

1. Market Definition

REPORT COVERAGE

This Key Note Market Report analyses the UK printing market at a particularly difficult but, nevertheless, interesting time. 2006 proved to be one of the industry's toughest years ever, making trading difficult for many print companies. Inevitably, the number of mergers and acquisitions soared and the industry is currently in the midst of great change.

The print industry reaches into every part of the economy, thereby serving every business sector to some extent. Moreover, its output is used every day by everyone in the UK. Its major customers include the publishing, packaging, food and pharmaceutical industries, while other sectors of the economy that buy printed products include government departments, utilities, transport organisations, the financial services sector and stationery suppliers.

Printed products include:

- publications, such as books, magazines and newspapers
- business items, such as continuous stationery and account books
- hard-bound stationery, such as exercise books, diaries, notebooks and calendars
- promotional products, such as brochures, catalogues, direct mail and corporate literature
- packaging for manufacturers.

This Market Report examines these different sectors and comments on the performance of the printing companies within the printing market.

MARKET SECTORS

The market is segmented into the following main sectors:

- advertising literature
 - programmes, tickets, vouchers and business cards
 - periodicals and journals
 - packaging
 - books, brochures, leaflets, pamphlets, reports and accounts, etc.
 - printed labels
 - business forms
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- security printing
- stationery
- newspapers.

Advertising Literature

Advertising literature is a large all-embracing sector that covers direct mail, loose-leaf inserts and catalogues. Direct mail includes promotional mail that is distributed by organisations to their existing customers, as well as mail sent to prospective customers. Banks, insurance companies, motoring organisations, charities and publishers are just some of the organisations that send out direct mail.

Programmes, Tickets, Vouchers and Business Cards

This is an extremely broad sector, which covers the printing of products such as lottery tickets, football tickets and programmes, cinema, theatre and exhibition programmes and tickets, rail tickets, cloakroom tickets, etc., as well as business cards. Although many of the products themselves are small and uninteresting, they are bought by millions of people, making this print sector an important one.

Periodical and Journals

Periodicals and journals cover a wide variety of products, including academic journals, business and professional magazines, consumer magazines and customer magazines, which include club or society titles that are published exclusively for members. In the industry's official statistics, periodicals also include newspapers that appear less than four times a week, for example, *New Statesman*, *The Spectator* and *The Economist*.

Packaging

Packaging is bought by every sector of the economy, from food and drink manufacturers and consumer goods suppliers to electronic and engineering companies. Another important sector is pharmaceuticals. Most packaging is printed on paper or cartonboard, but other materials used include plastic, film and metal film. Entry costs are high, which excludes all but the largest printing companies from becoming involved in this sector.

Books, Brochures, Leaflets, Pamphlets, Reports and Accounts, etc.

This sector covers the printing of books and book jackets, brochures, pamphlets and leaflets. It also includes annual reports and accounts, as well as other types of financial printing, such as reports issued by securities companies and investment banks. Merger and acquisition documents are also classified within this sector. Many documents used by the financial services sector take the form of brochures, hence their inclusion in this sector.

Printed Labels

Labels are printed for a variety of uses but principally for commerce and manufacturing. The sector is closely allied to the packaging sector. Buyers include food and drinks companies, pharmaceutical companies, toy manufacturers, and producers of music and other leisure goods. Labels are printed on paper, plastic, fabric, film or metal. They may be gummed, wet glued or pressure sensitive. There are also heat-sensitive and shrink-sleeved labels.

Business Forms

The business forms sector includes invoices, receipts, company stationery and mailing sheets, but the major element is called continuous business forms. Business forms cover both single-sheet listing paper and multi-part listing paper.

Security Printing

Security printing embraces a broad array of products, including postage stamps, cheque books, banknotes, postal orders, social-security payments, and credit and debit cards. It also includes entry cards that have security devices embedded within them.

Stationery

Stationery covers both bound stationery, such as registers, notebooks, account books, notepads, diaries, exercise books and address books, and unbound stationery, such as loose-leaf stationery, computer printer paper, etc.

Newspapers

Many local newspapers are printed by specialist printers, which are usually owned by large newspaper groups. Several national newspapers own printing plants that print not only their own newspapers but also regional newspapers.

MARKET TRENDS

A Weak Market

The UK printing market appears to be declining, although, at the time this Key Note Market Report was published (February 2007), there were no official figures to confirm this. Demand for printing from UK printers appears to be shrinking, as a result of competition from non-print media and from foreign printers. At the end of 2006, it was clear that UK printers had not benefited from the growth in the UK economy and there is nothing on the economic horizon to suggest that market conditions will improve in 2007.

Fierce Price Competition

Price competition is extremely fierce, with customers for print being aware that it is a buyer's market and one that is vastly oversupplied. Customers are seeking to reduce the price of print contracts wherever they can, and a sizeable percentage of printers are bending under that pressure.

Use of Repro Firms is Declining

The use of reprographic firms continues to fall. During 2006, three major print customers — BBC Magazines, Redactive Media and Haymarket Publishing — announced that they were in the process of bringing in-house all their repro needs. The main reason was to reduce costs but another rationale was the need to improve efficiency and speed.

Growth of Print-Management Companies

Print-management companies, which service the printing needs of clients and source the best printers for specific jobs on their behalf, are growing in importance. In addition to other services, such firms ensure their clients that they can negotiate savings on print costs, and their presence is viewed as yet another factor in the intense pressure on prices. Some printing companies, such as Polestar and St Ives, now offer print-management services of their own and, subsequently, are placing greater emphasis on the additional services they can provide.

Online Tendering

The trend towards online tendering is growing. Among the sites offering the facility are webmart, Printquote and speedquote. UK Printquote is the latest of these, having been launched in May 2006. It enables users to specify the type of printing they need, the artwork they require and where the printed product is to be delivered. The printers can then view the print job and submit a quotation.

ECONOMIC TRENDS

Population

As Table 1 shows, the UK population has been growing by between 0.4% and 0.6% a year. This growth is based on the number of births, an increase in the average lifespan and the estimated number of immigrants. It is now widely believed that the official population figures underestimate the size of the UK population, following various reports and comments from MPs and local authorities, which have suggested that immigration levels have been higher than expected and that the immigration statistics themselves are not reliable.
