

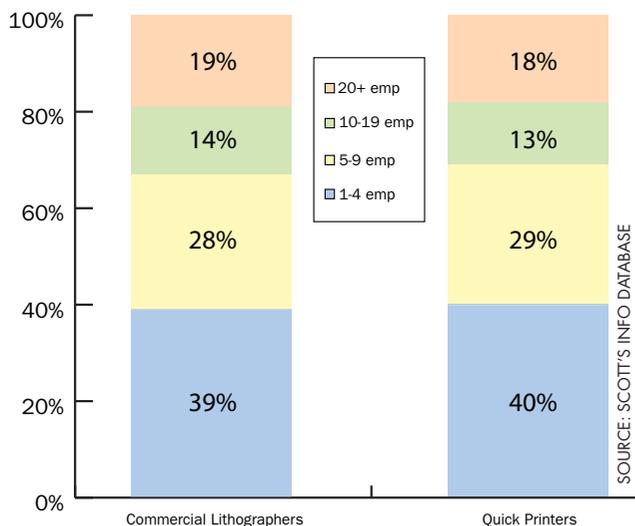
Alive and Well

BY JOHN ZARWAN

Since the quick printing category first burst onto the scene in the 1970s, it has changed dramatically, largely due to shifting business conditions and the emergence of new technologies. The traditional definition of a quick printer typically includes a storefront operation, with the majority of business coming from walk-in customers. Although the category was based on the development of the offset duplicator, most observers would agree that a quick printer would also have a toner-based copier. Thus, the quick printer differs from a convenience copy shop with its emphasis on longer run, “behind the counter” printing and finishing services. It would seem that the category might be an anachronism: too small to survive with its simple offset jobs gone the way of the dodo, replaced by convenience copying and at home or in-office printing, and not capable of producing sophisticated colour work.

This simple categorization is neither accurate nor relevant today. The quick print segment is vibrant and large. Moreover, there is a convergence between small commercial and quick printers, with substantially less differentiation between these once neatly defined markets. In fact, today, it is increasingly difficult to distinguish between a quick printer and a small commercial printer.

CANADIAN COMMERCIAL AND QUICK PRINTERS BY EMPLOYEE SIZE (2006)



Even credible sources disagree on the number (and definition) of quick printers in Canada. Data from Statistics Canada range from slightly more than 100 to approximately 600, depending on the data series used, while Scott's Info Database lists more than 1,700. If one adds small commercial printers as well, the category expands to almost 4,000 establishments.

The average small commercial or quick printer has about five employees and does around \$600,000 in annual sales. Although two-thirds have fewer than five employees, many firms are, of course, much larger. In the U.S., for example, *Quick Print* magazine's top 100 quick printers all report revenues in excess of \$2.4 million a year. Similarly, many small commercial and quick printers have much higher productivity, with sales per employee of \$250,000 or more. Although each establishment is small, the large numbers make this an important part of the overall printing industry, accounting for an estimated \$1.5 billion in sales.

The quick print market is made up of a variety of types of businesses. National brands constitute an important part of this market. Best known are the franchise networks such as Kwik Kopy, Minuteman, Allegra, and Print Three. Newer and increasingly important players in the national landscape are FedEx Kinko's, the UPS Store, and office supply superstores such as Staples and Office Depot. They all benefit from name recognition, purchasing power, and investment in infrastructure, training and shared services. The franchise networks make up about 40 percent of the quick print market, measured by number of establishments. FedEx Kinko's and the office supply superstores are typically not counted as part of the printing market but as business services or retail establishments.

The majority of quick printers are unaffiliated, independent small businesses. Some may have multiple locations, but this is rare. The Printing House, headquartered in Toronto, is unique in North America in that it is a large, multi-location, independent, national brand.

A key to the ability of quick printers to thrive is the diversity of their sources of revenue, particularly the shifting role of offset and digital printing. Where the one- or two-colour A.B. Dick offset duplicator was once the core of the quick print business, current research indicates a roughly equal split between offset and digital revenue, with plans for meeting the demand for four-colour printing increasingly being met by copier/printers or digital colour presses. In addition to offset and digital colour and

monochrome printing this group commonly offers prepress and design, wide format printing and other services—including finishing, mailing and fulfillment, and brokered print.

TRANSITION TRENDS

Joe Haddad has seen it all. Haddad was the third Speedy Printing (now part of the Allegra Network) franchisee in Canada. Twenty years later, he and his partner George Kummer own two Allegra franchises, in Windsor, Ontario and across the bridge in Clawson, Michigan. Haddad, a Chartered Accountant, and Kummer had no printing background, but they knew a lot of businesses that would buy print and felt it would be a good opportunity.

As most quick printers did in the 70s and 80s, they started with small ITEK presses. “We were originally a community quick printer, with quicker turnaround than older printers, plus we had copiers in-house, which a lot of printers didn’t have,” says Haddad.



“The business has changed drastically ... We’re much more sophisticated than when we started.”

—Joe Haddad, owner Allegra Print & Imaging in Windsor, Ontario.

Eventually, they added T-heads, moving to two-colour offset. Today, they print with four- and five-colour small offset presses and production monochrome and colour digital printers from Canon and Xerox. They also do large format graphics.

“The business has changed drastically,” says Haddad. “We did a lot of one- and two-colour work—a lot of stationery, letterheads, envelopes. Now, it’s a small part of the business. We used to produce everything on site, today we outsource a lot. The trade market is pretty competitive. It works better than making investments in top-end equipment.”

One of the biggest changes has been in the type of customers. Initially, the focus was on the needs of small businesses. “When people started a business then,” continues Haddad, “they needed business cards, invoices, things like that. Now they will start off doing their own forms on their laptop. People can do their own reports.” As a result, Haddad notes, they’re working with bigger clients, doing bigger projects, with a higher average sale. As a result, the company has expanded its service offering to include design, promotional products, direct mail, even mailing services and fulfillment. “We’re not just printing an invoice or flyer. We’re much more sophisticated than when we started.”

GOING COMMERCIAL

Another company that has experienced similar trends is Kwik Kopy of Charlottetown, Prince Edward Island. Brothers Shawn and Troy MacKenzie purchased the 23-year-old firm from their parents six years ago. Although a franchisee, the brothers, their competitors, and their customers all refer to the company as a commercial printer. With a five-colour Heidelberg Printmaster 52 with perfecting capabilities to complement their one- and two-colour smaller presses, a variety of monochrome and colour digital output devices, including a Xerox Nuvera 120 production monochrome printer, and wide-format inkjet printers, the company can handle a variety of printing needs. They recently upgraded their platemaking with the installation of an Agfa : Acento platesetter using chemistry-free :Azura plates.

“We’re spread into so many different things, if it’s slow in one area, we make it up in another. We’re very diversified,” says Troy MacKenzie.

Although they still enjoy significant walk-in business, mostly for copying, most of their customers are designers. They have a diverse set of customers, including an impressive roster of local businesses. Their operation looks very much like any other commercial print business.

One important growth area for the company is mailing services. They do local electric utility statements and are involved in a number of direct mail fund-raising campaigns. Kwik Kopy of PEI’s largest customer is a seed and garden company that is one of the largest catalogue retailers in Canada. The customer gets its catalogues or long-run colour work printed elsewhere, but Kwik Kopy wins a lot of its other printing work, such as charity mailing and other jobs that are appropriate for the 20-inch press.

“We like buying locally, and we save on the freight costs,” says John Barrett, director of business development with the client. “We have a good relationship with them. It’s not a big deal to split the job, and they do the mailing for us as well. Larger printers might not have that capability or interest. Kwik Kopy has met our needs very well.” With that client’s print buying growing at 25 percent a year, the future looks bright for Shawn and Troy MacKenzie.

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All the right moves

Print Three's president sets the stage for the growth of the franchise.

Print Three is among Canada's largest print franchise operations with 58 stores across the country. In March 2006, Andrew Hrywnak, who had been with the company for 18 years, was appointed president and has since launched an array of initiatives designed to differentiate Print Three centres from other small commercial and quick printers in the Canadian market. "In the Canadian market, there are a lot of corner copy shops, and there are 6,500 printers listed in the Yellow Pages, most of them are competing on price," explains Hrywnak. "We, as a network, can't continue to be in that highly competitive, commodity market space—we will continue to lose money and have no value in a commodity sale."

At the core of Hrywnak's strategy is Print Three's implementation of ePower Online, its online Web-to-print, fulfillment/inventory management solution. The ePower Online offering features a secure online shopping cart catalogue containing a wide variety of products and materials. Catalogues can be branded and feature a PDF-based production workflow that automates all aspects of job acceptance, estimating, pricing, approval, status, archiving and reporting. In conjunction with this, Print Three has partnered to make promotional items available through its online store, creating an additional revenue stream for franchisees.

Print Three corporate headquarters also operates a Lunch 'n Learn program. A franchisee can schedule an appointment with a customer or prospect, bring in lunch, and provide a demo and discussion of the benefits of doing business with Print Three. Hrywnak reports that this program has been extremely successful. "Last year, we conducted 10 meetings as a test and signed eight new contracts," he says. "That tells me that what we have to offer, people like to hear."

Hrywnak has also partnered with AlphaGraphics, a large American franchise network, to provide cross-border services for their respective customers. "We're both looking at the same thing. We want to be able to push variable data work through the U.S. and Canada."

But perhaps most importantly, Hrywnak is turning his atten-



Andrew Hrywnak, president of Print Three, the largest Canadian-owned print franchise business, is creating initiatives to avoid the commodity price trap.

tion to creating an infrastructure for Print Three that will allow the network to tap into a broader set of document outsourcing offerings. "In Canada, 10 vendors offer document outsourcing services, and we have something better: we have a network coast-to-coast, and we are true printers. Customers have more flexibility about how they produce work, and we have an e-commerce solution as well."

About 30 percent of Print Three's work comes in via the Web; Hrywnak expects that to grow to 50 percent within the next two to three years.

He also projects renewed network growth as a result of these initiatives, as well as negotiations with some major national accounts that will put a huge sales lift into the network. "We are also looking at new revenues coming in through new stores. I would like to see growth of 15 to 20 percent." Hrywnak also wants to boost their national coverage. Print Three recently signed a master distributor for the Atlantic Provinces, with the first store in St. John, New Brunswick, and is looking for investors in other locations. He would like to replicate the model in B.C., as well as to expand into Quebec.

In terms of equipment, Print Three is 90 percent digital and 10 percent offset. According to Hrywnak, franchisees are buying a lot of high-end digital equipment, including Xerox 7000 and 8000 series for colour and the Xerox Nuvera for black and white.

Print Three is also investigating acquiring established offset printers to serve as production hubs, as opposed to franchisees installing offset equipment themselves. "One of the things I am currently looking at is the possibility of opening up a production hub owned jointly by a group of the high-end franchisees," says Hrywnak. "Other franchisees can buy in as they grow." **CP**

(By John Zarwan, with files from Cary Sherburne)

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“I’m going after national contracts, and Print Three can give the corporate client a lot of benefits.”

-Steve Bolduc, Print Three franchisee in downtown Toronto.



TOOLS OF THE TRADE

Steven Bolduc’s road to quick printing was quite different. Bolduc, an aboriginal in his mid-30s, worked for a major corporation in procurement. But, with a marketing degree and “a passion for marketing,” he wanted the opportunity to fulfill his love of paper and graphic design as a means of conveying messages. He looked at a number of opportunities, and about a year-and-a-half ago acquired an established Print Three franchise in downtown Toronto. A year later, he purchased a second store. Print Three facilitated both purchases.

Bolduc is clearly pleased with the move. “I made the right decision ... I’m going after national contracts, and Print Three can give the corporate client a lot of benefits.” He cites the size of the distribution network as a major advantage, along with the tools, infrastructure software and online ordering technology Print Three provides. “We’re not just working alone.”

It has clearly worked for him. More than 80 percent of his business comes over the Internet, with much of it repeat business. The online software tools enable the client to send in files that are ready to print, allowing Bolduc to operate his two locations with only six employees and focus his attention on sales. Certified through Canadian Aboriginal and Minority Supplier Council (CAMSC), he is focusing on key verticals in legal, corporate finance, and sales.

Bolduc is also focusing on growing his variable print capabilities. Taking advantage of Print Three’s relationship with XMPie, he’s driving multiple Xerox DocuColor 250 colour printers to grow his 1:1 marketing business, with his most successful client in the automotive industry.

As these three very different examples show, the quick print segment is far from dead, although it has changed dramatically. It remains a vibrant, dynamic segment of the market, one that is still quite attractive, with a net compensation to owner of 24 percent, according to *Quick Print* magazine. The outlook for quick printers appears bright. **CP**

John Zarwan is an independent consultant, focusing on profit improvement strategies. Along with Cary Sherburne, he is the author of “Small Commercial and Quick Printers 2006-2011”, published by PRIMIR. John is based in Prince Edward Island and can be reached at www.johnzarwan.com.

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Segment Snapshot: Quick Printing

To many, quick printing is synonymous with the national brand, typically a franchise operation. Although less than 40 percent of quick printers are part of national organizations, the big players are certainly the face of quick printing. The major national brands in Canada include Kwik Kopy, Minuteman, Print Three, The Allegra Network, and The Printing House.

Kwik Kopy Printing Canada is part of the worldwide Kwik Kopy network, with 72 locations in Canada, employing about 400 people and revenue of about \$40 million. Minuteman Press has 66 stores, and Print Three has 58 locations, with an average size of about \$600,000. The Allegra Network includes a number of brands, including Allegra Print and Imaging, Speedy Printing, Signs Now (acquired in 2005), and Zippy Print, a Canadian operation purchased in 1997. They have a total of 27 stores in B.C. and Ontario, along with 10 Signs Now locations. The Printing House, founded by Earle O'Born more than 45 years ago, has 72 company-owned locations and annual sales of over \$60 million.

Other national brands, including the office supply superstores and FedEx Kinko's, seem to be picking up the slack in the retail/walk-up/self-serve business that many quick printers are moving away from. The major national brands include FedEx Kinko's, with 18 locations (mostly in Ontario) and The UPS Store, formerly Mail Boxes Etc. The UPS Store appears to want to move more heavily into production level print. They have acquired some small offset print shops (in Winnipeg and Toronto), signed an agreement with commercial printer Grafikom, and have the potential of moving to hub-and-spoke operations to give their 300 locations access to bigger jobs.

The office supply superstores are also pursuing the closed-door production facility strategy and are stepping up their emphasis on selling printing services to their large corporate customer base to augment their bread-and-butter walk-in retail business.

Thus, while the national brands may continue to be the "800-pound gorillas" in the retail/walk-up business, they may also begin to take more share of the business-to-business market as well, posing an increasing threat to their smaller printer counterparts. It is important to note, however, that the national brands have

distanced themselves from offset printing. While they do outsource some offset—particularly business cards, stationery and the like—they are primarily focused on work that can be produced digitally.

While there is some level of consistency within each franchise brand from store to store, owners have significant latitude in the way they structure their businesses, unlike the office supply superstores or corporate-owned FedEx Kinko's or The Printing House. Franchisees benefit from the name recognition of the national brand. They also benefit from the significant infrastructure investments the franchisors make on their behalf in terms of shared services, technology, training, negotiated purchase prices for equipment, consumables and more, and the ease with which they can interact with their peers in the network to share best practices, support customers with shared capabilities and distributed printing, etc. As the franchise networks continue to gain sophistication, they present an increasing challenge to the independent printer, who has to depend on his own, often limited, resources to stay current with market demands.

After a number of years where many of the franchisors have had slow growth or even declines in the number of locations, they are beginning to grow their networks again. Unlike the past, when most new stores were new operations, the franchisors are increasingly acquiring independents, providing an exit strategy for small owner-operators. It can often be easier for a new owner, especially from outside the industry, to buy and re-brand an existing business.

Virtually all of the major brands would like to expand. Randal Long, director of international development, Franchise Services (Sir Speedy) says, "We would like to have more Sir Speedy franchised operations in Canada." Allegra Networks a

self-described "E-Harmony of the printing industry," has started a "Matchmaker" program that identifies independent business-to-business printing operations whose owners want to sell and matches them with either existing or new franchisees.

This dynamic segment of the printing business is eager for expansion. With a history of having locations close to its customers and specializing in short runs and fast turnaround, all trends point to the quick print model remaining more relevant than ever. **CP** -JZ

MAJOR CANADIAN NATIONAL BRANDS

Allegra	27
Kinkos	18
Kwik Kopy	72
Minuteman	66
Print3	58
Sir Speedy	4
The Printing House	72
Total:	305