



October
2023



**PRINTING INDUSTRY
PERFORMANCE & INSIGHTS**

Providing regional printing association members
a printing industry outlook view and actionable knowledge.

The Printing Industry:

*A Big Picture of Inflation, Paper Supply, and
Postal Mail Rates, with Actionable Thoughts*

***The Printing Industry:
A Big Picture of Inflation, Paper Supply,
and Postal Mail Rates,
with Actionable Thoughts***

****Dr. Ralph I. Williams Jr.***

Associate Management Professor

****Dr. Stuart J. Fowler***

Associate Economics Professor

Economics and Finance Department Chair

**Jones College of Business*

Middle Tennessee State University

Introduction

Below we provide a big-picture view of the printing industry drawn from our October 2023 “*Printing Industry Performance and Insights*” survey. We offer actionable suggestions throughout the report. We appreciate the 15 regional printing associations that sponsor and support our research. We list those associations at the end of the report.

In this report, we provide insights as to how our industry is affected by external factors, including inflation, paper supply, and postal mail rates. We close with printing firm leaders’ thoughts about a potential recession. We share actionable thoughts throughout our report.

Inflation

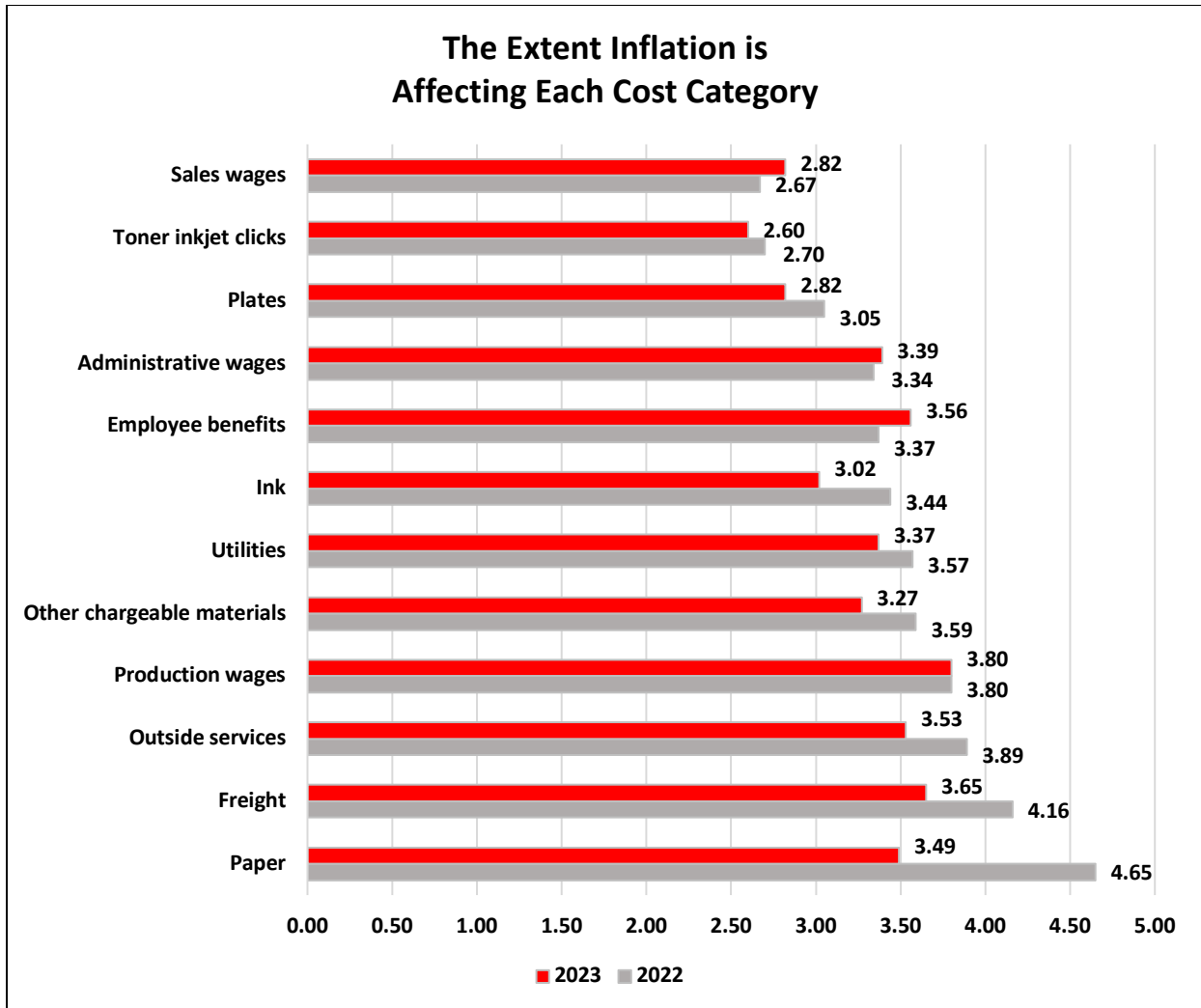
We asked survey respondents the extent inflation is affecting twelve cost categories. They responded on a one-to-five scale: (1) not at all; (3) Some, but it's manageable; or (5) Inflation is affecting this cost category a lot! The 12 cost categories and the average response for each of our 2022 and 2023 studies are provided in the chart below. The average response for all twelve items together was 3.52 in 2022 and 3.28 in 2023. This indicates that cost increases softened a bit in 2023.

Our findings indicate that price increases for outside services, freight, and paper have lessened a bit in 2023 compared to 2022. Our findings also indicate that price or cost increases for toner inject clicks, and plates are manageable. If your firm is experiencing troublesome cost increases in any of the five cost categories mentioned above, you should review procurement approaches for those items.

For the four employee-related cost categories (sales wages, administrative wages, employee benefits, and production wages) inflation affecting averages increased or stayed the same as what we found in 2023. In other words, the employee-related cost categories were the only ones that were the same or increased in inflation effect. It is interesting, but not unexpected, that the inflation effects softened in 2023 for the other eight cost categories, but not for employee-related cost categories.

It is a well-known economic fact that wages tend to react to changing economic conditions with lags. Wage rates are sticky, often set for the next year or so. This causes firms to set current wage increases on past inflationary conditions. For instance, firms likely based 2023 wage increases on the higher 2022 inflation environment.

In this environment, it's vital that you apply a systematic approach to managing wages in this competitive labor market. Research wages in our industry and set specific dates during the year to review and adjust wages. Be proactive, not reactive. Regarding employee benefits, firm leaders tend to connect to suppliers, such as health insurance companies. However, it's important to shop for potential employee benefit provider alternatives.



Paper Supply

In our October 2022 survey, we revealed that purchasing paper was challenging, which was obvious to everyone. We included a question in this year's survey to confirm that paper supply has greatly improved since last year. We asked, "Relative to 2022, has your company's ability to purchase paper improved or worsened in 2023?" Respondents answered on a five-point scale with these options: (1) Much worse; (3) About the same; or (5) Much improved. Our average response was 4.27, which is on the upper end of the scale. It looks like the paper situation has improved dramatically from last year.

To assess the paper inventory situation, we asked "Does your company still have excess paper inventory (more than when the paper supply chain problems

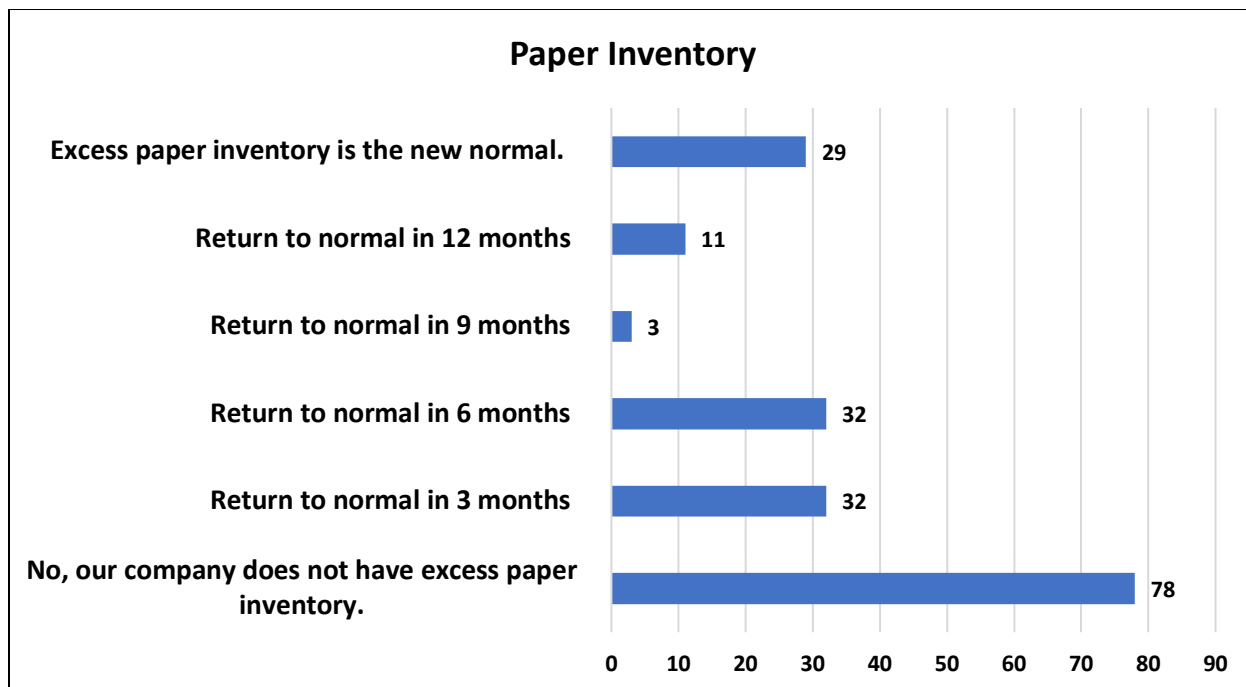
started)? If so, when do you see your company's paper inventory returning to normal?" Here are the response options:

- No, our company does not have excess paper inventory.
- Return to normal in 3 months
- Return to normal in 6 months
- Return to normal in 9 months
- Return to normal in 12 months
- Excess paper inventory is the new normal. We expect our excess paper inventory to continue.

The graph below shows the number of responses for each option. It's interesting that after last year, 41% of our respondents reported that their firm does not have excess paper inventory. Wow! That's a big change from last year.

My supply chain professor colleagues are intrigued by the dynamic printing paper environment. And they wonder, "Will another paper crunch come again?" Who knows? But my supply chain colleagues think there's a good chance. The big message is "be prepared." Have a plan for monitoring inventory and making paper inventory and purchasing decisions.

In a study I did with my supply chain colleagues last year, we found great benefits in making proactive and rational paper purchasing/inventory decisions as opposed to applying a reactive and emotional approach. Develop those abilities in your firm now to prepare for challenging times that may come again.



The Effect of Increasing Mail Rates

One hundred and eleven respondents reported that direct mail was a significant portion of their firm's business. We asked those respondents, "Has postal rate increases affected your company's revenue generated by mailing?" Respondents answered on a five-point scale with these options: (1) No, our mailing revenue is up substantially!; (3) No change; or (5) Yes, our mailing revenue is down substantially! The average response was 3.39, which is on the upper end of the scale, indicating increasing mailing rates are affecting the mailing business. This is consistent with USPS volume reports.

As it appears mailing rates will continue to increase, if your firm focuses on direct mail, you might work to continually enhance the message you share with customers about the value of mailing. That message might include stories of success your customers have experienced in using direct mail. And you might communicate those stories through direct mail (from a recent study, it was interesting that many printing firms do not use printed material in marketing).

Coming Recession?

Seeking printing company leaders' perception of a coming recession, we asked, "Do you see a recession coming in 2024?" Respondents answered on a five-point scale with these options: (1) No, a recession is definitely not coming; (3) Not sure; or (5) Yes, a recession is coming. This year's average response (3.35) was a bit higher than last year's response to the same question (3.05). This indicates printing company leaders' economic outlook had declined just a bit in the last year.

Printing company leaders, regardless of whether a recession "rears its ugly head," your firm will benefit from strategic planning and budgeting. As Dwight D. Eisenhower emphasized, "Plans are worthless, but planning is everything." Your firm will benefit from continuing to assess, as a team, the following items:

- The external environment... what's coming and how will we respond and what opportunities are available.
- From an internal perspective, what concerns or weaknesses are present in our firm, and how should we address them?
- From a budgeting perspective, can we cover our fixed costs at our lower revenue projections?
- Using financial ratios, what trends do we see and what actions are needed?
- And what are our goals for this year and the coming year... quantified measurable goals... numbers. And what's our plan to achieve these goals?

We often emphasize this level of planning. We do so because multiple research projects we've conducted in the printing industry connected the planning described above to higher firm performance. And I saw that in the printing companies I led, too.

We hope you find the knowledge provided above helpful. If you have any suggestions or questions related to this report or the "*Printing Industry Performance & Insights*" studies, please email Ralph Williams at ralph.williams@mtsu.edu

Participating Regional Printing Associations

FGA – Florida Graphic Alliance
GLGA – Great Lakes Graphics Association
GMA – Graphic Media Alliance
PGAMA – Printing and Graphics Association Mid-Atlantic
PGCA - Print & Graphic Communications Association
PIA – Printing Industry Association
PIAG – Printing & Imaging Association of Georgia
PIAMA – Printing and Imaging Association MidAmerica
PIAS – Printing Industry Association of the South
PIASD – Printing Industry Association of San Diego
PICA – Printing Industry of the Carolinas
PIMW – Printing Industry MidWest
PINE – Printing Industries of New England
PMA – Print Media Assoc.
VMA – Visual Media Alliance