

DIGITAL DIMENSION



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Charting a Course for Graphics Success: Learning Lessons from the Shotgun Approach and the Spaghetti Test

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As a Red Sox fan, it is difficult saying there is a likeable New York Yankee. But the ever colorful Yogi Berra may have said it best that “You can observe a lot just by watching.” But let’s be honest. Being a good observer is only part of the equation to success. The real key to observing is not only to learn from mistakes (your own and those of others) but also to put yourself in better position for the future.

I now have ten year’s of experience under my belt following the wide format graphics industry but only one year in being married. And there are two things that I learned very quickly at home - the reality of the Shotgun Approach and my future using Spaghetti Test. Well, and that foam fingers and sports jerseys pinned to the wall are not considered suitable décor by everyone. So things must change. And for all of us participating in this quickly evolving graphics market, it will be necessary to change in order to move forward successfully. To do so it is important to remember from where we came and how the market ended up where we are today.

In the beginning . . .

Let’s not forget that the market for digitally produced wide format graphics is really no more than 15 years old. But in that decade and a half we have seen tremendous market growth, rapid adoption of printing capabilities as well as technologies, products and suppliers come and gone. And during all of this we have seen many shotgun approaches to the market – both by suppliers and by users. For the record, the Shotgun Approach is also known as the Women’s Shoe Theory in our apartment in Boston. It usually takes the scattering of no fewer than two dozen pairs of my wife’s shoes be adorned before one hits the desired mark. It is a reasonable approach, but a process that usually leaves my scratching my head. The same can be said about this approach to the graphics industry.

The nearly \$6.4 billion U.S. market for digitally printed wide format graphics developed from the local – and later on regional - demand for customized advertising. There were many successes for sure. But with those successes came increased competition, numerous new entrants, several disruptive technologies and many low-cost suppliers. [Figure] And many of these suppliers took a bit of a shotgun approach to this then developing market.

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So does the shotgun approach work? Well, yes it often does –eventually. But it is rarely the most effective approach to product development and success. For suppliers, I am sure that your customers (both distributors and print shops) would prefer to see fewer product SKUs and not as many new superfluous products. Shops are pushing back on their distributors to carry immediately-available inventory while distributors are trying to streamline an increasingly complex and costly management of supplies inventory.

That said print shops are also looking at ways to differentiate their product offerings. Entering and competing in a commoditized market is something that few successful businesses would often choose to do. Let's be honest, the majority of wide format inkjet graphics produced today could be made with a limited number of printers and supplies. While there is always an opportunity for new applications, most shops appear skeptical of trying new things in fear of product failure or falling short of customer expectations.

The road map to today

Every year we at Web Consulting update our annual profile on the U.S. traditional signage and graphics screen print industries. In addition to counting the number of shops in specific categories, we track the wide format inkjet adoption rate. And it has been interesting. For some print shops, bringing new inkjet technology in house has been a bit more challenging than expected. There is quite a bit to learn to maximize the capabilities and benefits of these systems and the learning curve can be tricky. The digital world speaks a slightly different language from traditional screen printers. But in this global economy with relatively low barriers to enter the graphics market, the time to speak one graphics language has never been greater.

For example, understanding the needs and benefits of inkjet technology and digitally printed applications is more critical now than ever before. Some shops resell graphics they outsourced from other printers in order to evaluate their real opportunity before investing in an inkjet printer. Is this an uncommon practice? No, not at all. Web Consulting estimates that approximately 12 – 15% of all wide format inkjet graphics sold in the U.S. has been outsourced. And if you think that is all still printed in the U.S. then you are mistaken. There is a growing trend to outsourcing certain print jobs overseas to China, Korea and other countries. Are there quality control issues associated with this trend? Of course there are. Need you worry about the impact this will have on your business? Well it depends on how you define your business model.

A look in the mirror

If your business is that of a printer, then yes you may need to worry about low-cost provides and increased competition. But if your business model is that of a graphics supplier – a provider of advertising or signage solutions – then perhaps there is little need to worry. Let's be honest, printing can quickly become a commoditized service. And wide format inkjet printing is really no different. Dare I ask how often does a customer request a “rolled-up piece of 2 mil self-adhesive high performance cast vinyl with my company logo and some advertising message printed on a piezo-based solvent inkjet printer.” And I am sure that you can order that online today from some print shop in China. But that isn't what customers want. Instead they ask for someone to wrap a delivery van or public bus. That's an application. So is a Zamboni® wrap, ski gondola wraps, or perhaps wrapping airline ticket kiosks or ATMs.

An installed street pole banner is an application. The printing could be done anywhere in the world today. But it would be difficult for that print shop in Korea to install the graphic with a cherry picker in Kansas City. In today's solution and applications-based graphics market, being the problem solver and solution provider is going to become more and more important. In fact, it will be critical to success.

Is the future inkjet world really flat?

I mentioned the Spaghetti Test – my now retired method of testing the doneness of my pasta dinner. If the noodle sticks when throw against the wall, then it's perfectly al dente. And while I found this to be a fun and adequate approach, I was urged to find a new method as soon as our kitchen walls were repainted. So while effective, it's not the best approach for everyone. And it may seem a stretch, but this is very similar to the adoption and current usage of inkjet flatbed printers.

Flatbed inkjet (mostly UV-curable today) printers are now being adopted in the U.S. at a very rapid rate. And this has been driven by the commercial availability of solvent and UV-curable systems sub-\$75,000. It is interesting, however, that while there has been a three-year shift away from aqueous inkjet technology, there has been nothing unusual or erratic in application trends in what is actually being produced by wide format graphics providers.

And as Spaghetti will continue to be tested – regardless if is it by being thrown against the wall or by a battery-operated a spoon with a built-in timer so will the production of graphics by new and old techniques alike. In fact, there is room for both in the U.S. market. As there are many types of customers who may be served by cut vinyl, screen printed or UV-inkjet printed graphics. The market is changing, and there is no doubt about that. And to quote Yogi Berra again, “The future ain't what it used to be.”

Web Consulting

Michael Flippin is a newlywed and the president of Web Consulting, Inc. Founded in Oxfordshire, U.K. in 1993, Web Consulting (www.web-na.com) is a leading global consultancy to the digital printing, screen printing and industrial decoration industries. Web Consulting provides a flexible range of services including primary market research, market modeling and forecasting as well as strategic analysis and supporting services such as implementation, training and project management. For more information on the nine annual industry reports on the U.S. graphics market or three global reports, please contact Michael Flippin at (617 536 5925) or at info@web-na.com. In addition to its head office in Boston, MA, Web Consulting has regional offices in Shanghai, China and Oxfordshire, U.K

2006 SCHEDULE OF REPORTS

U.S. SIGN & SCREEN PRINT MARKET REPORT

\$2,795 April 2006 publication

Provides historical and forecasted U.S. retail sales, segmented by market and application with analysis of supply market including PSA vinyl, banner material, application tape and screen print ink.

U.S. WIDE FORMAT INKJET MARKET FORECAST

\$3,995 June 2006 publication

Details aqueous, oil, eco-solvent, solvent and UV-curable annual inkjet printer shipments, inkjet media purchases, inkjet ink sales, RIP platform sales, and inkjet graphics retail sales.

U.S. WIDE FORMAT INKJET PRINTER & RIP TRENDS

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2006 U.S. INKJET PRINTING ON FABRICS (TEXTILE GRAPHICS)

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Provides an overview of the applications and opportunities for inkjet printing on fabrics. Described as "soft signage," Web Consulting defines these applications as textile graphics or promotional textiles.

2006 U.S. PSA VINYL TRENDS

\$4,695 October 2006 publication

Provides a comprehensive analysis of PSA vinyl (sign, screen and inkjet) usage, purchasing trends, brand market share, supplier performance ratings and distribution channels.

2006 U.S. WIDE FORMAT INKJET MEDIA TRENDS

\$3,895 October 2006 publication

Analyzes purchasing and usage trends segmented by aqueous, solvent and eco-solvent media. Includes brand market share, types of media purchased, performance ratings and distribution.

2006 U.S. INTERNET TRENDS

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Analyzes Internet-utilization trends for shops, including common online activities, online purchasing habits, and email and website ownership; also provides trends in end-user online behavior.

2006 U.S. SIGN & GRAPHICS TRENDS (Quarterly; Four Reports)

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Updates economic and sales trends, sales growth, sales predictions, proposal activity, capacity utilization and pricing. Compares industry to GDP, U.S. ad spending and other economic data.

FLATBED INKJET PRINTING 2006 (First published in 2004)

\$3,295 updated annually

Provides a detailed overview of the emerging market for Flatbed Inkjet Printers including main applications, profiles of leading flatbed manufacturers, a review of relevant ink technologies, market sizing and forecasts.

INKJET PRINTING OF TEXTILES 2006 (First published in 2003)

\$2,795 updated bi-annually from 2006

Provides a strategic overview of the textile printing industry and markets to assess the market forecast opportunities for digital printing while considering competition, roadblocks, market/application needs.

CHINESE WIDE & GRAND FORMAT MARKET 2006

\$4,695 updated annually

Analyzes the Chinese outdoor and indoor graphics market: macroeconomic factors, manufacturer profiles, results of local market research, threats and opportunities, market sizing, trends and forecasts.

Publication dates subject to change.



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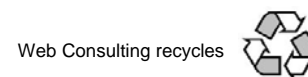
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Web Consulting is pleased to announce the 2006 schedule of Industry Reports.

These multi-client reports cover a wide range of digital printing markets and applications. Each report is available individually or as part of discounted report-package subscription.

To purchase or to obtain additional information, please contact Michael Flippin at (617) 536.5925 or email michael.flippin@web-na.com.



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