

CAPITALISING ON COVID

Mark Hanley charts the progress of the digital print market and speculates on a post-pandemic economy that could give analogue users cause for concern



Founder and President of I T Strategies, Mark Hanley

Production, commercial and industrial digital print is how we describe all the digital print markets beyond the declining office and consumer digital print markets. 'Production' describes the ambition of these markets (often realised) to achieve throughputs and economics at a scale somewhere at least approaching analogue print standards.

'Commercial' says that most of these markets are intermediated by print providers and converters who sell final printed product on to users (many of these markets are for products that are manufactured, and for which print is just a part of larger processes by the way).

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'Industrial' is sometimes used as a term to describe specialised markets, such as ceramic tiles, 3D printing or textile printing, but also sometimes as a term to describe production scale in general.

TRACKING THE DIGITAL PRINT MARKET

At I T Strategies we have tracked the rise of all these markets and their associated technologies since the beginning, nearly 30 years ago. This group of markets is made up of seven major sectors with over 70 sub-sectors in total, all of which we track in detail. The markets have a value in vendor revenues (revenues to systems vendors for hardware and ink or toner) at first level of

sale of around \$17 [£12.3] billion, (\$19 [£14] billion if you include some legacy CAD and monochrome forms markets). Overall the growth rates are in the 3–6% range (reflective of the technology's complexity, the markets' fragmentation and many of the markets' very early stages of development).

They yield user revenues (sales of printed product at the final stage of the value chain) in excess of \$110 [£80] billion, which is a big vote in their favour by users at such a level. These markets contain all the sectors of digital print growth – see **chart** for the share between the seven major sectors.

The technologies deployed in these markets – inkjet (~65% of revenues) in aqueous, UV and solvent formats, as well as electrophotography (~35% of revenues) in dry and liquid formats – are the by-product of very profitable markets developed over decades in the office by what at its height was an industry of around 100 major vendors and \$120 [£87] billion in vendor revenues. That revenue number is now around \$90 [£65] billion (including the \$19 billion in production markets) and declining as the use of paper declines. But the potential in production markets to develop a new and more strategic digital print market is great, and has been accelerated by Covid's re-making of markets.

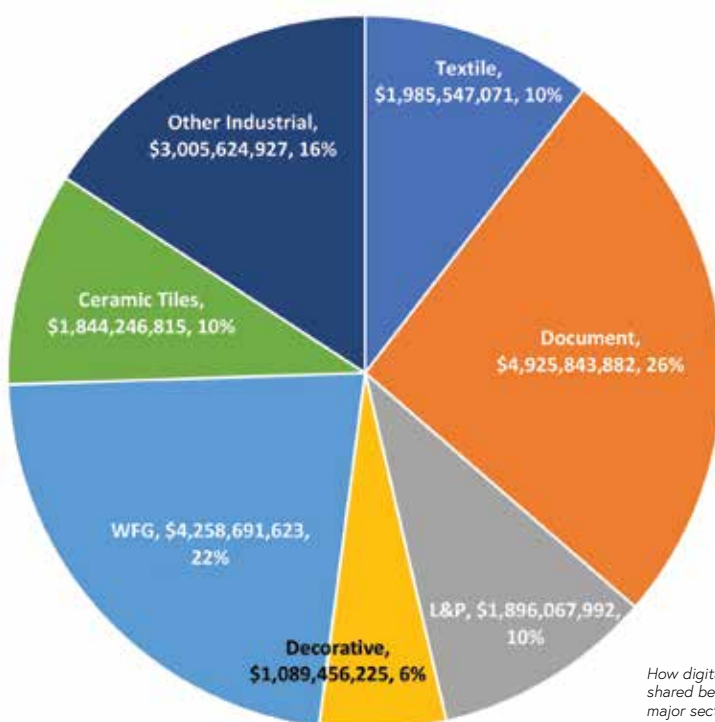
CURRENT AND FUTURE DIGITAL PRINT VALUE PROPOSITION

The prevailing model of production digital print market development over the last 30 years has been low volumes, high values and usually parallel (and by necessity relatively slow) new market development, rather than linear substitution of analogue by digital. Over the long term, however, it does imply a shift in capital investment to digital, and in that sense it is A2D (analogue to digital)

"This is a moment for digital to establish credibility at a higher scale"

– see Covid effect re. capital investment shifts (see overleaf). We may be heading to a world of digital print outputting nothing like today's long run (say above 1,000 of something), while analogue long runs wither and die – that is the dream and the

2019 Global Digital Production Print Vendor Revenues \$19 Bn by Major Segment



How digital print growth is shared between the seven major sectors

possibility.

But before anyone runs away with enthusiasm, be aware that digital's percentage penetration of today's physical print output is typically around 13% in document print (although most of that is

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not in mainstream high coverage colour graphic arts markets), 7% in textiles, 5% in labels, and much less than 1% in packaging sectors and other highly-developed true industrial markets. As if by way of an exception proving the rule, only in ceramic tiles does digital have a much higher output penetration rate of 60%+, for very exceptional reasons.

Finally, and interestingly, the largest single market in production digital print is and always has been in wide format graphics, where a market of about 1.5 billion m² (yes, that is very small indeed in legacy print terms) of output yields revenues over \$30 [£22] billion at the user level, and has shaped a market positioning of its own, largely independent of any related analogue market.

This story and others among the various sectors says that people have come to

appreciate digital for its fast response, its applicability at very low scale, and its ability to yield high user pricing usually far removed from analogue print pricing. It does not on the other hand seem likely that digital can move to its next phase of development –

being hurried along now by Covid-driven change – without moderating its very high-cost/value model, which has been in the interests of so many people for 30 years, but which has in general mostly failed to provide the conditions for much more highly-scaled print market representation.

THE COVID EFFECT

Covid-19 has been as disastrous for many production digital print markets as it has been for the economy in general, although there have been some interesting exceptions in markets such as digitally-printed labels, where sudden changes in supply chains and product demand have favoured the deployment of digital systems and all the flexibility they have conferred on suppliers of products. But in general Covid has imposed new economic disciplines all round.

We are more and more convinced from our discussions with users that those who survive at the end of it all are going to have less to spend, but that what they do spend in what will remain large sectors is likely to be digitally-oriented by preference where appropriate products are available. They will not be easily available in all markets – for example, much of the packaging market – but if you look at the graphic arts sheet offset market, that is an example of a large market where further investment in analogue technology is only bringing fast-diminishing returns.

This is a moment for digital to establish credibility at a higher scale. This does not necessarily mean higher scale in the sense of higher-volume systems right now, but it can mean creating a new credibility for digital technology as a strategic vehicle to get there. Over to you, vendors! ■

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