

The NEGCC Communicator

New England Graphic Communication Club

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Acquisitions Accelerate Cross-Media Adoption

MyPrintSource.com

InfoTrends recently completed a survey of more than 280 print service providers (PSPs) to understand the current state of cross-media in the graphic communications market. The integrated use of multiple media has been proven in our earlier studies to

improve customer call-to-action rates and increase the success of marketing campaigns. Nevertheless, there are many challenges to implementing a cross-media campaign that some marketing service providers (MSPs) or PSPs are unable to overcome.

Of the 280 PSP respondents in our survey, 119 respondents were not currently offering cross-media services. They were then asked to identify the critical barriers that are hampering participation. The most common obstacles included limited sales skills and limited technical skills.

...Continue page 3



Be Our Guest in the
Next Event!

“Mergers and
Acquisitions”

At Anthony's Pier 4 on
October 26th, 2011 at
6:00 pm

Rise Of The Digital Color Press (BY KAREN HALL)

Over the past few years, the printing industry has seen an evolutionary leap in the equipment category that was once referred to as color copiers. About 15 years ago, as the print world became more firmly entrenched in digital technology, we began calling them color copier/printers. Even that seems inadequate now, as most manufacturers prefer to brand these output devices as digital presses. [Page 3](#)

Why is Social Media Marketing Important for my Small Business?

The most important factor in the evolution of marketing is the growing emphasis on two-way customer touch points. Building brand loyalty in this day and age is not just about making sure your message reaches the relevant audience; it's about making sure you can hear their responses so you can also respond accordingly. Social media marketing facilitates a conversation between the brand and the customer, thereby engaging the two parties in such a way that loyalty is solidified. This is especially important for small businesses because small businesses have the luxury of focusing on a smaller client base. It's important for small businesses to be accessible to their customers. Social media is one way of capitalizing on this need to be connected and thus allowing both the brand and the customers to maintain the conversation.

Graph Expo, for the Strategy, Not Just the Technology By Dr. Joe Webb

There are many reasons to go to trade events, and Graph Expo has traditionally been the venue to see the latest technologies. Today, there is a more important reason to go, and that's the strategy.

Technology hunting alone was fine when printing industry volume was rising, and other economic growth factors hid communications trends from view. Today, print spending is being diverted to other media. Growth often hides problems in print businesses, but flat or declining sales exposes all of them, seemingly all at once.

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GRAPH
EXPO



“Mergers and Acquisitions, as Ways to Grow or Survive”

NEGCC has invited a panel of experts on this, Consultants, Accountants, Lawyers and banks, to discuss and inform about the correct steps to take when

considering merging or acquiring a business and to answer any questions we may have.

In these challenging times the printing industry is changing and adapting to survive. For many it comes down to combining strengths with another company, creating a strategic alliance or buying a competitive business.

Mergers and acquisitions have been a prevalent factor in our industry over the past five years allowing print to remain a force in the communication and media markets.

The panel features experts who are in tune with our industry.

The NEGCC is committed to being a proactive force in the printing industry and by your participation it enforces our standing and importance.

I look forward to seeing you at the next quarterly meeting.

Bob Davidson
President

PRINTERS CAN PROFIT FROM SOCIAL MEDIA SERVICES... A NEW TWIST BY JOHN GILES

Social media also provides printers with new products and services to sell. The same skill set they use to produce printed products is used in social media and Internet services. Printers have always played an important part in the communications process for their customers. By integrating social media and Internet services, they can help customers make their printed messages more relevant and powerful.

Why should a printer provide social media services? It is because social media services create the need for more printing and design services. Many printers already have a strong relationship with their customers’ marketing departments. They are already designing, writing copy, and printing marketing collateral. It is an easy transition to go from the protector of the customer’s brand and message in print to the guardian of other communication vehicles that promote the same message.

Customers need to have their brand unified across the communications tools they are using. Printers can help customers ensure that the content and the look and feel of their marketing message is reinforced. Who better than a printer to make sure that the message, colors, and logos look the same in print as they do on a computer screen? Professional design is needed for Facebook welcome pages. Blogs need to look like the printed marketing materials. E-broadcast newsletters must mirror style. The printer is best suited to make sure the customer’s image is properly displayed.



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THANK YOU FOR YOUR SUPPORT!

...Continue from page 1... **Acquisitions Accelerate Cross-Media Adoption**

“Rather than building the skills internally, firms are aggressively buying expertise to strengthen their offerings and/or add services”

Service providers want to work with marketers to secure or expand shares of their customers’ cross-media business. Rather than building upon these limitations in skills, we are seeing a number of complex strategic acquisitions in the cross-media space to address the technical and marketing challenges associated with becoming a full-service provider. While there is an associated risk, the potential rewards can contribute to growth by broadening product lines, increasing market share, strengthening a financial position, stabilizing a cyclical or seasonal business, as well as providing key executive or technical talent.

Rather than building the skills internally, firms are aggressively buying expertise to strengthen their offerings and/or add services. Larger firms have

begun to purchase smaller organizations that already have made the transition. These deals offer benefits to both companies. The acquiring firm buys the best practices, expertise, and a book of business, while the acquired firm has access to a larger resource pool. This trend will help accelerate the pace of participation in the cross-cross-media space. **The information above is featured in InfoTrends’ *Leveraging Acquisitions to Accelerate the Pace of Cross-media Adoption* analysis. This report addresses the challenges of adapting marketing campaigns to use multiple channels, and provides examples of companies that have effectively transitioned to a cross-media campaign through the use of acquisitions and partnerships.**

...Continue page 1... **Rise Of The Digital Color Press**

There is a faction that seems to enjoy arguing the merits of what criteria the equipment should meet in order to be called a press, but that is really just semantics. While digital color will never be the same as offset, it has been firmly established that it has created an enormous niche of its own.

Steady Growth

According to the June 2011 issue of Larry Hunt’s Color Copy News, “Color copying has been growing steadily, both in dollars and as a percentage of total company sales. There is every reason to believe that this growth trend will continue for many more years. And this growth has been happening even though selling prices have been declining steadily over this 20 year period.”

The report goes on to illustrate that in 1991 the average selling price of a color copy was \$1.55, with an average monthly volume of 3,000 copies. So, in 1991, average monthly sales from color copies totaled \$4,650. Ten years later, the selling price had fallen to \$0.85 per copy (by then they were more accurately referred to as prints), and volume was up to an average of 8,000 pages per month, for average monthly sales of \$6,800. By 2010, the average selling price per page was down to \$0.41, but average volume had hit 38,000, producing average monthly sales of \$15,580.

Keep in mind that during that same time period the cost of producing those color images had just as steadily declined, making the output more and more profitable as the market grew. In 1991, the average cost to produce a digital color print was \$0.17. By 2001 that had fallen to \$0.08, and last year the average cost was down to \$0.02. Add in the increased productivity of the equipment—which averaged five ppm in 1991, 11-12 ppm in 2001, and 50-70 ppm in 2010—and we begin to understand why this is one of the most consistently

popular technologies available.

Hot Color, Cool Features

We can parse numbers all day long, but in the end, the driving force behind this growth is the simple fact that today’s equipment does a whole lot more than just deliver color images. The manufacturers have stepped up to the plate to deliver capabilities that early color copier owners probably never thought they would see.

First, let’s be clear that we are strictly talking about the high-end, production level, cut-sheet, toner-based devices. Some years back, a dividing line appeared that clearly delineated the difference between low-end and high-end machines. Equipment at the lower end of the spectrum is fine for retail and office work, but it is not intended for the rigors of production work.

Since we are also not including super high-end equipment such as HP Indigo and Xeikon equipment or inkjet devices, the field is narrowed down to four primary manufacturers: Canon, Konica Minolta, Ricoh, and Xerox. (Yes, arguments could be made for other companies to be included, but these four have pretty much defined the segment.) These manufacturers stand out for having invested heavily in R&D to deliver features that allow their products to be differentiated from one another while maintaining a baseline of productivity that is far beyond what any office copier or MFP could ever deliver. Nonetheless, competition is keen, which creates an excellent market situation for potential buyers.

... “the field is narrowed down to four primary manufacturers: Canon, Konica Minolta, Ricoh, and Xerox. “ ...

Printers Who Mail (& Mailers Who Print) BY HOWARD RIELL

A variety of factors—among them the need to offer customers one-stop shopping convenience and the U.S. Postal Service's efforts to get more Americans to use the mailstream—are pushing printers who haven't yet done so to take a serious look at offering mailing and fulfillment services.

But while broadening one's menu of services can obviously generate additional revenue, printers should consider carefully before expanding into areas that require expertise and commitment to do well.

Mailing and fulfillment are growing, said Joe Metzger, principal of Metzgers Print & Mail in Toledo, OH, "and one-stop shopping is driving it. You're able to go into a client and offer him the chance to 'hand me the whole thing and we'll take care of you.' Because we're selling printing so cheap these days with commoditization, it's like there is an extra value-add in mailing and fulfillment."

Metzger sees mailing and fulfillment as being "dramatically different" than they were a decade ago. "In the old days, people used to sort mail. Now, you don't sort mail; you sort the data." Also worth noting, he added, is the effect of the Postal Service's National Change of Address (NCOA) program. "Having that technology to make sure you can tell a client that every piece is going to get delivered changes things. Obviously, they're paying a lot of money for printing and postage, so you've got to make sure it all gets there." No one, Metzger continues, "uses labels anymore, they just print right on the piece. Ten years ago you still had people using Cheshire labels on things."

The need to serve as a one-stop shop for solutions is evident from the way commercial printers have integrated services such as mailing into their repertoires, noted Ken Garner, president and CEO of the Mailing & Fulfillment Service Association (MFSA) in Alexandria, VA.

"If you took a look at the profile of a mailing services provider and commercial printer, say, five or six

years ago and that profile consisted of looking at their respective value propositions and their menu of product and service offerings, you would have seen a lot of divergence between the two."

More recently, however, that same profile reveals "less of a gap between the two, and a greater convergence between what it is mailing service providers are doing and what commercial printers are doing," Garner pointed out. The printers are getting into mailing, "and certainly the mailers are getting into printing." At some point, he anticipates that there will be "this total convergence, and you would see an ultimate complete sharing, again, of the menu of product and service offerings between those two."

Impacted Tremendously

"Obviously, when the economy hit and multichannel marketing changed, the mailing industry was impacted tremendously," added John Foley, the founder, president, and CEO of interlinkONE in Boston, which markets an online integrated marketing solution. "The fact that people are finding other sources, using other channels to connect with their target audiences [has meant] a steady decline in mailing."

What Foley calls the "hottest, latest thing" is the integration of mailing,

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**WE ARE INVITING YOU TO OUR NEXT EVENT!
"MERGERS AND ACQUISITIONS"**

ON OCTOBER 26TH 2011 AT ANTHONY'S PIER 4 - 6:00 PM

fulfillment, and printing with 2D Quick Response codes. "At the table right now, we've got the U.S. Postal Service offering mailing discounts if you use the QR code on your pieces. It's really taken a turn for the good because, before, the mailers and fulfillment companies were trying to tell them how to use the QR code. Now the audiences, the people who get the discount, are calling and saying, 'Hey, I heard I can get a discount if I use this QR thing, how do I do it?' I think that's a new bell and whistle."

In Foley's view, the companies offering alternative marketing solutions have themselves become a part of the value chain, "whether they're helping them with multichannel, VDP, personalized URLs, and customized pieces to become more targeted in terms of their mailers. I see a lot of that among the things they're starting to embrace."

... "The hottest, latest thing is the integration of mailing, fulfillment, and printing with 2D Quick Response codes" ...

... "Embracing mailing and fulfillment permits a commercial printer to augment their business... They can do more" ...

Greater Complexity

"In terms of the mail component of it, the complexity of navigating through all that is required to enter mail into the mailstream has [increased]," said Garner. More recently, he explained, as the Postal Service searches for strategies and initiatives that will solve its financial challenges, mailers have observed the development of a wide variety of initiatives designed to try and increase mail volume. "All of these offers hit the market," Garner said, "and the market has to decide which ones to take advantage of and which ones not to."

The heightened complexity has not gone unnoticed by mailers or by the federal government. Indeed, Postmaster General Pat Donahoe has indicated that he is aware the process needs to be simplified, and within that simplification more people will be encouraged to use the mailstream as a viable medium.

... "we've got to be able to print and mail within a couple of days, or the information is too old." ...

For both mailing and fulfillment, Garner said, software "probably represents the biggest advancements. On the printing side, the ink-on-paper side, digital is making a very hard move on the ground that former offset press manufacturers and offset printers once enjoyed. Also, the software side is having the greatest impact. There are specific vendors out there that are making more progress than others, but I think a number of them see this as a kind of blue ocean for them, and an opportunity to carve out a specific niche for themselves within that convergence."

Looking Ahead

Embracing mailing and fulfillment, Foley believes, permits a commercial printer to augment his or her business. "They can do more. They can also embrace [the technology] to do a better job of self-promotion of their own services," he said.

What Metzger refers to as "the latest bells and whistles" are being driven by the post office. For example, his firm uses Mail Manager 2010 software technology. "Marrying that stuff with variable print grays the lines a little bit about what we're doing. We use Pageflex for our variable print, but we have to marry that to other software technologies to make sure the data is cleansed."

Marrying technologies, he added, has rendered much of the process "smoother and faster. It has got to get faster because in order for mail to compete with online communications venues, we've got to be able to print and mail within a couple of days, or the information is too old."

The lesson is that companies that aren't in the mailing business— who don't have customers that mail, or are printers who are not involved with marketing or direct mail at all—have got "a long row to hoe," Metzger concluded. "But if they already print things that look like they're going in the mail, I think they've got an easy step in there just by buying the right technology and hiring the right people."

Garner suggested that commercial printers have to look at mailing as a viable way to broaden their value propositions. That said, he added a caveat: "They need to do their homework very carefully before they get into the mailing process. Having been once a printer myself, I think that the appropriate and profitable running of a mailing department within a commercial printer is going to require more time and attention than perhaps a lot of commercial printers anticipate."

...Continue from page 1 Graph Expo...

Aside from the technology issues of the relationship of digital printing and offset, and the networking infrastructure inside print plants, there are critical management issues that must be addressed before the production technology ones.

Technology is meaningless without strategy to use it. Technology is just a tool to deliver value to others. Our industry finds itself at a serious transition point. Last year was breathing room. This is the year that it is essential to act. The economy is deteriorating at worst and flat at best. Digital communications continue to grow, and retrograde economic times increase the interest and incentives in their adoption.

From a strategy standpoint, these are the urgent key issues to tackle at Graph Expo, and many of them have educational sessions to support them:

Mergers and Acquisitions

The state of mergers and acquisitions was as a topic early in the show, critical information for all executives and owners even if they are not in the market to buy, or considering selling their businesses. Owners of healthier shops have reported to me that they are regularly having competitor businesses offered to them in full, or on a tuck-in basis.

Whattheythink.com forecast is for continuing tough economics, increasing encroachment by smartphones, tablet PCs, and faster broadband. This puts more pressure on print firms to reposition their businesses and consolidate when that repositioning is not an option.

Non-print media

Even if your company does not plan to be directly involved with some of the technologies, you may be in a situation of needing to buy these services on a subcontractor basis, or having to integrate them into larger projects with clients or partners. Being familiar with them now is very important from a competitive perspective. Whatever the case, the technology trends will be affecting us very deeply these next couple of years.

Staffing

As I have mentioned in many blogs, columns, and presentations, many of our companies need more age diversity, not because of any legal requirement, but because of the changes in communications technologies and the way people use them. I believe that one of the main reasons our industry had disbelief about digital media is because there were not enough young people in our companies, and especially in management. The intergenerational workforce, and is key for all printing companies no matter what the size. Even small family print businesses could use the counsel of young freelancers and advisors.

New Business Opportunities

Graph Expo's reputation as a technology show is well founded. Over the years, though, some printers have told me that they go to the show only when they are in the market for equipment.

... "Whattheythink.com forecast is for continuing tough economics, increasing encroachment by smartphones, tablet PCs, and faster broadband. This puts more pressure on print firms to reposition their businesses and consolidate when that repositioning is not an option" ...

I urge those printers to now look at Graph Expo as a strategy show. Technology and strategy have always been tied together, but now there is a new relationship because the marketplace has changed so radically. In some cases, we have to unwind our old technology decisions to implement a new strategy that is more appropriate for the times that we are in.

For years, the show has focused on its "Must See 'ems" as key technologies that owners should see. That list should be accompanied by the "Must Do's" that tie into building our understanding of our industry's ownership economics, new communications tools that we can use and that we compete against, how we staff our businesses, and how we redeploy our resources to move ahead. The way we use trade shows as strategic springboards is probably far more important today than our natural curiosity about equipment has been in the past.

Dr. Joe Webb is one of the graphic arts industry's best-known consultants, forecasters, and commentators. He is the director of WhatTheyThink.com Economics and Research Center.



Thank you to the members and guests for your support! Pictures from June's Event below



YOUR SUPPORT TO THE NEW ENGLAND GRAPHIC COMMUNICATION CLUB IS VERY IMPORTANT: BECOME A MEMBER!

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NPES Fly-in participants meet with U. S. Postmaster General Patrick R. Donahoe. Pictured left to right: Ralph Nappi, NPES; PMG Donahoe, Ulrik Nygaard, Baumfolder Corp.; Elinor Midlik, Prime UV Systems, Inc.; Mark Nuzzaco, NPES; Gerald Nathe, Baldwin Technology Company; & Mike Ring, Xeikon America, Inc.



A 2006 law has pushed the USPS to brink of insolvency by imposing a burden on the Postal Service that no other government agency or company bears. The Postal Accountability and Enhancement Act requires the Postal Service to pre-fund the healthcare benefits of future retirees. The mandate, which forces the agency to pre-fund a 75-year liability in just 10 years, costs the USPS more than \$5.5 billion annually.

“The mail processing network is a major asset, destroying it is misguided and counterproductive”

Cliff Guffey
Union President

Postman, We'll Miss You If You Go ...

Ralph J. Nappi, CAE - President of NPES and GASC



In June, NPES members attending our Capitol Hill Fly-in had a unique opportunity to meet with Postmaster General Pat Donahoe. Pat is a long time USPS employee who came up through the ranks and was recently named Postmaster General. We quickly discovered at our meeting that he had a detailed grasp of USPS challenges.

Going into our visit I expected the typical 15-minute “meet and greet” quick exchange of issues and a polite hand towards the door. We received just the opposite! The ‘polite hand to the door’ led us to Pat’s conference room where he spent 40 minutes sharing challenges and possible solutions, while pushing us for *our* opinions on what USPS should do in the future. Ironically, we were the ones who had to end the meeting, because we needed to attend prearranged congressional appointments. But we left his office with three distinct observations:

The USPS is in a lot more trouble than most people, including Congress, realize;

The possible solutions are not at all easy (*are they ever?*); and,

The USPS, at its highest level, is looking at the mailing industry, including supplier groups like NPES, as a partner and friend to move USPS forward.

While the issues are many, here are the key ones:

The USPS is looking at a \$9 billion shortfall for the 2011 fiscal year;

- Labor accounts for nearly 80% of the post office’s operating expenses;
- First Class mail is the largest revenue source and it is now falling at over 7 % annually; and,
- The contentious overpayment of the USPS pension program is not likely to be ‘given back’ by the government to help balance the USPS budget.

So where does the USPS head from here? A few likely scenarios:

- An additional 3,700 post office closures, approximately 11% of the current number;
- A more aggressive transition to the “Village Post Office” concept, where postal services like selling stamps and handling small packages would be done in retail outlets like supermarkets and drugstores;
- A potential decrease from 6 to 5 day delivery, with the elimination of Saturday mail; and,
- A possible increase in the First Class postage rate starting in January 2012.

So why is this important to you?

For many reasons! First, is the impact that changes to the USPS will have on our industry, since to this point roughly 50% of everything printed goes through the mail. So the future viability of the USPS is important to the entire printing industry. Second, is the need to emphasize to both community leaders and elected officials that the depth and breadth of the mailing industry – 8 million private sector jobs in total – goes well beyond the current 570,000 plus postal employees. And finally, a ‘call to arms’ is needed to help many constituents recognize the need for a viable USPS.

As our industry’s collective voice, NPES is meeting that “call to arms” by its active participation in the Coalition for a 21st Century Postal Service that is working at length with the new 112th Congress, the USPS, postal unions and other stakeholder groups to develop legislation that will provide solutions to the needs of all these constituencies, and strengthen a service that is still a vital part of the U.S. economy.