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1997's Newsmaking M&As



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Achieves #1 Market Leadership Position



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Wow! Quebecor Direct Achieves #1 Market Leader Position

Nothing Stops the Mail

According to the Printing Industries of America's "1998 Print Market Outlook," direct mail printing sales will grow 5 percent to 7 percent next year. Printers that deliver the targeted, customized products demanded by direct marketers now—and that collaborate with marketers toward continuous advancement of products/services—will capitalize on this market's strength and momentum.

Demonstrating its confidence in the power of direct marketing, Quebecor Printing (USA) established QUEBECOR DIRECT this year through acquisitions of several companies, including the Petty Co. Quebecor's U.S. direct marketing platform comprises six facilities generating \$300 million in revenue and complements similarly targeted companies operated by Quebecor Printing in Canada, England and France.

While foreseeing the coming year as a good year for direct mail printers in general, Raymond A. Frick Jr., president and COO of Commercial, Book and New Market Groups for Quebecor Printing (USA), has even higher expectations for QUEBECOR DIRECT. "This new division is projecting robust double-digit growth in '98," he states. "We intend to aggressively compete and outperform the overall market."

Frick, a longtime direct marketing industry leader, traces the evolution of direct marketing over the last decade. "In the late 1980s, in-line finishing was the predominant point of differentiation, whereas highly personalized products are increasingly prominent in the latter part of the '90s," he explains. "Then, the direct marketing segment depended on 'spray and pray' merchan-

dising; a more intimate one-to-one relationship with the consumer is key now."

As a result, printers are producing shorter run lengths, more versions of mail pieces and more codes. Printing providers have developed closer ties with direct marketers and are involved much earlier in the overall graphic communications process. "The past relationship between customer and provider involved a traditional approach, while today we are enjoying a spirit of partnership and openness,"



Raymond A. Frick Jr.:

Highly personalized products are an imperative for direct marketers in the 21st century.

Frick points out. "Direct marketers are placing more and more requirements with fewer sources and the present emphasis is on higher value-added products and related services."

In 1998, Frick sees a continuing trend toward total cycle time compression, from the creative stage through fulfillment. "In our view, highly personalized products, sophisticated in-line press finishing and digital

prepress operations are the technology imperatives of the 21st century in the direct marketing sector," he summarizes.

A well-managed database can be the cornerstone of a successful direct mail program, notes Terry Tevis, president of RRD Direct, a R.R. Donnelley & Sons business unit. Knowledge—used wisely—is power.

"The key to direct mail success is relationship marketing as opposed to just sending something in the mail and hoping that the customer will read it," Tevis asserts. "We don't want a 1-percent response from a mailing to 5 million names, but rather 10 percent from 1 million. The database can help us achieve that objective."

He sees significant activity regarding the use of direct mail as a brand-building vehicle. "Here, the focus is not on the direct mail piece, but on the customer of one," Tevis explains. "The point is to say something specific about the targeted individual based upon knowledge of his or her age, sex, lifestyle or past buying history."

Tevis provides the example of a consumer who receives a specialized coupon redeemable on his or her birthday from a major retailer. Enclosed with the coupon is a notice that cashmere sweaters (or other items purchased previously by the customer) are currently on sale.

Via in-line Scitex technology, RRD Direct is able to customize every database-driven piece, from simple messaging to extremely complex personalization. "We're actually changing copy and prices at 1,000 fpm on press, which has driven a lot of the cost out of the production equation and reduced end-to-end cycle time," Tevis points out.

Fundamentally Sound

Direct mail programs are as unique as the pieces themselves. "Direct mail still stands on three legs—that is, what's the offer, how creative is the piece and was it mailed to the right person," Tevis comments. Advanced technology simply permits a printer to add value to those fundamentals.

"Direct mail will be a huge growth vehicle for Donnelley over the next five years," he reveals. "Currently, the top 20 printers in this segment command less than 38 percent of a \$4.4 billion market."

Banta's Cartwright agrees that the most significant capabilities and value-added services in 1998 and beyond will focus on cycle time reduction and the ability to incorporate as much variable data as possible. "Ink-on-paper is not the focus; managing information through front-end data preparation and back-end distribution and fulfillment are the real drivers of our business today and in the future," he reports. "Four-color variable data at web speeds will be the next revolution in our industry."

As for the continued proliferation of non-print communications, Cartwright suggests that the Internet may be a more appropriate vehicle for customer retention and direct mail will remain the preferable channel for acquisition programs.

"We recently spoke with a financial services customer who discovered that credit card applications received through the company's Web site were not from as desirable a customer profile as those targeted by direct mail," he reports. "The Web site cus-

tomers was using the power of the Internet to search for low interest rates and no-annual-fee cards and, in most cases, didn't match the client's desired profile."

Single-source Suppliers

Direct marketers have also emphasized their need for integrated

On a smaller scale, ICS Corp. is also aiming to serve as a sole supplier for direct marketers.

"We plan to focus even more closely on becoming a much more versatile supplier for our customers within specific niches," notes President Matthew Bastian. "We will continue to invest in our core business—including web printing, all types of personalization, inserting and fulfillment—which has brought us great success in the not-for-profit, insurance and fulfillment sectors of direct mail marketing."

Bastian feels that consolidation will remain an industry trend, presenting customers with fewer options from a competitive viewpoint. "It seems as though mergers and acquisitions are a permanent reality for the future," he muses, "which goes hand-in-hand with the one-stop-shop philosophy."

He adds that, as target marketing has taken on "almost an art form" and driven quantities down over the past few years, customers are now forced to mail smarter. "USPS standards, the Internet and inconsistent materials costs force direct mailers to be better than they were the year before," he declares.

"We will have a postal increase to deal with next year," reports Chet Dalzell, spokesperson for the Direct Marketing Association. But, it will be a comparatively modest hike.

"In fact, there are indications that the Board of Governors might postpone the implementation date of the rate increase because of the windfall of revenue the USPS received from the UPS strike."

Overall, the extended forecast looks good. "We're very upbeat about direct mail in 1998," Dalzell confirms. ■

—DAWN GREENLAW

TOP 10		DIRECT MAIL PRINTERS*	
Company	Segment Sales (Millions)	Total Sales (Millions)	
**1 Quebecor Printing Montreal	\$385.00	\$3,500.00	
2 Banta Corp. Menasha, WI	\$216.80	\$1,084.00	
3 World Color Press Greenwich, CT	\$147.69	\$1,641.00	
4 Wallace Computer Services Lisle, IL	\$117.82	\$906.30	
5 The Instant Web Cos. Chanhausen, MN	\$84.80	\$106.00	
6 General Business Forms Skokie, IL	\$56.81	\$87.40	
7 Clondalkin Group Philadelphia	\$55.30	\$553.00	
8 Japs-Olson St. Louis Park, MN	\$36.00	\$90.00	
9 Solar Communications Naperville, IL	\$35.75	\$55.00	
10 Berlin Industries Carol Stream, IL	\$34.00	\$85.00	

*Sales breakdown by segment not available for Big Flower Press.
**Sales figures reflect 1997 acquisitions.

solutions. "The days of using a different vendor for each step in producing a direct mail program are fading fast," Cartwright stresses.

To accommodate customer demands for a single-source supplier, Banta recently acquired Bock West (now Banta Direct Marketing-Mailing & Fulfillment Services), which offers a full range of mailing, inserting, fulfillment and distribution capabilities, along with off-line ink-jet imaging capabilities.

Quebecor Direct

Quebecor Direct: An Auspicious Debut



The climb of Quebecor Direct to top position in direct mail and specialty printing in the United States is one of Quebecor Printing (USA) Corp.'s biggest achievements in 1997. In the space of 18 months, Quebecor Direct harnessed capabilities in North America and Europe to establish the world's first international network of direct marketing, promotional and specialty printing services. At the same time, the new Group recorded revenues that far exceeded expectations. Quebecor Printing's worldwide revenues for direct mail and specialty printing totalled \$372 million. The Group's growth through 1998 is expected to continue at a robust pace, fuelled by strong customer demand for targeted, personalized products and services. In recent years, direct marketing has grown at an annual rate of 8 percent, more than twice the average realized by the printing industry as a whole, and double the GNP in the United States. This growth is expected to continue well into the next century because of direct marketing's proven success in eliciting customer responses. Quebecor Direct established an international presence by networking six U.S. facilities with others located in Canada, the United Kingdom and France. The Group successfully integrated plants, sales, order entry and scheduling during its first year of operation. Quebecor Direct can now coordinate multiplant production and fulfillment on two continents. In the space of only a few years, direct marketing has shifted from a 'spray and pray' merchandising approach to a more intimate 'one-to-one' relationship with consumers. While inline finishing is still important, the factor that differentiates direct marketing providers is the ability to provide highly personalized products. Quebecor Direct is a leader in the application of versioning, ink jet addressing, print-on-demand technology and computer-to-plate techniques which are critical to the customized production and compressed cycle times that customers demand today. During 1997, the Group created a Fragrance and Cosmetics Division to provide an international customer base with a variety of innovative sampling products.



From left to right (front): **Raymond F. Frick Jr.**, President and Chief Operating Officer, Commercial, Book and New Market Groups
James A. Dawson, President and Chief Executive Officer, Quebecor Printing (USA) Corp.
William J. Glass, Senior Vice President and Chief Financial Officer
(back): **Robert G. Ventura**, General Counsel, **Andrew Church**, Vice President, Strategic Planning and Business Development
Robert Lieberman, Corporate Controller