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Postal Reform: Done Deal?

BY MOLLY JOSS

Whether you believe postal reform efforts will succeed during the current session of Congress depends on how you read the legislative tea leaves.

The American Postal Workers Union (APWU) thinks chances are slim and getting slimmer. Meanwhile, Ben Cooper, an industry lobbyist and a principle at the Washington, D.C., lobbying firm Williams & Jensen and the chairman of a group coordinating the postal reform coalition effort for the mailing industry, remains staunchly optimistic that some version of the bills that passed the House and Senate will pass before the end of 2006.

The APWU has said that the outlook for passing postal reform this session is uncertain due largely to the efforts by the Bush Administration to ensure that anti-labor provisions are included in the bill. Cooper disagrees with this assessment, saying that the legislation has been bogged down by “the complex nature of trying to pass any legislation.” Several “camps” are trying to influence the outcome of the bill, including some who favor the legislation and some who oppose it, including the APWU and the U.S. Postal Service, Cooper said. Although the APWU said it opposes certain parts of the proposed legislation, it will not take a formal stand while it is pending.

Cooper added that the White House would like to have a bill passed but is trying to add some reforms before the process is finalized. “It is my current assessment that the odds slightly favor getting the bill done this year,” he said.

Not There Yet

In July 2005, the House of Representatives by a large majority passed HR 22, its version of the Postal Reform Bill. The Senate passed its version, S. 662, unanimously in

February 2006. The next step toward passage is for a joint House-Senate conference committee to formally resolve the differences between the two bills and create a final version to be presented to both chambers for final approval. Assuming this step succeeds and the revised bill is passed, it will make its way to the president’s desk for his signature or veto.

The group of conferees the Senate named after passing S.662 includes Susan Collins, R-Maine, chair of the Senate Governmental Affairs and Homeland Security Committee, and Joe Lieberman, D-Conn. The House has yet to name its conferees.

One major stumbling block has been whether to use the money in the USPS escrow fund for future employee health and pension benefits. In June, Sen. Collins said that after meeting with White House representatives, she felt confident they had reached a solution that would allow access to the funds in the escrow account.

Collins and fellow conferee Sen. Tom Carper, D-Del., said in June that they were working to make sure a version of the bill was ready by the end of the summer. Carper said then that he believed that Aug. 1 was a workable deadline, but the legislation was still in committee a few days into August.

Cooper said he remains optimistic. “The best chance for the best legislation will occur this year,” he said. “The congress, the Bush Administration, mailers and postal management and employee organizations know that the legislation will not improve by waiting another year. It is not absolutely ‘now or never,’ but it is close to that.”

Cooper added that if efforts fail this year, the most likely window of opportunity would be 2010 under the next administration.

TSR

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Intel's New Processors Raise the Stakes

BY ANITA MALNIG

Intel's President and CEO Paul Otellini touts the company's new Core 2 Duo processor product line as "simply the best processors in the world." He might be right, judging from reports in the technology press. C/NET stated that the Core 2 Duo is Intel's "most important product launch in 13 years."

Intel's Core 2 Duo consists of two full processors in the same package, or in the same chip. The processor, code-named "Conroe," will run in desktop machines, while code-name "Merom" processors will power mobile computers. Coming next is the Xeon (code-named Woodcrest) set, geared for servers. It's essentially the same microarchitecture as Conroe.

This "core microarchitecture" began with the Pentium M processor, the energy-efficient processor that has been powering mobile computers. It delivers more instructions per clock cycle to improve execution time and energy efficiency while increasing the frequency of the cycles themselves. Additionally, however, the architecture reduces the number of instructions it takes to execute the specific task being measured.

"They've taken the same basic architecture of the notebook and put it onto the desktop," said Steve Kleynhans, vice president of client computing at The Gartner Group. "It's better performance: really big cache, 4 megabytes. It does speed up access to memory and allows for better battery life. There's also more intelligence in the chips to turn off pieces that aren't being used."

Intel said that the Core Duo processor line has five PC processors especially for business, home and "enthusiasts," like gamers, and five processors for mobile computing. The company added that the "Core 2 Duo processor-based workstations will also deliver industry-leading performance for such areas as design, content creation and technical computing."

Intel is also touting the "intelligent

power capability" of the processors, which allows for reduced power consumption and more energy-efficient performance in all models. "The processors are all goodness," Kleynhans said. "You get more performance on your machine, a machine that's quieter and a power bill that's not quite as high."

Production Use

For users in a production environment, Kleynhans said the best is yet to come. "We're just at the beginning of a new cycle for Intel. They haven't even started to tweak this cycle all the way. Working in [Adobe] Photoshop, editing video for a Web site will be very attractive," he said.

For IT professionals who manage rooms full of servers, the energy efficiency will prove to be a boon, as well as the processors powering the servers themselves. "Woodcrest is the same microarchitecture and processor as Conroe, but Woodcrest is geared toward servers," said InStat analyst Jim McGregor. "They use more expensive memory and are configured for higher I/O bandwidth. And coming soon will be two-processor servers, which will be like having four processors. That's the Quad Core starting the end of this year, which will have two Woodcrest chips in the same package."

Whither Apple?

Before Apple announced at its Worldwide Developer Conference the use of the Xeon processor in its MacPro desktop machines, it had long been rumored on blogs and among analysts that Apple would make this very announcement about its Power Mac replacements at the conference.

"The real power and advantage is coming with the Xeon chip," said analyst David Zwang of Zwang and Co. "With these chips, Intel and Apple are finally going to get the speed increases that they have alluded to but not delivered."

Analyst McGregor questioned how the

"Woodcrest" chip would power a desktop machine. "Would you want to put Woodcrest into a PC? You're putting server technology into a PC; you'd have more expensive memory and you'd lose the graphics capability. You'd be creating a PC that's more expensive with lower graphics capability. Conroe is configured with less-expensive memory and a high-throughput graphics capability."

Bill Kircos, an Intel spokesman, said that while McGregor is correct, the graphics he is alluding to are for games. The Xeon processor is, in fact, appropriate for servers and workstations, which the MacPro is, and can amply accommodate the graphics necessary for high-end graphics applications. On its Web site Apple says that every Mac Pro offers the power of two 64-bit Dual-Core Intel Xeon microprocessors with 4 megabytes of shared L2 cache per processor and 1.33GHz dual independent frontside buses. Processor speeds range from 2GHz to 2.66GHz to 3GHz. Prices start at \$2,499.

Not everyone agrees that publishing professionals are looking for increased processor speed. "I don't think the new chip is what most [publishers] are waiting for," said analyst Andreas Pfeiffer of The Pfeiffer Report. "Rather [it is] the Universal software, mostly, of course, from Adobe. Also, processor speed differences do not necessarily translate into higher workflow productivity."

Meanwhile, Intel is now in a two-horse race with AMD, which, until this announcement, seemed to be leading the race. "I'm not expecting a big price war, but I'm expecting to see some very good systems available in the fall at some very attractive pricing," said Kleynhans. Indeed, Dell is already offering its Precision 390 with the Intel 2 Duo for \$799.

McGregor isn't sure that Intel, which has lost market share to AMD, should be so aggressive, price-wise. "Both companies have good processors, but Intel has the best to date right now," he said. "Intel is facing lower profit margins no matter what they do. A price war will lower margins even further. If you have the best product, I don't think you need to tank the prices." **TSR**

Cenveo Takes Aim at Banta

BY MOLLY JOSS

Robert Burton Sr., president and CEO of Cenveo, doesn't seem to be a man who is content to rest on his laurels. It was less than a year ago that Burton took over the dual roles of leadership at Cenveo after a short, intense and very public battle for control of the company. Now, in a similarly public fashion, Burton has taken aim at Banta, another large, publicly held and long-established printing industry company.

The Initial Exchange

On Aug. 9, Cenveo announced it had sent a letter, signed by Burton, to Stephanie Streeter, chairman and CEO of Banta Corp. The letter implied that Streeter and Burton had already begun discussions regarding a possible takeover of Banta by Cenveo — something Streeter denied outright in her reply to Burton, which was published on the company's Web site on Aug. 9. (See the full text of both letters).

Streeter said she had received an "ambiguous request" in the form of a fax from Burton and Cenveo's financial advisers on the night of Aug. 8 regarding the possibility of a merger. After having responded to that overture in what she felt was an appropriate manner, Streeter termed Burton's public release of his letter an "inexplicable" action.

On Aug. 10, Burton acknowledged in a post-earnings conference call with analysts that his letter was not entirely accurate. He said he had never personally spoken to or met with Streeter as the text implied. Instead, he said, his representatives had contacted Banta starting on Aug. 2 and were told Banta was not interested. He did not apologize for having gone public with his efforts. "I think if we had waited around (for a private meeting with Streeter), we would still be waiting," he said.

The offer of \$46 per share that was mentioned in Burton's letter would value Banta at about \$1.12 billion, which is a premium of about 35% over Banta's stock price (\$33.99) on Aug. 8. Shares of Banta stock climbed 33% at the news of offer to top \$45 per share and have remained close to that mark since.

Although she did not reject the tentative offer expressed in Burton's letter outright, Streeter's response characterized

Cenveo's overture as "unsolicited" and the offer as "highly conditional."

Banta's Board Says No Thanks

While Streeter was careful not to reject Burton's offer out of hand, the reaction of Banta's board of directors was swift and negative. Late on Aug. 16, Banta issued an open letter to Burton and Cenveo saying that the

Dueling Letters

In early August, Cenveo CEO Robert Burton and Banta CEO Stephanie Streeter engaged in a public discourse regarding Burton's ambition of merging the two companies.

August 8, 2006
Stephanie A. Streeter
Chairman, President and Chief Executive Officer
Banta Corporation
225 Main Street
Menasha, WI 54952

Dear Stephanie:

I am writing to express my disappointment in hearing from you that Banta Corporation is not "for sale." As we have communicated, we believe that Cenveo and Banta are complementary businesses and that a combination of Cenveo, Inc. and Banta is compelling and would provide substantial benefits to both companies' shareholders. The combination of these two companies would create a \$3.0 billion print powerhouse with pre-synergy EBITDA in excess of \$300 million that we believe would be better able to compete in the marketplace and provide a one-stop solution to our customers. I have personally completed 56 acquisitions during my business career, and Cenveo's management team has a wealth of experience in operating printing businesses such as Banta. I am sure you are fully aware of our business track record at World Color, Moore and now Cenveo. We have constantly delivered for our shareholders and feel confident we can be successful again with the Banta/Cenveo combination.

Based on our most recent discussion, we believe it would be useful if we submitted an offer so that your entire Board will have the benefit of our thinking. Subject to diligence and negotiation of a mutually satisfactory definitive merger agreement (both of which are further discussed below), Cenveo proposes to acquire Banta for \$46 per share in cash. We believe our offer provides immediate value that far exceeds Banta's current stock price and would not have the delay or execution risk inherent in management's strategy to increase shareholder value.

Since we are extremely comfortable with Banta's public filings, we would expect to conduct due diligence that would be largely confirmatory in nature and our merger agreement would be customary for a public company acquisition. We are ready to undertake a due diligence review of Banta at your earliest convenience and to meet with your team to negotiate a merger agreement at any time. Our offer would be subject to receipt of adequate financing for the transaction, which we believe will be readily obtainable.

Together with our outside advisors, we are prepared to commit the resources necessary to proceed expeditiously to reach an agreement with you regarding a combination.

Our Board of Directors has authorized this letter and fully supports a combination between Cenveo and Banta. We sincerely hope that, on further reflection together with Banta's other directors, you and Banta's entire Board will share our enthusiasm for the transaction. This matter has our highest priority, and we are committed to working with you in any way we can to bring this vision to fruition. As you have not returned our recent telephone calls and e-mails, we are making this letter public in the spirit of full disclosure for both shareholders at Banta and Cenveo. Thank you.

Sincerely,
CENVEO, INC.
By: /s/ Robert G. Burton, Sr.
Robert G. Burton, Sr.

Dear Mr. Burton,

I am extremely disappointed that you chose to release publicly the letter that your legal advisors faxed to us late last night prior to giving us the opportunity to review your highly conditional unsolicited indication of interest in combining our two companies.

In your letter you imply that you and I have spoken directly. This is not true. To clarify, yesterday I received from your financial advisors an ambiguous request to discuss your interest in our company. At that time, I agreed to arrange a mutually acceptable time to talk with them in order to understand your interest. At no time did your advisors mention any of the economic terms or conditions stated in the hostile, public overture released today. We find your actions to be inexplicable.

We are committed to acting in the best interests of all of our shareholders and, consistent with its fiduciary duties and responsibilities under Wisconsin law, our Board will review your letter of interest in consultation with our financial and legal advisors, UBS Investment Bank and Foley & Lardner. The Company will communicate with you in due course.

Sincerely,
Stephanie A. Streeter
Chairman, President and Chief Executive Officer
Banta Corporation

net income of \$90.5 million. While income growth was good (33.1%) in 2005, sales growth was not (1.4%). The company sold its healthcare division (which sold disposable products and various consumable items for food service work, including clothing and food storage bags) for \$67 million in 2005. In late July of this year, Banta announced a reorganization of part of the company starting in 2007 to reduce general and administrative costs. Hoovers.com projects the five-year growth rate for the company at a meager 3.66% and reports that the consensus among stock managers is to hold the stock.

Whether Cenveo can muster the cash needed to finance a deal for Banta remains to be seen — despite Burton's claim in his letter that the necessary financing would be readily available. Cenveo is carrying a fairly large debt load (\$809.3 million in long-term debt as of the end of 2005) and on Aug. 9 announced a net loss of \$33.1 million in the second quarter. Net sales for the quarter decreased to \$357.9 million from \$421.7 million in 2005, primarily due to the company's decision to sell Supremex and close or sell several other non-strategic businesses. At the end of the company's fiscal year in December 2005, Cenveo reported a net loss for the year of \$134.9 million.

Our Take

While mergers and acquisitions continue in the printing industry on all levels, consolidating companies is not always the best way to create a better company. As the numbers below indicate, Cenveo cannot be considered a healthy company at the moment (despite Burton's references in his letter to Streeter to his track record while at Cenveo). Admittedly, Burton has made good on his promises to make changes at the company, but the company is far from turning the corner financially.

Banta, on the other hand, is a company beset by the doldrums affecting many large vendors in the industry. Its gross revenues and net income have held steady for the past few years, but the company doesn't seem to have a clear plan for improving.

Even if Burton is able to put together the financial resources necessary to complete a purchase of Banta, it is difficult to imagine how the merger of two troubled printing industry companies would benefit either one of them — or the industry as a whole.

TSR

board had unanimously rejected the offer. Calling it a "highly conditional and ambiguous overture," Banta's board made it clear that it considers the offer to be without merit. "In fact, your purported 'offer,' which is subject to numerous contingencies, including obtaining financing, effecting due diligence and reaching a satisfactory definitive merger agreement, is illusory and therefore merits no further discussion."

There was no immediate response to

this letter from Burton or other Cenveo representatives.

DejaVu All Over Again

Those who have followed Burton's actions in the printing industry over the past few years will note that he is repeating himself even down to the level of his writing style in letters: choosing large, public companies in the industry that are showing lackluster stock performance and then announcing a

desire to take them over. In the fall of 2004, he approached Creo and the ensuing takeover battle didn't end until Kodak bought the company in early 2005. A few months later, Burton announced his interest in Cenveo, an engagement that ended in September 2005 with Burton at the helm and a whole new slate of company directors.

Burton seems to target companies that he believes have potential but are underperforming.

Banta would fit these criteria. The 8,500-employee company had \$1.54 billion in sales in 2005 with

Cenveo: Before (Fiscal years 2003/2004) and After (Fiscal 2005)

All amounts in millions of US Dollars except per share amounts.

	Dec 05	Dec 04	Dec 03
Revenue	1,749.4	1,742.9	1,671.7
Cost of Goods Sold	1,355.2	1,341.3	1,287.1
Gross Profit	394.2	401.6	384.6
Gross Profit Margin	22.5%	23.0%	23.0%
SG&A Expense	253.5	265.9	245.7
Depreciation & Amortization	55.5	57.6	52.0
Operating Income	85.2	78.1	86.9
Operating Margin	4.9%	4.5%	5.2%
Nonoperating Income	(1.4)	(20.2)	(1.7)
Nonoperating Expenses	74.7	73.1	71.9
Income Before Taxes	(72.6)	(20.6)	6.4
Income Taxes	62.3	0.3	2.6
Net Income After Taxes	(134.9)	(20.9)	3.8
Continuing Operations	(135.1)	(20.9)	3.9
Discontinued Operations	0.0	1.2	1.5
Total Operations	(135.1)	(19.7)	5.4
Total Net Income	(135.1)	(19.7)	5.1
Net Profit Margin	-	-	0.3%

All data provided by Hoovers.com

GPO Awards Future Digital System Contract to Harris Corp.

BY MOLLY JOSS

When the U.S. Government Printing Office (GPO) announces a major contract award, it is usually talking about paying a printing company to print something. This was not the case, though, when the GPO announced recently that it has selected Harris Corp. to assist in the development of the Future Digital System (FDsys), a sophisticated content management system. When it is completed in a few years, FDsys will contain, in a digital and searchable format, all of the hundreds of thousands of federal government documents within the GPO's purview.

Public Printer Bruce James, the director of the GPO, said the decision to partner with Harris is the culmination of careful analysis and planning of the system's requirements. The move also represents a significant step in the agency's efforts to develop electronic delivery methods. "It marks a major milestone as GPO forges ahead to develop a robust and flexible digital platform that will provide permanent public access to information from all three branches of the federal government," James said.

Harris Corp. is pleased with the GPO's decision. "We are very proud to be selected for this transforming program that will digitally preserve and make accessible nearly every published federal document since the birth of our nation," said Jeremy Wensinger, group president-Integrated Systems and Services, Harris Government Communications Systems Division.

As reported by TSR last summer, the GPO does not envision that it will discontinue its print work in the coming decade, but it is acknowledging a need for electronic storage and delivery of information in a secure manner. Mike Wash, GPO's chief technical officer, said that content authentication methods will be built into the system, including digital signatures on entire documents, as well as on parts of documents.

Project Scope

The GPO estimated that the total cost for design, development and deployment of the FDsys will be about \$29 million and will involve three distinct phases. The first phase, which is expected to go live in mid-2007, will, among other capabilities, make it easier for the GPO to receive data electronically. The second and third phases, set for 2008 to 2009, will add functionality to the system, as well as content preservation and advanced search capabilities. Wash said the initial emphasis will be on including electronic versions of print documents but added that other forms of media, such as audio and video, will be added in later stages.

Harris Corp. has been awarded \$9.6 million for work on the first phase of the first release. The GPO anticipates awarding the additional funds in phases throughout the project. Wash explained that Harris' role will be to develop and deploy the system underlying the long-term data repository inside FDsys. Harris and the GPO said they will work together to find and deliver the best technology for the architected information system.

For the past 12 years the GPO has used the Web site gpoaccess.gov as the access point for content and ordering of printed versions of documents. Wash said that during that time the GPO has been putting electronic versions of files on [gpoaccess](http://gpoaccess.gov), but that it's become clear that the agency has to make a bigger effort and is aiming for the development and implementation of a world-class information management system. FDsys is part of that larger effort and will be designed to grow and change to keep up with technology.

One of the biggest changes that FDsys will offer is the level of granularity in content searches. Wash said that moving to an XML-structured system will help GPO achieve its goal of having all published federal government documents online and searchable down to the paragraph level.

He emphasized that [gpoaccess](http://gpoaccess.gov) isn't going to go away and neither is the agency's association with the 1,250 Federal Depository libraries located throughout the United States. In 1815, the federal government established one such facility in each state. These libraries make the documents printed by the GPO available to the public. Wash said the GPO is working closely with these "key partners" to make sure the FDsys search capabilities meet their needs. "The system needs to have the tools to help librarians search and find answers quickly." He added, however, that the operational mode will evolve and said decisions such as whether to continue supplying the libraries with current levels of printed documents can't be stated now.

Big Ripples

The GPO is the federal government's primary centralized resource for gathering, cataloging, producing, providing, authenticating and preserving published U.S. government information. It is also responsible for the production and distribution of information products and services for all three branches of the federal government. Each year it distributes many millions of government documents in print, microform and electronic formats. People download millions of copies of various documents from [gpoaccess](http://gpoaccess.gov) every day. In other words, the GPO is one of the major denizens in the rapidly growing and evolving worlds of information and content management.

In much the same way as the decision of major magazine publishers and their print providers to move to PDF for display ads accelerated the acceptance of this file format as a de facto standard, whatever decisions the GPO makes during this development process will have far-reaching repercussions. The decisions it makes about how to structure, disseminate and preserve the content under its control will have major consequences for the printers, publishers and vendors that it deals with, and those consequences will ripple through the printing and information management industries. That makes the tale of FDsys' evolution a story worthy of continued attention.

TSR

Adobe Sees the Light

BY RON ROSZKIEWICZ

Within the context of dramatic growth in digital photography, Adobe released the first public beta of a new application called Lightroom at the beginning of this year.

Now that professional digital photography has taken hold, there seems to be no end in sight. According to Lyra Research/Infotrends, sales in the professional market of digital single-lens reflex camera sales are expected to grow by a compound annual growth rate of 46% per year to 2009. Meanwhile, consumer digital camera sales are expected to grow at 13% CAGR in the same period, according to Infotrends and Adobe Research. Lyra Research/Infotrends' research also shows that half of the images taken and saved are edited in some way.

Within the context of this dramatic growth, Adobe introduced the first public beta of a new application called Lightroom early this year (<http://labs.adobe.com/technologies/lightroom/>). Adobe released Lightroom for the Macintosh on Jan. 6 and the Windows version on July 18. The latest beta, Version 3, is scheduled to expire at the end of next January. No release date has been given. In general, both platform releases appear to be stable and many users are relying on them for actual work, although Adobe cautions users against doing so.

A Work in Progress

Judging from the feedback forums, initial reaction from the photographic community has mostly been positive. Ironically, users on the forums are already pushing Adobe to add features to a program that the company has pointedly attempted to keep trim and streamlined. Adobe's engineering team seems to be adhering to the mantra of user-friendliness and application simplicity in Lightroom development as it attempted to with the development of Creative Suite 2.

So far, the Lightroom beta is very definitely a work in progress; features are being added and the user interface is evolving. As such, it's unfair to do a rigorous review of a product in this relatively early stage of development. The assumption is that the product will be much more refined than the beta versions with better overall performance. In the meantime, the betas are very functional for actual work, and

since the actions taken on Raw images are non-destructive, no permanent harm is done.

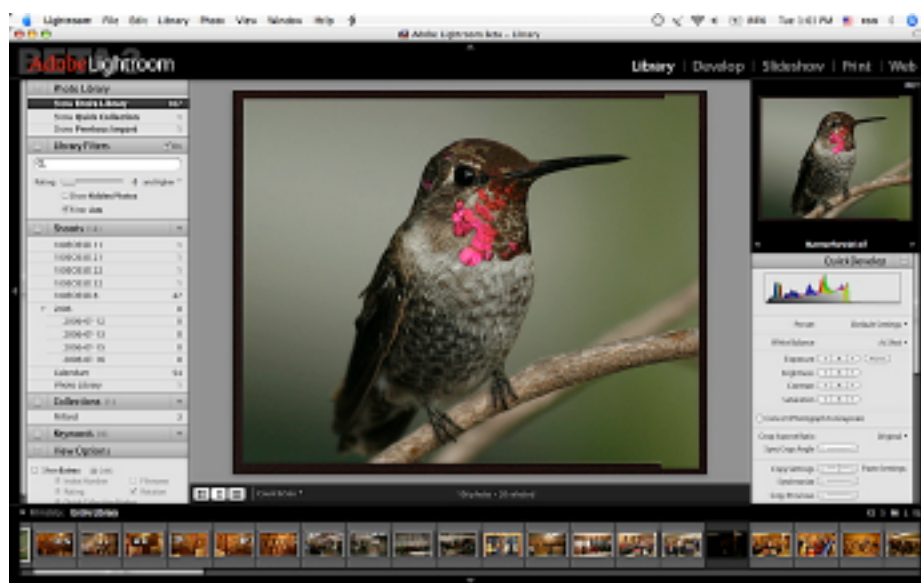
The Anti-Photoshop

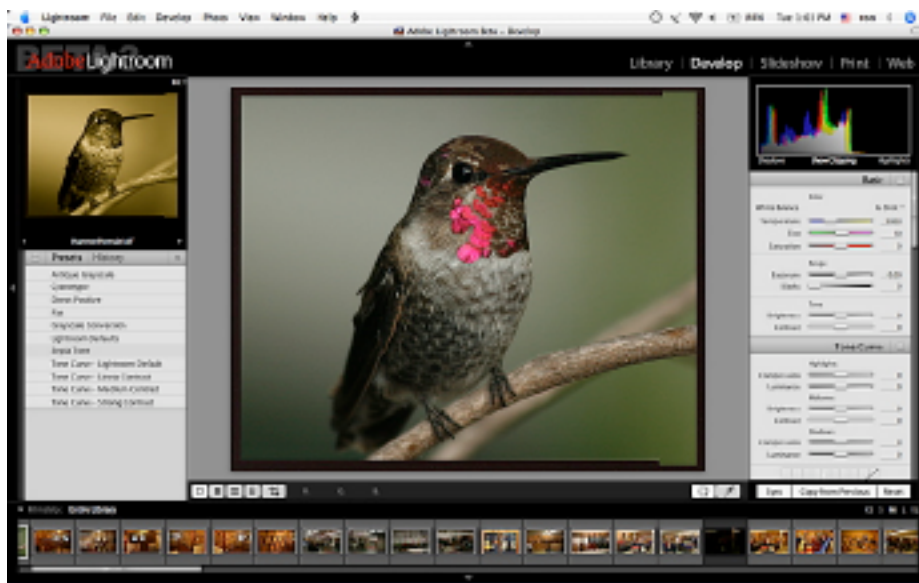
The leanness of Lightroom and its straight-forward built-in workflow are in many ways an antidote to the all-things-to-all-people comprehensiveness of Photoshop. Photoshop has become the standard for image manipulation and is used by photographers around the globe. But Photoshop is overkill for most photographers, who need only a small subset of its functions for image correction. Moreover, access to these functions is often indirect and obscure.

This is not intended to take anything away from Photoshop, which was a groundbreaking program when it was introduced in the late 1980s. It disrupted the existing technology and entirely displaced workstation-level applications for most retouching and miscellaneous image manipulation. Of course, the introduction of Photoshop coincided with the emergence of direct links to high-end color output and the Macintosh II.

For all of its strengths as a general-purpose retouching tool, Photoshop made a lousy photographer's image lightbox, editing and manipulation tool.

Library provides customizable configurations for viewing images. XMP metadata can be imported, but a tool to enter it or create templates for batch processing is sorely missing.





Develop is a great place to alter color settings and apply special effects. There is no way to soft-proof in CMYK.

Recent versions have introduced a File Browser and Bridge, but this niche has been filled over the years by a host of low-end lightbox and digital asset management applications.

From a marketing perspective, the release of a public beta could be seen as a pre-emptive attack against a presumed competitor, namely Apple's Aperture (www.apple.com/aperture/). Both products target the professional and prosumer (advanced amateur or semi-professional) photographer. But Lightroom (formerly code-named Shadowland) was in development before Aperture was introduced.

Lightroom Workflow

In Lightroom, workflow is important. Paradoxically, although workflow implies efficiency, it does not ensure it. The Lightroom user interface is divided into five distinct environments: Library, where image selection takes place; Develop, where color is managed and

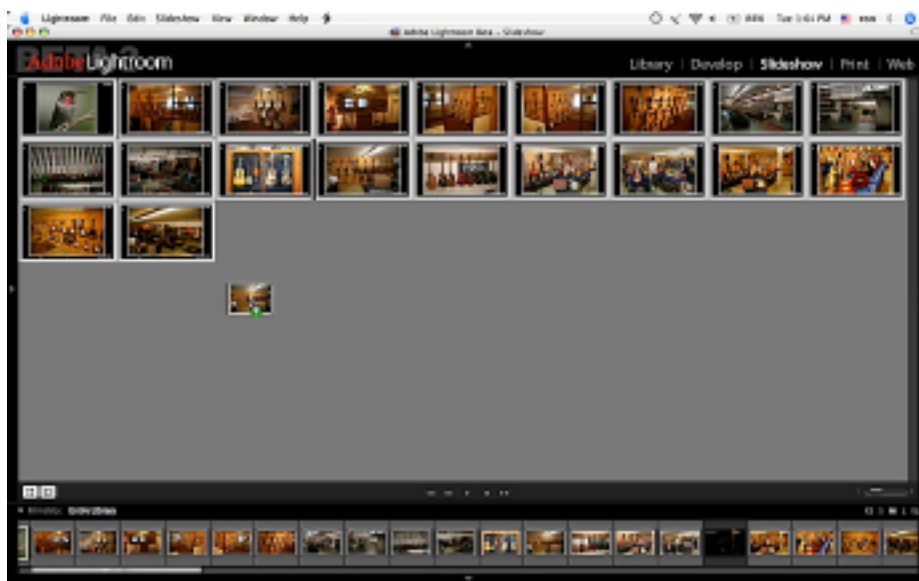
Slideshow seems tacked on to match other Lightbox applications. The only output currently available is PDF.

Camera Raw images can be altered; Slide show, for viewing and creating presentations from images, including the ability to add descriptive text; Print, which provides for direct output of Lightroom files with color profile control; and Web, where images can be transformed into HTML or Flash galleries or slideshows.

Since Lightroom affects changes to images by writing descriptive instructions on what to do to an image, the original image is not itself altered. This non-destructive editing is a common characteristic of Adobe Camera Raw photo editing.

It's important to note two things related to Raw image processing. First of all, compatibility with Bridge, Photoshop and Lightroom, as far as Raw images is concerned, is important today and will continue to be important tomorrow. This function will continue to improve under the guidance of Tom Knoll, über-programmer and the inventor and chief developer of Photoshop and Adobe Camera Raw. It's also obvious that the acquisition of Pixmantec ApS of Copenhagen, Denmark, and its popular application RawShooter, along with all of its underlying technology, will exert a positive influence over the development of Adobe Camera Raw moving into the future.

The Print function, for instance, is as close to simplicity as it gets. It really comes down to two choices: using the printer profiles and ColorSync, or using Lightroom-supported printer profiles and choosing the rendering intent. For some people, this is too simple, and users are demanding enhancements to the Print function so that it can be used for high-quality output. At the moment the focus seems to be on making Lightroom a superb contact sheet printer and additional development of the Print function for direct output seems to be in order.



Forums and Podcasts

The forums and Podcasts are among the best features of the Lightroom beta program. These forums, open to all, provide a rare glimpse into the type of interaction usually reserved for the relatively few who take part in beta testing. Adobe said 60,000 downloads of Lightroom occurred in the first week of availability. In its first two days of availability, the Podcast tutorial was the most widely downloaded technology Podcast.

The Lightroom Podcasts provide direct insight into the issues being raised by Lightroom forum respondents, industry experts and Adobe engineers. It's unusual to hear such an open and frank discussion about the issues developers face in building products. They address users' practical and workflow

needs while keeping the discussion simple and respecting the compatibility requirements of legacy assets.

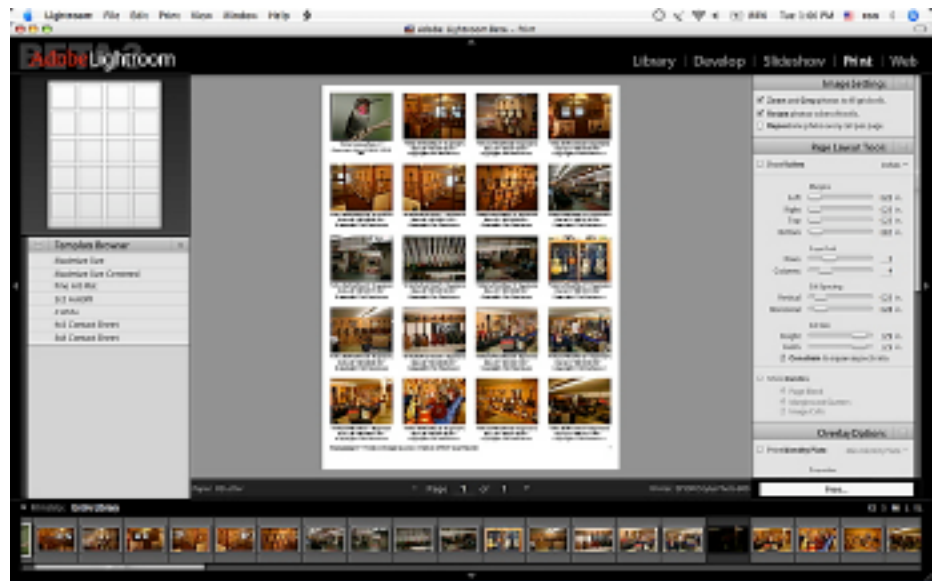
I was delighted to find a surprisingly well-done set of Podcast productions created by George Jardine, Adobe photography evangelist and a member of the development team, in support of Lightroom. Jardine moderates the series and key participants include Knoll; Mark Hamburg, architect and technical director of Lightroom; Bruce Fraser, an author and consultant known for his important guides to Photoshop, color management and digital photography; Chicago-based commercial photographer Jeff Schewe; Zalman Stern, Adobe senior computer scientist; and Michael Jonsson, founder of Pixmantec and the creator of Rawshooter.

During these conversations, the participants provide stripped-down descriptions and explanations about Adobe Camera Raw, color management, photographic workflow essentials and software design. Although each panel member is careful not to give away any secret recipes, their explanations about the issues they face when creating user interfaces to illustrate color levels and tone curves and the discussion of their concerns that the camera Raw instruction set for legacy images be managed while improving the functionality in future versions are enlightening. So is the discussion about the extent to which Photoshop-lite image editing will be allowed in Lightroom.

The question of image editing is a recurring theme in these sessions and clearly there is some push and pull between developers and users over which pieces of Photoshop to include in Lightroom. Not mentioned is the very real overlap between Lightroom and Bridge, which provides tools to select images, search, add metadata and link to Photoshop for Camera Raw manipulation.

Whereas Bridge is a bare-bones digital asset repository, Lightroom and its managers seem to be resisting movement in this direction.

The easiest way to get these Podcasts is through an iTunes subscription. The first two of the 12 sessions are Getting Started Guide to Adobe Lightroom and Color, and Tonal Correction Basics with the Project Lightroom Beta. The other Podcasts run between 28-48 minutes and cover a broad range of photographic and Lightroom subjects. For example, in Podcast No. 5, printing is the primary focus of guests Mark Holbert and musician and photographer Graham Nash of Nash Editions. This wide-ranging Podcast covers the state of the acceptance of digital prints, archival inks, new substrates and so on.



The Elephants in the Lightroom

It's difficult for any of us, the developers of Lightroom included, to ignore the elephants in the room: digital asset management and its precocious sibling, metadata. In simple terms the digital asset manager is the database that organizes the assets and tracks their movements. High-end systems focus primarily on security, enterprise robustness and customizability, whereas low-end systems resemble lightboxes and include a suite of functionality that is designed specifically for the individual user or small workgroup and is less customizable. Oversimplifications to be sure, but both ends rely on databases. At the high-end it might be Oracle or Microsoft Enterprise while at the low end it might be MySQL or the built-in file structure of the operating system.

One of the features that Lightroom testers most frequently request in their feedback is some form of DAM. Of course, it's possible to extend this request

Print is a great proof sheet generator. Users hope that the print engine will be industrial strength and will not require Photoshop for direct output of commercial-quality prints.

Web is the wild card. Removed from Beta 3 for further consideration, initial iterations might have been too simplistic.



and ask that Bridge become a true DAM system or that interoperability be built into Lightroom that would allow seamless connectivity to third-party DAM solutions, such as Portfolio and Cumulus. Either way, the lack of such file management is a glaring omission.

The other elephant in this Lightroom is metadata support. While a case can be made that comprehensive metadata support and a DAM solution go hand in hand, it's also true that a solid metadata solution precludes any specific DAM affiliation. Providing a way for users to tag their images after making their selections as part of the Library function and managing an

DAM and metadata will be crucial to Lightroom's success as a photographer's workflow and one way or another, Adobe will have to fill in the gaps in its proposed Lightroom solution.

index of these files just like a database eliminates the need for a more formal database for low-end use. File hierarchies can still be set up through the operating system and searches for relevant files are based on metadata. This is the approach Apple and Microsoft are taking with their latest operating systems (Mac Tiger and Microsoft Vista). The effect is of a distributed database, an extension of which can be managing data stored offline.

DAM and metadata will be crucial to Lightroom's success as a photographer's workflow and one way or another, Adobe will have to fill in the gaps in its proposed Lightroom solution. On balance, the decision about how to implement these missing pieces seems easier than deciding which of Photoshop's image-editing functions to add to Lightroom. Adobe seems to have some time while Aperture continues to find its way. Adobe will probably charge about \$299 for Lightroom, which is also the current price of Aperture.

To justify this price, Adobe will probably have to add tools such as a healing brush, an explicit but rudimentary DAM solution and a metadata template scheme.

Our Take. While Adobe is obviously walking a tightrope building Lightroom and "borrowing" functions and tools from Photoshop, it's also clear that the company recognizes that doing so will help recover whatever market share it is losing to Aperture, iPhoto, Adobe Elements, iViewMedia Pro and a host of other applications that are more appropriate for photographers. Photoshop has always been too much of a good thing even for professional photographers and iPhoto and Elements have never been good enough.

One of the key ingredients in the eventual success of Lightroom will be the implementation of Adobe Camera Raw (ACR). Professionals are saving more camera images as ACR and as the inventor of the toolset to manipulate this format, Adobe can provide functionality few others can. Adding Pixmantec technology serves to strengthen this position.

We hope that enough tools will be added to do image "spotting" and cropping to make the file good to go directly out of the Develop mode. We also hope for satisfactory performance on notebook computers, the most common in-the-field computer.

Creating software is never easy and photographers are hardly shy about asking for what they want. Adobe's effort to respond to the needs of the market, and in the process introduce an efficient new workflow, seems to be on the right track. While it's easy to connect this new development to lessons learned from years of feedback from Photoshop users, it's also likely that since so many engineers on the Lightroom team are digital camera users themselves, this new development was inevitable. **TSR**

About the Author

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Xerox Tightens Up High-Volume Product Line

BY KURT K. WOLF

This spring, Xerox invited selected journalists to England for its third annual European industry analysts briefing. Armando Zagalo de Lima, president of Xerox Europe, and his top managers reported on the results of the previous year and offered a glimpse into the future.

The first quarter of 2006 was disappointing for Xerox, with a drop in sales and stagnant profits. Sales were \$3.695 billion, down 2% compared with the year before. Quarterly earnings were unchanged at \$0.20 per share, and the gross margin sank 1.6% to 40.2%. (For the second quarter, Xerox reported earnings of 26 cents per share on total revenues of \$4 billion. The gross margin was 41.1%.)

Armando Zagalo de Lima, president of Xerox Europe, reported that Xerox debuted 49 new products in 2005, which means that 95% of all Xerox products were introduced within the past two years. Two-thirds of Xerox's revenues came from these new printers and other products. The company added new machines, such as the iGen3 90 and the Xerox 4590 copier/printer, in the first quarter of 2006.

One challenge that Xerox faces is that customers expect more and more services along with each product. In 1986, it was enough just to build a good printer, deliver it to the customer and let him run it. Ten years later, large customers were asking Xerox to run a local print center in which the customer's printed materials could be produced, assembled and distributed. Today, many customers want Xerox to help with the design and development of documents, which Xerox then produces — not just on paper, but also on CD and the Web.

In summary, Zagalo de Lima said his customers expect more than just technology, so services in support of Xerox's core products have grown increasingly important.

Global Services. Shaun Pantlin, director of Xerox Global Services Europe, presented the Global Services operation, which in 2005 brought in \$3.3 billion in revenue with about 15,000 employees in more than 160 countries. In Western Europe, Xerox is active in 17 countries, with 4,000 employees and has 1,200 outsourcing contracts.

From both its own research and outside sources, Xerox has learned that a manager typically spends half of his time on document preparation and that compa-

nies think that well-managed documents provide a competitive advantage and are therefore important to business success. Most companies don't measure the cost of document management, however, which amounts to between 5% and 15% of sales. Moreover, these companies believe they need to simplify their document management. As a result, Xerox Global Services can take over a customer's financially oriented business processes, such as accounts receivable and reimbursement of travel costs and other expenses, as well as accounts payable. In addition, Xerox manages surveys, correspondence, mailing-list updates, credit card and cell phone billing, and insurance for some of its customer companies, including a cell-phone manufacturer from Finland whose global offices are run by Xerox. This cell phone maker uses printers from various vendors to produce 120 million pages per year in 60 countries. The four-year contract is worth \$45 million to Xerox.

Document Processing. Monica Beltrametti, director of the Xerox European Research Center, discussed the automation of document management. With "Smarter

Armando Zagalo de Lima, president of Xerox Europe (left), and Valentin Govearts, head of the Production Color group (right).





Xerox's biggest announcement was the Docucolor 5000, which replaces the 2045, the 5252 and the 6060.

Document Management," unstructured documents can be converted into structured ones, manual and labor-intensive processes can be automated, and processes involving complex or even completely superfluous steps can be converted into productive workflows. Xerox's "Clusterix" program is used to analyze document contents and group similar documents together. Then its "Categorix" program can automatically file new documents, even when complex search trees are involved.

Production Color. Valentin Govearts discussed the Production Color group, which he leads. When Xerox introduced the Docucolor 2000 family in 2000, the company reached a level of color quality that the market embraced enthusiastically. With the iGen3, Govearts said, Xerox has improved the quality even further and reached "offset" quality.

Xerox's new Freeflow workflow package handles all the requirements of digital printing and also integrates with offset workflows. Freeflow can already feed the Heidelberg Prinect Printready and the Kodak Prinergy workflows. Other workflow integrations are in development. At the same time, offset printers can communicate with Freeflow from their existing offset workflows.

Ipex. Ipex was a tremendous success for Xerox, with 35,000 visitors registering at its stand, including 3,000 Xerox customers from outside of England. About 30% of all inquiries concerned "Freeflow" and various

applications, and customers signed sales contracts for 65 Xerox printing systems.

Applications drive the growth of digital printing, and printing with personalized images grew at a rate of 40% in the first quarter of 2006 alone. More and more suppliers are offering to print greeting cards over the Internet, and 16 iGen3s are already involved in printing photobooks in Europe. Similar growth is occurring in personalized jobs for companies such as cell phone vendors and travel services.

Xerox tidied up its line of production printers at Ipex and in May. On the black-and-white front, Xerox Printing Systems introduced the 4110 Enterprise Printing System with two models (90ppm and 110ppm) that are well-suited to printing on demand and transactional printing. They also offer an ideal basis for later growth. The Nuvera 100 and 120 versions of the Basis Finisher Module Plus are now available with a second printing module, which doubles their printing capacity.

In the color area, Xerox showed its previously announced iGen3 90, which filled the gap between the Docucolor 8000 (80ppm) and the iGen3 110 (110ppm). The DC 8000 is available for a European list price of 295,000 euros and the iGen3 110 for 628,000 euros (plus 30,000 euros for a Creo or EFI front end). Priced at 465,000 euros (plus 30,000 for a front end), the iGen3 90 fits right between them, making it easier for a printer to get started with iGen3 technology. This also helps Xerox compete against the HP Indigo and Nexpress.

The biggest announcement in May was the Docucolor 5000, a 50ppm machine that uses the same technology as the Docucolor 7000/8000 and replaces three models: the 2045, the 5252 and the 6060. It prints on substrates from 60 to 220 grams/square meter in weight at 50ppm and only slows down to 33ppm when the weight is in the 221 to 300 gsm range. The three machines it replaces had to slow down to 30ppm beginning at 140gsm. These speeds apply to both coated and uncoated paper, and automatic duplexing is now possible up to 200 gsm.

Given the resolution of 2,400 x 2,400 dpi, the print quality is just as good as it is with the larger models, and the same finishing options are available, too. The three choices for a color server are Freeflow DocuSP, Kodak Spire and EFI Fiery.

TSR

Print Via the Web, Quickly and Confidently

BY KURT WOLF

Last December at its workshop on e-business, software company Hiflex demonstrated how printers and their customers could profit from working together using the e-business module of the company's MIS system.

Hiflex, a family-owned business in Aachen, Germany, has built three versions of its modular management information system, also called "Hiflex": one for printing companies (Hiflex Print), one for cross-media companies (Hiflex Crossmedia) and one for ad agencies and prepress companies (Hiflex Media). The three modules of the MIS system are Office, Factory and eBusiness.

The Office module does estimating and job management, CRM, inventory management and document management. The Factory component handles operational data and shop-floor data collection, scheduling, delivery management and the JDF interface. And finally, the eBusiness module takes care of online PDF creation, ordering from inventory, customer inquiries, fulfillment, data management and online proofing. Hiflex is one of the most successful systems of its kind. Its software is installed at more than 300 sites worldwide and it has more than 10,000 licenses in 16 countries and in 18 languages.

An early adopter of JDF, Hiflex considers itself to be among the leaders in JDF networking technology, and the company claims to have installed JDF at more sites than all other MIS providers put together. Hiflex also won two of the three prizes at the CIP-4 Innovation Awards in 2005 and received an honorable mention in the third category.

e-business

Hiflex held the workshop to present its business model for "e-business," as well as to demonstrate the functionality of the eBusiness module, which many customers have used, according to Hiflex Business Manager Stefan Reichhart. While the Internet had historically been used as a marketing tool, sales channel and a means for increasing efficiency, today it is more often used to implement new e-business models. (By "e-business," we mean the management of business processes over public networks using Internet technology.)

The simplest form of e-business is business to consumer, such as customers ordering books or booking flights over the Internet. The more complex business-to-business e-commerce entails cooperation between a

provider — in this case a printer — and a client company over the Internet. But there can be three different versions, including enterprise resource planning, or ERP; e-commerce over an open marketplace; and interaction with customers using software specific to a certain industry, such as printing.

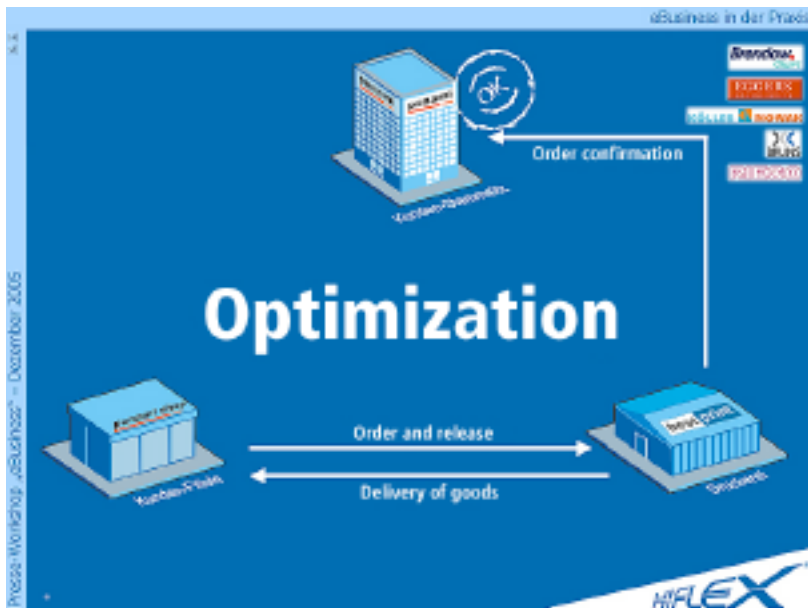
The ERP approach links the printer to the customer's inventory-management system (for example, an Oracle or SAP system). Several American firms

Putting printing jobs out for bids with the goal of finding the cheapest provider was a failure at the time, but that has since changed...

unsuccessfully initiated open marketplaces at the end of the 1990s. While they attracted lots of print buyers as customers, they were spurned by printers, who successfully boycotted the systems since their margins even back then were too small to share with the Internet firms. Putting printing jobs out for bids with the goal of finding the cheapest provider was a failure at

The production of business cards in large companies today requires eight transactions.





With eBusiness, the production of business cards is reduced to three transactions.

the time, but that has since changed, with large purchasers such as Novartis bidding out their printing over the Web. In this case, other criteria are evaluated in addition to price.

There are also “closed” markets, in which a print buyer chooses to be linked only with selected printers. The Drömer-Knauer publishing company, for instance, sends 80% of its work to selected printers and monitors the production process over the Internet.

Hiflex designed its eBusiness module to create a shared workflow between printer and client. Among the approximately 30 companies using it are some multinationals, like the pharmaceutical company Novartis. Reichert described several methods that customers have developed for working with Hiflex.

Customers can check products in stock or the status of a processed order at any time.

Ordering Finished Goods (Fulfillment).

Printers typically offer as a service the warehousing of finished or semi-finished jobs. For an order of a given

quantity, five transactions are typically required today:

- an inquiry to the printer about the number in inventory,
- a response to the customer,
- an order from the customer,
- an order confirmation back to the customer, and
- the delivery of the ordered material.

With Hiflex’s eBusiness, the customer can check the inventory over the Web and place an order. The printer simply delivers it and no order confirmation is needed. To see how this works in practice, you can run the Hiflex demo (www.koellernowak.de) by Köller + Nowak, a Hiflex customer in Düsseldorf.

Personalization

A more challenging task is the production of the smallest personalized print products: business cards. Here, eight transactions are usually required, but eBusiness reduces this to three. Not only does this save on time and cost, it also reduces errors. A sample calculation showed that the customer saved at least 90 euros just by avoiding transaction costs involved in ordering, checking proofs and customer sign-off.

Data Transfer

Using the Hiflex Uploader, data received via ISDN, such as data checking and processing in OneVision Speedflow or file-checking using a less comprehensive preflight program, can be taken directly into the system by eBusiness and placed in hotfolders for further processing.

Customer Sign-Off

This is where the efficiency of eBusiness is particularly evident. Instead of the typical shipping back and forth of hard-copy proofs (often multiple times), the prepress department makes a PDF of the print-ready job and puts in the “Ok-2-Print” folder. The customer is automatically sent an e-mail with a link to the PDF, where the customer checks the PDF on the printer’s server. He can then either sign off on the job or specify the corrections that are needed. After receiving an e-mail with a link to the corrected job, he can sign off on it.

Since all transactions, from the placement of the order to the work in process through to the warehouse are documented, the customer can check on the status of any jobs at any time, saving the customer and the printer from time-consuming inquiries.

In the printing business,



as in other industries, there are large jobs where the customer only takes part of the run initially but insists on being able to get additional quantities very quickly. In such cases, eBusiness allows the most-needed items to be reserved in the warehouse or at a supplier, where they can be retrieved immediately when required.

Ingo Nowak provided a practical example of the successful use of eBusiness. His firm, Köller+Nowak, is a full-service printing company with 12 employees and sales of just under 2 million euros per year. For prepress, Köller+Nowak uses a CtP system driven by the Kodak Prinergy workflow. Plates are routinely imaged using Staccato FM screening. In addition to being networked with its customers, Köller+Nowak is already networked internally. Since April 2005, the Prinergy prepress workflow and the Hiflex MIS system that the company uses have been connected with JDF. Printing is done on a five-color Speedmaster 52 and a four-color Speedmaster 74, and the finishing area includes cutting, folding and gathering equipment. In June 2005, Eckhard Bölke, head of the German institute for rational business management in the printing industry (IRD) visited Köller+Nowak to perform a capabilities analysis. His interest was piqued at an IRD symposium at which Köller+Nowak was singled out as a firm that exemplified “best practices” in the area of “automation through e-business.” Bölke wanted to see if this opinion was supported by objective measurements.

The analysis distinguished the following functions: inquiry, catalog of products and services, job archive, job tracking, fulfillment from the warehouse, personalization, sign-off process and data transfer.

Nowak indicated how many of his customers used each individual function (many of them used multiple services). Then, based on Web-server statistics, it was possible to calculate how often the individual functions were actually used. Bölke then summarized the amount saved by the clients and the printing company. These were his results:



With eBusiness, Ingo Novak can save 30,000 euros every year.

Multiplying the number of Web accesses by the values in the first table showed a savings of 29.7 hours per month for the printing company, in addition to courier costs. At a 12-person company like Köller+Nowak, that amounts to 30,000 euros per year. This is a savings of 1.67% of sales, independent of company size. In addition, the time to complete a job was reduced by an average of two hours.

“We’ve been following this business model, which we call ‘ebusiness@print,’ since the beginning of 2002,” Nowak explained. “It produces noticeable additional value for our customers. It was preceded by an investment in the business package from Hiflex, which I stumbled on via a Google search. I was astonished that back in the fall of 2001, it had already incorporated the e-business functions into its overall framework,” he said.

“If we hadn’t gotten into e-business, we would never have been this successful today. Now, we can’t imagine what it would be like without e-business.” Unequivocal words from a print entrepreneur. **TSR**

In The Bulletin Since Last Issue

Volume 11, No. 26 August 10, 2006

NewspaperDirect Inc. signed an agreement with Beijing Founder Easiprint Co. Ltd. that will enable foreign newspapers to be printed in the People's Republic of China for the first time; FedEx Kinko's introduced a new store format designed for superior customer service and convenience; The U.S. Government Printing Office has selected Harris Corp. to help develop a world-class Future Digital System; Harold Glen Walker has been named chief financial officer and executive vice president for the U.S. Postal Service; Quark Inc. announced the immediate availability of QuarkXPress 7 as a Universal application for Mac OS X 10.4; Solimar Systems Inc. and Xerox Corp. announced a partnership that will couple Xerox consulting and managed services with Solimar's enterprise output management software; Monotype Imaging Inc. acquired Linotype GmbH; Artwork Systems Inc. is hosting free workflow automation seminars in 20 cities throughout the U.S. and Canada in August; Prepress Training Solution announced comprehensive training for Insider Software's newest version of its popular font management software, FontAgent Pro 3.2; Tensor Group Inc. introduced its newest single-width product offering, the T-500; Stora Enso announced the launch of its new Productolith Pts ("points") coated cover grades for heavier-weight print applications and special projects; Océ announced the Océ Pro-Select line of instant dry media designed for 17- to 60-inch photo and proofing printers; EFI announced the formation of the Web Products User Advisory Council to facilitate a two-way dialogue with customers of its popular Web solutions; According to a new forecast report by InfoTrends, shipments of document-class scanners have grown at over 50% for the third straight year; Scaillex Corp. Ltd. entered into a reorganization agreement with senior management of Jemtex InkJet Printing Ltd.; Four51 announced its newest program to

help customers get the most out of the Four51 application; Eastman Kodak Co.'s board of directors has elected Laura Quatela as a vice president of the company; Georgia-Pacific Corp. named James Hannan the company's new president and chief operating officer.

Volume 11, No. 27 August 17, 2006

Total magazine rate-card-reported advertising revenue for July increased 3.7% compared to the same month last year, closing at \$1,639,714,241, according to Publishers Information Bureau; Xerox Corp. said it expects to raise \$400 million through a senior unsecured note offering; An aging workforce and an emerging "baby boom" retirement wave are driving more companies toward "strategic workforce planning," the Conference Board reported in a new study; Quad/Graphics said that through its seed-tracking program, customers can see in real time via its Smartools Web site when mailings arrive in a home; Corporate self-evaluation forms are now available from the NAPL (www.napl.org), the trade association for excellence in graphic communications management, for its Management Plus program; Xplor announced the Xplor Document University, an ongoing program of technical, executive and professional development programs and products; Research performed by the Printing Industries of America/Graphic Arts Technical Foundation (PIA/GATF) shows that make-ready in the bindery can be significantly improved by using JDF-enabled workflows; Ricoh Corp. launched the Priport DX3340 digital duplicator; Muller Martini introduced a new VPN book spine nozzle that will equip print production operations to take full advantage of polyurethane reactive's benefits even when running jobs at high speeds; Costco is replacing some plastic clamshells with Natralock, a new paperboard-based

product; Jet introduced the capability to print on NatureWorks PLA (polylactic acid), a corn-based plastic; PAT Technology Systems Inc. is introducing the world's first true digital UV coating systems capable of variable data coating and variable data printing; Workflow Management Inc. signed a share purchase agreement to sell 100% of the outstanding stock of Relizon Canada Inc. to The DATA Group Income Fund; Mitsubishi Imaging Inc. announced the immediate availability of an optimized color-proofing solution featuring Diamond Jet proofing papers; Océ introduced the Océ Media Guide; Océ announced PRISMAweb 3.0, a new release that the company said adds extensive functionality for Web-based workflows; Neenah Paper Inc. signed a definitive agreement to purchase FiberMark's German subsidiaries for \$218 million; Group Logic announced that CGS Publishing Technologies is licensing ExtremeZ-IP with its Oris Color Tuner systems to enable Macintosh publishing and prepress shops to easily print to Oris Color Tuner; Quark Inc. announced the availability of its free 30-day evaluation QuarkXPress 7 software; Quark announced that Meadows Publishing Solutions has released new XTensions software to support QuarkXPress 7; Curtis Fine Papers announced the launch of Curtis Secure Self Adhesive security paper. **TSR**

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