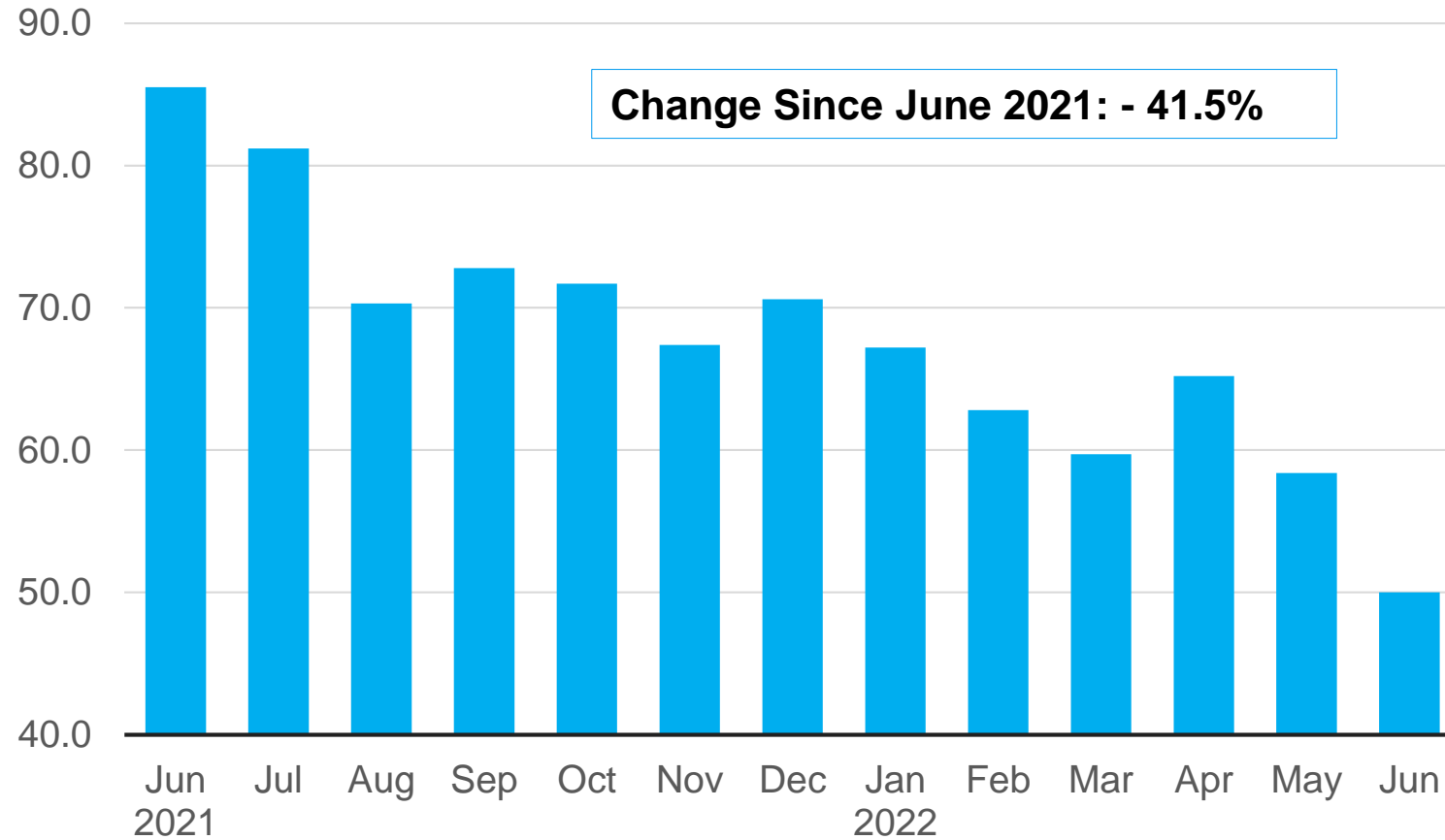
Productivity Trailing Compensation

Productivity rising in line with compensation creates the non-inflationary economic growth that raises living standards. Compensation rising significantly faster than productivity does the opposite.

	2022	2021			
Indicator	I	IV	III	II	I
Compensation per Hour	7.6%	6.3%	6.3%	3.4%	6.2%
Productivity/Output per Hour	-0.6%	1.9%	-0.4%	2.2%	3.9%

Percent change over previous year. Source: U.S. Bureau of Labor Statistics

Consumer Sentiment Down

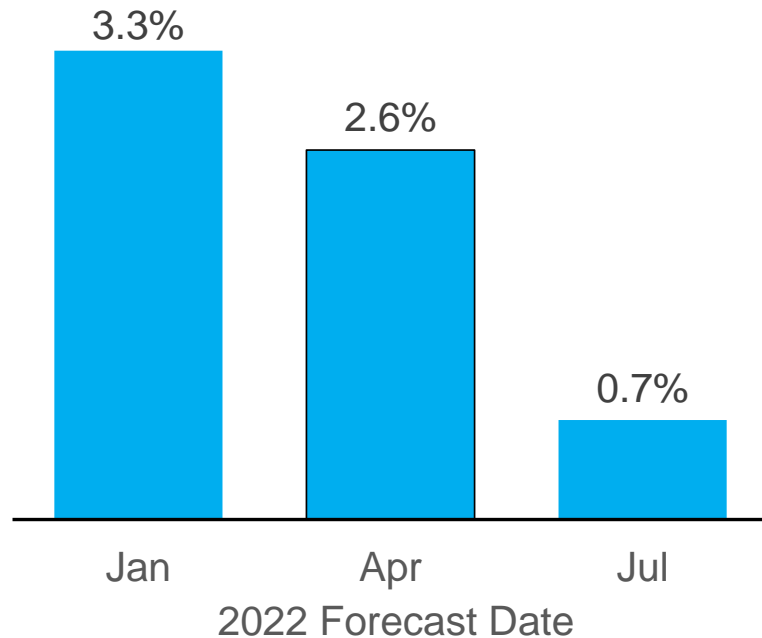


University of Michigan Consumer Sentiment Index. Source: TrendEconomy, trendeconomy.com

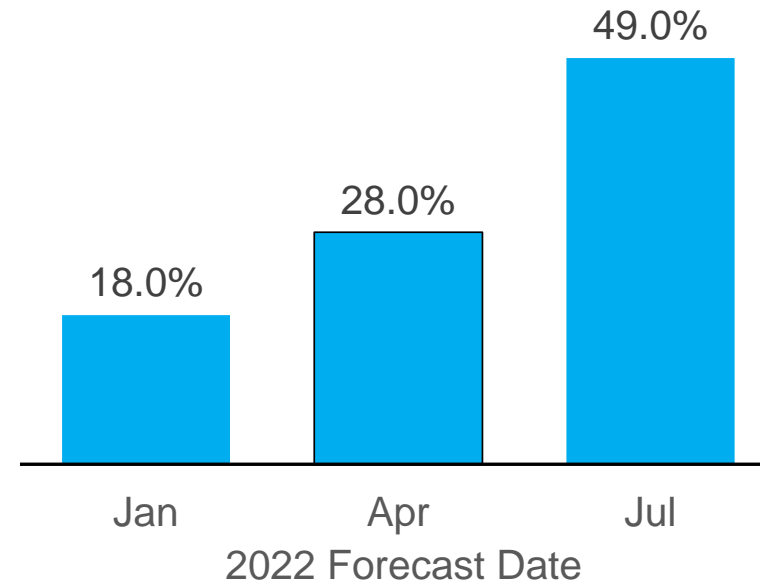
Economic Outlook Darkens

Economist surveyed by The Wall Street Journal have revised their expectations for 2022 GDP growth down and their expectations for a recession in the next 12 months up.

Expected 2022 GDP Growth



Probability of Recession in Next 12 Months



Source: *The Wall Street Journal* Economic Survey, July 2022

Preparing For Downturn

- Don't assume because we've made it through past recessions we'll make it through this one because every recession is different.
- Don't assume there isn't anything we can do other than cut costs and wait the downturn out.
- **The steps in preparing for recession are not a secret sauce: We know we should take them. The difference is during a recession “should take” becomes “must take.”**

The Steps

State of the Industry Update, 2nd Quarter 2022, PRINTING United Alliance

1. Stress test your business
2. Explore credit options, including the SBA Working Capital Line of Credit program
3. Watch and act on early warning signs
4. Strengthen invoicing and collections
5. Decide what to do about unprofitable clients, products, and services
6. Create efficiencies now (before the recession forces us to)

Act On Early Warning Signs

1. **Identify our most reliable leading indicators and monitor them even more closely than usual.** If we don't know what they are, identify them ASAP.
2. **Set critical values for each leading indicator.**
3. **Create an action plan in case we hit those values,** specifying what we will do, how we will do it, and the adjustments we will make if the plan isn't working.

How We Will Grow Profitably In 2023

1. Rigorously evaluate opportunities using any one of the three methods described.
2. Maximize productivity to offset continued operating cost inflation and growing resistance to price increases.
3. Prepare now for the economic downturn/recession ahead.
4. Ask these questions:
 - What will we do better next year than we did this year?
 - What have we learned from the supply chain crisis? What changes will we make because of it?

Read

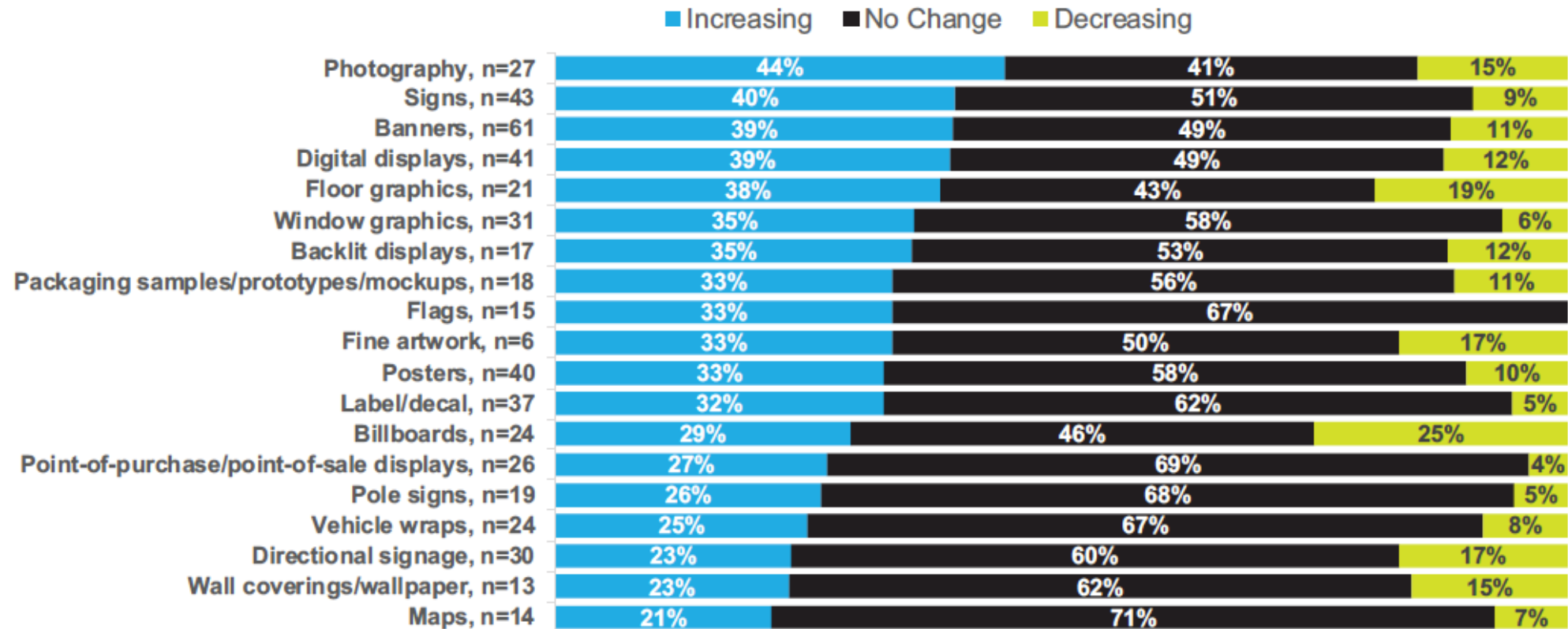
- “How to Prepare Your Business for a Recession (13 Ways),” comcapfactoring.com
- “How Small Business Owners Can Prepare for Recession,” Erica Gellerman, freshbooks.com
- “How to Stress Test Your Small Business,” Bernadette Abel kapitus.com.
- “How to ‘Stress Test’ Your Business,” Jacob Kerby, rvrteam.com

Where Is the Opportunity?

Product (number ranking)	Percent Expecting Growth	Product (number ranking)	Percent Expecting Growth
Folding Cartons (41)	68.3%	Marketing Collateral (129)	49.6%
Wall/Architectural/Building Graphics (71)	63.4%	Compliance/Safety Signage (98)	49.0%
Direct Mail (132)	61.4%	Window Graphics (115)	47.8%
Performance Wear (33)	57.6%	Sweatshirts/Hoodies (40)	47.5%
T-Shirts (43)	55.8%	Fleet Graphics/Transit Graphics (68)	47.1%
POP/Displays (77)	53.2%	Tags/Labels (75)	46.7%
Vehicle Wraps/Graphics (70)	51.4%	Promotional Products (78)	46.2%

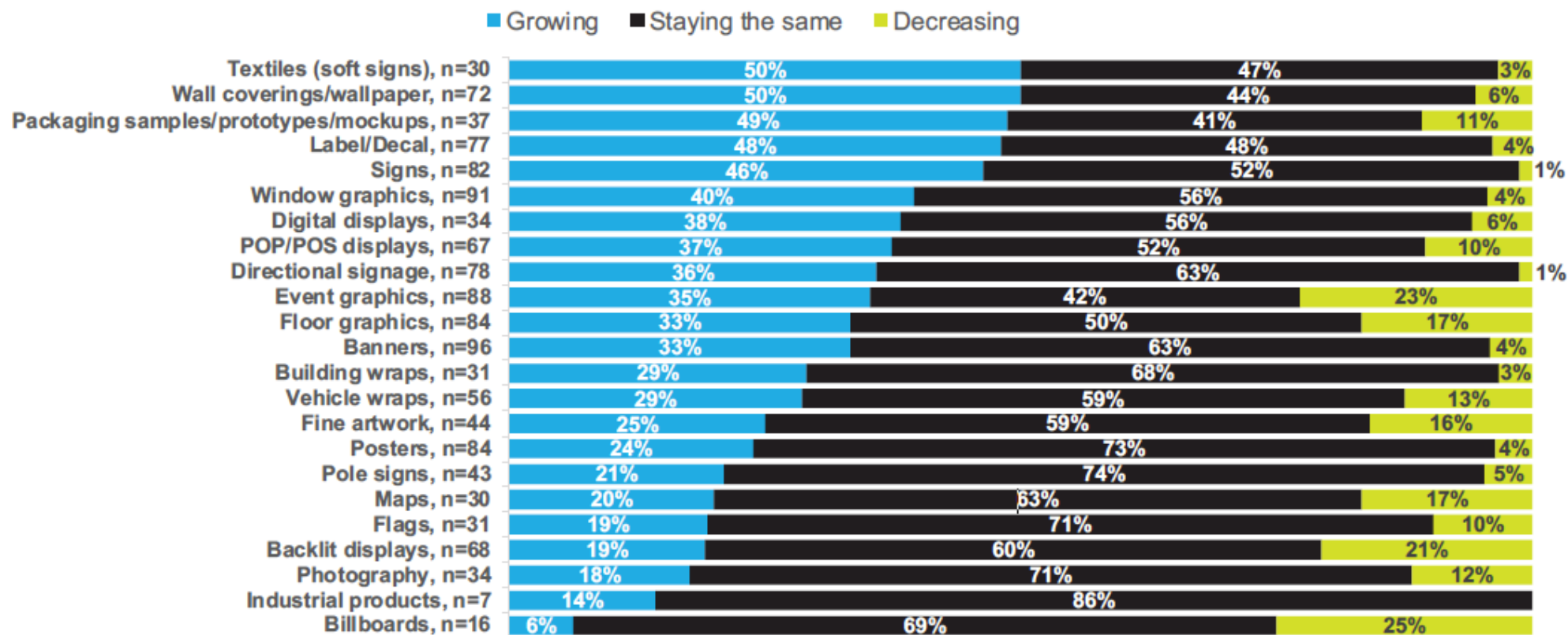
Source: Printing Business Indicators/Product Markets Survey, 1st Qtr. 2021,n=305

Where Is the Opportunity? Where is the Spend?



Q. What is the current spending trend for the sign and display graphics you purchase?
n=71 Purchasers or purchase influencers of sign and display graphics.
Source: Who Buys Wide-format? NAPCO Research 2022

Where Is the Opportunity? Where is the Demand?



Where Is the Opportunity?

Retail Graphics

- Including POP and POS displays, floor graphics, backlit displays, soft signage, window graphics

Wall Coverings and Wallpaper

Vehicle Wraps and Graphics

- Including fleet and transit graphics

Compliance and Safety Signage

Event Signage and Graphics

Trends Driving Opportunity

- Privacy Concerns
- Increasing Travel
- Safety / Overcoming COVID Behaviors
- Sustainability
- Personalization / Customization
- Convergence and Diversification



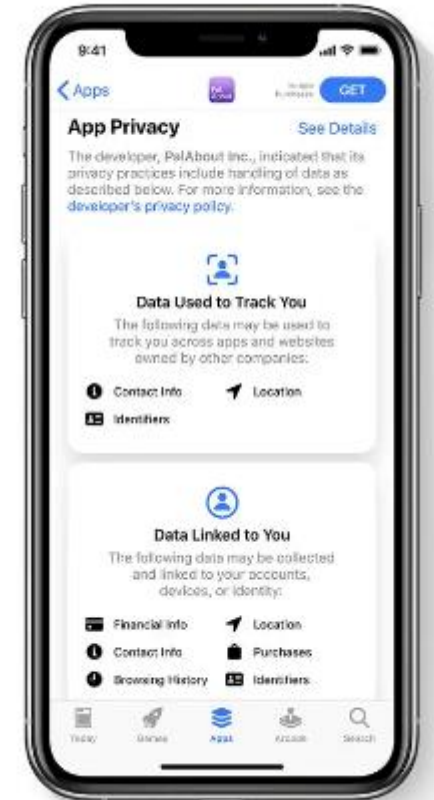
Privacy Concerns

Users are demanding greater privacy — including transparency, choice, and control over how their data is used.

- Introduction of iOS 14 for Apple (2021)
App Tracking Transparency will require apps to get the user's permission before tracking their data across apps or websites owned by other companies.

Under Settings, users can see which apps have requested permission to track and make changes.

You receive a pop-up notification that reads: “x would like permission to track you across apps and websites owned by other companies. Your data will be used to deliver personalized ads to you.” You will then be able to choose between “Allow Tracking” or “Ask App Not To Track.”



Privacy Concerns

- Privacy Sandbox (2022)

The Privacy Sandbox initiative from Google aims to create technologies that both protect people's privacy online and give companies and developers tools to build thriving digital businesses. The Privacy Sandbox reduces cross-site and cross-app tracking while helping to keep online content and services free for all.

The Privacy Sandbox technologies aim to make current tracking mechanisms obsolete, and block covert tracking techniques.

According to Google, they won't be building “alternate identifiers to track individuals as they browse across the web, nor will we use them in our products.”



Privacy Concerns

- Harris Poll and Out of Home Advertising Association of America, Nov 2021 Report

74% are concerned about online data privacy and use of personal information/behavior for online ad targeting

Over 60% frequently skip online ads due to digital device burnout

39% are actively trying to spend less time on phones, computers, or reduce TV viewing



OOH Media Opportunities: Consumer Insights and Intent - Early 2022

November 16, 2021



Privacy Concerns

Brands need to find alternative ways to reach their audience: ways people can't block. Brands are looking for safe, privacy-compliant solutions that can reach consumers where they are during their day.

Out-of-home advertising (OOH) is becoming much more relevant.

- Wall, architectural, and building graphics
- Vehicle wraps/graphics
- Window graphics
- Fleet/transit graphics



OBIE 2022 Hall of Fame Winning Campaign, Denver Water

Privacy Concerns

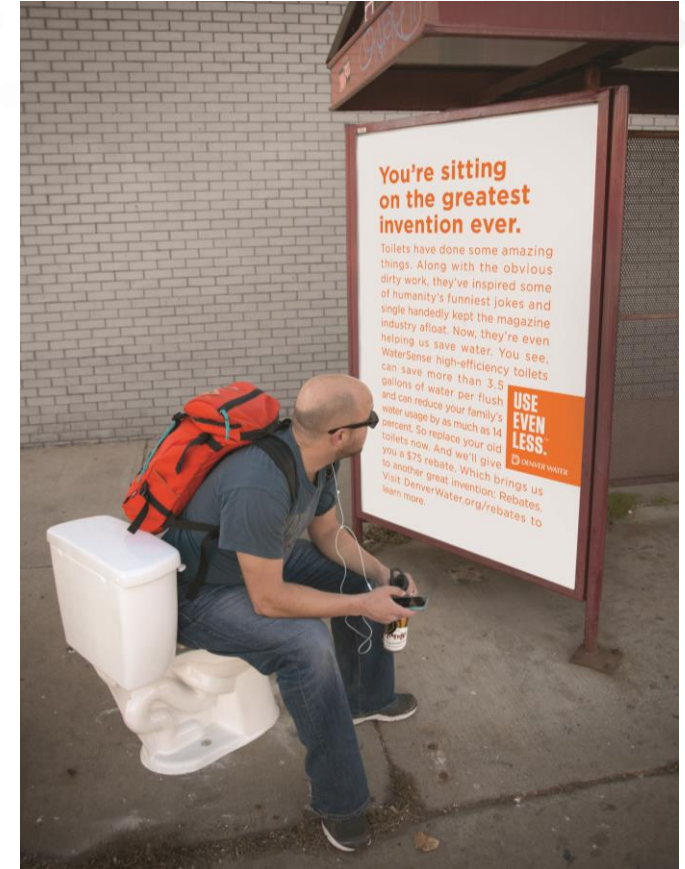
Most have engaged with OOH.

(57%) of consumers have engaged with an OOH ad in some way

- whether it's visiting the advertiser's website (43%)
- searching for more information about the advertiser or their products (39%)
- making a physical purchase (39%).

Engagement is especially high in large urban areas, in which (77%) of consumers have engaged with an OOH ad.

Source: Harris Poll / OAAA, November 2021



OBIE 2022 Hall of Fame Winning Campaign, Denver Water

Increasing Travel

Understanding the Summer Air Travel Mess

Going into the Fourth of July weekend, with nearly 13 million people expected to fly on U.S. carriers, we look at the numbers behind the delays and cancellations and see what lessons can be learned.

 Give this article   704

This article is part of our [Coronavirus Updates](#)



London's Heathrow Airport Says It Will Limit Passengers for the Summer

Facing staff shortages that have significantly constrained capacity, the airport's chief executive asked airlines to stop selling tickets until September.

 Give this article  

This article is part of our [Daily Business Briefing](#)



Amid the Summer Flying 'Meltdown,' Add Lost Luggage

Surging air travel demand and airport staffing shortages have made this a bedeviling season when it comes to missing luggage. Here's what to know if your bag doesn't arrive when you do.

 Give this article   251



Increasing Travel

The outlook for consumer travel is strong, increasing OOH's relevance over the next year as the COVID pandemic continues to recede and normal travel continues to return.

Over half (51%) of those traveling in the first half of 2022 will do so by airplane, more than double that from last winter.

OAAA Q4 CONSUMER TRENDS FOR OOH

Nearly Half of Travelers Are Making 2022 Travel Plans Regardless of COVID

Generally speaking, when do you plan to finalize/book your vacation travel plans for the first half of 2022?

72% of Americans plan to travel in the first half of 2022

48%

Not for awhile, I will wait and see how COVID situation is

27%

I've already made plans

26%

34% Urban 1M+ / <1M
27% Suburban
17% Rural

When I know what I want to do regardless of COVID

22%

Not sure yet

25%

33% Boomert+
26% Gen X
21% Millennial
12% Gen Z

BASE: PLANS TO TRAVEL IN 2022 (N=760)

Q1. Generally speaking, when do you plan to finalize/book your vacation travel plans for the first half of 2022?

Harris Insights & Analytics LLC, A Stagwell Company © 2021

Increasing Travel

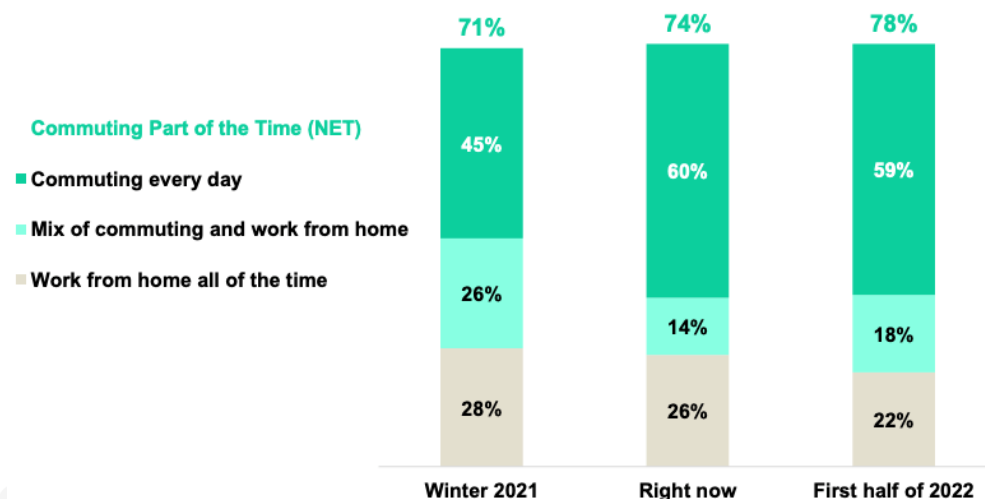
OAAA Q4 CONSUMER TRENDS FOR OOH

Total Commuters Continue to Grow Through 2022

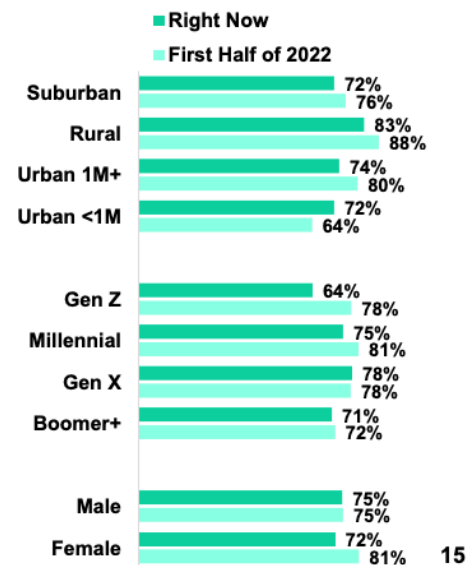


Numbers of commuters continue to grow.

Thinking ahead, which of the following best describes your expected work situation for each of the following timeframes?



% Commuting Part Time or More (NET)



BASE: EMPLOYED (N=524)

Q1a. Thinking ahead, which of the following best describes your expected work situation for each of the following timeframes?

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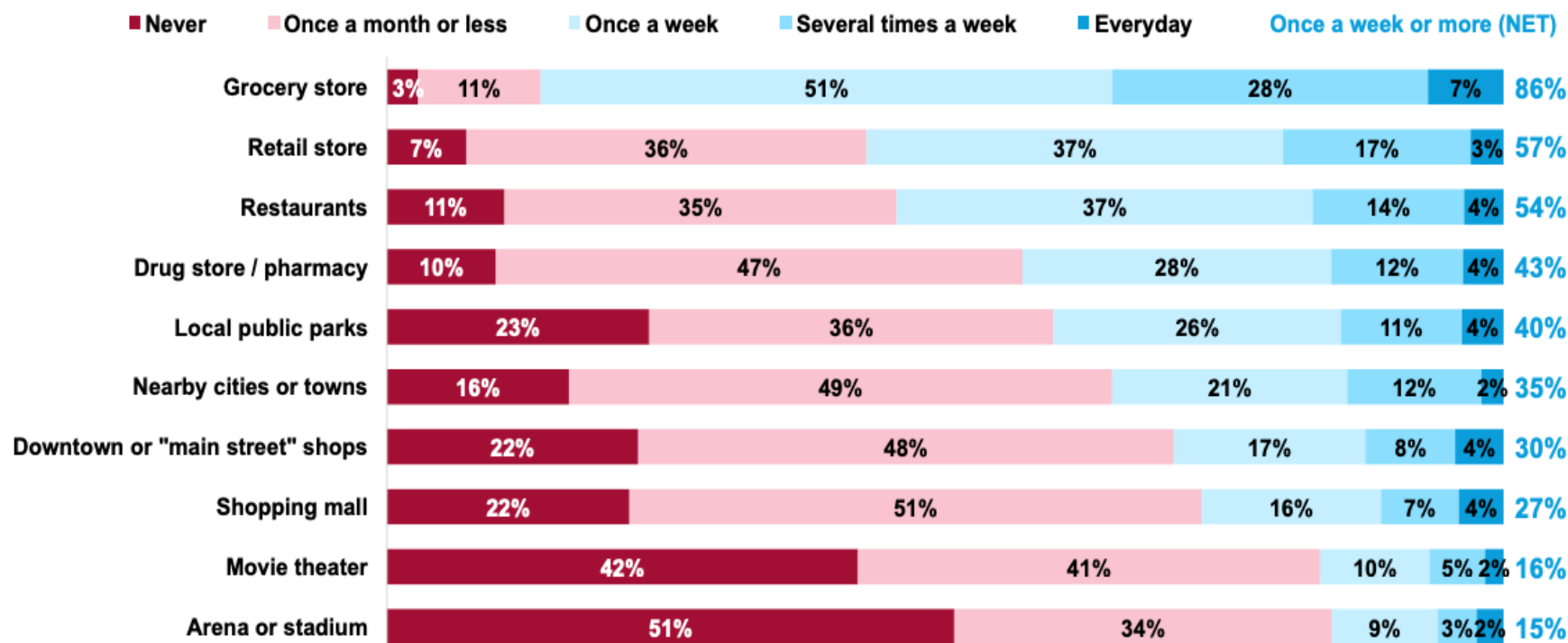
Increasing Travel

- 35% of events in 2022 will be in-person, based on a survey of 8,227 marketers (Statista, 2022)
- 88% of respondents expect meetings in 2022 will have an in-person component (AMEX, 2021)
- 85% of leadership (senior managers, executives, and board members) believe in-person events are essential to their company's success (Bizzabo, 2019)

Increasing Travel

Consumers will most often visit grocery and retail stores, restaurants, and pharmacies in 2022.

Thinking about 2022, how often do you anticipate you will visit each of the following?



BASE: GENERAL PUBLIC (N=1,000)

Q5. Thinking about 2022, how often do you anticipate you will visit each of the following?

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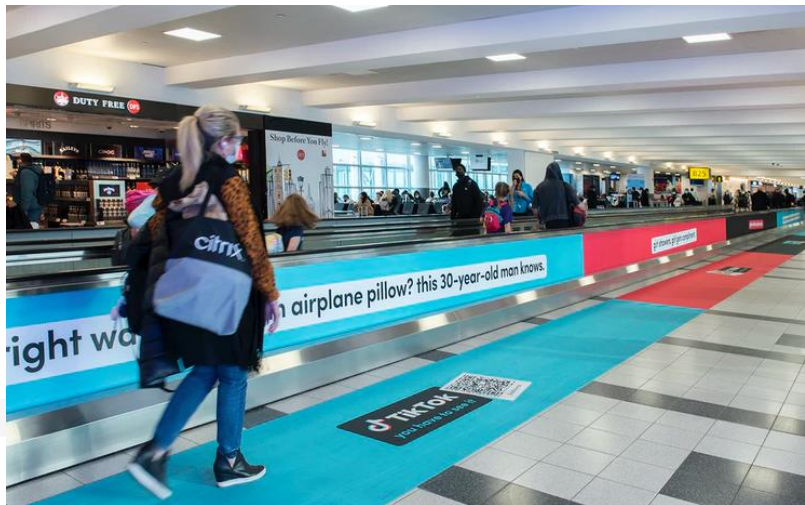
Increasing Travel

Areas of Opportunity

OOH Signage

Retail/POP

Compliance/Safety Signage



Increasing Travel

Areas of Opportunity

Live events

- Music concerts
- Festival events
- State fairs
- Exhibitions
- Sports events
- Corporate events
- Conferences & seminars



Safety and Overcoming COVID Behaviors

Americans are still following COVID case news/counts around the country.

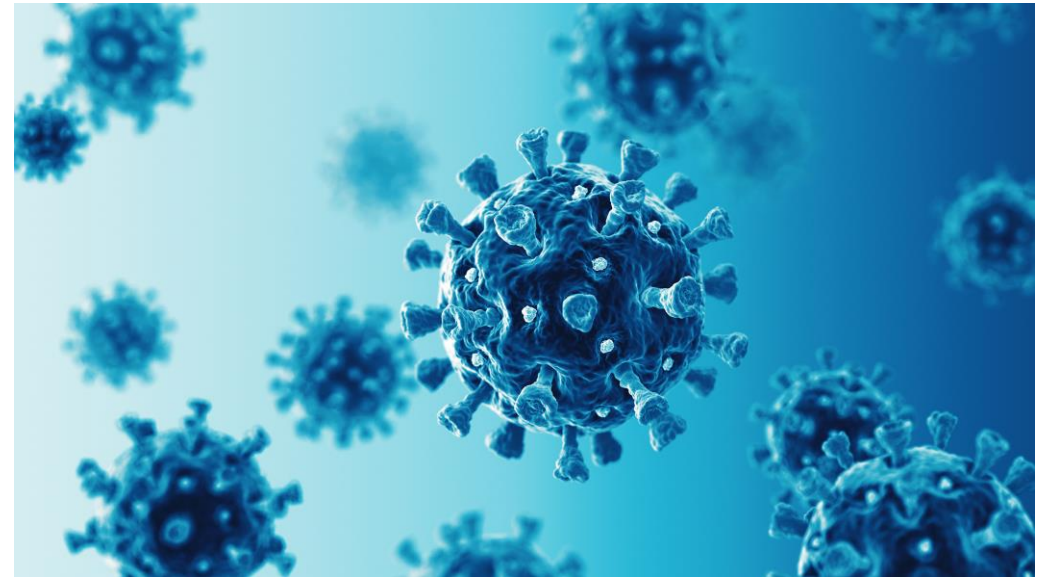
In the Harris Poll Tracker (Week 122) fielded June 24th to 26th, 2022 among 2,041 U.S. adults nearly two-thirds (62%) can't shake the worry over the pandemic.

In the Harris Poll Tracker (Week 124) fielded July 8th to 10th, 2022 among 1,994 U.S. adults, (39%) are concerned about dying if they catch COVID-19 (+5%-pt from last week) in response to widening reports of a new and possibly more transmissible BA.5 strain of the Omnicron Variant.

Safety and Overcoming COVID Behaviors

The latest data from McKinsey shows that consumers are likely to keep the behaviors they've adopted amid stay-at-home orders.

Retailers need to make their in-store experiences even more extraordinary for those who can visit in person. They have to give people a reason to visit that is so compelling, it justifies their exposure to health risks and overcomes the inertia of the behaviors they adopted during the shutdown.



Safety and Overcoming COVID Behaviors

Areas of Opportunity

Compliance/Safety Signage

As employees and customers step back into the world, we all need to shift our behaviors, interactions, and ways of moving through public spaces.

New signage and wayfinding graphics, when implemented thoughtfully, can encourage practices to help people navigate this new world.



Safety and Overcoming COVID Behaviors

Areas of Opportunity

Window Graphics

One survey found that 92% of shoppers are always on the lookout for a deal. Shop windows provide a great way to market to deal hunters.



Safety and Overcoming COVID Behaviors

Areas of Opportunity

Retail Graphics and POP Displays & Experiential Marketing

- Experiential marketing involves creating a wholesome, well-rounded, and memorable experience for consumers. The setting/environment is key.
- In a recent report by Factory360, 79% of companies surveyed said an experiential marketing strategy helped increase their sales overall. At the same time, 74% of consumers stated that they were more likely to purchase a company's product after being part of an immersive marketing experience.

Sustainability

Many companies in the textile industry innovate to lower their environmental footprint and improve their income. Ikea and Nike are amongst those that aim to reduce water consumption.

The current demand on product **sustainability** pushes brands to explore circular economy.

Reusing and recycling are concepts that are gaining momentum. Hence, the entire industry is going for **sustainable** models from the very start of the production cycle.



Sustainability

Consumers have become brand champions based on ethics and a brand's commitment to environmental issues.

Forbes:

“A growing consciousness about the environment paired with an intensifying desire to participate in community causes is rapidly filtering into empowered consumers' buying decisions. **68%** of highly empowered consumers plan to step up their efforts to identify brands that reduce environmental impact, **61%** seek out energy-efficient labels when making purchases, and **47%** regularly buy organic products.”



Sustainability

Areas of Opportunity

Window Graphics

Visual merchandising choices can be a prominent way to showcase a brand's corporate values.

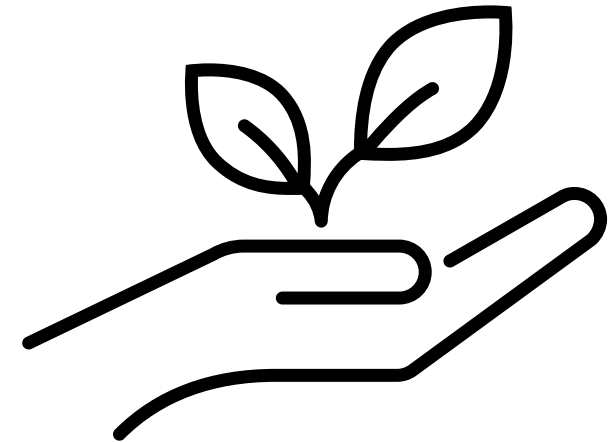


Sustainability

Areas of Opportunity

Banners, Soft Signage, and Flags

Digital textile printing has proved to be much more sustainable than analog printing techniques. Its benefits range from a reduction in ink consumption and water pollution, to an increased efficiency of production processes and logistics.



Sustainability

Areas of Opportunity

Soft Signage

Fabrics are an excellent example of sensory marketing.

Store windows and product displays are meant to have dramatic visual appeal.



Personalization / Customization

New York Times, March 2020

“More and more industries and companies are joining the mass-customization bandwagon. Many are niche manufacturers and start-ups, unencumbered by expensive legacy factories and supply chains. Others are big brands that added customization options to extend their product lines and increase sales.”

Personalization / Customization

Areas of Opportunity

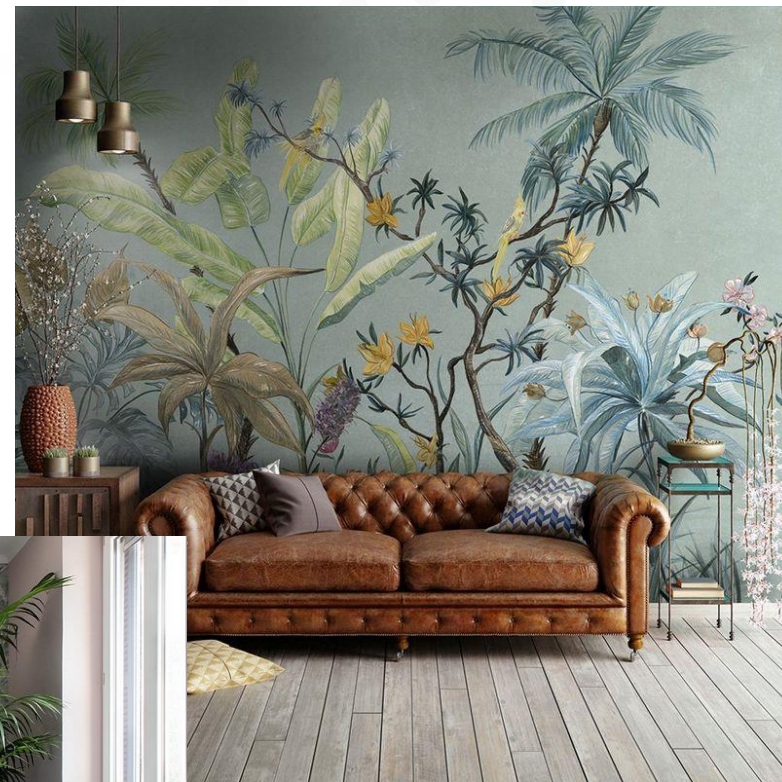
Vehicle Graphics



Personalization / Customization

Areas of Opportunity

Interior Décor



Personalization / Customization

Areas of Opportunity

Apparel

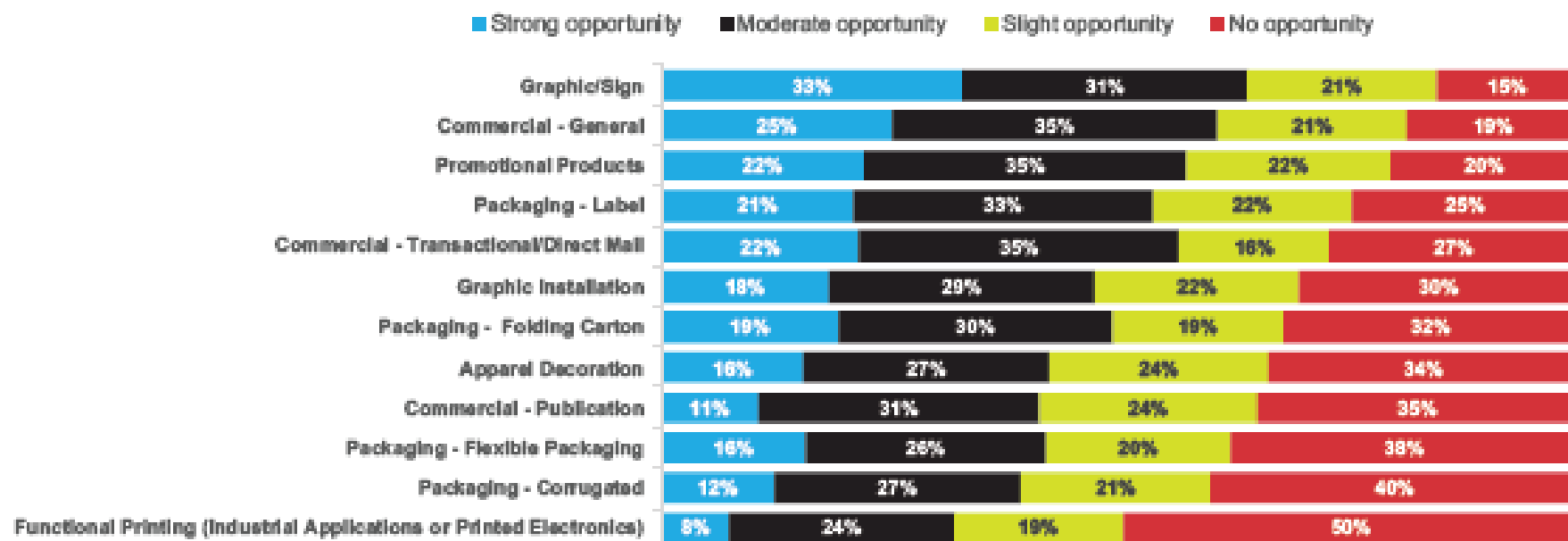


Convergence and Diversification

80% of PSPs are entering or considering entering a print segment other than their own.

51% are evaluating three or more segments

Perceived Growth Opportunity



Q. Rank the growth opportunity the following print segments offer your organization.

n=480 Respondents that believe there is opportunity in other segments

Questions?

For more information or for questions, please reach out to us directly.

Denise M. Gustavson
Editor-in-Chief, *Wide-Format Impressions*
dgustavson@napco.com

Andy Paparozzi
Chief Economist, PRINTING United Alliance
apaparozzi@printing.org

THANK YOU!

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Next up:
1:1 Meeting Zone

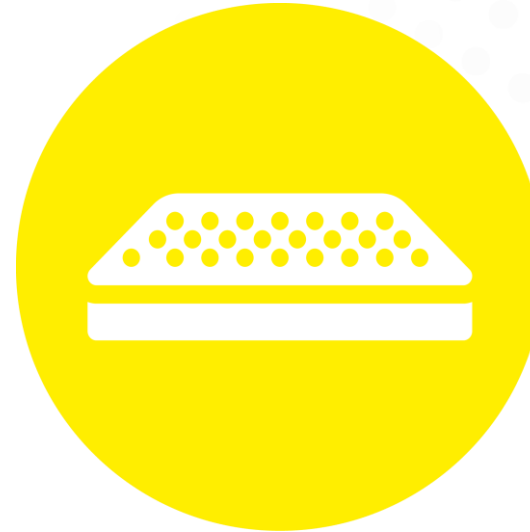
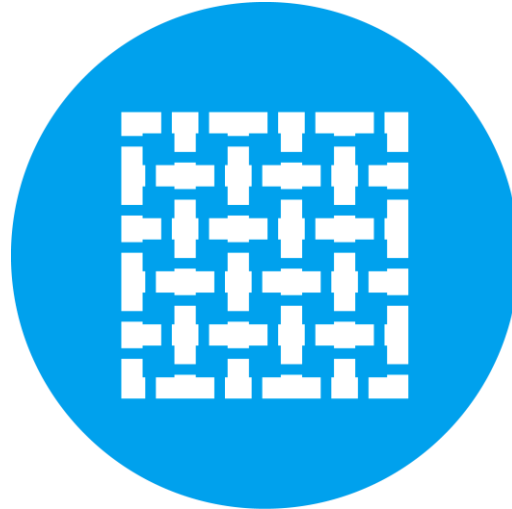
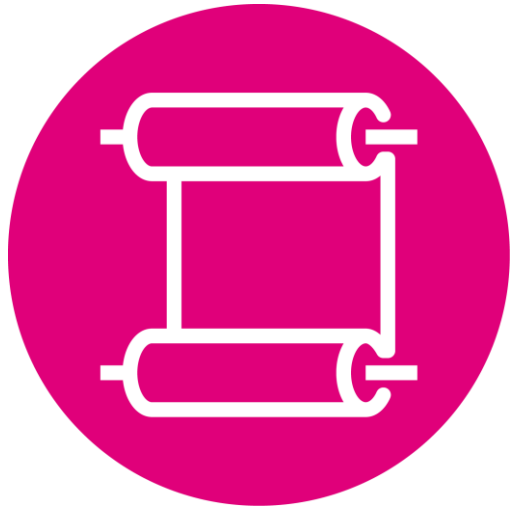
Wednesday, July 27 | 3:15 pm - 6:10 pm

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1:1 MEETING ZONE

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Wednesday, July 27 | 3:15 pm - 6:10 pm

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