

INTERVIEWS

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INTERVIEW:
AlphaGraphics and PrintThree
Announce Strategic Partnership

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With Two Complementary Franchise Networks, One Plus One Equals Three

The On Demand show is a great place to go to see the latest technology and learn about the latest trends. But it is also a great place to catch up with old friends and network with new ones. Kevin Cushing, CEO of Salt Lake City based AlphaGraphics, and Andrew Hrywnak, President of Toronto-based Print Three, took advantage of the show to do just that. After months of discussions and due diligence, the two sealed a deal to build a strategic cross-border marketing alliance they believe will bring big benefits to their franchisees and their customers. WhatTheyThink spent time with Cushing and Hrywnak to get the story.

WTT: Kevin, Andrew, nice to see you both, and thanks for taking time out of a busy show schedule to speak to us. Can you give us a little background on how this deal came about?

AH: In the role of President of Print Three, I was looking for a way to expand our print-and-distribute model into the U.S. This model is a major advantage for us in Canada. AlphaGraphics is a very successful network and best models what we do. We felt we could work well with a company like AlphaGraphics, so I started to have discussions with Kevin. We were both on the same page as far as where we want to go with our networks. Kevin has been successful in terms of what he has done with the network, and we can share and learn a lot. We both have unique offerings in the print market space, and this alliance should make some noise in the marketplace for both of our networks.

WTT: How many centers do each of you have?

KC: We have 252.

AH: Print Three has 58. By mid-May, we expect to have some exciting news about expansion on the East Coast of Canada.

WTT: Does AlphaGraphics currently have any Canadian locations?

KC: We have no locations in Canada, and Print Three has no locations in the U.S. Geographically, that makes for a great match because we are not competing, yet the alliance will be able to offer full North American distribution for clients with locations in Canada, the U.S. or both.

WTT: Kevin, from your perspective, what was the attraction of doing business with Print Three?

KC: As we got to know each other and learn more about our respective franchisee bases and the initiatives we have on our plates, I developed a lot of respect for a system that is much smaller than ours but has been extremely forward thinking, advanced with their initiatives, and has very high quality franchisees. We both have the responsibility to look our franchisees in the eye and assure them that any technology or vendor or partnership we invest in will be good for their businesses. This alliance will be good for our franchisees. I believe that if our franchisees have work that needs to be done in Canada, Print Three will treat their work as though we are in the same family, just as other AlphaGraphics franchisees do. When we met in Toronto last summer, I had barely gotten back to my hotel to check email, and one of our franchisees had sent me a note looking for printing resources in Toronto. I don't think

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Andrew was even in his car yet! That was a good sign, and we believe this alliance will be good for both of our networks as well as our respective customers.

WTT: What are some of the other similarities you see in the two networks?

KC: There are many, but both AlphaGraphics and Print Three are very oriented toward continuing to educate the customer and dedicated to learning more about specific vertical markets. We see this alliance as a way to share our brains to bring better solutions to our networks at a more rapid rate together, and more economically than either of us could do on our own.

AH: And bring better solutions to our customers. Like Kevin is very proud of his network, I am very proud of ours. It is a strength that we are all owner-operated. Our customers need to know that they will be dealing with Kevin and me, but at a street level, they are dealing with owners that take pride in what they do. That is why we both have been able to build successful networks.

WTT: Kevin, do you also see value in the owner-operated model?

KC: Absolutely. We are increasingly being requested to participate in pitches to companies with a national footprint because their current providers that are company-operated, rather than owner-operated are not executing at the level they need.

WTT: You indicated you started these discussions last summer. What took so long to finalize it?

AH: The biggest delay was just not having the time to get together. We met in Santa Barbara at the recent NAPL conference and drew up a basic strategy as to how to move forward. We knew we would both be at On Demand, and it was a good time to finalize the arrangement.

WTT: What about systems within the two networks? Do you have similar systems and/or will you do any specific integration work?

KC: Both networks have very robust ecommerce systems. We have different MIS systems—we use EFI's PrintSmith, although Print Three is in the process of evaluating PrintSmith as an alternative. Rather than integration per se, we see a benefit to franchisees from increasing our technological capabilities. With the two networks, we have a broader base to support, plus we have better purchasing power. We can also work together in marketing, and we see our collaboration extending into other aspects of our business on a cooperative basis.

WTT: Is this a precursor to a merger?

AH: No, it is not. But we do have a lot to learn from each other.

WTT: What is the basis for your respective ecommerce solutions?

AH: We were one of the first to market in Canada with ecommerce. We have a homegrown solution called ePower which has been in place about four years. We are currently developing a new version with a .NET infrastructure and looking to bring new capabilities to ePower.

KC: We use Four51. Some of the AlphaGraphics franchisees have been using Four51 for five years, and it became a de facto standard in August of 2004.

WTT: Speaking of standards, I recall that AlphaGraphics made it a requirement for all stores to offer wide format. Does Print Three also offer wide format in all of its stores?

AH: All Print Three stores have wide format, as do all the AlphaGraphics stores.

WTT: What about printing equipment? Are there similarities there?

KC: We are both largely Canon and Xerox, with a touch of Konica Minolta. AlphaGraphics has offset, and some of the larger Print Three outlets have offset to support their business as well as others in the network.

WTT: In terms of offset, are there DI presses in the network?

AH: Print Three currently has no DI presses, although AlphaGraphics does. The production color equipment within our network includes DocuColor 8000s, 7000s and 5000s.

KC: AlphaGraphics has six or seven iGens in the network, and a few Indigos.

WTT: Are either of you doing variable data work?

KC: Both of us are fanatical about our focus on data-driven personalized communications. It is exciting to have two companies that are so like-minded about where the industry is going and where resources should be invested. It is like two companies sharing one brain.

WTT: Andrew, Print Three had launched an initiative around total print management. How is that going?

AH: It is going well. We are seeing some incredible growth in being able to acquire contract print outsourcing opportunities in Canada. This is where our alliance will make huge difference in North America. No one else can offer a true print-and-distribute model for all printing needs through a web-based portal across all of North

America. That will bring tremendous value to our customers. That model is definitely something we are going to pursue together.

WTT: Can you expand on that a little?

AH: The opportunity lies in talking to customers about outsourcing all of their print. The best value proposition is usually not on-site production, and that is what we are targeting with our national accounts. We tell them that there is another choice, and one they really need to listen to because it will make a difference in their businesses. And they are listening.

WTT: Gentleman, this is very exciting news and we will look forward to seeing this alliance unfold. Anything else you would like to add before we close?

KC: Both of us have very high caliber franchisees, and we have a strong sense of pride that we can bring together an affiliation of two such high-performance systems to develop opportunities to better serve our customers. Sometimes our franchisees may back away from opportunities that include Canada because they don't have a reliable partner. Now that won't be an issue.

AH: We are also really proud of our network and our brand. To be able to now have an affiliation with such a strong brand in the U.S. significantly increases the value we can bring to our franchisees in Canada.



Prior to launching her consulting practice, **Ms. Cary Sherburne** was the Vice President of Marketing Communications and Outsourcing Solutions at IKON Office Solutions. In that capacity, she developed and implemented a branding campaign to build brand awareness for IKON in the marketplace as well as enhance employee pride in the organization, and was responsible for all internal and external communications, including trade shows and events, corporate newsletters, and industry and press relations. In the outsourcing role, she set strategic objectives and priorities for IKON's product and services portfolio in its Outsourcing businesses, including development of programs and sales support materials for that environment.

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