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Striking Matches

Allegra Network ensures the future of small printing establishments by matching prospective owners with those shops that typically fall under the M&A radar screen.

The leadership team at Allegra Network, from the left: Bill McIntyre, Carl Gerhardt, Mike Marcantonio, Darryl Buchanan.

A Match Made in Printing



BY ERIK CAGLE

Senior Editor

LOVE MAY not exactly be in the air, but when it comes to a certain matchmaking service for the printing industry, you might say that letters of intent are in the mail.

No, Allegra Network isn't setting up Kim, the sensitive, self-effacing 30-something graphic designer, on a date with Ted, the moody yet surprisingly attractive preflight operator with a heart of gold. Instead, the Northville, MI-based franchisor is seeking to connect printing company owners looking to sell with qualified franchisee buyers. In an age where corporate consolidation and venture capital dominate the

printing industry's transaction wire, it's a refreshing twist to see smaller operations traded horizontally.

Known as the conversion program—and affectionately dubbed the matchmaker program or the “eHarmony of the printing industry,” according to Darryl Buchanan, vice president of franchise development—Allegra matches up quality buyers with motivated, yet particular, independent sellers. In the end, an outgoing owner gets his/her nest egg, a corporate exile gets a new lease on a career, and Allegra...well, the Allegra Print & Imaging chain grows by another franchise.

Allegra Network took more than 125 of its top franchise members to Heidelberg, Germany, for the company's annual Summit trip. As part of the Allegra Awards & Recognition Program, the Summit offers top performers the opportunity to network and share best practices with each other and members of the management team (wearing teal-colored shirts).

“We're targeting businesses with sales from anywhere between \$500,000 to \$2.5 million,” Buchanan notes of the ideal Allegra franchise profile. “We currently have a pool of buyers that we've been working with over the last five to six years. We've completed 21 deals,

and we have another 30 franchisees from around the country who are looking to get into the printing industry and have already signed an agreement with Allegra.”

The plan of attack makes a lot of sense to Allegra President Carl Gerhardt, himself a corporate “refugee” and former franchise owner from the 1980s. Given that the children of the nation’s so-called greatest generation are now in transition career-wise, the ratio should begin to shift away from buyers to sellers.

“A lot of the baby boomers entered the printing industry between 20 and 30 years ago; it was a very rapid growth period in this industry,” Gerhardt says. “Now, the boomers need an exit strategy. If your annual sales are more than \$5 million or \$10 million a year, you might be a target to become consolidated by one of the bigger printing companies. But, if you do under \$5 million in sales, you’re hardly on anybody’s radar screen. Those who might look at acquiring your business likely just want your accounts.”

As for Allegra’s buyer profile, a majority of those who sign franchise agreements are former corporate executives who have either lost their jobs due to downsizing or, after 15 to 20 years with the same company, are looking for a new challenge. There is an intriguing mix of skill sets seeking to become franchise proprietors.

“We have owners with sales and marketing backgrounds, and we’re also attracting a lot of IT and engineering people,” Buchanan notes. “And we’re finding people who have been downsized; those who want to control their own destiny and call their own shots.”

Allegra plays an active role throughout the transaction process. The company provides a valuation formula that closely mirrors those extolled in the



The executive management and ownership team at Allegra Network. Shown, from the left, are Darryl Buchanan, Bill McIntyre, Mike Marcantonio, Steve White and Carl Gerhardt.

book “Print Shop for Sale,” by John Stewart and Larry Hunt (two quick printing industry consultants). Allegra has found what it believes to be an “honest and ethical way of valuing a business,” Buchanan states, providing the basis of a fair deal for both parties.

Part of the attraction is the opportunity to take over an existing business with trained employees, cash flow, an established client roster—all the initial, primary concerns of a startup business. This enables the new owner to get to know the business and figure out ways to put his/her signature on the franchise.

Once the final papers are signed, the new owner receives two weeks’ worth of training at Allegra’s Northville headquarters, followed by another week with one of the organization’s regional operations directors.

The former owner, meanwhile, stays on board for roughly 60 to 90 days for a smooth transition. Thus, the new owner benefits from about seven weeks or more of training. Even after that initial training period, the new franchise owner can avail himself to support from the regional operations directors, as well as the think tank back at Northville.

“These (former corporate executives) have a standard of living and a salary that need to be replaced. With the training and support we give to new owners, buying an existing business is

that transition, as they learn the business.”

Founded in 1976, Allegra Network has undergone some major transformations in the last 20 years. The company was acquired from an outside investment group led by Marcantonio, Domino’s Pizza founder Tom Monaghan and the management team. Allegra, which had been slumping in the early 1990s, soon took off with a pair of major

“They could go out on their own and buy an established business, but they wouldn’t have the support of an organization like ours holding their hand through that transition, as they learn the business.”

—Mike Marcantonio

acquisitions—Minneapolis-based Insty-Prints and its 240 locales in 2002, followed by Signs Now and its 200-plus facilities in early 2005.

When the Marcantonio-Monaghan regime took over in 2000, system-wide sales stood at \$192 million. In 2006, that figure had climbed to nearly \$370 million and, according to Gerhardt, sales could reach the \$400 million mark for 2007.

“With their input and philosophy, which was really more focused on long-term growth than on short-term profits, we began to expand very rapidly,” stresses Bill McIntyre, company chairman.

“Our expansion was driven by the two major acquisitions but, at the same time, we’ve been putting more resources into our development efforts to help the company grow organically.”

Once a staple of the quick printing community, Allegra Network has gravitated toward the small general commercial market—small-format sheetfed capabilities geared toward short runs and quick turnarounds. About 30 percent of its business comprises toner and digital imaging. The chain has evolved to add ancillary services such as mailing and fulfillment, large-format output and promotional products.

A strong share of the customer roster does business in the manufacturing, non-profit, healthcare and service sectors. Much of the work is repeat business, and commodity-type printing is avoided.

“We’re highly focused on customer relationships with people who need printing on a frequent basis,” Gerhardt says. “We want client relationships rather than transaction jobs.”

There are more than 600 Allegra Print & Imaging, Insty-Prints, American Speedy Printing Centers and Signs Now branches across the country, with 3,000-plus employees. The typical facility registers roughly \$1 million in sales and has eight employees. There are more than 50 centers that pull down in excess of \$2 million per year, with the biggest producing \$7 million in work.

Virtually all of Allegra’s work is business-to-business, and it has long since moved away from retail locations in favor of industrial and office parks. Its place in the quick printing realm has been taken by the big box stores such as FedEx Kinko’s.

How does Allegra Network distinguish itself from same-sector performers such as AlphaGraphics and Sir Speedy? The company has been able to



Tom Renfro, of Allegra Print & Imaging in Louisville, KY, prepares signage for a customer.

gauge its own growth through an initiative called the Profit Mastery Program. Under the mastery umbrella are three disciplines:

■ The operating ratio study, which in its 14 years has revealed 14 consecutive years of increased profitability. The study breaks out ratios for centers that are homogenous in nature.

■ The profit mastery assessments are administered to the centers by Allegra’s regional operations directors. A director will visit the given center on a consultant basis and provide a game plan to spark growth.

■ Performance groups, comprised of six companies, meet every six months to share financials, marketing and technological best practices and operational issues. Matchmaker owners are immediately placed in one of these peer groups to provide instant support beyond the home office. It is the top-rated support program, according to membership.

“Through our Profit Mastery Program, we have financially strong and stable members in our network. Because of that, they’re able to make the right kind of investments in their businesses to become competitive in their market,” Marcantonio contends.

The Allegra Network is well-positioned for future growth. Gerhardt is shooting for a minimum of 30 new centers per year. Signs Now should bring in another 18 new members, as well.

He envisions Allegra doubling the number of Signs Now branches over the next five years. And, despite the opportunity to sever relationship ties when their 20-year contracts with Allegra expire, a whopping 90 percent of franchisees renew their agreements.

As for growth on the center level, Allegra works closely with NAPL, partnering with the trade association in its strategic management course (more than 100 branches went through the program). Gerhardt buys into the “stick to the core and go for more,” mantra hailed by NAPL’s lead economist, Andy Paporozzi.

Diversification into ancillary products and services will enable the franchisor to go for more, and Gerhardt sees Allegra corporate serving as “marketing central” for members who want direction to maximize their possibilities in growing through marketing services.

While Allegra may never see the 7,000 locations that Monaghan’s former pizza chain realized, the company seeks to embrace the philosophy of building for the long haul and not being a slave to short-term earnings pressure.

“Our goal is to get more stores, better stores, bigger stores,” McIntyre says. “And we’re still on the hunt for acquisitions. If we can find a franchisor out there that fits our strategy, we’re prepared to move ahead.”

Clearly, matchmakers are hopeless romantics.

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