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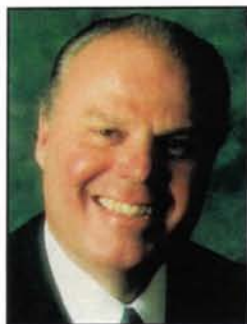
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Outlooks for Key Print Markets:
Commercial Printing, Books,
Catalogs, Publications, Direct
Mail and Financial

A Moving Target

By Erik Cagle

TOTAL DIRECT marketing sales in the United States will clear the \$2 trillion mark in five years, with nearly \$765 billion estimated for business-to-business sales in the year 2000, according to findings made by the Direct Marketing Association (DMA). Thus, on the whole, the industry appears to be in good shape.



Ray Frick

That statement is not entirely accurate, though. Even with a double-digit compound annual growth rate, there are key issues that will influence the market, particularly business-to-business considerations for those who profit from the manufacture of direct mail.

Ray Frick, CEO and president of The Lehigh Press, Pennsauken, NJ, has a unique vantage point on the subject. Frick constructed direct mail dynasties for such printing industry giants as Banta and Quebecor, and is a frequent speaker on subjects relative to commercial printing. Fresh from delivering the keynote address, "Reflections on Our Changing Industry at the Dawn of the New Millennium," at the R&E Council's fall 1999 meeting, Frick outlined a number of specified challenges facing printers of direct mail

pieces, which fall into three categories:

•**Technology and the impact of e-commerce.**

He feels that many e-commerce solutions will be complementary to aspects of commercial printing, while others will mean replacement. Frick notes that the growth rate in the direct mail sector is still strong in relation to the printing industry overall, but is "more mod-

erate and less explosive" than the growth rates in the 1980s and early 1990s.

•**Public policy.** One challenge deals with the issue of privacy and privacy legislation, which Frick feels is being addressed successfully overall by the DMA.

•**Postage rates.** Increases are an issue of direct marketers in the catalog and direct mail sectors.

•**Taxes.** The interpretation and collection of state sales and use taxes remain an issue.

•**Market dynamics.** The impact of target marketing—which creates shorter runs, more versions and increased code changes—is a business reality for printers. Many customers are broadening their market reach by selecting additional channels of distribution, such as co-op and marriage-mail programs. This can result in longer runs and incremental revenue for the printer.

Top 10 Direct Mail Printers

Company	Segment Sales (millions)	Total Sales (millions)
1 Quebecor World* Montreal	\$554.00	\$6,160.00
2 Banta Corp. Menasha, WI	\$254.00	\$1,340.00
3 R.R. Donnelley & Sons Chicago	\$250.00	\$5,000.00
4 Mail-Well Englewood, CO	\$156.00	\$1,950.00
5 Wallace Computer Services Lisle, IL	\$137.00	\$1,530.00
6 GTC Transcontinental Group Montreal	\$77.00	\$866.00
7 The Instant Web Companies Chanhassen, MN	\$73.00	\$92.00
8 Lehigh Direct Chicago, IL	\$70.00	\$130.00(E)
9 Japs-Olson St. Louis Park, MN	\$68.00	\$114.00
10 Clondalkin Group St. Louis Park, MN	\$59.00	\$599.00

*Combined proforma data as of 12/31/98

•**Complexity.** More complex products are increasingly desired by customers.

•**Personalization.** The ongoing growth of personalization, high-resolution ink-jet imaging requires substantial investment for the printer.

Frick believes the market is on solid ground and will remain so for the foreseeable future. "Direct mail printing remains a sunrise, not a sunset, sector," he says. "The direct marketing and mail printing segment of the graphic arts industry will continue with a very healthy level of growth for

the next three to five years."

Despite the growth, other players in the direct mail field are concerned. According to Bill Mattran, vice president of sales for the Banta Direct Marketing Group in Chicago, government legislation that is being aimed at sweepstakes marketing and tobacco marketing is being felt by the printing community.

Both segments made headline news this year. The sweepstakes controversy—which prominently featured consumers who

had needlessly purchased large quantities of magazine subscriptions, believing it would increase their chances of winning cash prizes—led to changes in

bring the greatest value to our customers. We believe these new Internet infomediaries will provide opportunities for growth and value.”

marketing, which is attracting pharmaceutical companies, retailers and even catalogers. Plus, with the advent of multi-channel marketing, catalogers are

The Lehigh Press' Frick sees e-commerce as a largely complementary marketing channel, rather than one that threatens the viability of direct mail as a medium.

“The digital revolution in the 21st century is going to be as important as

“The digital revolution in the 21st century is going to be as important as electricity has been in the 20th century...”

—RAY FRICK

CEO & PRESIDENT, THE LEHIGH PRESS

the language of the offers.

“During the sweepstakes legislation, marketers put fewer pieces in the mail. It also had a trickle-down effect on the magazine publishing industry,” Mattran notes. “Tobacco advertisers no longer do radio and they’ve pulled out of billboard advertising. That makes direct mail an even more attractive media.”

In terms of the affect e-commerce will have on the market, he points out that there is a complementary relationship presently, with Internet companies using direct mail to drive customers to their sites.

Another concern for printers, he says, is the handful of emerging companies providing an electronic hub as a resource for the buying and selling of print. Mattran doesn't feel it will impact print volume but, rather, it could enhance the relationship between the print buyer and seller.

Mattran points out that these sites are not just for business card print orders.

“They will also focus on providing workflow, data collection and collaboration services through the Internet,” Mattran says.

“Banta is currently evaluating these new e-hubs to determine those that will

Other printers see hard times for the industry. Stephan Carter is one of them. As president of Chicago-based R.R. Donnelley Direct, he notes that the acquisition of Communicolor doubled RRD Direct's size, and much of the year has been focused on its integration. He feels a 6 percent increase in volume, as projected by the DMA in 1999, is not realistic.

“Business, in general, is not very good,” he says. “That's primarily related to the difficulties in the sweepstakes business, with some of the legal issues sweepstakes providers have been facing. Their volumes are significantly down, and since they are such a large part of the direct mail business, it's affected the overall volume. They've cut down on mailings and a number of programs that they'd been doing.”

“The sweepstakes business is still an effective vehicle in terms of driving response,” he adds.

“Whether it comes back next year, I don't know. I think it will be a slow return to previous levels.”

Carter has recognized solid growth in other aspects of the market, notably direct-to-consumer

supplementing their direct mail operations with stores, providing more opportunities for printers.

It's safe to say that 1999 was an eventful year for both Quebecor and World Color, as their merger created the largest North American printer. According to Peter Gargano, executive vice president of sales and marketing, the year was successful in terms of sales and earnings growth for the Quebecor and World Color Direct divisions.

“Personalization and complex in-line finishing applications are the leading factors guiding the formats and marketing direction concerning direct mail,” Gargano notes.

“The combined resources of Quebecor World Direct positions us as the industry leader in this market segment with unparalleled capacity, capabilities and resources. Our plan is to build a platform that starts with creative design, manages and maintains a customer database, prints, personalizes and mails a complete package, and includes fulfillment at the back end.”



electricity has been in the 20th century,” Frick says. “It's just impossible to overstate the importance of the development of the Internet and digital communications. Direct marketing has augmented and proved to be highly complementary to the retail channel. FM radio didn't drive away AM radio, it simply created change. E-commerce will be a third channel, just as direct marketing has been an excellent second channel to retail.”

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