



Taking the Pulse of the Industry

Stephan Carter, president of Komori America, talks with Terry Pegram, chairman and CEO of PBM Graphics, and Bill Gardner and David Pitts, owners of Classic Graphics

In 2004, Komori America launched a marketing campaign centered around the word “rethink.” The campaign challenged printers to examine their businesses and consider new ways to improve productivity and profitability. Komori America President and COO, Stephan Carter, recently had the opportunity to speak with two printers who embody “rethink” and learn how they are positioning their companies for future success.



Terry Pegram,
Chairman and CEO
PBM Graphics

investing in the Super Perfector, so obviously you're making a commitment to two-sided printing. Is that how you see your business and the industry going forward?

TP: I think in our world it definitely is. We do very little work that isn't two sided, and again, to be competitive in labor savings while maintaining quality, this is where we need to be.

SC: Is the technology as you've seen it, both in

SC: Any observations in terms of what is happening in the marketplace?

TP: Quality is once again becoming more important. Print continues to get more sophisticated and customer expectations are a lot higher in the process.

SC: As you look at your future plans, where do you expect to see most of your growth?

TP: Most of our growth is going to be organic. We are in the attack mode all

We have the feeling with Komori that our problems are your problems. It's really all the intangibles.

PBM Graphics, headquartered in Durham, North Carolina, was founded in 1983. Since its inception, PBM's guiding principle has been to provide customer service excellence. Under the leadership of its founder, and current Chairman and CEO, Terry Pegram, PBM has grown to be one of the top 50 printers in the United States with manufacturing facilities in Durham, Charlotte and Greensboro, NC and Howard, SD. A Komori user since 1985, PBM has been home to 14 Komori presses through the years and has recently signed an order for the first System 38S web press in the United States, marking their entry into the full web marketplace.

Carter sat down with PBM Chairman and CEO Terry Pegram, to discuss PBM's road to success, their relationship with Komori, and how they are positioning for the future.

SC: PBM is a very successful company, recently ranked 48th in the US. What's your secret to success?

TP: It's not much of a secret. Having been around printing most of my life, I saw that printers were in many cases their own worst enemy. They found it hard to be up front with customers. From the day I started PBM, we've been all about service, quality and price, with service being our most important initiative, and I think that has served us well.

SC: As you look forward, how do you think your

strategies and tactics have evolved or may have to evolve as the market changes?

TP: We rethink this on a regular basis. We've brought a lot of new people into our organization who bring some different perspectives. It seems that most companies that are thriving now have become specialized in one way or another. We are fortunate with our trading card work and some other specialized niche work. We regularly joke that our goal is never to be all things to all people, but to be all things to certain people. We try to target an account

or an industry that has a need for what we have to offer, and then we try to do everything that customer or industry needs.

SC: Komori has been very fortunate to have had a longstanding relationship with PBM. Has this played a role in your investment strategy and decisions?

TP: Very much so. Just like everyone can put ink on paper, press manufacturers can all build good presses. It comes down to the relationship, the back and forth, the interdependence. We have the feeling with Komori that our problems are your problems. It's real-

ly all the intangibles that make the relationship.

SC: Did this relationship also play into your decision to purchase the first System 38S full-size web in the United States?

TP: Yes, singularly, more than words can say — particularly since it is our first venture into full web printing. Being the “first” of anything has inherent risk, but we certainly have the confidence that the press will perform and we're very comfortable with our decision.

SC: You're going into the full web business and

demonstrations and in the running of the equipment, providing a level of quality on two-sided printing, whether it's perfecting or web, that meets your customers' expectations?

TP: There has always been a difference in single-pass two-sided printing versus perfecting. But the gap is narrowing. Plus, you're eliminating the risk of marking and pressure problems and powder issues that you have when you run the sheet back through the press. We believe we'll get more sellable sheets faster with two-sided printing.

the time. A long time ago when I was getting started in this business, I remember a little scratch pad with a saying that I've always carried around, “The difficult we do immediately, the impossible takes a little longer.” That's the kind of business PBM thrives on; it's the fundamental culture of our business.

SC: What should press manufacturers like Komori bring to you, the customer, that would help you as you go through your technology update? Are there services we could provide on a consultative basis that would be of value?

TP: Services and programs in the preventative maintenance and training areas would be very helpful. We need to make sure we have all the knowledge and tools available to us, and that we're taking full advantage of the technology.

SC: Overall, what do you think Komori as a corporation does well?

TP: I'm not sure what I think you *don't* do well.

Komori is a fine company, and having had the opportunity to go to Japan and tour your factories made me really appreciate your organization. We believe in the Komori product, as evidenced by the fact that since our inception in 1983, we've purchased 16 Komori presses. That's a lot of iron.



Bill Gardner and David Pitts, owners, Classic Graphics

see significant productivity improvements. We've already got six million impressions on the press in Charlotte, and it's only been running for three months.

SC: When you were looking to justify the investment, you must have set some productivity or ROI goals. What were they?

DP: We expect a 25 percent productivity increase on our new Komori presses over our older Heidelberg

We felt Komori did everything right during the deal, and handled it with a great deal of integrity.

Classic Graphics in Charlotte, North Carolina, was formed in 1983, by co-owners, Bill Gardner and David Pitts, and has grown from a two-employee company to a two-location operation employing over 140 people, with sales in excess of \$20 million. A former Heidelberg shop, Classic Graphics recently installed three Komori Lithrone S40 presses, two six-color straight and one eight-color perfecter. With their sights set on the \$30 million mark, Classic Graphics believes their new LS40s will drive them toward this goal.

Stephan Carter had the opportunity to talk with Bill Gardner and David Pitts about their decision to "rethink" their equipment.

SC: I know you went through a fairly rigorous effort in terms of analyzing presses as you looked to buying new equipment. What was your process and how did you come up with your final decision?

BG: The toughest decision was to go ahead and upgrade our presses. We initially were looking for only one press in our Raleigh location, but as we analyzed the situation, it just made sense to go ahead and upgrade everything. After we got past that decision, we had to decide what equipment to purchase. We were very loyal to Heidelberg, but

we decided we needed to buy the best press for our business. We took a look at Heidelberg, Komori and Man Roland. We had a five-member selection committee and a 20-item checklist, and at the end of all our testing, the five of us unanimously agreed that Komori was the best press.

DP: That's really what it boiled down to. We took some of our toughest jobs and some of our typical jobs, and in the aggregate, Komori spent the least amount of time in makeready. We worked really hard to apply proper weights and measures to all our needs. Then once the

objective part was done, we said, ok, everybody give me your gut feeling.

SC: That's my next question. Sometimes you go through the whole process, and then you say, well, I still don't feel right about this.

DP: Five out of five of us scored Komori the highest objectively and subjectively. Once we made the decision, we didn't look back.

SC: What were the intangibles? Those things that didn't fit on the chart that really made the difference?

BG: It was a big decision to switch from Heidelberg.

We'd bought 10 presses from them over the years, and we had a long and prosperous relationship with them. But customers don't really care what kind of presses you have, as long as they get the product they want. So we really just made a business decision.

DP: We thought about who we wanted to be in business with. We've been in business with Heidelberg for 20 years, and we weren't afraid to stay in business with them. But our evaluation said Komori was the best press, and your team has done a great job making us feel comfortable with the decision. It's ease

of doing business. Plus we talked to several Komori users who confirmed our feelings. We felt Komori did everything right during the deal, and handled it with a great deal of integrity.

SC: You've got two of your presses up and running and are in the process of completing the installation of your third press. Have you seen any impact on your business?

DP: We're still transitioning, but the presses are running as well as we expected, and I think in six months, once everyone is totally up to speed, we'll

equipment. I think we can increase sales by 50 percent with our new equipment. We confirmed with other Komori users that we could achieve a 25 percent increase, and overwhelmingly we heard that we would easily meet and most likely exceed that expectation.

SC: Was growth the primary reason for buying new equipment?

BG: Growth and capacity issues. We had sales reps fighting over press time, so we really needed more capacity and we needed a technology upgrade.

SC: It's been a tough couple of years for our industry. How have you managed through this difficult economy?

DP: We peaked in 2000 at \$22.5 million in sales, and we have managed to maintain our business since then. We're trending back up now and are in a growth pattern.

BG: Interestingly, our sales numbers dropped, but we were running the same number of impressions. There has been significant

money is really good now, and we felt that if we waited to do the same deal in 18 months, it would probably cost us one or two million dollars more.

BG: Plus, we'll be driving out maintenance costs on our older equipment.

SC: I think you're right. As you look forward, you're going to end up with a situation where the upgrade cycle is going to accelerate and if you've got equipment that's six or seven

yet. We want to finish our installations, get up to speed, and then really start ramping up with K-Station and getting all our presses fingerprinted.

SC: Looking at technology now and in the future, what should press manufacturers be focusing on?

DP: You need to continue the path you're on. The process needs to become more automatic and more consistent. When the press prints consistently,

BG: Supporting the presses you sell through preventative maintenance programs would be helpful. Printers do a lousy job of preventative maintenance. We always put it off, so the more that you guys can get involved, the better.

SC: How would you sum up your Komori experience so far?

DP: So far we're very happy. I'll be happy when it's all Komori all the time, and we get to watch the

I'll be happy when it's Komori all the time.

pricing pressure in our industry.

DP: We've managed to hold our costs very well, and that's one of the reasons we decided to go ahead and buy new equipment now. Our balance sheet was strong; our P&L was strong. We could have waited 18 more months and been essentially debt-free. But I think companies that miss the opportunity to upgrade may find themselves in trouble. I think five years from now if you're still running 1994 or 1995 presses, it may be too late; you may be so far behind the technology curve you can't catch up. The price of

years old, you need to be thinking about the next step.

BG: This is a great time for Komori. There are a lot of printers who have to be on that fence. You've got the hottest press right now, in my opinion, and the competition can't touch you.

SC: Yes, we've had a lot of success with the LS press; by the end of the summer we'll have close to 100 installed in North America.

BG: It's a great machine, and we haven't even taken full advantage of the electronic side of the press

we make more money. When we makeready in 200 sheets instead of 800 sheets, that's a huge savings over a year's time. In a shop our size, that's \$25,000 a month in paper savings alone.

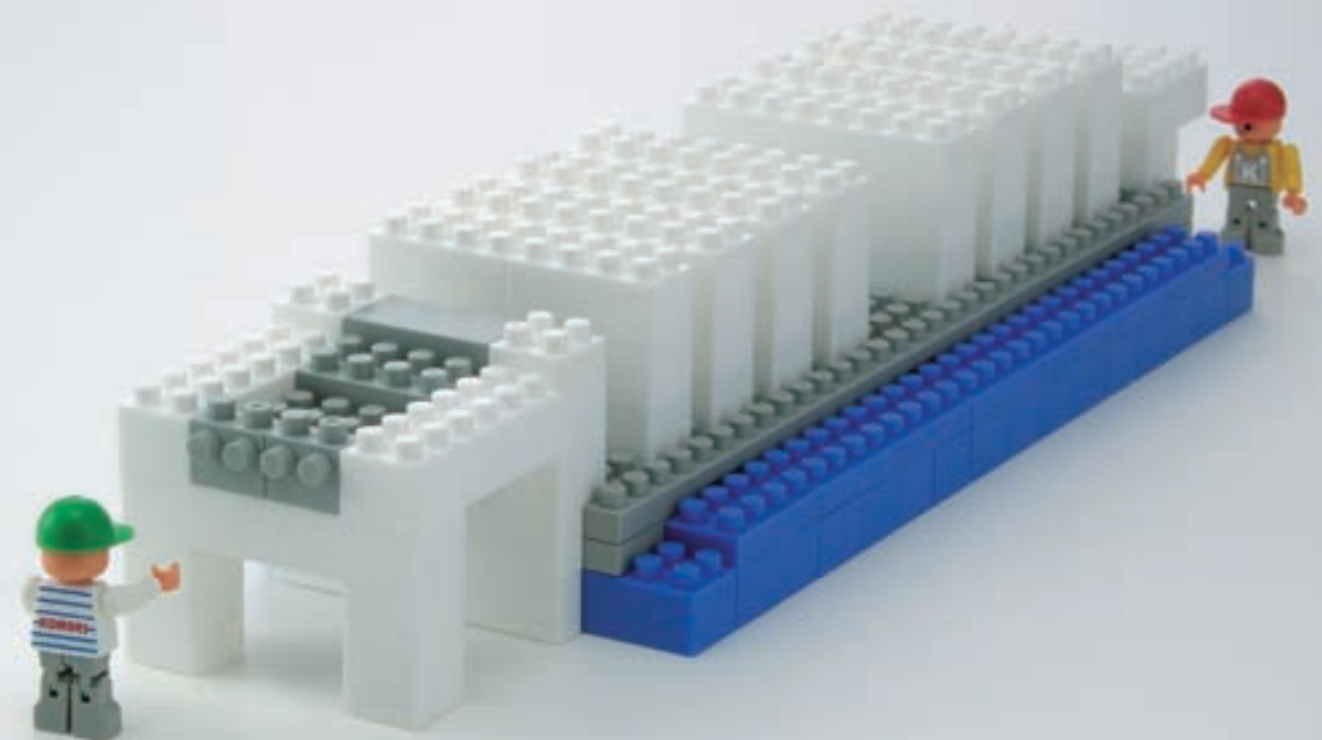
productivity curve ramp up. We're already as productive as we were on our older equipment and we're definitely running at higher speeds. We're looking forward to a profitable future.



KOMORI
freedom of impression

Marking and scuffing issues are history with Komori's latest perfector.

Rethink!



The Komori Lithrone S40P convertible perfector, capable of one-pass two-sided and multicolor one-sided printing, is equipped with a new double-size three-cylinder perfecting mechanism. Scuffing and marking problems are absent, and the press offers a world-class maximum printing speed in perfecting mode. Packed with high value-added features such as heavy stock suitability in both straight and perfecting modes and the capacity to print with special inks and apply OP coating, the Lithrone S40P will drive profits over a wide range of work.



LITHRONE S40P