Prospectus

The Global Digital Label Printing Opportunity

Focused Responsive Credible Visionary

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- **Unprecedented insight on the world label industry, and its growing use of POD systems**
- **Interviews with top managers, surveys of hundreds of label converters worldwide**
- **In partnership with Michael Fairley, MD of Labels & Labelling Consultancy (UK)**

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Summary

The $55 billion global label printing industry is in the early stages of a significant transformation that will create major opportunities for technology vendors, supplies, and substrate vendors and for print service providers. A key element driving this change is that manufacturers and distributors of consumer packaged goods, pharmaceuticals, healthcare products, industrial goods, and many other items are faced with a variety of business and production challenges that affect how they package and label their products. These challenges include:

- Globalisation
- Time to market
- JIT supply chain
- Changing legislation
- Security issues
- Shifting consumer trends
- Micro-marketing
- Versioning
- Shelf space competition
- Brand management and protection

From the printer and converter's perspective, the impact of these issues are shorter run lengths, the requirements for variable data, last-minute changes, new substrates, new designs, and tighter controls over the manufacturing process. Traditional packaging and label printers and converters are under increasing pressure to develop innovative solutions to better compete and meet customer demands. At the same time, many commercial printers are seeking new, higher margin applications that will replace their declining offset printing and leverage their sales, prepress, printing, and other infrastructures.

Meanwhile digital printing equipment, software, and substrate vendors have been making steady advances in speed, quality, workflow, operating costs, substrates, finishing, and other aspects of the on demand production process. The result is a wider range of jobs that can be profitably run on digital print on demand (POD) label systems.

InfoTrends/CAP Ventures believes that the combination of new customer labeling requirements, the desire for growth among print service providers, and improvements in technology are pushing POD label systems into a rapid growth stage. InfoTrends/CAP Ventures' research indicates that sales of POD label systems are growing, but the market remains in its infancy. We estimate that the worldwide installed base of POD label systems has doubled over the last two years to over 400 systems, but this figure accounts for less than 1% of the installed base of all label presses.

Vendors also indicate that digital label print volumes are rising and that many print service providers are buying additional machines. High print coverage and premium substrates found in many POD label applications, and this is building an attractive supplies revenue stream that will provide a steady flow of sales and profits in the future.

Despite the positive signs, much work still needs to be done to accelerate demand for POD label systems, supplies, substrates, and services and to expand into new market segments and applications. POD system vendors, package converting machinery manufacturers, and supplies and software vendors need detailed insights on current usage patterns, workflow, job mix, and key vertical industries and specific label applications. To meet the information needs of these companies, InfoTrends/CAP Ventures, in partnership with Labels and Labelling Consultancy (U.K.) offers a new multi-client study entitled ***The Opportunity for Print on Demand Solutions in the Label Industry***.

Research Objectives

The overall goal of this new study is to help production printing equipment, supplies, and software manufacturers understand the nature and extent of the opportunity that POD label printing presents, and how to address that opportunity most successfully. With this in mind, the study will:

- Segment and profile the global label printing industry by major geographic region (North America, Europe, ROW)
  - Number of establishments
  - Key segments
  - Services offered
  - Revenue mix by service
  - Print volume
  - Types of labels and substrates
- Assess key trends affecting adoption of POD for label printing
  - Regulatory initiatives
  - Evolving supply chains
  - Shorter run lengths
  - E-commerce
- Understand the use of production digital label printing technology and services
  - Digital printing technologies (printing, finishing, prepress/workflow, finishing)
  - Major applications (self adhesive, wet glue, shrink sleeve, other)
  - Main vertical markets (food & beverage, pharmaceutical, personal care goods, healthcare, industrial, etc.)
  - Differences by major geographic region (North America, ROW)
  - Volumes, run lengths, workflow
- Assess printer service providers' opinions, purchasing intentions, and product requirements for production POD labels systems
  - Printing systems
  - Software
  - Media and ink
- Size and forecast the global market for key products (units, revenue) and regions (North America, EMEA, Asia-Pacific, ROW)
  - Conventional label presses
  - POD label printing systems
  - Software
  - Substrates, ink and toner
  - Value of POD label printing
- Identify opportunities and strategies for technology, substrate, and supplies vendors
  - Unmet needs for equipment, software, or supplies features or products
  - Likely categories of POD purchasers
  - Likely applications, now and in the future

The study will make the following estimates and forecasts for North America, Europe, the Asia-Pacific region, and the Rest of the World for the years 2005 to 2010:

- Total number of companies that print labels and tags as a primary or secondary business
- Total number of companies that use production digital POD equipment for label printing
- Total number of companies that do not own production digital POD equipment for label printing
- Installed base and shipments of all production POD equipment for label printing
- Installed base and shipments of analogue printing equipment (flexo, offset) for label printing
- Average price paid for POD label printing equipment by major technology type
- Average monthly volume and annual volume of production POD label printing
- Estimated revenues from POD label printing equipment sales by major technology type
- Average supplies consumption, in dollars, for conventional label presses and for production POD label printing by major technology type
- Estimated revenues from label supplies sales for conventional label printing and for production POD label printing by major technology type

The study will not focus on desktop or workgroup label printers, such as office printers or tabletop bar code label printers.

Target Audience

The Opportunity for Print on Demand Solutions in the Label Industry will be valuable to four main categories of companies:

- Manufacturers of digital printing presses
- Providers of production workflow solutions
- Manufacturers of flexo and offset label printing and finishing equipment
- Suppliers of label substrates, plates, plate setters, inks, and varnishes.

Within these companies, managers responsible for marketing existing equipment, supplies, and software will benefit, as will managers charged with the design and development of new products.

Methodology

Market Research

The study will include an extensive review of existing research and interviews with technology vendors, brand and operations managers, and print service providers across a variety of market segments. Ultimately, the research will identify market segments, critical success factors, customer requirements, usage patterns, purchase plans, and other items that will drive vendors' product, service, marketing, and sales activities. Contributing insight to this market research will be Labels and Labelling Consultancy of the U.K. (www.labelconsult.com). Labels and Labelling Consultancy's managing director is Michael Fairley, an expert on the international label industry.

Desk Research

InfoTrends/CAP Ventures has conducted extensive research over the past 24 months with technology vendors and print service providers. InfoTrends/CAP Ventures will also thoroughly examine existing market information from a variety of sources that include:

- Industry trade associations
- Published industry reports
- Periodicals and trade articles
- User groups
- Web sites
- Government statistics
- Industry databases
- Vendor white papers

In-Depth Interviews with Industry Suppliers

InfoTrends/CAP Ventures will conduct in-depth interviews with product and market managers for printing system manufacturers, finishing vendors, software vendors, and related technology providers. The intent of the interviews will be to understand product positioning, product development directions, and perspectives on how the market will develop over the coming years.

In-Depth Interviews with Label Users (10)

InfoTrends/CAP Ventures will conduct up to 10 in-depth interviews with brand and operations managers that are specifying label jobs and are familiar with POD label systems. The purpose of these interviews will be to identify critical operational issues, business drivers, and other factors affecting label printing requirements. These interviews will also be important for developing insights related to some of the more specialised market segments such as industrial, pharmaceutical, packaged goods, cosmetics, and beverages.

In-Depth Interviews with Print Service Providers Using POD Label Systems (10)

InfoTrends/CAP Ventures will conduct up to 10 in-depth interviews with label converters and printers using production POD label systems. The purpose of these interviews will be to identify critical technology and operational issues, understand business challenges and drivers, and provide input for the structured survey.

Structured Survey with Label Converters and Print Service Providers (600)

Following the in-depth interviews, InfoTrends/CAP Ventures will conduct a structured survey with up to 600 print service providers and converters. The survey will provide critical statistics on technology adoption, usage patterns, substrate consumption, purchase plans, and sentiments on a range of business issues. The sample will be roughly distributed across three major regions.

- 250 completed interviews in Europe
- 250 completed interviews in North America
- 100 completed interviews in the Rest of the World

With the help of The Tarsus Group, the publisher of *Labels and Labeling* and organiser of Label Expo, InfoTrends/CAP Ventures will gather responses from an existing database of over 25,000 label printers and converters.

The structured survey, which will be developed with the advice and input of early subscribers to the study, will be configured to answer the following general questions based on the collective response:

- What types of companies have purchased POD solutions for label and tag printing?
- What POD equipment do they own now, and what did they pay for it?
- For what applications do they use that POD equipment?
- For what categories of labels (pressure-sensitive, wet glue, shrink sleeve, etc.) do they use it?
- For what categories of labels do they *not* use digital POD, and why?
- What are their costs to operate digital POD equipment, in particular for media?
- What are their costs to operate offset or flexo label presses, in particular for media?
- What share of these companies' total label printing is accomplished with POD solutions?
- How content are they with their digital POD equipment?
- What features of digital POD have been most helpful to them?
- What features of digital POD have most constrained their use of that equipment?
- What changes would they make to that equipment, if they could?
- Do they plan to buy new digital equipment and if so, what do they plan to buy?
- What types of companies have *rejected* POD solutions for label and tag printing?
- Why have these companies rejected digital POD?
- What changes would they make to POD label media, if they could?
- Do these companies plan to buy POD equipment in the future?
- If they plan to buy POD in the future, what POD technology do they plan to buy?
- If they plan to buy POD in the future, for what applications and jobs do they plan to use it?
- How will future POD label and tag solutions have to be different to convince non-users to buy it?

Analysis and Project Deliverables

InfoTrends/CAP Ventures will conduct extensive analysis of the desk research, in-depth interviews, and structured surveys to develop a comprehensive understanding of the opportunities and issues for equipment vendors and service providers. Clients will receive a combination of reports, presentation materials, and research data for senior management, product managers and planners, and sales and marketing executives. The material will include:

- An executive summary that addresses key issues, findings, and overall recommendations
- A detailed written report (at least 150 pages) with text, charts, and graphs addressing the objectives of the study
- A set of presentation-style overheads for internal communication of the research results
- A data book of the survey tabulations for additional analysis of key questions and market segments

Project Schedule

InfoTrends/CAP Ventures intends to launch this project in July 2005. We plan to complete the research by early September and publish the report in November 2005. We will provide clients with interim data from the structured surveys as the research is completed.

Project Fees

Clients who sign up before July 29 will be charged a participation fee of $12,995 or €9,995 and will have the opportunity to provide input and review the survey questionnaires. After July 29, the participation fee will be $14,995 or €11,495. An optional personal presentation is available for an extra fee, plus direct travel expenses (if an on-site visit is required).

Clients may have other business units co-fund the study, review the questionnaires, and receive a copy of the report at no additional charge. InfoTrends/CAP Ventures invoices the first half of the fee upon initiation of the contract and the second half upon delivery of the report.

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