



STRATEGY: EVOLUTION OF PRINT OUTSOURCING Q3 2007

Competition in the print outsourcing sector continues to increase, placing great pressure on market participants in what continues to be a fragmented industry that arguably totters on the 'brink'.

In this *Briefing Note*, Lincoln Crowne & Company's Kieran Carracher and Nicholas Assef review where the industry is today and cast opinion on who will be successful in the Print Outsourcing industry of tomorrow.

CURRENT INDUSTRY ANALYSIS AND POSITION (FROM A MAILING HOUSE PERSPECTIVE)

Strength

- Fundamental need for service prevails.
- Proven Outsourcing Solution.
- Clients stable & on contract.
- Predictable revenues.
- Customers prefer paper based service.

Weakness

- High Competition / Low Margin.
- Capital Intensive.
- Lack of Innovation in Offerings to Clients.
- Not lowest cost producer nation.
- Partners are often competitors.

Opportunity

- Leverage Client Bases.
- Expand into broader operational bases:
 - Online.
 - Mobile.
 - Interactive.
- Postal Sector Reform.

Threat

- Non Traditional Service providers moving in.
- Stagnant market for growth:
 - Often leads to 'failure' or 'consolidation'.
- Foreign and Technology competition on the rise.
- Postal Sector Reform.

WHO WILL SUCCEED TOMORROW ?

In our view there will be 3 sets of successful Firms which will lead the Print Outsourcing Industry into tomorrow:

1. "One Stop Shops". Similar to other industries those Firms that will combine all facets of the client experience under one umbrella, with the potential for disparate operations (geographically) being 'webbed together' a probability.
2. In order to be a One Stop Shop, a Firm must master the Financial, Human & Technology Resources in such a way that Projects are delivered seamlessly.
3. Firms need to expand into growing markets: be those markets based on geography, demographics or the emergence of new products or industries.

CONCLUSION

The Print Outsourcing industry is at an extreme level of competition in Australia. Lincoln Crowne & Company anticipates that rationalisation over the next 24 months will become a necessity for Firms that do not innovate. In conclusion, Firms who think Communications first, and then Mail, are likely to send and receive the "best messages", between themselves and their customers - therefore optimizing the leverage in the industry value chain.



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