

# WhatTheyThink?

## Presstek's Jeff Jacobson Discusses IPEX, Graph Expo, the Presstek 75DI and the State of the Industry

By Cary Sherburne

In a recent WhatTheyThink webinar, both listeners and industry experts commented on the potential offered by the new Presstek 75DI digital offset press, which was debuted at IPEX and will be on display at Graph Expo 2010. WhatTheyThink checked in with Presstek Chairman, CEO & President, Jeff Jacobson, to get his take on what the 75DI means to Presstek and its customers, as well as his opinion on the state of the industry, and more.



**WTT:** Jeff, I understand you had a good IPEX, with a lot of interest in the 75DI. Why is this press stirring up so much comment?

**JJ:** IPEX was fantastic for us. This is the first time in a while that people have been calling us asking for demos and more information about a new press. Some of these are major national accounts. We have a very short window where we will have a 75DI press in our Hudson NH facility before bringing it to Graph Expo, and it is booked full time. It is a new product, so we will be doing some minor tweaking, but a lot of the time it will be busy with printing samples and doing demos for prospects who want to come in and see it before Graph Expo. We have done extensive comparisons of the press to conventional offset presses, and it is distinguished by its high quality, six-minute job changeover, which includes plate making, and its cost per page, which is about a penny. We believe the 75DI is a game changer for us.

**WTT:** Do you see a rebound coming where printing firms may begin investing again?

**JJ:** When I am talking to customers, they are telling me they don't have much backlog. Like most industries, owners and managers of printing businesses are extremely cautious and anxious in what is still an uncertain economy, but at the same time they are hopeful. I was surprised, as a lot of people were, at how upbeat IPEX was—the excitement, the crowds—and the attention the 75DI drew was fantastic. It gives us a lot of optimism and momentum as we go to Graph Expo.

In the 23 years I have been in the industry, I am perhaps even more bullish on print than ever. It is not like it was 20 years ago, but where I see its play is as the initiator in the multimedia marketing mix we deal in today. Also, this is a short-run world. I believe there is significant overcapacity in both conventional offset and toner. At the same time, there is a growing need for cost-effective high quality short run color printing. These dynamics fit fantastically into Presstek's DI strategy, and we do think we will see an increased level of investment in these products, in smaller firms, but also in the larger firms who either must turn away this short-run work, or take their larger conventional presses off of longer runs, making them less profitable than they can be.

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**WTT:** How is the growth strategy Presstek has been discussing in the marketplace over the past several years playing out for you?

**JJ:** We have redone our entire CTP portfolio and added three new DI press products. These portfolio enhancements are in line with the vision we established three years ago. Presstek has a strong base of small to mid-sized customers, but if we are going to be a major player in this industry, we have to expand our portfolio beyond what we have traditionally sold. If you don't have coating or a larger format size, larger printers will not look at you. I also believe that this is a world of versioning and not a world of personalization. Conventional offset will increasingly be under pressure from production inkjet. I also believe the toner world has probably missed its window with the advent of these new inkjet solutions. Presstek DI fits in the sweet spot in the middle, between toner, conventional offset and production inkjet, a spot that in my opinion will be the largest part of print growth over the foreseeable future.

**WTT:** What is Presstek's business mix now?

**JJ:** Right now, DI represents 36% of our business, CTP including plates and polyester is 23%, service is 22%, and traditional prepress and pressroom supplies are 19%. Over time we would expect traditional and service as a percentage to drop off, with DI and CTP continuing to grow at a high rate as a percentage of the business. Since the beginning of the year, we have brought on 40 new CTP accounts with Aurora, Aeon and Anthem plates. This is a market we obviously know well, a lot of people we have brought into Presstek personally know the customer base. We are very excited about that.

**WTT:** What type of shift are you seeing in the way printers are investing, for those who are?

**JJ:** We are seeing printers increasing their focus on automation, striving for higher productivity, and needing to produce higher quality fast work and turn. But printers are not investing at the rate they need to. They need to begin investing again; but the question is, can they free up funds and obtain financing? There is so much inefficiency, with short-run work being done on large presses and too much versioning and static work being done on toner devices. Everyone has excess capacity. It is like driving big gas guzzlers that put people in the position of not being able to afford to buy a new car. If printers hope to get back to profitable margins, they will have to bite the bullet and invest. When you look at some of the companies that did invest, led by Quad/Graphics, it is clear that those companies that can, will. The more that do it, and the more testimonials we have, the more ubiquitous Presstek DI will become in this industry. A good example is the Government Printing Office. I was with Bob Tapella, the Public Printer, at the NYU Prism function in June. He was so excited about what the Presstek 52DI had been able to do for the GPO. He loves the technology.

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**WTT:** So what does that say about the underlying priorities for these businesses that are investing?

**JJ:** Everything is all about profitability, how do I get my margins up. They have all the capacity they need right now, but many are getting killed on profit margins. In a world of excess capacity, people sell at variable cost. That is why they need to get more efficient. Once that happens, a printer selling at 10% margins with conventional offset can afford a DI, and they will go back up to 30% margins. Other printers in the area will see that they are losing business, and maybe they will get a DI as well. If you have a customer outsourcing \$500,000 a year in printing, you can bring a Presstek DI in and it pays for itself, almost right out of the chute. This is what happened with Verdant Graphics, which was established as a sister company to Design Design to meet its printing needs, and now is in a position to take in general commercial and trade work as well.

**WTT:** We hear a lot about the projected growth of digital color pages. But in your opinion, how many of those pages actually require toner or inkjet (i.e., ultra short runs or personalization) versus simply shorter runs that are suitable for presses such as your DI?

**JJ:** I believe in big bold letters in shorter runs. The hype about digital color pages is simply marketing sizzle put out there by the digital printer companies. I believe toner missed a huge window of opportunity to make that technology affordable for runs in the 500 to 20,000 range. We have positioned the DI as the bridge between the very long runs of conventional offset and variable data or ultra short runs that are suited for toner. And at the high end, offset will begin to see pressure from inkjet. And I believe toner products will also see pressure from inkjet as that technology continues to evolve. We can match up well with companies that do ultra short run and high speed long run inkjet, with the DI right in between. There is such a tremendous opportunity for us right now. It is a versioning world. Also, there is a growing need to customize packaging and folding cartons for different regions, with different languages, and the Presstek 75DI places us in that market as well. This is especially applicable to personal care products and pharmaceutical products.

**WTT:** What other changes do you expect to see in Presstek's customer mix with the availability of the 75DI?

**JJ:** We have seen major national accounts realizing they have so much work on their 40" presses that could be done so much more efficiently on a Presstek DI. They are seeing a lot more 5,000 to 6,000 impression work, and even 2,500 impression work, and you don't want to start up a large offset press to do that. We also see both in-plants and commercial printers with an interest in using the DI press for ganging work—in fact, we have already seen that with the 52DI with business card printers. If the DI is the bridge for the larger printers to be more efficient and we can get their interest in the 75DI, then we are in a customer relationship that can also bring CTP plates along with it. They can either move to Aeon or go chemistry-free with Aurora Pro, depending on their requirements. And we are starting to see this happen. It also positions us to be the provider of all of their prepress and pressroom consumables. So I really do see the 75DI as a key to gaining traction on our strategy of expanding our presence in larger printers. Meanwhile, we have the 34DI and 52DI that are ideal for smaller operations.

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**WTT:** Where do you see the tipping point for Presstek that will spur this faster growth?

**JJ:** From a hardware standpoint, we need help from the economy. There is a small business lending act before Congress right now that should help. That being said, we feel so confident in the 52DI-AC and UV and the 75DI. We just hired Joe Demharter, an industry veteran, to head up North American Sales, and he had the same reaction everyone has when he realized the power and extent of our portfolio. When Heidelberg got out of DI, the industry just assumed that DI was dead. But over the last three years, we have redone our DI portfolio, and I would put it up against any press in the industry for what it is designed to do. There is no other printing device that can do what the DI does. And I invite your readers to visit us at Graph Expo where we will have the 34DI, 52DI-AC, and a 75DI all running live on the show floor. Our job is to make it ubiquitous, and as we start getting those machines out in the industry, this company will take off. It will drive consumables as well as CTP, and we will be able to expand more globally, which we have been doing, but we will be able to do it faster once our profitability improves.

**WTT:** How do you see environmental issues effecting purchasing decisions?

**JJ:** When I joined Presstek in 2007, the company had always been about the environment, and in 2007, I heard the industry talking about the environment more than ever. But as the economy languished, printers turned their attention more to profitability taking their emphasis off of the environment, out of necessity. As the economy improves and as regulators mandate more compliance with environmentally sustainable practices, focus on the environment will return, but the economy really stemmed the earnestness of printers wanting to do the right thing. With Presstek DI it is very easy to be environmentally-friendly and increase profitability and productivity at the same time.

**WTT:** Is there anything else you would like to add before we close?

**JJ:** We talked a lot about Presstek's new 75DI and our growth strategy of going up market. At the same time we have been working on new products to help small commercial shops become more efficient and profitable, like the DPM Pro 400, the Vector FL52 with autoloader and the 34DI.

Some of the biggest players on the supply side would like to have access to this channel, and we have that access to the channel in a way that no one else has. At the same time, we are now well positioned to move up market as well, without in any way neglecting our heritage in small format.

This is an industry that has had its ups and downs like many industries. We will get through this and thrive again, we should be confident about it. I like to categorize myself as a realistic optimist. I understand what is going on, but you have to strive every day, plant the seeds, and as things improve our customers will improve and we will improve with them.

*Cary Sherburne is a well-known author, journalist and marketing consultant whose practice is focused on marketing communications strategies for the printing and publishing industries.*