

# AdColor Changes As Industry Changes

*Prepress Company evolves to not only survive but also thrive in a rapidly changing graphic arts industry.*

BY DENNIS MASON

Visitors to AdColor—a graphic services supplier based in Winston-Salem, North Carolina—immediately notice a montage of South Park-like characters on the reception area wall. The characters are, in fact, caricatures of the 28 AdColor employees—and above each employee's workstation is a larger-than-life depiction of the same character. South Park irreverence is not part of the business, however, because AdColor is a prepress business that has not only survived but also thrived. How the company became what it is today is a classic example of how prepress companies must evolve to survive in a rapidly changing printing industry.

The AdColor success story began in 1996, when Patrick Nugent found himself on the street after his company, which had been acquired by a major corporation, made a predictable series of organizational changes. Determined to stay in the Piedmont Triad, Nugent looked for a business to buy. An experienced marketer, he settled on AdType, a prepress business that had been founded as a type house in 1982. By the time Nugent took over, the AdColor business primarily involved supplying film to local printers.

As is often the case when a business changes hands, Nugent found that the picture at AdColor was not as rosy as it seemed before the sale. The company relied on traditional advertising agencies for as much as 80 percent of its business, but agencies were beginning to lose their clout with corporate clients. Film constituted the vast majority of business, but the dramatic decline of film was already looming on the horizon. Nugent recognized that the business he had purchased was not the business he needed to

run, and thus began what has been a series of continuous changes that have morphed AdType into AdColor—something quite different. And in the process, grew the business from \$1.5 million in 1996 to \$4 million in 2008.

Nugent characterizes his business today as six different businesses under one roof, focused on the following areas:

► **Prepress:** This residual portion of the original AdColor business includes retouching and still serves advertising agencies in the region.

► **Data Asset Management:** Although this service provided to clients is not a significant revenue producer, asset management is a key element of customer retention; and Nugent expects it to become more important in the future.

► **Web-to-Print:** This segment enables franchisees, branches, and distributors of AdColor clients to order both static and customized promotional materials directly from AdColor.

► **Posters and Banners:** An offshoot of the prepress business, this AdColor area uses several wide-format printers to produce display materials.

► **Short-Run Digital Printing:** Based on an Indigo 5000, this AdColor segment focuses on print runs unattractive to many conventional printers.

► **Traditional Offset Printing:** With a five-color Komori sheetfed press and a two-color Ryobi, AdColor is ready to print longer runs not suited to their Indigo.

Nugent pairs his four sales people with four customer service representatives who sell across the full spectrum of AdColor services. And he points with pride to the fact that some sales people from the



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days of type have successfully moved into selling today’s digital products. Web-to-print is a small portion of the business but is expected to become larger. “Still,” says Nugent, “it remains service-intensive. Some CSR oversight is required for success in the web-to-print area.”

The customer base served by AdColor sales personnel has dramatically changed through the years. Advertising agencies have shrunk from 80 percent of his market when Nugent acquired the business to less than half today, with corporate buyers now constituting the majority. “Still,” says Nugent, “we do not want to compete with ad agencies. But the shift away from agency business toward corporations has necessitated our providing more turnkey services. Our corporate customers want us to do more, within their budgets, and within their deadlines.

“But through all this, we have kept our fingers in the prepress pie. We have corporate customers who

rely on AdColor to prepare files to be printed on web presses by Quad/Graphics and PBM. We think our prepress business is enhanced by the fact that we do not consider ourselves solely to be printers. For us, printing complements the other services we offer clients.”

According to Nugent, today AdColor is on the brink of another significant business shift—to becoming an Internet-based service company, doing prepress work not only for print but also for email marketing, websites, and mobile devices. To prepare for that transition, in early 2008 AdColor began implementing the ePace print business management system offered by Pace Systems Group. According to Nugent, “Previously, our estimates were based on what we thought was accurate historical data, but putting the ePace system in place has forced us not only to learn our true costs but also to learn where those costs occur. For the first time, we were forced

## CASE STUDY



Wide-format, short-run digital, and traditional printing are among AdColor's offerings but they are not solely printers. According to Patrick Nugent, "Printing complements the other services we offer clients."

to do zero-based costing, and we now have a much better appreciation of what makes money and what does not. The biggest eye opener proved to be our bindery, which we previously were inclined to treat as an undefined service necessary to bring in printing business. The cost discipline imposed on us by the ePace system will enable us to focus on our real margins and eventually compensate our sales personnel on margins rather than sales."


Talking about the difficulty of implementing a rigorous cost system like ePace, Nugent notes, "Our biggest mistake was not moving quickly and decisively to install a true production system six years ago. We had settled on an accounting-based system which was not designed to support our move into print."

Commenting on his workforce and how they are adapting to the new data system, Nugent says, "Every employee is cross-trained to do at least two different jobs. Our system of four staggered 10-hour days for the print group and cross-training throughout the company enables us to keep everything running even when the primary operator is out.

And the simplicity of the ePace system, coupled with the fact that everyone uses the same database, should make cross-training even easier."

A business like AdColor presents unique problems, says Nugent. "With our business model in a mid-market, it is nearly impossible to compare notes with anyone who has the same problems we do. But I have found that the IPA—The Association of Graphic Solutions Providers—puts me in touch with people who are making the same dramatic changes that we are. IPA meetings enable me to meet and talk with people whose business has a strong prepress component, or a prepress heritage. We monitor the performance metrics produced by the association, and find ourselves consistently in the top quartile of respondents. IPA seems to be the best association bet for a multi-service provider like AdColor."

Will AdColor look different in the future? You can bet some serious money on it. Says Nugent, "The days of prepress margins are long gone! To maintain a viable business, we need to evolve as the industry and our customers evolve."

Early in the real South Park series, Kenny often reappeared after having been killed in the previous episode. Although Kenny's deaths have been much rarer in recent years, his miraculous reappearances are an excellent metaphor for AdColor as well. Look for Pat Nugent and AdColor to reappear in a new form whenever technology or market conditions necessitate doing so. 

### EFI ACQUIRES PACE SYSTEMS

While this article was being prepared, EFI purchased Pace Systems Group, and announced that the ePace software package would be the primary product offered to mid-market printers and print service providers. Asked his opinion of the acquisition and its effect on AdColor, Pat Nugent commented, "We noticed that resources at Pace were a bit taxed during our implementation, so the added financial strength and depth of programming talent at EFI should be positive for ePace users. As someone who has been through several corporate takeovers and buyouts, I know that things will change. But the ePace product is well-suited to printers of our size, and we are encouraged that EFI plans to emphasize it."