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## Latest Survey Reveals Resilient Industry Despite Significant Declines in 2020 Sales

By John C. Stewart, Executive Director, NPRC

Despite dramatic declines in quarterly sales (both actual and projected), printers participating in NPRC's latest Covid-19 industry survey appeared to indicate they are holding their own, at least as compared to many other industries.

We also noticed that while the industry has been forced to tighten its belt and make major changes in daily operations, we did notice a "ray of optimism" in terms of how printers are handling accounts payable, especially in light severe belt-tightening in the industry. **(See question #21 summary near the end of this report.)**

Approximately 89% of our survey participants indicate they are either "back to normal" or open under modified hours of operation, with only 11% telling us they remain "closed to the public."



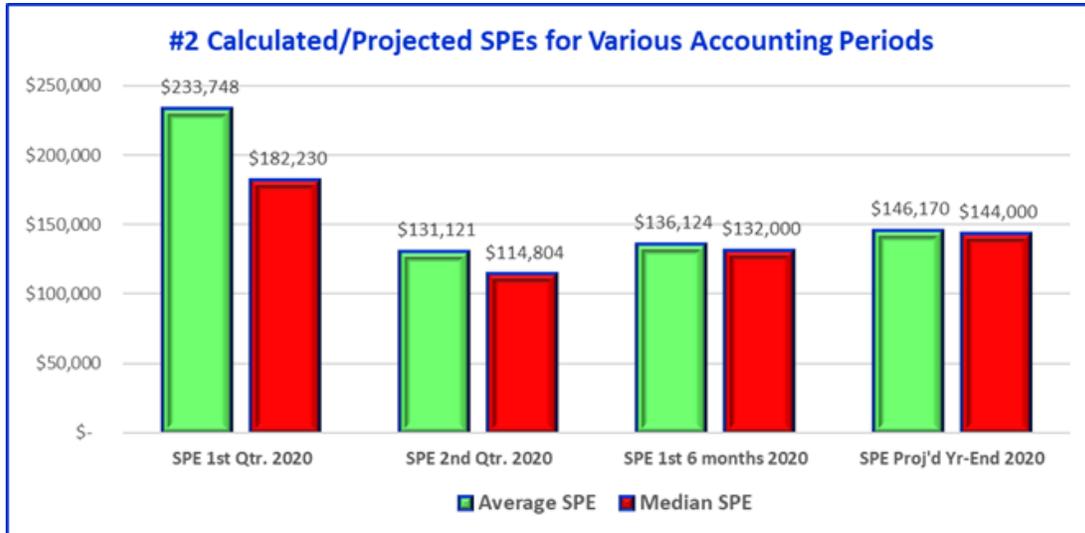
### Dramatic Decline in SPE

With the dramatic decline in sales beginning in early March 2020, it is no surprise that sales per employee took an even harder hit due to the delayed reaction by most printers as to how they would handle staffing issues.

The chart below illustrates the dramatic decline in sales per employee as first calculated for Jan-Mar. 2020 and then for subsequent periods. Notice the dramatic 44% decline in average SPE between the 1<sup>st</sup> quarter and the 2<sup>nd</sup> quarter.

While the 1<sup>st</sup> quarter SPEs might be considered somewhat “optimistic” in terms of national averages reported in the past, the SPEs reported for the remaining three time-frames are indicative of a troubled industry in the making if they continue into 2021.

Generally speaking, SPEs are indicative of relative degrees of productivity and there is little doubt that Covid-19 had directly and indirectly impacted productivity. We suspect it will be 12-18 months at minimum before we see a return to better SPEs.



A special note as to our SPE calculations. The above data is most useful and informative when examined within its own framework, and NOT compared to other industry reports or databases. Due to limitations encountered when we gather our survey data, the SPE above should not necessarily be compared to national SPE numbers. Nonetheless, the periodic changes are reliable in terms of the time frames noted.

### Summary of Survey Questions #4 - #24

The following provides the answers and accompanying charts for survey questions #4 - #24.

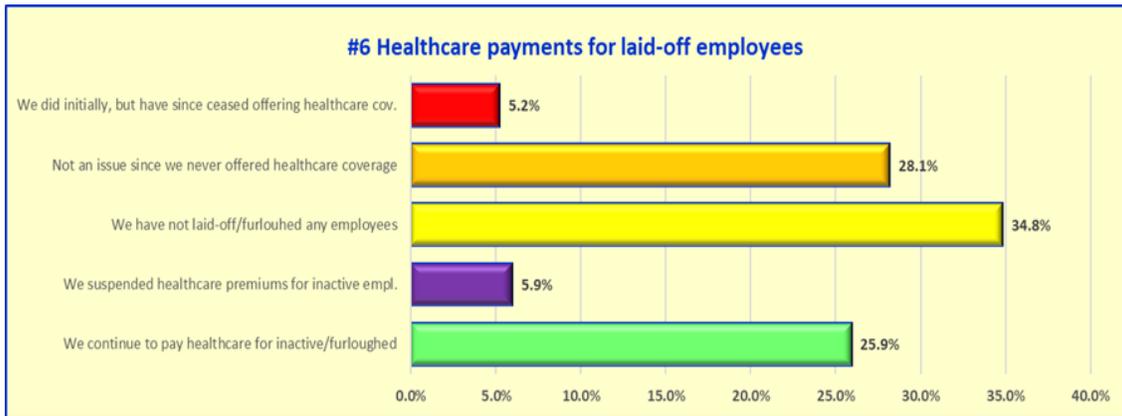
**#4 – Currently Employed** – What percent of your current work force is working at your retail or production facility as opposed to those working at home (as of July 10, 2020):

**Average: 92%**  
**Median: 100%**

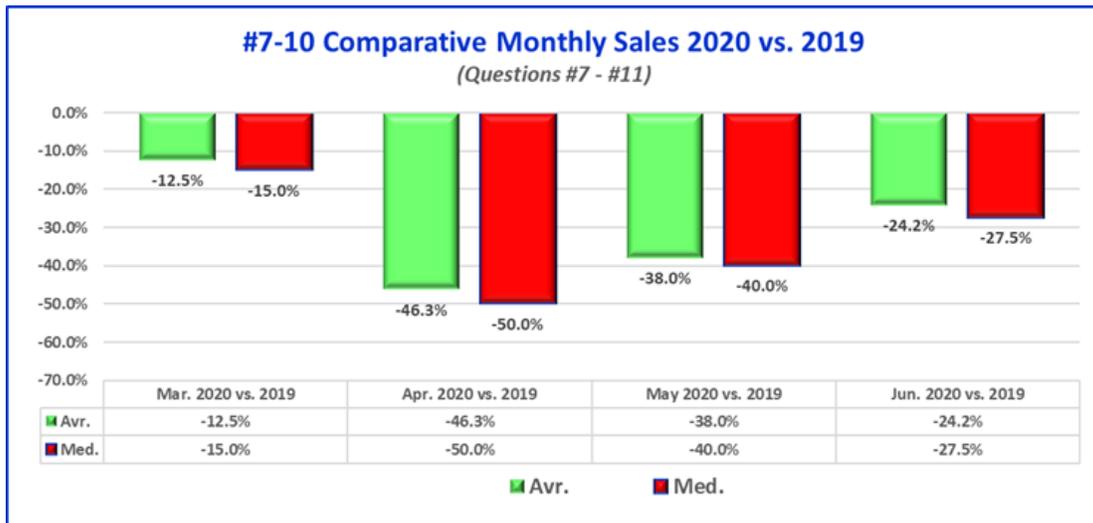
**#5 – Employed Today vs. Mar. 1, 2020** – Please estimate as accurately as possible the percent of employees (FT & PT equivalents) employed today as compared to those working on March, 1, 2020. What percent of your current work force is working at your retail or production facility as opposed to those working at home (as of July 10, 2020):

**Average: 80%**  
**Median: 90%**

**# 6 – Healthcare payments for laid-off employees** – If you paid-off or furloughed one or more employees during the Mar. 1- July 1 time frame, how are you handling payments regarding individual healthcare? (See chart below)



**#7 - #10 Comparative Sales Data** for various periods of 2020 as compared to 2019:



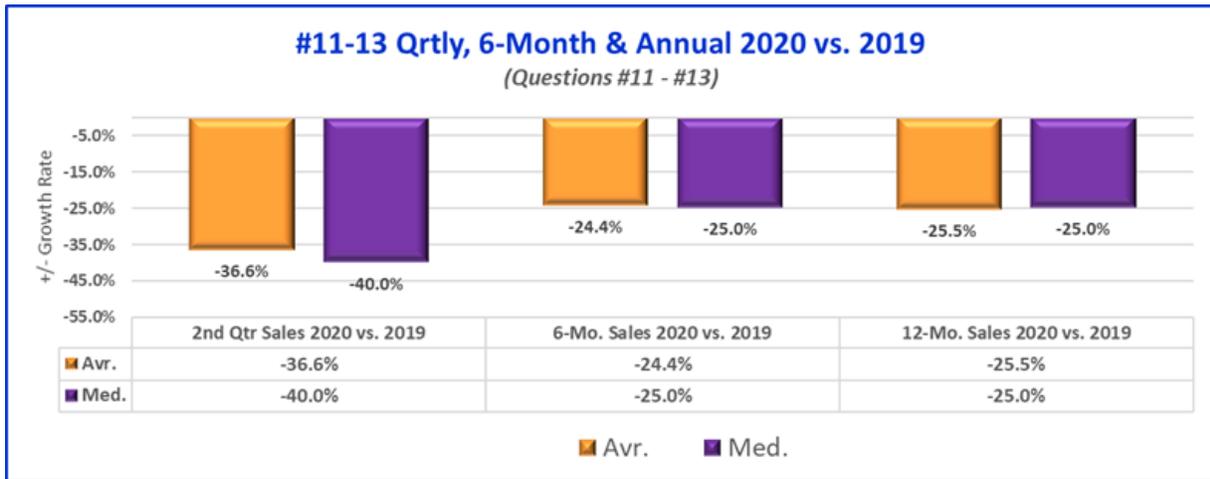
This graph dramatically illustrates the impact that Covid-19 when comparing specific 2020 sales periods to one year prior. The graph illustrates the dramatic free-fall that the industry experienced when it transitioned from a modestly impacted March 2020 into April 2020, and the months that followed.

While March sales were already indicating the impact of the pandemic, nothing seemed to prepare the industry for what would happen in the following three months, especially in April.

Note that April 2020 sales, compare to April 2019, took a huge hit with an average decline in sales of -46% and an almost identical median decline of -50%.

**#11 - #13 Covid-19 Impact on Quarterly Sales** – The graph below depicts reported sales performance for the indicated time-frames. Once again, the dramatic decline in April – May 2020 sales is apparent, with the average decline compared to 12 months prior is almost 37%, with the median decline of 40%.

Although the industry appears to have recovered somewhat, there is no clear trend in the data that indicates will recover anytime soon, certainly not in the next 12-18 months. This is not only reflected in projected 12-month sales, but also in the industry’s overall confidence level as expressed in question #18 below.



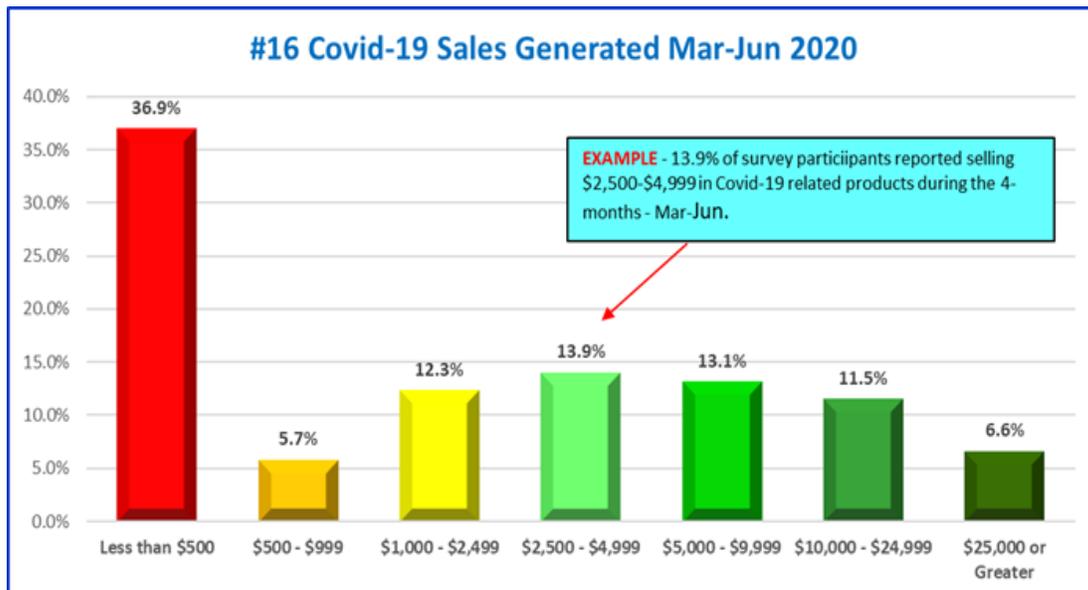
**#14 Covid-19 Impact on Digital Copy Volume** – As a result of Covid-19, please estimate the impact it has had on your overall volume of digital color copies in the past 90 days (April – June 2020)

**Average: -8.0%**  
**Median: -25.0%**

**#15 Covid-19 Impact on Brokered/Subcontracted Sales** – As a result of Covid-19, please estimate the impact (if any) it has had on your brokered or subcontracted sales?

**Average: 10.0%**  
**Median: -5.0%**

**#16 Covid-19 Sales Generated** – Some firms have turned to marketing & selling Covid-19 related products (gloves, masks, sanitizers & dispensers, specialty signs, etc.) to supplement existing sales. Please indicate the total \$\$\$ sales (if any) for these or similar products that you have experienced for the period May 1 – July 1, 2020 (4 months):

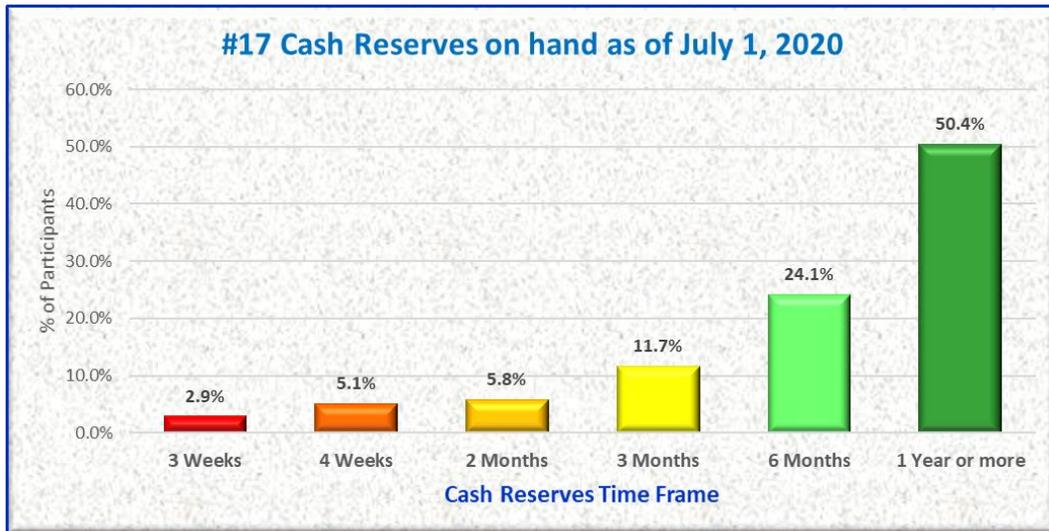


Although a small percentage of firms seemed poised to capitalize on Covid-generated sales, most firms appear to have ended up with little to show in terms of monthly sales, with the average firm reporting specialized Covid-19 monthly product sales in the \$700 - \$1,200 range.

### #17 Cash Reserves

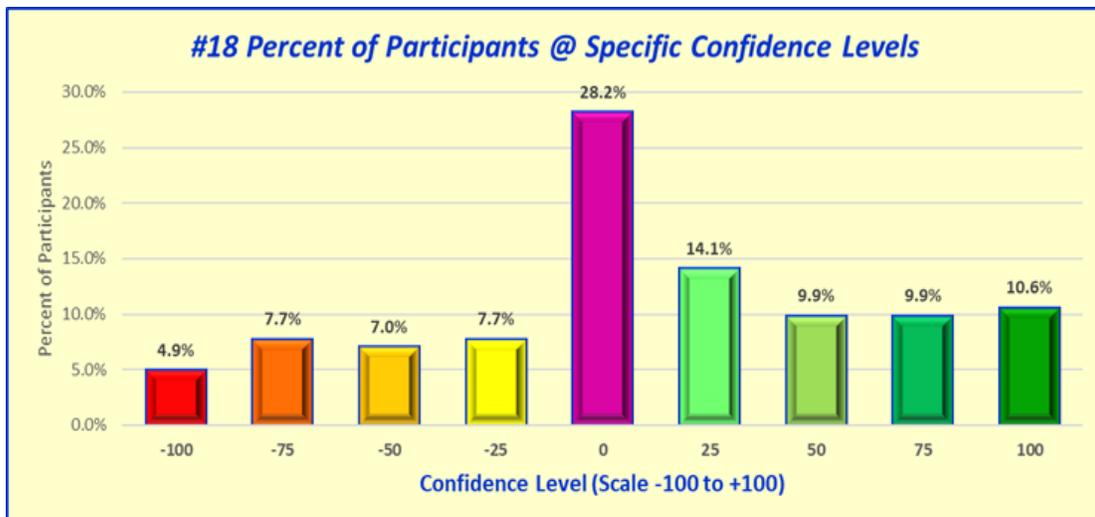
Asked about cash reserves, 24% of those surveyed say they have enough reserves to last at least six months, while an additional 50% say they can last one year or more.

Despite healthy cash reserves reported by many printers, monthly and quarterly sales are reportedly down 24-25% with no signs that this picture will return any time soon. In fact, when asked about their “confidence level” that the economy will return to normalcy by July 2021 was only 50-50.



In fact, approximately 27% of our respondents indicated they had little confidence things would be back to normal, even 12-months from now! (See Chart #18)

**#18 Confidence Level** – Taking into account tht has transpired in the past four months (March – June), how would you rate your confidence level that your business will be somewhat “back to normal” or better by July 2021?

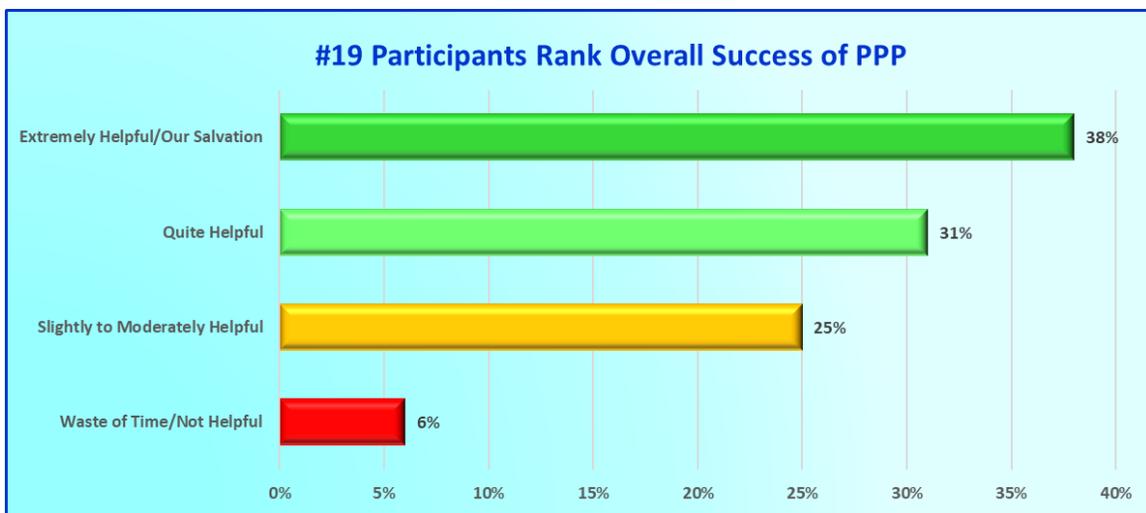


The scale used for this question was slightly different than most scales and deserves an explanation. The scale used ranged from -100 on the left and was labeled “*very doubtful*”, 0 in the center (labeled “*About 50/50*”) to +100 on the far right and it was further labeled as “*Extremely Confident.*”

Thus, the 28.2% shown above also happened to be in the precise middle of our scale and indicated to us that 28% of our survey participants believed there is about a 50-50 chance that their business would be “back to normal” by July 2021. Approximately 27.4% of participants indicated they were pessimistic and doubtful to one degree or another that things would return to “normal” by July 2021.

**#19 Benefiting from PPP Funds** – Assuming you applied for and received PPP funds, how would you rate the overall success & impact of this program on your business.

This question used a scale of 0 (“*waste of time*”) to 50 in the center (“*Moderately Helpful*”) to 100 on the right (“*Our Salvation*”). The graph below depicts the responses we received.



**#20 Reduction/Controlling Labor Costs** – Assuming that you have already taken some actions to reduce or control labor costs, please indicate which step you are not likely to continue, pursue or implement in the next 6 months?

This question tackled five specific options for tackling “labor Costs” and then for each option we asked participants to indicate the likelihood of pursuing each option. The choices ranged from “*Will not consider*” to “*Will likely implement.*”

These five tables are useful if you are interested in comparing options you have considered against options considered by others. As an example, 30% of participants said they would not consider or were unlikely to consider a “*Reduction in hours across the board.*”

#20 Reduction in Hrs. (all)	
Will not consider	7.2%
Unlikely	23.7%
Unsure	10.8%
Quite possible	21.6%
Will likely implement	28.8%

<b>#20 Reduction in Hrs. (selective)</b>	
Will not consider	3.7%
Unlikely	16.9%
Unsure	9.6%
Quite possible	30.1%
Will likely implement	33.8%

Approximately 35% of survey participants indicated they would strongly consider or likely implement a reduction in hours by individual departments as a way of controlling labor costs.

<b>#20 Reduction in hrs. by Department</b>	
Will not consider	4.4%
Unlikely	21.5%
Unsure	11.1%
Quite possible	17.8%
Will likely implement	27.4%

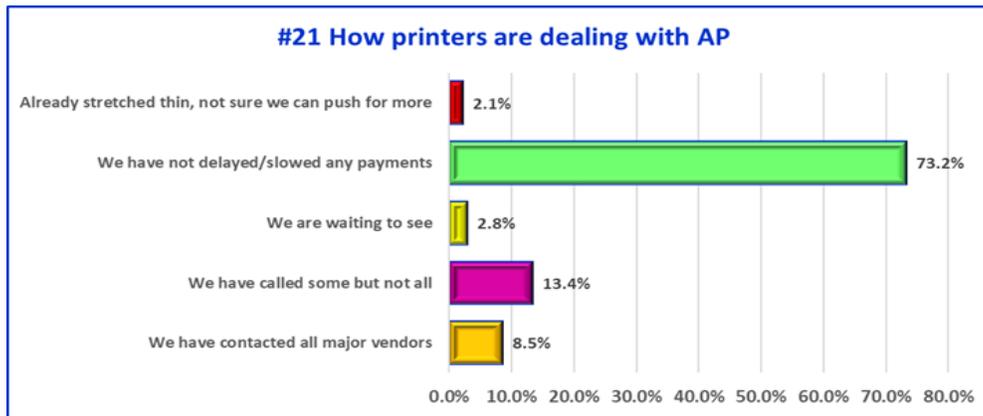
About the only option that most participants said they would not consider in terms of reducing payroll costs was a “Reduction in pay.” Approximately 68% indicated that was not a realistic option and probably would not cross that bridge.

<b>#20 Reduction in pay</b>	
Will not consider	32.6%
Unlikely	35.6%
Unsure	10.4%
Quite possible	8.9%
Will likely implement	6.7%

What about “layoffs”? Respondents seemed pretty split as to whether “layoffs” were on the table as an option for reducing labor costs. Approximately 38% indicating they probably would not consider this as an option, while 35% said “layoff” were a real or likely option.

<b>#20 Layoffs</b>	
Will not consider	12.3%
Unlikely	26.1%
Unsure	21.7%
Quite possible	15.9%
Will likely implement	19.6%

**#21 Handling of Accounts Payable** - Another ray of modest optimism was evidenced when we asked printers how they were handling their accounts payable. Although a few printers clearly indicated they were skating on “thin” ice, 73% told us they have not delayed or slowed down payments to any of their vendors. (See Chart #21 – Next Page)

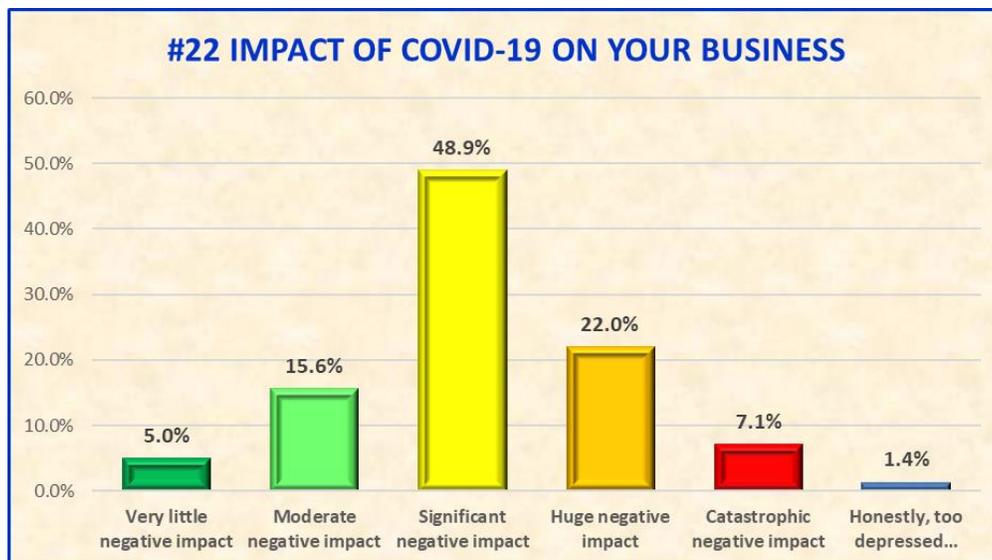


**#22 Prospects for the future of your business** – Printers were asked to what degree has Covid-19 had on their business during the Jan. – June timeframe. As you can see from the graph below, approximately 78% of all participants said Covid-19 has had a significant if not catastrophic negative impact on their business.

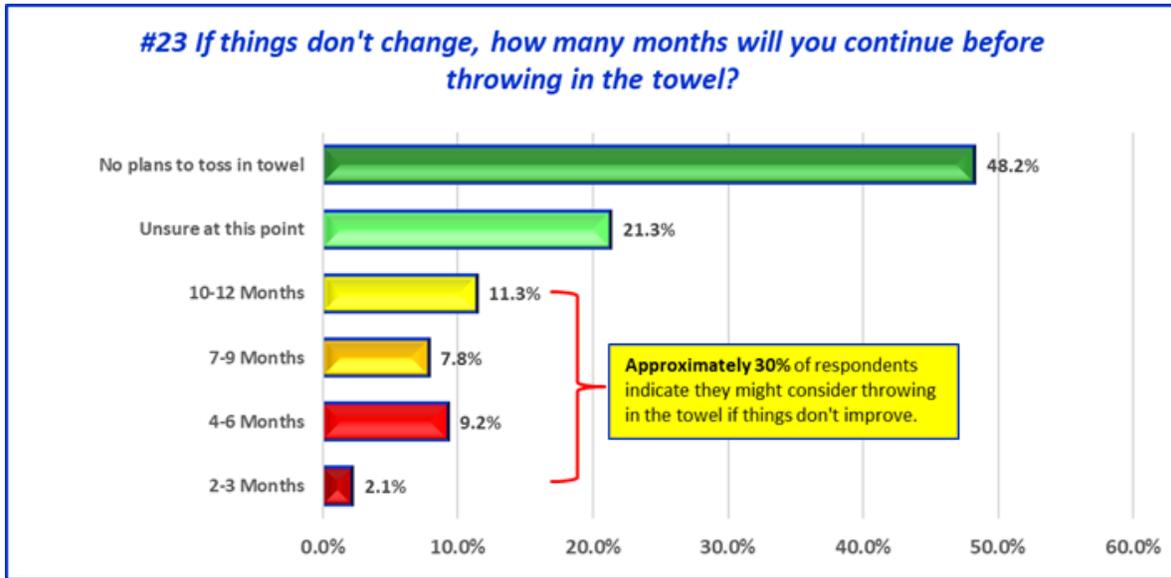
The results are certainly not surprising. Some printers will clearly learn to roll with the punches, while others will keep absorbing the punches until they can't take it anymore. Adapting to the market and learning to monitor, control and reduce total labor costs will continue to be the greatest challenge facing printers in the next 6-12 months.

Printers who fail to grasp the critical significance of payroll costs as a percent of sales and who fail to react quickly to these “red flags” may find themselves facing even greater changes in the 2<sup>nd</sup> half of this year than they faced in the first half.

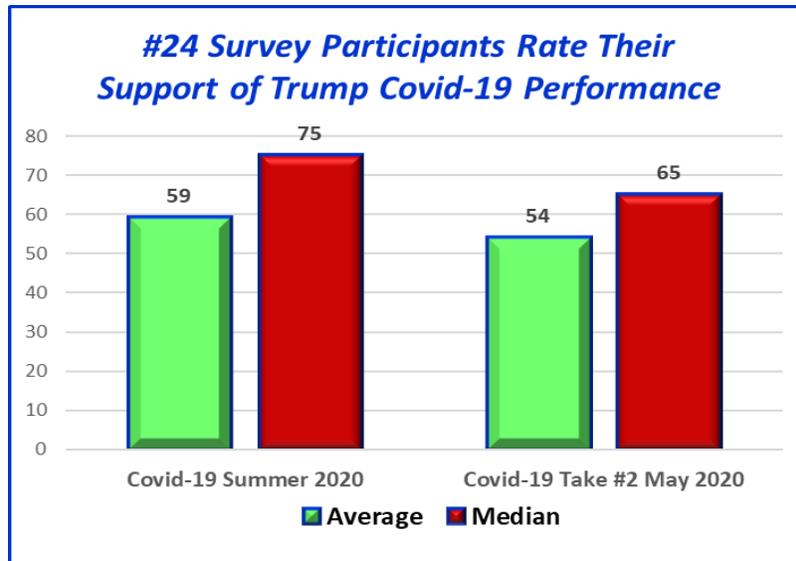
There is and always has been a great reluctance on the part of owners in this industry to terminate employees, especially talented, long-term employees who have earned their spot on the starting roster. Nonetheless, that is exactly what may be required in order to prevent a company from permanently closing its doors.



**#23 If Things Don't Change** – Assuming the local & national economy continues at its current pace AND things don't change and sales don't improve, how many months are you willing to continue struggling before you consider possibly tossing in the towel?



**#24 Your Support of the President** – Considering everything that has transpired since Jan. 1, 2020 in regards to the Covid-19 Pandemic, how would you rate your support of President Donald J. Trump and his administration? (*Scale used 0 – 100; 0=Totally Opposed; 50=Neutral; 100=Fully Support.*)



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