

Business Strategies for the Distributor Sales Professional

PRINT+PROMO



State of the Industry

After 10 years of economic recovery,
is it time to worry about the next recession?



Survive & Prosper

Uncertainty as opportunity in the age of Trump

By Elise Hacking Carr

It's difficult to know where to begin Print+Promo's 2019 State of the Industry Report. For the past two years, one man has overshadowed the political stage: Donald J. Trump. Long before the 45th president of the U.S. vowed to "Make America Great Again," he didn't hold back when it came to pro-business stances, something that resonated with executives across all segments, including the printing industry.

We can cull through the vast amount of attention-grabbing headlines during this time period, or analyze the promised policies that can change with a tweet from the Trump White House, but, what we're left with right now is a new 116th Congress and a divided government, with Democrats having taken control of the U.S. House of Representatives and Republicans maintaining hold of

the U.S. Senate. The chances of legislative gridlock or political posturing translating to substantive policy changes are slim. But as Warrendale, Pennsylvania's Printing Industries of America's (PIA), Center for Print Economics and Management and Government Affairs and Advocacy pointed out in its own 2019 State of the Industry Report, "there are bipartisan lawmaking opportunities on policy issues impacting print."

Four of those issues include:

- The impact of tax reform
- Tariffs and trade issues
- U.S. Postal Service financial instability
- Print and promotional products industry recruitment

TAX REFORM

Signed into law on Dec. 22, 2017, H.R.1,

the Tax Cuts and Jobs Act, brought with it great implications for the industry. We asked two print association economists if they felt it succeeded in delivering the economic benefit that was hoped, and their responses were mostly favorable.

"In general, the tax cuts (especially the corporate tax cuts) have had a very positive impact on the economy and print," said Dr. Ronnie H. Davis, PIA's senior vice president and chief economist. "I believe the impact on the economy has been to increase growth in GDP by around 0.5 percent. The impact on print has been slightly less—perhaps a boost of around 0.3 percent in printing shipments above the baseline before the cuts."

Andrew D. Paparozzi, chief economist for Specialty Graphic Imaging Association (SGIA), Fairfax, Va., was more guarded in his optimism.

"It's impossible to know precisely how any one factor affects the American economy because there's no way to hold all the other factors constant," he explained. "But, incentives matter. Increase the incentive to do something by increasing return and lower costs, and you get more of it. The reductions in personal, corporate and pass-through business taxes in the act increased the incentive to invest and hire. It's unlikely the economy and employment would have grown as rapidly without it."

As for whether they believed print service providers (PSPs) took advantage of tax-saving opportunities, both men said the data were limited—specifically in regard to labor-saving machinery acquisitions.

"I haven't tried to measure it," Paparozzi admitted. "And, tax savings alone are never enough to justify a capital investment. But, capital investments that maximize speed and efficiency are essential in the printing industry, where competition is intensifying despite ongoing consolidation. Anything that lowers the cost of those investments will help on the margin. But, again, you have to be able to justify the investment based on expected return over its life, not a one-time tax savings."

Davis, however, attributed the combination of faster economic growth, increased print sales and tax advantages to a boost in investments in plants and equipment.

One thing is certain: There is no better predictor of 2019 trends than the direction of the overall economy. Even in spite of heightened trade tensions and the beginning of the longest government shutdown on record, the economy continues to fare well (thanks to an assist from legislation such as H.R.1), which is good news for print as forecasts are finalized.

By SGIA's estimates, total commercial printing industry sales (all sources) for 2018 increased 1.8 percent to \$85.4 billion—in line with the association's expectations. Paparozzi clarified that this figure was 11.0 percent greater than the 2011 low, but still 13.2 percent less than the 2007 pre-Great Recession total. He forecasted growth of 1.5 percent to 2.5 percent in 2019.

"The industry continues to grow slowly and prices continue to firm," Paparozzi remarked. "But profitability is being squeezed by a number of factors, including rising

paper prices, the rising cost of health care benefits, rising wages and difficulty recruiting productive, skilled personnel due to both exceptionally tight labor markets and print's old-economy image."

Davis proposed similar figures for 2019, with print markets growing around 2 percent at the present time—a "very healthy pace" from a historical perspective, he noted.

This makes sense considering that print does best in a mature economic recovery phase of the business cycle. We have been in this phase for a decade now. To provide some perspective, average recoveries (post-World War II) last roughly six to seven years.

Davis did warn that the risk of recession has increased since we've entered the 10th year of recovery. In fact, his latest forecast put the odds of a recession in 2019 at approximately 30 percent. From PIA's 2019 State of the Industry findings, the downside risks that could lead to slower-growth scenarios and, ultimately, a recession are:

- Trade restrictions/barriers
- Labor shortages, coupled with immigration restrictions (total number, quantity and quality, age)
- Bottlenecks, such as transportation
- Costs and price pressures
- Heightened interest rates from inflation, and increases in deficit
- Other wildcard issues

"I am generally optimistic for print in both the short and longer run," Davis said. "In the short run, as long as the economy holds up and stays out of recession, print markets should continue to grow at a 2-percent pace."

TARIFFS AND TRADE ISSUES

As outlined in PIA's 2019 State of the Industry Report, the Section 232 tariffs on steel and aluminum will continue to be a major issue for printers. Via the report:

Such tariffs have been used largely as a bargaining chip for larger administration trade priorities like passage of USMCA (U.S.-Mexico-Canada Agreement, aka the new NAFTA) or a deal with China. PIA members have felt the added cost impact of such tariffs, particularly aluminum imported from the EU to make lithographic printing plates. Major print equipment suppliers announced that the U.S. Depart-

ment of Commerce had granted exclusion allowing for retroactive refunds of such tariffs that had been assessed as 10-percent-pass-through surcharges to many PIA members. However, such exclusions are only good for one year and not guaranteed to be renewed. Thus, uncertainty surrounding tariffs on inputs will continue.

Mark Nuzzaco, vice president of government affairs at APTECH the Association for PRINT Technologies (formerly NPES), Reston, Va., told Patrick Henry, senior editor of Printing Impressions, the sister publication of Print+Promo, that there are three categories of tariffs affecting the printing industry: anti-dumping and countervailing duties imposed by the Trump administration on uncoated groundwood imported from Canada; the previously mentioned tariffs on imported aluminum and steel; and a series of duties on Chinese-made machinery, some of which have included printing equipment. "He points out that in all cases, the exporters aren't the ones paying the penalties," Henry wrote. "The cost burden falls on the end-users of the imported goods."

At press time, President Trump announced the country's plans to extend the deadline for reaching a trade deal with China beyond the previously set March 1. In a series of tweets, dated Feb. 24, he wrote:

I am pleased to report that the U.S. has made substantial progress in our trade talks with China on important structural issues including intellectual property protection, technology transfer, agriculture, services, currency and many other issues. As a result of these very productive talks, I will be delaying the U.S. increase in tariffs now scheduled for March 1. Assuming both sides make additional progress, we will be planning a Summit for President Xi and myself, at Mar-a-Lago, to conclude an agreement. A very good weekend for U.S. & China!

This decision is important for the domestic promotional products industry, which imports the vast majority of items sold stateside from China. For more on this turn to page 22 for our conversation with Paul Bellantone, CAE, president and CEO of Promotional Products Association International (PPAI), Irving, Texas.

U.S. POSTAL SERVICE

The struggle is real for the USPS. In a recent press release, the agency disclosed a \$1.5 billion net loss for the first quarter of fiscal 2019. First-Class Mail revenue, its former monopoly product, declined by \$81 million, or 1.2 percent, on a volume decline of 428 million pieces, or 2.8 percent, compared to the same quarter last year.

"We continued to drive growth in our package business and expanded use of the marketing mail channel during the quarter. Nevertheless, we face ongoing financial challenges," Postmaster General and CEO Megan J. Brennan said in a statement. "We remain focused on aggressive management of the business, legislative reform and pricing system reform, all of which are necessary to put the Postal Service on firm financial footing. Our nation is best served by a financially sustainable Postal Service that can invest in its future and meet the evolving mailing and shipping needs of the American public."

A Postal Service reform bill that was introduced in 2017 aimed to save the USPS \$10 billion over 10 years, but it lost key sponsorship and failed to advance. Then, there was the 2018 Postal Service Reform Act (S. 2629), which aimed to solve the prefunding problem by requiring postal retirees to enroll in Medicare as their primary care provider. The Postal Service reported a 2018 net loss of \$3.9 billion, an increase in net loss of \$1.2 billion, compared to 2017.

Will this be the year of reform? PIA noted that congressional champions of postal reform have acknowledged their willingness to restart the bipartisan, big-tent effort to pass legislation to modernize the financial operations of the USPS that failed.

Even more encouraging, direct mail has seen a comeback as marketers find that a digital-only approach does not work, according to Summer Gould, president of Eye/Comm Inc., Santee, Calif. Carefully planned and executed mail campaigns are a must, she added.

Color, images and copy are all variables to getting noticed. With direct mail, texture and format can be customized to stand out—capabilities that have been boding well for Roanoke, Virginia-based InfoSeal and its sister companies Englewood, New Jersey-based New Jersey Business Forms and Hampshire Label.

"All three divisions of the company are seeing increases in business primarily due to our ability to customize all our products," Director of Sales Kate Torpey said of the companies' new direct mail formats and integrated card and label offerings, along with their ability to utilize unique materials in label production. "Creativity and innovation are the keys to growth in the print and direct mail arena."

Gould advocated for the importance of touch, a sense that can be exploited with special coatings that do not add too much to the overall mail piece cost. "When considering coatings, try to find ones that match your messaging, such as soft touch, which has a velvety feel, [and] would pair well with a warm, fuzzy pitch," she instructed.

And, in case you haven't heard, after a one-year hiatus, the USPS has approved six mailing promotions for 2019: the Tactile, Sensory and Interactive Promotion; the Emerging and Advanced Technology Promotion; the Earned Value Promotion; the Personalized Color Transpromo Promotion; the Mobile Shopping Promotion; and the Informed Delivery Promotion.

The basic idea with the promotions, Gould said, is to find new and fun ways to use direct mail with enhancements to draw attention and increase engagement. She went on to provide a high-level look at each promotion, and offered her thoughts.

"First, the Tactile and Sensory promotion that is going on now gives you the opportunity to use coatings, sounds, special folds, pop-ups and more to draw attention and engagement with your mail pieces," Gould explained. "This one is my favorite because you can only have a full sensory experience with direct mail, not digital. The next one, Emerging and Advanced Technology, combines mobile with direct mail for creating longer engagement and easy purchase with QR codes, augmented reality and more.

"The Personalized Color Transpromo is that adding color marketing messages to bills and statements can help you sell more," she continued. "Then, the Mobile Shopping one is for the holidays, and allows people to purchase from their phones after scanning your mail piece. This helps to capture in-the-moment purchase decisions. Finally, the Informed Delivery combines direct mail with an email the post office sends to

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- Dr. Ronnie H. Davis, senior vice president and chief economist, PIA

notify customers about what will be in their mailbox each day. You can add color images and links in the email to get people to respond right away. The idea is to save 2 percent on your postage and increase your direct mail results."

PRINT AND PROMOTIONAL PRODUCTS INDUSTRY RECRUITMENT

Each year the U.S. Department of Labor's (DOL) Bureau of Labor Statistics lists industries and jobs that become too small or concentrated to be tracked in its Current Employment Statistics database. Last month, the DOL unit removed "printer," "screen printer" and "support activities for printing."

Naturally, industry reaction was swift. PIA President and CEO Michael Makin expressed his dissatisfaction. Below is an excerpt from his official statement:

[PIA] is disappointed—but not surprised—to learn of the Bureau of Labor Statistics' announcement that the agency would no longer track jobs related to commercial print, screen printing and support activities for printing. The disappointment is shared by the approximately 800,000 workers in the printing, packaging and publishing industry who go to work every morning knowing that

their jobs are relevant to the nation's manufacturing economy.

The decision certainly isn't going to help solve the print sector's age problem. Human resources issues (e.g., lack of skilled personnel, lack of young blood, etc.) are almost always cited as one of the industry's biggest challenges.

"For the printing industry, the challenge isn't simply a cyclical problem—the result of the lowest unemployment rate in 49 years—it's also structural—an old-economy image that makes it difficult to recruit young talent," Paparozzi said. "We have to make the case for our industry."

The SGIA chief economist pointed to resources created by the Print and Graphics Scholarship Foundation, like "Graphic Communications as a Career," and "Adventures in Print—Choose Your Career in Graphic Communications"—posters intended to generate interest with young people to pursue a path in print.

And, why wouldn't they consider print? Although it's an industry steeped in tradition, print is evolving as a media, with PSPs transitioning with a diverse and exciting mix of processes, products and ancillary services. As for growth markets, Paparozzi turned to SGIA's Commercial Printing Panel for insight. Among those surveyed, they saw direct mail, packaging, signs/wraps/banners and displays/point-of-purchase advertising trending upward.

Davis agreed, adding labels to the list. The print sectors under considerable pressure, he said, are books, magazines/periodicals, financial/legal, business forms, stationery and loose-leaf manufacturing.

"These sectors are competing against digital substitution," Davis observed. "However, there are still opportunities for sales growth even in these sectors as the number of providers decline and those that survive gain market share."

In terms of print processes, Davis referred to PIA's recent joint research with the Jones School of Business of Middle Tennessee State University. Respondents were asked to provide their perception of sales change related to each of the nine processes they provide. Based on the 1- to 5-point scale used to determine the extent that sales decreased, remained flat or increased from

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— Andrew D. Paparozzi, chief economist, SGIA

2016 to present, digital toner-based print was the fastest-growing process, followed by production inkjet and non-print ancillary services—the latter of which includes web-to-print e-commerce style storefront (print procurement); kit fulfillment; logistics management; web-to-print e-commerce style storefront (marketing, brand management, document management); and database management services. Based on this scale, heatset web was the only segment with decreased sales.

A NEW APPROACH

When PSPs are positioning for the future, strategic thinking is critical—especially in a changing environment like print and promotional products. This is where diversification comes into play. In fact, members of SGIA's Commercial Printing Panel expect "something other than printing (mailing, fulfillment, database creation, management and analysis to support customized marketing programs, etc.) to provide, on average, 25.6 percent of their revenue by 2020, up from 20.2 percent today and 16.2 percent two years ago," Paparozzi shared.

"Fewer printers are limiting themselves to traditional products and markets or 'that's-not-my-business' thinking," he said of the ongoing trend toward convergence of print sectors. "More are taking a tell-me-more

approach to that new product, service, process, market, etc. What's it all about? It may not be a fit for my company, but I want to know more."

That's not to say all PSPs will blindly invest in print's flavor of the month. If these product segments don't fit their company's vision, they'll take a hard pass. Unfortunately, it's a lesson that some panel members had to learn firsthand after entering a market that wasn't a good fit, or failing to understand all that's required to diversify profitably.

"As explained in the SGIA Critical Trends Report: Commercial Printing, it's about thinking big and thinking carefully," Paparozzi said. "Thinking big means thinking beyond how print is manufactured to how it powers communication—particularly, personalized, integrated and interactive/mobile communication. Thinking carefully means resisting the temptation to follow the crowd into that hot new market and, instead, thoroughly evaluate whether that market really is an opportunity given your company's resources, capabilities and circumstances."

Also, consider your clients. Who are they? What are their goals? Do their goals fit with yours? "Being a solutions provider is key to success," Torpey reminded.

For those in need of extra guidance, we've got you covered. Print+Promo reached out to experts in four major market niches. Read on as they discuss their thoughts on the present state of the industry, complete with strategies for growth.

ON PRINTED FORMS

The Expert: Mark Gerling, executive vice president of sales and marketing, Flesh Co, Fenton, Mo.

What are your thoughts on the current state of the business forms sector?

Mark Gerling: The overall business forms market continues to shrink, but there are still plenty of bright spots in the market. We continue to see strong forms usage in the health care, nonprofits, warehousing and distribution markets. Working closely with our trade partners, we have seen a transition from typical business forms printing to more marketing-driven print applications, such as membership and loyalty cards, health care labels and prime labels.

What would you say encapsulates the mood of the forms industry for 2019? What would the theme of the year be for you?

MG: The mood of the industry right now, I think, is anxious! I believe distributors, as well as manufacturers, continue to be concerned about the ongoing paper price increases and lack of availability and the stress it's putting on the entire supply chain. Our theme for 2019 is to continue to focus on our customer by continuing to provide the best quality products and service at a competitive price, while continuing to invest in new products for our future.

How is your company staying competitive, and spreading the message that printed forms aren't dead, especially to millennials and future generational groups?

MG: We continue to offer various educational tools, such as white papers, onsite training and product updates via our website and social media [channels]. Print can be overwhelming to those who have never sold it, but we try to make it as easy as possible for our customers even to the point of sending us a sample, and we will guide them through the entire process.

It's no secret that the paper industry has undergone violent shifts in demand surrounding certain paper products. How, if at all, has that affected your forms business?

MG: The ongoing mill closures resulting in paper increases have made it a challenge for everyone in the industry. We have very strong relationships with our paper suppliers, which have minimized the disruption for our customers, but as things continue to tighten, it's going to be more challenging for everyone this year.

How has the ongoing activity from a mergers and acquisitions standpoint affected the forms market? Your business?

MG: I can't speak to the overall market, but I always say that change opens doors. We have experienced new opportunities and growth from competitors closing up, as well as benefited from customer frustrations when other manufacturers are acquired.

Based on past trends, what are your expectations for the short-term future of forms products? And, to whom do you think the future belongs?

MG: I think short-term we could still see some forms usage shrinking due in part to increased paper pricing. I think, unfortunately, it could drive some end-users to look for electronic alternatives. I think there is room in the market for large companies, as well as the family-owned companies. Everyone plays a different part in the success of the distributor market.

ON LABELS

The Expert: John Becker, senior vice president of sales and marketing, Discount Labels, New Albany, Ind.

What are your thoughts on the current state of the label sector?

John Becker: The label market continues to be a bright spot in the print industry. We are seeing growth in our label production per order, and we are seeing new, creative uses of labels, stickers and decals.

It's no secret that material price increases continue to be a struggle. Is there a solution in sight? What are some other big changes that you believe will make an impact this year, and what will drive them?

JB: Material increases are a killer, because we can eat only so much of it before we have to pass it on to our customers. The only way to combat it is to be a solutions provider for our customers. Find ways to help them with alternative material options, different embellishments or make-and-hold options to defray the cost through volume. The label industry is a dynamic one, and we are seeing many positive changes. The introduction of augmented reality, sleeker embellishments, faster presses and in-line test units are all benefiting the industry.

Last year when we chatted, you mentioned that Discount Labels was in "investment mode," and that it was a "big growth period" for the company. How has that played out for the company, and if you could pick a theme for 2019, what would it be?

JB: The growth has continued in the New Year. Our decision to add outside sales reps across the country has been well-received by our existing distributor base, and has already created a strong return on investment. The new digital press has already ramped up to 24/7, and we are currently installing a 70' Nilpeter FA-4 flexo press in our New Albany plant that will be the biggest workhorse in our fleet. Our theme for 2019 is "Growth through Partnerships!"

As more consumers skew younger, what kinds of innovation are you seeing in the digitalized makeover of labels for consumer products?

JB: Younger consumers, as well as more creative design professionals, have brought us quickly into new areas. We did an 8-million label job of augmented reality labels. We are seeing labels with multiple flourishes, including embossing, raised ink, foils and gradient colors, all on a single label. We are also getting a lot of new jobs for just plain old sticker sheets that employers are sharing with their young employees on holidays and employee recognition days. In fact, just this week, we printed 1.1 million branded emoji sheets for a Fortune 100 company, brought to us by a distributor partner.

With digital technology having advanced to a competitive level with offset and flexo, how can distributors use this technique to provide brands with not only something of significant value, but also a "wow" factor? Or, are there any other presses/technologies in the label space that you feel deserve attention?

JB: Digital and flexo both still play a prominent role in our business. We printed more than 400,000 orders in 2018; 60 percent of them were still produced on a flexo press. Both technologies have their benefits and drawbacks. Our distributor partners love that we have options for them across the spectrum; it gives them broad flexibility in their designs and options.

Based on past trends, what are your expectations for the short-term future of labels?

JB: We are very bullish on the short-term

prospects of labels. Flexible packaging is encroaching on some of the traditional label business in the retail and manufacturing markets, but there are new business opportunities every day that fill that void. We ran 2.1 million labels for a state agency that wanted to move from a paper-based boat registration record to a decal that can be displayed on the outside of the boat. Labels are everywhere, in every industry, and significant growth is still attainable.

ON PROMOTIONAL PRODUCTS

The Expert: Paul Bellantone, CAE, president and CEO, PPAI, Irving, Texas

What are your thoughts on the current state of the promotional products industry? What would the theme of 2019 be for you?

Paul Bellantone: The overarching theme is having the “confidence to evolve”... the confidence to adapt, innovate, disrupt and challenge the norm through strategy, technology and partnerships. The promotional products industry is a dynamic business environment with deep roots founded in long-standing tradition. It is easy to get caught up in the day-to-day and become complacent. For our industry and its businesses to continue to grow, we must have the confidence to evolve and never stop—never be complacent.

The promotional products industry is growing, no doubt—but are most of its members growing with it? For those who are not, how can they keep up with their more successful counterparts?

PB: According to PPAI’s 2017 Sales Volume Study, the industry grew by just over 9 percent to \$23.3 billion. This was due, in large part, to companies, \$2.5 million and above, [that] captured nearly 58 percent of the total market share. While the scale tipped in favor of larger companies growing through consolidation and acquisition, we cannot discount the significant impact that small businesses, which make up 96 percent of the industry, have on the future of our industry. With relatively simple adjustments to their strategy, technology platforms and key relationships with business service providers, smaller businesses are nimble and flexible, and in a

position to adapt faster to mitigate adversity and capitalize on opportunities.

These days, conversations inevitably turn to tariffs. Is this something that weighs on your mind in regard to the promotional products industry?

PB: Going forward, tariffs and trade regulation will continue to be an everyday part of how the promotional products industry goes to market. Since its inception, PPAI’s government relations efforts have provided a platform for advocacy and outreach through programs like L.E.A.D. (Legislative Education and Action Day), August Recess activations and partnerships with like-minded affiliates to assure the voice of the promotional products industry is strongly represented at the federal, state and local levels. PPAI has been advocating for our industry for more than 115 years and will continue to do so. Our members and our industry are resilient. We do have concern that many, if not all businesses, will be impacted by the tariffs either directly or indirectly, and that can affect their spend on marketing in all areas. As always, it is incumbent on us and the industry to communicate and demonstrate the value promotional products deliver to marketers and advertisers. And that promotional products continue to be the most cost-effective, long-lasting and affordable way to make the best first and last impression.

It’s been slightly over a year since H.R.1, the Tax Cuts and Jobs Act, was signed into law. Do you think it’s succeeded in delivering the economic benefit that was hoped?

PB: I think it is still too soon to determine the long-term economic impact of the Tax Cuts and Jobs Act. Unfortunately, some of the uncertainty created in the business community by looming tariffs may offset some of the benefits of tax reform. Overall, I do not expect either to have a significant impact on our industry. The promotional products industry is healthy and has experienced a decade of solid and stable growth. PPAI will continue its work to prepare members for future success by giving them the tools they need to overcome the challenges and grow their businesses.

What are some other big changes that you believe will make an impact this year, and what will drive them?

PB: Now, more than ever, the consumer is clearly in control and driving how and when marketers and advertisers will have access to their valuable time and dollars. With ad avoidance and blocking rates higher than ever, the promotional products industry has a genuine opportunity to work with clients and customers to design strategic programs and campaigns that deliver a real return on investment and put brands in the hands of consumers in spaces and places no other medium can touch.

As with many industries, consolidation seems to be the new normal for the promo sector. In a broad sense, what implications does this have for the promo world and its remaining players?

PB: Consolidation is indicative of a strategic growth strategy that has enabled the industry to continue growing through advancement and efficiencies of scale. This growth strategy allows the industry to evolve whether the company is big or small. These efficiencies ultimately benefit the buyers of promotional products through streamlined product and program design, development and innovation, as well as pricing.

Based on past trends, what are your expectations for the short-term future of promotional products?

PB: As in the last 115 years, we expect the industry to remain strong and resilient. The promotional products industry’s great history supports this through bad times and good. Last year, PPAI launched its Strategic Foresight Playbook planning tool to help business owners better prepare for future success. It is designed as a step-by-step guide to implementing strategic foresight and operational excellence for promotional products industry businesses of every scale.

ON DIRECT MAIL

The Expert: Chris Lien, president, BCC Software, Rochester, N.Y.

What are your thoughts on the current state of the direct mail sector?

Chris Lien: We continue to be encouraged with increased response rates in direct mail. According to the 2018 Response Rate Report from the ANA, the average response rate for a direct mailpiece exceeds 5 percent. We believe this reflects two important trends.

First: Address quality. The reduction in undeliverable-as-addressed mail continues for those companies who are astute enough to recognize the importance of address quality. Second, direct mail is somewhat immune to digital fatigue and thus continues to be an important channel for direct marketers who are trying to rise above the cacophony of digital noise.

We are also encouraged with the Postal Service's attempt to bridge the physical and digital with its Informed Visibility initiative. The daily email preview of physical mail arriving later that day holds exciting promise for progressive direct marketers seeking a multichannel solution. However, what is concerning is that the Postal Service is attempting to rely on its own strength when it comes to multichannel messaging. As of now, the USPS has not yet fully embraced the entire mail supply chain to realize its vision. While Informed Delivery subscribers have continued to increase, campaign management, data connectivity and leveraging the data still appear to be lacking. The USPS cannot do it alone. It cannot successfully bridge High Tech and High Touch without leveraging the supply chain.

There have been multiple attempts made to revive the ailing postal system (from the 2017 Postal Service reform bill that lost key sponsorship and never advanced, to the 2018 Postal Service Reform Act [S. 2629]). Do you think postal reform will get the serious consideration it deserves this year?

CL: We are encouraged and thankful that the president appointed—and the Senate confirmed—two governors for the USPS Board of Governors. Moreover, we are thankful that the Postal Regulatory Commission has a full slate of commissioners.

We are doubtful, however, despite the recent changes in Congress, that any meaningful postal legislation will move

forward, given all of the other issues facing Congress today.

While the recent postage rate increases may have been in-line with what the mailing industry would expect, there's certain to be discomfort felt in some categories. Can you expand on this and offer any advice for direct mailers?

CL: The Postal Accountability and Enhancement Act—the law passed in 2006—does cap postage rates according to CPI per class of mail. This was the predictability of pricing that the industry requested; the devil, however, is in the details. Companies like BCC Software spend months—if not the majority of any given year—carefully monitoring (and guiding where appropriate) the impact of pricing granularity for certain mail preparations.

The pricing decisions of the USPS are based in part on their attributable costs for mail handling. Thus, direct mailers working closely with their software partners should actively seek ways to avoid costs to the Postal Service in the form of presorted work-sharing opportunities, which, in turn, result in postage discounts.

Due to our consistent monitoring of the impact of pricing on mail preparation, we are in a great position to help mailers ameliorate the effective annual pricing increases.

Postal challenges aside, direct mail has been benefiting from the growing ability to personalize and precisely target. Would you agree, and what other techniques or changes will drive the success of the sector this year?

CL: Direct mail is most effective when it delivers a personalized message. Thankfully, personalized data is far more accessible today for use by responsible direct marketers, who have the ability to leverage that data, enhancing the personalization of and call to action in a direct mailpiece. Companies like BCC Software have purposefully licensed more data than other software companies to help enable our customers to achieve a greater level of personalization and achieve increased response rates in direct mail.

How is your company ensuring that your customers are successful with their mailing campaigns?

CL: BCC Software is doing three things to ensure success for our customers' mailing campaigns. First, we espouse the practice of a "Three C" address quality methodology: a complete, correct and current address is the only way to ensure timely, predictable and ultimate deliverability of a direct mailpiece.

Second, with on-demand and near real-time access to expansive data quality and data enrichment tools, we enable our customers to enhance direct mail messaging and targeting.

Finally, we actively leverage the USPS' Informed Visibility data to provide our customers with visibility and predictability of arrival of strategically-timed direct mailpieces.

Based on past trends, what are your expectations for the short-term future of direct mail?

CL: We are bullish about the future of direct mail. Digital fatigue is real—and continues. With recipients turning off and tuning out digital messaging at an increasing rate, what remains is trusted and tangible direct mail delivered by the most trusted postal delivery network in the world.

Is there anything you would like to add?

CL: There continue to be new opportunities to enhance direct mail. In today's fast-paced, ever-changing postal landscape, direct mailers need to stay in tune to changes to direct mail preparation and technology, and the best way to do that is to work with a trusted software provider or an industry association. Keeping informed with resources like BCC Software's Industry Corner podcast is essential to keeping up-to-date with changes in the industry that could impact your business. ■

WHO WE ARE

PRINT+PROMO

Print+Promo is the leading source of business strategies for the distributor sales professional. Featuring a monthly print magazine, weekly e-newsletter (*The Press*), in-person events (Distributor Connect) and an updated website that includes a free product search database to sort through more than 300,000 promotional products, Print+Promo helps print industry professionals protect legacy revenue and grow new revenue streams.

NAPCOMEDIA

NAPCO Media, Print+Promo's parent company, is a leading B-to-B media company specializing in creating community through content via integrated media programs, video services, marketing services, events and event management, custom content, eLearning and market research. NAPCO Media has rapidly expanded its portfolio to include NAPCO Video Services, NAPCO Events, NAPCO Marketing Services and NAPCO Research.