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Should I Stay or Should I Go

Is It the Opportune Time to Sell

By Greg Mischio

Since the economic crisis of 2008, the business environment has been uneven, unreliable, and unpredictable. For printing owners, it's made long-term strategic planning gut wrenching and fraught with complexities. In these uncertain times, every business owner is evaluating their company. Sell or stay put?

That question always inspires a host of others—if you sold the business now, would you make a greater profit than five years from now? If you partnered with a suitable company, would you find the stability to ride out the storm, and even grow business? If you have enough to retire right now, are you jeopardizing plans to retire comfortably by not acting?

There's no simple answer. Everyone's situation is different and every business is unique. Yet, according to Rock LaManna, intermediary for the printing industry/owner, LaManna Alliance, there are two distinct types of owners who emerge during these uncertain times—those who need to sell and those who want to sell. The owners who want to sell have a successful printing business. Because of investments in talent and equipment, or because of solid strategic thinking, they're ready to take the next step. "These individuals might consider a merger and acquisition as a way to find someone who can complement their operation, providing them with either additional capital or exposure to a larger client base," says LaManna.

The owners who need to sell are motivated by many factors that require an immediate sale of their company. Business is slumping, they want to retire, or they have a personal issue that is forcing their exit from the industry. "These owners tend to hold on too long, and don't explore a variety of strategic transitions that could help them find a way out," adds LaManna.

Focus with Industry Perspective

A strategic transition is a significant business growth strategy, such as a merger and acquisition, a success plan, or a growth plan. Before considering any of these moves, it is important to understand the state of the industry.

Overall, market research firm InfoTrends forecasts the industry growth at one percent for 2012. "For the many printers who experienced drop offs of their overall business of ten percent since 2008, this means it will be a long climb back just to reach the revenues from several years ago," says Tim Greene, director, wide format printing and jetting technology opportunities consulting services, InfoTrends.

However, there are niche markets in the industry that are doing extremely well and are poised for greater growth. For these sectors, that one percent growth will easily be surpassed. Other segments are not so fortunate, but could prove attractive to an investor if positioned strategically.

What's Hot and What's Not

Industry hotspots are centered on anything that's digitally produced. No matter what your key printing service may be, almost every company offers digitally produced capabilities, and those sectors are experiencing significant growth. For example, a printer's revenues may be flat for offset or screenprinting, but easily rising five to ten percent annually for digital printing.

The rise in digital printing affects players up and down the distribution line. "A manufacturer that used to roll out 10,000 posters for a new campaign now provides artwork for distributors, and allows them to customize a prototype for short-run demands," notes Greene. The end users are now a key part of the offering. They require speed, savings, quality, and flexibility.

Another popular area is signs and graphics. Greene expects growth to be strong, primarily because of the uncertainty of the traditional print industry. With traditional newspaper and magazine subscriptions slumping, signs and graphics are experiencing solid growth. Outdoor advertising, for example, looks particularly well positioned for success.

Are there opportunities in the not so hot sectors? Considering that many products and services in this category have become commodities, interested parties need to make a case to an investor that something significantly different will be done with the company to be marketable.

For example, if you're participating in the book printing business, you better convince an investor that you're doing agile manufacturing, as the number of eReaders on the market is going through the roof. You must find a way to innovate or provide a value that your competitor simply can't touch. Unless something about the company is special, an investor won't look at it.

LaManna believes that "90 percent of print owners are in trouble." He shares that they're spooked and not pursuing any type of growth or merger and acquisition strategy. "It starts with the fact that they don't know

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how to value business correctly or find the assets that a strategic investor is looking for," he says.

Greene concurs, noting that the low level of merger and acquisition activity can be explained by the low barriers of entry into the print market. "It's not difficult to enter the wide format business or expand into new markets, either regionally by hiring a sales representative in a given area or by purchasing new equipment. That's why you need to define what's special about your business," he adds.

It's a Synergistic Market

Because organic growth is so easy for investors, if a seller opts not to stay but to go, LaManna believes that considering how the investor will benefit from the relationships is an important factor.

He stresses that today's successful mergers and acquisitions are built on a synergistic, win-win platform. It's not realistic to think only in terms of how much money you can make by selling your business. "Historically, the money will be there," notes LaManna, "but only if you create an opportunity in which the investor envisions a greater profit opportunity."

He points to recent activity such as Printscape Imaging & Graphics acquiring Visual Impact Graphics. Printscape, of Pittsburgh, PA, is a digital print, document management, and architectural graphics firm that responded to the redefining of distribution channels. The move shows how Printscape added an end user to strengthen its overall offering.

While this example represents large scale merger and acquisition activity, there is opportunity for smaller printers to pursue options with other potential partners. "This requires defining your niche and finding the talented partner who complements it," shares LaManna.

In the next installment, two types of sellers—the printer who needs to sell and the printer who wants to sell—and what each needs to do to succeed are explained.

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