

A Business Forms Printer

**And how we learnt to love a declining market
(Well, put up with it at least)**

As a trade-only business stationery printer, Abbot Print Ltd has been operating in an extremely competitive market. An ongoing review of business strategy received greater attention during last year's management buyout. Three key possibilities were identified - to innovate, diversify or to continue specialising. All would have involved varying degrees of restructuring. To do nothing would have been reckless. This article suggests that, perhaps with one or two lucky exceptions, all business form printers will have had to consider such options. The article points out that the need to evolve and adjust is not unique to the business form market, but is a case of simple economics. For this article, I treat a "business form printer" as one that produces standard continuous forms, cut sets and NCR pads.

In the beginning...

There were (allegedly) days of plenty, when a price and a delivery time were the will of the business form printer. But like Belshazzar's unfortunate tale, the writing was on the wall; written not by a ghostly hand but by a desk top printer in ink from a disposable cartridge.

Confronting a waning market after years of success is nothing new. A declining market is all part of the free-market economy and a result of what Joseph Schumpeter described in 1942 as "creative destruction." This is the constant cycle of innovation and market dominance, followed by an erosion of profits and succumbing to more innovative competitors.

The perpetual revolution Schumpeter described is both a threat and an opportunity. For example the growth of the variable data market was a reflection of payment methods that reduced cash payment at the point of sale - often as a result of

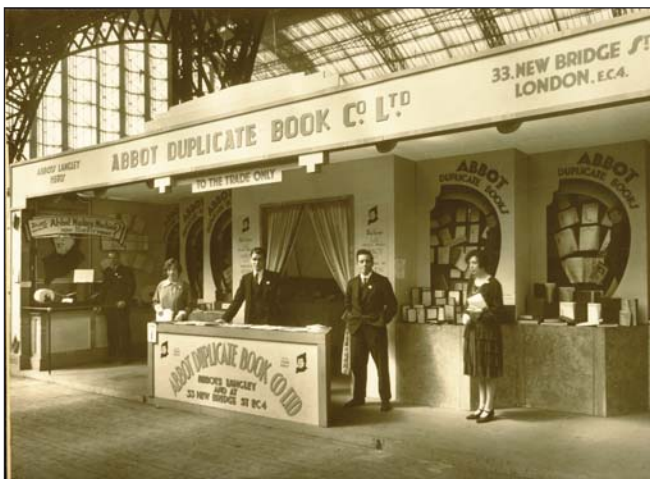


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credit card shopping and mobile phone users. In Japan, the number of letters regarding financial transactions grew by over 7% in 2000 to account for nearly 40% of regular post! This was all good news for the variable data market, and an opportunity for a business form printer to move, in terms of the supply chain, "vertically" - not just selling the forms, but managing and then adding their customer's variable data to the form. But if the creative destruction cycle holds true, the variable data market will also decline - probably as a result of the bank and utilities urging customers to use their online services instead.

Diversify?

A number of companies did interpret and heed the warning that this ink jet graffiti was telling them. They diversified into value added products, not only "vertically" as described, but "horizontally" through widening their product range. This could have been achieved through purchasing a machine that manufactured the product (organic growth) or acquiring a company that was already in the market (acquisition). The main disadvantage of diversifying to a new product range was that the market that was entered was likely to be exceedingly competitive already! Unfortunately a business cannot rely on sustaining a winning competitive advantage solely through utilising a machine or service that can be purchased equally freely by a competitor. Business form printers that extended their range this way, needed to think carefully about what it was that they were bringing to the market that set them apart from others, and did so in a lasting way.



Abbott Duplicate Book Co. Ltd,
at an early trade exhibition



Edge gluing the tried and tested way!



Production of multipart books and pads

Moreover, a number of Abbot's printer customers gave up getting ink on their hands totally. Liberated from capital intensive assets and stock control, they embraced the notion of diversity and moved into print management. This gave them the ability to sell to their customers any product they could, with the flexibility to utilise those innovations that other suppliers brought to the market. Unfortunately these customers may not necessarily be promoting our print anymore and may well be advancing the cause of the desk top printer, the A4 paper and the ink cartridges that can be sold with it – adding to woes of the trade-only print supplier!

Specialise?

In 1917, David Ricardo developed the idea of specialisation at a national level. The theory is that even if a nation can produce many things more efficiently than other nations, it would reap gains if it manufactured only the one good that it was best at producing and traded this specialised product with other nations. I can only surmise that one morning in 1920, the Abbot founder must have been leisurely leafing through Ricardo's "Principles of Policy, Economy and Taxation," understood this idea, abstracted the key points and made a strategic business decision to establish "Abbot Duplicate Book Company" as a trade-only manufacturer.

He would have worked on the basis that Abbot would produce duplicate books more efficiently than other printers, and therefore success would surely follow. The story may be weak, but the theory has some credence. A management consultant today would charge you a small fortune for a more refined version of this advice – probably describing your specialisation as your 'core competency.'

Innovate?

Our friend Schumpeter was also responsible for providing a theory that the innovation and

technical change of a nation came from entrepreneurs. When Abbot was on the scene in the 1920s, Abbot could innovate and lead the UK market by producing duplicate books using what it described as the 'Abbot Mystery Machine'. True to its name, I have no idea what the Machine was, but we were up there, we were innovating and we loved Schumpeter.

Unfortunately Schumpeter later changed his mind and suggested that the ones that really move the innovation and economy along are the big companies that have the resources and capital to invest in research and development. Right on cue, bigger companies than Abbot brought out the photocopier and the desk top computer and bang went the value of the "Mystery Machine."

Today, the answer to the debate over whether it is small groups of entrepreneurs or big business who are the main drivers probably lies somewhere in the middle. In terms of a physical product (as opposed to a website) it probably leans more



Work being checked in the finishing department

towards the big companies by virtue of their ability to get the innovation, be it from an individual or otherwise, to market.

So in the last century, Abbot was both an innovator and a specialist. Can a relatively small printer be both today? Think back to a printer that shifted from simple forms to forms plus variable data. It is possible that they would now be as adept at handling the electronic data as they would be at printing. If the printing aspect is reduced or dies away as Schumpeter proposed, they might find themselves in years to come with both a specialisation (software programmes to handle the variable data) and an innovation (if they have remained at the leading edge of this market and written their own programmes.) Not necessarily the strategic direction they may have thought of taking twenty years ago, but none the less riding the creative destruction cycle beautifully.

The Future

The business forms market has declined and companies have needed to ponder their situation. Whether evaluating options such as to diversify, to specialise, or to innovate, many business form printers will at the very least need to "refine" their organisational size or merge with other companies. A merger in itself could possibly result in either diversification or greater specialisation. Selecting to remain a trade-only specialist, Abbot Print Ltd has already moved factory location and has taken the opportunity to restructure not only the

organisation, but how it goes about manufacturing. Today, Abbot Print Ltd still manufactures the duplicate book on behalf of other printers, as well as other varieties along the "duplicate" principle - like business forms, cut sets, pads etc. We are renowned for this and the reputation was considered strong enough for Abbot to continue to specialise in these products rather than dilute (or re-enforce depending on your viewpoint) through diversification. Abbot will have to emphasise its position as a specialist (note not niche) NCR printer and ensure other printers and brokers are aware of Abbot's value to them. No, there is no reliance on discovering another "Mystery Machine."

The market may well be tough for business form printers, and I have not even begun to stress the impact throughout the supply chain – not least the paper suppliers. Nor have I touched on the fun and games that are had with customers' credit days that seem to drift out in tough times, throwing cash-flow into the heady mix of the day to day life of a business form printer. But I should not be accused of being a Pollyanna if I were to say that these hard times are exciting and present such wonderfully interesting challenges. And once business form printers have finally concluded their evaluation and made their changes, we can look forward to starting to think all over again!

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Abbot Print Ltd



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