STATE OF THE MIDDLE EAST PRINT INDUSTRY STUDY: REPORT

Canon

COVID-19'S IMPACT ON PRINT IN THE REGION

THE REGION'S FIRST-OF-ITS-KIND MARKET RESEARCH STUDY

Canon Middle East (CME) and print industry news leader ME Printer joined forces in the summer of 2020 to conduct the region's first-of-its-kind 'State of the Printing Industry' research study. The findings of the study were published in an August 2020 report to provide fresh news and perspectives to Print service providers and Corporates. It also highlights the shift towards digitisation, a move accelerated by the current situation and gives an in-depth look into the opportunities, challenges and the latest market trends in the region during COVID-19, more specifically within the Gulf Cooperation Council (GCC) countries.
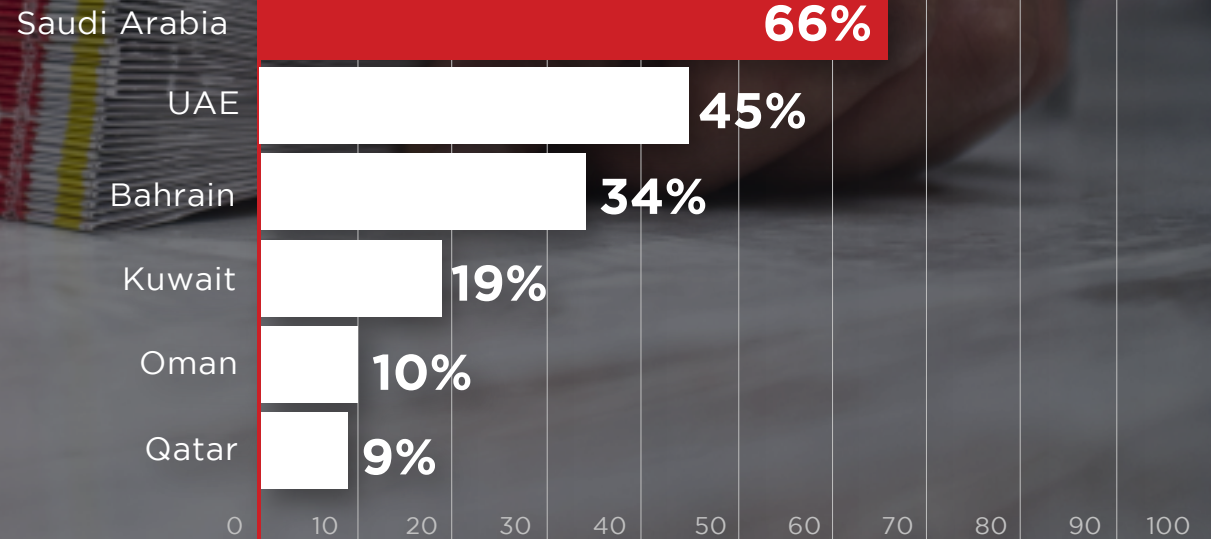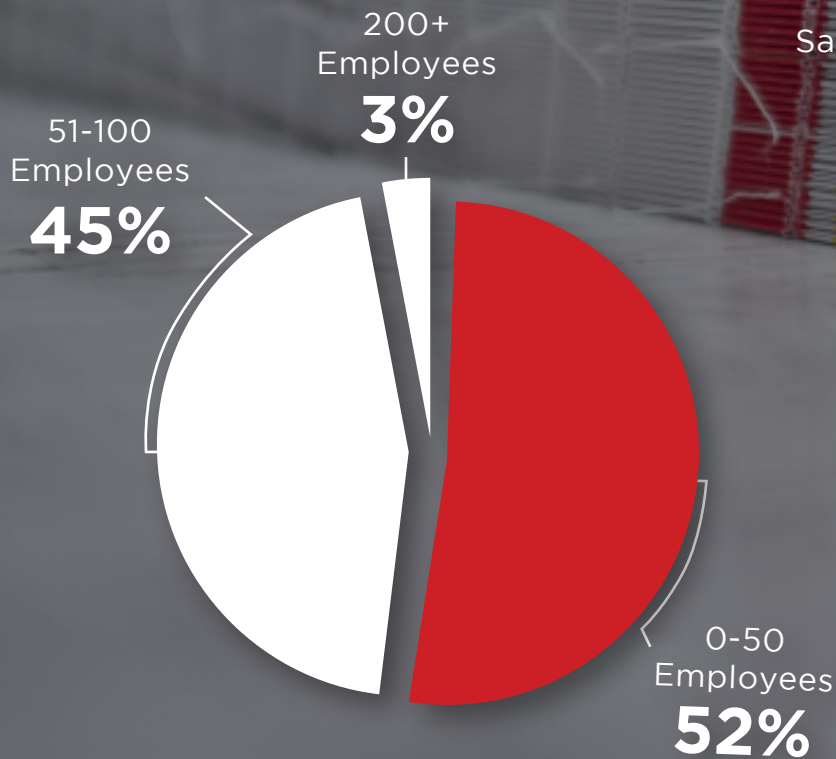
The study recognises the varied opinions between corporates and print service providers on the evolution of the industry, especially with regards to sustainable printing solutions, and aims to establish closer dialogue on the issue between both groups. The industry-first study supports print service providers looking to implement an informed and sustainable business strategy based on their customers' requirements in a post-COVID world.

METHODOLOGY OF THE MARKET RESEARCH

This survey was conducted throughout the Middle East region directly by ME Printer from June to July 2020. Outreach requesting participation from PSP executives and Corporates was executed through varied channels including email, phone, newsletters, social media, and ME Printer magazine's print and online versions. Separate surveys were sent to the PSPs and Corporates. Participation was significantly higher from Gulf Countries (94%), with UAE and KSA offering the most responses.

Responses came from printing companies of all sizes, 97% of which represented companies of fewer than 200 employees.

200+ Employees
3%

51-100 Employees
45%

0-50 Employees
52%

Saudi Arabia **66%**

UAE **45%**

Bahrain **34%**

Kuwait **19%**

Oman **10%**

Qatar **9%**

0 10 20 30 40 50 60 70 80 90 100

Printers were asked which countries in the region would be the top prospects for print growth. Sixty-six percent noted the Kingdom of Saudi Arabia (KSA), while 45% noted United Arab Emirates (UAE). Bahrain also came in strong in the third position..

INSIGHTS AND KEY LEARNINGS EXTRACTED FROM THE REPORT

INSIGHT 1:
## THE VIRUS HAS A SIGNIFICANT IMPACT ON THE ECONOMY AND THE PROSPECTS FOR PRINT'S POST-COVID-19 FUTURE.

KEY LEARNING:
More than **7 out of 10** printers said COVID-19 has had either a significant or severe impact to their business. **Twenty eight percent** called the impact severe and **43%** called it significant.

Impact	Percentage
Moderate Impact	6%
Severe Impact	28%
Significant Impact	43%
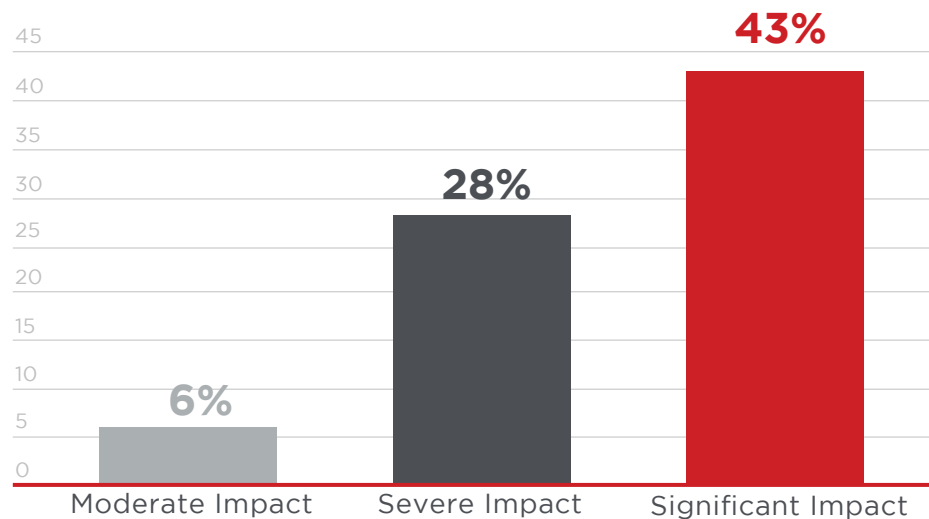
Due to the shutdown of many businesses in the region and the new dynamic of working from home, it is no surprise that overall demand for print has declined since the pandemic started. Without question, the current economic pressure is the biggest negative factor on the print market.
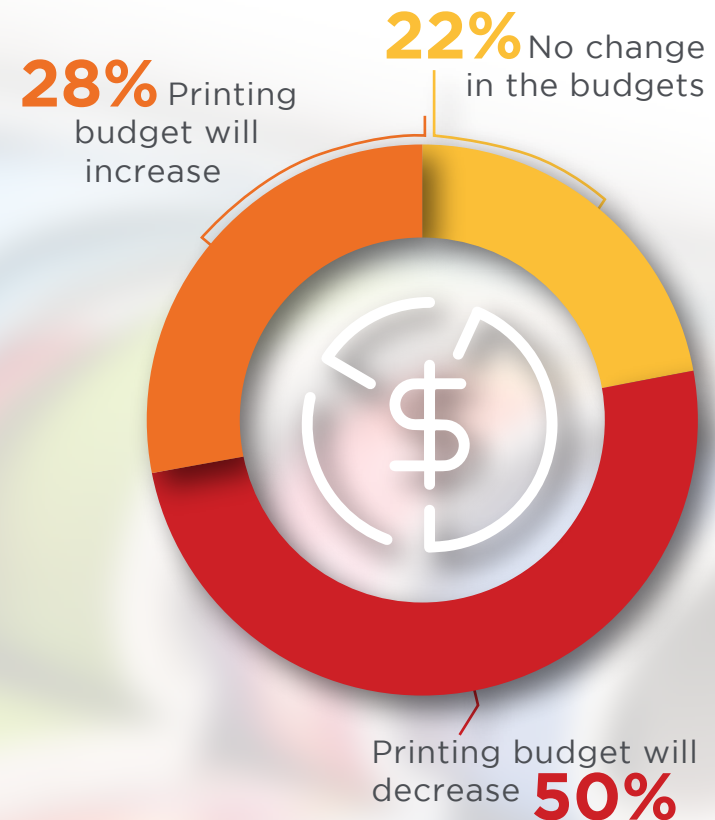
Customer foot traffic to printers' facilities has been impacted by the pandemic, with 26% of respondents seeing very less foot traffic, 40% seeing only moderate foot traffic, and 28% seeing the same foot traffic.
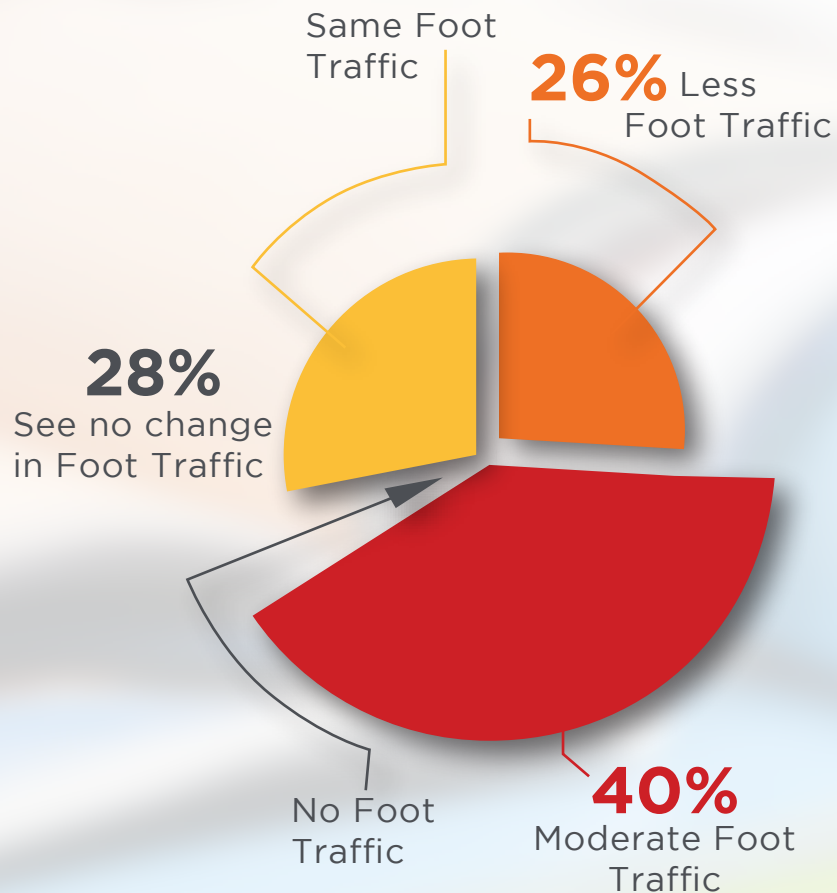
KEY LEARNING:

50% of Corporates still believe there will be increase or no change to their print budgets next year.

While **50%** of brands say that printing budgets will decrease after the pandemic ends, this does not necessarily mean that overall print revenue will decline by **50%**. Plus, because some brands (**28%**) will actually increase their printing budget, it is unknown how much they will increase. Could it be more than 28%? It is simply too soon and there is not enough data to determine how much of the decreasing spend will be offset by the increasing spend.
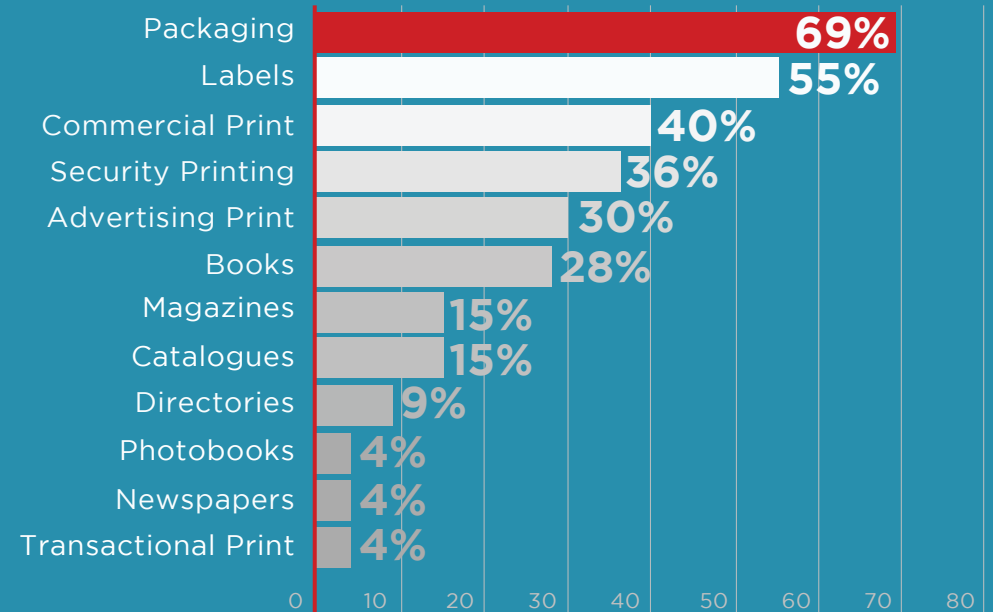
Same Foot Traffic

26% Less Foot Traffic

28% See no change in Foot Traffic

No Foot Traffic

40% Moderate Foot Traffic

28% Printing budget will increase

22% No change in the budgets

Printing budget will decrease **50%**

INSIGHT 2:
PRINTERS PLAN TO INVEST IN NEW PRINT APPLICATIONS.

Yet these plans have not yet converted into action. Many are waiting until the future is clearer. Growth opportunities under consideration are security printing and commercial printing.

KEY LEARNING: Aside from packaging and labels, printers are seeing growth opportunities for security printing (36% say so) and commercial printing (40% say so). Commercial printing demand in the Middle East region compares favorably to other developed western countries.

Which of these job segments are seeing growth?

Segment	Percentage
Packaging	69%
Labels	55%
Commercial Print	40%
Security Printing	36%
Advertising Print	30%
Books	28%
Magazines	15%
Catalogues	15%
Directories	9%
Photobooks	4%
Newspapers	4%
Transactional Print	4%

0 10 20 30 40 50 60 70 80

KEY LEARNING:

Wide format printing and book printing are promising growth applications. 75% of printers see growth in wide format graphics, 66% see opportunity in book printing, and 40% see it in commercial printing.

Where do you see print industry opportunities in the region?
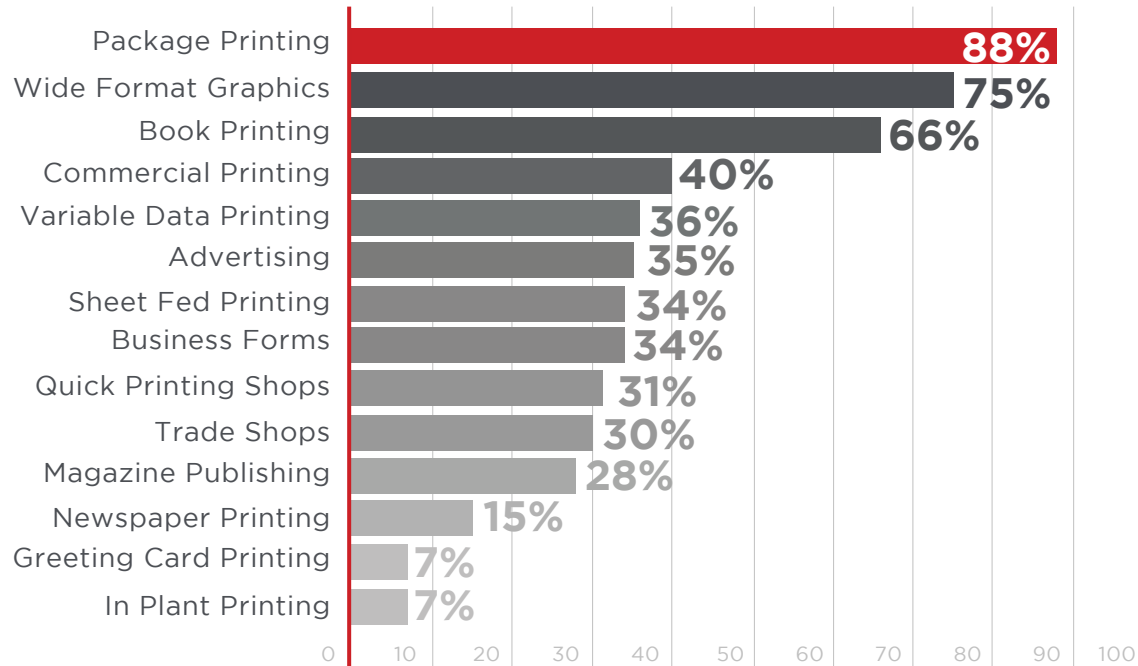
Application	Percentage
Package Printing	88%
Wide Format Graphics	75%
Book Printing	66%
Commercial Printing	40%
Variable Data Printing	36%
Advertising	35%
Sheet Fed Printing	34%
Business Forms	34%
Quick Printing Shops	31%
Trade Shops	30%
Magazine Publishing	28%
Newspaper Printing	15%
Greeting Card Printing	7%
In Plant Printing	7%

KEY LEARNING:

Printers plan to diversify into new applications and make relevant investments for the future, but haven't yet started to buy. Sixty-four percent (64%) of PSPs say they want to diversify into new areas of printing. With this strategy, they are planning for new machinery and facilities acquisition. Forty percent (40%) of printers want to explore new print applications to cover the reduction in demand caused by the pandemic. Investment in machinery is planned for the near future according to 30% of the respondents.

Future expansion plans in terms of machinery and facilities

Category	Percentage
Diversification into new areas of printing and packaging business	64%
Exploring new markets	40%
Investment in new machinery	31%
Expansion of facilities	19%

(Axis: 0 10 20 30 40 50 60 70 80)
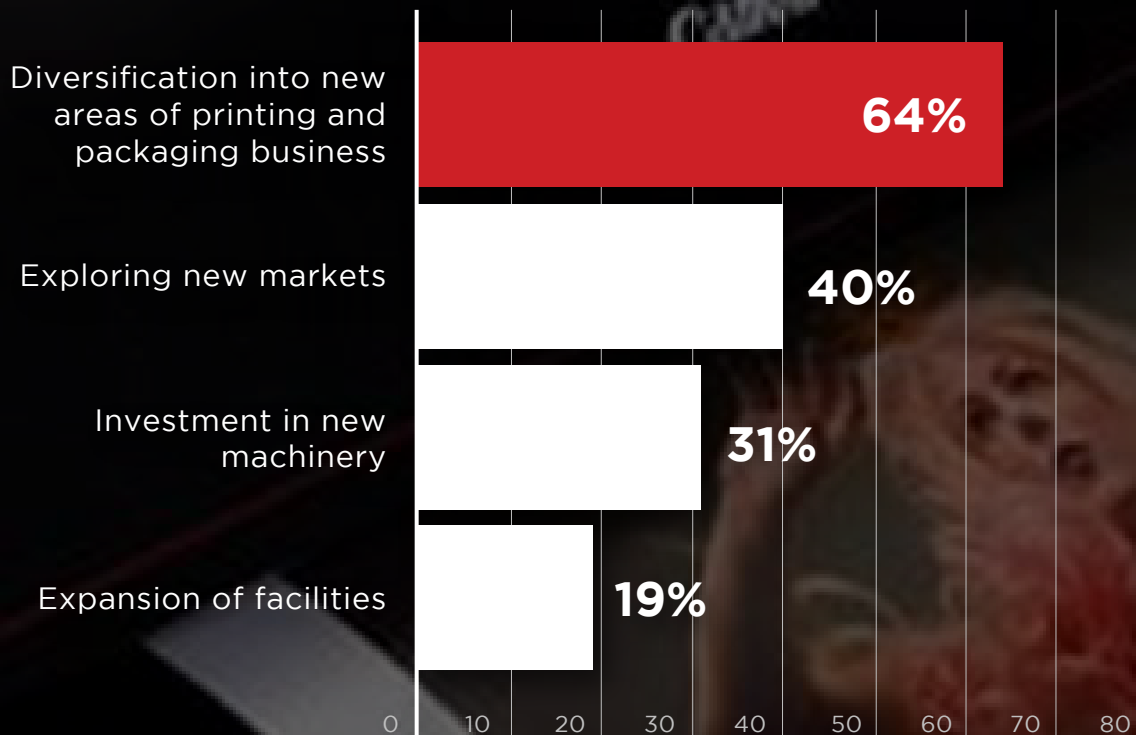
New applications are largely enabled by advances in digital printing, particularly in inkjet technologies. Smithers Pira estimates the global inkjet printing market value at **$80.4 billion in 2020**, which is equivalent to 932 billion A4 prints. Inkjet adoption is forecast to continue its growth path when the pandemic ends. Printers and converters will spend $3.9 billion on new inkjet equipment, up from **$2.9 billion in 2015**.

Many commercial printers now offer a wide range of products and added-value services, including graphic design, web-to-print and fulfillment, and database management. Many offset printers also use digital equipment for short-run printing and other services. For commercial printers, diversification has meant adding services and products that complement their core offering. The pandemic strengthened this strategy and it seems these printers prefer not to leave their comfort zones until the market stabilizes. Other printers feel they have to shift to more profitable printing activities, including packaging and label printing.

Book printing continues to grow despite digitisation trends. Digital book printing in particular is an attractive application for many printers as run lengths decline and print-on-demand book production increases. The size of the global book printing market is expected to increase by 1% CAGR to **$49 billion USD by 2024**. A decade ago, the popular rise of e-readers and e-books caused many people to believe that book printing would soon die. It has not and likely will not. Instead the shift has occurred from analogue to digital print. Education book publishers have shifted their supply chain from a print-to-inventory model to a print-to-order model.

Another printing application that is growing even faster is wide format graphics. This market is currently growing globally at 3.8% CAGR and is expected to be valued at **$11.2 billion USD by 2025**. The advancing technology used for wide format graphics is enabling a range of high-value applications, from photo to POS signage and from vehicle wraps to interior decor.

KEY LEARNING:

While many printers plan to invest in diversification, most have not yet done so during the pandemic. Seventy one percent (71%) of respondents are still focused on their core offering and want to consolidate their position, while 29% feel diversification is the only way to stay afloat in this pandemic hit market. The coming months will determine whether those plans for diversification will convert into action.
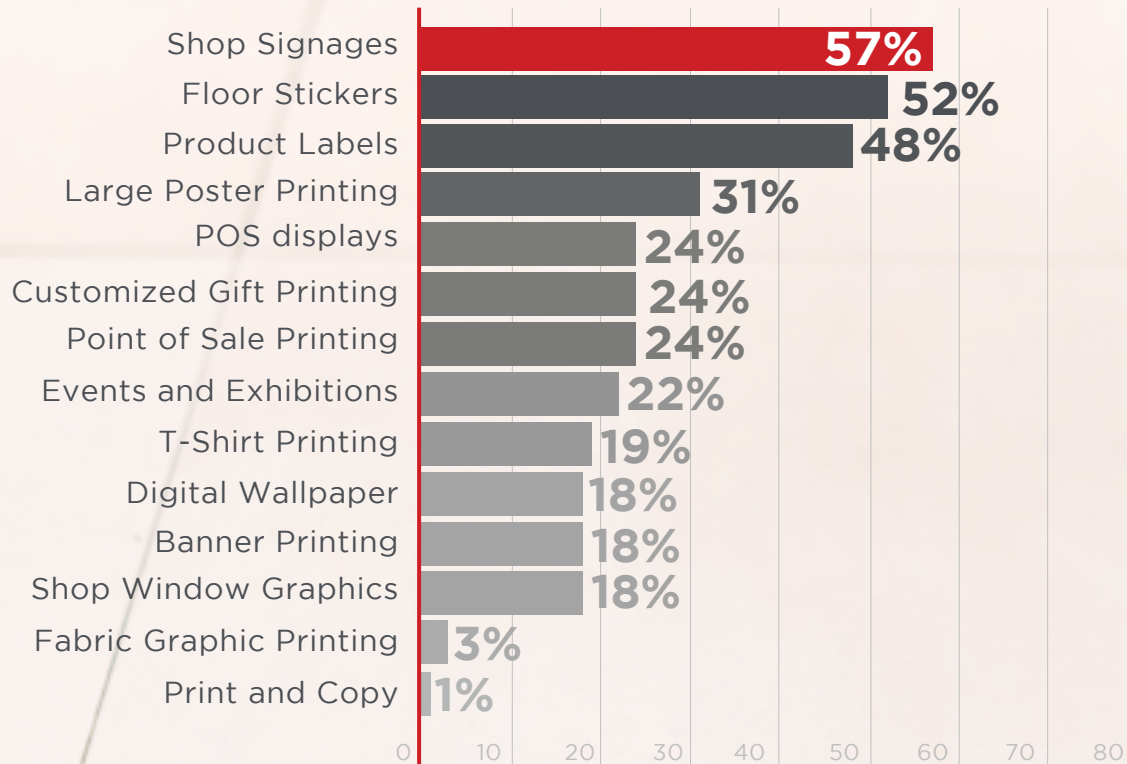
In the pandemic, have you diversified into other print related services beyond your core offerings?

22.77%
Yes

71.29%
No

KEY LEARNING:

The retail printing space has seen increased demand in floor stickers, signage, and product labels. Largely, this growth may be attributed to the demand for safety graphics, social distancing reminders, and other consumer educational communications. Governments and health authorities are using printed graphics to promote social distancing and educational materials for proper hygiene. These applications should continue to evolve to broader messaging even after the pandemic ends.

Additional retail applications are in demand barricades, POP signage, window and surface graphics, wallpaper, and wall murals. Additional target environments and segments for such digital-friendly print jobs include building lobbies, banks, and take-away restaurants, as well as office kitchens, restrooms, and other commercial office common areas.

Opportunities present in the retail print market

Category	Percentage
Shop Signages	57%
Floor Stickers	52%
Product Labels	48%
Large Poster Printing	31%
POS displays	24%
Customized Gift Printing	24%
Point of Sale Printing	24%
Events and Exhibitions	22%
T-Shirt Printing	19%
Digital Wallpaper	18%
Banner Printing	18%
Shop Window Graphics	18%
Fabric Graphic Printing	3%
Print and Copy	1%

NEW PRODUCT

SOCIAL DISTANCE MAINTAIN 6 FT

PLEASE ORDER HERE

More than half of Corporates will shift to more sustainable printing solutions.

INSIGHT 3:
THE DRIVE FOR SUSTAINABILITY IS CONFLICTED.

While **53%** of corporates are transitioning to sustainable printing solutions in the coming months,
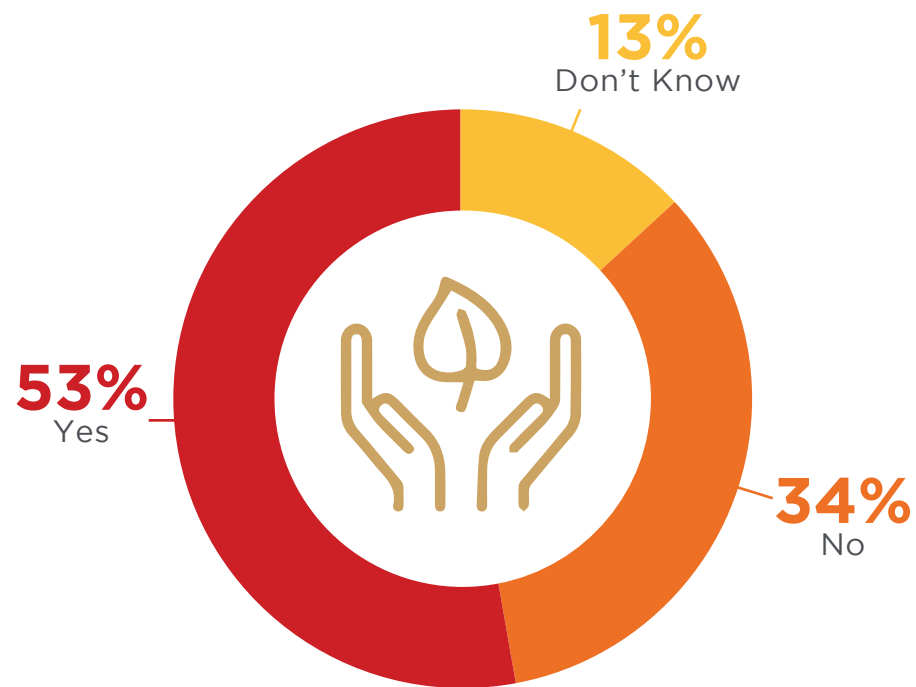
40% of print Service providers believe pricing is a major concern and have not yet invested in sustainable products to answer the rising demand.
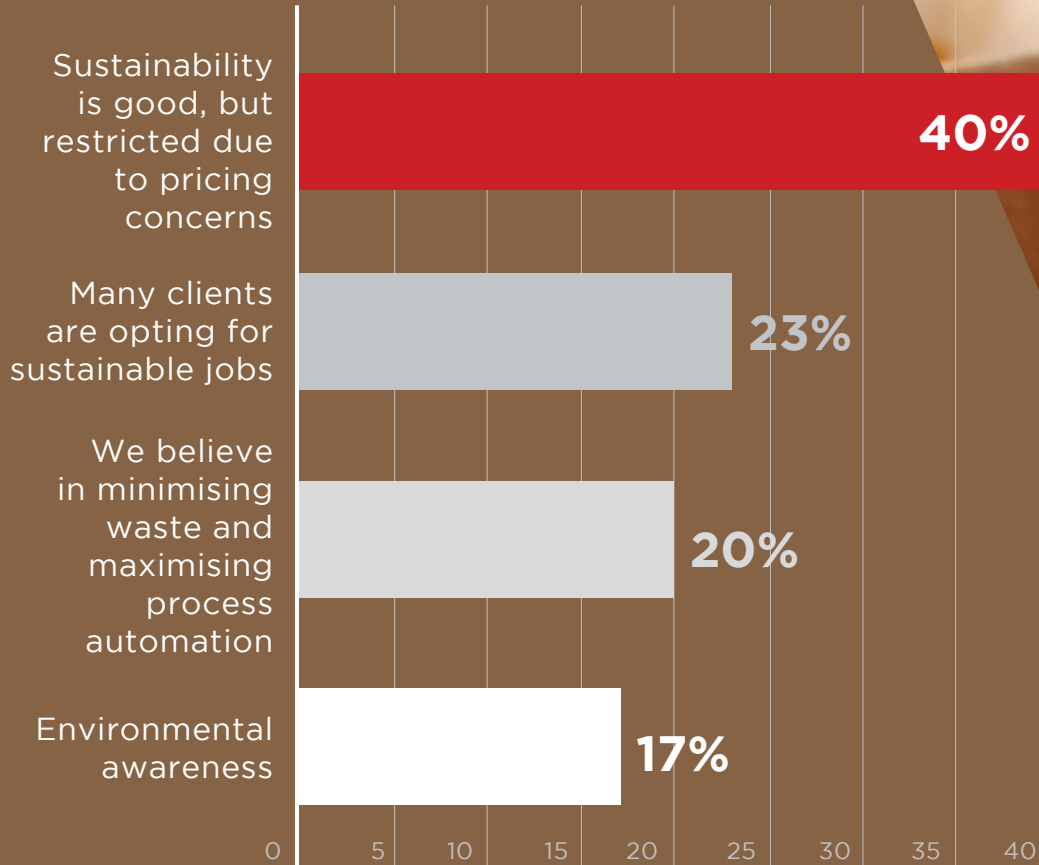

Do you plan to shift to more sustainable printing solutions in the coming months?

**13%** Don't Know

53% Yes

34% No

KEY LEARNING:

Print Service providers see Sustainability is important, but its adoption is restricted by its perceived or actual higher cost for certain applications.

Category	Percentage
Sustainability is good, but restricted due to pricing concerns	40%
Many clients are opting for sustainable jobs	23%
We believe in minimising waste and maximising process automation	20%
Environmental awareness	17%

Chart axis: 0, 5, 10, 15, 20, 25, 30, 35, 40

With environmental regulations being adopted globally, and the pandemic increasing the pressure on governments and businesses to follow sustainable business practices, print service providers will eventually have to invest in sustainable technology if they are to remain competitive in the market. This insight presents an opportunity to narrow the gap between print businesses and their customers in the immediate future.
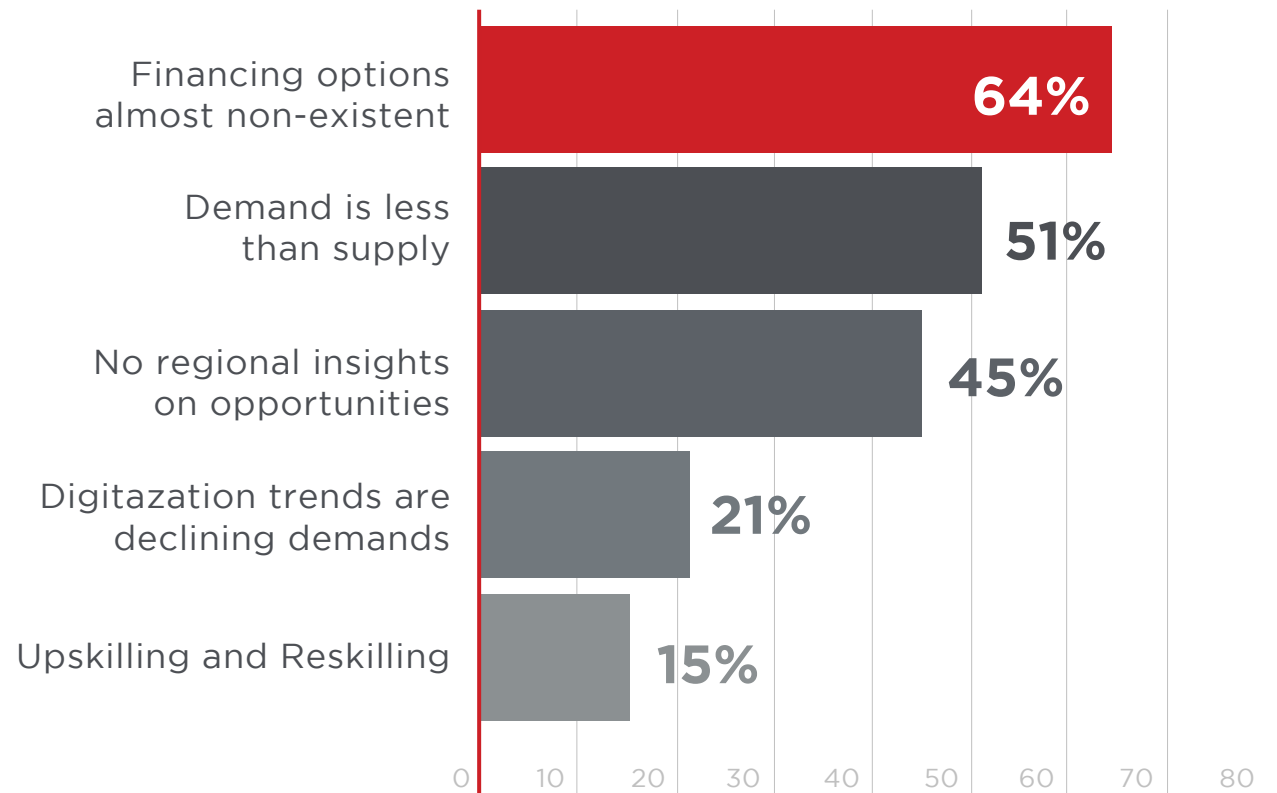
FSC
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MIX
Packaging from responsible sources
FSC® C119812
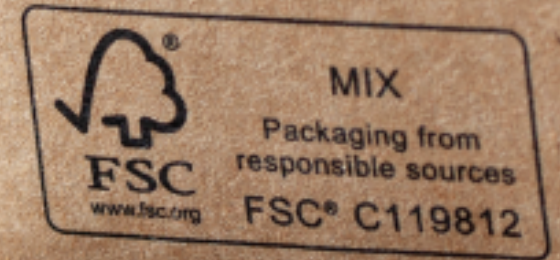
INSIGHT 4:
THE PRINT MARKET NEEDS EQUIPMENT FINANCING.

KEY LEARNING:
Less than half of printers say OEMs provide funding access for new machinery and solutions. This may not be sufficient as printers say their top concern is a lack of financing availability.
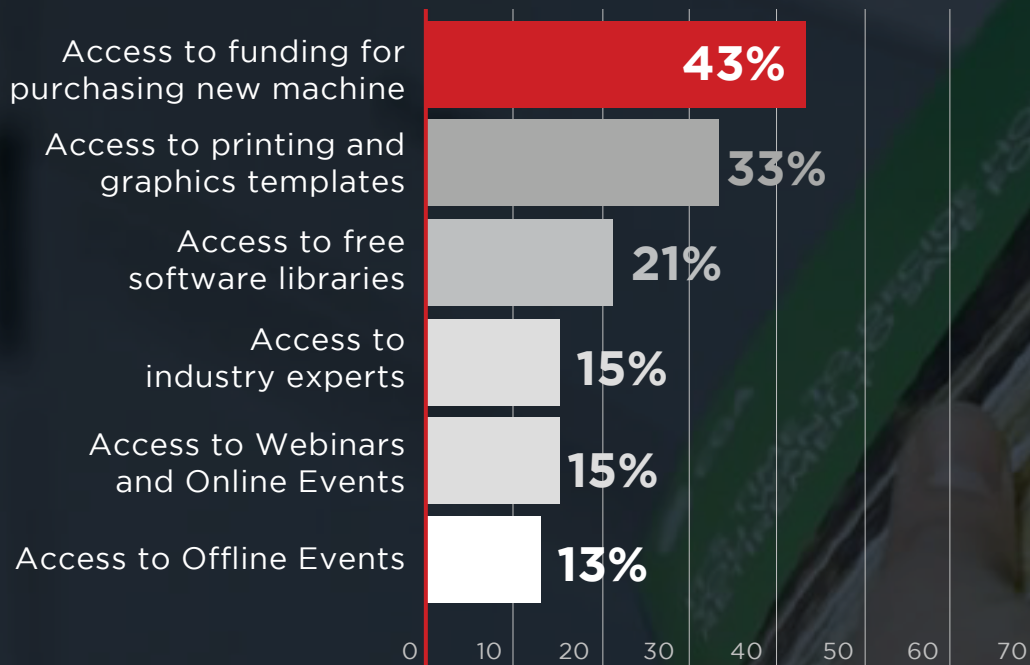
Challenges in the print industry

Challenge	Percentage
Financing options almost non-existent	64%
Demand is less than supply	51%
No regional insights on opportunities	45%
Digitazation trends are declining demands	21%
Upskilling and Reskilling	15%

0   10   20   30   40   50   60   70   80

KEY LEARNING:
Print OEMs (original equipment manufacturers) are providing small printers with support to invest in digital print technology.

Are print vendors helping small local PSPs and related businesses go digital?

Category	Percentage
Access to funding for purchasing new machine	43%
Access to printing and graphics templates	33%
Access to free software libraries	21%
Access to industry experts	15%
Access to Webinars and Online Events	15%
Access to Offline Events	13%

Forty three percent (**43%**) of printers say OEMs are providing access to funding for purchasing new machinery and solutions. While this key learning may seem to contradict the previous one (Key Learning #1), it indicates that OEMs recognize the importance and the need for funding and are making strides toward addressing customers' calls for help.
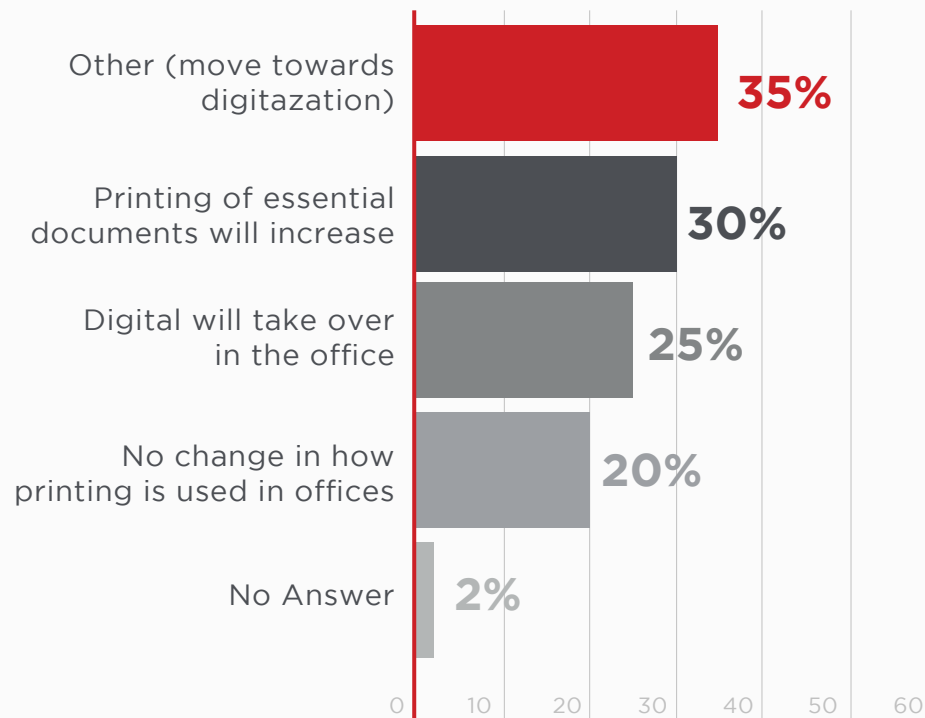
In addition to funding enablement, the responses to this question show additional areas of OEM support, particularly in providing access to graphics templates and software libraries.

CORPORATES FAVOR PRINT'S VALUE DESPITE TRENDS TOWARD DIGITISATION.

KEY LEARNING:

Corporates see an increase in digitisation but believe that printing of essential documents will actually increase.

What role will printing play in the post COVID-19 workplace?

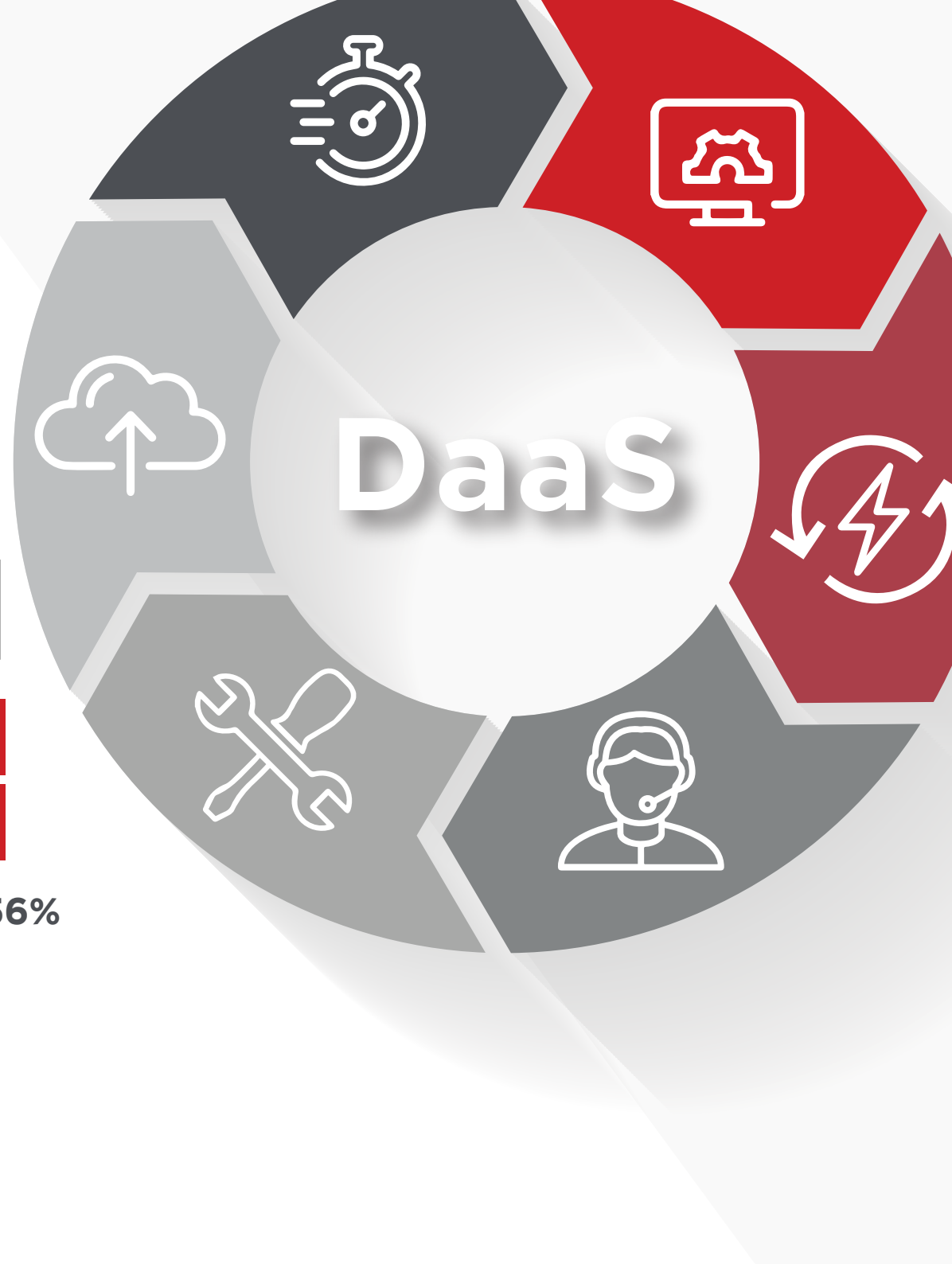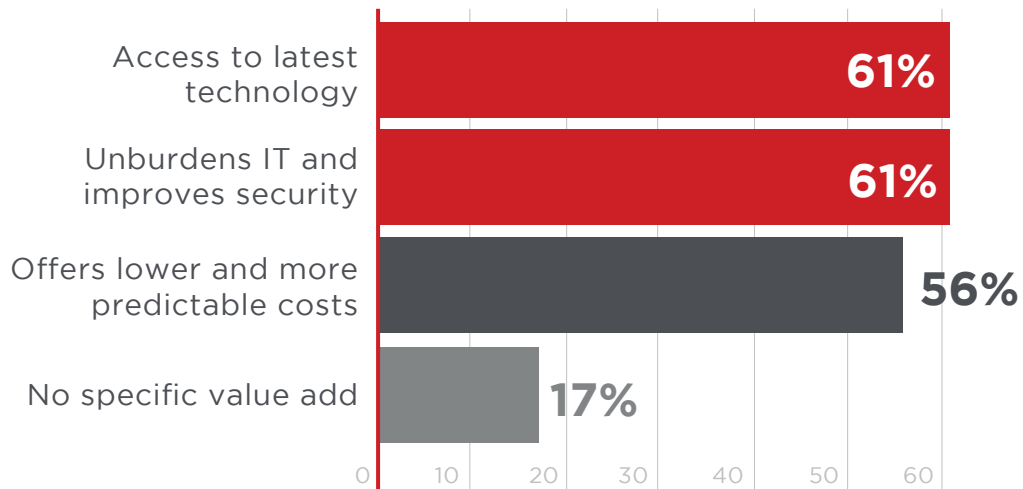| Category	Percentage
Other (move towards digitazation)	35%
Printing of essential documents will increase	30%
Digital will take over in the office	25%
No change in how printing is used in offices	20%
No Answer	2%

KEY LEARNING:

Corporates are positive about device-as-a-service (DaaS) offerings.

With cost-cutting pressures in the marketplace, the value of 'device-as-a-service' offerings is clear to Corporates. Sixty one percent (**61%**) of Corporates say these offerings unburden IT and improves security, while **56%** say that managing costs is easy with DaaS as it can be predicted.

Corporates: What value do Device-As-A-Service offerings bring?

Category	Value
Access to latest technology	61%
Unburdens IT and improves security	61%
Offers lower and more predictable costs	56%
No specific value add	17%

DaaS

KEY LEARNING:
Most Corporates have not yet evaluated MPS (managed print services)

Have you evaluated MPS during COVID-19?

Yes **25%**

15% Don't Know

60% No

KEY LEARNING:
Corporates investing in online marketing, but are still confident in print.

Corporates: For your future marketing plans, do you plan to spend more on online marketing than offline?
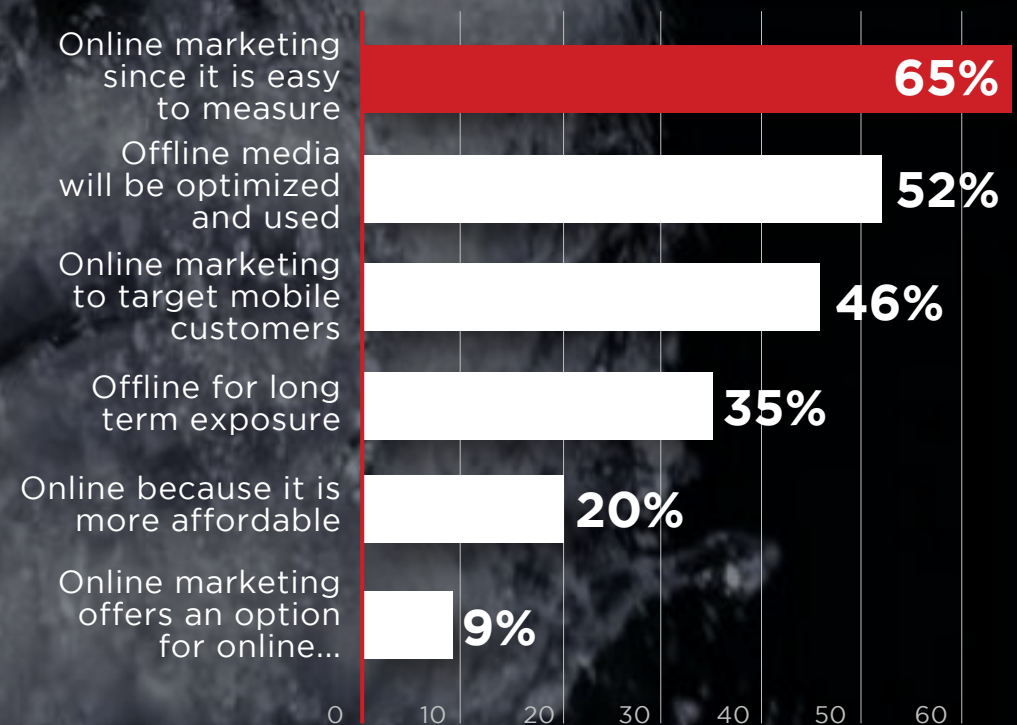
| Category	Percentage
Online marketing since it is easy to measure	65%
Offline media will be optimized and used	52%
Online marketing to target mobile customers	46%
Offline for long term exposure	35%
Online because it is more affordable	20%
Online marketing offers an option for online...	9%

0 10 20 30 40 50 60

KEY LEARNING:

82% of Corporates say print is important or very important. Only **2%** of Corporates say print is not very important.

While online media migration cannot be prevented, it is encouraging that a third of Corporates will increase their focus on printed/offline content. While more than half (**52%**) say they will optimize print spend, this indicates a strong drive for short-run on-demand printing and the continued decline of high-volume offset printing.

Printed marketing communication is still relevant. Sixty nine percent (**69%**) of brand respondents believe print to be still used for major company or product announcements. Just **19%** of Corporates feel that print as a marketing communication channel will reduce. This is a meaningful key learning, which dispels a popular belief that print is less relevant in the midst of Internet-based communication. It reinforces the benefits of print as a medium: That print is tactile, it elicits a positive emotional response, and it physically reinforces the importance and impact of the message itself.

Corporates: How do you see printed marketing communication compared to other channels?
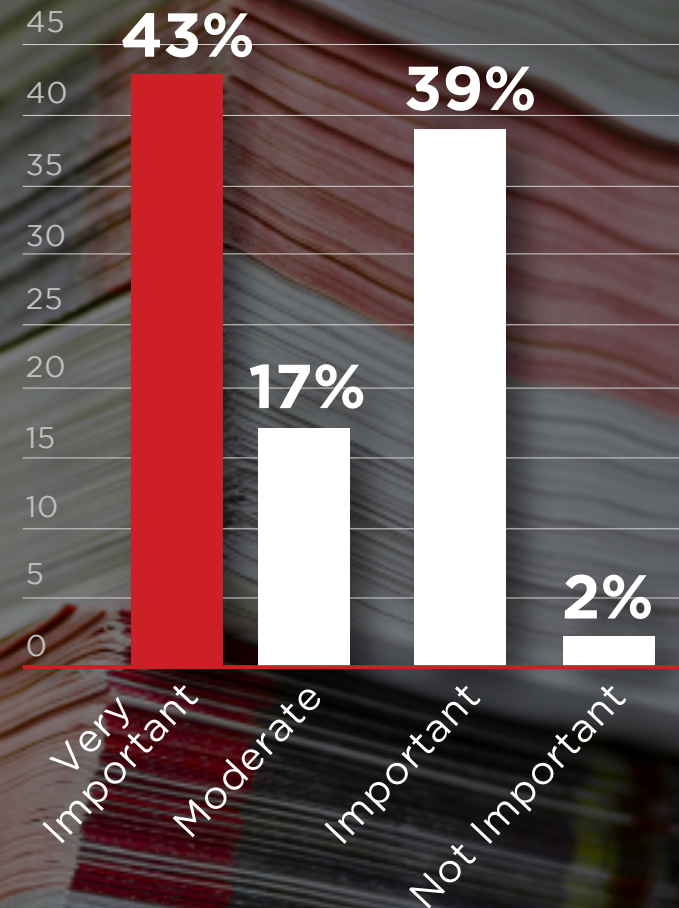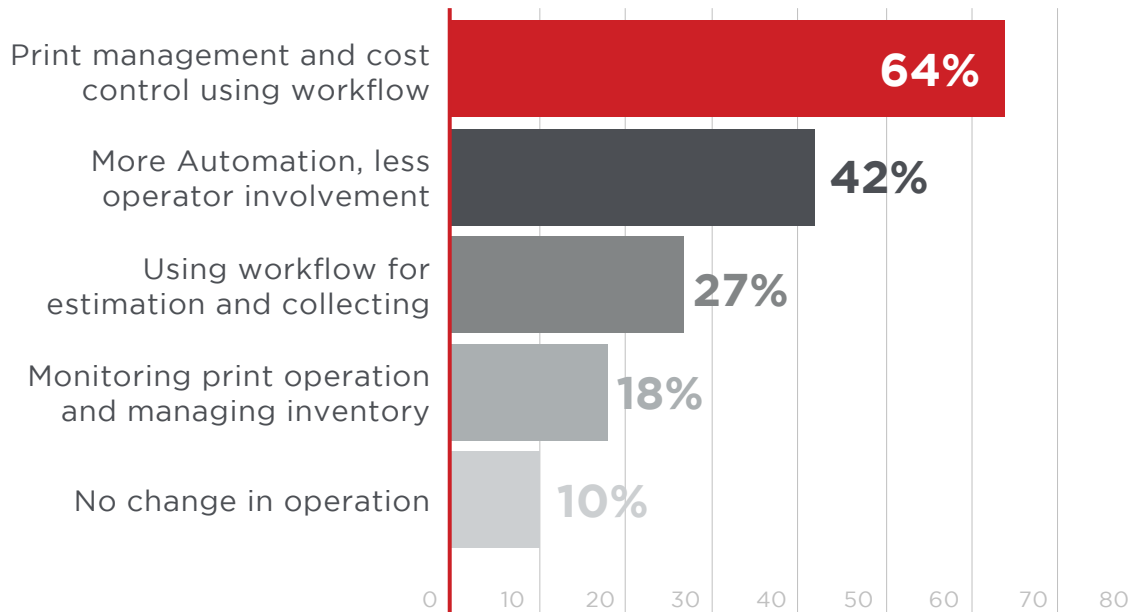
Category	Percentage
Very Important	43%
Moderate	17%
Important	39%
Not Important	2%

PRINT'S VALUE-ADD SOLUTIONS ARE ENABLING THE ANALOG-TO-DIGITAL PRINT TRANSFORMATION.

Cloud-enabled digital services are improving workflow and automation is reducing labor cost.

KEY LEARNING:

Most printers say cloud-enabled digital workflow services like web to print, ...— Cost Control are adding value to the overall workflow as is more automation for less operator involvement.

How are cloud-enabled digital workflow services adding value?

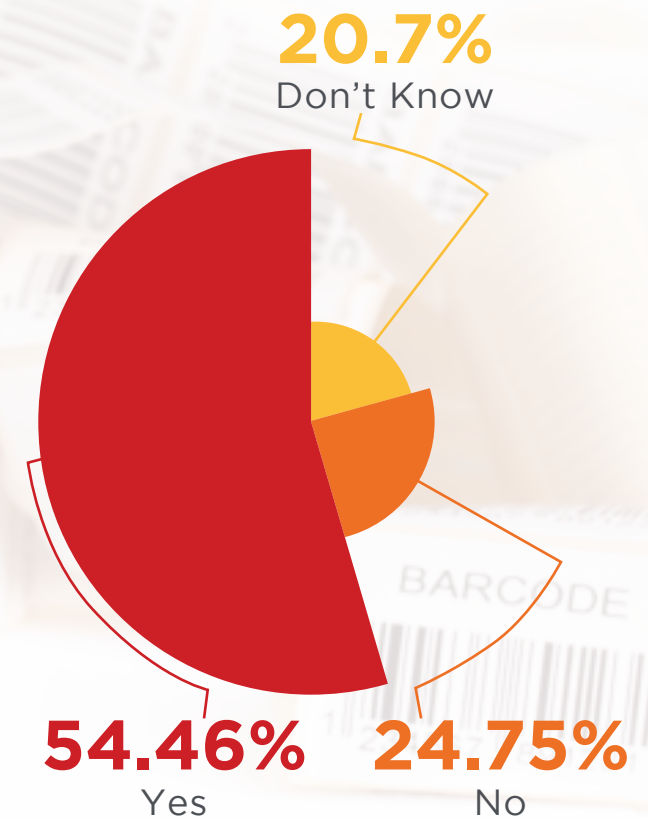| Category	Value
Print management and cost control using workflow	64%
More Automation, less operator involvement	42%
Using workflow for estimation and collecting	27%
Monitoring print operation and managing inventory	18%
No change in operation	10%

0 10 20 30 40 50 60 70 80

KEY LEARNING:

55% of Corporates want to integrate print with augmented reality, QR codes and NFC tags. QR codes have been commonly used in print since they were introduced in the Japan market two decades ago, yet their use has grown even more in the last three years since smartphone OEMs like Apple and Google have integrated QR readers into their native camera software. Further connecting the digital/physical gap is the use of other technologies, including augmented reality and near-field communications.

Increased print productivity and efficiency, made possible by such integrated technology solutions, continue in both the office and production graphics environments. Today, mobile phones account for more than half of all internet usage. According to the latest research from Hootsuite, **70%** of internet users say they are spending more time on their mobile devices than before the pandemic. Further compounding the need for integrated mobile and print technology is the fact that more people are adopting different communication behaviors as part of "the new normal" in working from home (WFH). People want to consume and share information wherever they are and this experience is often improved by reading an A3 color print rather than trying to view the message on a small phone screen.

All these factors are contributing to this majority opinion that print and digital must be integrated wherever possible.

Do you integrate print with digital marketing strategies (AR, QR, NFC, social media, mobile)?

20.7%
Don't Know

54.46%
Yes

24.75%
No

INSIGHT 7:
THERE IS CONTINUED GROWTH IN DIGITALLY-PRINTED PACKAGING.

Ecommerce and the home delivery sector are experiencing tremendous growth as remote work continues as the new norm.

KEY LEARNING:

Printers see the greatest market opportunity in package printing. Secondarily, wide format graphics and book printing hold firm as applications for continued profitable growth. The least opportunity perceived is in newspaper and greeting card printing applications.

Where do you see print industry opportunities in the region?

Category	Value
Package Printing	88%
Wide Format Graphics	75%
Book Printing	66%
Commercial Printing	40%
Variable Data Printing	36%
Advertising	35%
Sheet Fed Printing	34%
Business Forms	34%
Quick Printing Shops	31%
Trade Shops	30%
Magazine Publishing	28%
Newspaper Printing	15%
Greeting Card Printing	7%
In Plant Printing	7%

The total digital package and label printing market is forecast to grow 13.9 percent annually through 2024. Advanced digital print technology enables supply chain and marketing benefits that will continue to drive market demand for digital. Digitally printed packaging is widely used in personal care, cosmetics, food & beverage, and consumer goods categories due to ordering/inventory efficiency and the ability to attract retail consumers at point-of-sale (POS).
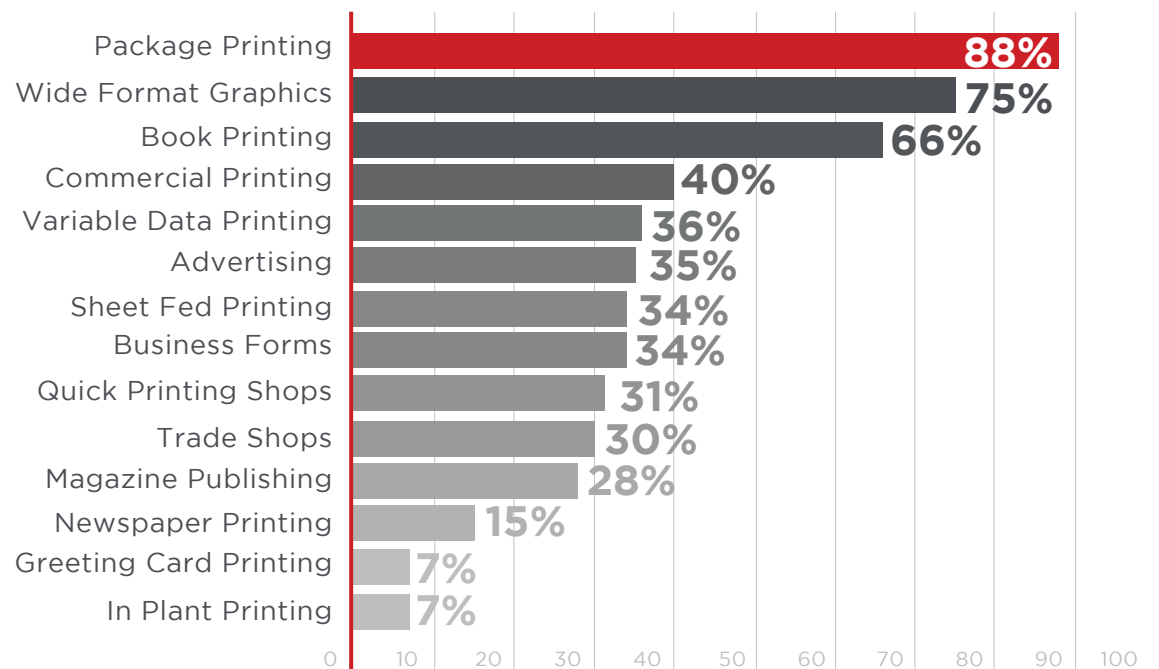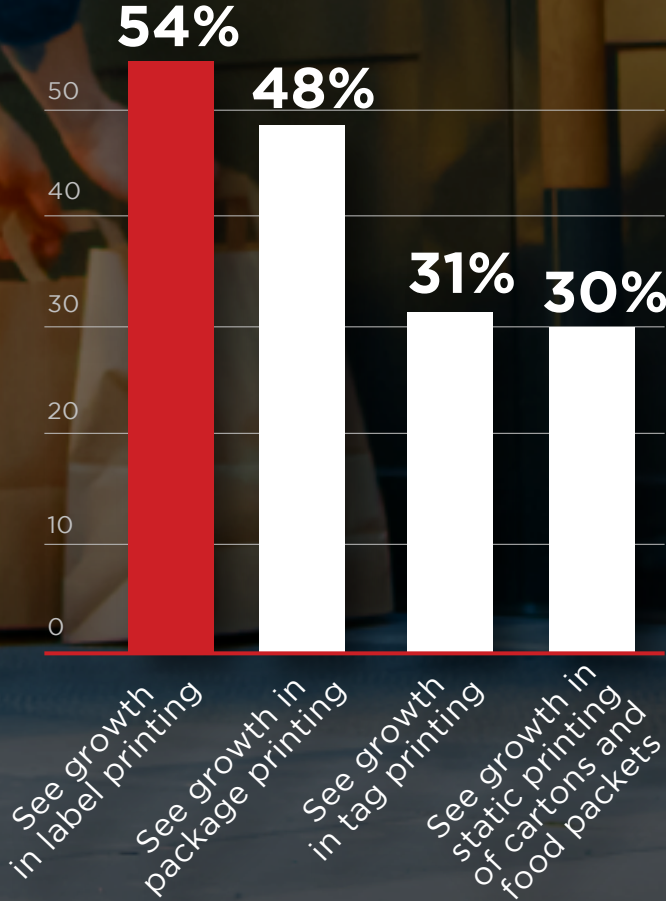
KEY LEARNING:

Ecommerce and the home delivery sector are experiencing tremendous growth as remote work continues as the new norm. Families' subsequent increased practice of ordering food, beverages, household durable goods, and other consumer packaged goods online has created new growth in the printing of product packages, cartons, labels, and tags.

Printers: In which applications do you see the most growth?

|	
54%	See growth in label printing
48%	See growth in package printing
31%	See growth in tag printing
30%	See growth in static printing of cartons and food packets

Online retailers such as noon are experiencing huge business growth. This means increased demand for technologies such as Box On Demand, which can produce boxes in different sizes on demand.

KEY LEARNING:
Nearly one in four Corporates now use digital print for packaging.

Corporates: Do you use digital printing for your packaging production?

5.94%
Other (Don't Know)

71.29%
No

22.77%
Yes
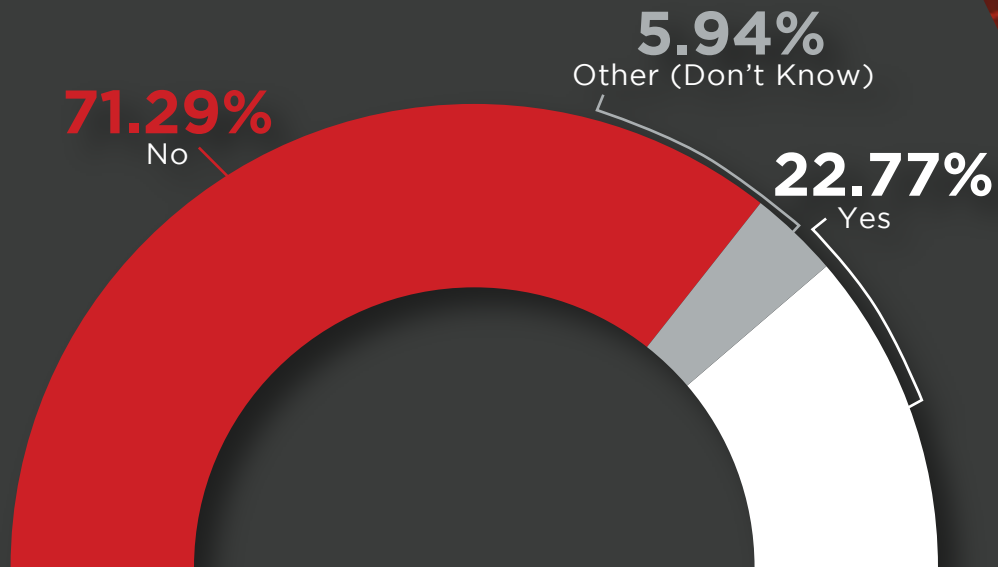
Nearly 23% say yet and another 6% say they don't know. This is not surprising because packaging converters sometimes do not bother their brand customers with details about the technology used. Because of that dynamic, digital print may even be used for packaging for some of those Corporates who responded with a No. Altogether, the response to this question shows the rapid adoption of digital print for packaging from just a few years ago.

CONCLUSION

Business continuity is a critical concern for today's print service providers. Printers no longer have the luxury of being allowed to print large quantities of print jobs, storing them, and shipping as needed. Advanced, reliable, high-performance digital print solutions are the new table stakes to participate in the new print economy. Essential print applications will never go away, but there is now and will increasingly be more demand for omni-channel integration between online and offline communications.

Advancements in digital print technology, especially inkjet, have expanded opportunities for PSPs to produce new applications at offset-level productivity with digital flexibility. Breakthroughs in inks and paper chemistries have made it economical and efficient to print on coated offset stock without the need for priming or over-print varnish. By using off-the-shelf offset stock instead of expensive pre-treated stock, inkjet volume economics are now more compelling than ever.

Today, higher-coverage applications are printed digitally at high speed, in high volumes, with offset-class image quality and minimal waste. From wide format and direct mail to labels and photo books, jobs that were questionable for high-volume digital a decade ago are now standard runs in three-shift production environments.. Inkjet has changed the equation.

In these challenging times, our industry needs to be agile, forward-looking, and prepared to invest in a changing future. Corporates should look for print service providers who are enabled to respond quickly to rapidly shifting market dynamics. In turn, PSPs should look for print solution OEMs with more of a partnership approach than a traditional vendor-customer relationship approach.

PSPs should conduct their own thoughtful research and compare the strengths and partnership attributes of their OEMs. From there, each business owner invests in the right portfolio of print solutions that meet the future needs of their brand customers.

INSIGHT 1:
THE VIRUS HAS A SIGNIFICANT IMPACT ON THE ECONOMY AND THE PROSPECTS FOR PRINT'S POST-COVID-19 FUTURE.

KEY LEARNING:
More than **7 out of 10** printers said COVID-19 has had either a significant or severe impact to their business.

KEY LEARNING:
50% of Corporates still believe there will be an increase or no change to their print budgets next year.

INSIGHT 2:
PRINTERS PLAN TO INVEST IN NEW PRINT APPLICATIONS.

KEY LEARNING:
Aside from packaging and labels, printers are seeing growth opportunities for security printing and commercial printing.

KEY LEARNING:
Wide format printing and book printing are promising growth applications.

KEY LEARNING:
Printers plan to diversify into new applications and make relevant investments for the future, but haven't yet started to buy.

KEY LEARNING:
The retail printing space has seen increased demand in floor stickers, signage, and product labels.

INSIGHT 3:
THE DRIVE FOR SUSTAINABILITY IS CONFLICTED.

KEY LEARNING:
More than half of Corporates will shift to more sustainable printing solutions.

KEY LEARNING:
Sustainability is important, but its adoption is restricted by its perceived or actual higher cost for certain applications.

INSIGHT 4:
THE PRINT MARKET NEEDS EQUIPMENT FINANCING.

KEY LEARNING:
Print OEMs (original equipment manufacturers) are providing small printers with support to invest in digital print technology.

INSIGHT 5:
CORPORATES FAVOR PRINT'S VALUE DESPITE TRENDS TOWARD DIGITISATION.

KEY LEARNING:
Corporates see an increase in digitisation but believe that printing of essential documents will actually increase.

KEY LEARNING:
Although **40%** of Corporates think office printing will reduce, 60% think it will either grow or remain unchanged.

KEY LEARNING:
Corporates are positive about device-as-a-service (DaaS) offerings.

KEY LEARNING:
Corporates are investing in online marketing, but are still confident in print.

KEY LEARNING:
82% of Corporates say print is important or very important. Only **2%** of Corporates say print is not very important.

INSIGHT 6:
PRINT'S VALUE-ADD SOLUTIONS ARE ENABLING THE ANALOG-TO-DIGITAL PRINT TRANSFORMATION.

KEY LEARNING:
Most printers say cloud-enabled digital workflow services like Print Management — Cost Control are adding value to the overall workflow as is more automation for less operator involvement.

KEY LEARNING:
55% of Corporates want to integrate print with augmented reality, QR codes and NFC tags.

KEY LEARNING:
Most Corporates have not yet evaluated MPS (managed print services).

INSIGHT 7:
THERE IS CONTINUED GROWTH IN DIGITALLY-PRINTED PACKAGING.

KEY LEARNING:
Printers see the greatest market opportunity in package printing.

KEY LEARNING:
Ecommerce and the home delivery sector are experiencing tremendous growth as remote work continues as the new norm.

KEY LEARNING:
Nearly one in four Corporates now use digital print for packaging.