Grow Your Business

DISCOVER BRAZIL’S OPPORTUNITIES FOR PRINT!

Today Brazil is not only the largest economy in Latin America, but is also the sixth largest economy in the world. According to the newly updated landmark NPES study, the “World-wide Market for Print: Identifying Global Opportunities for the Print Industry,” it is also the largest print market in Latin America with revenues of over U.S. $16 billion in 2012 and growth expected to reach U.S. $20 billion by 2017 (see Exhibit 1). Twice the size of the other five regional markets combined, with a population of 195 million and 20,000 printing industry companies (2009), Brazil’s growth will be driven by print packaging and print publishing revenues, especially newspaper and magazine printing.

Brazil’s consumer-driven economic growth has also impacted its print product demand. With GDP per capita growing by over 50% in a decade’s time, more disposable income will be available for goods requiring some type of print packaging. Likewise, higher consumer activity has driven advertisers’ interest in Brazil (U.S. $15 billion in ad spend in 2011, 18% to newspapers and magazines), with the market poised to pass the UK as the fifth largest ad spend country in the world, and the 2016 Olympic Games set to boost the country’s print growth.

All in all, it’s a market that cannot be ignored by U.S. suppliers of any size. For more data on this growing print market, NPES and PRIMIR members should consult the “World-wide Market for Print” study provided to them earlier this year, which also comprises data and research on 51 countries in total, including other high-potential global print markets such as China, India and Indonesia.

Introducing the Brazilian Print Market

For members looking for profitable business opportunities in the Brazilian market, specific “guidance” is required and should be taken seriously. For example, the Brazilian business culture relies heavily on local and personal relationships. NPES staff has the local experience, cultural understanding, and industry/market

BRAZIL AT A GLANCE

• Fifth largest country in the world
• Population: 195 million people.
• Sixth largest economy in the world
• Latin America’s biggest economy
• Inflation: 6.5% (2011)
• Urban unemployment: 6% (2011)
• Interest rates: 8% (as of July 2012)

THE BRAZILIAN WAY

The Brazilian business environment requires intimate knowledge of the local environment, including both the explicit as well as implicit costs of doing business (referred to as the “Custo Brasil”). Such costs are often related to government procedures, and a complex tax structure. In addition to tariffs, U.S. companies will find a complex customs and legal system.

Source: U.S. Department of Commerce

Exhibit 1: Top Line Print Market Data — Brazil 2007–2017

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<tbody>
<tr>
<td>Total print product revenues</td>
<td>13,786.1</td>
<td>17,447.5</td>
<td>16,412.6</td>
<td>20,009.6</td>
<td>6.1%</td>
<td>4.0%</td>
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<tr>
<td>Total equipment sales</td>
<td>1,194.8</td>
<td>1,216.9</td>
<td>947.0</td>
<td>1,113.4</td>
<td>0.5%</td>
<td>3.3%</td>
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<tr>
<td>Total prepress consumable sales</td>
<td>102.7</td>
<td>130.5</td>
<td>114.7</td>
<td>137.7</td>
<td>6.2%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Total ink sales</td>
<td>528.9</td>
<td>746.7</td>
<td>697.1</td>
<td>838.4</td>
<td>9.0%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Total substrate sales</td>
<td>8,772.5</td>
<td>13,030.5</td>
<td>12,088.8</td>
<td>14,764.9</td>
<td>10.4%</td>
<td>4.1%</td>
</tr>
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Source: NPES 2013 study, “World-wide Market for Print: Identifying Global Opportunities for the Print Industry,” by Economist Intelligence Unit
Chairman’s Perspective

Five Things I’ve Learned from Visiting with Customers

There’s an old paraphrased saying attributed to Ralph Waldo Emerson, “Build a better mousetrap, and the world will beat a path to your door.” Translation: innovate, and the customers will follow. Many business owners today would add to that saying, “If the mousetrap breaks, help your customer fix it.”

Thriving in today’s competitive marketplace requires companies to understand their customers’ needs more thoroughly, and deliver higher levels of service than ever before. An October 2013 Accenture study revealed a huge “switching economy” in the U.S.: 51% of U.S. consumers switched service providers in the past year due to poor customer service experiences. The highest switching rates were among retail banks, satellite and cable TV providers, and retailers.

Why is this? I think that while many of these service providers have tons of data about their customers, there’s still a disconnect. They just don’t understand what it’s like to walk in their customers’ shoes.

I try to visit as many of our customers as I can in North America, and spend as much time as possible with them at shows throughout the year. Face-to-face customer engagement and hearing what really matters to them helps drive innovation throughout our company and helps us deliver better service levels.

From my customer visits in recent months, a few key trends have made a clear impression on me. Here are five of the most important:

- Customers see print differently than they used to. No one is “just” a printer anymore. Printing digitally is but one of multiple distribution channels. Our customers on the document printing side are offering extremely sophisticated, integrated cross-media campaigns that leverage variable data to deliver highly customized, one-to-one marketing messages. More personalized and more relevant with less cost and less waste. Those are huge areas of focus and where our customers are able to differentiate themselves.

- Print has a “premium” value. When a small digital news company, IBT Media, purchased Newsweek and decided to relaunch the magazine’s print edition late in 2013, they envisioned it as a more “premium” and “boutique” product. Many of our customers have already implemented a Newsweek-style, paper-based, premium application for their customers. As an example, they’re producing printed pieces that are of a very high-quality, with interactive features like pURLs, QR codes and augmented reality. Our customers seem to understand that this is the future of paper-based communication and they’re gearing up their business to take advantage of it.

- Being sustainable AND profitable. The conventional thinking was that being sustainable costs your business more. Not anymore. In fact, those customers I’ve spoken to would flip that around. If being sustainable isn’t giving your business a greater return on investment, then you’re not doing something right. Our customers are finding innovative ways to gain efficiency, reduce their waste and energy use—driving improvements to their bottom line.

- Increasing workflow automation. More automation of workflow means greater press uptime, fewer user errors, and lower overhead costs. Customers I’ve met see the potential for automating their workflow as a true differentiator, and are constantly tweaking and making improvements to become even better.

- Demand for brand protection solutions is growing. On the labels and packaging side, counterfeiting is a major issue. Customers to whom I’ve spoken are helping their brand owner customers protect their brands and packaged goods with some impressive measures (both visible and invisible to a would-be counterfeiter), from security toners to sequential numbering. I look forward to seeing further innovations in this area.

Of course, as many of you might agree, the best part of meeting with customers is having the opportunity to thank them for their partnership. Knowing their unique challenges intimately and understanding how broader trends may impact them helps us be a better partner in the long run.

Michael Ring
expertise to help members navigate the business challenges. Among the services offered, NPES can provide local introductions to pre-screened and qualified prospective partners, distributors or dealers. This is similar to the Gold Key Service provided by the U.S. Commercial Service (USCS). Both NPES and the USCS strongly advise that it is essential to work with a qualified representative or distributor when exploring opportunities in Brazil.

Trade Shows
NPES members have an ideal forum to explore this thriving market by booth sharing at ExpoPrint Latin America 2014, in São Paulo, Brazil from July 16 to 22. This fifth largest in the world, quadrennial print fair features the latest technology for pre-press, printing, packaging and finishing. At the NPES Booth, connect with 45,000+ show visitors, prospective partners, distributors or dealers, many who are high-level decision makers seeking to learn of the latest products and solutions. The NPES Booth provides a cost-effective means of participation and an invaluable introduction to the Brazilian market, complete with market-specific expertise, advice and assistance from NPES staff. The USCS will also have a representative available.

NPES Trade Mission to Brazil
In conjunction with the ExpoPrint trade show, the NPES Trade Mission will provide members the opportunity to visit local packaging and printing companies to gain a better understanding of local requirements and develop potential relationships. This trade mission will include market briefings with industry associations, government officials and American Embassy staff. Plant tours are being planned for local print companies, and networking will be provided through various cultural activities and social events.

For more information visit: www.npes.org or contact NPES Assistant Director, International Trade, Pernilla Jonsson at phone: 703/264-7200 or e-mail: pjonsson@npes.org.

PLASTIC Print to Debut at GRAPH EXPO 14 WHERE PRINT AND PLASTIC APPLICATIONS UNITE

In Chicago this fall, leaping off the “drawing board” and onto the GRAPH EXPO 14 show floor will be the world debut of a groundbreaking new pavilion—PLASTIC Print!

Unprecedented in the Graphic Communications Industry, this pioneering hub that bridges print with industrial manufacturing was inspired by the collaboration of three innovative industry organizations: The Society for the Plastics Industry (SPI)—producers of the National Plastics Exposition (NPE); the Graphic Arts Show Company (GASC); and, CPP EXPO.

Now, for the first time anywhere, inside PLASTIC Print, featuring 3D printing, show goers will discover how the exciting new worlds of Package Printing, Commercial Printing and Industrial Manufacturing have converged to create a host of new service and profit-boosting opportunities.

RED HOT in this highly marketed new hub will be live demonstrations of 3D printing that will capture buyer-attendees’ imagination with profitable 3D printer options and the vast array of profit-building applications they can sell NOW!

PLASTIC Print exhibitors will have scores of opportunities throughout the show to share their expertise and guidance, one on one, with attendees.

Limited space is available in this inaugural show floor pavilion that will deliver progressive print service providers from 12 key industry segments. To learn more, or reserve booth space in PLASTIC Print visit: www.GraphExpo.com or phone: 703/264-7200.

“The Next BIG Thing”
Is
PLASTIC Print
Featuring 3D Printing
Demonstrating the Gamut of New Profit-Boosting Solutions Including…

- Ad Specialties
- Affinity Cards
- ATM & Credit Cards
- Automotive Parts
- Bags
- Bookmarks
- Bracelets
- Calendars
- Card & Key Tag Combos
- Contactless RFID Cards
- Containers & Tubs
- Cups & Mugs
- Door Hangers
- Earth Friendly – Recycled Plastics
- Flash Drives
- Gift Cards
- Golf Bag Tags
- Health Care Cards
- Hotel/Hospitality Products
- ID badges
- Loyalty Cards
- Luggage Tags
- Membership Cards
- Menus
- Party Supplies
- Phone Cards & Cases
- Plastic Coupons
- Plastic Labels
- Plastic Packages
- Plastic Rulers
- Player Tracking Cards
- POP Displays
- Postcards
- Promotional Items
- Shelf Talkers & Danglers
- Signs
- Tablet Cases
- Tape, Tags and Films

…and MANY MORE!

FOLLOW THE INDUSTRY TO PLASTIC PRINT!
What do you see as the greatest challenges and opportunities for your business in 2014?

**Bret Farrah,**
**Executive Vice President, Xitron, LLC**

I think it’s fair to say that all companies associated with the printing industry are facing many of the same challenges, but not the same opportunities. For example, a plate vendor, press manufacturer, and software developer all face the effects of a shrinking commercial printing market—smaller margins, higher overhead costs, and technological changes—that impacts their traditional business models.

How they approach the challenges, however, is undeniably tied to the product itself and the demand for which it was conceived. If plate consumption is down due to a migration away from traditional offset printing, nothing can be done to the plate to change the course and re-invigorate the product.

Conversely, if a press manufacturer faces competition from digital or high-speed inkjet encroachment on their traditional markets, there may be ways to adapt the machinery and retrofit components to marry the hardware with the new technology and breathe new life into an existing product. (We are experiencing this today with some of our OEM inkjet partners in the label, narrow web, and transactional printing markets.)

As a software developer, Xitron finds itself in the best possible position for turning challenges into opportunities because our products are adaptable across all market segments and devices. Whether our customers print packaging materials and labels using traditional flexographic processes, are migrating to high-speed inkjet presses, or want to run new digital systems in parallel with commercial offset, we’ve developed RIPs, workflows, interfaces, and press controls that meet the changes in markets and technologies head-on.

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**Chris Calomino,**
**Marketing Manager, ACTEGA Kelstar, Inc.**

The greatest challenges we face concern the consolidation of our industry. As we see large conglomerates continue to acquire assets to stabilize and grow their portfolios, our customer base is affected by these mergers and acquisitions. It’s vitally important that we leverage our national and global reach to help mitigate the loss of business due to customers either being bought by larger companies or, worse yet, closing up shop. Opportunities are the development of new technologies such as digital printing and off-line finishing. These areas are being adopted by more and more key players in the industry. We must ensure that our portfolio is aligned with growth in these areas.

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**Frances Cicogna,**
**Manager, Product Marketing, Production Solutions Division, BISG, Canon U.S.A., Inc.**

Canon’s overall strategic direction for our business is to continue to drive an integrated approach to technology development. We aim to provide continued workflow-oriented improvements in our portfolio to help our customers streamline their operations and expand and grow their capabilities and business.

Canon’s goal is to leverage our broad portfolio, strong heritage, and brand position to capture increasing levels of market share across all segments of the printing industry. For all our inkjet products, from continuous feed printers through wide-format technologies, we continue to invest in R&D by leveraging the knowledge and expertise from Océ, and we intend to further develop and diversify our broad inkjet solutions as well as continue to drive new innovation into electrophotographic printing and overall workflow solutions.
The world market, especially the emerging markets, is expected to grow significantly across sectors (8% worldwide growth rate for the period 2012-2017) with the packaging sector occupying a sizeable share of the projected growth.

Passage to India: Taking Printing Business Beyond Boundaries

A panel discussion moderated by Naresh Khanna (c), Publisher, Indian Printer and Publisher; S. Balasubramaniam (l), Head of Marketing and New Media at Dinamalar; and Kiruba Shankar (r), CEO of Business Blogging and social media expert, examined “retooling, restructuring and reinvention” of the newspaper industry.

V. Balakrishnan (l), Executive General Manager-Marketing at Konica Minolta, during a panel discussion with Harinder Singh (c), Director QA, Fiery Controller Division, EFI-IDC, and, Gurav Chandra (r), Business Development Manager, HP Indigo & Inkjet Press Solutions, encouraged printers to consider themselves “holistic brand partners” rather than “mere print service providers.”

The second annual NPES-IPAMA Print Business Outlook Conference, held February 18, 2014 in Chennai, India and themed “Printing Business Beyond Boundaries,” brought together 200 print leaders representing commercial printers, newspaper publishers and package printers from around the world.

The one-day industry-wide update on current trends in the global marketplace was supported by: Platinum Sponsor: Konica Minolta; Gold Sponsor: EFI; and, Silver Sponsors: HP, QuadTech, Air Motion Systems, Toyo Ink, and Rapid Blanket Restorer India. The findings from the newly updated landmark NPES study, “World-wide Market for Print: Identifying Global Opportunities for the Print Industry,” NPES President Ralph Nappi informed attendees that, “The world market, especially the emerging markets, is expected to grow significantly across sectors (8% worldwide growth rate for the period 2012-2017) with the packaging sector occupying a sizeable share of the projected growth.”

Steve Metcalf, President and CEO, Air Motion Systems, Inc., concluded the morning session highlighting a new curing approach for print using LED-based UV curing.

C.N. Ashok, founding Director of Autoprint Machinery Manufacturers, talked of finding new opportunities in the printing industry.

Steve Ballinger, Director of Training for IDEAlliance, shared an update on how digital color technology now provides new “magic” for creative teams and brand managers.
According to the study, the printed electronics market may grow to approximately $20 billion within the next ten years.

New PRIMIR Study Explores “Next Big Thing” Emerging Printing Technologies & Applications

PRIMIR’s latest study on “Emerging Printing Technologies & Applications” presents an intriguing overview of new technologies and applications, emphasizing the applicability of these budding technologies for commercial printers and printing industry suppliers. The research, by Fivotal Resources, includes printed electronics and displays, 3D printing and biomedical printing, as well as 2D barcodes and security printing; and nanotechnology. While each of these emerging printing technologies is generating buzz in the industry, the PRIMIR study identifies those which offer near-term opportunities for new revenue streams.

Security Printing
Areas with direct impact on the commercial printing industry are security printing, barcodes, 3D printing and nanotechnology. Security printing, although a longstanding specialty segment, is changing dramatically due to the increasing sophistication of criminals and heightened number of threats. Brand protection is becoming increasingly important to provide protection from would-be imitators. Automation and techniques for brand protection that are not easily duplicated are critical to brand owners. The most recent technology advances for security printing have been in biometrics, unique inks, advanced substrates and 2D barcoding.

“Biometrics,” the identification of humans by their individual characteristics or traits, is in use today. An example is state-issued drivers’ licenses. The cardholder’s image and personal information is encrypted into a 2D barcode that appears on the reverse side of the license. The 2D barcode is then scanned to compare the code’s image with the actual license holder. Some states also encrypt a thumbprint, thumbprint, or signature into the barcode.

Printed Electronics
In printed electronics, while commercial printing of complete circuits remains elusive, there has been some success in the laboratory and also pilot-scale operations. The first fully printed electronic products will likely be display backplanes, which will be combined with today’s printed (but not electronic) frontplanes to form a fully printed complete device. Opportunity would primarily exist for NPES members who manufacture fluids (ink) formulations or new substrates. According to the study, the printed electronics market may grow to approximately $20 billion within the next ten years.

3D Printing
Despite the groundswell of hype surrounding 3D printing, commercial use is limited due to production speed and cost. At an average build-up of one inch per hour and relatively high costs of $4 per cubic inch, 3D printing will remain in the hobbyist realm rather than traditional manufacturing for the foreseeable future.

3D printing does, however, represent an accessible opportunity for many commercial printers, not in the application of traditional printing technology, but rather for expanding their offerings to customers since it is possible to enter 3D printing with minimal investment. Currently, according to the study, the greatest need is for designers, operators and salespeople to understand the value of 3D applications and be trained with the solution selling and engineering skills required to maximize this opportunity.

For NPES members, partnering with manufacturers of 3D printing equipment may provide an ideal way to enter the market. With the market rapidly developing, NPES members would be well advised to act just as quickly.

Nanotechnology
Although fairly new, this sector of the material manufacturing industry has already created a multibillion-dollar U.S. market. Nano matter is characterized by high-tensile strength, low weight, high electrical and thermal conductivity, and unique electronic properties. There is widespread interest in biology and biomedicine; computing and memory; electronics and displays; opto-electronic devices; optical components used in telecommunications; and, security applications.

Of particular interest are graphene, carbon nanotubes and quantum dots — each under intense research with new applications being unveiled regularly. Production, however, is one of the biggest challenges that nanotechnology faces. Obstacles for scaling up production include investment dollars and proof of manufacturing consistency.

Another key challenge will be health and safety concerns related to handling nano-materials.

Explore the Possibilities
For NPES members, new profit pathways exist in all of these emerging technologies; however, some offer greater or more immediate opportunity, and are more easily addressed. Looking ahead, members should actively seek ways for their companies to learn more about these technologies and how to apply existing skills and knowledge, or determine the strategic investments necessary to be best positioned for success in these growing areas.
Chairman Wyden also noted that EXPIRE is an effort to “balance short-term needs with long-term goals,” and that many provisions in the extenders package should be made permanent to give Americans the certainty and predictability they need in the tax law.

Senate Finance Committee Brings Back Bonus Depreciation:

TAX EXTENDERS LEGISLATION BRIDGE TO COMPREHENSIVE REFORM

Saying that this was the last time it would happen on his watch, new Senate Finance Committee Chairman Senator Ron Wyden (D-OR) engineered the nearly unanimous bi-partisan approval by his committee of the Expiring Provisions Improvement Reform and Efficiency Act (EXPIRE), which includes yet another extension of 50% Bonus Depreciation, as well as enhanced IRC Section 179 Expensing.

Chairman Wyden also noted that EXPIRE is an effort to “balance short-term needs with long-term goals,” and that many provisions in the extenders package should be made permanent to give Americans the certainty and predictability they need in the tax law. Commenting on the Finance Committee’s action, NPES President Ralph Nappi commended Senator Wyden for his leadership, and re-stated NPES’ strong support for tax policy that recognizes and facilitates capital investment that is essential to sustained economic growth.”

Fifty percent Bonus Depreciation expired at the end of 2013, but EXPIRE would once again extend it to qualified property, including printing, publishing and converting technologies, purchased and placed in service before January 1, 2016. EXPIRE would also extend through 2015 the election to accelerate AMT credits acquired in tax years prior to 2006, in lieu of Bonus Depreciation.

Additionally, EXPIRE would again extend enhanced IRC Section 179 Expensing, increasing the maximum amount and phase-out threshold for tax years starting in 2014 and 2015 to the levels in effect in 2010 through 2013, namely $500,000 and $2 million respectively. Under current law and without EXPIRE, a taxpayer may only immediately expense up to $25,000 of Section 179 property annually, with a dollar for dollar phaseout of the maximum deductible amount for purchases in excess of $200,000. Furthermore, EXPIRE would also once again include computer software in the definition of Section 179 property. Unlike Bonus Depreciation, IRC Section 179 Expensing applies both to property previously used—but new to the purchaser—as well as new qualifying property.

Section 179 Expensing is however subject to annual dollar, investment and taxable income limits.

For more information contact NPES Government Affairs Director Mark J. Nuzzaco at phone: 703/264-7235 or e-mail: mnuzzaco@npes.org.
Despite up and down fluctuations in new equipment filings, there appears to be a very slight upward trend developing.

Market Intelligence News:
UCC Filing Update

The chart compiled from UCC data provided herein by Equipment Data Associates (EDA) shows up-to-date UCC (see definition below chart) activity for all printing equipment. Although UCC filings are a combination of new equipment sales, used equipment sales and re-financings of existing placements, they are still a strong indicator of market activity.

Despite up and down fluctuations in new equipment filings, there appears to be a very slight upward trend developing. Following the January 2013 reading of 594 units, new filings grew 15% to 464 units in December 2013. Overall since December 2012, when units were as high as 490, the data has declined 6%. Filings in January and February 2014 fell to 318 and 329 units respectively, making it difficult to predict steady growth.

Used equipment filings have followed a similar but less drastic up-and-down pattern, dropping to 186 units in December 2013, down from 215 units at the start of 2013; this still represents an increase from 146 units in December 2012. However, filings are also experiencing declines in 2014 (165 in January and 150 in February).

This information is extracted directly from EDA’s comprehensive database of nearly 30,000 records for purchasers of printing equipment. For more information, or to join the free NPES Market Data program, contact Assistant Director, Market Data & Research, Rekha Ratnam, at phone: 703/264-7200 or e-mail: rratnam@npes.org. For information about the market intelligence services offered by EDA, contact Mauricio Jurin at phone: 704/845-1099 or e-mail: mjurin@edadata.com.