

Digital Printing Market Potential

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INTERQUEST (Charlottesville, VA) recently conducted a study commissioned by the **Graphics Arts Marketing Information Service (GAMIS)**, which provides an in depth analysis of the impact of digital printing on the graphic arts.

The objectives of the study include:

- Identifying digital printing market segmentation, size, equipment installed base, and primary applications,
- Assessing the impact of digital printing on the graphic arts market, and drivers and barriers, as well as,
- Identifying current practices and trends among printers and print buyers regarding digital printing.

Primary research conducted for the project includes in-depth interviews with executives from digital printing equipment, supplies, and service companies, and telephone surveys of printers and print buyers. Printers and print buyers were selected to ensure major printing application sectors were represented.

Market Trends

In addition to dramatic across the board improvements in image quality, reliability, features, and cost of ownership, all categories of digital equipment are experiencing an increased demand for digital color printing.

Although *personal and network printers* are not production printing devices, they are warping the market space in several ways. As these devices become more capable and more affordable they tend to dampen some centralized print volume. Alternately, they may whet appetites for more color printing.

Although Xerox remains the dominant force in the *monochrome print-on-demand* market, it is being challenged by other players such as Heidelberg, IBM, Océ, and IKON. Printer/copier-based midrange systems are also encroaching on this segment with faster, more economical alternatives to DocuTechs and Digimaster systems.

Taken as a whole, *digital color printing* equipment overall is growing at a significantly faster rate than black-and-white equipment. Whereas digital press sales have yet to live up to initial expectations and pioneers such as Indigo and Xeikon have struggled for profitability and survival, production grade copier/printers such as the Xerox DocuColor 2060 have done tremendously well. This category of equipment has improved to such a

degree that many printers are having a hard time justifying the additional cost associated with acquiring a digital press. Xerox and Heidelberg, however, hope to turn the tide with their latest generation of equipment, which is engineered and marketed to appeal to high-volume users.

Variable data printing is steadily growing as the momentum from customer relationship management initiatives increases. Printers agree that variable data is one of the best ways to make money with digital printing since it often leads to repeat jobs and longer print runs, and opens the door to premium services. The challenge of establishing, accessing, and maintaining good databases remains the top barrier for the growth of variable data printing. INTERQUEST projects that variable data print sales will grow from \$2.56 billion in 2001 to \$6.28 billion in 2004. Print buyers interviewed for the study estimate that within three years 29% of their black-and-white and color printing will use variable data.

Distributed print on demand continues to incite interest due to the globalization of the economy, and the ever-increasing robustness of the Internet. More printers will offer the service through partnerships, or through printing networks, but growth will remain modest.

Graphic Arts Environments & Applications

The primary environments considered for this study are general commercial printers, quick printers, and digital service bureaus. **General commercial printers** have not been very receptive to digital printing. INTERQUEST estimates that general commercial printers account for less than 20% of the installed base of digital production color equipment. This will change over time as equipment vendors improve and tailor their offerings for commercial printing environments.

Quick printers have been highly receptive to full-color copiers in recent years, and digital printing is one of the fastest growing segments of the business. Although quick printing chains and franchises have been scrambling to build a digital infrastructure, a relatively limited amount of printing is flowing through it.

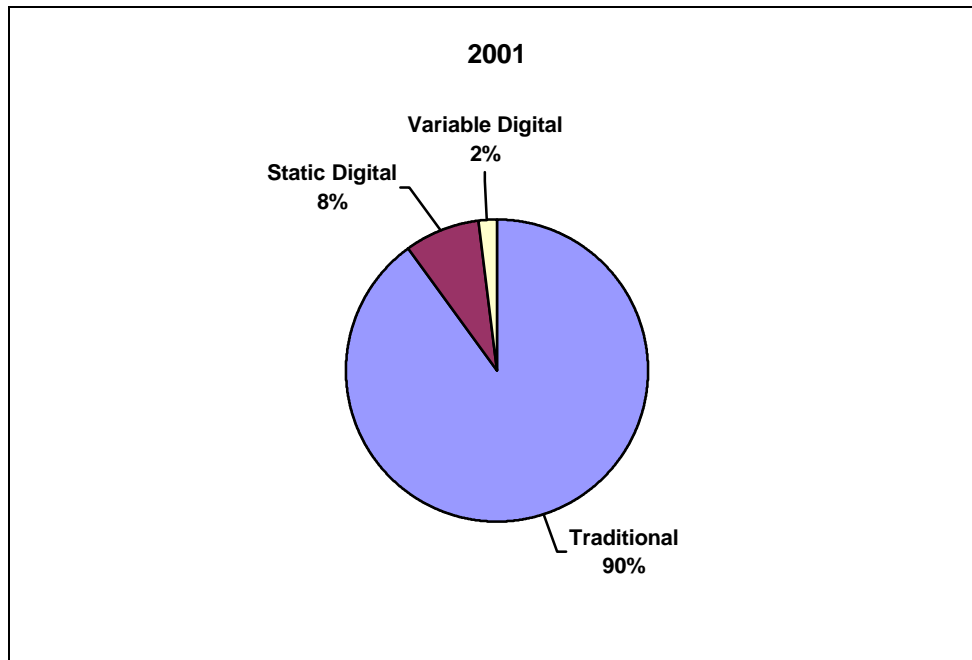
Digital service bureaus are by far the most active and enthusiastic sector for digital printing. Many of these companies which started their businesses by offering monochrome transactional printing are early adopters of full-color variable data printing.

In terms of **applications**, fliers, brochures and similar general commercial printing applications represent the greatest potential for digital printing. However, there are also excellent opportunities for books, direct mail, financial printing and business forms. Applications such as magazines, catalogs, and annual reports, which usually require long print runs and very high print quality, will remain largely unaffected by digital printing over the next two to three years.

Conclusion

Although the ability to produce variable content is a critical differentiator for digital printing, the study concludes that increasing buyer demands for fast turnaround times and short print runs will be the most important factors in the future growth of digital printing. Over time variable data will become more widespread, but until it does digital printing will be forced to compete head to head with traditional equipment, including CTP and direct imaging presses.

Digital and Traditional Printing, 2001



(Source: INTERQUEST)

Overall, the adoption of digital printing in the mainstream graphic arts markets will be steady, but incremental. Printers are finally waking up the fact that digital printing offers a complement to, rather than a replacement of their traditional services. In addition, printers reported that more than half of the jobs printed on digital equipment are for new applications rather than work migrating from traditional presses.

INTERQUEST expects the revenue from digital printing will increase at a 27.9% CAGR between now and 2004, while revenue from traditional printing will increase by less than 1% during this time.

The 500-page "Digital Printing Market Potential" study is available for sale at a price of \$2,000 for PIA members, and \$5,000 for non-PIA members. A full table of contents and ordering details can be found at www.inter-quest.com/GAMIS01.html

* INTERQUEST is a technology research and consulting company in the field of electronic printing and publishing. Over the past 12 years, INTERQUEST has published numerous multi-client studies related to digital printing and print-on-demand. In addition, the company has produced a series of educational tools

(videotapes, CD-ROMs, and books) and studies on related topics in association with Xplor International. For more information about INTERQUEST call 434/979-9945.

*GAMIS is a special industry group of PIA dedicated to providing its members with current, relevant market data and information on the graphic arts and related fields. The principal benefits of the organization are member-directed research studies, quarterly meetings, market research skills building, and unlimited networking opportunities. For more information about GAMIS membership, contact Jackie Bland, GAMIS executive director by phoning 703/519-8179.