



Image courtesy of Color Ink Inc.

## The Packaged Deal: Why Printers are Tapping into a New Market

Brett Justus is a third-generation commercial printer whose family has owned Just-Us Printing for almost four decades. But history means little in a saturated market with fewer opportunities for profit, and Justus knew he would have to diversify his business to survive.

“We started looking for a new growth avenue to expand our business a couple of years ago,” said Justus, whose company is located in Springdale, Arkansas, about 30 miles from the Missouri border. “Commercial printing was flat. It’s highly competitive and there are so many print shops that do commercial printing, but there was no one in the area that had the capacity to do short-run folding carton printing.”

Just-Us Printing has reshaped its business by embracing packaging. In doing so, it has taken advantage of technological advances that had once threatened to erode the profitability of commercial printers and specialty graphics professionals. The

reason: What previously was a “fairly specialized” set of tasks in dealing with folded packaging and corrugated materials has been made easier with the increased sophistication of digital presses, says InfoTrends analyst Bob Leahey.

“The upside, of course, is the mantra about the printing of packaging: It tends to grow and grow and grow,” Leahey said. “Most other printing applications are flat or actually declining, and that’s a concern globally. Packaging is not subject to electronic displacement in the same way that many other printed products are, so you can look forward to working with new customers and providing new services to existing customers. That’s all to the good.”

### New Technologies, New Opportunities

For generations, the prep work and staff time that went into a commercial printing project was a path to profit. But with the rise of digital printing and

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By Glenn Cook, Industry Author





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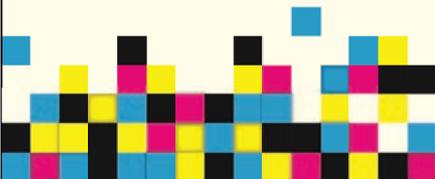


Image courtesy of Color Ink Inc.

increasingly sophisticated inkjet and color laser technologies, the hard labor aspect largely dissipated, cutting into profits. Small commercial print shops started appearing out of nowhere, further diluting the market.

"The digital approach eliminates most of the cost of prepress," Leahy said. "Everything is electronic and there are no plates, but it takes some skill and software to handle digital printing. When you have lots of short runs, workflow management becomes very important."

Todd Meissner, President of Color Ink Inc. in Sussex, Wisconsin, saw this happen to his family-owned business. His father started the business as a graphic design firm and moved into printing to serve clients from the service and large industrial sectors.

"For the first 15 years, we were just producing commercial print materials — catalogs, direct mail pieces, price lists — but that [work] started to decline," he said. "Most of our clients are retail in some capacity, so we expanded to become more of a visual retail printer."

Meissner calls promotional packaging an "untapped market" for printers. "With the advancements in digital technology, especially on the embellishing and finishing side, we can do so much more than we could 10 or 15 years ago," he said.

Kevin Karstedt, a consultant to

printers for more than 20 years, says "light packaging" — i.e., bags and boxes designed for smaller retail businesses and niche brands — will be the future for most printers interested in diversifying their businesses. "Today, you can sell package printing for more than commercial print, and package printing has a better profit margin," he said. "At the same time, there are some risks."

The chief among them: The number of steps involved in package printing.

"There's so much more to it. There's more material, and the material is more expensive. While there's a higher value associated with that than, say, a brochure, not every Tom, Dick and Harry can do it," Karstedt said.

"Think of it as a gasoline engine manufacturer going into the diesel engine business. They're similar — the same basic thing — but they're not," he said. "Each is complicated, but they're complicated in different ways."

### A Growing Niche

For companies that specialize in packaging, printing is only 20% of the business, Karstedt says. Those companies manufacture everything that goes into the package — from the substrate to the cardboard it is printed on — and printing comes at the end of the line.

Flexible packaging, in which you

print on unsupported film stock and then laminate it to the product, is particularly challenging, Leahey and Karstedt say. Short runs have more appeal, because printing folding cartons and on corrugated materials requires attention to precise detail, Karstedt notes.

“The commercial printer is more of an artist and craftsman. They take the canvas and sell great-looking stuff,” Karstedt said. “For the package printer, the money is in selling more of the canvas. A commercial printer is not going to do packaging for Kraft or Tony the Tiger cereal.”

That said, Leahey believes there is a great market out there for printers who are interested in small package print runs.

“There are hundreds, maybe even thousands of brands that need packaging,” Leahey says. “Many are local, or regional or not well known. Take microbreweries, for example. There are thousands of those that are popping up all over the place, and they all need packaging.”

Keith Prichard, President of Timsco Graphics in Temple Hills, Maryland, has seen his company shift from screen printing to printing and installing graphics for the retail industry. Packaging comes in the form of flute and cardboard containers and items for “very niche markets.” The company has five wide-format flatbed presses as well as die cutting and chemical cutting machines, among other equipment.

“We’ve been doing a lot of rollouts for retail, even though it’s not the same as it used to be, but now with digital equipment, we can do a rollout in three days,” said Prichard. “Manufacturers now take for granted that we know how to do it. Bulk packaging takes no time versus what it did back in the day. It’s unbelievable.”

### The Bigger Business Picture

When he decided to move into the packaging market, Justus knew two things would be necessary: Additional equipment and training for his 35 full-time employees. The company added a wide-format digital press and taught its staff how to fold and glue the packaging.

Justus says his business is looking at an annual 30% growth in packaging for the next several years, which should more than offset any declines in commercial printing projects. But he understands why some businesses would be hesitant to take on this type of expansion.

“You are looking at new business models, and you have to make sure you update the color management on your presses so that the color is good from the

first sheet to the last,” he said. “When you’re dealing with more expensive paper, you’ve got to cut down on waste and be careful, or you could lose your shirt.”

Having employees who are willing to learn new skills has helped ease the transition, Justus says.

“You’ve got to make sure you’ve got employees who can handle new roles, because this is something that is very different from what they are used to doing,” he said. “We’ve got amazing employees that have accepted the challenge and figured out how to do it. They’ve learned very quickly, and that has really set us up for the future.”

Another aspect to plan for is selling this new product and services to companies that may not be part of your current customer base. Training sales staff is pivotal, Leahey says, because it’s “a different type of work, and they may not be familiar with prospecting for this kind of business.”

“We’ve picked up a couple of new customers and believe that 2019 is really going to be a big growth year for us on the folding carton side,” said Justus. “There’s some additional specialty printing that we can do depending on what’s going on inside the carton, and there are so many types of printing items from the packaging side. We’re very excited about the future.”

Meissner is as well. By selling package design, die cutting and embellishments as well as distribution and warehousing, he’s seen a huge uptick in Color Ink’s business.

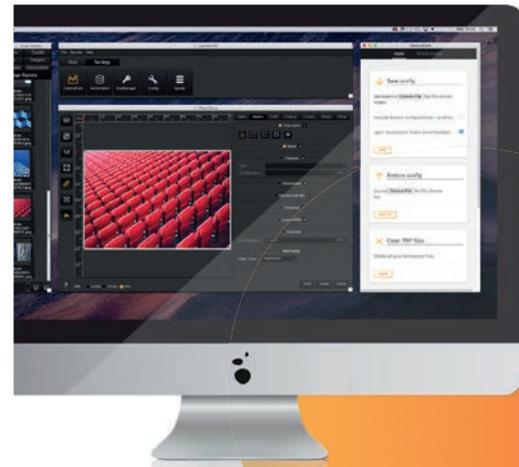
“Seven years ago, we just got fed up with the erosion of profit in the commercial print market and decided to go full steam ahead into digital,” he said. “We’ve seen a 20% revenue decline in sales, but our profit is better than it’s been in 25 years because we’ve become a boutique printer who can provide value-added benefits for our clients. There’s less paper, less ink, less physical material costs. Our yearly impression counts are half of what they were, but our gross margin has doubled.”

He added, “There are so many revenue streams in the category of packaging. If you think about what you are doing, know your market and allow all of the other opportunities to present themselves, it can be a great time to be in this business. It’s very exciting.”

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