

The Ties That Bind?

Consolidators, independants discuss merits of selling the business to a roll-up company.

BY ERIK CAGLE

TO SELL or not to sell? A difficult question with no easy, or clear-cut answers.

The last 15 years have been marked by considerable growth in the commercial printing industry. That growth has been bolstered by awe-inspiring advances in technology: computer to plate, offset press automation and digital pre-press advances, which have all streamlined production processes and decreased turnaround time.

By building a better mousetrap, printers large and small have made their industry highly competitive. While the National Association of Printers and Lithographers projects industry growth in the 4 percent range for 1999, it is the larger, national printers that are accounting for a larger slice of the growth pie.

Not surprisingly, the printing industry is following a familiar path taken by other industries—the road to consolidation. Mobil and Exxon, America Online and Netscape, British Petroleum (BP) and Amoco, Chrysler and Daimler-Benz, and Citicorp and Traveler's—heavy hitters in their respective industries—are all banking on reaping the benefits of consolidation.

The concept of the small, mom-and-pop business owner unwantingly releasing control of his/her company to a cold, corporate entity is as outdated as it is inaccurate. No one is selling the “farm” to avoid foreclosure anymore, especially not businesses that generate \$10 million or more in annual sales—the magic number for ideal acquisition candidates by most industry consolidators.

What consequences face the printing industry in light of consolidations? Will an entire segment of smaller to mid-sized printers be swallowed into a much larger machine? And will the landscape of commercial printing, its price structure and the manner in which business is conducted, be forever changed?

Respected industry veteran Ray Frick has worked on both sides of the issue. Frick is currently CEO, president, director and part-owner of Lehigh Press, a highly successful, independent printer celebrating its 75th anniversary this year. But for the previous four years, he was president and

COO at Quebecor, where he helped lead the charge in acquiring Eagle, Sayres, Petty and American Signature.

Frick earlier served as president of the direct marketing group at Banta when the company acquired Danbury Printing. Prior to that, he toiled for R.R. Donnelley's book group. He began his career at DuPont, where he orchestrated the supply end of the graphics arts distribution program.

“There's no question that the trend toward consolidation in the graphic



FRICK

communications industry is rampant and will continue.” Frick notes. “It's too linear to say that the consolidation trend will spell the end for midsize and small providers. I don't think that will be the case.”

“There is a position in this food chain for midsize and smaller printing companies,” he adds. “The printing industry has a high service component and has very substantial service requirements.”

Successful printing companies, Frick believes, need to be able to dedicate themselves to individual customers, bringing about a strong relationship focus. The ability and will to tailor capital and human assets to specific customer requirements is key to a printing firm's success, regardless of its size.

Points to Consider

Frick feels the industry is still rela-

tively fragmented and diverse, a trend he sees continuing, though diminishing, over the next 10 years. Consolidation also requires a post-acquisition, multi-faceted integration process—one that takes time and isn't always smooth. Integration, he points out, involves the imperative of successfully blending company cultures while allowing for earned autonomy. Important sales considerations include fostering cross-selling, fairly and harmoniously rethinking the mechanics of account assignments and sales compensation arrangements.

Relationships are most vital. “Customers in our industry still buy from individuals they trust and value,” Frick says. “They don't exclusively buy from large companies that they may not always understand. Sometimes the major providers—in the minds of their customers—have trouble meeting customers' changing schedule requirements. Getting bumped from their place in a major printer's computerized schedule can be an issue for any customer. Middle-market providers and smaller companies sometimes achieve this focused flexibility and service fluency in a way that is more appealing to customers.”

Frick's perspective and insights on consolidation come from experience with proven success. There is no doubt that future acquisitions by Lehigh will be managed with a keen understanding of the process and challenges that face accomplished consolidators.

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