Digital Dots
www.digitaldots.org

Spindrift

News Focus • Opinion • Reviews
Techno-Babble • Attitude

Volume 1, Number 4
22 August, 2003

...Serving The Graphic Arts Industry Since April 2003

Reinvent

invent *v. coin*, conceive, concoct, contrive, cook up, create, design, devise, discover, dream up, fabricate, formulate, frame, imagine, improvise, make up, originate, think up, trump up.

(from The Wordsworth Thesaurus)

re- • prefix 1 *once more*; afresh; anew: *reactivate*. >with return to a previous state: *restore*.

(from the Oxford Concise English Dictionary)

Dear Reader,

As any journalist will tell you, the summer months are notorious for producing nothing much newsworthy. If you are in the PR-business this is the time to send out press releases on obscure subjects – you have every chance of getting them published while the rest of the world is beach bound. In the graphic arts industry there have been 0.0 product launches of any real interest in the last couple of months. However, it has been a summer of reckoning for the industry.

Many of the big suppliers are busy reinventing themselves. Reality is changeable, and yesterday's winning strategy may today cost you your business. If you ask Esko-Graphics, as Laurel Brunner has, the graphic arts business is changing rather as the motor industry did. Fifteen years ago car manufacture was almost wholly an inhouse affair, but today production cars are built from prefabricated components. Says René Delbar Senior Vice-President Marketing, "there will be a transition of similar magnitude as what happened in the car industry and the Kirkby family [major shareholder] wants to drive this from an investment perspective. In this kind of climate and turbulence with no strong cash positions, there are deals to be made. We want to convert ourselves in the next five years into a totally different company".

Reinvention is the name of the game for giant Heidelberg as well as is reported in our news. The strategy of the All-Encompassing Product Offering, the group's one-time mantra, is untenable in the current business climate. The company sees this and the corporate ship is currently being turned about face. Heidelberg hopes to get its loss generating divisions into the black in 04/05 including digital printing, web and post-press divisions. If Heidelberg makes it, these divisions would be far better placed for divestiture, either through sale or spinning them off with external investment.

Over to you – and please don't hesitate to give us feedback!

Cheers from the Spindrift crew,
Laurel, Cecilia, Paul and Todd

In This Issue

The Lego Legacy

The Danish Kirkby family, owners of the Lego empire, probably more than most appreciate the power of reinvention. As the major shareholder in Esko-Graphics, it is currently subjecting the merged Danish-Belgian giant to a three-phase make-over. Laurel Brunner finds out how Kirkby intends to divide and conquer: "Kirkby is banking on their belief that calm and stability will follow in chaos and turmoil's wake. Certainly chaos, confusion and consolidation are the reality for most players in the graphic arts. What eventually comes out of the chaos depends very much on the actions of major players whose identities aren't even clear. Kirkby anticipates 4–8% growth in the graphic arts and wants to shape the industry's reformation. Maybe there's a family penchant for taking things apart and building something else from the pieces..."

see page 8

How local can you get?

There are 556 villages, towns and communities in the UK county of Kent. They each have their own pages within the Kent Messenger Group web site. Managing Editor Mike Whiting explains that the group is "producing as local a service as possible." Find out how the newspaper uses its web site to make the most of its market...

see page 12

Regular Columns

News Focus	Page 2
Letter From...	Page 5
Acrobites	Page 5
Spindocs	Page 5
Driftwood	Page 6
Say What?	Page 7
Boomerangs	Page 7

We hope you are reading Spindrift with interest. We have a special message for readers who are nonsubscribers, so if you are not a subscriber please turn to the last page or visit our website (www.digitaldots.org)

News Focus

Heidelberg Results More Lack than Lustre

Heidelberg's first quarter sales are down 15% on the same period last year. This figure takes into account exchange rate adjustments, and overall adds up to a negative first quarter result.

Heidelberg attributes the loss to weak investment in the printing industry, which is of course blatantly obvious as far as Heidelberg products go. In the quarter ended 30th June Heidelberg booked sales of €760 million versus €1.1 billion for Q1 last year. This figure reflects sales at Ipex, but not enough to suggest that things are improving at all for Heidelberg. Numbers are down in virtually all commercial print markets particularly for the sheetfed division and Heidelberg is making no hard forecasts for the balance of the year. This fact is probably a more serious concern for investors than the disappointing sales revenues. Only in Eastern Europe did sales approach last year's figures, only in China did Heidelberg expand its position during the period.

Overall operating income was substantially down over last year at €59 million, compared to last year's €21 million profit. Net income at €77 million versus Q1 2002's €12 million profit, is attributed to razor thin margins as well as low sales. It seems that in the volume versus value war, value has the last word sooner or later!

Spindrift

A very special newsletter for Graphic Arts, Prepress, Printing & Publishing Professionals, published monthly (sort of) by:

Digital Dots Ltd
The Clock Tower • Southover • Spring Lane
Burwash • East Sussex • TN19 7JB • UK
Tel: (44) (0)1435 883565

Subscriptions:
Spindrift is a digital only publication, distributed in Adobe .pdf format. A ten issue subscription (our version of a year) costs €50 and can be obtained by going to **www.digitaldots.org** and subscribing. We strongly suggest doing this as it is the only way to legally obtain this publication and we know you all want to be legal, especially at this sort of price. Corporate bulk subs are available. If you're undecided and require some high-powered sales encouragement, ring Laurel at the number above.

Publisher – Laurel Brunner – lb@digitaldots.org
Editor-In-Chief – Cecilia Campbell – cc@digitaldots.org
Technical Editor – Paul Lindström – paul.lindstrom@digitaldots.org
Production/Web – Todd Brunner – tb@digitaldots.org

Contributors: Naresh Khanna, Beta Boy

Heidelberg is still cutting costs and staff numbers are dropping to 24 100 employees. The company has plans to shed a further 900 in order to achieve an overall reduction of 3200 by March 2004.

Heidelberg's position is unenviable. Ambitious plans to own every link in the print production chain, combined with aspirations to dominate the digital arena have lead to a conclusion Heidelberg could hardly have intended: sprawling liabilities rather than self-propagating assets. Liabilities are weighty in terms of Heidelberg's responsibilities to global markets, for it's complex product support, and the challenge of managing a vast enterprise. The operational procedures for such a megalithic structure as Heidelberg are expensive to manage, particularly since the organisation was built through acquisition rather than through organic growth. Heidelberg suffers because of this, plus the negative effects of market frailty and the associated fiscal attrition. The company's cash and liabilities position are not strong, and its mainstay division is in trouble, but Heidelberg shouldn't be written off just yet.

The company has stated that it wants to achieve break even this year, even if sales have to drop by up to 10%, which sounds like a rethink of that volume versus value equation. Heidelberg hopes to get its loss generating divisions into the black in 04/05 including digital printing, web and post-press divisions. If Heidelberg makes it, these divisions would be far better placed for divestiture, either through sale or spinning them off with external investment.

As with any business Heidelberg's fate is ultimately in the hands of its customers. There are plenty of those willing to give Heidelberg the support it needs, in whatever form required. Its intensely loyal customer base is Heidelberg's greatest and most durable asset and the asset Heidelberg will go to the greatest lengths to protect. Its customers are why Heidelberg will endure, but it may have to be in a different form.

EFI's Colour Gold Mine

EFI has announced a deal with Franchise Services, Inc. This company will sell EFI's Velocity Exchange print management software for automated job ordering and processing. Franchise Services own the Sir Speedy and PIP franchise print chains and will offer Velocity Exchange to these worldwide franchise networks.

Sir Speedy and PIP quick printers will be able to use Velocity Exchange for automating print job order management, so that they can better use the Internet for communicating with customers, and so grow their businesses.

Velocity Exchange is used for print ordering and PDF file submission, particularly for digital printing applications.

It has a secure and managed interface, accessed through log-on and allows customers to track progress as well with real-time job status updates. This software works with the complete Velocity workflow system including Velocity OneFlow for prepress and computer-to-plate workflows, and Velocity Balance for digital printing workflows. This will give Sir Speedy and PIP quick printers considerable growth capacity for the future.

In a separate announcement EFI has stated that it exceeded earnings projections for Q2. Revenues for the period ending 30th June were US$88.7 million as compared to $83.9 million for the same period last year. Net income was $8.3 million or $0.15 per share.

EFI sits on assets worth a staggering US$932.4 million including US$190 million in cash and short term receivables. Clearly EFI has made the embedded controller market its own, combining it with a licensing model that will continue to grow as the industry shifts from black and white to colour. In the next quarter EFI's revenues are expected to be between US$97 million and US$98.5 million, including Printcafé's contribution of US$2 million to US$2.5 million (assuming a mid-September close).

Esko-Graphics Blue Flash

Esko-Graphics has introduced a faster violet CTP machine. The HS model of the Platedriver is a speedier version of this device, which is gaining rapid market acceptance. The new high speed four and 8-up models have a 40mW instead of a 30mW laser and faster spinner motors (55,000 rpm) in the optics, so the mirror can bounce the laser onto the plate more quickly.

According to Esko-Graphics the 8-up model can image up to 42 plates per hour at 1200 dpi and 46 4-up plates per hour at that resolution. Both will image either photopolymer or silver based plates, and are available as automatic or semiautomatic engines. Unfortunately the HS models cannot image their maximum resolution of 3200 dpi at top speed, but perhaps this can be expected by DRUPA. Available now, Esko-Graphics has not announced prices for the devices.

New President for Quark

This could be excellent news for Quark's employees and customers alike. Kamar Aulakh is the company's new president, reporting directly to Quark's board of directors. Mr. Aulakh joined Quark in 1995 and was until recently its vice president of research and development. It was Mr. Aulakh who set up Quark's software development business in India. Quark's quixotic owner Fred Ebrahimi remains chairman and CEO, giving Mr. Aulakh room to get Quark on track to meet the ever more robust threat of InDesign. Mr. Ebrahimi intends instead to focus on Quark's long-term plans.

There have been other changes to the Quark leadership. Juergen Kurz is now senior vice president of product development for all of Quark's publishing products. Debra Hansen is senior vice president of worldwide sales and services, and Susan Friedman is senior vice president of marketing, including strategic relationships and the development of new QuarkAlliance programs.

Quark has had a very nasty time lately. It's hard to find fulsome and unqualified praise for Quark these days, particularly in the graphic arts where memories are long and where Quark's marketing style has been so out of tune with market requirements. However these new appointments put into place extremely competent long time Quark staffers, people who understand the company, its position in the industry and its history. Unshackling Quark from its past will be their greatest challenge, but hopefully they will succeed and the industry will continue to benefit from Quark innovations.

Adobe Hitting Targets

Financial news from Adobe continues on a positive note. Adobe's third quarter closes at the end of the month and the company has stated that it will achieve revenue and earnings per share targets of US$300 to 315 million and US$0.22 to 0.25 respectively. The company also stated that its Acrobat 6.0 launch is on target. Third quarter results are due on the 10th September.

Savvis Gets Wamnet

Wamnet's commercial interests, excluding its government services and 4-Sight business, have been acquired by Savvis, a media content management company owned by Constellation Ventures with interests to develop network based rich media services. Savvis Communications delivers IP VPNs (virtual private networks), hosting, and application services to businesses. Although it is basically an ISP (Internet Services Provider) Savvis specialises in virtual hosting and related management services for demanding information technology applications such as media, retail, legal, healthcare, manufacturing, and financial services. Savvis numbers amongst its customers some of the world's largest corporations and is apparently known as the 'network that powers Wall Street'.

Savvis is acquiring 'certain assets and customers' of Wamnet's for US$3 million plus an earn out based on revenue performance starting Q2 2004. Wamnet's revenues for 2002 were just under US$30 million, and if they remain at this level the final purchase price should be in the region of US$16 million. Savvis reckons it will have a positive cash flow by the end of this year, based on the savings it will achieve through this acquisition, which presumably means removing the Wamnet layer from services to certain customers the two companies have in common. By the end of the year Savvis expects to have combined annualised revenues of almost US$275 million.

This is pretty good news for Savvis because the deal simultaneously removes a competitor and strengthens its market position. Savvis share of the content management and digital delivery market is also greater, and although Wamnet is lost, this is the sort of consolidation that strengthens rather than undermines the industry's competitiveness. Savvis has a global IP network that reaches into 45 countries, plus enterprise networking skills and related services for Wamnet's customers, plus managed hosting from eight data centres around the world. The company's Internet expertise will be a welcome asset for them as well.

Xerox Dips but Doesn't Dive

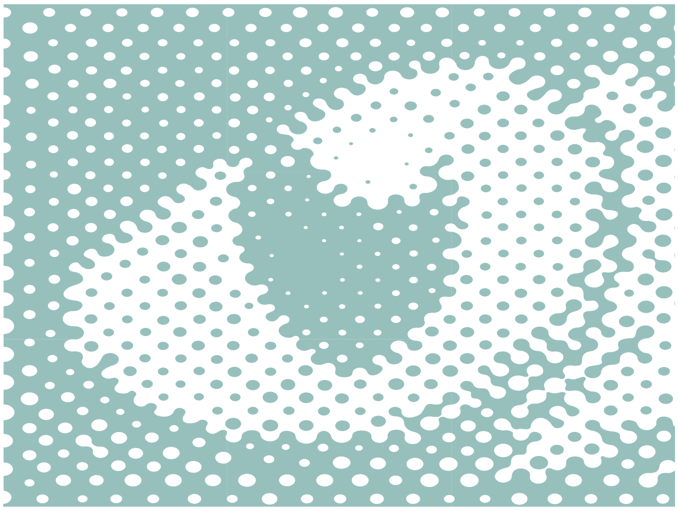
Xerox has reported its second quarter results, with an 8% improvement in equipment sales mostly coming from digital technologies. Total revenues were US$3.9 billion and the company has reduced its debt by US$2.5 billion. Operating cash flow is at US$682 million, and overall this is a better result than initially anticipated. Even though the revenue figure is lower than the same period last year by some 1 percent, it reflects declining post sales revenue from ageing technologies that Xerox no longer supplies. The emphasis now is on digital equipment for office and print markets, plus associated after sales income. These areas grew by 10 percent in the period and contribute some 70 percent of Xerox revenues.

Income from colour print engines rose 19 percent in the quarter, a rise that was mostly down to the Docucolor 6060. The company is continuing with its disciplined expense management and maintaining a 42 percent gross margin.

Even though the company is reinvented and its traditional business model has been jettisoned, Xerox hasn't completely shaken off old habits. GE Capital's Canadian unit and Xerox have announced a seven year agreement whereby Canadian customers can have equipment financing through monthly prepayments against Xerox customer contracts. The initial funding is for Canadian $850 million. This deal follows a similar one set up last October in the US for GE Capital to become the primary capital provider for purchasers of Xerox equipment.

Xerox isn't out of the woods yet, but things have definitely turned a corner. The company has managed to reshape its traditional business, while stepping out into a new world where its future isn't certain. But maybe that future is getting less uncertain.

In a separate announcement Xerox has declared its withdrawal from the direct imaging press business. The DocuColor 233 DI-4, DocuColor 400 DI-4 and DocuColor 400 DI-5 presses will henceforth come under Presstek's wing, the company from which these engines and their consumables have been sourced. This will probably be the end of the line for these engines as both companies have stated that they will no longer take orders for them. Xerox has also said that it wants to concentrate on dry-ink based digital printing rather than presses that use offset inks.



Spindocs

(Where the spinner gets spun!)

Sorry to say it is Fuji again! This is a beautifully constructed piece of work, but wouldn't it have been nice to tell us what the dealers had to say? Some word on how they find the market, any insights into changing customer needs, even in very basic terms would have been rather more interesting than this:

"Fujifilm Graphic Systems today announces that it hosted a dealer day at the company's imaging centre in partnership with ECRM on Tuesday 8th July 2003. Fujifilm Graphic Systems demonstrated its range of B1 and B2 platesetters and ECRM demonstrated entry level B2 and B3 platesetters, both using Fujifilm's new violet plate, LP-NV."

It continues along those less than riveting lines. However what is important to share is the fact that Fujifilm's violet plate is gaining widespread market acceptance and that in the UK Fujifilm has seen an 8% rise in plate sales with much of that volume in violet consumables. That wasn't in the release, but we thought we should share it with you anyway.

Acrobites

(Something to get your teeth into)

Blogging

The term is a contraction of the word weblogs. A weblog is a single website that has links to material elsewhere on the web. Naturally the earliest example is the world's first web site: **http://info.cern.ch** built by Tim Berners-Lee at CERN, which pointed to each new web site as it came on line.

Blogging is very close to editing because someone chooses the links to point to, based on assumptions about a reader's expectations. The site owners also throw in commentaries and personal opinions about the links, which is precisely what an editor does. Blogging is what people do to help each other to find their way through the mass of data that is on the web, rather as an editor helps people to find their way through the mass of daily news stories. The difference is that an editor's filtering and analysis reflects collective interests, hopefully in a less egocentric and more meaningful way.

There is a huge market developing for blogging tools. Publishers dealing with large volumes of content for diverse readerships such as newspapers, should be considering how to develop content and blogging groups for readers. See manila.userland.com and radio.userland.com to see an example of a centralised server based content management system, and a desktop weblogging system.

MEAP

This is really a Canon gig at the moment, but given the development plans of Xerox and HP for multifunctional devices, it won't be long before we hear more about Multifunctional Embedded Application Platforms from them as well. MEAP is a Java based development platform so no additional hardware is required to turn standard office machines into systems tailored for specific applications. Current generation technology running on Canon's imageRunner series is obviously geared at office applications. The first commercially available application is eCopy's ShareScan tool for document distribution and due for release in the next few weeks. MEAP could have interesting implications for printing and publishing, not least for remote content proofing and workflow management.

MEAP technology makes it possible to customise a peripheral device such as a printing engine for a particular application and workflow. The idea is that a device can be configured to perform in a highly specific way including output control, workflow management and file spooling. Because it works with networked devices MEAP technology can be used for load balancing, or controlling when a device should be operative or not. It also creates a means for third party developers to add specific utilities, say to a particular print engine. The extension is accessed through the MEAP interface at the user's desktop, and according to Canon up to nine different applications can be installed on a single MEAP enabled engine.

Letter From... Denver

Hey Spindudes,

I didn't get control over when and how I got here, but man am I glad I did. Shit's happening in the software biz that really sucks.

It's been three long weeks since I left the Valley and the worst fight with my bosses ever. I asked for a raise and got told that if I really wanted to get heavy about it, my job would get outsourced to India. Scary. In the Valley it looks like it's only a matter of time before you're put out of work, 'cause stuff gets outsourced to India. The Indians work more and whine less. It's probably true as well for Silicon Gulch where I come from, 'cause it sits between the Valley and the city of

San Francisco. Anyone who's in software's looking over their shoulders man.

This gig in good 'ole Denver Colorado really rocks. We're turning some kickass software into an OSX application, but I'm still waiting to find out what I'm here for. They're hiring for management right here in Denver, so this gig should keep rocking for a while. I'm meant to be doing management shit, our guys in India are doing all the work, and they're doing a better job. I just wish I knew what, you know?

I won't get to go to India 'cause we only meet through teleconferencing. Although it works fine, this iMeeting scene ain't where it's at for me. It sucks and pinging my guys to get shit done afterwards doesn't work at all. I want that press the flesh stuff from time to time.

I hear Spindrift's pretty big in India. If you hear of any good gigs for Level 6 programmers who are into Nirvana give me a call. Hey man, maybe I should study Hindi?

Later,

-Beta Boy.

Driftwood

(Useful stuff washin' in on our shores)

Virtual Machines

It's easy to abuse the term, but to describe something as virtual generally means it's almost there. Not quite a machine, a virtual machine is nearly one. Only computers can be virtual machines. It doesn't work with lawn mowers or kettles.

A Virtual Machine is an operating system running inside an operating system, a nested OS running within something larger, like OS 9 running within OSX, or Virtual PC for Mac running under OSX. The idea is to use a host operating system to accommodate several different operating systems so that each of them behaves as if it functions on its own hardware platform. The Virtual Machine relies on the host operating system to handle all hardware requests, which is why it is almost but not quite a real machine.

Actually this Virtual Machine thing is just a trendy revamp for describing what we have been doing for years. Compartmentalising a hard drive to do different things isn't new, but there is a new twist to what could basically be described as timesharing. In the sixties and seventies timesharing was used to get the most out of mainframe computing resources, because they were so expensive. Hardware is now so cheap that we have a proliferation of different boxes and devices on the desktop and in server rooms. The modern Virtual Machine concept inverts the old one, putting lots of different engines onto a single platform, so you have one box instead of many cluttering up your world. This is bad news for people who like to play with hardware and wires, but good news for accountants and fans of feng shui.

In large scale production and data management environments virtualisation can save time and cost. A herd of disorderly servers can be consolidated onto a solitary, well-mannered and highly powerful collective. There are physical space savings benefits, plus a single point of hardware failure to consider, and administration ought to be much easier. Of course you could have a situation where many people are fighting over the keyboard, but that would be virtualisation taken too far!

Physical security and application isolation are however lost with Virtual Machines. If an application running on one system falls over, there aren't too many places to search for the problem. But multiple applications running across operating systems on a single server are a real bugger to fix if their individual resources are hard to isolate. We tend to run applications in parallel at the moment, so ensuring isolation. This won't go on forever, so now is the time to start thinking how the VM thing might work or if indeed it is really as viable as its fans believe.

The main attractions of Virtual Machines for users are the convenience of running multiple operating systems on a single hardware platform, simplifying investment and IT management by consolidating everything onto a couple of high end servers. Developers benefit because VM technology gets them out of having to support loads of different hardware configurations for desktop and server devices – everything can be done on one machine. Great. However given the difficulties of getting cross OS applications to run properly, it is probably better to wait awhile before you take your server room virtual. Start thinking about it virtually immediately though.

Boomerangs

(Your feedback fed back)

Re: Nearline Finishing

As you requested in the last issue of Spindrift (page 4 – Spindocs), I'd like to clarify that the phrase 'nearline' finishing is a genuine third alternative for finishing systems – along with inline and offline solutions. Duplo International recently developed a guide to digital print finishing which illustrates the difference between the three finishing options and the associated benefits and drawbacks each provides.

In summary, an inline solution is a device that is hard coupled to the print engine or so closely integrated that setup and control is managed directly from the print engine. An offline solution is where the finishing device is completely separate to the print engine, with no communication between the two. By contrast, a nearline device is one which has no mechanical connection to the print engine, but which has a logical link such that it can understand how the job should be finished. The benefits of this 'hybrid' system are that, although it is not connected to the print engine, it knows the details of the job by communicating with the print engine or the server by means of an electronic interface or by reading intelligent on-sheet markings such as OMR (optical mark recognition) or bar codes. Nearline finishing, therefore, allows multiple print engines to feed a single finishing device, thus maximising production throughput and flexibility.

If you are interested in more information, the Duplo International guide to finishing digital print can be requested free of charge on
www.duplointernational.com

Dominic Quennell – Vice President Global Marketing of Duplo Corporation

Say What?

Iffy Writing Award Presented in the Ether for Obfuscation, Confusion, Misinformation or All Out Pretentiousness. Apart from Spindrift contributors, authors names withheld, because we aren't that cruel!

Only the English can mangle English quite so delightfully...

"What sets Prinance apart... is that the data entered at the outset can be directed by the brain to all other parts of the body with no need for paper and absolutely no need to rekey data, provided that data is entered correctly to start with and with the naming conventions adhered to as these are used to set systems and to provide real time feedback."

and furthermore...

"Here too are Compufold and Compucut to set up the folders and guillotines and the FCS100 bindery management system controlling."

We are not particularly au fait with bindery stuff (see Boomerangs to share our latest lesson), but there has to be something missing here.

Esko-Graphics Grasping the Nettle

It's been well over a year since Purup-Eskofot and Barco Graphics got diced and spliced to form Esko-Graphics. New name, new management, new corporate livery and new top boss, but is there new purpose? Is there something special Esko-Graphics offers above and beyond its competitors?

"We want to convert ourselves in the next five years into a totally different company."

Esko-Graphics' major shareholders (various members of the Kirkby family, heirs to the Lego fortune) together with Kim Graven-Nielsen and his team have what they hope is a cunning plan to differentiate Esko-Graphics from the field. According to René Delbar Senior Vice-President Marketing, Esko-Graphics "came from a merger of equals with the view of building a totally new graphic arts company on the basis of two complementary companies". Sounds like puff? Well maybe, but maybe not.

Who and Whyfor Kirkby?

Kirkby AS manages the Lego family fortunes and has assets of €1.5 billion, much of it liquid. As Esko-Graphics' major shareholder, the group has taken a dominant role in developing the business. Barco still holds 20% less one share and one of Esko-Graphics' five board seats, but to all intents and purposes is out of the operation. We expect Barco will cash in when the share price is right or when someone wants to buy their shares.

Kim Graven-Nielsen leading the way forward for Esko-Graphics

To the Kirkby collective the graphic arts business is changing rather as the motor industry did. Fifteen years ago car manufacture was almost wholly an inhouse affair, but today production cars are built almost entirely from prefabricated components. Third party manufacturers build the bits and final assembly happens at the primary manufacturing plant. According to René "there will be a transition of similar magnitude as what happened in the car industry and Kirkby want to drive this from an investment perspective. In this kind of climate and turbulence with no strong cash positions, there are deals to be made. We want to convert ourselves in the next five years into a totally different company. We are a private company and can make our plans independently".

The Lego Legacy

The Kirkby family probably more than most appreciates the power of reinvention, so Esko-Graphics is undergoing a three-phase make-over. The first phase sorted out the pragmatics of the merger and revamped the organisation, and was completed early this year. Consolidating of overlapping products and employees (it's now an 1150 person company), renegotiation of supply and distribution contracts, and reduction of fixed operating expenses (down by 20%) altogether lay the foundation for phases two and three.

Digital divestitures

Phase two involves divestiture of non-core businesses and markets. Dropping the Mondriaan VLF CTP machine was a no brainer since it had less than one percent market share. Declaration of withdrawal from the newspaper business was equally swift, although less clear cut as the company is still looking for a partner to take over its newspaper interests for support, manufacturing development and so on. After talks with several interested parties Esko-Graphics expects a decision imminently, and we believe Agfa is the most likely candidate. Esko-Graphics has withdrawn with equal expedience from digital printing and cartography.

All Esko-Graphics technologies and research and development projects are undergoing surgical scrutiny. Digital printing front end interests (PrintStreamer) are under discussion to be moved to Punch, owners of Xeikon. The cartography business was recently sold to Star Informatic, a leading European GIS (Geographic Information Systems) supplier. Star will also sell Esko-Graphics RIPs and output devices, working in cooperation with the Esko-Graphics distribution network. Perfection Publisher, Esko-Graphics' reverse imposition software for document referral systems, is also to be sold on but has not yet found a new owner.

"We're not looking for marriage but for meaningful long term relationships – not one night stands."

This techno-cull takes many forms, from partnerships to outright asset sales and René says that Esko-Graphics has "no dogmas and no reservations. If we can work with someone else to bring a solution for a customer we will go for those opportunities. We are past the dating stage in this industry. We're not looking for marriage but for meaningful long term relationships – not one night stands." It's all part of how, according to René, Esko-Graphics is "starting to build towards the future".

Building with Blocks

Phases one and two of Esko-Graphics' reinvention are about contraction but phase 3 is about growth. The company is focusing on core expertise where it has a large market share, a reasonably large installed base and where it is either profitable or where profitability is achievable in the next couple of years. This boils down to packaging and commercial print, specifically CTP and workflow automation. It mayn't sound like much but there is plenty of scope for global development here.

The Lego legacy marches on

Growth in Packaging

Esko-Graphics believes packaging is its best opportunity for growth, largely because this market has grown 4% year on year despite Esko-Graphics' preoccupations with its merger. Packaging is a market that Esko-Graphics shares with very few players, and none of its competitors have Esko-Graphics' global market position. Growth will come from market development in places such as India and China and through development of new products suited to mature markets. Packaging has always been about manufacturing. The packaging supply chain is highly sophisticated and there are only marginal savings to be made through process optimisation. Automation is no longer about elimination of labour, but rather elimination of errors regardless of the workflow. This is the primary change in the prepress market and it is one that Esko-Graphics is looking to leverage.

Collaboration, avoiding human error and improving production cycles is where Esko-Graphics wants to help customers achieve further savings. Taking an altogether more holistic workflow view the obvious tools with which to do this are PDF and JDF, with XML to cross boundaries to where traditional packaging has yet to tread.

Until recently Esko-Graphics has argued that the demands of packaging were beyond PDF, and that it preferred to stick with its proprietary GRO format. Version 1.5 brings PDF into Esko-Graphics focus so that there are no file format distinctions anymore. PDF in Esko-Graphics' packaging context also provides subsidiary user information. It is a means of delivering information relating to package assembly, as well as ancillary product specifications, graphics information and so on. Esko-Graphics has developed a 3D collaboration software for carton proofing, based on PDF.

FastLane, Esko-Graphics' RIP and workflow management technology, is now moving rapidly towards being a true PDF workflow. Esko-Graphics see PDF as a "carrier of dynamic information", so it's workflow is based on a single source production PDF plus JDF used to communicate with third party applications within a single content stream. A complete PDF/JDF workflow will be ready by DRUPA.

… and CTP

The other obvious growth market for Esko-Graphics is in CTP, especially for polyester markets – there are still three analogue platemakers for every digital one in high street print. René acknowledges that "830nm thermal won't go away, but for the people who have yet to make a choice violet photopolymer is the way to go". Working with Agfa, Fuji and Lastra Esko-Graphics believe "the next wave will be violet photopolymer and beyond that the abillity to expose UV sensitive photopolymer plates." Cheap and reliable platesetters for violet photopolymer will indeed be very attractive in China and India, despite the arguments against them based on hostile environmental conditions.

"…by 2005 Esko-Graphics will once again look to grow through acquisition…"

Futures for Printers & Manufacturers

However growth in CTP can only come if the commercial print sector is healthy and that is by no means a certainty in many mature markets. Commercial printing is highly competitive and success is increasingly based on unique advantage. This is how printers keep their customers, but increasingly they face the same problems as trade shops. A business based on technical skills, proactive investment and a willingness to keep up with technology is no longer enough: skills and investment requirements are drastically lower today than they were even 15 years ago. Success now is about project management using a blend of skills including technical, management, market access and of course production expertise.

Unique blending of skills and services is the basis for new types of print service companies. Already we see colour copy shops installing four colour presses printing with metal plates and print houses setting up quick print sites. A lower factor of distinction requires printers either to partner to develop new revenue streams, or to become highly specialised. For developers such as Esko-Graphics there is an unhealthy dependency in waiting for mature markets to react, hence its interest in developing in emerging ones. So it seems odd that Esko-Graphics has chosen to wholly jettison newspapers and digital printing given market potentials for these in China and India. In 3–6 years time both sectors will grow substantially with the spread of literacy and rapid social development and commercial enterprise throughout the Far East. Currently only 15 percent of Esko-Graphics' business comes from Asia with products adapted to local market skill sets, investment levels and support. Mostly this business is distributor based, but this is already changing.

For the next two years Esko-Graphics growth comes from CTP and packaging but by 2005 Esko-Graphics will once again look to grow through acquisition and new approaches to distribution "as we are already discussing with potential partners, part of those decisions will influence what we will and won't do."

The Magnificent Five

To turn all of this into reality Esko-Grapics has a new management team. Three of the five-member board come from the graphic arts, and all members have experience in building supply chains and managing global organisations. All five have lived outside their home countries for at least five years, an important contributor to the collective management mindset. All five spend at least 20% of their time at Esko-Graphics' headquarters in Belgium, and as well as at three locations in Denmark, three in the US, and one each in Norway and Germany, the primary site for research, development and manufacturing. Esko-Graphics also has facilities in Singapore, Taiwan and China. These operations are under development to be more autonomous within the next fifteen months.

Conclusions

Kirkby is banking on their belief that calm and stability will follow in chaos and turmoil's wake. Certainly chaos, confusion and consolidation are the reality for most players in the graphic arts. Like the car business printing still suffers from overcapacity, and production inefficiencies are still rife. Unlike cars print is a highly perishable and highly desirable commodity. The chaos may take less time to recede but it is far from over. As long as there is upheaval in the media and communications industries, the graphic arts and printing business will necessarily be uncertain, so we do not expect a return to stability within the next two years. What eventually comes out of the chaos depends very much on the actions of major players, whose identities aren't even clear. Kirkby anticipates 4–8% growth in the graphic arts and wants to shape the industry's reformation. Maybe there's a family penchant for taking things apart and building something else from the pieces? It might not be so simple in the media industry as it was elsewhere.

–Laurel Brunner

Kent Messenger Group

The newspaper industry has come under heavy fire ever since the Internet was supposed to have signalled its demise. Wasn't it Bill Gates who reckoned that by 2000 the last nail would be in the newspaper industry's coffin? As we discovered during our Digital Newsprint for Roaming Readers project (**www.digitaldots.org**) last year, newspapers are far from facing the end of the line. Many of them struggle to compete in a changing world, and many have failed, but plenty have recognised survival depends on making the right technology investments. We recently visited the Kent Messenger Group, one of the UK's largest independent newspaper publishers, and got a refreshingly optimistic glimpse of how technology can help reinvigorate a market.

The Set-up

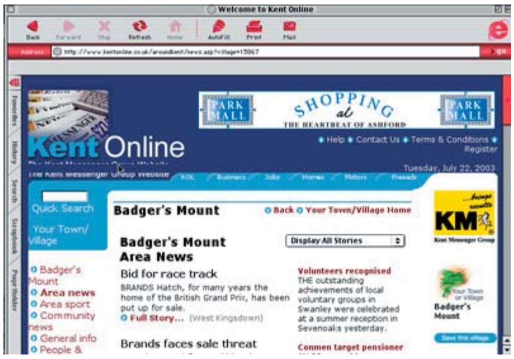
The Kent Messenger Group publishes 30 weekly titles and a number of niche publications from 20 offices across the county of Kent in south eastern England. This 200 year old family owned business whose oldest paper dates back to 1717, has a simple publishing model: keep it local, keep it relevant. A combination of shrewd IT deployment and data management tools has produced a content production and management system to enhance KMG's market presence and provide a digital shop window for its services. Six geographically defined print editions of the weekly Kent Messenger, an array of local titles plus a hoard of local web sites keep KMG close to its market. Underlying everything is an SQL server and KMG's custom-made database.

Mike Whiting, Managing Editor, Kent Messenger

KMG's content management system mixes KMG innovations with Picdar's Media Mogul and is designed to support cross media production management. KMG journalists use a customised version of Word with macros to add quick win category codes to each story, so that they are correct for the database. Media Systems Adora handles ad booking, PCS Pulse handles adverts and PCS Linker products handle planning. QPS builds pages and Picdar's Media Mogul technology manages content and story routing to and from the archive, supporting automatic web site building as well as archiving. Data flows are strictly managed using KMG's workflow management system so nothing is published without having passed through the appropriate legal, editorial and production checkpoints.

A single system manages community news for both print and web editions, flowing tagged text into QPS and automatically populating 556 local village web pages within the www.kentonline.co.uk site. The site delivers over 700 000 page impressions per month, from around 138 000 monthly site visits. The group prints 1900 tabloid pages weekly plus some 200 edition changes, including the majority of the newspapers' colour pages – some 1500 pages per week. In 1999 colour pages averaged just 350 per week. The current three line film system (Autologic Sierra 4850 Turbos) installed nine years ago, produces film for some 9000 plates per week, with an average of 600 page pairs. The company is looking at replacing conventional film with two CTP lines early in 2004. KMG recently invested in six Goss Colourliner 4-high towers and with its three folders has multiple pagination options. The press is currently producing 3.5 million copies per week.

According to Managing Editor Mike Whiting "we heavily editionise our newspapers and that is a guiding principal on the web site too. One of the challenges we had was to make it relevant and local down to the village level". There are 556 villages, towns and communities in Kent and each has their own pages within the KMG site. Mike explains that the group is "Producing as local a service as possible. Print stories are archived with metadata – location to which a story is relevant, type/category of story and a copyright field. The web sites can then pull the material they need [from the database]."



KMG export editorial content from their QPS editorial system to Media Mogul to create an archive and to drive the web site and its 556 subsidiary sites. Media Mogul handles all images and text in native file formats, and as paged PDFs, indexing content, building links and adding legal and fee warnings to text and images. Picdar/Quark extensions can also create a job ticket to communicate editorial preferences for images that will be used on page.

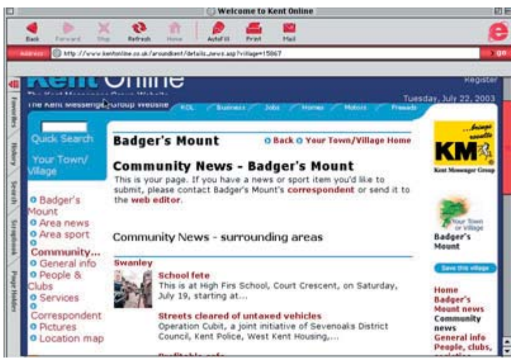
Content sales

All content carries associated metadata including publication history and royalty information and Picdar has recreated KMG's complex edition structure in the archive. It is very easy to produce new editions because "each page is stored once, but Media Mogul recreates the edition which can be a mixture of edition pages". This has interesting revenue possibilities for new and special editions.

Apart from special editions, the archive is used to offer readers selections of images to buy. According to Mike "it's been a huge bonus. As a research tool it is very useful and we can sell these pictures to the public, previously done by sending contact sheets to the relevant office for people to order. Now the front counter staff have access to the library via an intranet browser. When people come in and want a picture, counter staff can call it up to screen and sell them other photos related to the event. This has helped our photo sales". KMG is not yet offering photos for sale via Internet but is considering it.

The Web marketplace

The web site is clearly key to the KMG business model. It supports local villages with news and local advertising, and is also the basis for KMG's community news gathering system. Village correspondents and field journalists feed stories into Quickwire via a text window on the web site. Completed pages are archived as PDFs with images downsized to 72 dpi. Once in the Media Mogul archive, stories are fed back to the local village sites using sophisticated filtering and routing according to story metadata. Only printed stories make it to the archive. Any additional web based content is treated as highly perishable and is not integrated with Media Mogul. KMG use their own technology to get content coming in via the various web sites into QPS, and Picdar handles automatic routing of content from archive to village web sites. Thus all content and editorial management is database sourced rather than coming from the editorial system. Mike Whiting says the "auto feed to 556 villages with news and sport wasn't something we could really do without Media Mogul. We couldn't strip stories out of the page automatically without it".



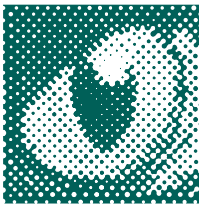
New Business Opportunities

For many regional newspapers the web can make a positive contribution to revenues, at the very least raising awareness for a strengthened relationship with local readers which can have a positive effect on ad revenues. The web provides regional newspapers with the means for highly focused editions, serving even the tiniest of communities. Even a village with only a pub, a shop and another pub has potential advertisers, from people offering bed and breakfast, to the local piano teacher. In addition to generating new advertising revenues, a strong web presence can help develop overseas subscriptions and in combination with a distributed print model and digital newsprint, this has interesting business opportunities.

Conclusions

Should we call KMG an example of "cross media publishing" and "convergence"? Let's not. Such clichés are so very tired and don't come close to expressing what is really happening in the newspaper publishing industry. Clichés are like chocolate, a quick fix to convince us that we understand, that it will all be alright in the end. But like chocolate trendy buzz words are merely a temporary distraction to keep us from the point, or for hiding behind. And anyway newspaper growth isn't about technology, it's about applications and business development at local level. This is where the Internet has its greatest power, influencing buying habits and nurturing communities of interest. The Kent Messenger Group's production model mixes the best attributes of traditional newspaper deliverables, and the Internet's nontraditional ones. The group is well placed to develop some sort of cross media response system and its web presence gives it a natural means of extending its franchise.

–Laurel Brunner



A Special Message for Those Who Read Spindrift but Haven't Subscribed

Spindrift is a labour of love for a fantastic industry. We are sure you appreciate that.

We charge a measly €50 for an annual subscription. This is less than it costs you to fill up the car with fuel. It is less than you spend going to the movies with your family, and less than you spend on duty free stuff when you're bored at the airport. And you probably claim that back as an expense anyway. This much we know.

So given these basic truths and the fact that Spindrift relies on subscriptions income for its very existence, please subscribe. If you choose not to, please understand that we will find you. The next time you spill paint on the carpet, burn your toast, lose the car keys, have to go to the dentist, or generally have to suffer some annoyance or inconvenience, it will be Spindrift's digital pixies getting in your way. Thank you for your support.