



Summary

Any print business that is slow to adapt to the changing needs of the market will be left behind.

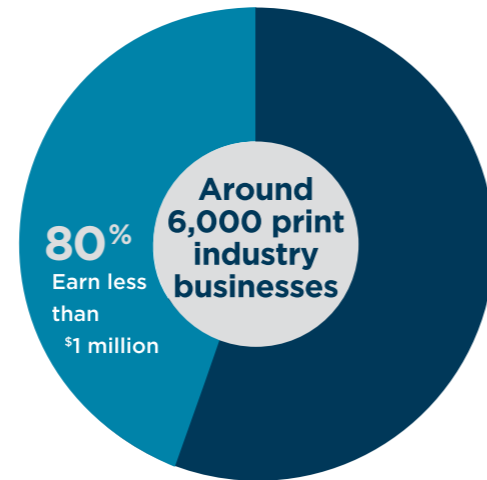
Today, providing 'ink on paper' services is rarely a sufficient business proposition. Your business model must encompass a broader range of communications, marketing or data services.

Enterprise Connect recommends improving strategic planning, re-aligning workforces and team culture, bringing in new skills to cope with new circumstances, and revamping advertising, sales and marketing functions.

Combining these ideas with your personal circumstances and the nature of your business will give your print company a better chance of survival and success in these times of rapid market change.

Further information

Visit enterpriseconnect.gov.au or call the hotline **131 791**.



There are approximately 6,000 **businesses in the print industry**. About 80% of these businesses **earn less than \$1 million**.

Source: ABS 8165.0 Counts of Australian Businesses, 2011.

PRINTING INDUSTRY INSIGHT REPORT

Enterprise Connect is an Australian Government program supporting eligible Australian small and medium businesses to improve their performance. With a national network of Centres and a team of around 100 highly skilled Business Advisers and Facilitators, Enterprise Connect helps Australian businesses develop the skills, knowledge and capabilities needed to improve their competitiveness and productivity and to maximise their growth potential.

This report summarises the insights drawn from our interactions with the Australian print sector.

Can renewed business models save Australian print businesses from eroding profits?

Technological change is both a major challenge and an opportunity for the Australian print sector.

With reduced demand for 'ink on paper' services, print businesses are fighting a war on two fronts, resourcing digital initiatives whilst preserving revenue and margins in their traditional print base.

The new environment demands a transformation of business models and an improved understanding of the business models that will work in a digital economy. Businesses must think strategically about the change needed, including through greater levels of innovation and entrepreneurialism.

The high Australian dollar is squeezing the industry as manufacturing and associated print work goes offshore. New production processes are replacing traditional skillsets, and more productive equipment exacerbates the oversupply of printing capacity.

Severe margin erosion is causing the collapse of printing companies, large and small that are not in a position to change or cannot change.

Like many SMEs, business owners in the print sector let themselves get too involved in day-to-day business tasks as opposed to "developing the business" in a strategic, long-term fashion.

As this report reveals, Australian print businesses are especially weak in the areas of management, HR, finance, advertising, sales and marketing.

However, companies with loyal client bases, skilled staff, and good customer management systems can leverage these strengths by applying them to new and innovative services that might be in more demand in the age of digital technologies.

Industry snapshot

Print businesses in Australia employ around **36 000 people**

Source: IBIS World

Succession planning is a prominent issue. Many businesses are poorly prepared when the time comes to hand over the reins to a new generation or exit the market place.

The majority of print operations are based in NSW, Queensland or Victoria in direct proportion to state populations.

Even those firms that enjoy a strong market position and balance sheet remain concerned about margin erosion. Successful businesses retain large client databases, excellent client relationships, and niche expertise.

A new breed of print and print-related entrepreneurs has entered the market, using new technologies and processes to gain market share or differentiation through superior material and media selection.

Unfortunately, there remains a cohort of businesses that have failed to adapt to the changing needs of the market – and are inevitably left behind. For these business owners, the focus must be on minimising losses or, in more serious cases, exiting the industry before there is personal financial damage.

Challenges impacting print businesses

Disintermediation: Printers are being cut out of the supply chain. Consumers now have access to cheap digital technologies, from e-mail to high-resolution desktop printers, to digital readers.

High Australian dollar: The high dollar is making offshore print services more attractive.

Oversupply: Print businesses are investing in new plant and equipment, but improved production capacity has exacerbated industry oversupply.

Skills lag: The digital environment requires new skills such as online and mobile advertising, marketing and branding as well as new internal systems and processes.

Credit crunch: The failure of several large sheet fed entities has had the knock on effect of reducing the availability of working capital in the industry. Paper merchants have tightened their credit terms and no longer act as the 'default bankers' for printers. Bank lending to this sector has also tightened.

Human resources and succession planning: Small, family-owned businesses frequently lack HR expertise. Many business owners also lack the high level skills needed to devise and implement business transformation.

Industry consolidation: When stronger companies acquire weakened competitors or enter new sales territories, the competition can in fact intensify in those markets.



Enterprise Connect's printing sector client data reveals a **consistent decline in revenues since 2008**.

A typical Enterprise Connect client in the printing industry has

\$6.5 million turnover

with an EBIT margin of between **3 and 7%**

employs **33 people** and has been in business for **29 years**.

Towards sustainable growth

Enterprise Connect has identified the following steps to help print businesses exploit market opportunities and achieve sustainable growth:

1. Revisit your business model

Entering new market segments may require a dramatic change in the way your business is run such as employing a larger sales force, or adopting a more personalised client relationship model. Enterprise Connect Business Advisers use the Business Model Canvas, developed by Alexander Osterwalder and Professor Yves Pigneur, to help businesses develop strategies to transform their businesses. (These tools are free and covered by Creative Commons).

2. Adapt to the digital environment

With little to differentiate your services from competitors, heightened print capacity is often idle. There is a rapid need to adapt to the digital environment and overhaul the products or services you offer; your business systems (online orders, e-commerce platforms, instant quotes) and equipment such as digital printing technologies. These changes will significantly affect financial management, marketing and sales, employee skills and operations.

3. Establish a USP or PoD

Find a service, product or way of doing business that will differentiate your company from competitors. Ideally, this difference will also be one that your customers will cherish and for which they will be prepared to pay a price that is more profitable to you. Your approach to sales and marketing must identify for your target market the unique selling point (USP) or point of difference (PoD).

4. Diversify

Combat severe margin erosion by (a) looking for higher margin opportunities and/or (b) through diversification. Diversification opportunities might include highly customised work; fast turnaround jobs; large formats; and non-traditional printing materials. Expand vertically by offering services in warehousing, binding and distribution. Emerging trends include environmentally friendly print processes and materials, and 3D printing.

5. Add value

Identify value-add services for which you can charge a premium; where the value to the customer is greater than the cost of providing the service. This might include information management, pure data services, or providing a full menu of marketing services such as graphic design and branding. Target your marketing of these services to a segment where there is a clear benefit to the customer.



The printing services sector is projected to generate around \$8.2 billion revenue in 2012-13 **contributing \$3.3 billion to the Australian economy** in industry value add.

Source: IBIS World

6. Upskill your workforce

Consider training your employees or, if that is not viable, hiring a digital, online or social marketing strategist, or outsourcing specialist skills such as e-commerce consultants and market researchers. Entrepreneurial mentors and business coaches are recommended to improve management skills.

7. Improve financial management

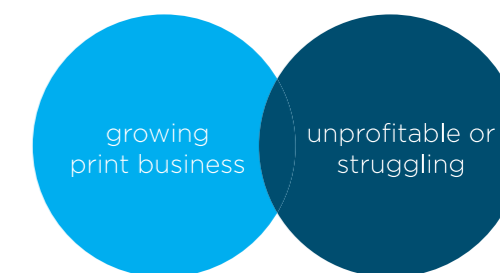
Many Australian printers are over-reliant on data produced by plant and equipment to measure bottom line margins, when Customer Relationship Management (CRM) software, business intelligence and reporting systems can deliver more meaningful business metrics.

8. Plan for succession

Times of succession can be fatal to print businesses, and often leads to family conflict or neglect of the underlying business. It's important to put systems and personnel in place to keep focus on the business whilst succession takes place.

9. Exploit the high Australian dollar to upgrade, acquire or expand

The high dollar/low interest rate environment presents an opportunity to upgrade equipment or purchase equipment to enable new services. However be sure there is a commercial basis and demand for your investment to avoid owing money on machinery you don't use. Acquiring weakened competitors or investing in strategic partnerships or joint ventures can help expansion into new geographies and segments.



Enterprise Connect's clients in the print sector range from a flatbed printer that has grown to \$16 million in turnover after just four years, to businesses mired in unprofitability and struggling to survive.