

Diversification Strategies: Label

DIGITAL LABEL PRINTING CONVERGENCE SUCCESS STORIES

FOREWORD

Of the many reasons print service providers (PSPs) seek to expand their application offerings, stability, and reliable growth are among the most pressing. This has been an important realization over the past few years as commercial printing opportunities took a sizable hit during COVID, and printers sought to supplement their businesses with steady sources of revenue. With lowered entry barriers thanks to the proliferation of digital printing equipment, many PSPs invested in label printing capabilities, given the high demand for the application and the ability to serve brand owners in the community with digital's unique advantages.

While COVID was certainly a catalyst of convergence into label printing, commercial printers, wide-format shops, and promotional product suppliers making the move into digital label printing is hardly a fresh phenomenon. In fact, NAPCO Research has been tracking industry convergence over the past five years, and accessing the label segment has been at the top of printers' desired wish lists.

In NAPCO Research's groundbreaking 2018 study *Convergence in the Print Industry: Understanding Growth Opportunities and Competition*, PSPs across all segments of the industry were asked about other application segments they were either considering entering or had already entered. Labels emerged as the No. 1 application commercial printers had an eye on, with 43% of commercial print respondents investigating the label opportunity. Meanwhile, more than one third (34%) of wide-format graphics printers were looking into label.

When NAPCO Research revisited this question in 2021, a similar pattern emerged. In this follow-up study, label remained at the top of commercial printers' desired application segments, with 40% of respondents stating they were considering or researching making a move. Meanwhile, 38% of wide-format graphics printers had their eyes on the label opportunity, marking an increase from the three years prior.

While there is no denying the desire among commercial and wide-format printers to carve out their piece of the label printing pie, there is also no denying that entering the label segment will come with a slate of challenges that must be addressed. First, flexographic printing still dominates the label segment, with its ability to churn out high-quality labels efficiently and cost-effectively. Second, investing in conventional flexo may not be a strong competitive strategy for an outsider looking for an entry into labels. As the PSPs interviewed in this report have demonstrated, roll-to-roll digital production presses provide a comparatively easier entryway into the label segment.

Additionally, as one interviewee in this report stated, printing is often the easy part when entering the label segment. Investment in both finishing processes and label production expertise should not be overlooked. Finishing and converting labels to ensure they meet the needs of their desired end use is critical. For example, what if a label is applied to a craft beer bottle that may end up in a cooler? Can that substrate, ink, and adhesive withstand the moisture? Or, what if the label needs to be durable enough to weather outdoor conditions or high heat? These are the types of questions that commercial and wide-format printers entering the label segment need to ask their customers before taking on a job, and they need to ensure that they have the right equipment to meet all packaging requirements.

Though entering a new industry segment can be intimidating, with the right partners, expertise, and equipment, it can be done with a high level of success. The PSPs profiled in this report are a testament to that and are strong evidence that label printing can be a growth opportunity for printers of all kinds.



BP SOLUTIONS - ASHEVILLE, NORTH CAROLINA

Before adding label and packaging services to its commercial print offerings, BP Solutions' business was subject to ever-fluctuating market conditions. As company president Scott Cotten explains, the first budget that businesses tend to trim is marketing — forgoing printed products such as direct mail and graphical displays.

But labels and packaging, Cotten says, tend to be reliable and stable no matter the economic conditions of the time, and by adding those applications to BP Solutions' offering, he has been able to ride out multiple economic downturns.

“The folding carton work and the label work is just more consistent throughout,” Cotten says. “For us it’s a real differentiator. There really isn’t another packaging company of our size in our region that has the breadth of capability that we have.”



The Mark Andy Digital Pro 3 digital label press in action at BP Solutions in Asheville, North Carolina. Photo courtesy of BP Solutions.

Making the Label Leap

With years of experience as a commercial print shop with expertise in both digital and offset printing, Cotten says Asheville, North Carolina-based BP Solutions hadn't really considered label printing until he made the trek to Ponte Vedra Beach, Florida to attend the Digital Packaging Summit. This annual event, hosted by NAPCO Media and PRINTING United Alliance, takes place each fall and offers attendees three days' worth of content and networking centered entirely on digital label and packaging production.

Cotten shares that BP Solutions decided that the digital label opportunity was too good to pass up and invested in a Mark Andy Digital Pro 3, a toner-based press incorporating in-line flexographic and converting stations. Because the company's background is in commercial print, Cotten explains that the in-line converting processes on the Digital Pro 3 were beneficial, as the company did not need to invest right away in both printing and finishing equipment.

“We were trying to find that sweet spot of affordability and capability, and the Digital Pro 3 really hit, specifically because we don't have any converting equipment for labels,” Cotten says. “[With standalone digital], you have to buy the press, then you have to buy the converting equipment as well. So we were all in \$450,000 for the D Pro 3 and all the options we got versus trying to go a different route, where it's going to be closer to \$1 million.”

Learning and Growing in Labels

Another major benefit from BP Solutions' investment is that Mark Andy was able to connect the company with a similar business in Eastern North Carolina that also added a Digital Pro 3 to its commercial printing repertoire. Cotten shares that having a peer company nearby willing to help BP Solutions get up to speed on the equipment and share best practices was a significant advantage in the early days of BP Solutions' digital label journey.

With the press fully up and running, Cotten says that BP Solutions has now been able to expand its label business to serve some of the smaller brands in and around the Asheville community. He says that as a hub for craft beer, that industry has been a significant source of new label business, in addition to the burgeoning CBD market that has sprouted up in the area.

"Every day there's a new label customer," he says. "We're uncovering them left and right. We've done some good marketing, trying to get the word out there that hey there's somebody in Asheville that does folding cartons and labels."

LAKE GRAPHICS – CLEVELAND, OHIO

Mark Tangry was no stranger to the printing industry when he founded Lake Graphics in 2009. He had an extensive background on the materials side of label production and was working for a pressure-sensitive adhesive provider when he opened the company as a side project. Initially, Lake Graphics was geared toward wide-format applications such as vehicle wraps and signage, with Tangry operating out of a 1,500 sq. ft. facility in Cleveland.

Though the company started with just a 64" wide printer and laminator, it quickly grew to a point where Tangry added in a flatbed device along with a CAD cutting table. In need of more space, he bought the building that currently houses Lake Graphics, but soon realized the company's wide-format business wasn't quite enough to cover the costs of the new facility.

A Return to Labels

With a label industry background, Tangry decided to return to his roots, investing in a 13" Xeikon 3030 digital press and a diecutter from Grafisk Maskinfabrik. In the company's early days with digital, Tangry explains that he was able to grow that side of the business via a wholesale approach. Because he could cost-effectively take on the type of work in which digital outperforms conventional, he could pick up jobs from nearby converters.

"A lot of our business ended up being wholesale because I didn't have to have a sales force and I didn't have to have a marketing plan," he said. "I basically just kept contacting other label converters



Cleveland-based Lake Graphics has added UV inkjet label printing capabilities with the Durst Tau RSC 330 E. Photo courtesy of Lake Graphics.

and that worked out well for a while.”

Eventually, Tangry made the decision to hire a dedicated label salesperson and has begun to grow Lake Graphics’ customer base. He has also upgraded the company’s digital label printing equipment — replacing two Xeikon 3030 presses with a 20” Xeikon CX500 dry toner press and a UV inkjet Durst Tau digital press.

Expanding Applications

With this mix of equipment and applications spanning the label, commercial, and wide-format segments, Tangry explains that he has been able to explore in-demand label formats, such as heat transfer and in-mold labels, which have allowed the company to stand out among the competition.

“We’re trying to get into more niche type applications that take us out of the mainstream,” he says. “Not to forego any of that business, but this is where we can carve out a space for ourselves.”

Since bringing digital label printing capabilities on board, Tangry says label has grown to become about 60% to 70% of Lake Graphics’ business. But, he adds that by maintaining a highly diverse offering of applications, the company is able to step up and take on added work if a peer PSP is in need.

“Our equipment partners like Xeikon and Durst, they’ve been very quick if someone says, ‘We have a problem, we’re stuck. We have this huge project, and we need more capacity.’ They say, ‘Call Lake Graphics. Call Mark,’” Tangry says. “We’ve been really fortunate that we’re on the receiving end of that.”

BENNETT GRAPHICS – TUCKER, GEORGIA

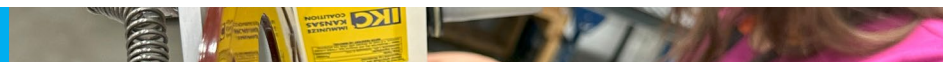
David Bennett, president of Bennett Graphics in Tucker, Georgia, likens his company’s entry into the label segment to the classic film “Field of Dreams.” In the movie, the character of Ray Kinsella constructs a baseball field in the middle of his Iowa farm, encouraged by a voice that ensures him people will come to the field, so long as he builds it.

Back in 2015, guided by industry data that indicated the label and packaging segments were growing faster than commercial print, Bennett purchased an HP Indigo WS6800 digital press, seeking to expand his business into labels. Bennett shares that at the time, the company did not have any label customers; by installing the press and hiring an experienced manager to oversee the label business, it has now become a crucial part of Bennett Graphics’ success.

“We’re very comfortable in it now, but the learning curve was steeper than I had anticipated,” Bennett says. “I think if we had not hired someone that had experience, I think we really would have struggled.”

Growing a Strong Business Segment

In the eight years since adding label production capabilities, Bennett says that the segment has become one of the strongest and most reliable of the many applications the company offers, which includes general commercial, wide-format, and folding carton printing. Bennett Graphics has also invested in its label enhancement capabilities, purchasing a Digicon digital finishing device from AB



Graphic International, along with a JetFx digital embellishment device.

Having this versatility, Bennett says, has helped the company during challenging economic periods.

“During COVID, our commercial work cratered almost 35%,” he says. “The label division was the only part of our business that grew.”

Among the main differences between label and commercial printing is the importance of color consistency, Bennett says, and the company has focused a great deal on ensuring its label customers can rely on the company’s ability to match a brand’s key colors. While color management and consistency are very important in commercial printing, Bennett says it gets taken up a notch in the label and packaging segment.

“It’s super critical on the label side,” he says. “If you print something today that [a customer] has up on the shelf, and you want to do it again in six months, it has got to match.”



Bennett Graphics of Tucker, Georgia invested in digital finishing capabilities to supplement its digital printing with a Digicon Series 3 from AB Graphic International. Photo courtesy of Bennett Graphics.

Understanding the Details

Understanding the various substrates and how they perform in specific environments was another important learning process for Bennett Graphics as it entered the label segment. Because labels are utilized on a variety of products across several industries, Bennett explains that it is crucial for label printers to ask their customers a variety of questions to learn as much as possible about what will be required of the label so it can withstand its end use.

He shares that customers often don’t provide all of this information upfront, so it is imperative that PSPs ask probing questions to ensure they are producing a label that meets all of the customer’s needs.

“We learned that you really have to find out what the end use of the product is,” Bennett says. “Is it going to be in a wet environment? Is it going to be in a cold environment? Some people want the ability to be able to pull a label off of a product, so we may have to use a removable adhesive versus a permanent adhesive. It forces us to ask a lot more questions about the end use.”

SNUGZ USA – WEST JORDAN, UTAH

As one of the leaders in the promotional products industry, it's no surprise that SnugZ USA requires high-quality labels, printed in full color, to adorn many of the items in its vast product line. The company, located in West Jordan, Utah, near Salt Lake City, has grown in its nearly 35 years in business from five employees to more than 750. Today, SnugZ USA offers a spectrum of promotional items, including health and beauty products, drinkware, corporate gifts, personal care products, and many more beyond that.

With such a wide array of products, Justin Gukeisen, COO of SnugZ, says that the company doesn't just require a variety of labels; the labels must also meet the needs of their products' end uses.

"We offer many different sizes and shapes of bottles and containers, which require different sizes, and perforation," Gukeisen says, "and slim tubes that require the label to wrap around itself with the ability to peel back to read product information. With personal care items manufactured in our FDA Registered Facility, there are many regulations that must be followed depending on the product."

Enhancing Label Production

Since 2007, SnugZ has offered in-house digital label printing options, but in 2015 the company acquired two Epson SurePress L-4033AW inkjet presses to enhance its label quality and production capabilities. Gukeisen explains that as a promotional products company, having label printing technology in-house allows SnugZ to get labels faster and more cost-effectively versus outsourcing its printed label needs.

Additionally, he says that with digital printing technology, SnugZ can produce low-quantity orders that many traditional converters would not take on. Beyond their short-run capabilities, Gukeisen adds that the Epson presses thrive in their consistency and repeatability, providing reliable color and image quality, which is so crucial in the promotional products industry. This has been beneficial for SnugZ, Gukeisen says, because the affordability and consistency of the equipment allowed the company to invest in multiple presses.

The promotional products industry is also highly variable, with new customers in need of new products, with graphics and text that often changes. Gukeisen says that by bringing digital label printing on board at SnugZ, customers benefit from getting professional quality labels while maintaining the design flexibility that is so important in the promotional space.

"[We have] the ability to produce high quantities quickly and efficiently with a quality imprint," Gukeisen says. "It also provides us with the ability to modify size, shape, and give the customer the flexibility of offering a fully customizable, full-color label to decorate their item."



A label printing job in action at SnugZ USA in West Jordan, Utah. SnugZ, a leading promotional products company, invested in digital label printing with the installation of two Epson Surepress L-4033AW inkjet presses. Photo courtesy of SnugZ USA.

RAINING ROSE – CEDAR RAPIDS, IOWA



Since its founding 27 years ago as a family business producing lip balm in small-scale kettles, Raining Rose has grown into a major developer and producer of personal care and promotional products, now with more than 300 employees and a 127,000 square foot facility in Cedar Rapids, Iowa. And while lip balm remains a core component of the company's offerings, its product lineup has substantially expanded to now include sunscreen, lotion, skin care, men's grooming products, deodorant, and hand sanitizer.

With nearly all of these products requiring a label in some form or fashion, Raining Rose has always offered its customers labeling and packaging services. But it wasn't until about 10 years ago that the company brought its own digital label printing capabilities in house. According to COO Kyle Hach, when Raining Rose moved into its current facility in 2013, it finally had the space to add label printing to its offerings. Since that initial install, Raining Rose now boasts an HP Indigo WS6900 and prints more than 150,000 labels on average per day.

"Raining Rose has always offered labeling and packaging services, however, we did not purchase our first printer until 2013 when we moved into our current building," Hach says. "Before that move, we did not have the space to install a printer in our operations or volume to justify the purchase."

Efficiency and Quality Drive the Decision

Before bringing the digital label press on board, Hach shares that Raining Rose's typical lead time to get labels was about four or five days. Now, he says that turn time is often less than a single day, adding that the efficiency boost of in-house label production is a major benefit to the company overall and was a sizable driving factor in the decision to invest in a digital label press.

"Before we started printing in-house, the typical lead time to get labels was four to five days," Hach says. "For some products, we can now get a label printed, cut, and ready for our labeling equipment in less than 12 hours. We are always trying to find ways to cut our lead times. Cutting three to four days off our lead time by printing in-house versus outsourcing was a major factor in our decision to buy a printer."

Chuck Hammond, CEO of Raining Rose, says that before investing in the HP Indigo equipment, Raining Rose was sourcing labels from an outside vendor that was using HP Indigo. Through that experience, he says that the company gained its confidence in the quality printing the press would provide and became familiar with the artwork production process. Since bringing the Indigo press on board, Hammond says the quality of Raining Rose's labels has noticeably increased.

"Previously we had used very 'primitive' label printing capabilities such as thermal transfer of wax ribbons and inkjet," Hammond says. "While we controlled the process, our label quality was below industry standards."



WHO WE ARE

NAPCORESEARCH

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NAPCO Research can help with:

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- Opportunity discovery
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- Landscape insight
- User needs and wants
- Product features and functionality
- Content marketing strategy
- Sales strategy and tactics
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- Industry trends
- Brand awareness

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WHO WE ARE

durst

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- Label & Flexible Packaging: Label Digital, Label Hybrid, Specialty Packaging
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As a third generation, family-owned company, we have independence and financial strength that allows us to take long term views and constantly invest in R&D. A global leader in the development of inkjet systems, we can react quickly to market needs and requirements, and strive for customer success and quality in all of our actions. We gain loyalty and respect from our customers and employees by offering innovation and solutions of the highest quality.



WHO WE ARE

gallus

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HEIDELBERG has been a reliable and highly innovative partner to the global printing industry for more than 160 years. As of 2018, Gallus is fully integrated with Heidelberg in North America, which means customers have access to the entire product and service portfolios of both companies from a single source including HEIDELBERG's vast service network. Gallus is the world market leader in the development, production and sale of narrow-web, reel-fed presses for label manufacturers.

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WHO WE ARE

SCREEN

SCREEN provides both pioneering and proven inkjet solutions across a variety of graphics and print markets including Direct Mail, Transactional, Commercial Print, Publishing and Label and Packaging. Our Truepress Jet 520 Series features robust engineering, production class speed, high image quality and an unprecedented access to the widest range of digital grade and offset commodity stocks. SCREEN first introduced high speed continuous feed inkjet printing in 2007 and our approach to simplified cost and service models drives the lowest operating costs and highest uptimes in the industry. Combining SCREEN branded presses and presses manufactured for partners, there are currently more than 1600 SCREEN-manufactured roll-fed continuous-feed inkjet print engines installed globally, producing hundreds of millions of pages daily. SCREEN continues to be the choice for today's most demanding, critical document production environments.



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