



# Xerox Premier Partners Survey

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October 27, 2008

# KEY FINDINGS OF THE PREMIER PARTNERS SURVEY

## SUMMARY OF FINDINGS:

### PREMIER PARTNERS' BUSINESS SCENARIO:

**CHALLENGES:** More than half (56% or more) of the Premier Partners find establishing new services while keeping current business on track; the current economic state; and differentiating their business in the market, as the top three challenges.

**ECONOMIC IMPACT:** Despite current economic conditions, 56 percent of the Premier Partners expect an overall increase in customer requests. A third (32%) do, however, expect a decrease in investments in new products and services.

**SUPPORT AREAS:** 73 percent of Premier Partners would like suppliers to provide access to business development and training; another 71 percent would like to partner on sales opportunities. Two-thirds (65%) want help in educating other industries about the benefits of digital printing.

**OVERALL CONSENSUS:** Almost all (98%) Premier Partners agree or strongly agree that digital printing has enabled their business to expand into new areas. The majority (87%) agree or strongly agree that digital printing improves the speed and productivity of their business; and color and digital printing are where they see the most opportunity to generate new revenues for their business.

**INDUSTRIES WITH GROWTH POTENTIAL:** Healthcare / pharma (67% of respondents) and education are (54%) seen as the top growth industries.

### BACKGROUND:

In preparation for Graph Expo 2008, the Xerox Production Systems Group surveyed its North American Premier Partners to get a pulse check on the latest trends and issues confronting their businesses. Questions were broken down into several segments including business challenges and opportunities, customer needs, growth areas, the environment and Premier Partners' industry predictions.

The intent of this report is to ensure Xerox's alignment with Premier Partners' priorities and concerns, and to identify what trends and issues are confronting digital print services providers today.

### METHODOLOGY & SAMPLE:

A total of 364 North American Premier Partners were invited to participate in the survey. The survey ran for one week, securing a total of 63 responses, providing a confidence level of 90 percent, with +/- 10 percent margin of error.

### PREMIER PARTNERS' CUSTOMERS:

**CUSTOMER DEMANDS:** More customers (76%) ask for full-color variable-data printing; 63 percent are interested in online ordering / Web-to-print solutions; marketing consulting a distant third at 43 percent.

**IMPROVING THE EFFECTIVENESS OF INFORMATION:** The majority (84%) of Premier Partners are recommending more use of color. 63 percent are using variable printing; 60 percent prefer using personalized print-based communications.

### ENVIRONMENTAL RESPONSIBILITY:

Nearly four-fifths (79%) of Premier Partners believe environmental responsibility and sustainability is no longer just a nice thing to do; it has to be a core part of how they do business. More than two-thirds (68%) recognize that printing partners (like Xerox) have helped them reduce the environmental impact of their business.

### INDUSTRY'S TRENDS IN THE NEXT 5-10 YEARS:

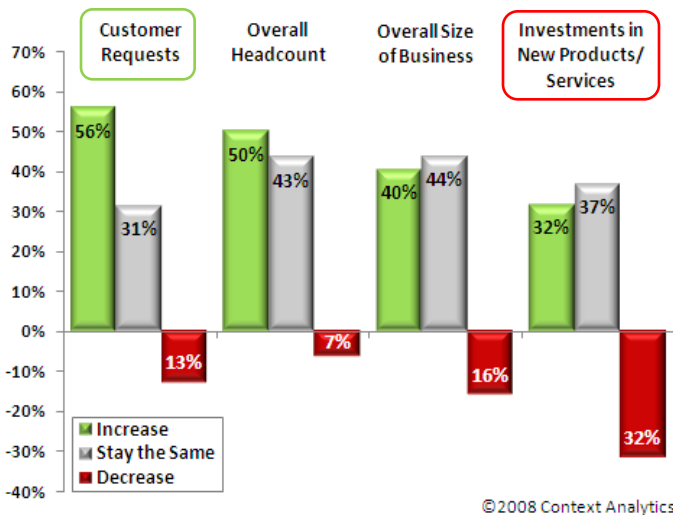
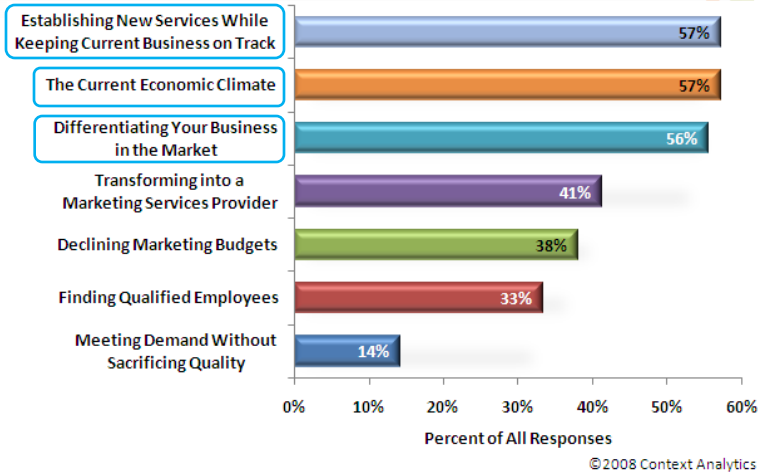
Consolidation in the industry; digital becoming a commodity; and Web / non-traditional printing – are all expected to pick up. Traditional printing and offset are likely to lose ground.

# PREMIER PARTNERS' BUSINESS

## PREMIER PARTNERS' BUSINESS / CHALLENGES:

### THREE-WAY TIE FOR THE BIGGEST CHALLENGES TO PREMIER PARTNERS' BUSINESS:

Under the current economic climate and the industry's direction towards more digital printing, the two biggest challenges for more than half (57%) of Premier Partners is establishing new services while keeping current business on track; and the effects of the current economic climate. Almost an equal number (56%) also find it challenging to differentiate their business in the market.



### ECONOMIC IMPACT:

#### NEARLY ONE-THIRD OF RESPONDENTS EXPECT TO HALT OR DECREASE INVESTMENTS IN NEW PRODUCTS / SERVICES:

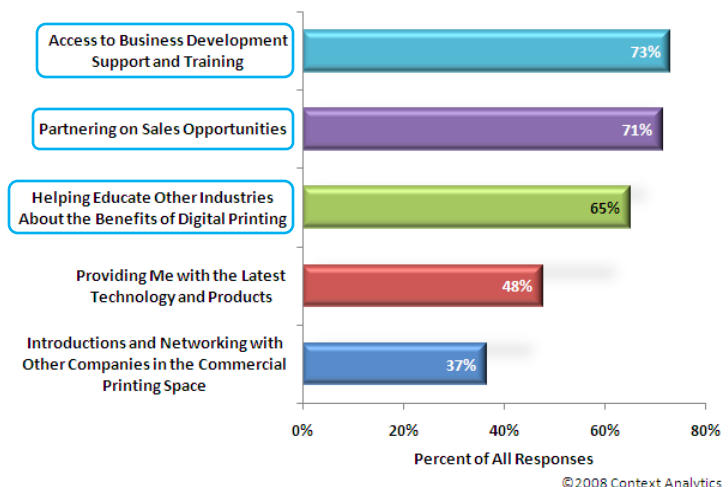
Given the current economic conditions, almost one-third of Premier Partners expect a decrease in investments in new products and services.

There is, however, some optimism as over half (56%) still expect an increase in customer requests, corresponding with the fact that they anticipate the overall size of business to either grow or stay flat, and be able to maintain a steady overall headcount, if not grow it.

## HOW CAN SUPPLIERS HELP GROW / SUSTAIN THEIR BUSINESS:

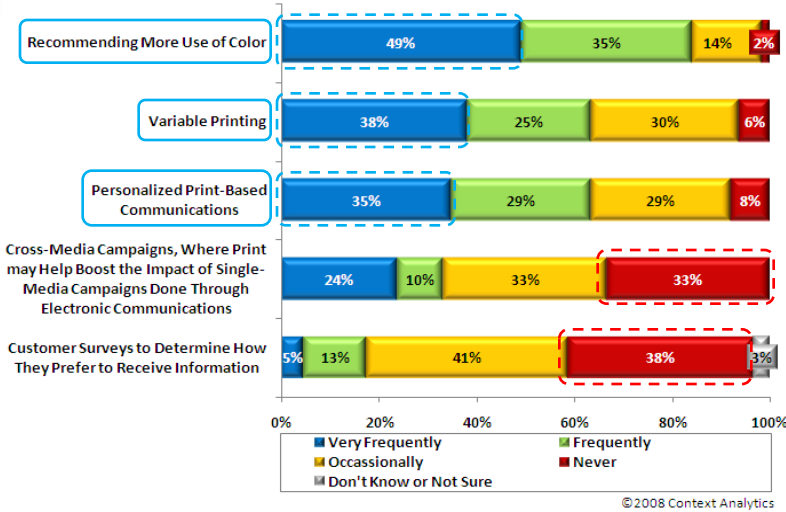
### ALMOST THREE QUARTERS (73%) OF PREMIER PARTNERS WOULD LIKE MORE ACCESS TO BUSINESS DEVELOPMENT AND TRAINING

Business development support and training ranks highest in terms of Premier Partner requests, closely followed by partnering on sales opportunities (71% of respondents). Further, two-thirds of Premier Partners would like support in helping educate other industries about the benefits of digital printing, thereby, opening new business avenues for them.



# PREMIER PARTNERS' CUSTOMERS

## IMPROVING THE EFFECTIVENESS OF INFORMATION:



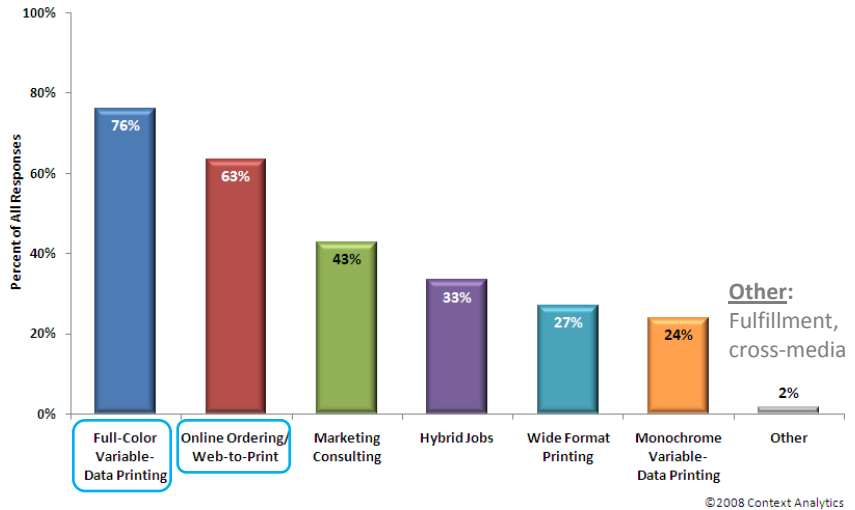
### PREMIER PARTNERS RECOMMEND MORE USE OF COLOR MAJORITY OF THE TIME:

Premier Partners most often (84%) recommend increased use of color to communicate and help customers improve the effectiveness of information. Variable printing and personalized print-based communications are the second-most popular, with 64 percent of Premier Partners opting for them frequently or very frequently; tying with Xerox's key initiative in managing information overload.

## CUSTOMER DEMANDS:

### CUSTOMERS AND PREMIER PARTNERS AGREE ON FULL-COLOR VARIABLE DATA PRINTING:

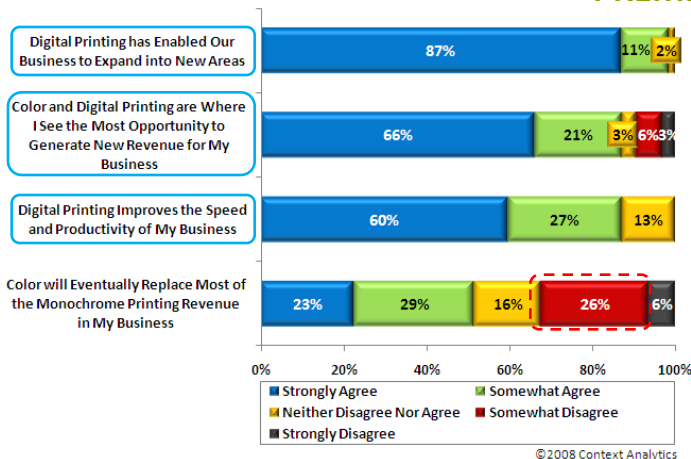
Premier Partners and customers concur on full-color variable-data printing, as more than three-fourths (76%) of Premier Partners have seen an increased demand in this area over the past three years. Another upcoming theme of increased requests has been online ordering / Web-to-print, with nearly two-thirds (63%) of Premier Partners receiving such requests.



## PREMIER PARTNERS' GROWTH OPPORTUNITIES:

### AGREEMENT ON BUSINESS GROWTH AND IMPROVED PRODUCTIVITY THROUGH DIGITAL PRINTING:

Almost all (98%) Premier Partners somewhat or strongly agree that digital printing has enabled business expansion. Partners also concede that digital printing has improved speed and productivity; and color and digital are where the most growth opportunities lie. Premier Partners do, however, disagree with color eventually replacing most of the monochrome printing revenue, indicating their inclination towards providing more comprehensive solutions, rather than replacing the current business.



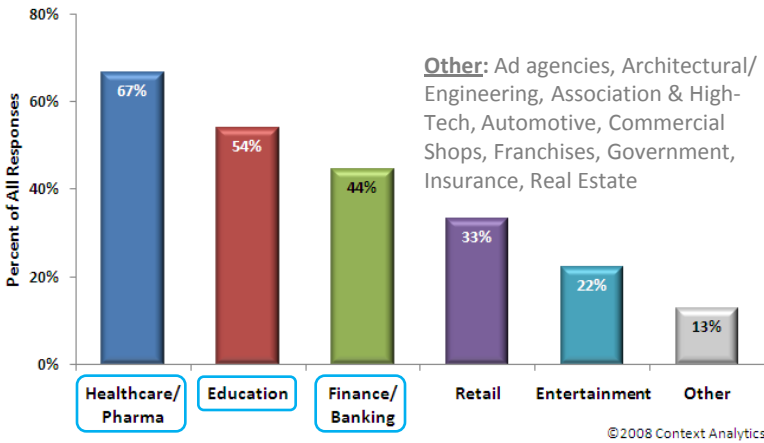
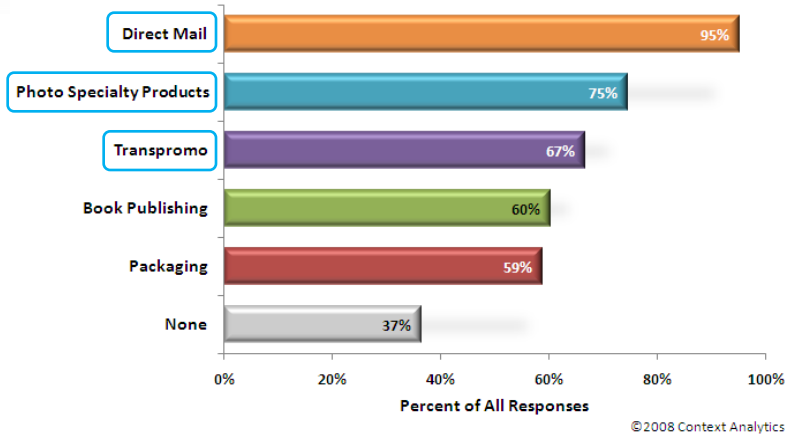
# PREMIER PARTNERS' CUSTOMERS

## APPLICATIONS WITH POTENTIAL NEW REVENUE:

### DIRECT MAIL TOPS THE LIST OF DIGITAL APPLICATION AREAS WITH POTENTIAL NEW REVENUE:

Among digital applications that could potentially generate new revenue for Premier Partners, direct mail ranks No. 1, with nearly all (95%) Premier Partners agreeing on it.

Photo specialty products (calendars, greeting cards, photo books) ranked a distant second with 75 percent of respondents seeing it as an avenue for new revenue, followed by transpromo, at 67 percent.



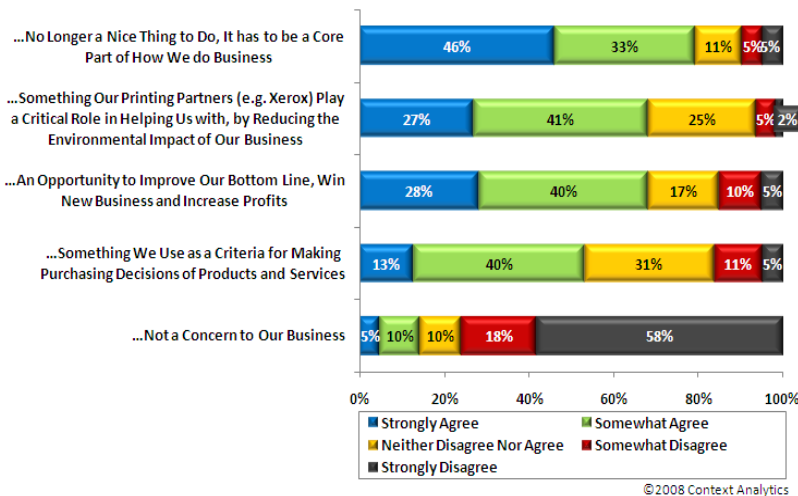
## GROWTH INDUSTRIES:

### HEALTHCARE / PHARMA SEEN AS THE INDUSTRY OFFERING MOST GROWTH OPPORTUNITIES:

More than two-thirds (67%) of Premier Partners view healthcare / pharmaceutical as the hottest industry, with the highest growth potential for their business. Over half (54%) believe the education industry could be another great opportunity for growth. Finance / banking ranked third, with 44 percent of Premier Partners identifying it.

## ENVIRONMENTAL RESPONSIBILITY & SUSTAINABILITY:

### PREMIER PARTNERS TRULY BELIEVE THAT ENVIRONMENTAL RESPONSIBILITY IS KEY TO BUSINESS:



Nearly four-out-of-every-five Premier Partners (79%) agree or strongly agree that environmental responsibility and sustainability is no longer just a nice thing to do, it has to be a core part of how they do business.

More than two-thirds (68% agree or strongly agree) also recognize the critical role that printing partners (e.g. Xerox) play in helping them reduce the environmental impact of their business. Further, an equal number see it as an opportunity to improve their bottom line.

# COMMERCIAL PRINTING INDUSTRY IN THE NEXT 5-10 YEARS

## INDUSTRY TRENDS IN NEXT 5-10 YEARS:

### PREMIER PARTNERS SEE MORE CONSOLIDATION AND DEMAND FOR DIGITAL IN THE FUTURE:

Of those who responded (n=49) about commercial industry predictions, one-third said they see more consolidation and fewer players in the space. Premier Partners think the overall industry will shrink and consolidate, and successful companies will be those who can offer a full range of services and bring results to their customers.

Digital printing was the second-most quoted trend by respondents. Premier Partners see a definite increase in digital variable printing and a gradual decline in offset and traditional printing. Web printing ranked third as an area of increased demand.

### CONSOLIDATION:

- “Continued growth for printers who have both digital and offset print capabilities. Also I think the market will continue to shrink due to consolidation and / or failure of companies that have not diversified.”
- “I predict further consolidation and the companies that are able to adapt to new technology and workflows will prosper.”
- “The mergers / acquisitions and bankruptcy trend will likely continue as well – with the innovative forward-thinking printers taking market share from their weak competitors.”

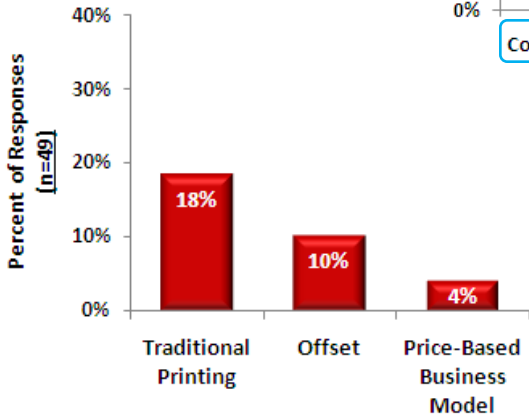
### DIGITAL:

- “Digital will become the prime print method. Shorter run lengths, and Web site ordering will prevail.”
- “...Digital printing will continue to grow though I think the technology will need to change - become less expensive and more dependable.”

### WEB PRINTING:

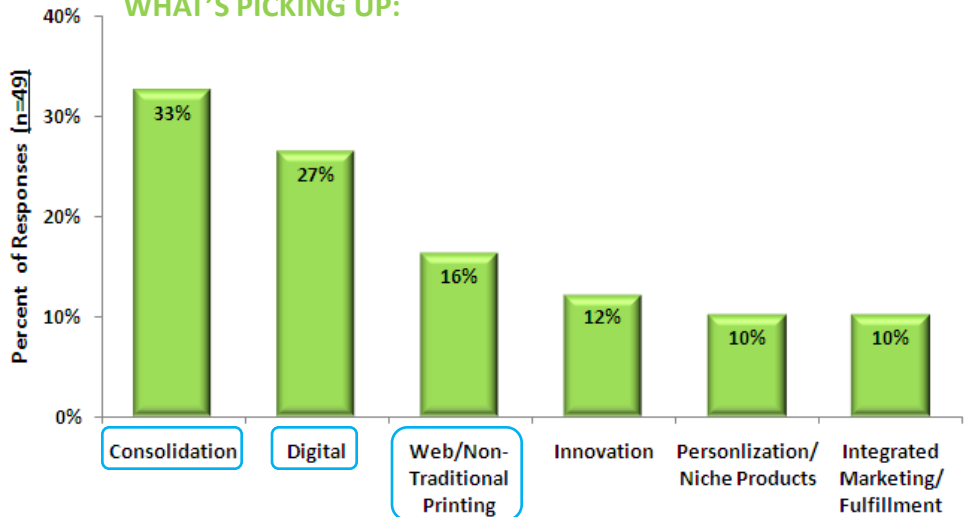
- “More digital/inkjet color. More online / press cross publishing. More outsourcing for content creation.”
- “Mostly Web-to-print, mostly digital printing, integrated marketing services.”

### WHAT'S LOSING GROUND:



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### WHAT'S PICKING UP:



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# APPENDIX: SURVEY QUESTIONNAIRE

1. Which of the following do you feel are the biggest challenges to your business?  
*(Please rank your Top 3 in order of importance)*
  - A. Declining marketing budgets
  - B. The current economic climate
  - C. Finding qualified employees
  - D. Differentiating your business in the market
  - E. Establishing new services while keeping current business on track
  - F. Transforming into a marketing services provider
  - G. Meeting demand without sacrificing quality
2. How do you anticipate your business to be affected over the next 12 months by the current economic climate? *Please indicate if you expect the following to change: (Increase, Stay the Same, Decrease, Don't Know or Not Sure)*
  - A. Overall size of business
  - B. Overall headcount
  - C. Investments in new products or services
  - D. Customer requests
3. In which ways could key suppliers and partners most help you sustain and/or grow your business?  
*(Please rank your Top 3 in order of importance)*
  - A. Providing me with the latest technology and products
  - B. Access to business development support and training
  - C. Partnering on sales opportunities
  - D. Introductions and networking with other companies in the commercial printing space
  - E. Helping educate other industries about the benefits of digital printing
4. How frequently are you using the following techniques to help customers improve the effectiveness of information they send to their customers (invoices, mailings, coupons, etc.)? *(For each, please indicate according to the following scale: Never, Occasionally, Frequently, Very Frequently, Don't Know or Not Sure)*
  - A. Variable printing
  - B. Recommending more use of color
  - C. Customer surveys to determine how they prefer to receive information
  - D. Personalized print-based communications
  - E. Cross-media campaigns, where print may help boost the impact of single-media campaigns done through electronic communications
  - F. Other (Please explain) .....
5. What industries do you see generating the most growth opportunities for your business? *(Please select all that apply)*
  - A. Entertainment
  - B. Healthcare/Pharmaceutical
  - C. Finance/Banking
  - D. Retail
  - E. Education
  - F. Other (Please explain) .....
6. In the past three years, which of the following areas have you seen increased interest or demand from customers? *(Please select all that apply)*
  - A. Full-color variable-data printing
  - B. Monochrome variable-data printing
  - C. Marketing consulting (creating relevant direct marketing and collateral)
  - D. Online ordering/Web-to-Print
  - E. Wide format printing
  - F. Hybrid jobs that integrate long-run offset pieces with short-run digital pieces
  - G. Other (Please specify) .....
7. Please note your level of agreement with the following statement *(Strongly Disagree, Somewhat Disagree, Neither Agree Nor Disagree, Somewhat Agree, Strongly Agree)*:  
Environmental responsibility and sustainability is...:
  - A. ...no longer a nice thing to do, it has to be a core part of how we do business
  - B. ...an opportunity to improve our bottom line, win new business and increase profits
  - C. ...something we use as a criteria for making purchasing decisions of products and services
  - D. ...something our printing partners (e.g. Xerox) play a critical role in helping us with, by reducing the environmental impact of our business
  - E. ...not a concern to our business

# APPENDIX: SURVEY QUESTIONNAIRE

8. Which of the following digital application areas do you see as an opportunity to generate new revenue?  
(Please rank in order of importance):
  - A. Packaging
  - B. Photo Specialty products (calendars, greeting cards, photo books)
  - C. Transpromo
  - D. Direct Mail
  - E. Book publishing
  - F. None
  - G. Other (Please specify) .....
9. Please note your level of agreement with the following statements (*Strongly Disagree, Somewhat Disagree, Neither Agree Nor Disagree, Somewhat Agree, Strongly Agree*):
  - A. Color will eventually replace most of the monochrome printing revenue in my business
  - B. Color and digital printing are where I see the most opportunity to generate new revenue for my business
  - C. Digital printing improves the speed and productivity of my business
  - D. Digital printing has enabled our business to expand into new areas
10. What are your predictions for the commercial printing industry in the next 5-10 years? (*Open ended*)
11. Is there anything else you would like Xerox to know about opportunities and challenges you see for your business? (*Open ended*)