

# TOP BOOK MANUFACTURERS »

#	Company	Total Revenue	Book Revenue	Plants	#	Company	Total Revenue	Book Revenue	Plants
1	<b>RR Donnelley</b> Chicago, Ill.; RRD.com	\$11.58B	N/A	175+	16	<b>Malloy Inc.</b> Ann Arbor, Mich.; Malloy.com	\$46.2M	\$46.2M	1
2	<b>Lehigh Phoenix, a division of Visant Corp.</b> Hagerstown, Md.; PhoenixColor.com	\$924M	N/A	12	17	<b>Hess Print Solutions</b> Downers Grove, Ill.; HessPrintSolutions.com	\$110M	\$44M	2
3	<b>Worldcolor</b> Montreal, Quebec; WorldColor.com	\$4.01B	N/A	90	18	<b>Versa Press Inc.</b> East Peoria, Ill.; VersaPress.com	\$40.1M	\$40.1M	1
4	<b>Courier Corp.</b> N. Chelmsford, Mass.; Courier.com	\$280M	\$280M	6	19	<b>Dickinson Press Inc.</b> Grand Rapids, Mich.; DickinsonPress.com	\$31M	\$31M	1
5	<b>Arvato Print US</b> New York, N.Y.; ArvatoPrintUSA.com	\$321M	\$266M	7	20	<b>Thomson-Shore</b> Dexter, Mich.; ThomsonShore.com	\$30M	\$30M	1
6	<b>Transcontinental</b> Saint-Laurent, Quebec; Transcontinental-Printing.com	\$1.73B	N/A	65	21	<b>McNaughton &amp; Gunn Inc.</b> Saline, Mich.; BookPrinters.com	\$28M	\$26.6M	1
7	<b>Taylor Specialty Books</b> Dallas, Texas; TaylorSpecialtyBooks.com	\$112M	\$112M	2	22	<b>Solisco</b> Scott, Quebec; Solisco.com	\$105M	\$26.2M	3
8	<b>Walsworth Publishing Co.</b> Marceline, Mo.; Walsworth.com	\$115M	\$97.7M	3	23	<b>Bradford &amp; Bigelow</b> Newburyport, Mass.; Bradford-Bigelow.com	\$24M	\$24M	1
9	<b>Friesens Corp.</b> Altona, Manitoba; Friesens.com	\$79M	\$75M	3	24	<b>King Printing Co. Inc.</b> Lowell, Mass.; KingPrinting.com	\$23.5M	\$23.5M	N/A
10	<b>Edwards Brothers</b> Ann Arbor, Mich.; EdwardsBrothers.com	\$79M	\$71.1M	8	25	<b>The P.A. Hutchison Co.</b> Mayfield, Pa.; PAHutch.com	\$23.9M	\$22.7M	1
11	<b>Webcrafters Inc.</b> Madison, Wis.; www.Webcrafters-Inc.com	\$71M	\$69.5M	2	26	<b>NPC Inc.</b> Claysburg, Pa.; www.NPCWeb.com	\$53M	\$22.2M	2
12	<b>MacNaughton Lithograph/Command Web Offset Co.</b> Secaucus, N.J.; CommandWeb.com	\$170M	\$68M	6	27	<b>Bookmasters Inc.</b> Ashland, Ohio; BookMasters.com	\$22M	\$22M	1
13	<b>Sheridan Books Inc., a division of the Sheridan Group</b> Chelsea, Mich.; SheridanBooks.com	\$348M	\$66.1M	6	28	<b>CCI/CoakleyTech</b> Hartland, Wis.; ComCom.com	\$51M	\$20.5M	6
14	<b>Webcom Inc.</b> Toronto, Ontario; www.WebcomLink.com	\$60M	\$60M	N/A	29(t)	<b>CJK: Print Possibilities</b> Cincinnati, Ohio; CJKUSA.com	\$28M	\$18.7M	1
15	<b>Worzalla</b> Stevens Point, Wis.; Worzalla.com	\$65.4M	\$58.8M	1	29(t)	<b>Data Reproductions Corp.</b> Auburn Hills, Mich.; www.DataRepro.com	\$18.7M	\$18.7M	1

Financial information primarily was obtained from *Book Business*'s sister publication *Printing Impressions*' (PIWorld.com) annual "Printing Impressions 400" ranking of the leading printing companies in the United States and Canada. In some instances, companies voluntarily provided figures. For those companies for which separate book printing revenue for the current year could not be obtained (RR Donnelley, Lehigh Phoenix, Worldcolor and Transcontinental), rankings were based on total revenue and/or previously obtained information. B = billions; M = millions.

<http://www.bookbusinessmag.com/article/an-evolving-marketplace-has-meant-reshuffling-priorities-but-basic-business-models-sound-416082/1>

## Book Business

### Top Book Manufacturers : Printers Adapt by Following the Market

**An evolving marketplace has meant reshuffling priorities, but basic business models are sound.**

By James Sturdivant

May 2010

Whether it says more about recent positive trends or just how awful 2009 was, one thing every printer seems to agree on is that things are looking up in book manufacturing. This, at least, is the consensus among executives interviewed by *Book Business* as part of its annual assessment of the state of book manufacturing, which includes our list of [top North American book printers ranked by book revenue](#).

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Many comments are similar to those of David Wurster, CEO of Bookmasters: "We have been seeing a recent surge in the number of titles running through our printing facility," he says.

"While our digital printing division continues to grow at a rapid pace, the number of titles running through our offset division is increasing as well the past quarter. We are experiencing shorter offset runs, on the average, per title; however, more titles [are] flowing through our facility."

In other words, volume is healthy, but the ongoing transition to digital is leaving its mark, affecting what publishers choose to print on offset as attempts are made to streamline and customize production, manufacturing and distribution. Smart printers are adjusting accordingly.

"Book volume has held up well," says Rob Krehbiel, president and CEO of CJK. Books constitute an increasing percentage of total company sales, he says, due to a sharp drop-off in magazine and catalog work. "Volumes are down, and ad pages way off," Krehbiel says of magazines. "Five years ago, I might have said that would be a big part of our future, but not now."

Across the industry, the story is roughly the same: While commercial printing has been hit hard by the recession, book volumes are, for now, holding steady. It's no wonder that, for many, the silver lining amid the dark clouds of recession has been the book sector's ability to hold its own.

"The impact of digital technologies has been felt mainly in directories, forms and statement printing, as electronic communication and transaction technology has eliminated or devalued the role of many traditional paper forms," RR Donnelley noted in a recent SEC filing.

"Electronic substitution has continued to accelerate in directory printing, in part driven by environmental concerns and cost pressures at key customers.

"Despite rapid growth in adoption of e-books," the filing continued, "the company does not believe there has been a significant impact on the volume of print, and management does not expect any significant reductions in the short-term. However, management does expect to see lower long-term growth in print-book volume as e-book penetration continues to expand."

Although "volume decline was immediate" for books when the recession hit, "it danced around a number that was dramatic, but manageable," says Kevin Spall, president of Thomson-Shore. "It wasn't a drop of meteoric proportions. ... Printers who were able to get

their costs in line were able to manage in relatively good shape compared to catalogs, where some people were devastated."

Spall says volumes have stabilized in the last three months, and certain segments are growing. Within that context of renewed growth, however, comes seemingly permanent shifts in print business models.

### **"The E-revolution Has Been Upon Us"**

Spall purchased an Amazon Kindle last year, but first-hand experience with the e-book reader does not leave him shaking in his boots.

"I've become a little less 'the sky is falling,'" he says. "E-books will play a considerable role, at least as much as the audio-book market or more. On the other end of the spectrum, I just spoke to someone who believes 50 percent of books [sold] will be e-books in five years, and I don't think [that's accurate]."

For all the attention surrounding the launch of the iPad, the rise of this new reading format is, Spall believes, a manageable revolution—a market development that can be folded into manufacturing strategies, much as audio books were in the 1980s.

"The printers we compete with every day are generally pretty smart about how they run their business," he says. "They've been at it so long they know how to adjust their business to get through the tough spots—look at Edwards Brothers, Malloy, Sheridan [Books], [RR] Donnelley. We've had times in the industry where we've had to reduce costs to come in line with demand, and we've been successful with it. We remember that as a business."

In other words, Spall says, now is not the time to be thinking in terms of business models being overturned by a digital deluge. It is more a matter of shifting strategies to match publishers' evolving needs, and too much focus on e-books threatens to take attention away from what is, at this time, most significantly impacting the market: short-run printing.

"The e-revolution has been upon us," Wurster says. "It will certainly affect the printing industry moving into the future; however, the question is to what degree. Our experience to date shows us that both POD [print-on-demand] and e-books have increased the overall number of titles 'in print,' which has been extremely beneficial to our business."

Bruce Jensen, group vice president of sales at Transcontinental Printing, says that shorter runs and lower book inventories are becoming the new norm in the book manufacturing world. "Not to say that our traditional web production is going away, but it is definitely changing," he says. "We've had to get better, making shorter runs and being ... faster to market."

Spall agrees that, near term, the main effect of POD and short-run printing has been publishers' desire for speed. "They are still not investing in inventory, so they need to move quick—[including] having content readily available on the Internet," he says.

### **Global Influences**

Speed also has become a key leverage point for North American printers in a changing global marketplace.

"It's interesting because the change has been, where some publishers used to go to Asia and across the ocean, all of a sudden now we see that more and more publishers, because of this speed to market, are finding that printing back here in North America is cost effective even if there is a little bit of a price premium," Jensen says. "For books that aren't time

sensitive, Asia is still a good opportunity for [publishers], but for books that tend to be reprints or more significant as far as the timing of the events—really that premium is not worth it anymore. It's better to have it done here and get it to market quicker."

A trend away from outsourcing has been an unexpected and welcome byproduct of recent technological and global trends, to the extent that CJK is seeing significant growth in an unexpected area: in-house mailing.

"The outsourcing trend has reversed a little bit," says Krehbiel. "Costs have gone up overseas. Ten years ago, there was almost no outsourcing; then, publishers went aggressively for it, and now some of that work is coming back. For us, it's a nice trend."

This is especially significant given that CJK specializes in four-color jobs, in recent years a preferred candidate for overseas work.

"We've been seeing, as costs offshore have gone up, there is a little bit of relative interest in bringing that product back and producing it domestically," agrees Spall, "because cost savings are not as significant, particularly when going through brokers offshore. Plus, the time to produce is still months, whereas we are producing product in days and weeks."

Spall says the work Thomson-Shore is luring back includes color books and Bibles, lightweight titles that can be turned around in two to three weeks compared to six months in Asia. "We're talking smaller quantities [in many cases], but maybe they will do a first printing here and bide their time, wait six months to go offshore."

This new level of competitiveness has not come without a price, however. While the cost of doing business has gone up in Asia, prices for printing services in the United States are stagnant or dropping, a by-product of overcapacity in the industry. "The additional excess capacity created by the recent declines in industry volume has resulted in intensified price competition in some product lines," noted Donnelley's SEC statement. This, coupled with an increase in price paid for paper, has many printers caught in a price squeeze.

"I just told a client in Florida that prices would be lower, so there's no doubt that even as paper prices have been stable and even going up, we are [the ones] making up the difference," Krehbiel reports. "Based on competitive market factors, we are not raising prices and are even offering some programs at lower margins."

"As an industry, we are feeling significant pressure in terms of cost, driven in large part by material price increases," Spall says. "[There have been] multiple paper price increases, [increases for] lamination, board, glue, thread. ... On the materials side, they are trying to get their prices back up to what they would have expected had they been able to raise prices in 2009. Paper [manufacturers] have closed mills and are in a position where demand is up."

Adding to this, Spall says, is the elimination of the U.S. government's "black liquor" subsidy in January. The expiration of this provision of a 2007 alternative-fuels bill, which allowed mills to take billions of dollars in tax credits for use of a manufacturing by-product, created further price pressure just as the economy began to improve.

"Certainly there is excess capacity," Spall says, driven in part by the coming online in recent years of many smaller digital printers. He expects many of these to find it difficult to rebound from lost sales, while larger printers with more years in the business can take advantage of their ability to leverage multiple platforms and scale capacity to match demand.

"We are living in a global economy, so excess print capacity will not simply disappear," Wurster says. "Bookmasters continues to evolve by offering value-added services in an effort to truly partner with publisher-clients. As we perform additional services for a client, our threshold for printing-price pain is lowered."

### **Offering New Services**

Finding new services to offer publishers has constituted an important strategy for many printers in the post-recession recovery period. Bookmasters' file creation, conversion and distribution services have proved to be a successful complement to its printing operation during the past few years. Thomson-Shore has invested in color offset printing, book creation (design and layout services) and "green" printing options, while CJK is planning targeted investment in digital to meet the evolving needs of clients. Transcontinental has expanded or is planning to expand into many areas, from marketing to permission-based e-mail systems to custom publishing.

"We listen to our customers, determine what their needs are and where the market is going," Jensen says. "We recognize that we need to be a total solutions provider and look at the value chain from beginning to end to [serve] our customers."

Jensen says economic pressures have not dissuaded publishers from pursuing "green" initiatives; as a result, Transcontinental has increased its purchasing of Forest Stewardship Council (FSC)-certified and recycled fiber, and recently opened its first LEED [Leadership in Energy and Environmental Design]-certified plant in Northern California.

Spall says the same of his client base, noting that, for some, "no matter what happens in the marketplace, they want [paper with] high post-consumer content and FSC certification."

There are revenue and growth opportunities among the 60 percent or so of his clients not currently purchasing "green" products, Spall says, through "helping them to understand what is available to them and what the cost differential is, and [that] in some cases there is no cost differential."

### **Tweaking the Bottom Line**

In those facets of the business where increasing revenue is proving difficult, printers are focusing on pursuing savings through workflow adjustment or, in some cases, consolidation.

"If you are printing shorter runs ... you will see the top line fall a little," Jensen says. "You can see it in the case of Transcontinental. When the market changed, back a year and half ago, we were pretty quick to correct our businesses and match capacity to the demand of the industry. One of the things we've been able to do is, although our top line is down, our bottom line is continuing to improve quarter after quarter. So we've been able to adjust some of our capacity, closing plants and consolidating plants to really match that [demand], and we are definitely seeing the results in our bottom line."

"We are constantly reviewing our cost structure, including procurement, internal processes, etc., to streamline workflow," Wurster says. "Often this does not yield as much savings as new technology; however, the capital investment required for both solutions is quite different. Handling cost is a daily function, and new technology enters the picture when appropriate."

CJK is investing in streamlining workflows, lowering administrative costs and automating workflow. Few companies are currently investing in new equipment, Krehbiel says, with the trend being in the direction of consolidation.

The impending Quad/Graphics-Worldcolor merger could have a stabilizing effect on the market, Spall says, because there is little duplication between the companies in terms of book production. "Quad is privately run and will have a different approach to how they price on the book market [than Worldcolor]," he notes.

"We mostly run into [Quad/Graphics] with catalogs," says Krehbiel. "With Quad running the show, it could change how they approach the book market."

Overall, the mood among printers is decidedly optimistic. "I see 2010 as a very strong year at Bookmasters," Wurster says. "Our stateside four-color printing, both digital and offset, is growing like gangbusters."

As Jensen says, "There's a lot of opportunities for printers who do the right things and follow the market correctly."

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