GAERF Awards Student Scholarships to Compete in SkillsUSA Championships

MEDALISTS ANNOUNCED

The NPES-managed Graphic Arts Education and Research Foundation (GAERF) awarded nearly $30,000 in scholarships to the nation’s top advertising design, graphic communications, and screen printing technology students who participated in the SkillsUSA Championships held June 22-24, 2011, in Kansas City, MO. Each competitor was given $250 to defray the costs incurred in traveling to the event.

“GAERF is committed to supporting programs that prepare our workforce of the future,” said Ralph J. Nappi, GAERF President. “In this spirit, we are delighted to recognize our industry’s most talented students and encourage them to consider the many exciting career opportunities the graphic communications industry has to offer.”

The annual event, which this year hosted more than 5,700 contestants competing in 94 different skill and leadership contests, showcases the top career and technical education students in the nation. Its purpose is to reward students for excellence, directly involve industry in evaluating student performance, and provide training relevant to employers’ needs. To that end, the exhibition—which occupies a space equivalent to 16 football fields—is held with the assistance and support of industry, trade associations and labor organizations.

To become eligible for the national competition, students must first compete at the local and state levels. Two representatives from each state—one at the high school level and one at the post-secondary level—then advance to the national competition.

In recognition of its continued financial support for the past five years.

Continued on page 3

The 39 Graphic Communications competitors flanked by representatives of Heidelberg, an official sponsor of the event, in Bartle Hall, Kansas City, MO.
In June, NPES members attending our Capitol Hill Fly-in had a unique opportunity to meet with Postmaster General Pat Donahoe. Pat is a long time USPS employee who came up through the ranks and was recently named Postmaster General. We quickly discovered at our meeting that he had a detailed grasp of USPS challenges.

Going into our visit I expected the typical 15-minute “meet and greet” quick exchange of issues and a polite hand towards the door. We received just the opposite! The ‘polite hand to the door’ led us to Pat’s conference room where he spent 40 minutes sharing challenges and possible solutions, while pushing us for our opinions on what USPS should do in the future. Ironically, we were the ones who had to end the meeting, because we needed to attend prearranged congressional appointments. But we left his office with three distinct observations:

1. The USPS is in a lot more trouble than most people, including Congress, realize;  
2. The possible solutions are not at all easy (are they ever?); and,  
3. The USPS, at its highest level, is looking at the mailing industry, including supplier groups like NPES, as a partner and friend to move USPS forward.

While the issues are many, here are the key ones:  
1. The USPS is looking at a $9 billion shortfall for the 2011 fiscal year;  
2. Labor accounts for nearly 80% of the post office’s operating expenses;  
3. First Class mail is the largest revenue source and it is now falling at over 7% annually; and,  
4. The contentious overpayment of the USPS pension program is not likely to be ‘given back’ by the government to help balance the USPS budget.

So where does the USPS head from here? A few likely scenarios:

1. An additional 3,700 post office closures, approximately 11% of the current number;  
2. A more aggressive transition to the “Village Post Office” concept, where postal services like selling stamps and handling small packages would be done in retail outlets like supermarkets and drugstores;  
3. A potential decrease from 6 to 5 day delivery, with the elimination of Saturday mail; and,  
4. A possible increase in the First Class postage rate starting in January 2012.

So why is this important to you? For many reasons! First, is the impact that changes to the USPS will have on our industry, since to this point roughly 50% of everything printed goes through the mail. So the future viability of the USPS is important to the entire printing industry. Second, is the need to emphasize to both community leaders and elected officials that the depth and breadth of the mailing industry—8 million private sector jobs in total—goes well beyond the current 570,000 plus postal employees. And finally, a ‘call to arms’ is needed to help many constituents recognize the need for a viable USPS.

As our industry’s collective voice, NPES is meeting that “call to arms” by its active participation in the Coalition for a 21st Century Postal Service that is working at length with the new 112th Congress, the USPS, postal unions and other stakeholder groups to develop legislation that will provide solutions to the needs of all these constituencies, and strengthen a service that is still a vital part of the U.S. economy. But we need you, our members, to be engaged as well.

To facilitate that engagement, Deputy Postmaster General Ronald Stroman will be attending GRAPH EXPO 2011 and will be a keynote presenter at our EXECUTIVE OUTLOOK program on Saturday, September 10th. If you would like to see and hear him, and ask him questions, please contact me and I’ll arrange for a complimentary pass for you to attend.

There are many things affecting our industry right now, and the future of the United States Postal Service is a huge one! Having you, our members, knowledgeable and impactful in this issue will have a direct effect on all our futures.

- Ralph Nappi  
NPES President  

Postman, We’ll Miss You If You Go  

Ralph Nappi  
NPES President  

Vision 3 Summit  
February 19-22, 2012  
Marco Island Marriott • Marco Island, Florida  
An Executive Leadership Conference for the Graphic Communications Industry  
SAVE THE DATE!
In the past, Latin America was affected by debt defaults, currency devaluations and the need for bailouts from rich countries. Today, the envy of its northern counterparts, it is experiencing robust economic growth!

If you are among the NPES members who understand that NOW is the time to explore new business opportunities beyond the U.S. market, don’t miss this FREE informational seminar and networking event at GRAPH EXPO 2011 on Tuesday, September 13, “Success Formulas for Doing Business in Latin America.” This program will be the most efficient and effective way for you to explore the fast growing markets in Latin America as you:

Network with prospective customers and partners,
Listen to experienced business development experts, and
Hear from already established printers.

While at GRAPH EXPO, be sure to visit the International Business Center (IBC) in McCormick Place, Room S102cd, open during show hours.

The IBC is a unique information and networking forum that brings together international buyers, U.S. exhibitors and NPES members.

The IBC’s complimentary services include:
- Matchmaking service to connect international visitors and U.S. exhibitors,
- FREE export business assistance consulting with U.S. Commercial Services Specialists from the U.S. Department of Commerce,
- FREE customized market development consulting meetings with NPES Market Representatives from China and Brazil,
- Private meeting rooms,
- FREE Internet,
- Lounge area, and
- Translator assistance.

For more information about NPES’ International Programs and Services, please contact Pernilla Jonsson, Assistant Director of International Trade at e-mail: pjonsson@npes.org or phone: 703/264-7200.

In recognition of its five-year sponsorship of the SkillsUSA National Championships, GAERF Director Eileen Cassidy (c) accepts Donor Service Award on behalf of GAERF from Greg Rintala (l), Chairman, SkillsUSA Youth Development Foundation, and Tim Lawrence (r), Executive Director, SkillsUSA.
The NPES/PRIMIR EXCHANGE Means Business!

The NPES/PRIMIR EXCHANGE is more than just your exclusive, on-site oasis off the bustling GRAPH EXPO show floor. Just steps away, it’s the single best place where NPES and PRIMIR members come to:

- Conduct business with key customers and prospects in semi-private meeting rooms
- Regroup with staff members to strategize the day’s agenda
- Grab a quick morning cup of coffee or a short afternoon refreshment break, and
- Utilize the convenient PC Corner with Internet and printing capabilities.

Previewing the powerhouse line-up of presentations is our featured panel discussion on a groundbreaking ‘new breed’ of “Pioneering New Partnerships” with Mal Baboyian, President, Production Printing Systems, Oce North America; and, Mark Hiscar, President & CEO, KBA North America, plus...

- Alan Beaulieu, President and Chief Executive Officer, Institute for Trend Research—back by member request (and always eerily on-target)—on “The Economic Outlook”
- Rob Stevenson, author of “52 Essential Habits for Success” with his ‘new age’ advice on mastering “Leadership for Breakout Success”
- Tom Saggiomo, President and CEO, the DG3 Group—and longtime friend to our industry— with his ‘both sides of the fence’ perspective on “The Evolving Print Market,” plus special guest...
- Steve Ford, Actor, Son of President Gerald Ford and First Lady Betty Ford, with insight he could only have gained from, “Inside the White House and Hollywood: Getting to the Top with Character.”

From a value standpoint, in addition to the provocative program, the hotel room rates for this year are the lowest they have been for an Annual Conference in over 12 years! Plus, the location is ideal for travelers from everywhere—easy in, and easy out.

FOR COMPLETE PROGRAM DETAILS AND TO REGISTER VISIT: WWW.NPES.ORG
NPES Trade Mission: China and All in Print China Tradeshow

YOUR PASSPORT TO THE ASIAN MARKET

Let NPES be your guide to new business opportunities in the Asian marketplace during the NPES Trade Mission to China. Now is the ideal time to investigate firsthand how to expand your business into the global marketplace through one of the largest international exhibitions in Asia.

An NPES Trade Mission is...

A customized VIP business development program for NPES member companies and corporations seeking to:
- Expand into the International market
- Create brand(s) awareness
- Reach new customers, and
- Increase sales.

Utilizing NPES' comprehensive, extensive network of trade representatives and international offices strategically located in the fastest growing markets you will gain 'VIP access' to pre-qualified customers who are eager to learn more about U.S. products and know-how.

The NPES Booth at All in Print China is...

A high profile and cost-effective way to reach new customers at All in Print China 2011. Here you will display your company literature and, as part of the NPES Trade Mission, participate in a VIP tour to visit with local printers.●

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 refinancings of existing placements, they are still a strong indicator of market activity. Although new equipment filings for June were essentially flat when compared to 2010 data, the first half of 2011 totaled 2151 units which is still up 17.3% from the first half 2010. June used equipment filings were down 40% from 2010 levels but despite that, used filings for the first six months of 2011 are only down 1%. Both new and used filings continued the downward trend from the 2011 high point in March, however. This information is extracted directly from EDA's comprehensive database of nearly 30,000 records for purchasers of printing equipment.

For each of the data points in the table, subscribers to EDA's market intelligence services can see exactly who purchased the piece of equipment—and the manufacturer and model. NPES member companies that participate in the free NPES Market Data program are eligible for significant discounts on EDA's services. By combining the critical purchaser information from EDA with the comprehensive market statistics, analysis, and forecasts provided by NPES' free Market Data program, participating NPES member companies can get a complete picture of the current and anticipated future activity in the marketplace.

For more information, or to join the free NPES Market Data program, contact NPES Assistant Director for Market Data, Rekha Ratnam at phone: 703/264–7200 or e-mail rratnam@npes.org. For specific information about the market intelligence services offered by EDA, contact Mauricio Jurin at phone: 704/845–1099 or e-mail mjurin@edadata.com.●

Printing Equipment UCC Filings: 2006—2011

A Uniform Commercial Code Form 1 (UCC–1) filing is a financing statement required by law to be filed with the state to show that one party (usually a lender) has a security interest in another party’s (usually a borrower’s) personal property, and most frequently relates to the commercial financing of capital equipment through a lending institution. UCC data is filed everyday throughout the U.S. Each UCC data filing statement has three components: the borrower, the lender, and what the borrower purchased, including make, model and serial number. Once the data is filed, EDA’s more than 50 employees manually review each filing to identify and correctly classify the transactions of printing equipment. What results is a robust database that offers subscribers continually updated information on exactly who is buying or leasing what pieces of equipment.
Every month, NPES reports a data series of the number of leases for new and used equipment to its members. The data offer an important glimpse into the investment patterns of print business executives, and also has a very strong statistical relationship, as would be expected, with U.S. commercial printing shipments.

NPES collects the leasing data through an exclusive contract with Equipment Data Associates (EDA) and publishes the data for its members. Not all printing equipment are leased, however, as many printing organizations either self-finance equipment, or fund their overall capital investment with broader banking relationships. There is enough volume of leases, however, especially among small and mid-size print businesses, that these data can be used to provide a perspective of the industry’s investment condition and patterns.

The data are also the number of leases, and not their dollar value. That is, a tabletop folder counts as one lease just like a six-color press does. No data series is perfect, of course, and this is something that needs to be understood about these data. Since there are hundreds of leases per month, this issue trends to be less problematic over time. Many of these statistical issues are minimized by creating a 12-month moving total, so that the lease data are always on an annual basis. Every time a new month is added, the oldest month is dropped. This smooths the data variations and seems to increase the statistical value of these data.

While there may be a downside to these data being the number of leases, there is a significant upside to that aspect. Dollar denominated data are subject to the distortions caused by inflation, but the number of leases is not. Comparing dollar sales from month to month does not usually pose a problem, but when comparing dollar-based data over a period of years, the effects of inflation creep into the analysis. This means that rises in dollar sales volume might be attributed to stronger sales activity when it is actually inflation causing that upturn. This is why this lease data series is so meaningful.

This means that some care must be taken when comparing these data to other data series. For example, it is interesting to compare leasing trends with printing shipments. Printing industry shipments are in dollars, so those shipments data need to be adjusted for inflation to make that comparison relevant. There are many alternatives for inflation adjustment, but there is no perfect one. Our preference has always been the Consumer Price Index (CPI) as published by the Bureau of Labor Statistics. The creation of a 12-month moving total of the inflation-adjusted printing shipments data is also worthwhile, so we adjust each month’s data for the CPI, and then create our moving totals.

The chart above (Figure 1) shows several data series. The basis of the chart is the year-to-year percentage change of each equipment dips quite severely. Part of that dip is the greater availability of used equipment.

There has always been some speculation about the drivers of

NPES Lease Data Offers Insights into Capital Equipment Investment Patterns

by Dr. Joe Webb, Director, WhatTheyThink Economics & Research Center

Figure 1

This is why this lease data series is so meaningful.
used equipment sales trends. From our analysis, it is usually a function of the availability of such equipment. The relative stability of used equipment leases in the chart compared to the more dramatic shifts of new equipment leases should not be a surprise. Economic downturns cause print businesses to close, and many weak shops default on their leases. This means that the amount of used equipment on the market rises. In good times, printers always check the used equipment markets, often seeking to match models of equipment they already have in their shops. This means that new and used equipment compete with the same dollars at those times, and if the used market is dry, the new equipment gets the preference.

In general, the U.S. market for used equipment is quite different than it was a couple of decades ago. At that time, used equipment would be shipped to developing areas of the world, such as Latin America and Asia. Today, those markets are now known for their strong economic growth and rising incomes, and are buying more new equipment. This, in turn, has ensured that there would be more used equipment stranded in North America than would have been typical many years ago.

Since the general decade-long decline in print volumes, and the commensurate decline in the number of print establish-
ments, remaining printers have realized that looking for used equipment was often worthwhile, and also that the difficult financial circumstances of many printers has caused much of the used equipment to be “younger” and more current than it was historically. In 2008, the percentage of leases that was used hovered around 27%; in 2011, it has been about 35%.

Finally, the chart shows an upturn in the number of leases of printing equipment as printing shipments have stabilized. The year-to-year comparisons are positive. How long this will last remains to be seen, of course, since printing shipments are still being aggressively challenged by digital media.

This leads to another question: can changes in printing shipments be used to forecast these leasing data? In some previous work we experimented with this idea, and even tested the concept of using printing profits to forecast investments. The profits relationship was not statistically strong enough to use, but the sales trends were.

We found the best statistical relationship with a 3-month lead for the 12-month moving totals of inflation-adjusted printing shipments and new, used, and total leases. In this case, having a 3-month lead would mean that knowing March printing shipments data might give you an indication about what June’s lease data would be. The r-squared value, which statisticians use to measure the strength of the statistical relationship of shipments compared to new equipment leases was 98% with a three-month lead, which is superb. Without the lead, that is, comparing March leases with March shipments was about 75%, which is also good, but obviously not as good. The table below (Figure 2) summarizes the values:

What is very obvious from the chart is that using 12-month moving totals to make each month an annualized figure markedly raises the r-squared values. The improvement is particularly noticeable in the data for used equipment.

In summary, the NPEC equipment lease data are a very important data series to monitor the overall health of the capital investment in our industry.

**Figure 2**

<table>
<thead>
<tr>
<th></th>
<th>New</th>
<th>Used</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly data with no lead</td>
<td>75%</td>
<td>57%</td>
<td>79%</td>
</tr>
<tr>
<td>12-month moving total with no lead</td>
<td>95%</td>
<td>94%</td>
<td>98%</td>
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<tr>
<td>Monthly data with 3-month lead</td>
<td>70%</td>
<td>45%</td>
<td>70%</td>
</tr>
<tr>
<td>12-month moving total with 3-month lead</td>
<td>98%</td>
<td>91%</td>
<td>99%</td>
</tr>
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</table>

**PRIMIR Summer Meeting**

A record number of attendees participated in the recent PRIMIR Summer Meeting held August 1-2, 2011, at RR Donnelley headquarters in Chicago. Attendees learned the findings of two soon-to-be-published PRIMIR studies: “Evolution of General Commercial Printing: Implications for the Future” and “Printing Industry Consumables Usage and Trends.” They also heard from RR Donnelley Executive Vice President, Doug Fitzgerald, about “Keeping Print Relevant in a Digital Age” and Wayne Peterson, Principal, Black Canyon Consulting Group, about adding creativity as an element of the business planning process. Attendees also participated in the development of six new PRIMIR studies.

**Figure 2**

Jack Miller, Market-Intell, shared findings from the recently completed PRIMIR study “Evolution of General Commercial Printing: Implications for the Future.”

Doug Fitzgerald, Senior Vice President, RR Donnelley, explains to PRIMIR attendees about “Keeping Print Relevant in a Digital World.”

Wayne Peterson, principal, Black Canyon Consulting Group, advises PRIMIR audience to incorporate and utilize creativity as a business discipline to create new value in their organizations.
NPES CALENDAR

**September 2011**
- EXECUTIVE OUTLOOK Conference
  - September 10 • Chicago, Illinois
- GRAPH EXPO
  - September 11-14 • Chicago, Illinois
- TC130 Working Groups and Plenary
  - September 16-22 • Berlin, Germany
- International Graphic Arts Show
  - NPES Member Booth and Trade Mission
    - September 16-21 • Tokyo, Japan

**November 2011**
- November 10-12 • Indian Wells, California
- November 14-17 • Shanghai, China
- November 17-18 • Long Beach, California
- November 13-15 • San Jose, California
- October 17-19 • Palm Beach, Florida
- September 16-22 • Berlin, Germany
- International Graphic Arts Show
  - NPES Member Booth and Trade Mission
  - September 16-21 • Tokyo, Japan

**October 2011**
- October 17-19 • Palm Beach, Florida
- October 19-22 • Marco Island, Florida
- October 7-10 • Chicago, Illinois
- October 14-17 • Shanghai, China
- October 20-21 • Tokyo, Japan

**November 2011**
- November 14-17 • Shanghai, China
- November 17-18 • Long Beach, California
- November 6-11 • Chicago, Illinois
- November 16-21 • Tokyo, Japan

**February 2012**
- Vision 3 Summit
  - February 19-22 • Marco Island, Florida
- ICC Meeting
  - February 13-15 • San Jose, California
- All in Print China
  - November 14-17 • Shanghai, China
- CGATS/US TAG
  - November 17-18 • Long Beach, California

**December 2011**
- PRIMIR Winter Meeting
  - December 5-7 • Charleston, SC
- PRIMIR Winter Meeting
  - December 5-7 • Charleston, SC
- PRIMIR Winter Meeting
  - December 5-7 • Charleston, SC

**January 2012**
- ICC Meeting
  - January 30-February 1 • Munich, Germany
- ICC Meeting
  - January 30-February 1 • Munich, Germany
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  - January 30-February 1 • Munich, Germany
- ICC Meeting
  - January 30-February 1 • Munich, Germany
- ICC Meeting
  - January 30-February 1 • Munich, Germany

**February 2012**
- Vision 3 Summit
  - February 19-22 • Marco Island, Florida
- ICC Meeting
  - February 13-15 • San Jose, California
- ICC Symposium
  - June 15 • Shanghai, China
- ICC Meeting
  - June 11-13 • Tokyo, Japan
- ICC Symposium
  - June 15 • Shanghai, China

**March 2013**
- PRINT
  - September 6-11 • Chicago, Illinois

**Direct Mail and the Gorilla in the Room**

**WHAT MARKETERS CAN LEARN FROM TWO BASKETBALL TEAMS AND A WOMAN IN AN APE SUIT**

Imagine watching a half-minute video in which two teams pass a basketball. One team wears black shirts, the other wears white. Your task is to count how many times the team members in white complete a pass. If you are like most people, chances are you will report the correct number of passes. But there is about an even chance that you will completely miss the woman in the gorilla suit... even though she walks through the game in plain sight, including pausing to face the camera for a bit of chest beating before striding off.

By means of the gorilla challenge and other ingenious tests, a pair of cognitive psychologists demonstrated years ago that, try as they may, people simply cannot focus on more than one thing at a time. And though the psychologists never marched a gorilla past a mailbox—at least, as far as we know—we cannot help but see a possible connection between their research and this tidbit from a recent survey: about 79 percent of households read or at least skim their advertising mail, whereas only about 19 percent of commercial e-mails are even opened.

The same survey reports that it is e-mail from unknowns, or with too-long or irrelevant subject lines, that tends not to win attention. Seen in light of the gorilla test, this is hardly surprising. When people check their e-mail, they rivet their attention on the “From” field for names they know, and on the “Subject” field for short, relevant items. When minds are engaged in that manner, e-mails from strangers, or with irrelevant or too-long subject lines, may as well be invisible gorillas, chest-beating and all. Assuming, that is, that they evade spam filters in the first place.

By contrast, as people retrieve and sort through their mail, they must focus on each piece, one at a time, in order to settle on which ones they will explore further. In its moment, each piece—including advertising mail—commands full attention. And not just so people can avoid inadvertently discarding letters, bank statements or bills, either. Three out of four Americans say they like, trust and read advertising mail. In fact, for new product announcements, the open rate for direct mail is about 1.7 times that of commercial e-mail. That includes Generations X and Y, even though the psy-