



## Inkjet's Role in the New Profitability Equation



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**As print providers encounter new profit squeezing variables, production inkjet printing can help reduce costs, grow revenue, and buffer against future threats.**

## INTRODUCTION

Production inkjet can play an essential role in increasing revenue to help lift profits in an ever-changing business environment. As all printing executives know, profitability is the ability of their organization to generate revenue over and above expenses. As new cost variables are entering into the profit equation, print service providers need to investigate technology investments that can help reduce costs and expand revenue.

This special report will use research studies produced by NAPCO Research and PRINTING United Alliance to define the key forces squeezing print providers' profit margins today and how production inkjet is combating them.

## New Cost Variables Pressuring Profitability

According to PRINTING United Alliance's [State of the Industry Report 2024](#) (sponsored by Canon U.S.A.), 58% of print service provider survey respondents reported maintaining profitability is a major concern to their organizations.

The State of the Industry survey participants reported that their companies are experiencing pressure on profit margins as they face new or ongoing cost increases in employee compensation, taxes, environmental compliance, postage, energy, transportation, and insurance. As one State of the Industry survey respondent wrote in an open-ended question<sup>1</sup>, "The costs of labor, benefits, energy, and freight continue to increase beyond what we can recover through increased pricing."

Further evidence on the mix of forces squeezing profit margins include:

- **Labor shortages.** Staffing operations is an ongoing printing industry challenge. Nearly all of PRINTING United Alliance's State of the Industry survey participants report rising labor costs are a key concern, with 64% indicating the same for labor shortages. U.S. Bureau of Labor Statistics (BLS) data suggests that labor shortages are likely to worsen as growth of the United States population and labor force slow over the next decade. Among the specifics published in the BLS's "[Employment Projections - 2022-2032](#)":
  - The civilian noninstitutional population (16 years old and over) will grow just 0.7% annually through 2032, one of the slowest growth rates in the data series' history.
  - The U.S. labor force participation rate will decline to 60.4% in 2032 from 62.2% in 2022 as all baby boomers reach 65 and as the population of workers aged 55 to 64 decreases significantly due to the low birth rates of the 1970s.

<sup>1</sup> Respondents to PRINTING United Alliance and NAPCO Research surveys are promised anonymity.

- o Slower population growth and a declining labor force participation rate will limit the civilian labor force to 170.7 million in 2032, a modest 6.4 million increase from 164.3 million in 2022.

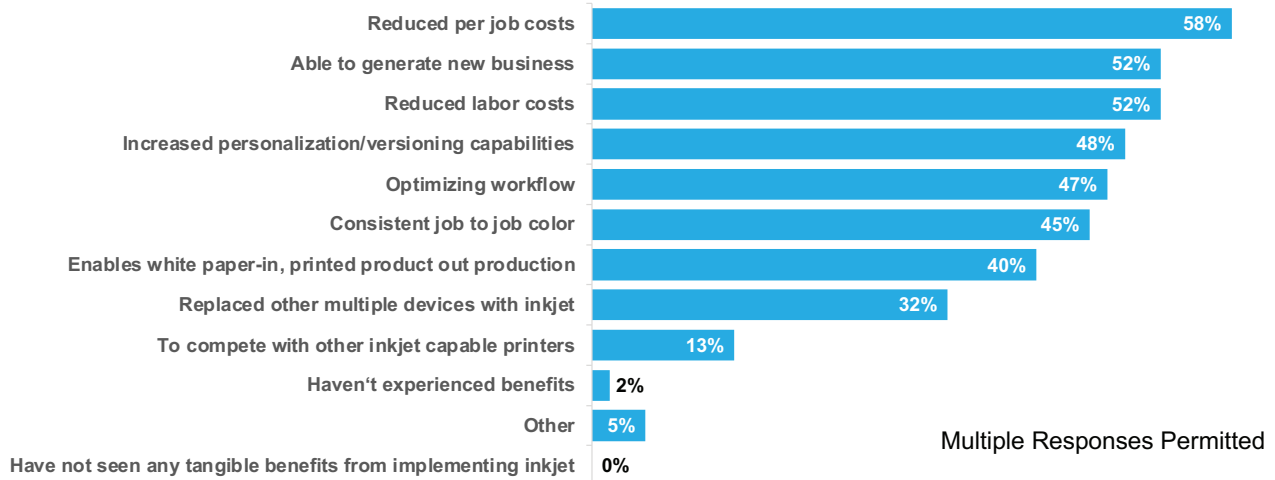
- **Postal rate increases.** [The United States Postal Service raised mail prices six times since March 2021](#)<sup>2</sup>. Increasing postal costs have led organizations to use less direct mail and print providers to look for ways to offset costs and increase response rates.
- **Rising energy costs.** Over two-thirds of PRINTING United Alliance’s State of the Industry survey participants identify increasing energy costs as a major/moderate concern.
- **Increasing regulatory compliance costs.** The obligation of environmental compliance has grown significantly over the last few decades and with that growth has come a substantial rise in the cost to comply. According to a National Bureau of Economic Research working paper<sup>3</sup>, [average regulatory spending for U.S. companies accounts for 1.34% of total wage costs](#).

## Production Inkjet Benefits Support Profitability

As market forces squeeze print providers’ profit margins, production inkjet presses offer benefits that offset costs and increase revenue. Findings from NAPCO Research’s study [The Production Inkjet Application Revolution](#)<sup>4</sup> indicate inkjet presses are enabling print service providers to overcome profitability challenges. **Figure 1** highlights the benefits of production inkjet presses for organizations that operate them. The NAPCO Research study survey respondents that operate production inkjet presses reported lower per job costs, ability to generate new business, lower labor costs, and more personalization/versioning capabilities. These benefits address both sides of the profitability formula – ways to reduce costs and increase revenue.

### Figure 1: Inkjet Offers Benefits

**Q. What benefits, if any, have you seen as a result of adding production inkjet as compared to the systems it was replacing or complementing?**



n=62 respondents that operate production inkjet press(es)  
Source: The Production Inkjet Application Revolution, NAPCO Research 2024

Multiple Responses Permitted



<sup>2</sup>“The Price of Stamps May Well Be Going Up — Again. Get Used To It,” Forbes Advisor, October 2023

<sup>3</sup>“The Cost of Regulatory Compliance in the United States,” Working Paper, National Bureau of Economic Research, November 2022

<sup>4</sup> [The Production Inkjet Application Revolution](#), NAPCO Research, April 2024

In addition to surveying print providers, the NAPCO Research inkjet study incorporated in-depth telephone interviews with organizations operating inkjet presses. Here is a sampling of in-depth interview responses, which are reported anonymously at the request of participants, highlighting the profitability benefits of inkjet:

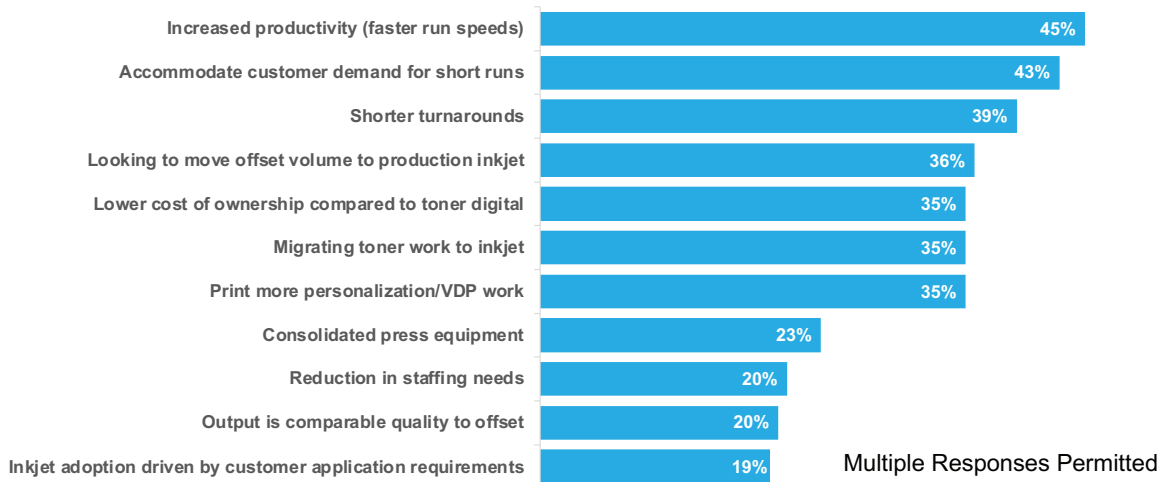
- A general commercial printer with three to five years of experience printing with inkjet said, “Production inkjet presses offer increases in productivity, reduce waste, and don’t need a high level of expertise to operate — it is a challenge to find offset press operators.”
- According to a printer of direct mail, “The inkjet business provides some real adrenaline to our earnings when the inkjets are busy.”
- A commercial printer with direct mail capabilities reported that the productivity from the addition of inkjet enabled his company to eliminate a press shift.

## Reasons for Investing in Inkjet

The top reasons the respondents gave for investing in or planning to invest in a production inkjet press (**Figure 2**) center on increased productivity (45%), meeting customer demands for shorter runs (43%), shorter turnaround (39%), moving offset volume to inkjet (36%), lower cost of ownership compared to toner (35%), migrating toner work to inkjet (35%), and print more personalization/variable data print work (35%).

**Figure 2: Reasons for Investing in Production Inkjet**

**Q. Why has your company invested/investing in production inkjet presses?**



n=143 Respondents that Have or Plan to Add Production Inkjet Presses  
 Source: The Production Inkjet Application Revolution, NAPCO Research 2024



Alternatively, the reasons respondents are not investing in production inkjet presses include current equipment serves their organization’s needs (52%), it is too expensive (40%), high adoption/implementation costs (34%), can’t achieve desired return on investment (31%), and output quality doesn’t meet customer needs (22%).

## Survey Datapoints Point to Profitability

Production inkjet presses can print a variety of applications and expand customer personalization options to help drive sales, while reducing costs through automation, productivity, and ease of operation. According to NAPCO Research’s *The Production Inkjet Application Revolution*, on average, print providers reported their investment in production inkjet yielded a:

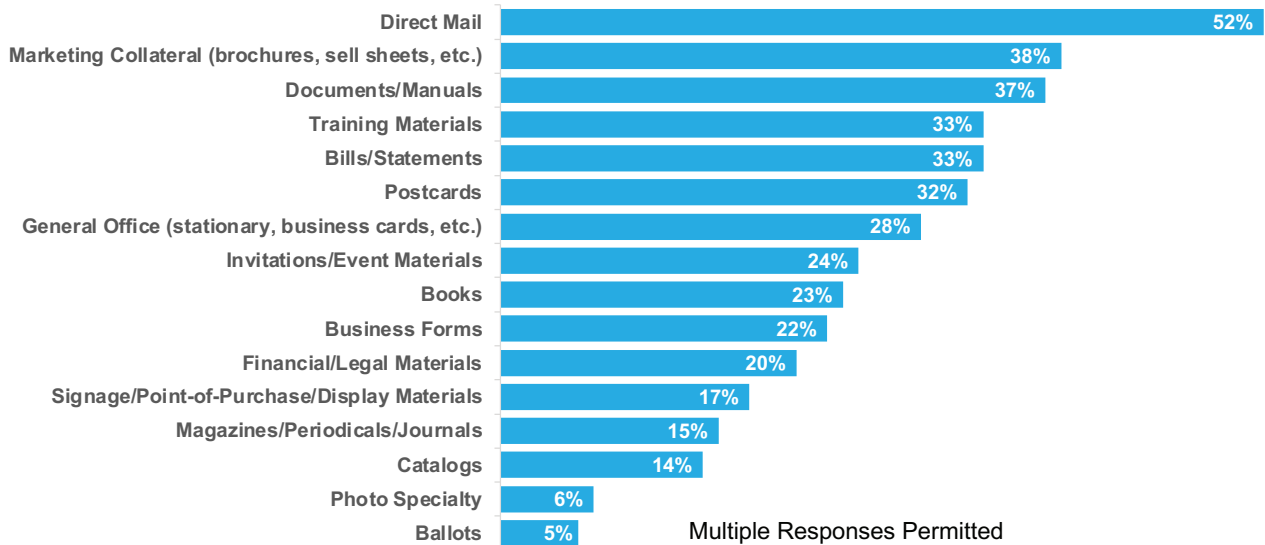
- 3.9% decrease in paper costs/consumption
- 4.9% decrease in production waste
- 1 person decrease in press staff
- 11.8% increase in profits

## Print Work Moving to Production Inkjet Presses

A testament to the value production inkjet presses offer is the wide variety of print applications NAPCO Research survey respondents reported printing on both webfed and sheetfed presses. While early inkjet-printed applications included transactional documents, direct mail, and books, **Figure 3** shows the breadth of applications now produced via inkjet presses.

### Figure 3: Applications Printed Via Inkjet

**Q. Of the applications your organization prints, which ones are printed on production inkjet presses?**



n-95 Print Providers that Operate Inkjet Presses  
Source: The Production Inkjet Application Revolution, NAPCO Research 2024

Direct mail was the top application respondents reported printing on production inkjet presses. Inkjet production enables direct mail printers to buffer against declines in demand because of its ability to print higher-volume versioned and personalized content that can provide a better return-on-investment to customers.

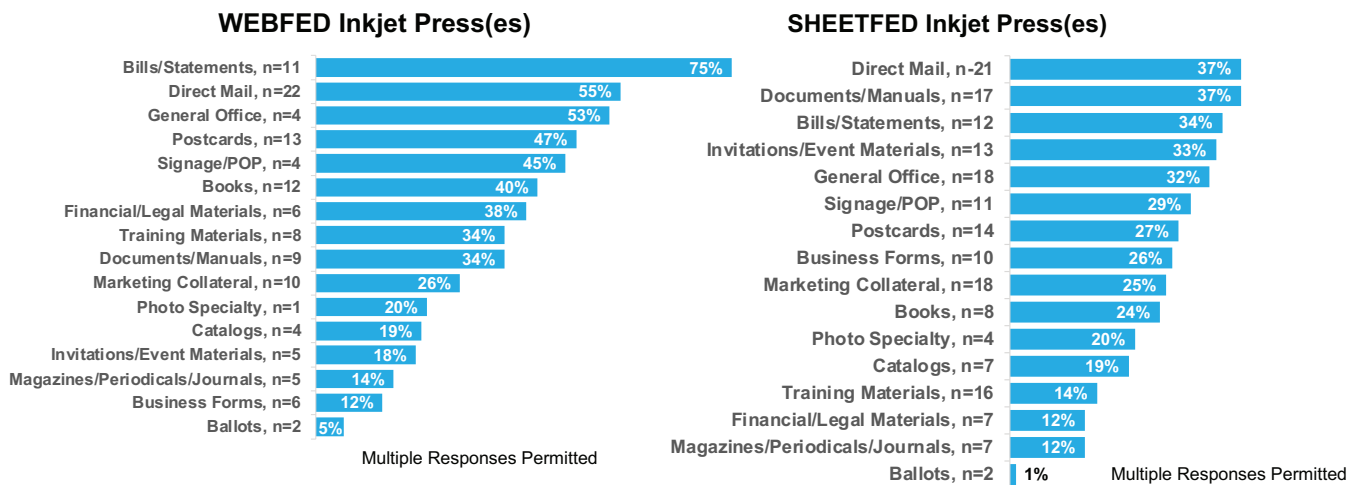
A direct mail printer that participated in an in-depth interview as part of NAPCO Research’s inkjet study indicated that production inkjet presses’ ability to print longer run, personalized direct mail with fast turnaround delivers a great opportunity to his business.

In addition, respondents reported printing a wide mix of applications on inkjet presses, including marketing materials, documents/manuals, training materials, bills/statements, postcards, office stationery, books, publications, catalogs, photo specialty products, and ballots. Study respondents reported that inkjet-printed applications are increasing because of ongoing enhancements in output quality, equipment features, productivity, and substrate capabilities.

By application volume, **Figure 4** shows NAPCO Research survey respondents are printing a mix of applications on both webfed and sheetfed production inkjet presses. While production inkjet adoption across the survey base is still comparatively low, these survey findings demonstrate that print providers are using web and sheetfed inkjet presses to produce all types of print applications.

## Figure 4: Application Volume by Type of Inkjet Press

**Q. Of the applications your organization prints via production inkjet, what percent of each application’s volume is printed on your production ...**



Base=Print Providers that Operate Webfed Inkjet Presses  
 Source: The Production Inkjet Application Revolution,  
 NAPCO Research 2024

Base=Print Providers that Operate Sheetfed Inkjet Presses



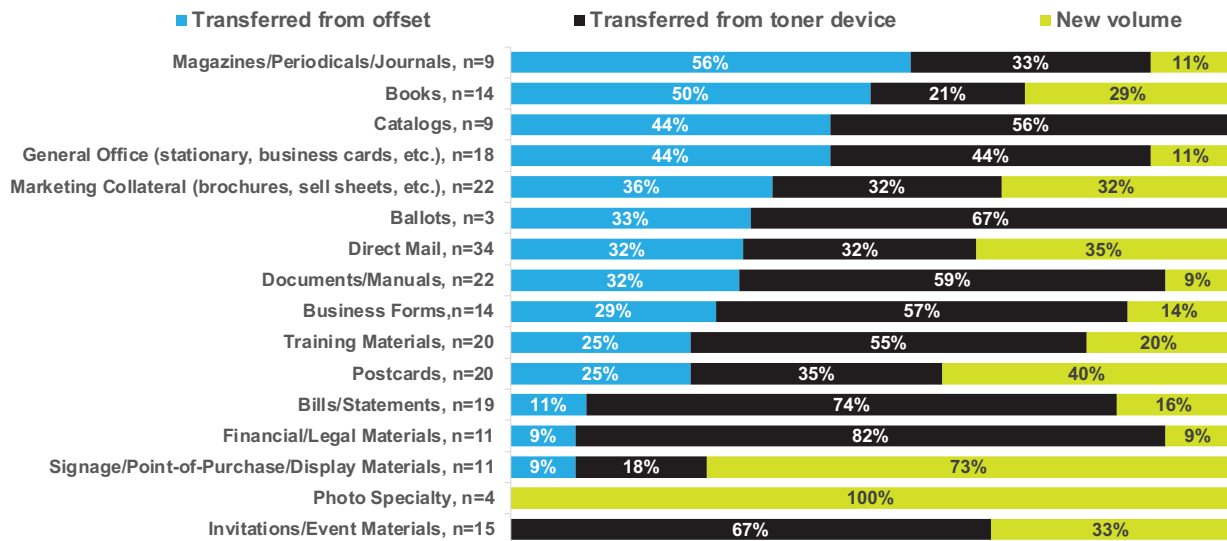
## Why Production Inkjet?

When asked in an open-ended survey question to briefly explain why work was moving to production inkjet presses, respondents to NAPCO Research’s inkjet study wrote in the following verbatim responses:

- “Production inkjet quality is close to or has a greater color gamut than litho.”
- “As quality of inkjet improves, we are finding more uses.”
- “We are working on migrating almost everything to inkjet.”
- “We push every product to inkjet — phasing out offset.”
- “Good fit for print quality and cost.”
- “Inkjet lets us more efficiently produce shorter-run versions without the plate costs.”

In addition, respondents reported that print work is migrating from offset presses and toner devices to inkjet. **Figure 5** shows the sources of volume for the applications respondents are printing on inkjet presses. While offset is still the technology of choice for producing longer-run work, more jobs are migrating to inkjet presses due to declining production costs, increasing substrate availability, growing customer demand for personalization, and a dramatic improvement in quality. Most applications respondents printed on production inkjet presses migrated from toner devices.

**Figure 5: Sources of Volume of Inkjet Printed Applications**  
**Q. For each application you print via inkjet, what has been the PRIMARY source of volume?**



n=65 Print Providers with Production Inkjet  
 Source: NAPCO Research 2024



## Making Print Stronger with Personalization

Print faces competition from other media types. Organizations have many choices for communicating with customers and prospects, promoting, and selling products, and building brand awareness. Personalization of printed materials is a way to strengthen the results print delivers. Producing print that includes messaging customized to recipients typically helps improve effectiveness.

Production inkjet printing offers print customers versioning and personalization capabilities. NAPCO Research's *The Production Inkjet Application Revolution* study surveyed print customers to identify opportunities inkjet printing offers their organization. Overall, 88% of inkjet survey respondents prefer to work with print providers that offer digital printing, while 91% report print is an important communication method for their organizations.

Communication buyers and print purchase influencers were asked: What percent of the print applications you influence or purchase include versioning (e.g., images and text customized to a group of recipients) or dynamic personalization (e.g., images and text customized to an individual recipient)?

**Table 1** shows the percentage of respondents' print applications that are versioned to a group or customized to individual recipients. The data indicates that many print applications include some level of personalization.

### Table 1: Print Customer Trends in Personalization

**Q. What percent of the print applications you influence or purchase include versioning (e.g., images and text customized to a group of recipients) or dynamic personalization (e.g., images and text customized to an individual recipient)?**

APPLICATION	% VERSIONING (TO A GROUP OF RECIPIENTS)	% DYNAMIC VERSIONING (TO AN INDIVIDUAL RECIPIENT)
Photo Specialty Products (n=38)	50%	42%
Postcards (n=54)	43%	37%
Direct Mail (n=118)	39%	37%
Marketing Collateral (n=85)	35%	25%
Newsletters (n=61)	32%	31%
Bills/Statements (n=69)	31%	28%
Ballots (n=9)	30%	26%
Invitations/Event Materials (n=55)	30%	30%
Training Materials (n=56)	29%	28%
General Office Materials (n=92)	29%	25%
Magazines/Periodicals/Journals (n=47)	27%	21%
Catalogs (n=46)	27%	24%
Financial/Legal Materials (n=51)	26%	25%
Business Forms (n=65)	23%	21%
Documents/Manuals (n=78)	23%	20%
Books (n=25)	21%	16%

Base=Communication Buyers and Influencers  
Source: The Production Inkjet Application Revolution, NAPCO Research 2024





## Investment Trends in Inkjet

Market opportunities and challenges have print service providers investing in technology to automate, strengthen print offerings, and grow. These factors make production inkjet a key investment area for commercial printers and in-house printing operations (in-plants). NAPCO Research’s inkjet study asked survey respondents about future press investment plans. **Table 2** summarizes all survey respondents’ press investment plans, segmented by commercial printers and in-plants. Of those commercial printers planning to invest in a printing press within the next two years, inkjet presses topped investment plans. In addition, in-plant print respondents reported substantial plans to add inkjet presses.

**Table 2: Press Equipment Investment Plans Overall Favor Inkjet**

**Q. Are you planning to invest in any of the following printing presses within the next 2 years?**

	ALL COMMERCIAL PRINTERS n=159	ALL IN-PLANT n=60
Not planning to invest in printing presses within the next 2 years	30%	45%
Webfed Digital inkjet up to 22"	13%	10%
Sheetfed Digital inkjet B2	13%	5%
Sheetfed Digital toner/LEP A3/SRA3	10%	20%
Sheetfed Digital inkjet A3/SRA3	9%	18%
Webfed Digital inkjet 30" to 42"	7%	0%
Sheetfed Digital inkjet B1	6%	5%
Sheetfed Digital toner/LEP sheetfed B2	6%	5%
Sheetfed Offset A3/SRA3	3%	0%
Sheetfed Offset B1 (8up)	2%	2%
Webfed Digital inkjet 42"+	1%	0%
Offset web 30" to 40"	1%	0%
Webfed Digital toner/LEP	1%	0%
Offset web 40"	1%	0%
Sheetfed Offset B2+ (6up)	1%	2%
Offset web 20.5"	0%	0%
Sheetfed Offset B2 (4up)	0%	2%

Source: *The Production Inkjet Application Revolution*, NAPCO Research 2024



The research findings in **Table 2** point to the benefits production inkjet presses offer print providers. A general commercial printer with production inkjet participating in an anonymous NAPCO Research in-depth interview, summed up his view on the importance of investing in production inkjet and its implications on profitability as follows, “If you don’t invest in inkjet, you won’t be in the print business in the next 10 years. If you want to remain in the printing business, you need to invest in production inkjet, it is the industry’s future. Production inkjet presses offer increases in productivity, reduced waste, and don’t need a high-level of expertise to operate — it is a challenge to find offset press operators.”

## Final Thoughts

Production inkjet offers cost and revenue benefits to support print providers in addressing revenue threats and challenges. Research findings from NAPCO Research's study make a solid case for how production inkjet can help strengthen print provider's revenue and profitability. In summary, production inkjet offers the following benefits.:

- **Decreases job costs via less production waste.** Production inkjet offers cost efficiencies in an environment where rising labor and paper costs are driving demand for shorter runs, more versioning, and relevant marketing/communication messaging.
- **Reduces labor requirements.** Because inkjet presses are more automated and operators don't require years of training to operate, organizations can train staff to operate presses. In addition, the productivity and ease of operation of inkjet presses helps reduce labor needs.
- **Sales growth through personalization.** Print buyers demand results on their communication investments and inkjet offers print service providers the opportunity to offer affordable personalization and higher value work.

As print service providers face new and ongoing profitability challenges, production inkjet's ability to help reduce operating costs and expand sales can strengthen profit margins. NAPCO Research's inkjet survey research reveals that print providers that added production inkjet into their production mix are experiencing solid results, including decreases in costs, higher productivity, new business, and increases in profitability.



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# WHO WE ARE

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The logo for NAPCO RESEARCH, featuring a blue circle with a white dot inside, followed by the text "NAPCO RESEARCH" in a bold, blue, sans-serif font.

NAPCO Research crafts custom data-centric solutions that leverage our highly engaged audiences across the markets in which we operate, our industry subject matter experts and in-house research expertise. We partner with our clients to identify their unique business problem and create solutions that enable deeply informed decision-making.

NAPCO Research can help with:

- Business goal prioritization
- Opportunity discovery
- Market segmentation
- Landscape insight
- User needs and wants
- Product features and functionality
- Content marketing strategy
- Sales strategy and tactics
- Market conditions
- Benchmarking
- Industry trends
- Brand awareness

Contact [research@napco.com](mailto:research@napco.com) to talk with our analysts to find out how we can help you with your research needs.



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At Canon Solutions America, our mission is to improve workflow efficiency and document processes for organizations of all sizes and industries. We demonstrate this mission by earning the No. 1 position in total inkjet market share, both in the U.S. and worldwide, and also lead market share for web-fed inkjet. Through our cutting-edge technologies and media support, we know that no matter the application, we'll have your solution. Canon prides itself on bringing innovative inkjet solutions to market and supporting those solutions with robust customer training and a renowned reputation for 24/7 service and support.

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