

# ORANGE COUNTY BUSINESS JOURNAL



Carson: competition is fierce as there are still too many printers for the demand, he said

## Printers' Predicament

Higher Postage, Less Advertising, Fewer Publications Cut Revenue

By MICHAEL VOLPE

Belaguered Orange County printers have been hit at every turn.

The recession has caused advertisers to cut back and forced some publications to stop printing altogether.

And postage hikes have cut into printers' profits as fewer direct mail pieces are running through the presses.

All this resulted in a 4% drop to \$655 million in revenue for the past year for the largest 30 local printers here, according to the week's Business Journal list.

Most sales figures on the list are for the 12 months through March with a handful for 2008.

Fifteen companies reported lower revenue, four saw increases and nine were Business Journal estimates.

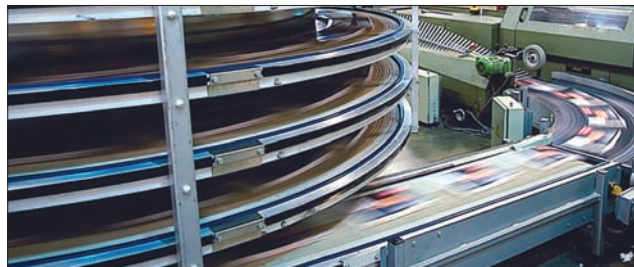
The group's sales decline likely was steeper than 4%, as the Business Journal tends to be conservative when making estimates.

Some printers are beginning to see the promise of an upswing.

"What I'm hearing from customers is that advertisers are showing a greater interest in printed ads this Christmas season as opposed to last year," said Tom Balutis, chief financial officer at No. 1 Trend Offset Printing Services Inc. of Los Alamitos, which is estimated at \$260 million in revenue, down 5%. But Balutis still is cautious.

"I wouldn't get carried away," he said. "We've dug ourselves a big hole this time and have a long way to go before we get out of it."

In the fourth quarter, many advertisers severely cut back on print ads and began to shift their focus to the Internet to save on print costs.



Printing gear at Trend: hoping for late-year pickup

"Commercial printing is a commodity and as such is subject to the laws of supply and demand," Balutis said. "Demand is waning, so our prices have come down."

Even with the lower prices, printers are finding that their customers are hesitant to commit to longer print runs, sticking to limited, smaller press runs instead.

"We have fewer press runs due to customers cutting back on their marketing budgets," said Jared Greene, regional manager at the Irvine office of No. 2 Chicago-based R.R. Donnelley & Sons Co. "Sometimes they're canceling one (order) to help pay for another (order) that's more important."

Even direct mail printing, once a mainstay of the direct marketing advertisers, has suffered as postage has doubled in the past three years.

Printers are set to get a break this summer as the post office plans to offer volume discounts.

The summer postal discounts are "the low-

est I've ever seen," Greene said.

Most print shops have cut workers. That was reflected in overall employment counts. The group's OC workers are down 6% from a year ago to 2,167 now.

"We have been forced to run fewer shifts, lay off employees and mothball some machines," Greene said.

Trend, which again dominated the list, saw OC workers drop 7%, from 541 to 501.

The company saw its owners, who stepped back from the company during the boom times, step back into a more active role when the storm clouds started to gather, Balutis said.

"We have the direct support of the owners, who originally brought the company to where it is, to help us through these rough times," Balutis said.

The company has been expanding its digital offerings for its customers, creating electronic versions of print products, such as online brochures and digital magazines, for an extra fee.

"We began our supplementary digital service a year ago for our publishers and have seen strong growth because of it," he said.

The company saw revenue drop an estimated 5% to \$260 million.

"We have what you would call pluses and minuses going on," Balutis said. "We are down something like 5% in total volume versus last year."

R.R. Donnelley is estimated at \$50 million in yearly revenue. The printer is big in the magazine and catalog industry, working with clients such as Disneyland Resort.

It has seen a major cutback in ad pages. "Our magazines have fewer pages and fewer titles to publish," Greene said.

No. 6 Irvine-based Dot Printer Inc. was one of the four printers that saw a revenue increase, upping its sales 2% to \$24 million, thanks to an acquisition.

Its OC workers were up 4% to 160. The printer's growth was due to its October buy of Irvine-based Page One, a wide-format printer.

Through the deal, Dot Printer obtained 600-plus clients and expanded into wide-format printing, which is used for store displays and large banner ads.

"With a drop in our paper business, we've seen growth in our wide format business," said Bruce Carson, Dot Printer's president.

Dot Printer also grew its distribution and fulfillment services, Carson said.

"We have been doing more distribution and fulfillment for what have been in the past print customers," Carson said. "We have moved in the direction of offering a broader service base to capture more of the smaller pie."

Competition is fierce, he said. The industry "still has too much capacity for the demand," Carson said. ■

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