

Publishing Executive

What Do the Latest Printer Mergers Mean for Your Future?

My Take on the Latest Round of Mergers, Acquisitions and Closures

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Due to the recent changes with publication printers I have been asked by a lot of people for my take on their impact on the industry. As a print buyer I am usually dismayed with every acquisition or merger as it usually means one less source (and competitor) in the process. The demise of competition may affect prices, but what I have noticed is, usually, the blending of two companies creates a stronger company...hopefully keeping the better aspects of each company.

So many mergers and acquisitions have happened over the last twenty years. For example, I have worked with these 25 different publication printers during that time: Holiday Press, American Signature, Foote & Davies, W.A. Krueger, Greenfield Printing, Combined Communications Services, World Color Press, Northeast Graphics, United Litho, Alden Press, William Byrd Press, Ringier America, Liberty Press, Hart Press, Banta Publication Group, Heartland Press, Dartmouth Printing Company, Judds Inc, Perry Printing Company, Lancaster Press, Mack printing, Pendell Printing, Penton Press, Cadmus and Arcata Graphics.

I still work with them, however, they are now simply known as R.R. Donnelley, QuebecorWorld, Cenveo and The Sheridan Group.

Mergers and acquisitions have always been happening; Quad/Graphics bought W.R. Bean; Transcontinental bought RBW Graphics; Brown Printing bought Graftek Press. Some have even shut down: Wisconsin Color, S. Rosenthal, PennWell and QuebecorWorld's Effingham, Nashville and Brookfield plants.

So what has been the result of these changes?

Conventional wisdom would have us believe that with less competition, we, as buyers of printing, will have less options and higher prices. However, history has shown that exactly the opposite has happened.

We currently have better print quality, more finishing options, faster turnaround, better communications, quicker information due to integrated workflow systems and data sharing. Oh yeah, prices are lower, too.

I believe all of these positive industry advancements wouldn't have been as quick in coming, if possible at all, were it not for the consolidation. As companies merged they kept (or at least tried to keep) the best parts of each organization. They offered more plants with more capabilities. They developed and invested in integrated technologies. Their efficiencies increased, their costs went down and we have benefited from it.

I am not worried about the latest consolidations having a negative impact on the industry. I believe each company involved, as well as us print buyers, will benefit from them.

Mergers

RRD & Banta & Perry/Judds & Von Hoffman

I see these mergers as only strengthening all 3 companies. Where one may be weak, the other appears stronger. This is the second time in the last 20 years that RRD went on a significant run of acquisitions. In the late 80s they created their short-run division from scratch by acquiring several companies. RRD was known at that time as a huge bureaucratic "their way or the highway" long-run printer and there was an exodus of customers from these plants. However, RRD set up an efficient and successful division that now offered short-run publishers cheap paper and better distribution.

Similarly, I believe Banta & PJ will benefit from RRD's co-mail service and paper procurement clout. RRD has been successfully using InSite, whereas both Banta and PJ have had troubles implementing their versions of it. Banta and PJ's Heartland plant will add strength to RRD's already successful short-run group.

Magazines are not Von Hoffman's targeted market and their acquisition will have little impact. However, I like their ability to produce unique magazine covers and inserts.

I suggest RRD take a lesson from Banta regarding contracts. RRD's contracts are long, confusing and heavily favoring them. It requires significant amending, sometimes involving lawyers, to get it to be mutually protective. Whereas, Banta contracts weren't so intimidating and negotiations weren't so legal and impersonal.

I am curious, however, as to why these last three acquisitions haven't raised eyebrows with the Federal Trade Commission, which happened with RRD's last large growth spurt in the 1980s.

Cenveo & Cadmus

I do not see this merger having a big impact on the magazine and catalog markets, as both of these companies specialize in other areas. Even though they produce magazines, Cadmus' niche is journal work. They are a regional magazine printer who competes in an area already heavily populated with other publication printers, such as Perry/Judds (RRD), American Press, St. Ives & The Sheridan Group.

It appears with Cenveo's hiring of Bob Burton, World Color's past President, and their recently unsuccessful acquisition attempt of Banta that they want to get more involved with the magazine and catalog markets.

Maybe now Cenveo will learn how to better compete in the magazine market, which is different than the mostly commercial world they've lived in until now. When they've gone up against publication printers, Cenveo's Graphic Arts facilities have had a hard time competing in both price and distribution.

I hope Mr. Burton and the people at Cadmus' Richmond plant can teach Cenveo on how to compete. I welcome them and hope their Portland, OR plant can become a stronger player for western publishers.

Sheridan & United Litho & Dartmouth

The Sheridan Group was created when United Litho, Inc. was acquired in 1994 by The Sheridan Press, followed by Capital City Press and Dartmouth Printing Company in 1998. They specialize in short-run magazines and scientific, technical, medical and scholarly journals.

Their merger didn't make them a national powerhouse, but did make them a strong and efficient eastern printer. Don't get me wrong, they can compete with other publication printers when they want to, but the large nationally-distributed accounts are outside their market niche. Like Cenveo/Cadmus, their plants are not as strategic for national distribution

Another strength of The Sheridan Group is their usage of Proteous, a layout software program, which they offer to their customers. Layout programs are of great interest to publishers, particularly ones integrated with their printer.

Closures

In the last few years QuebecorWorld has closed a few of their publication plants (Brookfield, Effingham, Nashville) and moved that work to other plants,

These closures have forced "odd" work into mainstream plants where they do not necessarily fit. The old hardware that created odd size work are quickly being replaced with newer faster presses. This is good news for publishers who can use the new presses, but it is bad news for those who don't. It has become harder and harder to find 'efficient' presses to deliver over-sized work.

Due to these closures and the 2005 price war with RRD, many of QW's plants are at or near capacity and are being very selective in accepting new work. In other words, QW is not being as competitive this year. I also expect them to close yet another significant publication plant in the near future.

S. Rosenthal also recently closed. They didn't have that much presence in the national magazine marketplace, but they did produce a lot of catalog work. Now that work has been placed in other companies... taking up capacity at other printers.

New Capacity

There is new capacity available. Looking forward Quad/Graphics built a new state-of-the-art plant in Oklahoma City with another scheduled for Reno. Fry Communications built their Plant Four with room to expand fourfold and they are currently installing another press and binder in it. As a matter of fact, several printers are poised for expansion.

And then there are the new players. Yes, that's right, new publication printers. There are companies that are making efforts to break into the national publication printing market. These companies have been around, but are now making aggressive efforts to print magazines. Royle, Trend Offset, Progress Printing and Sutherland to name a few. Besides pricing, the lack of co-mailing is their biggest disadvantage. But for publishers who do not require co-mailing, these printers give more options.

The Canadians

Transcontinental, QW/Canada, St. Josephs and Solisco are all having a hard time with the U.S. Dollar and subsequent exchange rate. Price used to be their biggest advantage, but now U.S. printers are not only price competitive, they are integrated within the U.S. Postal Service. Crossing the border is the biggest hurdle for Canadian printers and until they again become a bargain, I do not see them having a big impact on the magazine market.

Future Acquisitions?

It's anyone's guess, but let's guess.

Publishers Press In my opinion, PPI is the strongest short- to medium-run publication printer in the industry. They offer long-run services & technologies to the short-run market. Their two KY plants would be a gem in anyone's stable of plant offerings. But, the Simon brothers have sworn that they will never sell their family-owned business. Thankfully, they will continue to be a viable printer, independent of the "mega-merged" companies. Privately-owned, it is refreshing to be able to sit with the owner of the company while negotiating a partnership.

Fry Communications Henry Fry claims his company is not for sale and I believe him. I am a big fan of what Fry has done with his company. He methodically grew it and utilized the latest technologies. Fry is still growing and installing new presses and binders. They remind me of Quad/Graphics growth history.

However, Fry doesn't have a new generation of family members determined to personally drive the company in the future as the Quadraccis or Simons do. It wouldn't surprise me to see that company merge with someone else in the next ten to fifteen years...but not anytime soon.

Brown Printing Co. In my opinion, BPC would be the best target for acquisition. However, I truly hope that doesn't happen. They offer excellent quality, service and (when the fit is good) price. They just offered full co-mailing services and since their market is medium- to long-run magazines, co-mailing was a needed entity. They are a solid printing company owned by an organization that may want to diversify itself from it. Watch this one.

Other companies to watch may be American Web, Schumann, American Press and St. Ives. They are strong technologically advanced publication printers who've become a rarity: one or two plant companies.

What to Expect?

Like I stated at the beginning, I do not believe the recent acquisitions will have a negative impact on the marketplace. I think it will allow the acquired printers to tap into deeper resources, offer more services and be more competitive. Yes, there will be fewer printers to choose from. But the printers who are there will be stronger, leaner and more efficient. These are good things.