



CEO Corner

China, India and the Global Printing Industry



According to a recent edition of the Economist magazine, sometime in 2006 more than half the world's population will, for the first time, be living in a town or a city. 10 years ago, in 1996, China alone had 34 cities with populations of over 1 million people, and it is forecast that within the next 10 years there will be approximately 480 cities worldwide with populations in excess of 1 million people. There are already more than 20 cities worldwide with populations exceeding 10 million people. These two great modern trends of globalisation and urbanisation have major implications for the printing industry and are already making themselves felt in many countries.

Within the World Print and Communications Forum the majority of the world's established print producing countries and regions regularly examine the global state of the industry. This is not simple to do as there are differing industry definitions and differing accuracies of statistical information. (This is one of the reasons PIFSA is currently engaging with our country's Statistical Services to improve the quality, accuracy and relevance of our statistics.)

Based on feedback from WPCF members the current state of the global industry is as follows:

Firstly, in the more developed printing markets such as Western Europe, the United States, Japan, Australia and South Africa, there is a clear and ongoing trend towards consolidation. Larger printing companies and groups seem to be absorbing medium sized printers and smaller companies seem to be concentrating on more specialised markets.

In developed economies, the high cost of skilled employment compounded by rising health care, retirement, energy and raw material costs are forcing companies to structure themselves differently. The larger companies are meeting the challenge of rising input costs and global competition by improving their economies scale to reduce unit costs. In many cases they are buying medium sized competitors in order to access a new or expanded client base rather than to acquire additional printing capacity. An example is the new European gravure plant which has been established in

Liverpool in the United Kingdom. This merger involves three major publishers and will bring together 6 different companies, 38 gravure presses and employ 4300 people. It is forecast to have a turnover of 1 billion Euro per year and consume 1 million tons of paper per year.

The United States, Europe and Japan all have low cost international competitors to contend with, some of which are near neighbours and others further away. Despite this increased competition, according to Printing Industries of America, the northern American printing industry has rebounded strongly over the last two years. The fastest growth is occurring in toner-based printing which shows that print on demand and variable data printing is both replacing some traditional lithographic business and creating new print markets. This growth appears to be continuing in 2006. According to PIA the major issues facing American printers are health care costs, rising energy costs, industry consolidation and rising paper costs.

In Western Europe the printing industry has been severely affected by several years of recession, but there now appears to be very slight improvement occurring in the United Kingdom and mainland Europe. According to Intergraf the downward pressure on print prices is continuing – for example, in the United Kingdom 30% of printers expect price decreases rather than price increases in this next quarter. The eastern European countries have lower input costs and this has led to the migration of certain work to countries like Poland and Hungary.

In Japan, approximately 80% of printing occurs in urban areas with metropolitan Tokyo producing 30% of the total value of all printing in Japan. Most of their printing is driven by domestic demand. The industry together with the country faces an aging population and identifies its four major challenges as environmental legislation, lack of information technology skills, price competition with the “commoditisation” of print, and rising paper prices.

The conversion of printed products into “commodities” to be sold at the lowest price has been detrimental to printers in many parts of the world – printers have



allowed print to become “devalued” in the minds of their customers. There have been several reasons for this. Firstly, there is too much printing capacity. Machinery has become very efficient and as printers have bought new equipment many of them have retained their old equipment. This older equipment has then been run at marginal cost and as a consequence there has been downward price pressure. A second reason is the emergence of China and India as international printing powers.

Colour book publishers worldwide have long supported the competitive pricing offered by printers in Hong Kong and Singapore. They are however now increasingly being replaced by printers in China and India.

Mozambique now has some of its school books printed on newspaper presses in India. Newspaper presses are being used to print educational books during periods of downtime. Finishing takes place offline in other places and it is all done by hand – folding, stitching, gluing and trimming. This is only possible because wage rates are very low. The quality of the books is not very good, but it apparently meets the needs of the Mozambique school system.

Globalisation then, has been a contributing factor to the commoditisation of print. In an effort to remain competitive, printers are exploiting their advantages – local knowledge and faster turnaround times. In some cases they are also able to take advantage of local language requirements.

China has a major advantage in the world of printing. Apart from a fast growing domestic economy and very competitive input costs, it has a co-ordinated national plan to promote the industry. There is no doubt that China is already having a major influence on the international printing market and non-time sensitive high volume printing is increasingly moving from many countries to the coastal development areas of that

country such as Shenzhen and Guangzhou. China and India have national print growth rates which the rest of the world stands in awe of! Both are currently exceeding their respective high GDP growth rates.

In conclusion then, the printing world in 2006 is in the middle of ongoing and major change. There are opportunities and challenges for all of us. Globalisation has led to large volume non-time-sensitive work moving to low-cost production countries. While consumers in all countries want to pay as little as possible for their goods, there is also a noticeable increase in resistance to this trend by some trade unions, and an increasing emphasis on national pride and “local” production.

Despite this, fast growing economies such as China and India will, for the foreseeable future, continue to enjoy a move of certain work to their countries and will increasingly be competitors in this area.

Western printing economies, faced with high employment and input costs, increasing governmental and customer emphasis on environmental issues, and the move of certain work to lower cost countries, are meeting these challenges by:

- Consolidating
- Reducing headcounts
- Specialising
- Taking advantage of local knowledge and language
- Moving to high added-value variable data technologies
- Shorter turn-around times
- Offering added value fulfilment and other services

As I have written before, I believe that our business models are going to have to adapt and change, but there are still opportunities if we are willing to do things differently.

Chris Sykes
Chief Executive Officer of PIFSA

Factinations Useful Measures

The Ratio of an igloo's circumference to its diameter: = Eskimo Pi

1 millionth of a mouthwash = 1 microscope

Time between slipping on a peel and smacking the pavement = 1 bananosecond

Time it takes to sail 220 yards at 1 nautical mile per hour = Knot-furlong

Half of a large intestine = 1 semicolon

1000 aches and pains = 1 megahurtz

Basic unit of laryngitis = 1 hoarsepower

1 million bicycles = 2 megacycles

2000 mockingbirds = two kilomockingbirds

10 cards = 1 decacards

1 kilogram of falling figs = 1 Fig Newton

10 rations = decoration

100 rations = 1 C-ration

2 monograms = 1 diagram

8 nickels = 4 paradigms

100 Senators = Not 1 decision.

Power of PRINT Habits and Attitudes

If someone were to ask you to tell them what 'habit' and what 'attitude' mean how would you answer them? Well, I went to see what our trusted people at Collins had to say and they advise in their dictionary that... "habit is a tendency or disposition to act in a particular way" and "attitude is a mental view or disposition" So we have a word which is common to both, 'disposition'. Further study of Collins tells me that "disposition is a person's usual temperament or frame of mind"

Isn't it just wonderful that in this day and age we have easy access to such absolute mines of information? Just think about it. You can find out what any word in any language means, we can establish how science views any matter, we can investigate the stories that have made history, we can find out all about the famous and about the infamous. In fact we can find out anything we want to, about anything we want to. Sort of everything you need to know before you go! To quote a well known radio station slogan.

Whenever my Great Uncle Charles, bless his soul, used to visit us in Cape Town, after the statutory cuppa, he would go to the book shelf and take down the Encyclopedia Britannica and carry on from where he left off on his last visit. He told our children that they were the privileged society and that they should be far more knowledgeable than any other that ever existed...because of the Britannica.

It is just one fountain of knowledge at our fingertips. We have it all in the original information technology...PRINT. It's the power medium so I wonder what your disposition is to the wonderful sources of intensely researched information available to our generation? Is yours a habit to read about meaningful things? Is yours an attitude of personal development through reading? Or are you a TV couch potato?

News: Central Chamber

On Thursday 18th May, 2006, the Young Management Printers (Y M P) held their annual general meeting, in the Executive Dining Room at the Cross Media Training Centre, in Honydew.

It is impossible to determine exactly which Annual General Meeting this is as, although the association has been operating since the mid-20th century, it has gone into hibernation for short periods, on at least two occasions.

Nevertheless, this highly rejuvenated version of the Association's Executive Committee was guided into its 2006/7 year of operation by the Central Chamber President, Mr John Latter, of Britepak.

Mr Latter shared with those present, a sample of his personal enthusiasm for the industry and the benefits of returning some of the rewards to the industry by serving on such a body as the Young Management Printers. He also reminded those present that the Executive Committee of the Association provided the resource pool from which the Chamber would draw its own Executive Committee members in the future. He also took the opportunity to thank Mr Mike Bath, who had been instrumental over a period of a year in schooling the fledgling Committee into existence, during 2004. The fact that Mr Bath (a former Y M P Chairman himself) had

recently, not only been elected to the Chamber Executive Committee, but also as the Vice President and Treasurer of the Chamber two months previously, was proof of his earlier statement about the Y M P being the pool of future talent for the industry leadership.

In terms of the Y M P Constitution, the following persons were elected to the Committee for the Year 2006/7:

Chairman - Mr Edmar Bartes (R & A Print)
Vice Chairman: Mr Raymond Blake (Nor Paper)
Secretary : Lauren de Freitas (Nor Paper)
Treasurer: Andre Pienaar (Lithotech)

The other members of the Committee are:
Luanne Davids (Lithotech)
Brent Kench (Britepak)
Stacey Redman (Britepak)
Natalie Le Touze (Ultra Litho)
Dewald Rosema
Michelle Robson (Merpak)



From left to right :
Michelle Robson, Edmar Bartes
(President) Dewald Rosema

In his acceptance address, Mr Bartes gave details of the individual portfolio responsibilities for which the Executive Committee members would be responsible and also outlined the planned future activities of the Association. A highlight would be the Annual "Christmas in July" day at the races, to be held at Turffontein Race Course on Saturday 1st July. The proceeds of this event would, as usual, be donated to a charity selected by the Executive Committee.

News: KZN Chamber

Corruseal Packaging Packs Learners on journey to becoming World Class

Corruseal Packaging (Pty) Ltd. is a family owned business and was started 22 years ago by the current Chairman Baba Mehta. Assisted by his two sons Mehul Mehta as Operations Director and Rajiv Mehta as Technical Director and Anand Govender as MD they have grown the business substantially over the past 10 years through significant capital investment in capacity and technology upgrades. This greatly contributed to the substantial improvements in quality, productivity and service delivery throughout its corrugating, printing and converting processes.

The company is focussed on innovative, value added solutions for their wide range of both local and international customer base. As a result Corruseal had to adapt a cost and quality focussed strategy while being highly flexible and customer focussed throughout their value chain.

As part of their business strategy to becoming a world class company they focus on their supply chain, Lean manufacturing and 6 Sigma methodologies and principles in the manufacturing processes as a means for competitive advantage. The development of staff skills and competencies are paramount in the realization of their vision of being a service driven world class manufacturer of packaging products.

The development of staff has always been close to their hearts and they embarked upon a formal technical training and development or learnerships program.

Targeting the previously disadvantaged

When focusing upon a training strategy, Corruseal management had three priorities:

- Providing benefits to the previously disadvantaged.
- Development from within.
- That the learners drive towards a formal qualification.

To ensure that those selected for training received specialized attention, the company employed a Technical Training Officer and set up the necessary facilities required to provide training in an accredited facility, the company then went ahead and indentured eight apprentices in the trade of Corrugated Board Manufacturing and Finishing. All eight apprentices have registered for trade theory distance learning with the Cross Media Training Centre in Honeydew and are preparing to write their TT1 Trade theory examinations during July of this year. The KZN Chamber is assisting with the facilitation of these examinations. The company intends to select a further six previously disadvantaged employees from within their ranks and to indenture them too in a trade that faces a critical skills shortage.



Delegates at the recent Supervisor Leadership Programme held at the KZN Chamber during June get down to detail in one of the team exercises designed to develop supervisors' leadership skills.

Techno Chat

Crystal ball gazing from a layman's perspective

Just when we started believing economists that we (SA) were entering an economic upswing, the Reserve Bank decided to raise the Repo rate by 0.5%, bringing doubt to those who had started feeling confident about our future economic prospects.

Whether that is what led to a "vote of no confidence" in our currency, or whether the rising petrol price and the resulting rise in our inflation rate and interest rates were compounding factors, is being hotly debated by economists. Far be it for me, the humble printer, to challenge their theories. No doubt global political

influences are also at play.

When I listen to conflicting reports about the Printing and Media sectors in other countries, I get equally confused. Quoting from a TrendWatch Graphic Arts report Printing Forecast 2006 "The biggest challenge facing the printing industry has become what almost seems like a "war on print" by those who produce and disseminate content", who appear to favour online and other media above our "offline media". However, they also state that "TWGA and the industry expect business to continue to be generally stable through 2006" and

they concede that advertisers, marketers and publishers are still the printers' biggest customers.

Paradoxically, Dr. Joe Webb's PrintForecast report ranks branding effectiveness as follows: First – Print Trade Magazines; Second: Events; Third: Direct Mail marketing; Fourth E-mail marketing, followed by print magazines and newspapers and other non-print means. When it comes to lead generation effectiveness, events are tops, followed by direct mail marketing, trade magazines and magazines and newspapers, with E-mail marketing in fourth place. This tells us that print still ranks as one of the most effective means of advertising; but do marketers acknowledge this or are they blinded by the "coolness" of favouring other media because that is what they think their customers want to see?

According to an Outsell Inc. advertising study, the highest print spend growth rate in USA was achieved by directories (8.5%), other print media (6.2%) and newsletters (6.1%) whilst growth in direct mail marketing fell to 1.5% and general magazines and newspapers to 2%.

In USA 66% of printers surveyed cited "competition" as a major challenge – in other words, they also have spare capacity and the bottom line is being compromised by cheap imports. The TrendWatch researcher states: "2005 has seen marketers and advertisers steadily distancing themselves from print, and yet, given the effectiveness of print, they do so at their peril."

Judging by the positive equipment sales figures which reflected optimism at IPEX earlier this year, all these 'expert' analyses need to be seen in their specific context. Our own success rates depend largely on our market niches and how we add value to our traditional services by embracing technological developments.

Most publishers are acutely aware of the fact that e-publishing raises the awareness of their products but that consumers want to purchase and hold a printed copy in their hands – hence the success of web book sales.

There is no doubt that exporters will welcome the current weakness of our currency, which will hopefully allow them to recover losses sustained during the period of a strong Rand as result of existing contracts which had to be honoured; but the vexing question is: how long will it last?

The TWGA Printing Forecast 2006 also presents the latest data on digital printing; personalized, customized, variable-data, and other targeted printing applications; "Web-to-print" applications and use; wide-format printing; and interest in and implementation of production workflow solutions.

For additional information, questions and comments contact Erich Kuhl at 011 699 3000 or ekuhl@pifsa.org.

Legal Matters

Is it height x width or width x height?

I had this question posed to me some time ago. In fact my answer was crucial in the collection of a R100.00 bet and I, with all my years of experience, immediately answered "Why of course it is the first sir, height x width. This is how I was taught to measure folding cartons twenty five years ago".

However as everyone knows if you haven't been doing something regularly during the last few years you often feel the compunction to check whether the off the cuff reply is correct. So the trusted "Estimating for South African Printers" by Allan Roberts was taken off the shelf and the following noted regarding the art of measurement in the printing industry:

Paper and Paperboard

- The second size in a paper/paperboard measurement indicates the grain direction e.g. In a 640 x 890 sheet the grain runs with the 890mm dimension. This can also be emphasised by the additional use of an arrow above or a line above or below the 890 measurement. Grain can also be shown by the addition of L.G (long grain) or S.G. (short grain) as in 640 x 890 L.G or 890 x 640 S.G.

Printed Products – Litho Sheetfed

- This is a direct quote from Chapter 14 regarding size:

"It is normal practice in South Africa to give the size of the length first and then the width, thus a size 700 x 500 indicates a portrait size and 500 x 700 a landscape size. It should be noted that there are companies which differ in giving of size and, on joining a new company, the estimator should acquaint himself with the company's style." (Roberts, 1995: 162)

Envelopes and Pockets

- The sizes quoted by Allan Roberts for banker's, pocket, seed and wage pockets also indicate the height first as in the following:

Bankers DL 110 x 220mm

Post Office Pocket DLP 220 x 110mm

Seed Pocket 95 x 54mm

Greeting Card Envelopes 90 x 140mm; 140 x 214mm; 178 x 254mm.

Block Measurements

- The size of a blocking area is stated with the height of the area first. Therefore a 30 x 50mm blocking area is landscape format.

Folding Cartons and Carton Making

- In my early days as an internal sales person at several packaging companies, we measured cartons by

height/depth x width x length (in other words, (1) the measurement between the two flaps mid crease to mid crease, (2) then the width of the panel next to the glue flap from glue flap crease to next crease, (3) then the panel next to that).

- Allan Roberts however points out that the internationally recognised method of giving the carton size is length, width and then depth. This translates into the first measurement being the width of the panel next to the glue flap, the width of the next panel, and lastly the depth being the measurement between the end flaps, from crease to crease.

Once again it will depend on each company and any employees should abide by the house style.

Reference: Roberts, Allan. 1995. Estimating for South African Printers. Cape Town: AWR Publishers.

apprenticeships after they completed their courses successfully at the Printing College.

CMTC's Business School also assists companies with filling in their Workplace Skills Plan. We pride ourselves in offering this service free of charge, which is something that consultants can't consider offering free. Important information like how companies can claim fees they have contributed for training back from the MAPPPSETA. This helps ensuring that they have a training budget. While doing their Workplace Skills Plan, we offer them advice on what type of training they need. That leads most companies to send their employees for training at CMTC.

While many companies are impressed and want to send their staff on training – sending employees from provinces outside Gauteng is too much of a hassle. Most would like to have a replica of CMTC based in their own Province thus making training easy and cheaper.

We're the only institution in Southern Africa that is wholly owned and controlled by the printing industry. We aim to serve and give the printing industry the best service they need to grow their businesses into the successful companies that can be reckoned with on an international level.

The lucky draw winners were as follows: J. Jungbauer from Printcol (Pty) Ltd who wins a digital camera, L Gould from SA Litho who wins a case of wine and M Tantum who wins a subscription to Graphix magazine.

Cross Media Training Centre Pifsa survey results



PIFSA carried out a survey amongst its members and companies within the Printing Industry. The response was helpful in making us take a long and hard look at courses Cross Media Training Centre (CMTC) offers at both the Business School and the Printing College

We got to see which courses companies regarded as essential in their day-to-day operation. Most felt that courses that were elementary in solving conflict within a company and legislated training were the most important and these also came out tops.

We also discovered that companies outside the Gauteng Province didn't know about services that CMTC had to offer within Gauteng. CMTC was surprised to discover that most companies were not aware of important services like our Conference venue. While some didn't even know they could offer our students

Factinations Brain Teaser

80% of Kindergardners solved this riddle, but only 5% of Stanford graduates figured it out!

Can you answer the following question?

1. The word has seven letters...
2. Preceded God...
3. Greater than God...
4. More Evil than the devil...
5. All poor people have it...
6. Wealthy people need it...
7. If you eat it, you will die!

Did you figure it out?

The solution shall appear in the next edition of Printalk.