The Stationers' Company

European Digital Media Landscape to 2020

The Future of Paper & Print 2
(Executive Summary)

An updated forecast report by

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and

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The paper industry forecasts were devised by Martin Glass, EMGE & Co. Ltd.

Acknowledgements

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THE STATIONERS' PREFACE

Five years ago the Stationers' Company produced its first research report into the future of paper and print in the digital age. The findings of that report, although doubted by many, proved to be one of the most accurate projections of how the market would develop over the following five years – though even our report understated the subsequent rate of the decline in paper use.

So five years on, what will happen now? And when will that decline bottom out to the new reality?

Two things are for certain: paper will not disappear as one of the most powerful and appreciated means of communicating thoughts, intelligence, creativity and marketing messages. At the same time the development at bewildering speed of digital media, digital applications and disruptive solutions generally will continue.

European Digital Media Landscape to 2020, with the subtitle the Future of Paper & Print 2, was launched at a Stationers' Hall seminar on 30 June 2014. It was followed by the presentation of the first Stationers' Innovation Excellence Awards acknowledging how companies from publishing to print, paper to packaging and office supplies are innovating and adapting as disruptive technology is adopted for the amazing opportunities it offers. We hope this report will contribute to that process with the predictions, rationalisation and clarity of vision it presents.

The Steering Group for the project, on behalf of the Stationers' Company, would like to thank our two consultants, Martin Glass of EMGE and Jim Bilton of Wessenden Marketing, for their dedication to producing a report which has already attracted considerable industry and media interest.

We would like to thank all those who contributed to research for this report including Mike Waterson, Bob Latham, Chris Llewellyn, Richard Mollett, Scott Barclay and many others. Those who have given marketing support, including Martyn Eustace, Di Thompson, Petra Diener of Newfield IT and Deborah Rae, Communications Manager of the Stationers' Company. We thank Peter Day, long time presenter of BBC Radio 4 In Business, and our speakers Mark Wood, Future Publishing, Ian Allan, Polestar, and Scott Barclay, PaperlinX, for their support in launching this report.

And our special thanks go to PaperlinX, Newfield IT and the Paper and Board Association who, through their sponsorship and support, made production of this report possible.

PaperlinX NewField IT P&BA

Stationers' Company Project Steering Group

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The Worshipful Company of Stationers and Newspaper Makers

30 June 2014

About the Worshipful Company of Stationers and Newspaper Makers

The Stationers' Company is the City of London Livery Company for the Communications and Content industries.

The Company's mission is to be the most effective independent forum in these industries, actively contributing to their strategic development, success and education.

Building on 600 years of service to these fast changing industries, the Company continues to forge a link from the past to the future. It has over 800 members, the vast majority of whom are senior executives in the complete range of trades within the communications and content sectors, covering paper, print, publishing, packaging, office products, newspapers, broadcasting and online media. Membership is drawn from across the UK and increasingly throughout the world and now includes major companies as well as individual members.

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About Martin Glass, EMGE & Co. Ltd.

Martin Glass, MSc. is a leading market research consultant in the Paper Industry, specialising in coated, uncoated and newsprint paper markets and is head of the Market Consulting firm EMGE & Co. Ltd.

Founded by Martin Glass in 1993, the EMGE operations comprise a core team of people based in Cornwall UK, supplemented by a comprehensive network of industry specialists, qualified interviewers, researchers and freelance associates located in various locations around the globe.

EMGE produces forecasts and research information through multi-client reports, individual project assignments, market research, commissioned surveys and specific market sector reports. EMGE publishes a regular series of market reports and forecasts, focussing on the global graphic paper sector.

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About Jim Bilton, Wessenden Marketing

Jim Bilton is the Managing Director of Wessenden Marketing and Brandlab Research. He has held a variety of roles in the publishing, research and distribution industries. Those roles covered sales, marketing, business planning, logistics, research and general management.

Wessenden Marketing was founded in 1992 by Jim Bilton and it operates in four main areas:

- PUBLISHING. Newsletters & reports analysing the trends & developments in the media business.
- CONSULTANCY. From quick Health Checks through to long-term contract management.
- RESEARCH. From desk research through reader questionnaires on to in-store shopper surveys; from B2B through to the consumer.
- TRAINING. A series of marketing workshops, both public and tailored for individual clients.

Brandlab is a division of Wessenden Marketing. It is a specialist consumer research company which concentrates on the "buying decision" and the motivations that lie behind the purchase, looking at the product's brand values and the shopping environment, both in-store and online, where the purchase is actually made. Clients include major companies within media, logistics, retailing, direct marketing and merchant banking in the UK, France, Belgium, Italy, Norway, Australia and USA.

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EXECUTIVE SUMMARY

PRINT IS HAVING TO REINVENT ITSELF IN A DIGITAL FIRST UNIVERSE

Since the financial crisis in 2008 and the ensuing economic recession of 2009, the Western European economies have experienced severe austerity, while at the same time the so-called Digital economy has widened its influence throughout society.

The impact on Paper demand has been profound. Since 2008, consumption of Graphic Paper in Western Europe fell to a level of just 88% within 2 years, equivalent to an average annual decline in paper demand between 2008 and 2010 of -6.2% pa.

At that point, in 2010, the dire economic position led to a major strategic response from the European Union (EU), which was presented as a series of initiatives from the EU to Promote and Encourage the Digital Society. In its paper "EUROPE 2020: A strategy for smart, sustainable and inclusive growth", the EU established a "A Digital Agenda for Europe", which outlined a policy to promote and develop all aspects of the Digital economy. The EU sees these as resulting in "missed opportunities in addressing societal challenges", which it considers require policy issues to address: climate change and other pressures on our environment, an ageing population and rising health costs, developing more efficient public services and integrating people with disabilities, digitising Europe's cultural heritage and making it available to this and future generations, etc.

On top of this, it has to be noted that the burden of government debt and negative public spending deficits across most of Western Europe will continue to be a dominant, restrictive force for policy-makers, investments, savings and the general economic development future of the whole continent.

Since 2010, economic pressures have not abated and across all sectors of society, paper usage which inhibits efficiency is being cut dramatically, much of which has been enabled by new Digital Technologies, such as the Internet (especially email), Browsing (especially search), Digital Documents (in particular PDF files).

However, recently, Digital technologies have taken a new leap forward into the Mobile era, with rapid uptake of Smartphones and Tablets, across Western Europe. Cisco forecast that Mobile Internet traffic will increase over 60% pa compound between 2013 and 2018.

Consequently, Consumer habits are changing dramatically as the result of the Digital and now Mobile Digital revolution, typified by mobile internet and social networking.

These trends are combining with advanced computing techniques, cloud-based storage and so-called "big data" information banks. Together, these are leading to new, often novel ways for marketers to engage with their audiences, and all of this is opening up a new era of marketing that is starting to unfold across all societies around the world.

The media world is entering a new Digital phase. We examine these issues in detail in this report – "European Digital Media Landscape to 2020 – The Future of Paper and Print 2".

The Digital Media Landscape

The competition and substitution of paper-based media with digital media continues and many of the developments predicted in the original 2008/9 Stationers report (FoP1) have come true, in particular the onset of long-term decline of paper demand.

A new era in the Digital Media Landscape is starting to take shape.

It is clear that the Digital Media Landscape is changing rapidly and, compared to say 5 years ago, although many the original issues remain the same, many other new ones have come to the fore.

We have already seen the shift in communications from Paper post to Email and the transition from Print to (Search) Digital Media in Classified Advertising, but the new trends will expand such developments into Display Advertising (especially Smartphones and Tablets) and new areas such as Interactive Relationship Marketing (eg social networks).

In such circumstances, in addition to the traditional concepts of growth and decline, the potential for disruption to traditional media is very high (not just paper, but all media, including television).

A new era in the Digital Media Landscape is starting to take shape.

Much of this will be due to the rapid and widespread uptake of Mobile Digital Media, Social Networks and the like. As a result of Mobile Media, access to Internet/Digital communications is developing into a new form – "everything, everywhere, anytime – all of the time".

Combined with advanced computer power and large databases (Big Data), companies are on the threshold of a new era of marketing.

One of the key differences between the current assessment of Digital Media and the ones from the past is that the success of the Digital Media is going to be defined more in terms of consumer behaviour and usage, more than the technology and gadgets themselves. Hardware technology trends have already become firmly established, with widespread uptake of devices, including desktop PC's, laptops, smartphones and tablets as well as TVs, gaming consoles, DVD players etc.

Households are no longer solo-device centric (eg Television, or PC/Internet or...), but are a multitude of platforms, all available and used simultaneously. For example, there is hardly anyone who owns a tablet that does not own a smartphone too. While almost every household has a television, they also have internet, tablets, smartphones and more.

As users become multi-device owners, the single dimensional world of one media versus another is developing into a multi-dimensional media world, where consumers use several media platforms simultaneously. People watching television, generally have mobile phones, smartphones, catalogues, magazines and newspapers all available at the same time.

This represents a new challenge to Marketers.

Consequently, consumer habits are expected to change dramatically, as a result of the Mobile revolution. Digital is no longer fixed. Shoppers increasingly use their smartphones for price and product information when shopping in retail stores, while product/brand information on social media Mobile pages are driving consumers to look for more information, on both digital and paper.

The net result is that the future for Media will be defined by changes in Marketing Strategies, rather than changes in device placement and product penetration. We call this,
"the shift from Products to Markets".

Clearly, new digital devices are being launched at a rapid rate and for many uptake is potentially universal, but in a multi-device world, getting at the consumer will be the issue, especially when the correct and appropriate route can be highly powerful. The old silos are collapsing of Print vs Digital media, Newspapers vs Magazines vs Television vs Internet vs Mobile etc etc.

At the same time, investment into these new marketing techniques will come at the expense of traditional media (paper certainly, but in some cases television and other media too).

The Durability of Print

Even though this development is recent and likely to be more rapid than anything we have witnessed before, it will still take several years for the impact of Digital media to be fully established.

> In a Digital world, where everything gets broken down into momentary bite-sized snippets, deeper engagement becomes an illusive and valuable rarity.
>
> *Martin Glass, EMGE & Co.*

Meanwhile, the need for Print in an increasingly Digital world is starting to become more clear.

Print will remain in demand, albeit at a lower level than before, and paper demand will continue to decline in Western Europe in the coming years. But, all is not dead for Paper, despite all the rhetoric from the Digital world.

Print has a unique ability to engage readers and keep their attention, something increasingly rare and valuable, in a digital world where everything is being broken down into bit-sized snippets.

Although Paper-based media in general are expected to suffer significantly due to substitution from Digital and Mobile platforms, paper and print will be recognised for their power to support advertisers and marketers, for example by driving consumers to Digital Media (and even visa versa).

Yet the routes to consumer will be even more difficult to establish and illusive to find, among the increasingly wider choice and usage in the new Mobile Digital media.

So, not all of the impact for Mobile media will be against paper, but against other digital and electronic media platforms, including television, PC's, gaming consoles, DVD players etc. Some will be completely new choices, such as Social Media, while legacy media, including paper/print will be negatively affected.

The outcome will be a greater emphasis on a multi-channel approach to marketing, better evaluation of performance and a more dynamic and re-structured advertising universe.

Cross-media marketing will be increasingly essential, as Dominic Proctor, President, Group-M/WPP Media Agencies Worldwide said recently - *"Digital Alone does not Build Brands"*.

Metrics

A key part of the new Marketing strategies will be the use and success of Metrics, measured against de-personalised personal data. The advent of highly specific, targeted and immediate information about the habits and behaviour of individuals is generating a new opportunity for marketers to identify audiences.

This is a brand new opportunity for Marketing, but a difficult one for all but a few, due to the high investment costs required. The concepts of programmatic (automated) and real-time buying of advertising are starting to emerge strongly.

However, use of the data will not be the same as data collection. Social Media and Internet usage will be the mainstay of data collection. We expect to see a rapid growth and shift to Mobile media spending for consumer information, metrics and analytics.

But, the choice of media investment will be much more widely dispersed, for targeting and promoting, as a new Digital media world unfolds.

New advertising and promotional opportunities are arising, including numerous examples on Print. These opportunities will benefit all media sectors - publishing and non-publishing / print and non-print.

The outcome for Marketing and Advertising will be revolutionary.

In all probability, this technological revolution in Marketing data could end the general decline in Advertising Expenditure (relative to GDP) and even lead to a new era of growth in total advertising spend – this would reverse previous trends over the past five or more years, when the Advertising Expenditure to GDP ratio has declined.

7 Mega-Trends

The central theme of the modern Digital Landscape is that communication users and consumers of media across the whole of society expect ""Everything, Everywhere, at Anytime, All the time".

MegaTrend 1: The growth of mobile technology

The growth of Mobile technology, especially smartphones and tablets, enables users and suppliers of information to access the internet etc almost anywhere.

MegaTrend 2: The growth of social media

The rapid explosion of Social Media, largely based on Mobile technology (especially Smartphones), has been an unprecedented phenomenon, becoming for many an essential adjunct to almost every aspect of daily life. Social Media, along with other Mobile Internet activities provides marketers with a rich feeding ground for information on the consumption interests of individuals, like never before. In addition, Social Media represent a new, novel way to communicate with consumers by engaging interactively and disseminate messages.

MegaTrend 3: Personalisation & fragmentation

Data on individuals is being collected at an unprecedented rate, leading to Big Data resources, which can provide accurate targeting information, sometimes in real-time. Fragmentation of audiences is reaching a new phase, resulting in the ultimate goal – a market of one.

MegaTrend 4: The digital whirlpool

The impact of Digital Media on Paper and Print is more complicated than ever before. The outcome is a Digital Whirlpool, which we see as having Four Currents for consumption, all running in parallel: | Digital pure play |Print migrating into digital |Digital working with print | Digital backing into print.

As the Digital Media mature, Print will find new, good applications too.

MegaTrend 5: The blurring of old boundaries

The convergence of technologies, communications, social activity etc etc is leading to a world without clear segmentation. For Media, the old silos are under threat, with everything driven by data and automated communications.

MegaTrend 6: Value the new constant

Consumer behaviour which is now much more driven by "value for money" and "smart consumption." , which has become a new and permanent feature of both consumer and B2B markets. Consumers are increasingly expecting it all, now...Product Quality + Customer Service + Value-for-Money + Convenience.

MegaTrend 7: The back-end is as important as the front end

The "back-end" is changing just as rapidly as the "front-end" and front-office and back-office issues now overlap and affect each other. The most fundamental being how people pay for the products they consume, whether digital or print, and who enables that payment, but there are many other issues resulting in profound changes in organisational structures, processes and skills.

From Print-First to Digital-First

These seven Mega-Trends, then, describe the transition of Print Media in the current Digital Landscape.

The markets are in a process of transition, from "Print-First" to "Digital-First".

Before 2000, not only was Print the largest advertising medium, accounting for almost 2/3rd of all advertising expenditures, it was also the most essential medium for communication. Almost everyone had to use print, in some manner, often as the primary means.

Since then, the position of Digital for communications and advertising has increased. Today, in Western Europe, the size of Internet Advertising is equal to Advertising spend in Newspaper and Magazine combined.

Moreover, Digital has become the most essential medium for communication. It is now the most used medium, especially among the younger generations. Every business has to have a website and almost everyone uses the Internet in some manner, often as the primary means of communication. Today, most people who own smartphones and tablets keep these devices within 1 metre from their person, everywhere they go, throughout the day.

The future of paper and print will be determined by how they reinvent themselves in a Digital First universe.

The result is that the advertising and communications markets, and the whole of society, are in a process of transition, from "Print-First" to "Digital-First".

But, this process of transition is not just a matter of moving simply from Print to Digital, it is much more complex.

During the current decade (2010 to 2020), the whole media sector is experiencing a maelstrom of change, which we call the "Digital Whirlpool".

Inside the Whirlpool, Paper Media and Digital Media mix, crossover, substitute and interleave in a complex, non-linear manner.

To many, especially those who do not understand the power of Print, they see Paper in this whirlpool swirling down the drain, like toilet paper. However, reality is very different; a modern paperless society is about as useful as a paperless toilet.

Instead of being washed away totally, usage of print continues, but it is being dispersed. Eventually, Print will reform and reappear in a different, new and sometimes novel manner.

The future of Paper and Print will be determined by how they reinvent themselves in a Digital-First universe.

Beyond 2020

Ultimately, but not before 2020, a new long-term trend will develop.

We see the above as the final steps in the establishment of Digital media as the primary medium and the shift from Print-First to Digital-First.

The most significant step, recently, is the advent of Mobile Digital, which was something only starting to develop at the time of the previous Future of Paper and Print report in 2008/9.

By the end of the decade (i.e. by 2020), we expect most of the substitution effects between Digital and Print will have taken place.

Importantly, regarding Digital Media, we do not foresee another big technological revolution ahead (like the Internet itself, Broadband, Mobile Internet, Social Networks and Cloud).

The technological development into Digital will continue, but now seems to be "more of the same" and "variations on the theme" rather than the dramatic and disruptive developments we have seen, almost constantly, over the past 15 or more years.

The convergence of Digital technology and Display technology has already occurred, with the prime example being LCD and E-paper Tablets (eg Smartphones and Tablets), so the final step in substitution between paper and electronic devices is already in place.

We can expect better screens, new interaction modes (gestures, optical recognition, augmented reality, goggles etc), but many of the new technological developments on the horizon (such as Digital Video and Smart TVs) are as likely to affect other Digital and Electronic Media as much, if not more, than paper.

Without another new, major technological (or other) disruption, longer term, then, we envisage a world beyond 2020, where print usage is established in a new Digital Media universe. Where paper is recognised more for its unique benefits, as opposed to its current, vulnerable position as the target for all Digital media to attack.

Mega-Challenges – The Final Page

Among all this, we set out some considerable challenges for the paper and print sectors:

1. ***How can the Paper and Print sector accept and embrace the Digital Media ?***
2. ***Can the industry learn more about the Digital sector, more than the Digital sector knows about Paper and Print, and use that to its advantage ?***
3. ***How can the industry establish the value of Paper and Print, in a world increasingly dominated by Digital Media ?***
4. ***How will Print reinvent itself in a Digital-First world ?***
5. ***How can the industry be successful with its innovation and creativity ?***