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TOP 25 Hot Markets For Printing 2018-19

Forecast of Print Demand

The Top 25 Hot Markets will account for nearly 95% of total print, but at 3% less than in 2017. 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.

By Vincent Mallardi, CMC

2018 is "on" to an impressive recovery in print, with revenues bouncing up to US$199.5B (+3%). That's give-or-take a little inflation at the hands of our materials suppliers and freight forwarders. U.S. real GDP growth should exceed 2.6%; however, the distribution of print demand will continue to shift away from our traditional concentrations.

In the obverse, we have to flip to verticals with which many printing executives have little familiarity, and horizontals with which we have no experience. Read 3D, Augmented Reality and all forms of smart and interactive print, including new sources of content and delivery.

No. 1 **Packaged Foods** ($1.34T, +2%; with $18.8B to print, +5%) will be hungry for longer-shelf-life protective materials. These will be active in food preservation and containment, and intelligent in communicating expirations, tampering or other product adulteration for shelf removal.Two-thirds of print demand in this sector is for labels and packaging.

Among segments, the two most active will be where demand for promotional inserts and point-of-sale are most essential: *Fresh-prepared* (+13%) and *ethnic/exotic foods* (+10%). As examples, Hawaiian fusion is arriving on the mainland, as are natural antioxidant botanicals as substitutes for sugar and salt. Aesthetics, as with fresh beets, sweet potatoes and other colorful earthy varieties, will layer rather than blend, and change the way consumers look and feel about food — and how it must be presented and sold.

Shift to Aseptic, Re-Closable Gusset Bags

Canned, jarred and dried foods (-6%) and *frozen microwave offerings* (-5%) are phasing out of supermarkets in favor of aseptic, re-closable gusset bags and other lighter, more space- and time-friendly alternatives. Campbell's Soup (-9%) is typical of canned products not heeding the future. *Snack foods* (+4%) are re-inventing their contents as gluten-free, raw and packed with vitamins.

The re-packaging of most prepared foods will result in half-again or more stock-keeping units (SKUs) in the same retail space. By 2025, traditional store lighting and traffic-aisle configurations will be unlike anything from back in the 1950s. Print demand in both absolute and relative-price terms will soar in this transformation.

At No. 2 will be **Medical/Pharma** ($627B, +12%; with $16.2B to print, +8%). The prognosis of health care reform will regenerate demand for *medical equipment* (+5%), *prescription/OTC drugs* (+4%) and everything print — from miniature folders to POS standees, and bind-in/ROP publication inserts to billboards. The U.S. government is under increasing pressure from the physicians and hospital lobbies to curtail TV/cable advertising. The push over to print media will be substantial when this occurs. Ask your doctor if this is right for you!

Related is No. 7 **Health Providers** ($3.942T, +3%; with $10.5B to print, +5%). The turnaround is a result of confidence that the third-party-pay crisis will be resolved, and confluence as the rising and aging populations move toward greater access, and resources to pay in, to a transformed delivery system.

Print signage and direct mail will be feverish, with hundreds of name changes and renovations. Mergers of hospitals will be to fewer than 5,500 (-24% from 1975), with an increase in the number of beds from 0.9 million to 1.1 million (+22%). Indoor décor and patient amenities will also be prescribed.

Since the average stay will exceed $36,000, a hotel-like appearance should be part of the experience. Success in health care sales entry is information security; a "check-in" for direct mail and directory printers to certify in HITRUST, a unification of HIPAA/HIGHTECH and six additional standards and requirements.

Publishing, Non-Newspaper, at No. 3 ($80B, +7%; with $11.4B to print, +3%) is opening a new page. *Consumer/trade periodicals* (0%) will be steady-state as new magazines, mostly ethnic and reflective of new social realities (+26%), will be introduced, and irrelevant titles will be discontinued at the same proportion.

The major magazine publishers, "buying into" the print-is-dead irrationality, are destroying their own assets, opting too late into digital media and contrived events. Upward "bound" are *books/hard-/soft-cover* (+7%) — the enabled result of consumer-produced content, subsidy publishing, and affordable digital imaging and small-scale finishing.

Big-publishing is re-opening enormous backlists and introducing new titles, many translated from the ubiquitous literature of other cultures. Volume will surpass 3 billion units. *Miscellaneous publishing*, though impossible to quantify, is in observable growth. Social expression products, rare book replications and recreational print will increase with the aging population.

New Tech: Communication's Calling Card

Telecommunications ($1.546T, +2%; with $11.0B to print, +5%) is No. 4 and fully-charged to meet a global economic recovery and onrushing next-gen technology. The U.S. dominates cellphones (56%), principally because of Apple (+21%) and the *iPhone X* (55% of total Apple sales).

Lower connect-costs, and top-line value such as at AT&T (-3%), are forcing *providers* to integrate with more content, wider coverage and faster non-voice enhancements. As with printing, basic service is near saturation; a losing proposition without the APP-lication of ever and ever more novel add-ons. The contentious arguments in the AT&T Time-Warner merger go precisely to these issues of vertical concentration.

As this sector, with multiple cross-media entry points and exclusive content, wears the regulators into submission, name changes, new brands (i.e., TWC to Spectrum) and global broadband alignments will be good for print, from vehicle wraps down to business cards. Throw-away prepaid paperboard mobile phones sold on blister-racks, and decorative laminated static-clings for permanent devices, will be available — and in print — within months.

Demand Sector/ Category Rankings by Print Potential 2018

Rank	Sectors/Categories	Revenue Forecast in US$B	Growth Rate %	Printing Trend 2017-2018	Share to-Print %	Print Potential in US$B	Print Change %
1	PACKAGED FOODS	$1,340	2	▶▲	1.4	$18.8	5
2	MEDICAL/PHARMA	627	12	▼▶	0.3	16.2	8
3	PUBLISHING/NON-NEWS	80	7	▼▶	16.0	11.4	3
4	TELECOMMUNICATIONS	1,546	2	▶▶	<0.9	11.0	5
5	BANKING/INSURANCE	5,289	<3	▲▶	0.2	10.9	-2
6	BEVERAGES	509	0	▶▶	0.2	>10.5	-3
7	HEALTH PROVIDERS	3,942	>3	▼▶	<0.3	10.5	5
8	REAL ESTATE	2,321	5	▶▲	<0.5	10.5	5
9	TRAVEL/HOSPITALITY	1,026	6	▶▲	0.9	9.3	5
10	AUTOMOTIVE	2,267	-1	▲▼	<0.4	>8.2	-9
11	FOOD SERVICE	1,046	3	▲▶	<0.8	8.2	4
12	ENTERTAINMENT	1,008	4	▲▲	>0.7	7.5	3
13	HOME IMPROVEMENTS	895	5	▲▲	<0.8	7.2	10
14	FASHION	635	<4	▶▲	<1.1	6.9	9
15	PERSONAL CARE	471	-2	▶▲	1.4	6.6	11
16	DISCOUNT RETAIL	1,755	3	▼▶	0.4	6.5	8
17	INVESTMENT/BROKERAGE	1,407	3	▶▶	>0.3	4.6	2
18	SECURITY/PROTECTION	300	<1	▶▲	<0.2	4.5	5
19	LOGISTICS/FREIGHT	934	6	▼▶	>0.4	4.1	<8
20	COMPUTERWARE	890	<3	▼▼	<0.1	4.1	-3
21	GAMING/WAGERING	376	-8	▶▼	0.9	3.5	-8
22	LEISURE ACTIVITY	210	<4	▼▶	1.7	3.5	3
23	HIGHER EDUCATION	367	4	▶▲	0.9	2.0	5
24	SOCIETAL ACTIVITY	222	3	▶▶	0.9	1.9	5
25	ELECTRONICS, NON-TELECOM	340	-2	▼▶	0.5	1.8	-5
	TOTALS/AVERAGES – HM	$29,802	—	—	>0.5	$190.2	<1
	OTHER DEMANDERS	16,359	49	▲▲	<0.1	10.4	15
	LESS: OVERLAP (CHAINED)	-25,988	—	—	—	—	—
	TOTALS/AVERAGES - ALL	$20,173	5	▶▶	<1.0	$200.6	1

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

Curiously, the *telephone directory* (0%) business, after being abandoned by the bungling FiOS-bundled landline operators, is taking root among small-business, local and special-circumstance publishers. "Women's Yellow Pages," "Russian Golden Pages" and real paper books for many ethnic groups, immigrants, veterans, cyclists and most everything else vertical, are replacing the big disappearing phonebooks.

Finance is the largest, most concentrated sector in the U.S. economy. No. 5 **Banking/Insurance** ($5.289T, +3%; with $10.9B to print, -2%) shares the wealth with No. 17 **Investment/Brokerage** ($1.407T, +3%; with $4.6B to print, +2%).

Challengers: Cryptocurrencies, Free Trades

Two unwelcome newcomers to both categories are *cryptocurrency* (+500%) and something called Robinhood. The first fragment, led by Bitcoin (+300%), is digital currency backed by nothing except its artificially-manipulated scarcity and an anonymous inventor of the blockchain technology that underlies its transactional structure.

Conventional *commercial banks* (+7%), which long ago created central banking monopolies and fiat ledger currency, will be outmatched in the coming years if they can't destroy (to-them) pernicious alternatives. The second "newbie" threat is free, low-latency stock trading long denied to small investors. Robinhood Markets is a two-year-old startup with more than 3 million users, operating with 100 employees. E*Trade, by comparison with 3.6 million users, employs 3,600. Look for a flurry of print advertising direct mail, signage and out-of-home campaigns to drive bits into pieces, and fee trades into the ground.

Insurance/property/casualty (-3%) renewals are trending downward while claims, continuing from the hurricanes and forest fires of '17, will dent reserves and destroy profits. *Insurance/life* (-10%) is also on a "death" spiral. All classes of underwritings will be down for the second straight year unless the industry resumes advertising and sales promotion. Direct mail, event intercepts, outdoor and ad specialties of every variety must be sold to insurance agents and home offices.

No. 6 **Beverages** ($509B, 0%; with $10.5B to print, -3%), will be flat in all categories except that in which drinks are whipped into *shakes and smoothies* (+16%). *Beer, wine and spirits* (+3%) are losing favor among older Americans for health and economic reasons, while the millennials prefer infused coffees, teas (+5%) and nutritious fruit, veggie and dairy-based imbibements. *Soft-drinks* no longer sparkle (-5%), despite overweight advertising and point-of-sale. Both will rationally decline in 2018. *Juices, waters* (+7%) are now the most popular at-home drinks. However, more beverages, overall, are being consumed out-of-home!

No. 11 **Food Service** ($1.046T; +3%; with $8.2B to print, +4%) menu items and beverage sales have overtaken home consumption. Restaurants, bars, convenience stores, vending machines and places of recreation and leisure tap more sales, if not volumes, than that at supermarkets and discount retailers.

The demographics of two spouses working at least one job, and with fewer children and scarce socialization opportunities, are most urgent for offset and digital printers and metal decorators to understand. Out-of-home foods and beverages are delivered in bulk, not individual packages. Slowly drying up are litho and gravure stacked labels, bottle carriers, shelf-related teasers, store signage and, yes, entire food retail locations.

State of the 'Durables' Economic Sectors

Three economic sectors constitute the so-called "durables." The largest is No. 8 **Real Estate** ($2.321T, +5%; with $10.5B to print, +5%). *Residential/new* (+7%), or 6.6 million units, will be the result of rising home values and rebuilding in areas affected by recent hurricanes, tornados and wildfires, as well as anticipated Spring floods.

The shortage of dwellings will also benefit the *residential/resale* and *residential/rental* categories at about +4%. Remote areas where housing is a fraction of that in the large cities will profoundly alter the demographics of the country. Real estate guides, lawn signs, postcard mailings and cross-media tie-ins with CATV/Satellite programming will build at the same rate as the sector is expanding. *Mortgage lending* (+7%) will utilize direct mail and zoned CATV to pre-approve buyers and thereby accelerate transaction activity during the next three or more years. No housing bubble this time around!

Commercial real estate (-3%) will be affected oppositely, especially with closures of malls and retail strip-storefronts. As work-from-home replaces commuting, high-rise office buildings will convert to multi-use retail, classroom, health care and *residential/apartment/condominium* units (+6%).

The second durable, No. 10 **Automotive** ($2.267T, -1%; with $8.2% to print, -9%), is driven by fuel economy. As energy costs rise above $50/gallon, the size of vehicles demanded will shrink. Gas-guzzling light trucks (-4%) will back down to economy cars, and total units manufactured in the U.S. will fall below 17.5 million (-3%).

Dealers will demand more print than the automakers as razor-thin margins and higher interest rates force faster inventory turnovers on the lot and in the showroom. Land radar, or LaDar, will be perfected, opening the road for driverless vehicles. Though similar to radar in principle, infrared laser light instead of radio waves detects particles, distant objects and varying physical conditions.

Home Improvements, the third durable sector, ($895B, +5%; with $7.2B to print, +10%) will continue at No. 13. Unlucky circumstances of bad weather and fires will bring replacement *construction materials* (+6%), *home furnishings* (+4%) and *appliances* (+5%). Print is the primary advertising medium among the durables producers, 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. High-end producers like Kohler (+16%) will open their own showrooms with operational spa and bathroom settings to "test-flush"! The do-it-yourself, or DIY, category is indeed dying among overwhelmed, time-deprived consumers.

Lumber yards and hardware stores will increasingly adopt the vertical model of flooring and carpet marketers: Installation included. Print will build well in these categories with door-knockers, couponing, FSIs and in-store displays.

No. 12 **Entertainment** ($1.008T, +4%; with $7.5B to print, +3%) looks to be slowing by one-half after a blockbusting past year. *Motion pictures/live events* (+6%) will embrace mobile with simulcasts of films and events on a pay-as-you-watch, market-to-market basis. The number of screens and stages will dwindle, pulling the curtain down on one-half or more printed programs, posters, tickets and memorabilia.

Disney (+4%) will underperform as its theme park and cruise destinations face geopolitical constraints, as will the failing ABC television network. Oppositely, smaller content creators with unique distribution models will fare better. Netflix (+41%) — the most notable — will double in revenues from three years ago, and become the most prized acquisition candidate for one of the cash-rich telecom giants.

Live Nation (+15%) and other excelling, exclusive entertainment providers, will also be sought after, prompted by the U.S. elimination of so-called net-neutrality rules. *TV, cable, radio and satellite* (-8%) revenues are on-the-ropes, with programming costs outstripping diminishing audiences. *Spectator sports* (-6%), indicatively with the politicization of NFL football, will continue downward in terms of stadium ticket sales and ad revenues. Personalized merchandise and sports collectibles are also in decline. The question to printing is whether the sector is worth the selling effort. At less than 6% of demand, and shrinking, it's not.

Consumer Confidence Dresses Up Fashion

No. 14 **Fashion** ($635B, +4%; with $ 6.9B to print, +9%) will be dressing up in 2018. After several threadbare seasons, higher disposable income will show off *luxury accessories* (+12%), sparkle *jewelry* (+10%) and shoe-in *footwear/hosiery* (+14%). Shed will be generic *apparel* (-6%), as consumer confidence levels improve. Direct mail catalogs and insert sections in magazines and newspapers will showcase designer brands in lifestyle context.

Crossover events tied with high-end travel and prestige automotive brands between open houses, are being scheduled in every city at convention centers and destination resorts. Invitations, programs, wide-format scenic backdrops, packaged handouts, displays and other digital print will exceed one-fifth of industry sales to this activity.

At No. 15 will be **Personal Care** ($471B, -2%; with $6.6B to print, +11%). A slowdown in demand for *color cosmetics, hair and skin/sun care* (-4%) will bloat inventories while new springtime products are introduced.

Below-the-line or unmeasured media of the type in off-price retail, infomercials, weekend open-markets, demonstrations and other "push" tactics, will warrant directional signage, bundled repackaging and relabeling — anything to unconventionally move merchandise. Countering the weakness should be *hygiene and sanitary products* (+3%), as consumers worry about real or perceived contamination from natural and terrorist causes.

Flexo packaging, litho encapsulation and gravure sanitary products will post revenue increases, while absorbent paper brands for adult incontinence replace the dwindling demand for infant disposables.

At No. 16 is **Discount Retail** ($1.755T, +3%; with $6.5B to print, +8%). The hypermarket segment, into which Amazon (+30%) is now included, is a triopoly that includes Walmart (0%) and Costco (+9%), for a combined share of 43% of the entire sector. Every geographical area is saturated, which precludes organic growth. The only options are, therefore, to acquire related businesses or upgrade in-/out-of-store offerings.

Both will be good for print catalogs, magazines, direct mail, décor and display signage. Mid-size horizontal variety chains, like Target (-6%), and vertical specialty discounters such as The TJX Cos. (+7%), will begin to act more like department stores, crossing lines to attract customer attention with higher quality FSIs and onsite graphics.

High-Tech Secutrity Advancements

Security/Protection ($300B, +1%; with $4.5B to print, +5%) is No. 18. The largest array of high-tech devices and systems are filtering down to consumers, many of military origin. *Surveillance/alarms* (+28%) will be increasingly utilized in both fixed locations and aboard moving "drone" vehicles. Warning signs come with these installations and, in fact, deter violators in places without cameras and sensors.

Hazard detection (+10%) will be print-dependent with colorimetric cards that identify and report biological, chemical and nuclear threats at airports, seaports and other high-priority locations. Smart IDs, product labels, and anti-counterfeiting, tamper-proof packaging using multi-spectral imaging, are huge near-term opportunities. There are no breakthrough leaders yet in these categories, but they will emerge as terror levels and personal preoccupations with safety continue.

At No. 19 is **Logistics/Freight** ($934B, +6%; with $4.1B to print, +8%). While print is understandably in terror of postal rate hikes and delivery issues, the USPS handles less than one-eighth of our collective output. Of greater concern in 2018, and beyond, will be FedEx (+20%) and UPS (+6%). "Big Brown" will be surpassed in revenues if not volumes while both will increase delivery costs.

Preprinted standard mailers, envelopes and packages (+5%) will be the most demanded product, seconded by vehicle graphics (+10%) as delivery fleets are reconfigured during the 2018-2021 timeframe. Conventional forms and labels (-10%) will disappear in the next decade.

Air, sea, rail, pipeline and overland road (+6%) will benefit from imminent de-regulation and a growing economy. Print consists of precautionary permanent signage, warning tapes, labels and other adhesive identifiers.

Two technology sectors are paused on print. **Computerware** ($890B, +3%; with $4.1B to print, -3%) will rank No. 20; as **Electronics, Non-Telecom** ($340B, -2%; with $1.8B to print, -5%) shuts down to No. 25. Most products are imported and therefore packaged overseas. The principal domestic print volume is in-store directional, POS/POP and newspaper inserts. Another problem is a dearth of new products. The only visible novelties are wearables, which are made with fabric circuits. Only if paper clothing makes an unlikely comeback will any opportunity be evident.

Two consumer discretionary sectors are also sinking. No. 21 **Gaming/Wagering** ($376B, -8%; with $3.5B to print, -8%) and No. 22 **Leisure Activity** ($210B, +4%; with $3.5B to print, +3%) are places to cash-out. *State/province lotteries* (-9%) are down in popularity and near-out for print. Some *casinos/on/off-track betting* (-8%) 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.

Las Vegas Sands (-3%) and Wynn Resorts (-2%) will be down overall, despite anticipated spikes in Nevada and Asia.

Last Fall's massacre in Las Vegas horrifically altered the meaning of the city's slogan of "What happens in Vegas," to where it will be discontinued. Caesars (+<1%), the second biggest operator, is buying racetracks in a lateral expansion that will close beginning in the New Year.

Nor is there much "action" in leisure. *Toys/games* (+2%) require inspirational tie-ins with major motion pictures that will not be forthcoming in 2018. Besides, the consumer economy is not replacing itself with a birth rate of 0.9 offspring from 2.5 parents. Dwell on this profound statistic that will have forecasters flustered during the next decade.

Recreation vehicle (+4%) manufacturers and retailers will benefit from increased disposable income and the reclaiming of more outdoor land and water areas to use them. Urban trails, on-/off-bike rentals, and lakes and parks emerging as infrastructure residuals, will broaden demand for devices that peddle, sail or are under power. As boomers age, there should be more time for adventure, and thus the demand for maps, charts, directional signage, OEM parts and labels.

University Presses Continue to Proliferate

High marks go to No. 23 **Higher Education, Non-Public** ($367B, +4%; with $2.0B to print, +5%). The big lift is the proliferation of *university presses* (+12%), both in number of publishers and titles. The rapid acceptance of digital books, seasonal slack time at in-plants, and increased demand for esoteric and academic literature across many cultures and languages, will continue until most every institute of higher learning has a "press."

The opportunities for us are cross-media content formatting, larger-run printing on lighter weight papers, improved binding/finishing, and more efficient warehousing and distribution. Enrollments and fundraising will be flat, while *college textbooks and related curriculum materials* (-12%) are in decline.

Societal Activity ($222B, +3%; with $1.9B to print, +5%), at No. 24, waned after the 2016 Presidential election, and will increase again, "thanks" to the most contentious political climate in U.S. history. All 435 House seats, one-third, or 33, Senate seats, and several more resulting from deaths and resignations, will cast more than $0.4B into printing "coffers." Direct mail, vehicle wraps, and all types of signage and promotional products, will be demanded for those who get in the fray within the first months of 2018.

Faith-based organizations will exercise political influence, and *religion-based publishing* will be robust; most editions written to save the soul of America. Flat will be *arts/culture/charities*.

Notably *off* the list for 2018 is **Government, Federal/State** ($7.159T, +<5%; with $1.2B to print, -8%) at No. 26. U.S. federal spending, as predicted last year, is being slashed even as the budget is up 8% to $4.1 trillion.

The worst places to sell print will be where there are eliminations: NASA's Office of Education, State Department UN programs, Public Broadcasting, Agriculture's Food for Education, etc. The few best places will be at the Department of Defense (+9%), Homeland Security (+7%) and Veterans Affairs (+6%).

Privatization of air traffic control will be the first of many services-shifts to contain future deficits. The states will be forced to draconian cuts in environmental, health and welfare expenditures.

Also, below the Top 25 are **Energy** ($3.290T, +3%; with $1.1B to print, -15%) comprised of totaled sub-sectors; along with over 150 unclassified residuals in both **Business-to-Business and other consumer activity** ($5.910T, -21%; with $8.1B to print).

Among the Top 25 Hot Markets, *14* (up from *four* in 2017) will increase print demand by more than 5%; *eight* (down from *11* in 2017) will be near level at -4% to <+5%, and *two* (down from *10* in 2017) will decline between -5% to -27%.

The Top 25 Hot Markets will account for nearly 95% of total print, but at 3% less than in 2017. 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.

As with every new year, we managers have a choice to *lead* or to *lag*. Strategic decision-making is proactive and under control. The opposite is reactive where others are in charge.

The future of our medium is at stake. Let's make the best of what could be the best economy in the last 30 years! PI

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