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**Semper International
First Quarter 2015
Industry Insight Survey**

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in partnership with **PRINTING
IMPRESSIONS®**

Semper International: New Economic Insights for the First Quarter of 2015

Executive Summary: Major Changes for 2015 – A New Partnership and a Revitalized Market

“We are excited to partner with Semper International to bring our expertise and audience to their deep longitudinal survey.

As in past quarters, this year’s data highlights some fascinating developments among our ranks - including dramatically improved profit and sales numbers, and a renewed focus on corporate infrastructure investment and diversification.”

Mark T. Michelson, Editorial Director/Editor-in-Chief, Printing Impressions

The New Year has brought some welcome changes to the print and marketing economies. Several straight quarters of positive signals have finally blossomed – our First Quarter data reveals a portrait of an industry back in bloom.

Coming into 2015, our company respondents reported record-setting profitability of 85%, and sustained sales growth for five straight quarters. Even more good news: One-third of firms reported new sales growth in the first two weeks of 2015!

Here are some of the most exciting data in early 2015:

- Nearly 60% of companies saw sales grow in the past quarter – the fifth straight quarter of such growth.
- 85% of companies reported a profitable fourth quarter of 2014 – which adds up to nine straight months of profits for over 80% of our respondents.
- One-third of companies saw increased sales in the first two weeks of 2015, and they remain bullish on their economic prospects with nearly two-thirds expecting sales to grow in the next quarter.

Another telltale sign that the economy is surging is our capital investment data for this quarter. The number of companies funneling money into their equipment soared this month to 38% – a 37% increase in just three months.

While some companies remain concerned about profitability pressures and new healthcare costs associated with the Affordable Care Act (ACA), the sustained strength of our data over the past nine months indicates the industry is – finally – sitting in a healthy position for growth.

We would like to again thank Printing Impressions for helping us support this free endeavor that supports our industry, specifically by distributing the survey to their users. It was heartening to see the increase in participation from larger companies and we look forward to our continued partnership.

Looking Ahead: What This Means for Talent and Staffing

It is our pleasure to welcome the Printing Impressions team as a partner in our survey efforts. We feel it's important to bring you the best survey possible, and our combined strengths will even further enhance our gift to the community.

This was a great quarter to launch a partnership, as the results indicate a surge back to profitability and growth of our respondents after so many lean years.

Hiring has crept up over the past several quarters, reaching a high of 38% in the fourth quarter, and dipping slightly back to 35% at the beginning of the year. Smart observers might notice that the same pattern emerged in our capital investments data, which suddenly hit a tipping point this quarter and rose almost 40%.

At Semper, we are already seeing the talent market tighten, with less idle talent available and more competition among companies to attract top employees, particularly among skilled talent.

What does all this data spell? If you are thinking about adding some new teammates this year, now is the time – your competitors will definitely add to their bench strength in the near future!

As scarcity increases, companies are also turning towards alternative staffing sources – specifically Flex staffing, which rose 53% this quarter alone. For companies looking to supplement their internal resources, flexible, outsourced talent who provide pinpointed skills or other seasonal functions may be the way to go. As concerns over how to pay for ACA costs continue to rise, we expect this specialization to grow even more pronounced.

New labor shortages are also throwing our training and retention processes into relief. It is becoming clearer and clearer that our industry needs to do a better job of attracting and retaining our workers. Pay, benefits and training are the best ways to do so. We may also need to look for new pools of transferable talent to help fill in the gaps.

With that insight in mind, let's get to the New Year's data!

David Regan,
CEO, Semper International LLC

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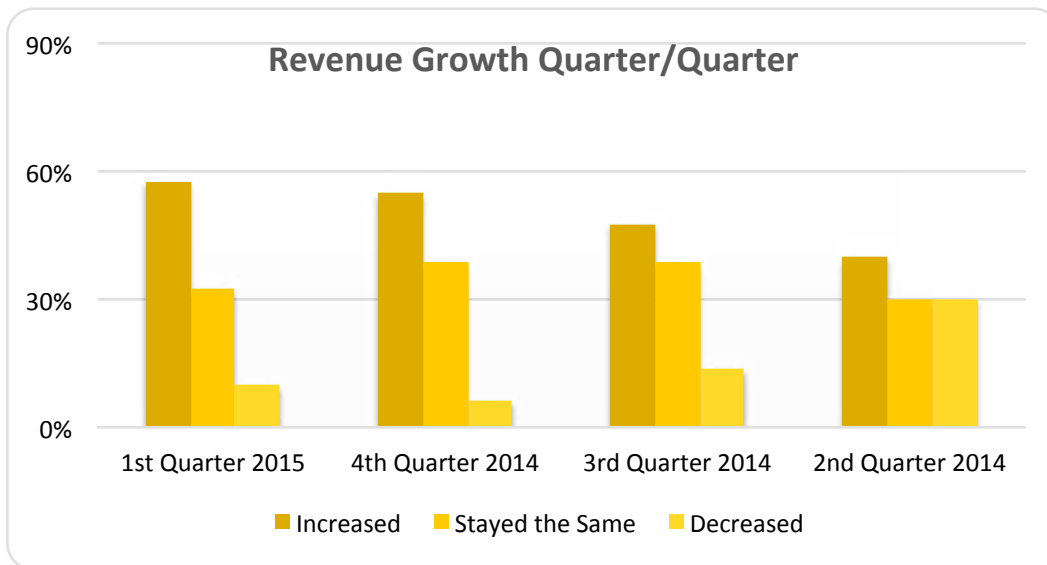
I. Dollars and Cents

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

Insight 1: Five Straight Quarters of Revenue Growth

Fourth Quarter sales increased for the fifth consecutive quarter – to a new high of 58% profitability.

This consistently steady improvement is unprecedented in our survey history, and a strong indicator that we are out of the worst of the economic struggle. Hopefully the strong holiday season sales and unlimited Quantitative Easing by the Fed will continue to bolster consumer sentiment into 2015.

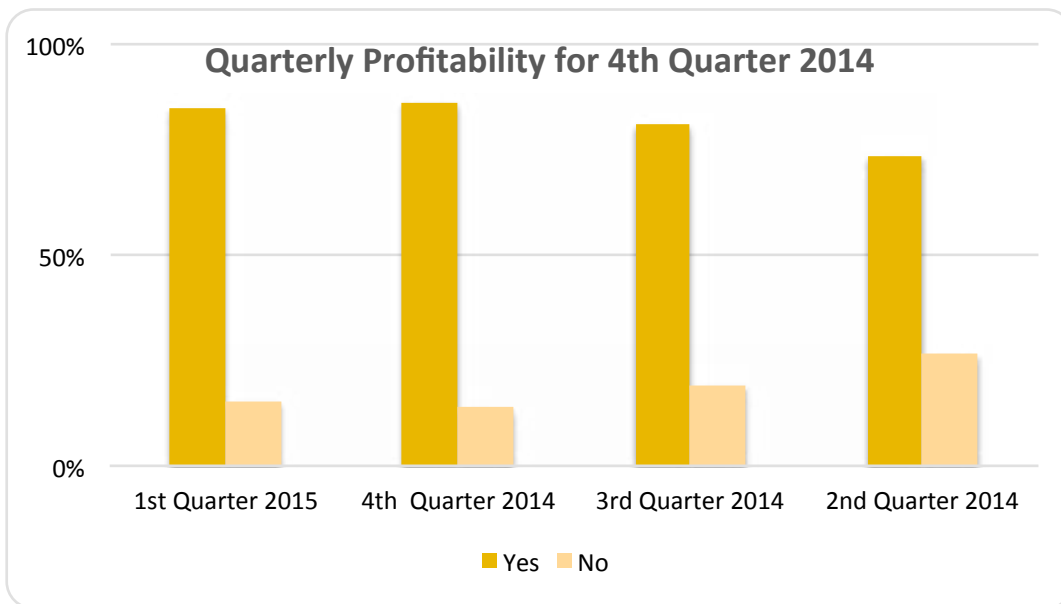


Question: How does this [your revenue] compare to last quarter?

Insight 2: 85% of Companies Were Profitable in the Fourth Quarter

Another herald of a stronger economic climate comes in the form of record-setting company profitability, with 85% of reporting companies telling us they had a profitable final quarter of 2014.

To put this incredible statistic in perspective, we are currently witnessing the highest sustained profit reporting since the survey was founded over 13 years ago. Despite some of the doom and gloom on the global economic reporting, it might be time to consider how to invest in growth this year to capitalize on this positive upswing.



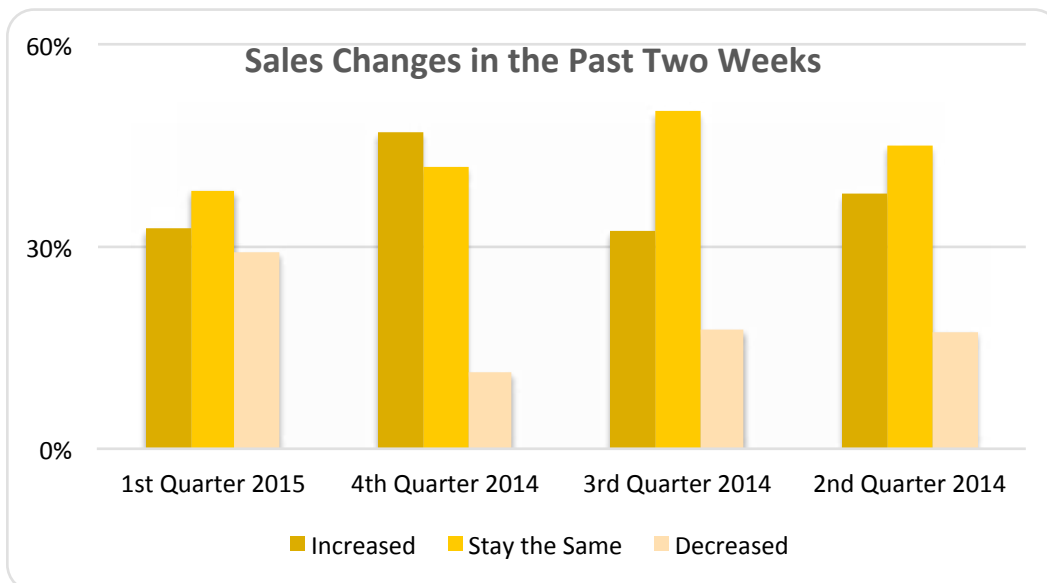
Question: Did your company have a profitable fourth quarter 2014?

Insight 3: One-Third of Companies Saw Increased Sales in the First Two Weeks of 2015

In light of our stellar revenue and profit data, the sales data covering the first two weeks of 2015 may appear somewhat lackluster, with a slight decrease in companies reporting positive early-quarter sales versus last quarter and 29% expecting sales to fall.

This slight downtick is likely due to what we call a “J-month” slowdown, where most firms see slower sales during the months of January, June and July (all beginning with the letter “J”). We hope that our data reflects that cyclic trend, and not a macro-level slowdown.

Still, this data clearly shows that a full one-third of companies saw sustained sales increases this month – a strong showing, particularly in light of all the strong sales growth in previous months. These positives, coupled with the tailwinds of lower consumer lifestyle costs and increased wages, should rocket this quarter to profitability as well. Assuming geopolitical chicanery is kept in check, we expect to see this trend continue through the first quarter of 2015.



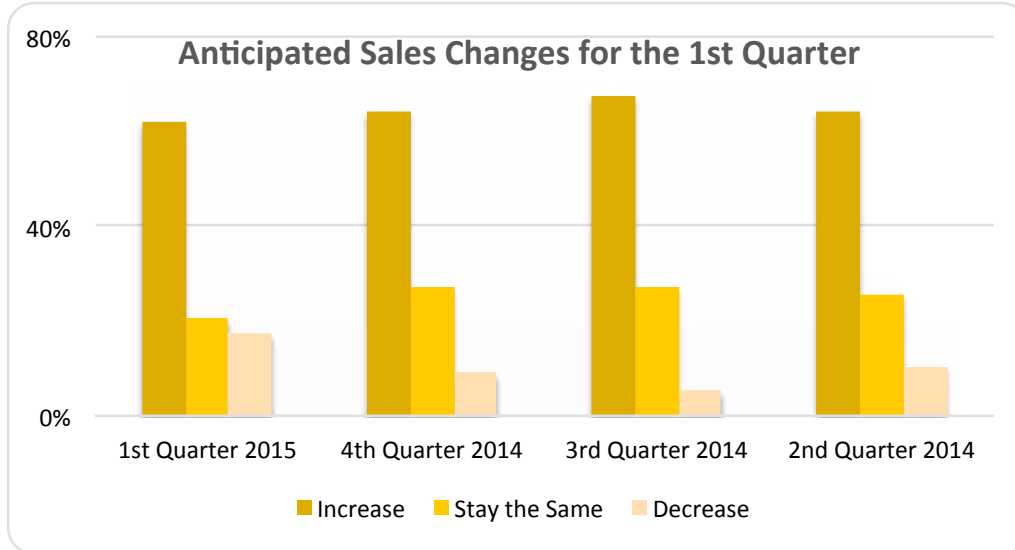
Question: How have sales changed in the last 2 weeks?

Insight 4: Nearly Two-Thirds of Firms Expect Sales to Grow Next Quarter

Another sign of the rising economy is the return of sales optimism among surveyed companies. This quarter, 62% of print and marketing companies expect to see sales rise – the fourth straight quarter that more than half of our respondents felt bullish towards their sales prospects.

A slight glimmer of pessimism seeped into sales data, with a nearly 50% increase in firms concerned with a slowdown, but that number still sits at only 17% overall. We will continue to watch this data, but it is not overly worrisome at the moment.

Throughout the survey data, we see that company confidence in the economic rebound is growing. We are gratified that firms are reporting more faith that the upswing is not just an anomaly and the recession is truly over.



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

II. Competitive Threats and Company Responses

These questions relate to outside threats and pressures.

Insight 5: Nearly 40% of Companies Investing in Technology This Quarter

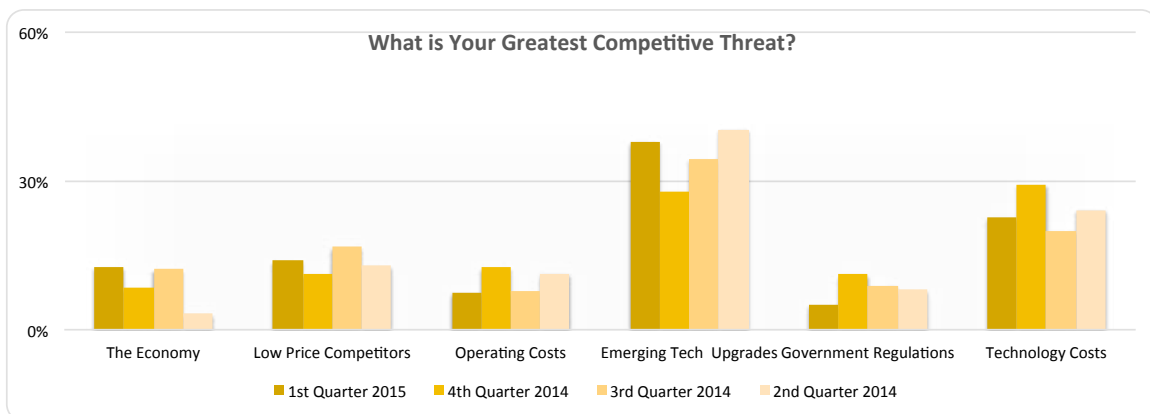
Our competitive threat question is always an interesting one, as it takes us inside the boardroom to find out what keeps our responding companies up at night. This quarter, we see two key items to lose sleep over: Technology upgrades and the threat of economic unrest.

This quarter, rising technology costs, in the form of upgrades and overall maintenance, are concerning 38% and 23% of firms, respectively – which adds up to 61% of all firms struggling to pay for or bolster their technology resources.

On one hand, this is a positive sign for our overall industry health, as concerns over the rapid rates of the adoption of technology and associated costs are signals of the current competitive market. Further, increased consolidation and more consumer demand should help pave the way for price increases to help offset the costs.

Further, investing in technology efficiencies should lower overall operating costs, particularly labor and production space requirements, which will increase firms' competitive advantage. In this way, change is hard, but not changing is harder – and likely more expensive!

Adjacent to technology concerns, the economy once again reared its head as a concern among 13% of our responding companies, pulling it back into a double digit threat after last quarters' dip. The prolonged recession may still live in the muscle memory of many companies, and it's likely that we will need several more sustained periods of growth before we can fully leave those stressors behind us.



Question: What is your greatest competitive threat?

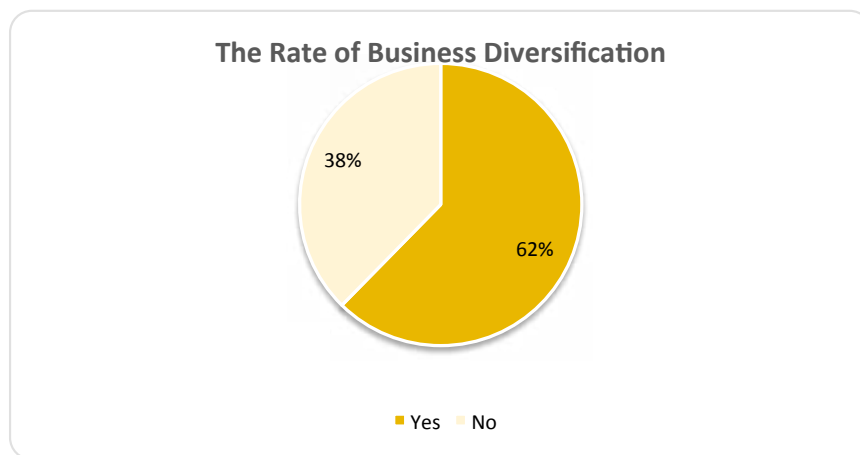
Insight 6: Business Diversification Gains Momentum

As the economic recovery continues, business diversification rates are predictably picking up. In fact, business expansion has risen nearly 50% since the second quarter (and five percentage points in the past quarter alone) to sit at 62% of reporting companies. That's right, as we launch into 2015, nearly two-thirds of print and marketing companies are expanding their business practices into new competitive arenas.

The sheer volume of companies diversifying their offerings again this quarter points to an increased confidence in the economic recovery. As competition increases, adaption is survival, and the ability to take advantage of new business opportunities can mean the difference between survival and extinction in this changing business world.

If you are wondering where to expand, think first about the natural extensions of your core markets. You also want to keep a sharp eye on your client needs and the overall macro-environment – ask yourself, what trends can you take advantage of now that could arm you to face the next ten years? For employees, such as traditional pressmen, they may want to consider looking at 3D print, which utilizes traditional laser jet skills in a completely cutting edge technology.

For more insight on ways that companies are diversifying their staff and driving more margin, you can read our new book on Techcreative staffing at www.techcreative.com.



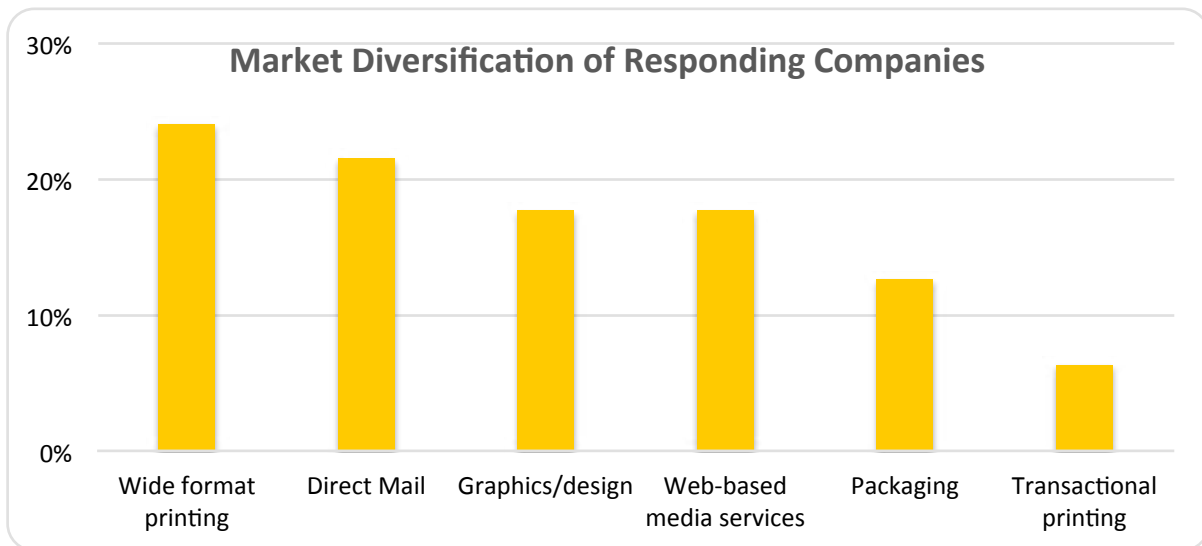
Question: Are you currently diversifying your business?

Insight 7: Four Quarters of Growth for Direct Mail, Wide-Format and Web Media

In the section above, we discovered that nearly two-thirds of print and marketing companies are diversifying at the moment. The natural follow up question is: What areas are those companies expanding into?

For a full year, the leading areas of company diversification are, and continue to be: Web-based media, Wide Format Printing and Direct Mail.

This quarter, we also had a new realm of printing diversification added to the mix: Graphics and design. As business picks up, we expect companies will again outsource design, offering more opportunities to companies smart enough to jump on them. Growing up in printing, we agree that these sectors are all natural extensions of printing's core strengths, as our roots in the design and distribution of different types of "content" – including paper, digital and even other physical mediums puts printers in a prime position to take advantage of recent digital trends in web media.

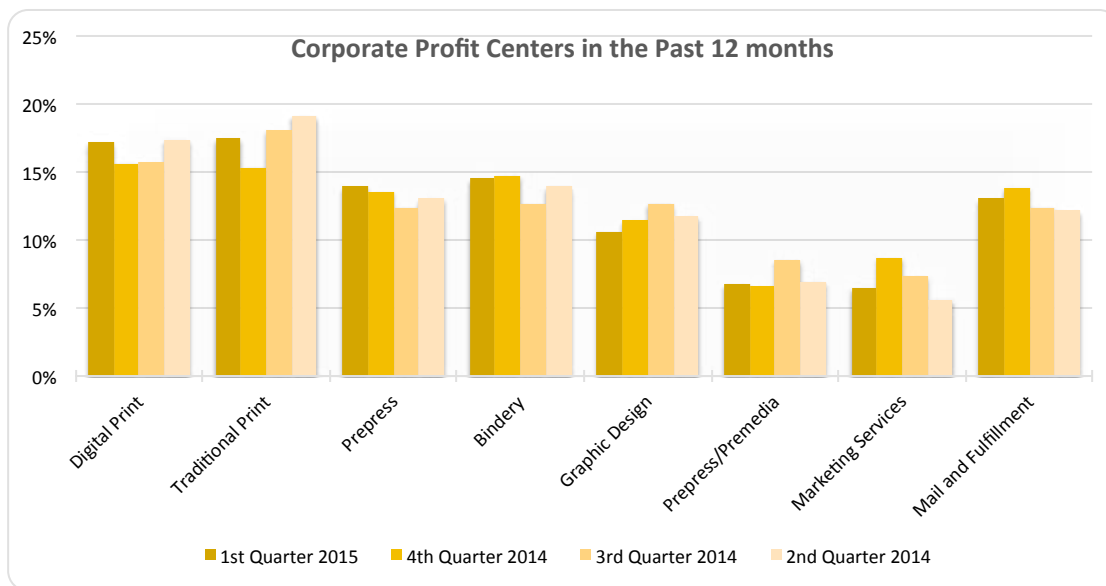


Question: What area are you diversifying into?

Insight 8: Rising Profits Bolster All Sectors

With corporate profitability reaching 85% of our responding companies, we were excited to see what sectors were specifically feeling the boost. What we see in the data, however, is that rather than one sector driving the profit groundswell, the rising tide of demand has lifted all ships.

As printers begin to diversify, it will be interesting to see if one or two standout sectors will begin to pull away. Over the coming months, we will be specifically watching the arenas of digital print and graphic design, to see if those areas that printers are specifically targeting for new-growth opportunities actually bear fruit.

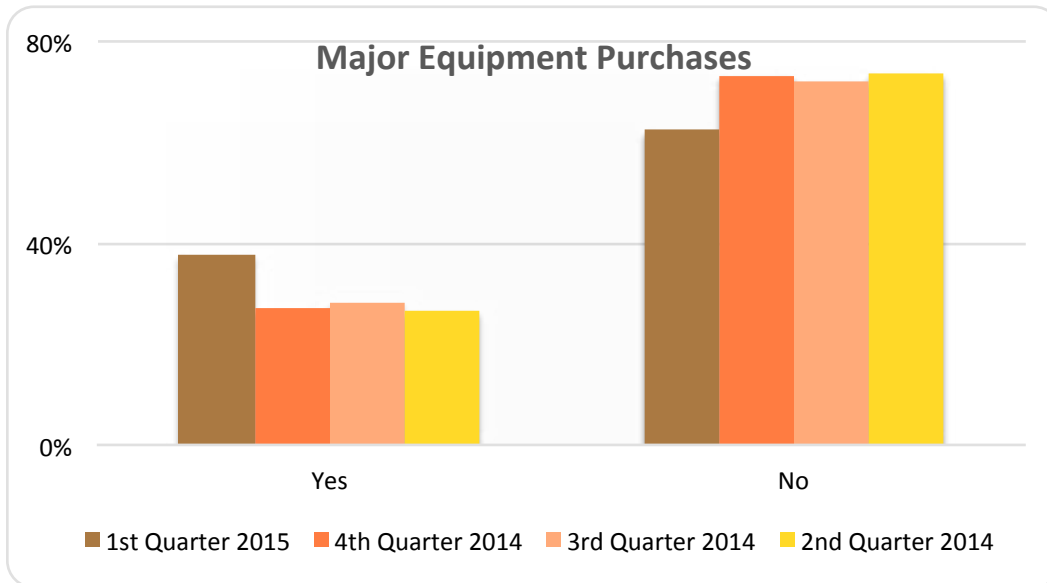


Question: What are the primary profit centers in your organization?

Insight 9: Capital Investments Soar – Nearly 40% of Firms Investing in Equipment for 2015

Want a telltale sign that the economy is booming back? Look no further than our capital investment data this quarter. After three straight months of lackluster capital investment data, companies funneling money into their equipment soared this month to 38% — a 37% increase in just three months.

This 11 percentage point increase is a clear sign of returning confidence in the overall economy, with companies finally willing to hire and make major investments.



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 10: Hiring Hits 45% of All Firms for 2015

We have watched hiring slowly creep up over the past several quarters, reaching a high of 38% in the fourth quarter, and dipping slightly back to 35% at the beginning of the year. Smart observers might notice the same pattern emerged in our capital investments data, which suddenly hit a tipping pint this quarter and rose almost 40%.

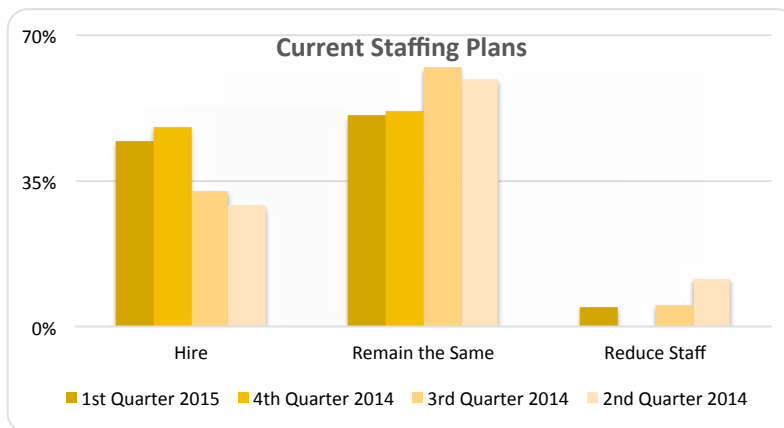
In the talent arena, a few remaining external price pressures have potentially depressed some company hiring. We believe once companies fully understand the new Affordable Care Act's impact, hiring will dramatically increase.

At Semper, we are already seeing the talent market tighten, with less idle talent available and more competition among companies to attract top employees, particularly among skilled talent. (You can check out our recent article on the shrinking talent market here!)

Link: http://www.semperllc.com/Semper_client_email_blast/Content/Semper_Forecast_Article.pdf

If you remember, last quarter we saw a survey record, with zero companies planning to lay off anyone – an astounding statistic. This quarter, that number rebounded a bit to 5%, still an extreme change from our 2007 levels.

What does all this data spell? If you are thinking about adding some new teammates this year, now is the time – your competitors will definitely add to their bench strength in the near future!



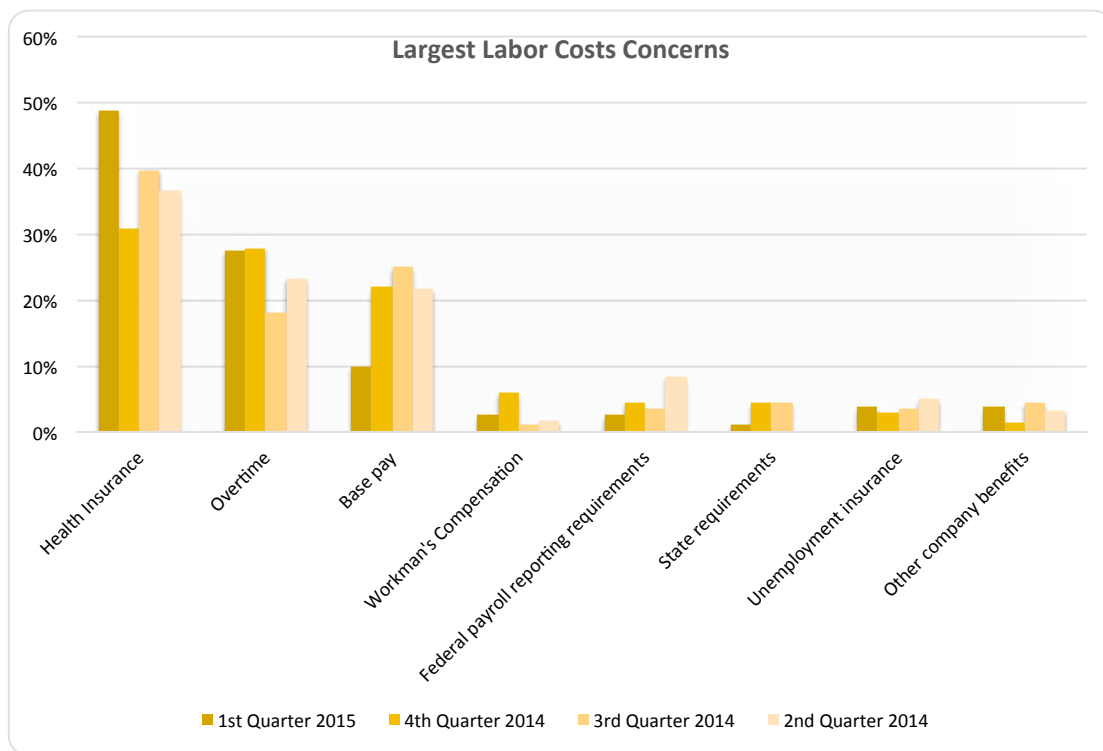
Question: What are your current hiring plans?

Insight 11: Insurance Threats Jump 18 Percentage Points on the Heels of the ACA

Among all the positive news in the market, rising health insurance costs provide a stark data point in the early months of 2015, with the reported cost of healthcare rising nearly 60% this month – and a total of 49% of companies concerned over these price increases.

The crux of healthcare concerns are the new (somewhat ironically named) Affordable Care Act, and the associated costs taking effect for 2015, specifically the complicated and often Byzantine rules that healthcare providers have created to meet these regulations.

While we will continue to see solutions play out – we are watching companies keep tighter control over headcounts and reduce total employee hours to below 30 – which may be the factor keeping hiring data and overtime costs relatively even this quarter. To counter the new ACA costs, firms are also raising pay rates above \$12– \$16 across the board, and selecting plans with the highest allowable co-pays and deductibles to keeping monthly premium costs low but usage costs extreme – which solves for the letter, if not the spirit of the law, and takes much of the shine off the ACA apple.

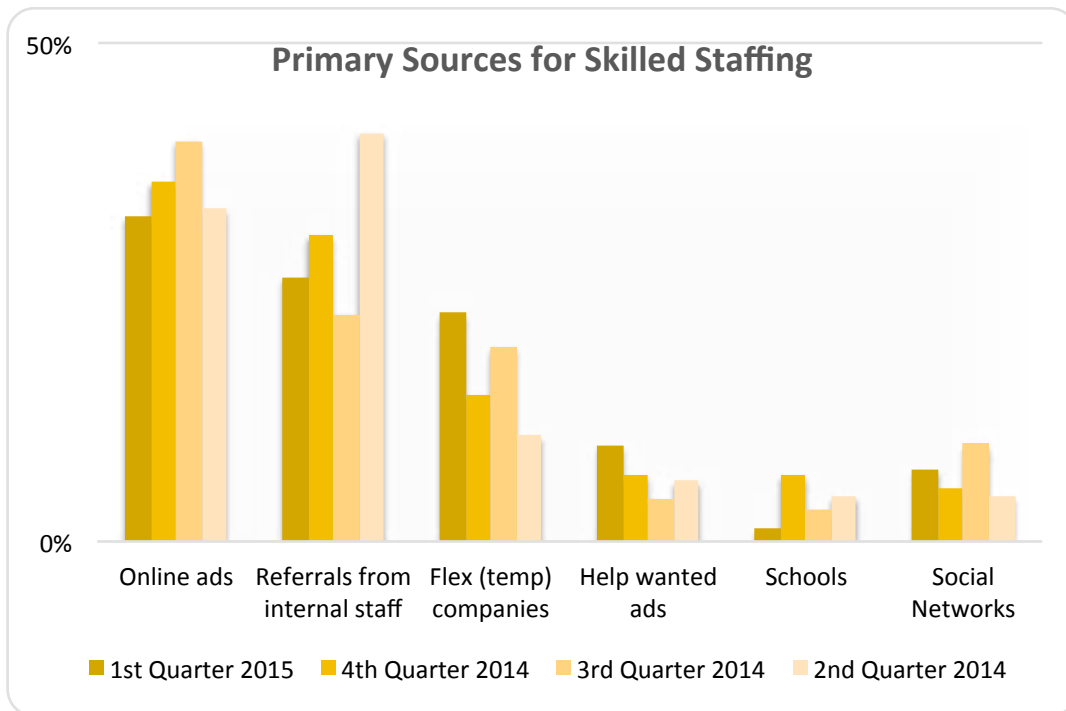


Question: Regarding labor costs, what component of the costs has been increasing the fastest last quarter?

Insight 12: Flexible Staffing Makes a Play for Increased Market Share

Over the past three months, we find ourselves in the midst of an abrupt shift towards scarcity in the talent market. As top skilled staff gets harder and harder to find, companies are turning towards alternative recruitment sources to fill their new staffing needs, specifically: online ads, internal referrals and Flex staffing.

The rise of Flex staffing among respondents, in particular, grew 53% this quarter to a recent high of 23% of total employment sources. We are seeing that these firms are supporting their permanent benches with outsourced Flex staff who can provide pinpoint skills or other seasonal functions. Expect this specialization to continue, particularly amid cost concerns over the ACA and other taxes making part-time, flexible staffing an attractive alternative to supporting a large full-time team.



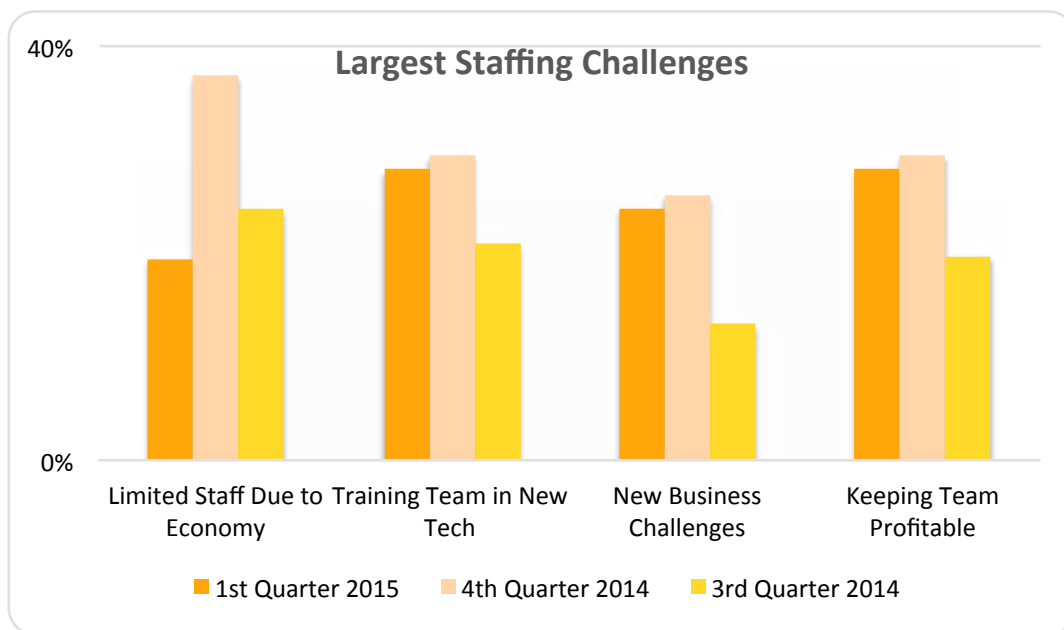
Question: What are your primary sources for skilled staffing?

Insight 13: Training and Profitability Continue to Lead Business Concerns

Last quarter we saw a bit of an about-face, as staffing limitations supplanted profitability as the leading business concern among print and marketing companies. This quarter, the bottom line came inching back into our psyche.

This makes sense: Businesses survival depends on driving profits, and once firms get their arms around temporary shortfalls – such as limited staffing or training needs – they will return to their bottom line focus.

This quarter, it seems that staffing needs are filling, and firms returned to watch new costs, such as the ACA, to see how it will ultimately impact their long-term plans.

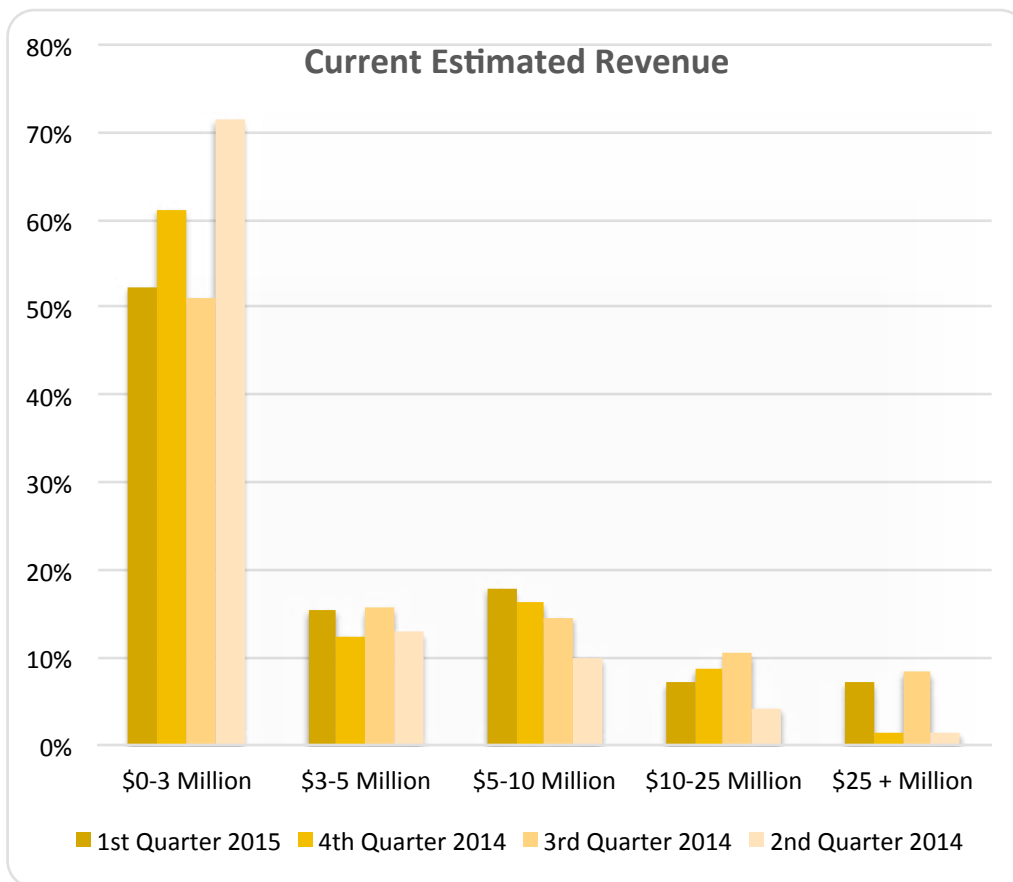


Question: What is your biggest staffing challenge?

Insight 14: While Small Businesses Lead Survey Responses, Large Companies Surged This Month

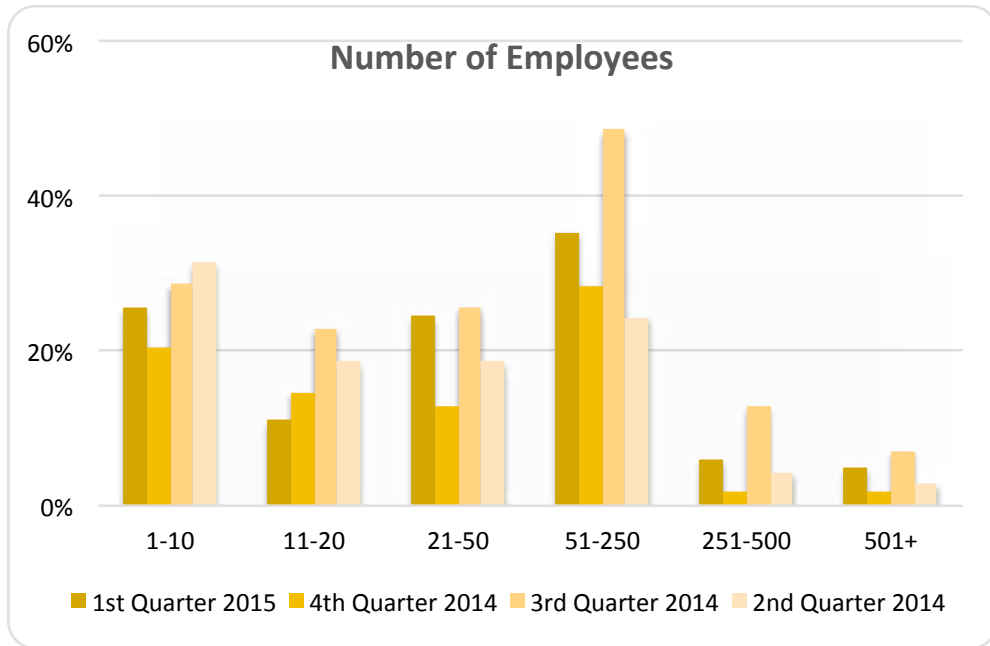
Small businesses comprised the majority of survey responses again in 2015, with 52% of all the firms responding to this quarter’s survey coming from the small business ranks.

Interestingly, companies with over \$25 million in revenue rose to 7% again this quarter, which brings us back to roughly the level we saw in the second quarter of 2014. Thanks to our partnership with Printing Impressions, we are hopeful to continue expanding our reach into all types of companies.

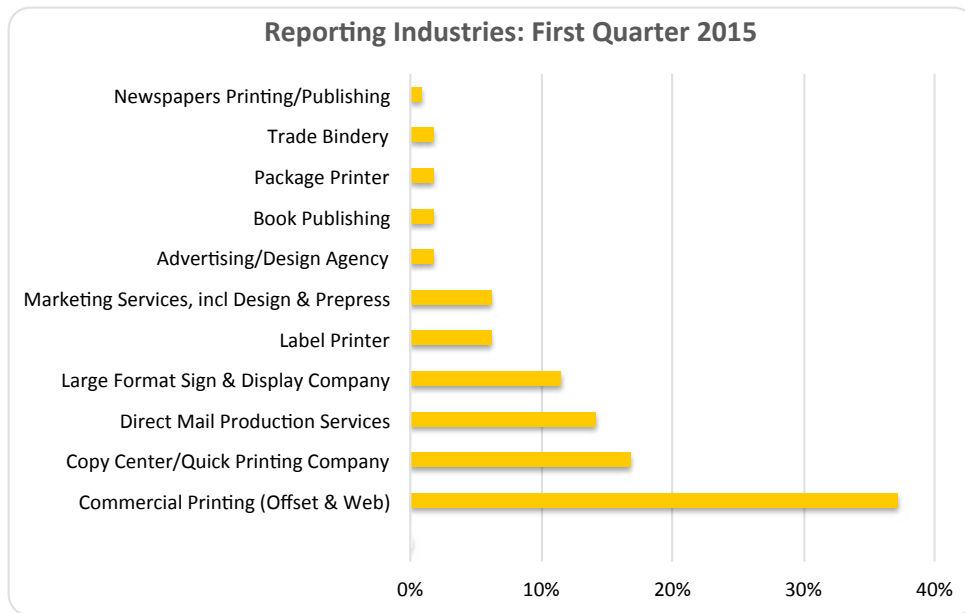


Question: What was your company’s estimated revenue last quarter?

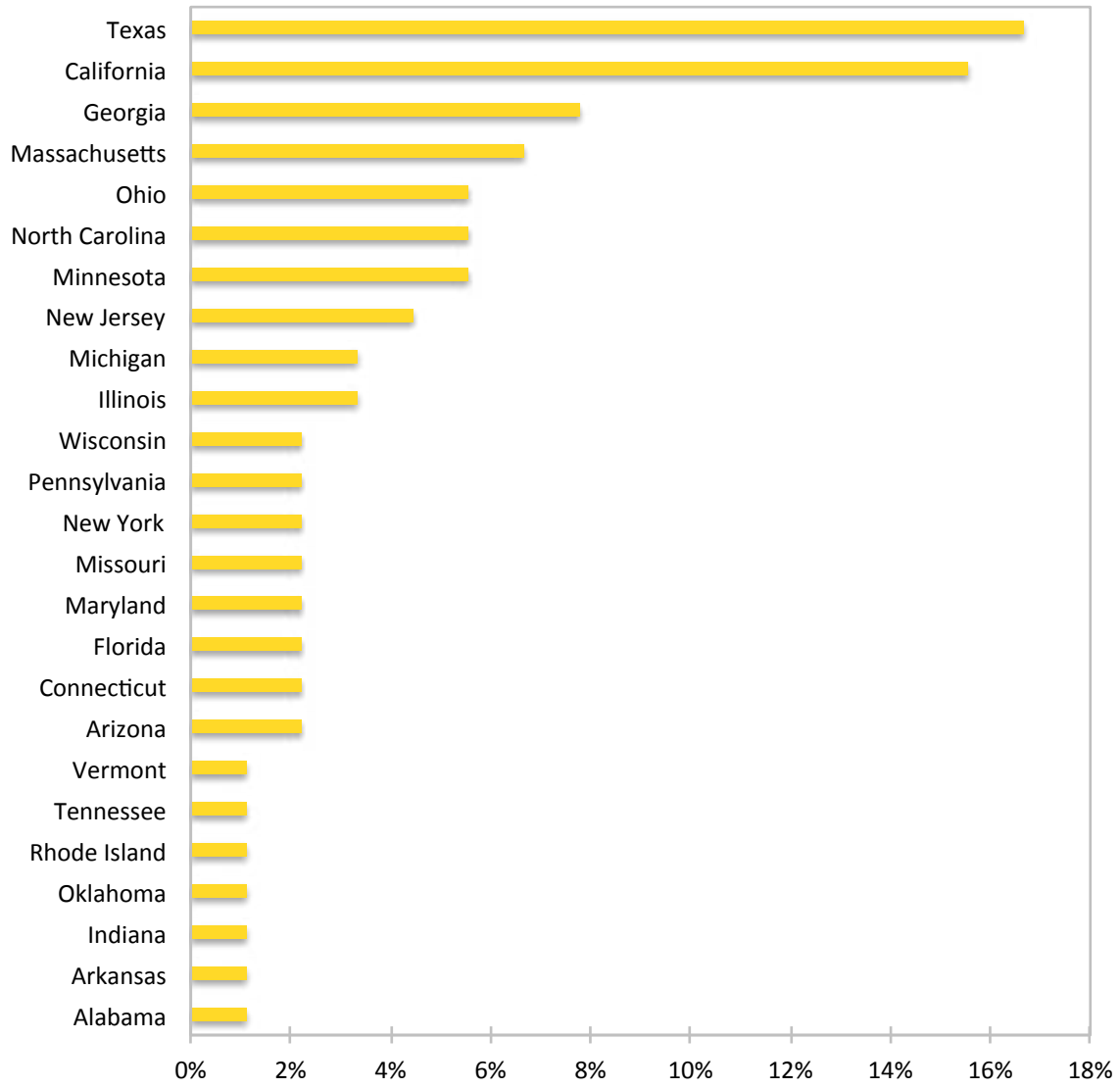
IV. Demographics



Company Size



Primary Vertical



Company Location



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, and we have earned a reputation for quality hires who produce from Day 1, and 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 we 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 1-888-836-9703
Or email: always@semperllc.com

Tell Us What You Want to Ask!

Over 12 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 email: always@semperllc.com to let us know what other questions you would like to see in next quarter's survey.