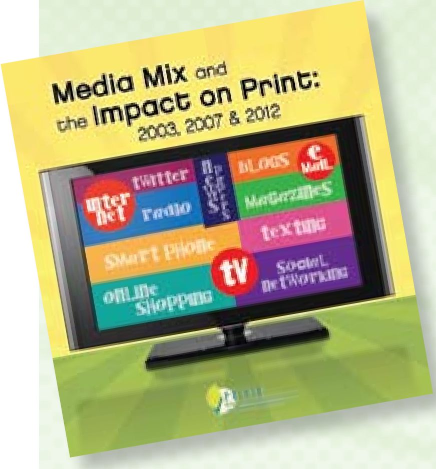


ExecutiveSynopsis

Media Mix *and the* Impact on Print: 2003, 2007 & 2012

For your copy of "Media Mix and the Impact on Print: 2003, 2007 & 2012," contact PRIMIR at (703) 264-7200.

It's not hard to find evidence of how media has changed over the years: Just look around. People log onto their favorite social networking site via an Internet-enabled mobile device. They watch TV shows at their convenience, thanks to digital video recorders. And while they still read newspapers and magazines, they may be just as likely to read them on a computer screen as from a piece of paper.

What impact do these changes have on the graphic communications industry? How have new media already affected print, and what will the media landscape look like in the future? Will print have any role in the marketing communications campaigns of tomorrow?

To answer these questions and assess the challenges and opportunities for the future, PRIMIR (Print Industries Market Information and Research Organization) commissioned the July 2009 report, "Media Mix and the Impact on Print: 2003, 2007 & 2012." Funding support came from NPES The Association for Suppliers of Printing, Publishing and Converting Technologies.

Non-media spending dominates

Between 2003 and 2007, media and marketing communications expenditures in the U.S. grew at an annual rate of 2%, topping $779 billion by 2007. Two-thirds of that amount came from non-media expenditures (also called non-advertising spending; see "Advertising media vs. non-media" on p. 3), which grew 15% during that time. Promotions accounted for 75% of all non-ad spending (see Fig. II-4). For an in-depth discussion on non-advertising expenditures, see Ch. 2 in the report.

In contrast to non-ad spending, advertising media expenditures grew only 3.9%—a pace of less than 1% per year—between 2003 and 2007. The weak rate of growth can be attributed to the difficulties experienced by traditional media. Newspapers declined 7.6% to $50 billion, for example; magazines and directories fell 4%; and broadcast television suffered a 9% decrease to $51 billion.

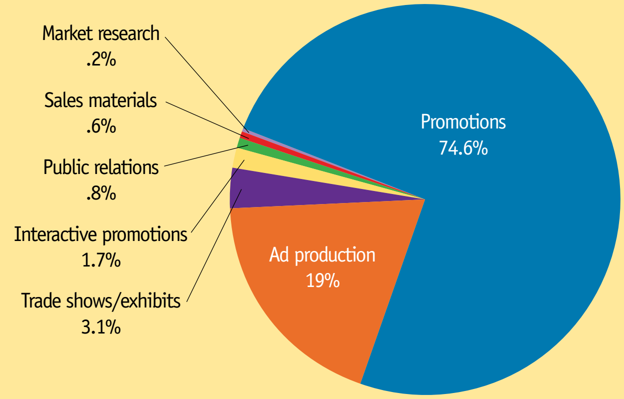
ABOUT THIS STUDY

This study documents media and marketing communications spending within the U.S. and Canada during 2003 – 2007, and forecasts anticipated media expenditures for 2012. Research included data from several proprietary research sources, primarily from Borrell Associates, Veronis Suhler Stevenson and several recent PRIMIR reports.

The study also recruited qualitative feedback from a sample of 25 industry thought leaders from academia, consulting and institutional organizations. 100 North American executives with direct development or decision-making responsibilities for media and marketing communications budgets were also interviewed.

Given space constraints, discussion in this executive synopsis was limited to U.S. trends. In general, given a milder recessionary environment in Canada, marketing budgets will not be as constrained as in the U.S. For more in-depth discussion of the media landscape in Canada, see the report.

Fig. II-4
Share of non-advertising spending in the U.S., 2007
Total dollars (in millions) $488,112



Spending in direct mail, too, dipped dramatically between 2005 and 2007, thanks in part to rate changes by the U.S. Postal Service. The 7.6% decline was more than twice the rate of decline for advertising expenditures overall. Direct mail still captured a larger share of advertising dollars than any other medium, however. In 2007, it boasted a $52 billion industry and almost 18% of total media spending. For information on changes in other media between 2003 and 2007, see Ch. 2.

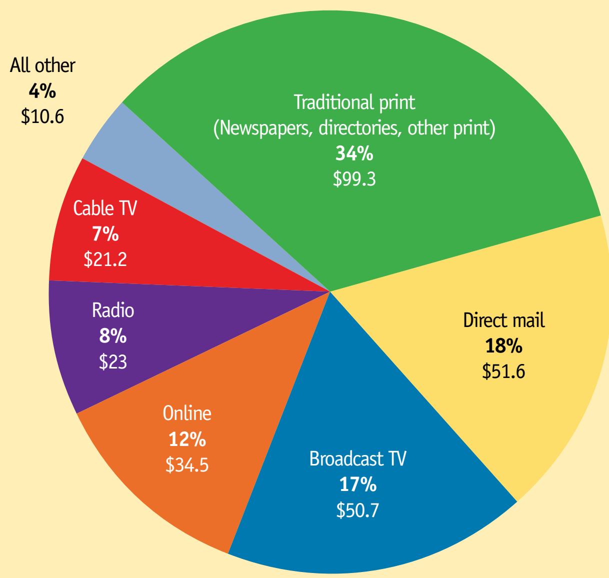
Online media triples in size

Revenues lost by traditional mass media during 2003-2007 apparently shifted over to online media. Between 2003 and 2007, this area—which includes paid display ads, paid search advertising and brand-centric interactive sites—grew by 183% in the U.S., to just over $34 billion.

The medium had essentially tripled in size during the five-year period, despite the fact that, in general, marketing budgets had not changed in size. Even so, in 2003, approximately 4% of marketing budgets were devoted to online activities. In 2007, online media garnered an average of 12% of budgets.

Other areas experiencing robust growth within the advertising media expenditures category included cable TV (13%, to $21 billion) and cinema.

Media advertising spending in 2007
$290.9 Billion



Concentrations in media spending

When examined as shares of all media dollars spent, online/interactive media gained nearly eight points during 2003 – 2007. The share of traditional print media, meanwhile, dropped nearly four points, the steepest absolute spending decline of all media expenditures. Traditional print nevertheless accounted for the largest share of overall media expenditures in 2007 (see chart, this page). Newspapers make up the largest medium within traditional print.

Media spending tends to be concentrated among the top 10 industry groups. This is particularly true with newspapers, where, according to the research, the top 10 accounted for more than 70% of expenditures between 2003 and 2007. In 2003, these industries invested an average of 27% of their total media budget in newspapers, compared to the U.S. average of 19%. Similarly, in 2007, the top 10 allotted nearly 24% of their media dollars in newspapers, while all other industries averaged 17%. Note that this commitment among the top industries dropped by a greater rate than the average. Some of the greatest rates of decline in newspapers has come from traditionally committed industries, such as retail home improvement, real estate services, general merchandise retailers and auto sales.

6 drivers of media changes

So why is the media landscape changing in this manner? Several market forces provide the reasons:

1. Changing demographics are creating opportunities for niche media. Both the U.S. and Canada boast increasing diversity, with 35% of the U.S. population and 16% of Canada's considered a minority in 2007. The population of both countries is also aging; the over-65 group currently makes up 12% of the North American population. (This older group, by the way, is Internet-savvy.)

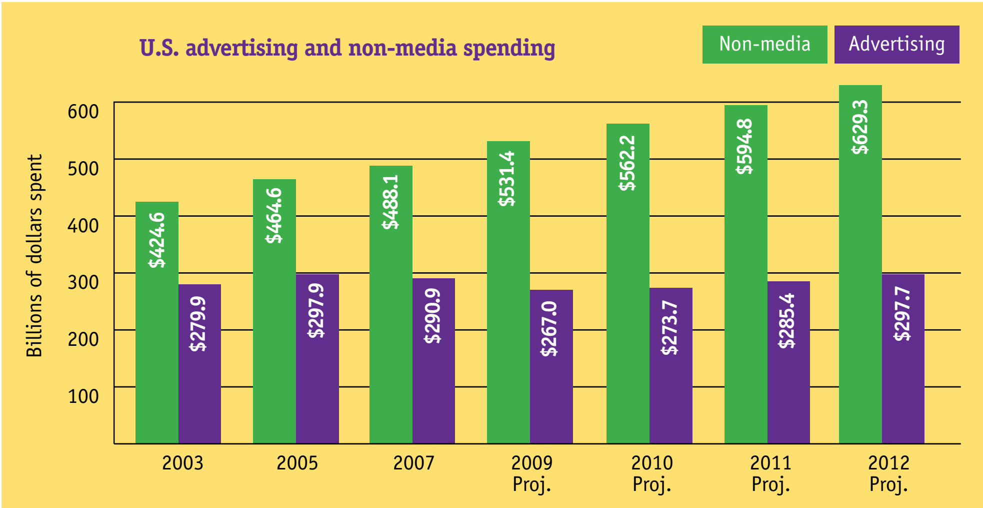
2. The recession has put pressure on marketing budgets. Marketing executives are increasingly favoring cost-effective, targeted media options that offer a measurable return on investment (ROI). "ROI becomes increasingly important with fragmentation and tightening marketing dollars," observed one executive.

3. Digital technology is modifying content consumption. Digital technology has created Internet-dependent lifestyles, altering media consumption practices. With broadband now available in nearly 60% of U.S. homes, for example, consumer traffic now exceeds total business traffic on the Web. Some social networking sites reportedly boast larger populations than whole countries.

4. Mobile devices have emerged as multimedia handheld tools. These devices are creating new challenges for executives.

ADVERTISING MEDIA VS. NON-MEDIA

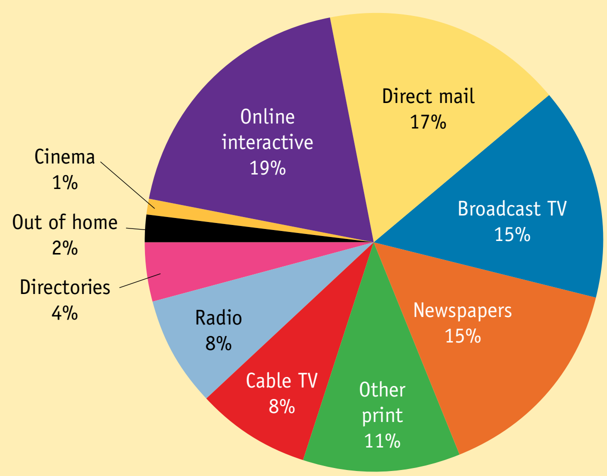
Advertising media spending includes broadcast and cable TV, radio, out-of-home advertising (such as billboards), online/Internet, magazines, newspapers, inserts, directories, cinema, direct mail and telemarketing. Non-advertising encompasses a variety of marketing communications expenditures, such as: promotional spending, advertising production, sponsorships and events, trade shows, sales collateral, public relations and marketing research.



5. Control over media consumption and message delivery is shifting to the consumer.

6. Audience fragmentation is requiring multi-channel messaging. Marketers increasingly have 360-degree communications plans, with accountability measures for each component. Explained one executive, "Fragmentation will require strong analytics to determine which vehicles to use and what mix."

Fig. V-5
Projected share of 2012 U.S. media expenditures based on history



Spending expectations in 2012

Given these market forces, it's not surprising that executives named ROI, media reach, cost efficiency and individual targeting as the key factors shaping their future media decisions. Nevertheless, expect the spending patterns from 2003 – 2007 to continue into 2012 (see top chart, this page). Non-media spending will dominate marketing budgets, and other spending will shift to online media.

For many of the executives interviewed for this report, mobile media has the greatest future interest, followed by the Internet. This will mean significant spending increases for both of these media—and significant decreases for newspapers, directories and catalogs (see Fig. V-5). The print channels receiving the greatest commitment in the future included on-demand sales collateral, product packaging/messaging and solo direct mail. None of these print categories are expected to garner an increase in spending, however.

When viewed in the context of business-to-business (B2B) vs. business-to-consumer (B2C) orientations, B2C operations gravitate toward more expensive, mass media options, such as television or newspapers, while B2B companies favor one-to-one communications channels, such as sales collateral, direct mail, trade shows and telemarketing. Both sets reported their intention to increase spending in online and Internet media. For more on the B2B vs. B2C perspective on media spending, see Ch. 4.

Ultimately, practical factors will continue to determine which media channels gain and lose share in the future. Particularly with the recession not yet showing solid signs of recovery, high interest in certain media will still translate to incremental changes going forward, rather than drastic spending increases or cuts. In fact, spending is not expected to return to the annual 4% or 5% growth rates of the mid-2000s until at least the first part of 2010.

The road ahead will not be easy, but some actions can help vendors shore up potential losses. Most important may be to diversify customer rosters, particularly for those dealing with newspaper or directory printers. Developing consulting services, creating strategic alliances or offering products that expand upon current business offerings may be key in opening up new revenue streams. For success in this changing media environment, members will have to exercise ingenuity and be proactive in recognizing, even creating, opportunities. ■

Media Mix
At-a-glance

$488.1 billion
Non-media expenditures, 2007

$290.9 billion
Advertising media expenditures, 2007

$629.3 billion
Projected non-media expenditures, 2012

$297.7 billion
Projected advertising media expenditures, 2012

-7.6% Decline in newspaper expenditures, 2003 – 2007

183% Growth in online media, 2003 – 2007

11.9% Online's share of media spending, 2007

19% Online's projected share of media spending, 2012

60 Percent of U.S. homes in which broadband is available

35 Percent of U.S. population considered a minority in 2007

Implications for members

Members should consider where their business contributes most effectively in this new, tightly integrated media and marketing communications world. Customers will seek products and services that help with turnaround time, reduce costs and demonstrate ROI.

Prepress, software and workflow systems manufacturers

Think consulting. As providers of tools that manage the preproduction portion of the printing process, these vendors bring a wealth of knowledge on improving production efficiencies, equipment integration and more. New business opportunities in website publishing and publishing management software systems may also arise.

Press manufacturers

With traditional presses, most customers will defer major press equipment purchases while the economy rebounds. Innovations that reduce waste and speed printing and make-ready times, or that accommodate non-traditional print sizes, may offer some opportunities. Other opportunities lie in supporting the prepress, postpress and overall job-flow management systems. Digital press vendors face a healthier future: The advantages of this technology continue to align with the future needs of marketers. The primary source of growth will be in short-run printing.

Postpress equipment manufacturers

Expect demand for seamless integration with project management systems and presses, and equipment that minimizes downtime and waste while maximizing speed and flexibility. Vendors can also offer consulting, in managing inventories or logistical and production planning. The key is to become a production partner for the customer.

Film, plate and supplies manufacturers

Expect overall volume to decline as publications continue to cut production costs and industry consolidation takes place. The need for "faster, better, more" will continue interest in CTP. Products that contribute to faster plate changes, limit press downtimes and enhance print quality provide opportunities in the short-term. Also consider consulting in inventory planning and efficiency.

Ink, toner, coatings and chemical manufacturers

These suppliers may see a rebound in 2011 or 2012 due to an increase in inserts, direct mail and niche publications. Regardless, manufacturers should strive to provide products that allow print providers to produce higher-quality materials faster and more cost-effectively. Companies also have an ideal opportunity to provide consultative services.

Paper and substrate manufacturers

Paper and substrate manufacturers will experience steady declines in consumption, due to constraints in the publishing industry. It's essential to target global expansion into stable markets. Product packaging represents a steady industry segment, as executives view packaging as a valuable brand communication channel with consumers.

For more on today's media mix and what it will mean to print in the future, see "Media Mix and the Impact on Print: 2003-2007-2012."

PRIMIR®
Print Industries Market Information and Research Organization

NPES
The Association for Suppliers of Printing, Publishing and Converting Technologies

1899 PRESTON WHITE DRIVE, RESTON VA 20191-5468 / (703) 264-7200 / INFO@PRIMIR.ORG