

Digital Technology Trends

by Howie Fenton, NAPL

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▶▶ **Business is not "as usual" its getting better**

My apologies for the delay in writing this issue. After 9/11 my work, like many others was slow - until now. After 3 years in the doldrums I have become swamped with large assignments from Cabela's, Xerox and Presstek. Although all different assignments, all three assignments offered real insights into the power of cross media marketing, multiple channels and the synergies of print, on line and brick and mortar storefronts.

Since the last issue may interesting things have occurred, but nothing was more interesting to me then the July 12th cover story of BusinessWeek called the "The Vanishing Mass Market".

The premise is simple. Large companies, with deep pockets for advertising are switching away from mass media marketing such as TV to more targeted options. The reasons include: the inability to swamp us with their message due to cable stations, the increasing diversity of the population, the increasing costs for mass media despite a shrinking audience, the use of personal video recording devices such as TIVO that allows us to fast forward commercials, and the lack of interactivity and data collection capacity of the internet.

Ironically the article portrays print as a suffering from this change but then goes on to discuss how W Jewelry was the most successful magazine launches in recent history because of its targeted audience. In addition, the article somehow missed the fact that various print technologies offer targeting of customers.



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The authors must not know that a print can target audiences with black plate changes and inkjet heads on offset presses, by overprinting 4 color offset shells with high speed black and white toner devices, and lets not forget the complete personalization and customization capacity of digital presses.

In fact, the shift from the mass market to cross media or multi-channel marketing means that money will be returning to the print industry. So when companies such as McDonalds shift from 2/3 of their marketing dollars on mass media 5 years ago to 1/3 today, some of those dollars are spent on print ads.

Furthermore, in a recent ad campaign by Pfizer Pharmaceutical, instead of TV ads they bought radio and magazine ads. Therefore, contrary to the articles conclusions cross media and multi-channel marketing is actually fueling the print markets. And since marketing and sales applications are the largest single printed product (Accenture says its \$670 billion of the total \$930 billion print market), then prints ability to target will accelerate dollars spent in this market.

► Print Sales are Already Up

In the summer issue of NAPL Economic Edge Summer report, Andy and his team write:

Our industry is growing again. Print sales are up appreciably from last year, and 2004 will witness the first increase in commercial printing sales since 2000. Besides being more robust, sales increases are broadening geographically and by company size. In fact, printing companies not experiencing at least a stabilization in sales should begin asking why. Gains in print activity are being buttressed by a sound economy. Economic expansion has become significantly more self-sustaining than was the case in early 2003.

A robust economy is good for our industry. However, as we move into the expansion phase of the business cycle, new challenges will emerge—namely the rising cost of doing business. In addition to higher paper prices, labor, energy, interest rates, and other business costs will rise. With margins so narrow, few printing companies can fully absorb higher costs. The question we all must address: How do we protect our bottom line in an industry that will remain highly competitive—even as business picks up?

(NAPL Economic Edge is publication from my company NAPL and is available to NAPL members). For more information about membership go to www.napl.org/membership/index.cfm

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▶▶ **Presstek buys ABDick, what's next?**

Presstek a high tech company that focuses on imaging technologies for computer to plate and computer to plate on press technologies recently agreed to acquire the business and assets of privately-held A.B.Dick Company through a U.S. Bankruptcy Code section 363 asset sale. The transaction, valued at approximately \$40 million, is subject to Bankruptcy Court approval. Earlier this year Presstek acquired plate maker Precision Lithograining who makes the Presstek Anthem and Freedom plates.

According to Chief Executive Officer Edward J. Marino, "The acquisition is designed to extend the distribution capability and channel support for Presstek and to drive an increased level of digital technology and services by leveraging Presstek's industry-leading technology portfolio."

Personally, I would love to see this merger result in less expensive DI presses (digital imaging or imaging plates on press). Although there was tremendous growth in the market when the devices first appeared, the market has matured and is seeing steady, albeit slower growth. Presstek has been successful recently in reducing prices by moving to outsourcing subassemblies, this could further reduce costs. Imagine the market growth, if further innovations could reduce the price of DI presses 25%.

▶▶ **SWOP merges with IDEAlliance**

SWOP and IDEAlliance recently joined forces to strengthen specification development and industry support. In my opinion SWOP (Specifications for Web Offset Publications) is benchmark or the standard that all others should be strive for. It has gone through constant updates and research and as a result is well known and respected in the printing and publishing marketplace. IDEAlliance (International Digital Enterprise Alliance) is an association dedicated to advancing standards and best practices for publishing and content-driven enterprises. Their joint efforts will support the print media industry through:

- Coordinated development of standardized specifications and guidelines
- Certification programs
- Software tools
- Educational seminars
- Peer group support networks

<http://www.creativepro.com/story/news/21586.html>

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▶▶ **Kodak profits up 37%**

In July, Eastman Kodak Co announced a 37 percent jump in second-quarter profit and beat Wall Street forecasts by a wide margin and shares rose more than 9 percent. This is wonderful news for the print industry which depends on Kodak's success for much of the professional equipment and consumables.

Over the last decade Kodak has been battling on 2 fronts. Within the professional and consumer film market against Fuji and Agfa. In addition, they have been fighting for market share against digital heavyweights like Hewlett-Packard, Sony and Lexmark.

The company now expects operating profits of \$2.39 to \$2.69 a share this year, up from its previous guidance of \$2.15 to \$2.45 a share. During the April-to-June quarter, sales of all digital products jumped 48 percent while revenue from the traditional market fell 8 percent.

Sales in the digital and film imaging division rose 2 percent to \$2.4 billion. Operating profits totaled \$230 million, up from \$119 million a year ago. Worldwide sales of consumer digital cameras and accessories leaped 91 percent and revenues from photo kiosks and related products surged 93 percent.

<http://www.kodak.com>

▶▶ **Quark changes license policy**

After returning from a recent trip I boarded the tram that takes me from the B concourse to the main concourse at Denver International and found myself next to a young lady carry a bag, with the name Gill Foundation embodied on it. I asked her if that was Tim Gills foundation, the founder and creator of Quark. She said it was, and soon regretted it . Because suddenly, I found myself telling this stranger the impact that Tim had on the industry, his love for Star Trek and the Star trek figures in his office, his pioneering serial port hard drive for the 128K Mac, his groundbreaking Quark XPress program and my recent frustration with the product that I have loved since version 1.0. Looking back, I'm sure that was the longest tram ride in her life.

Upon returning home I was pleasantly surprised to read an email telling me that that one of my frustrations had been addressed. In July Quark announced that it has revised its single-user license policy. Under the new policy, users can install and activate the software on a second computer for no additional charge. Prior to this you had to buy a second license. I learned of this and was frantic one day before teaching the PDF course at RIT because I could not activate the same version of Quark on my laptop, because I had installed it on my home computer.

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I can only hope that I receive more emails with more solutions to my frustrations. Has anyone else noticed that 6.1 is slower compared to 4.11. Some at Quark deny there is a problem others talk about a "memory leak" which will be addressed in 6.2. The take home story if you see me at the airport run away.

► **Donnelly discusses Six Sigma workflows at Seybold SFO 04**

For the first time in over a decade I am sad to say I did not attend the Seybold San Francisco show. According to early reports the keynote "Partnering in the New Millennium: Using the Electronic Workflow to Drive the Brand" by Mary Lee Schneider President of Premedia Technologies Solutions, R.R. Donnelley & Sons (RRD) was ground breaking.

Schneider spoke about how deeply Donnelley has jumped into analyzing workflows, not just from a technical perspective, but also from financial and operational standpoints. To better address customer issues, RRD adopted Six Sigma, the quality methodology pioneered by Motorola and GE. This is a far more metric and pragmatic approach to workflow than we have previously witnessed at industry trade show presentations or even in private discussions with printing companies.

Schneider says that instead of the six "whys" asked by Six Sigma practitioners, RRD asks each customer 10 questions before starting work. These questions become an essential component of each project. The answers are the reason RRD claims to be able to achieve a 5.3 sigma quality level, which corresponds to 15 defects per million pages printed.

<http://www.seybold365.com/>

► **Andy Tribute creates 2 controversies**

Former Seybold author Andy Tribute has been generating a lot of ink and controversy recently. In articles for Seybold and the on line news site WhatTheyThink.com, Andy has been very critical about the future of thermal imaging for computer to plate and one of the main manufactures of computer to plate devices Creo. Creo has not taken this sitting down. They have responded to both articles. Both articles pull no punches.

<http://members.whattheythink.com/expertrow/tribute15.cfm>

<http://members.whattheythink.com/expertrow/creoresponse.cfm>

Tribute has also written a white paper for Presstek discussing the appropriate run lengths for DI (direct imaging) presses. Unlike previous reports by the Digital Printing Council, work from CAPV and others which say the break even point is in excess of 1,000, Andy reports companies say DI printing is competitive as low as 250-500 run lengths. <http://www.presstek.com/>

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Adding or Removing Names

To be added to the list simple email HowieAtPre@aol.com and write "add to production or executive list" in the subject line

To be removed simple email HowieAtPre@aol.com and write "remove from production or executive list" in the subject line



Looking for consulting or training on the alphabet soup of digital prepress... such as

- CTP (computer to plate)
- QC (Quality Control) or process control,
- PDF (Portable Document Format)
- CMS (Color Management Systems)
-

Then ... drop me a note: HowieAtPre@aol.com

