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Printing, February 2007

Executive Summary

This Key Note Market Report examines the printing market in the UK. Printing is central to the UK economy, its products feeding into every business sector. The market is also a net contributor to the UK balance of payments. However, a remarkable fact about the industry in 2006 was its failure to benefit from the strong growth in the economy, a fact that has given many in the industry pause for thought. The printing industry was once hailed as a bellwether of the UK economy, its performance generally mirroring that of the overall economy. However, 2006 has shown that this corollary no longer holds true and it remains to be seen whether the market's performance in 2006 represents just a blip or portends a sea-change in the fortunes of the printing sector.

Printed products include: publications, such as books, magazines and newspapers; business items, such as continuous stationery and account books; hard-bound stationery, such as exercise books, diaries, notebooks and calendars; promotional products, such as brochures, catalogues, direct mail and corporate literature; and packaging for manufacturers.

Key Note estimates that the market was worth around £12.51bn in 2006.
As the year came to a close, it was clear that the industry had weathered its worst year since the recession of the early 1990s. The market shrank and competition was intense, with price cutting the order of the day. Higher energy and paper prices cut into printers' profits even further and led to a large number of closures and receiverships. Merger and acquisition activity was also very high.

The UK printing industry is highly fragmented, supporting thousands of small and medium-sized firms. Official statistics reveal that, in 2006, there were around 11,825 VAT-based printing enterprises, of which 84.8% had turnovers of less than £1m and more than half (58.6%) had turnovers of less than £250,000. Just 3.2% had turnovers of £5m or more.

The market leaders remained broadly the same in 2006 as in 2005, the top ten companies (by turnover) being: De La Rue PLC, Chesapeake UK Holdings Ltd, Williams Lea Group Ltd, British Polythene Industries PLC, St Ives PLC,
The Polestar Group Ltd, Nampak Holdings (UK) PLC, The Astron Group Ltd, Communisis PLC and Amcor Flexibles UK Ltd. However, their positions changed slightly, as a result of Williams Lea, for example, leaping up the league table. Most people in the industry expect to see some major changes in ownership during 2007, some of which might well be surprising, as was the case in 2006. As one leading figure in the industry pointed out in 2006, the current industry structure is unsustainable in the long term, a view that is shared by others. Consolidation is inevitable in the face of worsening trade conditions and the competition from online media and foreign printers.
Key Note forecasts only modest year-on-year growth between 2007 and 2011.

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