Printing Impressions

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TOP 25 HOT MARKETS FOR PRINTING IN 2019-20

Forecast of the 25 industries/sectors that will purchase the most printing in the coming year.

TOP 25 'HOT MARKETS' FORECAST OF PRINT DEMAND FOR 2019-20

The Hot Markets "window" is wide open in 2019, sliding in 2020 and nearly closing in 2021. Read very carefully as you stick your head out to target the best 25 markets as we in the printing industry will come to know.

By Vincent Mallardi, CMC

As a consequence of mid-term election reversals, 2019 is headed for an economic course correction. Benefitting will be printers engaged in social service sectors rather than those that drive free-market product producers. Overall, print revenues will barely edge up from last year to $203.6B (+<2%) hinged onto a slowed U.S. real GDP growth of about 1.8%.

Two very opposite views of the next decade are being advanced. The most positive prognostication is that tax cuts to consumers and corporations will respectively increase the size of the economy (to nominal GDP +10%) through higher discretionary spending and repatriated offshore capital investment. Mitigating against this scenario are increased government borrowing at higher interest rates, and a confiscation of the "dividend" through increased state and regional taxation and inevitable inflation.

If these factors cancel each other out, there will be no consumer or corporate surplus. However, the time gap between the lead-action to the lag-effect should open a bubble of two years before there's an inevitable house-of-cards collapse. This economic perspective does not factor geopolitical interference, which can only exacerbate the forecast more to the negative.

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Impact of Proposed Quad, LSC Coupling

Departing from the normal order by size, Hot Markets begins 2019 with a game-changing No. 3: **Publishing/Non-Newspaper**, ▶▲ ($76B, -5%; with $12B to print, +15%). After decades of content creators ruling over print reproducers, two of the largest companies — both replete of content — are committed to dominating our medium. If an unlikely merger of Quad/Graphics and LSC Communications is approved by regulators, one year of price supremacy will be countered by bland withdrawal from publishers who are now bottom-line hedge fund managers, indifferent or hostile to print.

A further drop in *consumer/trade periodicals* (0%), especially in fashion as with *Glamour*, will surely occur. Of the 13 segments of all media, the three in print are at the bottom of four, shared with home video rentals, which are already "dead."

Books (+5%) is the only tangible medium in marginal growth, but at only one-eighth of top-ranked VR (virtual reality). *Greetings, wraps and print social expression* (+11%) will be up, if only for price hikes by the Big Two, resulting from increased import costs and domestic sourcing substitutions.

Packaged Foods Still Show A Big Appetite for Print

Page-limited, but more appetizing for print, is again No. 1 **Packaged Foods** ▲▶ ($1.383T, +3%; with $19.4B to print, +3%). One-third of litho printed folding cartons (27 mmt) and more than two-thirds of flexo barrier pouches and sleeves (42 mmt) will enclose *dry foods/snacks, confections and baked goods* (+3%), which account for one-fifth of sector print expenditures.

Sheetfed stacked-litho and roll blow-on flexo labels, metal decorating and closures will be flat for *bottled/canned goods* (-2%). By far, the greatest opportunities for our medium will continue to be the protection, preservation and display of *other, fresh-packaged and pet foods* (+5%) at seven-tenths of sector print. Modified atmosphere packing (MAP) will extend product and shelf-life via increased oxygen infusion, the levels of which will be ensured by intelligent packaging.

Aseptic, re-closable gusset bags and other lighter, more space-and-time extended packaging and re-packaging are in fast growth, while plastics, metal and glass containers are phasing out. On the literary side, repositioning is on the menu as with Weight Watchers (+29%) becoming a lifestyle faith initiative in place of being a diet-food brand.

Medical/Pharma ▶▲ is No. 2 ($700B, +12%; with $17.8B to print, +10%) and smokin' — literally. A new category is *cannabis* (+22%) which, as legalized in most jurisdictions from Canada to the larger U.S. states, requires very secure packaging, shipping and labeling. Digital direct-to-container variable print is the "designer-drug-carrier" technology intended for this most accountable chain-of-custody application.

Derivative "pot"-infused consumables, from drinks to desserts, will surpass the core growth at regulated dispensaries.

Demand Sector/Category Rankings by Print Potential 2019-20

Rank	Sectors/Categories	Revenue Forecast in US$Billions	Growth Rate %	Printing Trend 2018-2019	Share to-Print %	Print Potential in US$Billions	Print Change %
1	PACKAGED FOODS	$ 1,383	3	▲▶	1.4	$ 19.4	3
2	MEDICAL/PHARMA	700	12	▶▲	0.3	17.8	10
3	PUBLISHING/ NON-NEWSPAPER	76	-5	▶▲	16.3	12.0	15
4	HEALTH PROVIDERS	4,138	5	▶▲	<0.3	11.1	6
5	BEVERAGES	511	0	▶▶	2.1	10.8	2
6	BANKING/INSURANCE	5,458	3	▶▶	<0.2	10.7	-2
7	REAL ESTATE	2,390	3	▲▶	0.4	10.5	0
8	TELECOMMUNICATIONS	1,544	0	▶▶	0.7	10.4	-1
9	TRAVEL/HOSPITALITY	1,088	6	▲▲	0.9	9.8	>5
10	FOODSERVICE	1,074	<3	▶▲	0.8	8.6	5
11	AUTOMOTIVE	2,177	-4	▼▼	0.3	7.6	-7
12	ENTERTAINMENT	1,042	>3	▲▶	>0.7	7.5	0
13	HOME IMPROVEMENTS	930	4	▲▶	<0.8	7.4	>3
14	PERSONAL CARE	476	0	▲▲	1.5	7.2	9
15	DISCOUNT RETAIL	1,822	<4	▶▲	<0.4	6.9	7
16	FASHION	654	3	▲▼	1.0	6.5	-6
17	SECURITY/PROTECTION	309	3	▲▲	0.3	5.1	6
18	LOGISTICS/FREIGHT	997	7	▶▲	0.4	4.3	12
19	INVESTMENT/BROKERAGE	1,450	3	▶▲	<0.3	3.9	-15
20	LEISURE ACTIVITY	216	3	▶▲	1.7	3.7	6
21	GAMING/WAGERING	346	-8	▼▼	<1.0	3.3	-6
22	COMPUTERWARE	888	0	▼▼	<0.4	3.2	-22
23	HIGHER EDUCATION	314	-14	▶▲	0.7	2.2	9
24	SOCIETAL ACTIVITY	200	-9	▶▼	0.7	1.7	-11
25	GOVERNMENT, FED/STATE	7,638	2	▲▲	<0.1	1.4	7
	TOTALS/AVERAGES – HM	$37,821	—	—	>0.5	$193.0	0
	OTHER DEMANDERS	11,433	—	▲▲	<0.1	10.6	5
	LESS: OVERLAP (CHAINED)	-27,994	—	—	—	—	—
	TOTALS/AVERAGES - ALL	$21,260	5	▶▶	<1.0	$203.6	<2

All data are rounded.
Green = 5% or more gain in print.
Red = 5% or more loss to print.

No one has any idea as to where this released "genie" is heading but it can't be ignored by smart print marketers. By paradox, conventional *medical products* (+5%) and wellness management (+4%) will wane. No highs here.

Prescription/OTC pharmaceuticals and biotech (+13%), nonetheless, will continue to dominate three-fifths of the sector — with sample packs, miniature folders, POS standees, bind-in/ROP publication inserts and beyond.

Healthy Growth: 3rd Party Administration

Rising three ranks to No. 4 are the **Health Providers ▶▲** ($4.138T, +5%; with $11.1B to print, +6%). The growth is not checking in at *hospitals* (+5%) or at the waiting rooms of *family physician practices* (-3%). Rather, it's *third-party administration* (+11%) where most plan offerings, applications, coding, billing, reimbursement and collection print are relegated.

Indeed, the Fortune 100 fastest-growing company, Health Insurance Innovations (+46%), is in this segment. Trans-promo digital direct mail, out-of-home "member" recruitment and retention, and in-house facilities management including forms, signage, apparel, regents, test-strips, pharma labels, ID bands, sanitary products and — help us here — anything else every medical facility requires, will start with 3P.

Banking/Insurance ▶▶ ($5.458T, +3%; with $10.7B to print, -2%) will be at No. 6, and **Investment/Brokerage ▶▼** ($1.450T, +3%; with $3.9B to print, -15%) in a decline to No. 19. Concentration and technology are the causes. Lesser competition and the displacement of paper documents will continue away from print.

The financial sectors of the U.S. economy are predicted most often by the difference between long-term and short-term Treasury interest yields; the steeper the difference, the greater the growth. For 2019, the difference is only a moderate 1.34 times over a 1:40 time period before compounding.

The few remaining opportunities are name changes and repositioning among the regional banks, stock brokerages and mutual insurance companies. Retail banks are redecorating into extremes between cafés and automated facilities. Digital wide-format wall and floor coverings, directional signage and amenities print are positive, while presentment, transactional and all other forms of print, including paper currency, appear doomed.

Strong Storm Surge for Better Insurance

Insurance/property/casualty (+5%) is a seller's market after a spate of tropical storms, floods, tornadoes and forest fires prove that property owners and occupants are underinsured. Additional factors such as commercial renting of private homes, the actuarial consequences of drug legalization and private vehicles driven as taxis, demand that new financial products be introduced. Yes, there will be Apps for these, but also a return to robust out-of-home and direct mail print. A resurgence in *insurance/life* (+3%) is inevitable as consumer savings and investment rates decline and life expectancy increases.

Two technology sectors are paused in print demand. **Telecommunications ▶▶** ($1.544T, 0%; with $10.4B to print, -1%) is No. 8 in core business as mobile connections are at saturation and fixed wire is in decline. 5G internet over telecom (IoT) is slow to be appreciated, and the build-out of complex meshed networks across other applications, such as autonomous vehicles, AR/VR and at-home robotics, seems less attractive for investment than horizontal acquisitions such as into entertainment and IT.

Computerware ▼▼ ($888B, 0%; with $3.2B to print, -22%) is in a related slowdown at No. 22. Consumers are keeping their old devices longer, and are trying to spend less, not more, time in mobile engagement. Security concerns, as well, are hampering *mPayment* adoption, despite active promotion of the practice via POS/POP and transit print. Social media ad spending is slowing for the first time according to eMarketer, though, at $110B (+19%), is opposite to the decline in print. Revenue growth at Apple (+10%) will be less than one-half its previous year's, even as *iPhone X* production is resumed.

Beverages ▶▶ ($511B, 0%; with $10.8B to print, +2%), will be No. 5, principally in novel single-serve packaging and extensive out-of-home media. *Juices, waters* (+8%) will continue fast growth, while alcoholic and sugar soda drinks remain flat.

This sector consumes print at a rate exceeded only by publishing. Carriers, cans, stretch-wrap, labels, closures, neckers, floor and wall graphics, window clings, mass-merchandise displays and vehicle wraps are among just a few of the myriad offerings to sell.

Related, at No. 10, is **Foodservice ▶▲** ($1.074T; <3%; with $8.6B to print, +5%). *Restaurants, take-out, bars and club*s (+4%) will surpass at-home dining in the New Year. And, if one orders-in, there's an abundance of subscription and ad hoc offsite kitchens. One, Home Chef (+60,166%), is *INC* Magazine's third fastest growing firm in the U.S.

Single-service is the new normal. Consumers, according to one study, want their eating choices to "reflect their values" and for establishments to "establish corporate sustainability objectives." As compostable, recyclable and post-consumer products become more price-competitive, an economical alternative to traditional single-use foodservice product materials are bio-based, renewable and biodegradable materials derived from sugarcane (bagasse), corn (polylactic acid or PLA) and recycled newsprint (molded pulp) as suitable alternatives to traditional cups, clamshells, dinnerware and cutlery.

The three so-called "durable" sectors are receding into '19. **Real Estate ▲▶** ($2.390T, +3%; with $10.5B to print, 0%) is No. 7. *Residential/resale* (-5%) home prices will be at the lowest level in constant-dollar terms since 2006. Conversely, *residential/new* (+7%), will be the highest because of displacement demand as a result of natural disasters and a drop in new housing starts. *Residential/rent*al (+8%) will continue to outpace the average as the "nation of renters" residual accommodation.

Print will be level in open-web real estate guides, screen lawn signs and mostly-digital viewbooks and postcard mailings. *Commercial real estate* (-9%) in mall-and-strip retail, office high-rise buildings and multi-purpose convention centers will continue to collapse after decades of excess exuberant construction. Printed "For Sale or Lease" signs will be the new tombstones.

Millennials Changing Automotive Industry

Automotive ▼▼ is the second largest durable-goods sector, and stalling at No. 11 ($2.177T, -4%; with $7.6B to print, -7%). Urban demand for owned vehicles is declining for the first time as millennials are more interested in "uber" utility. It's a marketing nightmare for dealers conventionally driven by volume, choice and aspirational selling.

Expect closures and slashes in ROP and insert retail advertising. *Electric vehicles and crossovers/light trucks* (+2%) will both stall as *passenger cars* (-7%) rust on dealer lots. Carvana (+153%) is a company to watch.

General Motors (-6%) is closing or cutting back sedan assembly plants and eliminating six models. *Auto parts and repairs* (+4%) will benefit because vehicles are on the road longer. Direct-to-board, hexagon-color-onto-white digital printing will enhance the appeal of after-market products in this, and many other segments, including off-the-road additive manufactured parts and assemblies. *Auto finance and insurance* (+7%) is the best print market across this sector.

A not-so-lucky No. 13 will be **Home Improvements ▶▲** the third durable sector. At $930B, +4%; with $ 7.4B to print, +>3%, circumstances of bad weather and fires will bring replacement demand for *construction materials* (+6%), *home furnishings* (+4%) and *appliances* (+5%). *New residential housing* (-5%) will continue in a slump so long as existing home sales (-6%) are depressed.

Print is the primary advertising medium among the producers of durable goods and distributors and retailers. FSIs, ROP, shoppers and out-of-home signage will build at the same rate as last year at Home Depot (+8%) and its friendly competitors. The do-it-yourself (DIY) category will continue to decline as lumber yards and hardware stores increasingly adopt the vertical model of flooring and carpet marketers: Installation included. Every-home direct mail, door-knockers, couponing, FSIs and in-store displays are building opportunities.

Airlines Take Off, Lodging Under-Occupied

Travel/Hospitality ▲▲ ($1.088T, +6%; with $9.8B to print, +>5%) checks in again at No. 9. The cost to get anywhere will be up at *airlines* (+7%) where "ancillary" surcharges will increase on everything except air. Delta (+10%) and UAL (+8%) will be the profit leaders and their passengers the biggest losers. Print will be in the middle seat as onboard self-serve "snack shops" and "convenience" vending with specialized multi-lingual packaging, signage and décor are introduced.

Cruise lines (+7%) will float one-sixth more vacationers in 2019, the twin result of larger ships and an older demographic. Carnival (+8%) is the largest operator with 10 branded lines, more than 100 ships and one of every five passengers. The segment is the world's largest buyer of web and sheetfed folded, bound and inserted print advertising.

Overbuilt and under-occupied *lodging* (+3%) will continue its drag on the U.S. travel sector. More hotels and resorts will be closing than opened in the next two years because of changed consumer preferences, reduced business travel and lower convention attendance. The accumulative effects of Airbnb (+50%) and online metasearch aggregators led by Booking Holdings (+40%) should encourage the reservation of "performance marketing" direct mail, loyalty programs, co-branded directories, FSIs, inserts and amenities into these no-less-than-transformative zones.

There's no applause for No. 12 **Entertainment ▲▶** ($1.042T, +>3%; with $7.5B to print, 0%) because, like hotel rooms, there's more supply than demand. *Multi-channel streaming* (+12%) is on the verge of offering any content on-demand and in custom packets based on previous preferences. No tickets, waiting in lines, looking for seats or bothering to be part of an audience, is a millennial psychographic that will be enabled by 5G wireless, 4K receivers and, heaven help us, autonomous vehicles. *In-theater motion pictures/live events* (+3%) will continue to engage aging baby boomers habituated to mass experience.

The curtain will continue to descend on posters, displays, programs, cable guides and all manner of print the way video and game CD packaging clam-shelled early in this decade.

Paradigm Shift in the Apparel Sector

Personal Care ▲▲ will make-up to No. 14 ($476B, 0%; with $7.2B to print, +9%) as **Fashion ▲▼** ($654B, -3%; with $6.5B to print, -6%) sheds-down to No. 16. In both sectors, the "prestige" psychographic is at a 4-times print-premium over "mass" necessity items, which will be flat to negative.

Hair, skin and suncare (+9%) will be the most attractive segment, while *apparel* (-8%) sales plummet. Be warned: Retail print advertising and POP/POS will decline in both sectors while online and, yes, catalog direct mail gain share. For reasons of geo-politics and polluting aspects of manufacture, several large fashion brands will vanish and many clothing stores will cut back or close in bankruptcy.

Discount Retail ▶▲ ($1.822T, +<4%; with $6.9B to print, +7%) will jump to No. 15 if only for Amazon (+23%). Costco (+10%) and Walmart (0%) are dragging behind, burdened by bricks-and-mortar better navigated by robots than mere human beings. The inevitable consequence will be the opening up of distribution centers to drive-through order pick-up.

Locking up No. 17 is **Security/Protection ▲▲** ($309B, +3%; with $5.1B to print, +6%). *Surveillance/alarms* (+5%) will be the fastest-growing segment. Direct mail, window decals, yard signs and packaging are among the many print items increasingly demanded by hundreds of suppliers using the recurring revenue model. The goal is that every household be "smart;" about eight-times the present penetration.

Other print-intensive segments are *ID/information security* (+3%) and *hazard detection* (+6%). Locks, safes and manned guard services are in decline.

Logistics/Freight ▶▲ ($997B, +7%; with $4.3B to print, +12%) pulls up to the dock at No. 18. The exponential rise in internet shopping and order management is five-sixths the story; the other more interesting one is *specialty transport* (+36%) where four of the eight fastest-growing companies in the U.S. are positioned.

This is the segment that requires verified sourcing, chain-of-custody, hazard management and security/protection — all very costly and profitable to deliver. RFID, barcoding, warning and other intelligent containment, labeling and detection products will grow print demand to more than $1B (2022).

The USPS (+2%) will continue as the biggest print buyer, though its single segment of growth is small packages. FedEx (+8%) and UPS (+7%) each will surpass the Postal Service by 2021. *Preprinted standard mailers, envelopes and packages* (+5%) will be the most demanded product, seconded by *vehicle graphics* (+10%) as delivery fleets are reconfigured.

An Oversaturation of Gambling Options

Gaming/Wagering ▼▼ ($346B, -8%; with $3.3B to print, -6%) at No. 21 and No. 20 **Leisure Activity** ▶▲ ($216B, +3%; with $3.7B to print, +6%) are places to cash-out. *State/province lotteries* (-15%) are down in popularity and near-out for print. Some *casinos/on- and off-track betting* (-9%) facilities will close for lack of traffic, so saturated are the number and proximity of locations at seemingly every highway exit. Loyalty clubs and incentives are marginalizing bottom lines, and alternative internet-based gaming is unsustainable unless one wants to, say, gamble in cryptocurrency.

Higher Education/Non-Public ▶▲ ($314B, -14%; with $2.2B to print, +9%) is at No. 23 and in the predicament of reduced *tuition* revenues (-6%) and even higher operating expenses. 2019 will bring student populations to below 17 million from a decade-high of 22 million. Increased dependence on foreign students and mergers of institutions will bump up print outlays in the near-term.

Other profit centers, notably *university presses* (+12%), *athletics* (+7%) and *development* (+4%), will contribute to book manufacturing, large-format screen/digital signage, apparel and direct mail appeals. Traditional, static *college textbooks and related curriculum materials* (-12%) continue in decline as custom versioning is pushed by educational publishers and bookstores.

At No. 24 is **Societal Activity** ▶▼ ($200B, -9%; with $1.7B to print, -11%). The two-year U.S. elections cycle is "off" in the New Year, bringing down overall print demand across all products, particularly in the so-called *advocacy* (-15%) segment.

Faith- and secular-based organizations will exercise political influence, and *religion-based publishing* (+8%) will be robust; most editions written to save the soul of America. Flat will be *arts, humanities and culture* (0%), with the notable exception of private groups such as Habitat for Humanity (+36%).

Rising Federal Deficit and Print Demand

Government, Federal/State ▲▲ ($7.638T, +2%; with $1.4B to print, +7%) muddles up to No. 25. Federal spending will surpass $4.4 trillion, two-thirds of which are mandatory entitlements and interest on national debt that will accumulate past $21 trillion.

Government *health-related programs* (+10%), and *defense and homeland security* (+5%), will collectively demand, through their own facilities and to private contractors, forms, stationery, directional signage, manuals, recruitment materials, uniform apparel and other print amounting to $0.2 billion.

The 2020 Census, the HHS media campaign to combat the opioid epidemic, and new paperwork and signage related to the U.S. southern border, will be indicative of an increased print spend. At the state level, *economic development* (+2%) will increase print investments, notably in tourism and offshore business acquisition.

Electronics, Energy Markets Are Absent

Missing from the Top 25 Hot Markets are **Electronics/Non-Telecom** ▶▼ ($72B, -20%; with $1.3B to print, -28%) and **Energy** ▲▲ ($3.625T, +5%; with $1.2B to print, 0%). Curtailed big-box retailing and nearly 100% offshore sourcing are pulling the plug on the former sector, while the latter has never been a big buyer of print.

(Note that convenience fuel and food operations are included in the No. 10 foodservice sector.) The balance of print demand will come from nearly 200 unclassified residuals in both **Business-to-Business** and other **Consumer Activity** ▶▲ ($7.536T, +27%; with $8.1B to print, +<4%).

Among the HM-25, 12 (down from 14 in 2018) will increase print demand by more than 5%; seven (down from eight in 2018) will be near level at -3% to +3%; and six (from two in 2018) will decline between -5% to -22%. All will account for close to 95% of total print, slightly less than in 2018.

New and evolving demand categories and impending declines in traditional mainstays where we've past been selling represent the next socio-political and techno-economic realities we must address in this century.

Managers have the choice between leading or lagging. Strategic decision-making is proactive and controlled; the opposite is reactive where others beyond one's control determine the outcome. **PI**

The complete, 144-page "Hot Markets" report and full-year database access are available by subscription. Email the author at vince@pbba.org for more details.