

Executive Summary

The first quarter 2019 SGIA Industry Survey — Markets and Products investigated what printing companies produce and for whom; what's growing and what isn't; convergence, or the melding of segments as printers of all types expand beyond their traditional roles; and printing company performance, expectations and confidence. The 411 participants included graphic and sign producers, apparel decorators, functional printers, commercial printers, package printers/converters and in-plant printers, as well as manufacturers, distributors and suppliers to the specialty graphics segment.

This report presents results for the 24 participants whose primary business is functional printing. The survey defined functional printing as "printing done as a part of a manufacturing process; applications include printed electronics, marking/branding of parts or products and decorative products, often printed at scale."

The group's annual sales range from less than \$500,000 to \$50 million or more. Collectively, they offer nearly 20 functional printing products to local, regional, national and international markets.

Four-fifths use both digital and analog production technologies, with digital dominant for 25.0%, analog dominant for 20.0% and neither technology dominant for 35.0%. Capacity utilization averages 51% - 80% for nearly two-thirds, 50% or less for one-quarter and more than 80% for one-tenth.

The highest percentages offer industrial decals/labels (71.4%), industrial part marking (66.7%) and instrumentation/dials/overlays (57.1%). Nearly one-quarter want to add 3D printing.

Eighty-five percent offer finishing/post-production services, with lamination (52.6%) and die cutting/laser cutting

(47.4%) most widely offered. Two-fifths offer finishing/post-production services to other printers, and two-fifths purchase them from other printers.

More than 62.0% work in at least one segment in addition to functional printing. Half offer graphics and signs, 37.5% apparel decoration, 25.0% commercial printing and 16.7% package printing/converting. Average contribution to company revenue ranges from 18.9% for graphics and signs to 9.0% for commercial printing.

Last year, sales increased for 84.2%, but profitability increased for just 42.1%. A number of factors contributed to the pressure on margins, including rising costs and limited pricing power, and for some functional printers, investments that reduced current profits but boost profit potential. One printer said, "Our profitability decreased in 2018, because we are transitioning into new product offerings, dealing with tariffs and implementing lean initiatives throughout the company."

This year, 73.7% expect to increase sales and 63.2% expect to increase profitability. Confidence in functional printing is contributing to the optimism: 57.1% currently have a positive view of the segment's future, 42.9% a neutral view and none a negative view. Confidence in the American economy — 30.8% positive, 53.8% neutral and 15.4% negative — is not as high.