



Emerging sectorization of the digital label market - 2014

There are four types of digital label printer or press that are commonly found at shows like Labelexpo and for our own purposes we have begun to classify them by function and also by duty cycle (volumes printed on average in a month). It is a little arbitrary, but it is also important to assess different types of printer as being for different markets and purposes. The lines between sectors are certainly open to debate. We also classify systems under price categories, as this is an emerging market where price is a critical parameter for the buyer, which determines market development. The price categories generally correspond to the product sectorizations, but there are important exceptions to this.

Tabletop

The tabletop sector is a print-for-use sector where about 30% of printers are bought by small manufacturers and 70% by other businesses. Generally these systems do not go to Label Converters. It is a relatively flat growth sector overall with low average usage. The sector is trapped between the large number of businesses which have no use for labels, and the businesses which have grown from being very small to being large enough not to want to deal with the time and energy involved in printing their own labels, and ready to become customers of label converters. These printers generally print pre-die-cut labels.

Light Production

The light production sector is an emerging sector which has begun to take on its own identity in the past couple of years. Systems in this sector tend to have die-cutting and even more conversion add-on capability in- or off-line. They represent an opportunity for smaller label converters new to digital to get their feet in the digital water without spending half-a-million dollars and upwards. There is also a market emerging, though small for now, among sheet offset printers some of whose retail and manufacturing customers are asking for small quantities of labels from a single print source. It is this sector where we have a hard-to-classify system which we classify as a product category 4 high-end standalone digital press targeted at label converters and high-end users, but which nevertheless finds a place in the market at around the \$200K acquisition category B price level. For example, it includes Epson's L4033A/AW aqueous 'latex' (film-print capable) system.

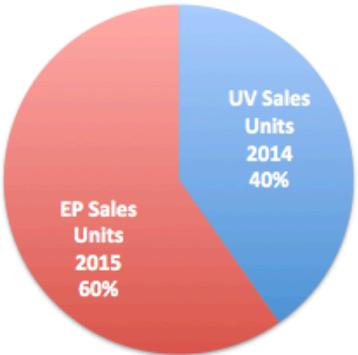
Hybrid Digital

We have called hybrid in-line flexo/conversion print systems product sector 3. These are essentially analog flexo system with drop-in digital Inkjet modules. These systems are just coming to market and their place and rationale is as yet untested. It is an interesting initiative mainly coming from analog press manufacturers. The next year will reveal the market's feelings about these types of presses.

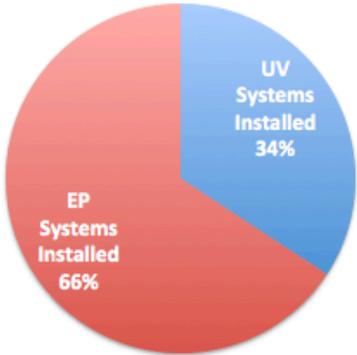
Standalone Digital

The final product category in our scheme are the standalone digital presses which make up the huge bulk of the production professional digital label market, including among vendors HP Indigo, Xeikon, EFI-Jettron, Durst, Domino, Screen and many others. This market has been twenty years in establishing itself and is now an unqualified success set to grow for years to come with a solid foundation in demand among an increasing number of label converters worldwide. It is now showing growth rates well into the double digits (see below). Systems are fully capable of production quantities using a mixture of well-integrated in- and off-line conversion systems.

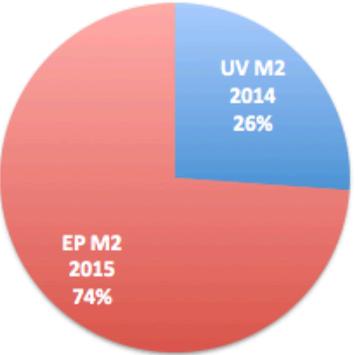
**UV IJ/EP Digital Label Press unit Sales
2014 (509) ww**



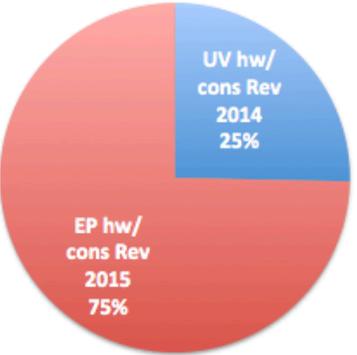
**UV IJ/EP Digital Label Press Systems
Installed (no refurb) 2014 (1667) ww**



**UV IJ/EP Digital Label PressM2
Printed 2014 (432M) ww**



**UV IJ/EP Digital Label Press hw/cons
Revenues 2014 (\$611M) ww**



I. T. Strategies, Inc.
51 Mill Street Suite 2
Hanover, MA 02339
PH: 781 826 0200
www.it-strategies.com