

# Semper International Third Quarter 2014 Industry Insight Survey



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## Semper International: Third Quarter 2014 Industry Insight Survey

### The 3rd Quarter: Have We Reached an Economic Inflection Point...

At long last, it seems that the industry is starting to witness the economic turnaround that we have been hoping for. The data that forecasted a busy Second Quarter in our last industry report came true – and we saw evidence of a true business surge in nearly every category we measured this quarter – including the highest percentage of companies reporting profit in years!

Further evidence our survey found that we may finally be coming out of this depression includes:

- 81% of companies that reported a profitable third quarter – a significant jump over last quarter.
- Company revenue saw near double-digit growth in the second quarter .
- Over 2/3 of responding companies expect sales to grow in the upcoming quarter.
- At the same time, only 5% of companies are expecting a decrease in sales which is the lowest level in the ten years we have been conducting our survey!

Together these numbers spell a change in the economic fortunes of our reporting companies. The fact that over 80% of firms in the black is the best economic showing we have seen since before the financial crisis started in '07.

Firms expect to be busy in the upcoming months. Strong sales projections also coincide with external data; for example, the first government GDP report released last week showed 4% overall growth. While we feel this number may be a bit high for the printing industry just yet, it is certainly trending in the right direction.

What does this mean to your staffing considerations? Some firms are showing evidence of their transition into the next phase of the hiring cycle, with 20% indicating they need to better capitalize on new business opportunities by solving these staffing issues and hiring new assets.

At the same time, we are starting to see some early supply/cost issues, specifically regarding base labor pay and overtime concerns. When coupled, these numbers indicate that hiring will become a much more serious concern over the coming quarters. Seeing this ourselves, we feel hiring will become a much bigger concern than many companies currently expect.



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## About Semper

Semper International, LLC, is the nation's largest and most trusted supplier of skilled staff for the print, pre-media, graphic and interactive media industry. In over 20 years of service we have placed more than 50,000 team members in roles from Production Technicians to Experienced Managers in flex, flex-to-hire and direct-hire positions.

Literally translated, Semper means "always," and that is something we take to heart. Our experienced, reliable team personally screens and rigorously tests every applicant before we recommend them for placement. We are experts at making things happen, we have earned a reputation for quality hires who produce Day 1, and we have built a loyal base to draw from – in fact nearly 20% of our flex staff have been working with us for over 10 years.

We were born and raised in the industry, so know that staffing is more than just filling a slot. Rather than just deliver a need, we become part of the team, so that your success is our success.

Speak to a Top Recruiter to Learn More Today. Call 877-377-4687 or [click here](#).

## Executive Summary: 14 Key Insights from the Second Quarter Survey

We scoured the data looking to shed light on whether we are experiencing a turning of the economic tide. Reading all the responses from hundreds of business owners, we see strong evidence of an economic inflection point. Everything from current profit and revenue numbers to anticipated sales and hiring data all indicate we are moving into a new economic cycle at long last.

Here are 14 critical insights revealed in our survey data:

### Part I: Dollars and Cents

- Insight 1: Small Businesses Show Strong Survey Participation
- Insight 2: Quarter/Quarter Revenue Grew 8%
- Insight 3: 80% of Companies Were Profitable in the Third Quarter
- Insight 4: Despite a Summer Slowdown, Sales Remain Relatively Strong
- Insight 5: Two-Thirds of Firms Expect Sales to Grow Next Quarter

### Part II: Competitive Threats and Company Responses

- Insight 6: Costs and Technology Threats Growing as the Economy Recedes
- Insight 7: Business Diversification Rates Remain Roughly Split
- Insight 8: Market Diversification Again Led by Direct Mail, Wide-Format and Web-Based Media
- Insight 9: Printing (Digital and Traditional) Continues to Drive Profits
- Insight 10: Capital Investment Remains Low

### Part III: Staffing Trends

- Insight 11: Hiring Slowly on the Rise
- Insight 12: Insurance Threats Leveling Off
- Insight 13: Skilled Staffing Largely Sourced Online
- Insight 14: Profitability Remains a Core Concern

Let's head to the survey directly for the details.

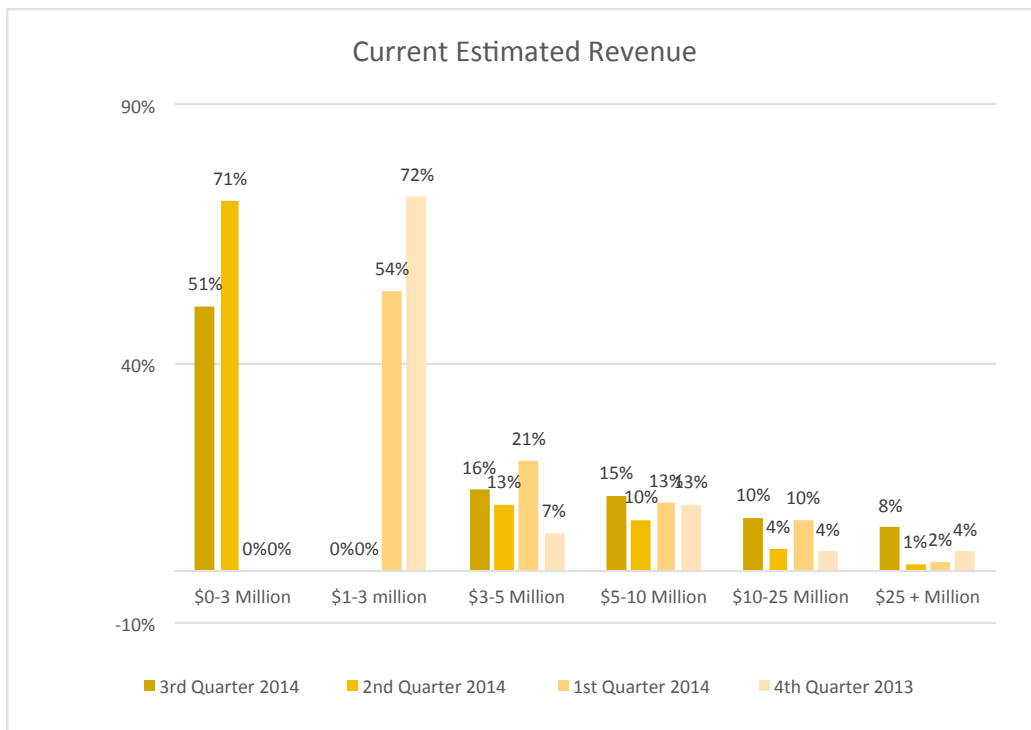
## I. Dollars and Cents

The first set of questions focuses on where the rubber meets the road: sales, revenue and profit.

### Insight 1: Small Businesses Show Strong Survey Participation

This quarter, we continue to see that the majority of survey participants came from small business. This would match with the industry as a whole, as small businesses make up over 60% of all new job creation today.

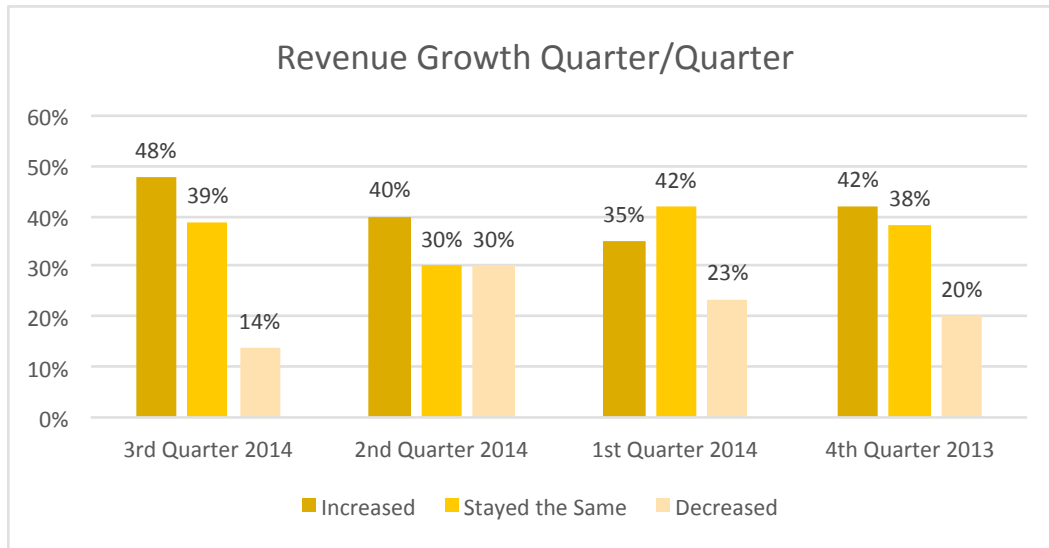
Still, we are encouraged by the return on investment we have been making to improve the look and accuracy of the survey. As we expand our pool of survey respondents, we are seeing a marked increase in larger company participants. This new data can only help to provide deeper insights for our survey, as the broader our survey demographics are, the more accurate our results.



Question: What was your company's estimated revenue last quarter?

## Insight 2: Quarter/Quarter Revenue Grew 8%

The first sign of life in this overwhelmingly positive third-quarter survey lies in the realm of revenue, which saw near double-digit growth to 8% this quarter. After nearly 8 years of fairly anemic bottom line performance, this statistic is clearly encouraging.



Question: How does this [your revenue] compare to last quarter?

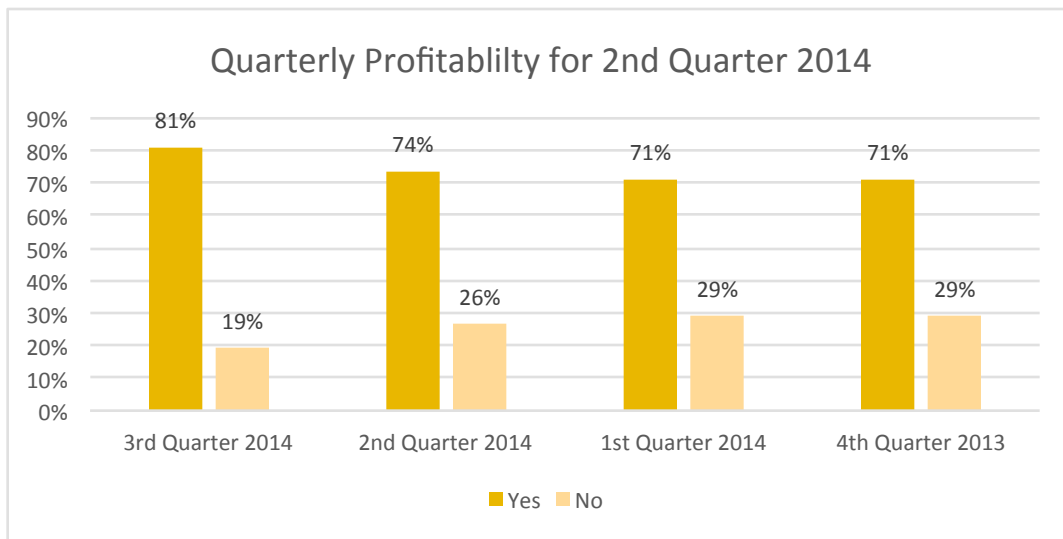
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### Insight 3: 80% of Companies Were Profitable in the Third Quarter

Another positive sign of change are the 80.9 % of respondents who reported having a profitable quarter – a significant jump over last quarter. In fact, the over 80% of firms in the black is the best economic showing we have seen since before the financial crisis started in '07.

We are strongly encouraged and hope the positive economic feedback loop has finally started. It would be great to start to see consistent demand out there. The ups and downs make business investment very hard, but this positive information is surely a good sign for the upcoming quarter.



Question: Did your company have a profitable first quarter 2014?

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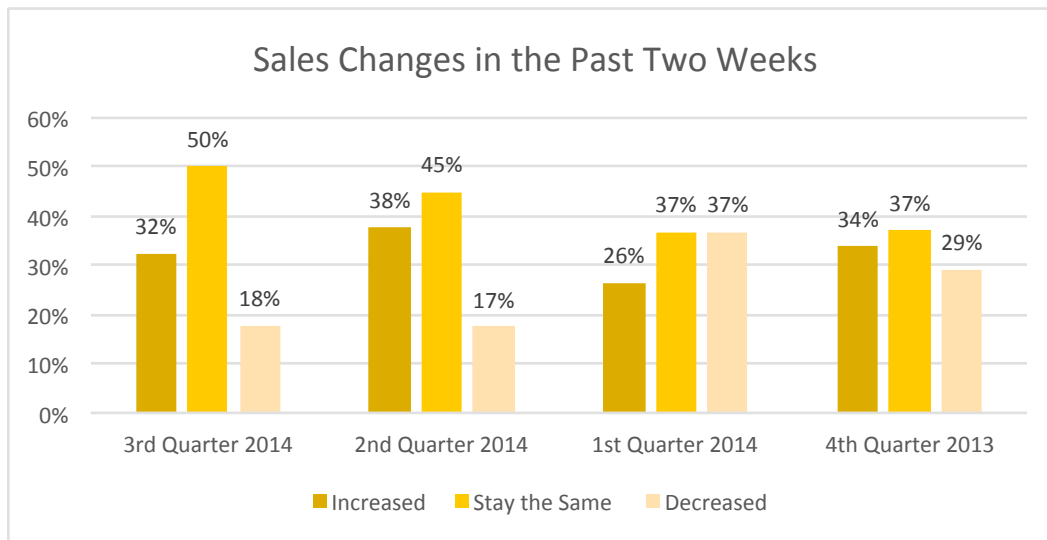
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## Insight 4: Despite a Summer Slowdown, Sales Remain Relatively Strong

This quarter, sales data showed some interesting trends. While we saw sales increases drop just slightly this quarter – down to 32% from a high of 38% last quarter – we also saw a majority of firms (50%) report that sales stayed the same quarter-over-quarter.

This consistent sales data is actually a great sign, as sales around the Fourth of July period are always a bit weaker – so steady levels actually show signs of growth.

Another positive sign is that most companies are reporting less of a slowdown, with just 18% of firms seeing decreased sales in the past two weeks. If we remember that a large number of firms reported growth last quarter, this means that they are continuing to see consistent levels. Again, this is an encouraging sign for the bull camp.



Question: How have sales changed in the last 2 weeks?



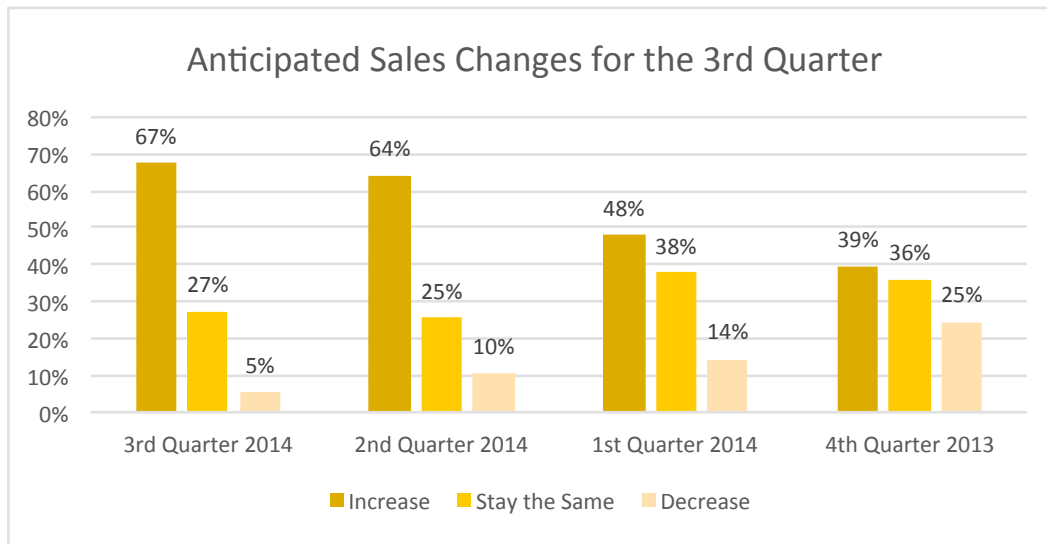
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## Insight 5: Two-Thirds of Firms Expect Sales to Grow Next Quarter

In the final installment of this quarter's dollars and cents section, over 2/3 of responding companies expect sales to grow in the upcoming quarter. At the same time, the companies expecting a decrease in sales have fallen to the lowest level I can recall in the ten years we have been conducting our survey – to just 5%!

As mentioned in our preamble, we are seeing very strong expectations of continued demand and we are eagerly looking forward to seeing this optimism come to fruition in the upcoming quarter.



Question: How do you expect sales to change during the second quarter of 2014?

## II. Competitive Threats and Company Responses

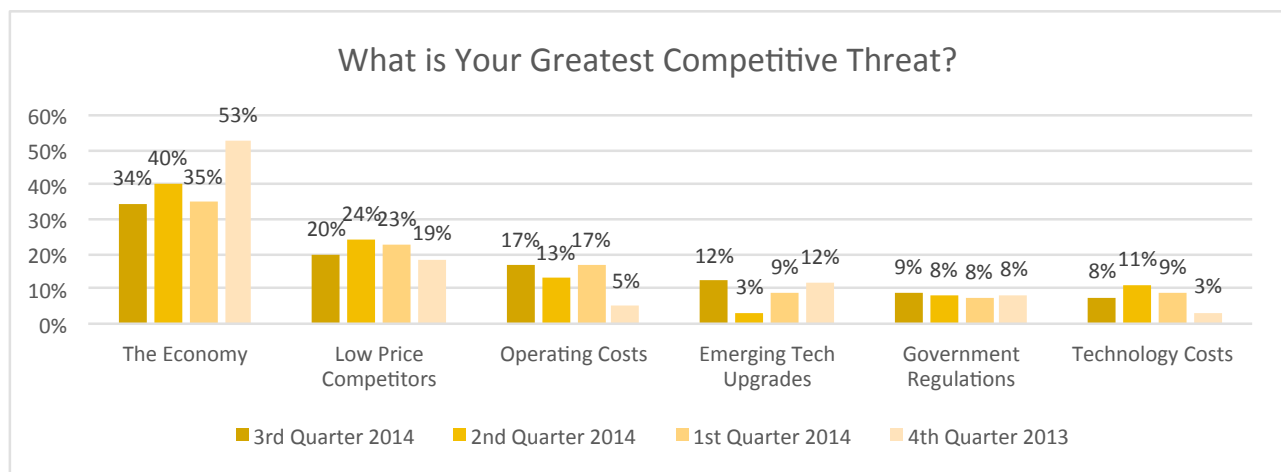
These questions relate to outside threats and pressures.

### Insight 6: Costs and Technology Threats Growing as the Economy Recedes

As the economic malaise subsides, we begin to see other concerns more clearly. Technology and the costs to upgrade or keep it current are now rivaling the general economy as a major concern, which we see as another critical signal that the economy is now at an inflection point.

Still, the belt-tightening that we have witnessed in the past several years is not completely behind us. Costs in general continue to be a concern, which may indicate that while we are in the first signs of recovery, the memory of the lean years has not completely left the business community.

However, costs can also be a signal that the economy is moving again. When demand picks up, demands on materials for our products will also simultaneously increase – and prices will reflect that. To remain competitive, the trick is to invest in the technologies that will reduce costs and repay the investments.



Question: What is your greatest competitive threat?

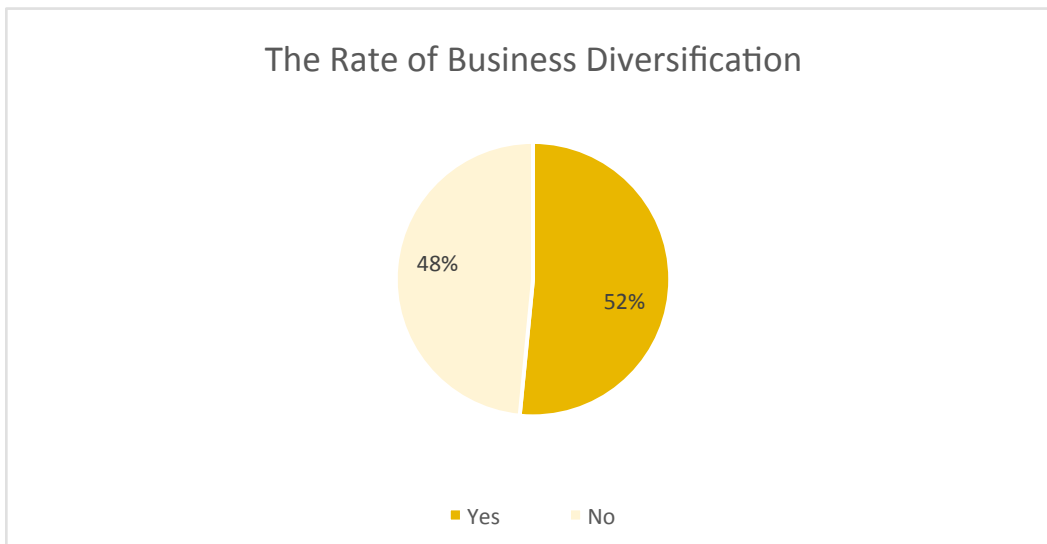
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## Insight 7: Business Diversification Rates Remain Roughly Split

For the second quarter in a row, our survey shows a near 50/50 split among companies who plan to diversify their businesses and those who don't.

Again, with all the change the printing industry has witnessed in the past several years, with new technology and market pressures, those companies that fail to adapt are risking their long-term company health.



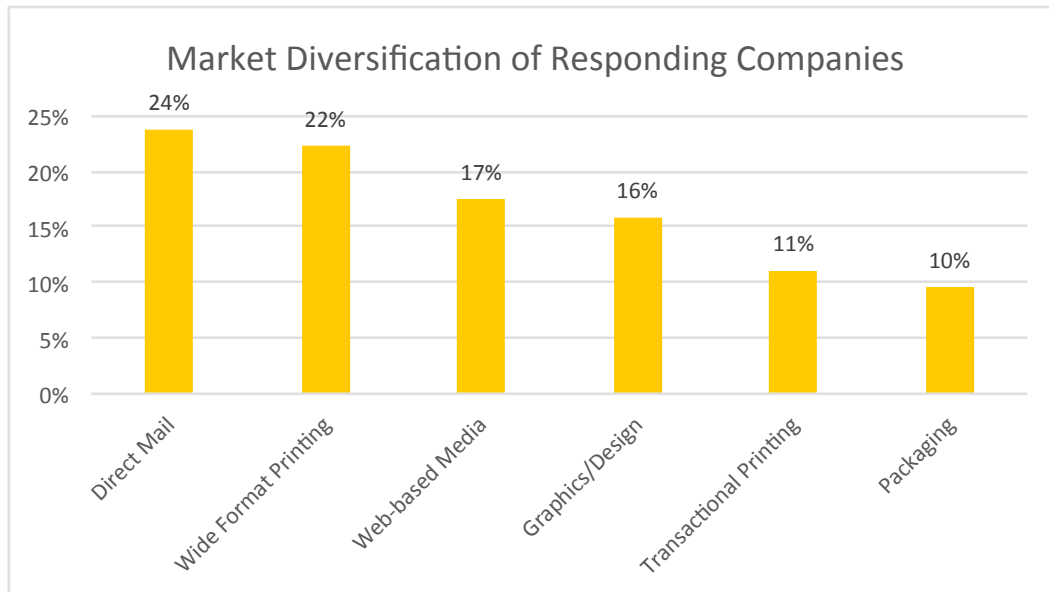
Question: Are you currently diversifying your business?

## Insight 8: Market Diversification Was Again Led by Direct Mail, Wide-Format and Web-Based Media

When looking at market diversification, last quarter's top three: Web-based media, Wide Format Printing and Direct Mail shuffled places a bit, but continue to drive the top diversification strategies.

When thinking about go-to market strategy, it can be tempting to stay within your business's comfort zone; for example, staying true to your printing roots, but expanding horizontally into other industries within the direct mail or transactional printing businesses. While this may work for some firms, we also recommend you think a bit further afield.

To position your business for longer-term success, it is critical to invest in areas outside off your traditional areas of expertise. New areas of opportunity you may want to consider include content management of all forms – paper, digital and even other physical mediums. Ask yourself what industries will still exist in 5 or 10 years and put your investment dollars in that direction.



Question: What area are you diversifying into?

## Insight 9: Printing (Digital and Traditional) Continues to Drive Profits

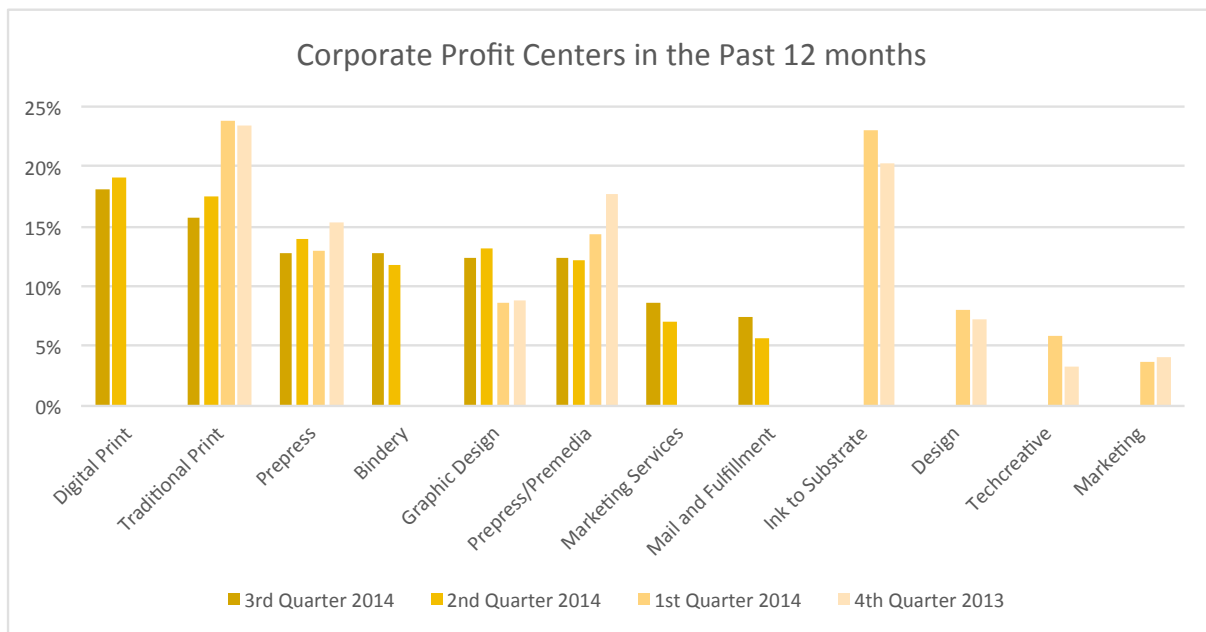
As an industry, we still see our primary profit centers focused on our traditional centers of excellence, specifically printing, both digital and traditional. On one hand, you would expect a survey of the printing industry to reveal these kind of trends. However, it's hard to ignore that we have witnessed an industry-wide decline of traditional print revenues in the past several years.

To stay competitive, we simply must search for alternative sources of profit. Change can take time, but it is possible to expand into other arenas without cannibalizing your primary income stream. And, as many change adages assert, change comes to everyone.

One critical area of opportunity we see coming to the fore lies in the intersection of the technology and creative markets – what we call Techcreative, and drove 6% of profit for most firms in the first quarter.

Techcreatives are the intermediaries between the two worlds of creativity and technology – those with the technical expertise to make your ideas a reality. Techcreatives are assets who cannot only oversee the design and implementation phases of a conceptual plan or project-only design, but shepherd artistic ideas and new concepts across various mediums and new technology.

We think this is a critical channel because it delivers from a hard dollar standpoint. At the intersection of tech and creative lies the margin – where firms that are first to innovate or connect with a new audience have shown truly remarkable business results. As a result, our business has spent the past ten years focused on providing solutions to help companies facing these challenges to meet their own Techcreative opportunities. It has been exciting to coin this term and watch it evolve.



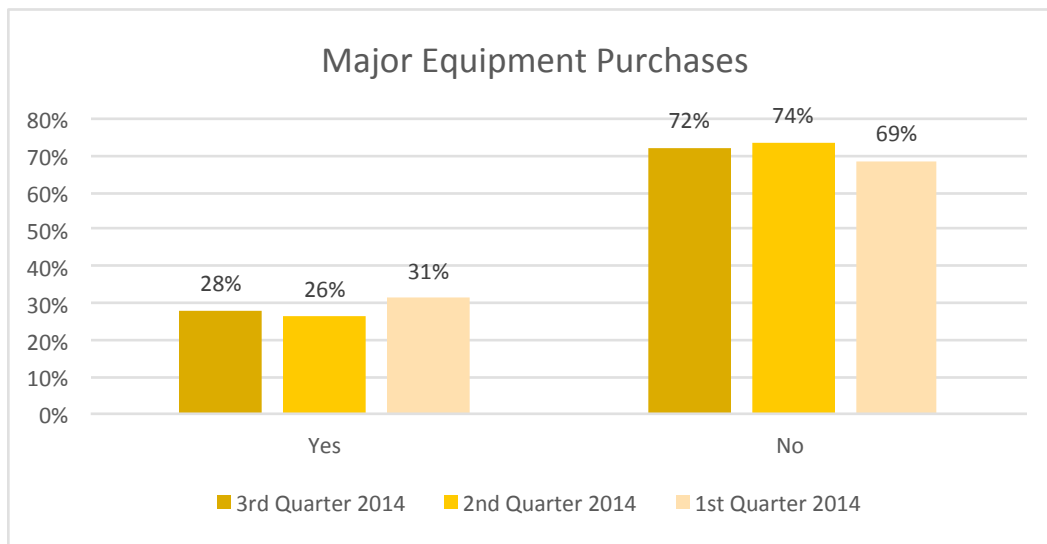
Question: What are the primary profit centers in your organization?

## Insight 10: Capital Investment Remains Low

Investing in major equipment, be it software or hardware, is never easy. In fact, making a wise choice on deploying your precious assets means the difference between success and failure. However, we find the continued aversion for major capital investments – just 28% of reporting businesses this quarter – a bit problematic.

Risk is margin and every business needs to make their fair share of educated risks to remain competitive. Taking these risks is critical to ensure that “ROI theory” has a solid play that you position your firm to manage future technologies. We can cite myriad examples where technology is consistently replaced, and the firms left standing still when the music changed have lost out.

Think about CDs vs. cloud-based streaming technology. If you were in the CD manufacturing business, going into cloud management five years ago may well have been a smart investment. If you didn't, then you may not be in business today.



Question: Did you make a major equipment purchase this quarter?

### III. Staffing Trends

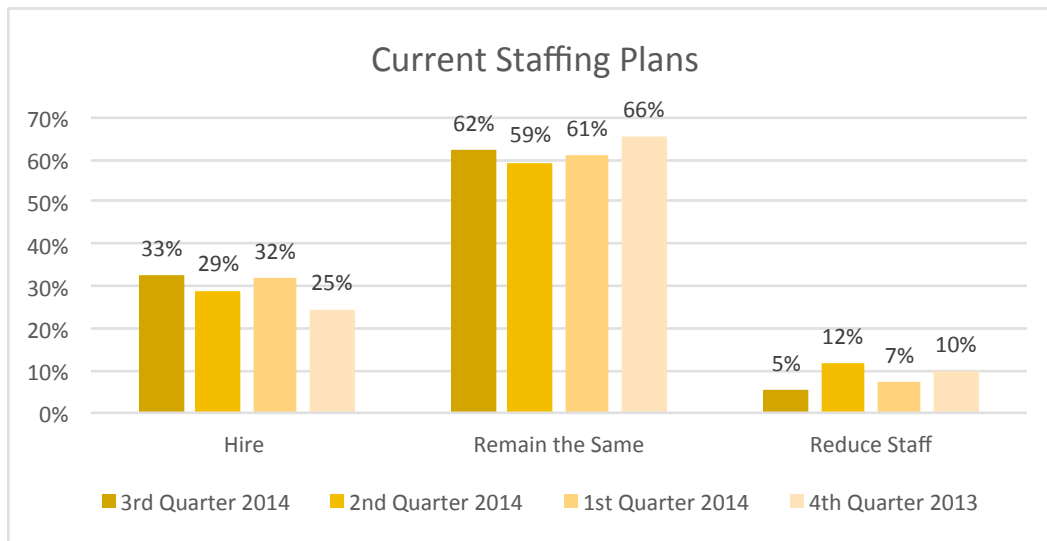
Finally, this group of questions focuses on hiring and staffing plans in the third quarter.

#### Insight 11: Hiring Slowly on the Rise

With the increase in demand so strong and predicted to accelerate, companies are beginning to seriously focus on hiring. Many fewer companies are reporting layoffs and reducing staff via attrition – just 5% this quarter.

Whenever we see a strong jump in hiring needs, coupled with an increase in productivity among companies’ existing staff, we also expect to see a corresponding rise in overall pay and benefits among hiring companies. In a cycle of limited supply, hiring firms will try to “poach” staff from companies who try to increase productivity only. In many areas of the country, we are seeing this already.

How can you protect your most valuable asset? We believe now is the time those companies who have treated their workers well over this long crisis will get paid back with loyalty. Those that have not will start to see defections.



Question: What are your current hiring plans?

## Insight 12: Insurance Threats Leveling Off

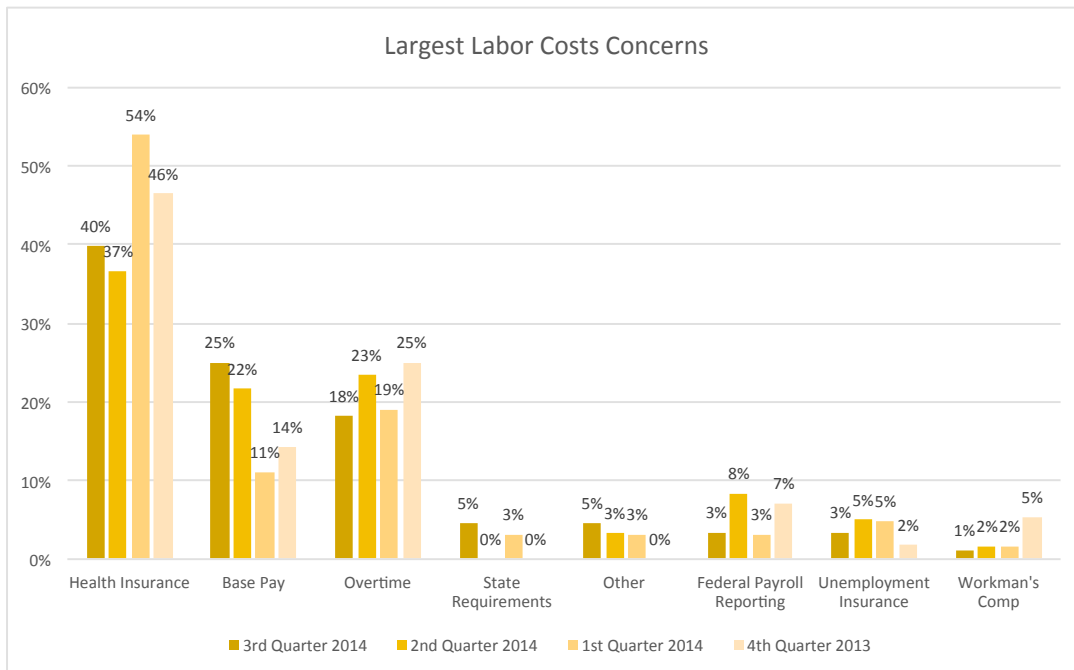
According to our responding companies, fears of the health insurance threat are leveling off industry-wide. Firms concerned over health care costs have declined a bit to a (still strong) 40%, down from a high of 54% just six months ago.

As this tide recedes, we can now shift our attention to the other areas of concern in our survey. Specifically, the data on increasing base pay and rising overtime costs indicate the race is on for good workers, a trend we also explored in our question on hiring. Our survey shows the first signs of this transition as base-pay rates show a dramatic rise – to 25% this quarter, up from 11% in the first quarter 2014.

From a staffing perspective, we see this at the right time to focus on how you are treating your existing employees. While the positive treatment of workers is important in both good and bad times, keeping your staff healthy and happy is especially critical the labor market begins to tighten.

Increasing production using existing staff (overtime use) causes burnout and increases defections, creating a negative feedback cycle that can lead to defections. In contrast, supplying your workers with critical support, such as proactive health benefits and recognition programs, can boost loyalty and keep your team motivated even while working long hours.

As we have seen over and over again, in a competitive labor market, the companies with proactive HR programs will end up winning.



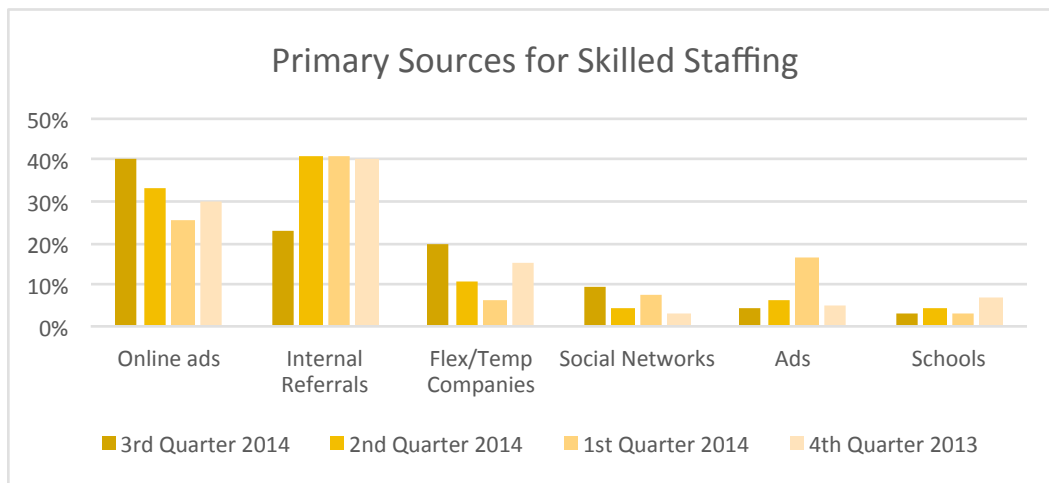
Question: Regarding labor costs, what component of the costs has been increasing the fastest last quarter?



### Insight 13: Skilled Staffing Largely Sourced Online

This question illustrates clearly the effects of years of little to no hiring in our industry. A very limited supply of new workers entering our field will cause a rapid increase in base pay and poaching. Those companies who have tried to protect and nurture their staff will see serious positive benefit from those policies now. It is clear the increase in online ads and hiring via flexible staffing partners (temp companies) is increasing. This illustrates that the demand for labor is improving. With the labor pool shrinking and the informal referral network not bringing the usual results, partnering with staffing companies is a good way to start training people in our industry. Staffing companies are uniquely positioned to help employees develop new skills, rapidly providing a great resource to labor-starved companies.

Guild 2.0 time has finally arrived. Apprenticeships and on-the-job training are on the rise across all industries. We see it most clearly in manufacturing, with companies that require skilled labor recruiting students out of high school, rather than relying on colleges and technical training centers to produce the next generation of skilled employees in the workforce.



Question: What are your primary sources for skilled staffing?

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## Insight 14: Profitability Remains a Core Concern

This quarter’s data clearly illustrates a transition point in the labor market. As we have seen in a number of past labor cycles, companies today seem transfixed between two business conditions.

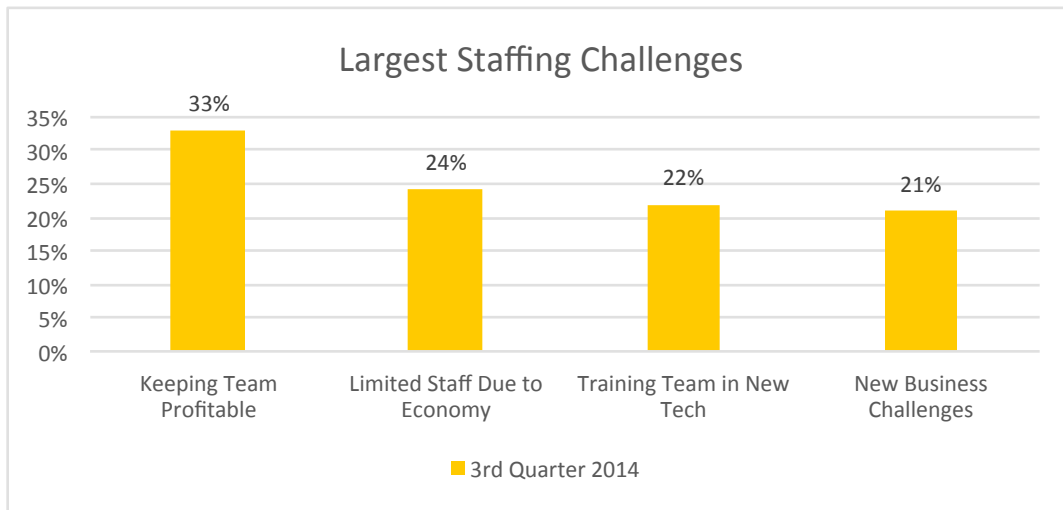
First, we find numbers that clearly show a sub-set of companies trapped in a “less is more” paradigm, as they continue to deal with legacy recession conditions. In evidence, 24% of companies reported limited staffing due to economic conditions, indicating they are afraid to hire this quarter. Similarly, 33% are concerned with the ramp-up time on ROI of hiring a new team, which generally indicates they are concerned with keeping their team busy enough to make a profit.

Other companies are starting to show evidence of their transition into the next phase of the hiring cycle, where labor becomes a more precious commodity, and focusing on personnel investments is a requirement for future productivity. Indeed, a full 20% of companies indicated they recognize the need to better capitalize on new business opportunities by solving these staffing issues and hiring new assets.

This shift moves the staffing market from one where labor is cheap and plentiful, to a new reality where labor is constrained and the demand for top employees dramatically exceeds the supply – a condition we expect to become more prevalent in the next several quarters.

As the economy improves, we feel this dynamic will swing decidedly to the realization that finding skilled labor is hard. Companies will require new ideas and methods to find the staff they need.

One solution is partnering companies in need of labor with staffing companies to form apprentice programs and training opportunities to rapidly and efficiently meet the supply needs.



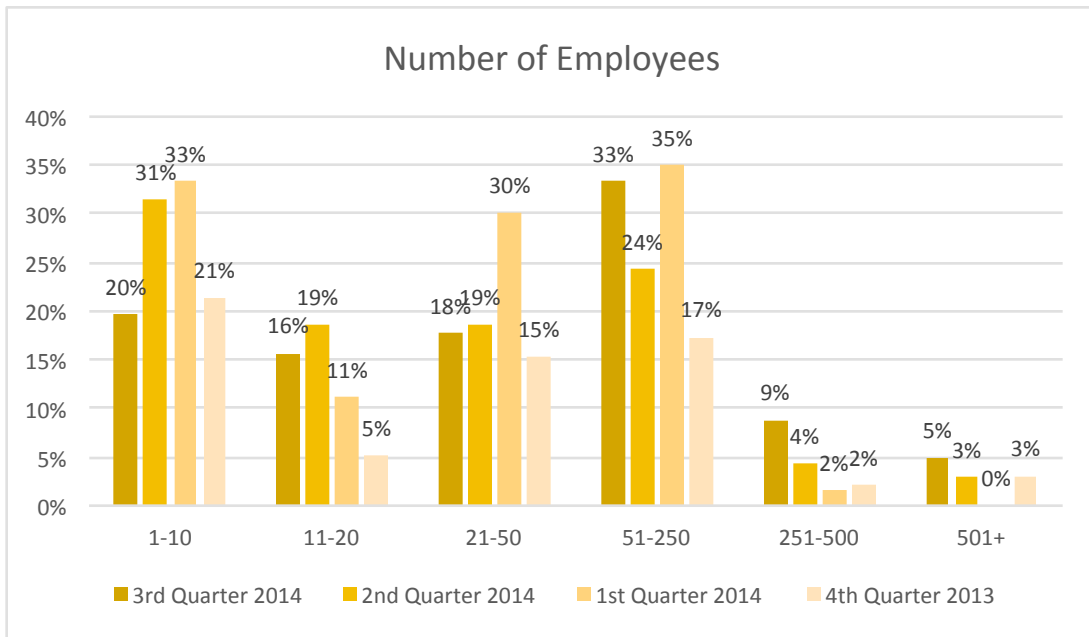
Question: What is your biggest staffing challenge?

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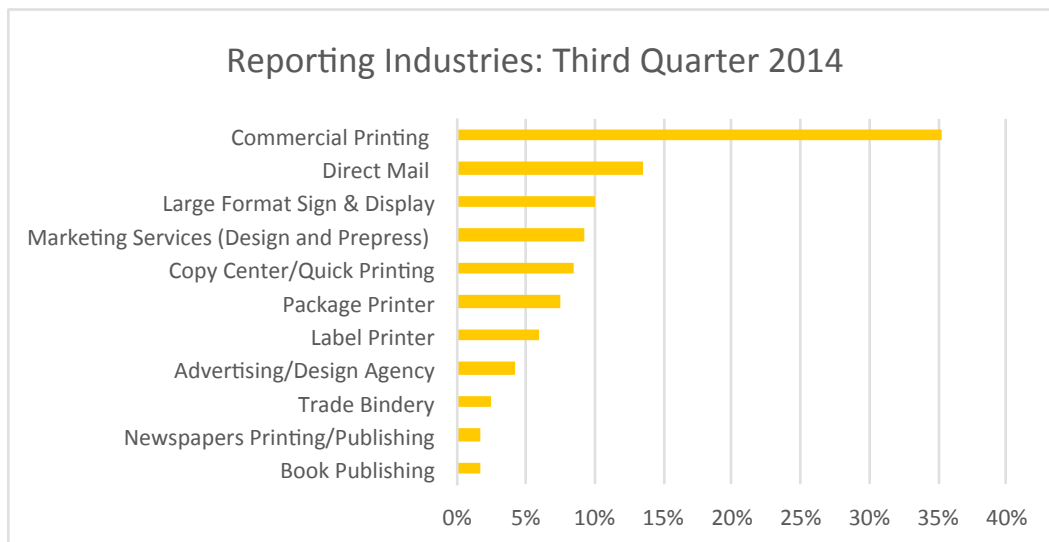
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## IV. Demographics

### Company Size



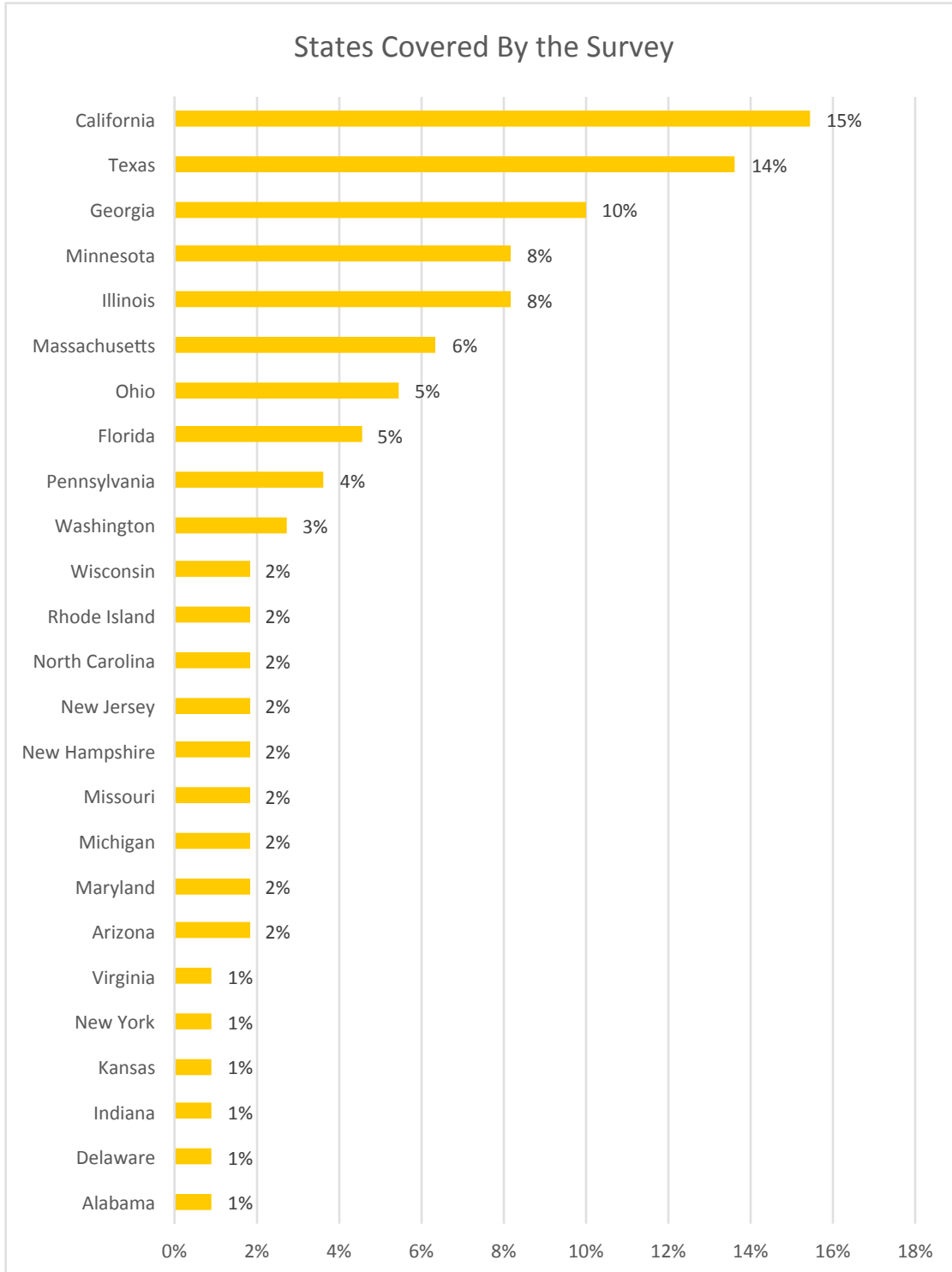
### Primary Vertical



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## Company Location





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## Tell Us What You Want to Ask!

Over ten years ago, Semper recognized that our position in the industry afforded us a unique vantage point to see economic trends affecting our industry. From the beginning, our goal has been to aggregate information from our database of over 50,000 companies, and provide this material for free as our gift back to the industry we serve.

Over the years, as the survey has become more popular and we have watched the industry itself change, we have refined and improved our questions and processes. As we continue to improve our survey and data collection techniques, we are finding our pool of respondents increasing. We feel the results are becoming much more accurate and valuable as a result of these efforts.

We want to hear from you! Please [click here](#) to let us know what other questions you would like to see in next quarter's survey.