Company Profile and Background
AGS is a $30+ million printer of one- and two-color books, journals, directories, and looseleaf books, located in White Plains, Maryland, about 35 miles southeast of Washington, D.C. AGS, founded in 1975, serves the trade association, foundation, and professional association markets with a full range of publishing applications. AGS provides electronic services such as database management, CD-ROM development, replicating and duplicating, and Internet development and hosting. AGS has digital presses, large sheetfed and heatset web equipment, and a full bindery and mailing operation.

AGS is owned by Consolidated Graphics (CGX), a $850+ million publicly-traded company headquartered in Houston, Texas, with 70 printing facilities in 25 states. CGX employs approximately 5,000 people and is the largest sheetfed and halfweb commercial printer in the U.S.

AGS has a history of diversification and development of ancillary services. John Green, President of AGS, says, “Ink on paper is still our steak, and the ancillary services are our appetizer.” The result of this customer-focused, forward-looking approach has been growth from $3 million to $30+ million, with strong profit margins.

This approach has allowed AGS to differentiate its services from an ink-on-paper commodity. Twenty years ago, it began offering database management services. John Green, President of AGS, says, “Ink on paper is still our steak, and the ancillary services are our appetizer.” The result of this customer-focused, forward-looking approach has been growth from $3 million to $30+ million, with strong profit margins.

This action opened the door to AGS’s success in the directory niche. At the same time AGS was pioneering database management, it began to offer short-run copying services, which was the precursor to its digital business. AGS began to provide mailing services eighteen years ago, CD-ROM services twelve years ago, Internet services seven years ago, and print-on-demand via e-commerce three years ago.

50% of new AGS clients come in because of digital color capabilities.
80–85% of the iGen3 production volume is new business.
60% of new digital color production is additional business from current customers.
Consolidated Graphics (CGX) gets dramatic benefits from its expanding digital color capability.

Results are exceeding expectations for profitability, growth of existing accounts, and new business. In fact, 80–85% of AGS’s production on the iGen3 is new business. And ROI breakeven for the iGen3 occurred within 3 months of installation — far ahead of the forecast.

Situation and Need
AGS determined in mid-2003 that it needed digital technology to manufacture book covers in short runs. It embarked on a search for the right technology and a good partner.

Xerox Response
Xerox’s North American Sales Group assembled a team of qualified Pre- and Post-Sales Analysts, an iGen3 Tiger, a Solution Development Manager, and a Field Service Technician. This team worked with the AGS team to understand its requirements and propose an appropriate solution.

One of the innovative iGen3 technologies that impressed AGS was the closed-loop system that precisely adjusts quality and registration during printing, similar to controls on the most expensive web presses.

Another Xerox advantage, from AGS’s perspective, was the full complement of business development programs and tools designed to help a printer build a new line of business. AGS knew it needed a partner who could do more than just ship equipment and deliver “break/fix” services.

CGX/AGS Realized Benefits

ROI breakeven for the iGen3 digital color capability occurred within 3 months of installation.

Book cover production costs are down 20–40% with the iGen3 vs. traditional offset litho printing.
AGS selected Xerox as its partner and installed a Xerox iGen3 in January 2004. The iGen3 was operational in less than two weeks.

John Green says, "Xerox has been a great partner; they consistently orchestrated the resources we needed and delivered a solution for generating profitable new business. We all know how hard it is for commercial printers to land new business today when so many traditional printing customers shop on price. That's why I'm so pleased that 80–85% of AGS's production on the iGen3 is new business, and that we are winning it by adding value, not by cutting price."

**AGS's iGen3 Business**

Less than twelve months after installation, the iGen3 is producing short-run, full-color textbooks, brochures, covers, agency work, and marketing materials. AGS has also test-marketed a new magazine for a publisher who wanted to assess market potential with a short run.

Customers are willing to pay for next-day delivery of marketing materials produced with outstanding image quality and registration. In addition, customers are taking advantage of AGS's database skills to produce personalized direct mail with unlimited variability of both images and text.

20% of AGS's jobs today are run on the iGen3; 80% are traditional offset printing. Books, covers, tabs, and color inserts have all been migrated to the iGen3 from offset equipment whenever short runs are feasible.

The synergy of offering both offset and digital printing has brought AGS new customers, increased its share of existing customers, and increased short-run capacity to meet customer demands. The AGS Web-based reordering system has been expanded to handle an increased volume of reprints.

**AGS's iGen3 Benefits**

AGS runs a tight financial ship with integrated cost management, estimating, and financial systems. It measures all relevant revenue and profit metrics for customers, jobs, printing devices, workflow, sales reps, lines of business, and overall performance.

AGS expected to be highly profitable when it achieved 500,000 impressions per month on the iGen3, which it estimated would occur nine to twelve months after installation. Its actual breakeven occurred much faster, within three months of installation when it was producing 350,000 impressions monthly.

The iGen3 did not require new hires or additional staffing. In fact, it provided a career growth path for existing AGS prepress staff, who now manage and support the digital printing line of business.
Consolidated Graphics used conservative assumptions to project a 28–29% ROI over twelve months, and the AGS team expects to realize this goal for a capital investment in the $600–750K range. Now, the Digital Division has enhanced and increased the overall company profitability.

AGS is enjoying dramatic improvements in cycle time and turnaround with the iGen3 digital workflow. In traditional print workflow, it would take one to two days to get a book cover produced and into the bindery. With iGen3, it is a couple of hours from the print run until it is delivered to the bindery.

At AGS, the digital workflow and the offset workflow begin the same way — with Adobe® Acrobat® PDF files. Once the files have been set up, they can be directed to theCreo® Spire™ Color Server which feeds the Xerox iGen3, or they can be sent to the computer-to-plate system and the subsequent offset presswork steps. Because the offset workflow requires several additional steps, it typically results in longer turnaround time.

New digital color capabilities have attracted new customers. AGS says 50% of their new clients came in because of digital color capabilities. This includes new accounts in new markets — advertising agencies, healthcare, and corporate clients.

Existing accounts have awarded AGS incremental new business as a result of the added capabilities. 80–85% of the work running on the iGen3 is work that they never got in the past. And 60% of that new work comes from existing customers.

The Digital Division is also helping the offset business. Thanks to the new digital workflow, it is seeing increased opportunities to bid on more traditional work with new and existing customers.

With the iGen3, book cover production costs have dropped for runs under 3,000. Book covers have 20–40% lower production cost on the iGen3, driving profits right to the bottom line. 80% of the runs under 3,000 impressions are now done digitally.

**Other Facts**
- 3,000 covers is the breakeven point from a production cost standpoint between iGen3 and offset litho.
- Unprotected (without coating or lamination) iGen3 output has better rub and scuff resistance than unprotected offset litho output on similar stock.
- Profitability on a shift of the iGen3 is as good as profitability on two shifts in the offset litho environment. This is important to realize because AGS is a profit leader (+10%), and all printers know that the closer you get to full utilization, the more profitable you become, no matter what equipment you are talking about. John Green is looking forward to filling up a second shift on the iGen3 because it will be “like printing money.”
Automated Graphic Systems
quantified benefits from Xerox iGen3.

- 80-85% of iGen3 production volume is new business.
- 60% of new digital color production is additional business from current customers.
- 50% of new AGS clients come in because of digital color capabilities.
- Book cover production costs are down 20–40% with iGen3 vs. traditional offset litho printing.
- 20% of AGS’s jobs are now digital color, running on iGen3.
- Cycle time in book cover production has improved 96%.
- 80% of short runs (under 3,000) are now done digitally.
AGS’s Customers Realize Benefits from iGen3
AGS’s publishing customers report that they have realized new revenue through the sale of versioned books, newsletters, and periodicals which contain content targeted to specific audiences. Versioning also allows these publishers to sell different advertising in different markets and regions.

AGS educated its customers about the advantages of migrating traditional offset printing to digital printing for the purpose of taking advantage of this type of personalized communication. The benefits were described by several customers as “truly powerful.”

AGS Business Development for iGen3
AGS took advantage of all Xerox business development programs and marketing tools, including Customer Open Houses, Marketing Partnership Program training, ProfitAccelerator®, Digital Business Resources CD, Designing for Digital Workshop, Sample Portfolio, Marketing Accelerator Kit, and PR Kit. AGS is also a member of Premier Partners, an international network of Xerox digital printers.

AGS invested in marketing materials for digital printing, creating some of its own and using some of Xerox’s templates. The materials have been effective in introducing new services to existing customers and in winning new accounts. The benefits of both short-run color and variable data applications must be presented and sold, and AGS developed the tools to enable this sales process.

AGS worked with its sales reps to assure that they grasped “the big picture” of a new business opportunity. The smaller size of digital printing jobs ($1–3K) can be an obstacle with a selling team accustomed to larger traditional offset jobs ($40–50K). AGS helped its selling team transition from selling jobs to selling programs. The sales management and leadership investment paid off; while AGS acquired the iGen3 to produce book covers, much of the iGen3 volume today is incremental new business such as personalized direct mail.

Future Opportunities for AGS and Xerox
John Green and his team at AGS are optimistic about the future. They see print rebounding, media specifiers realizing ROI on print initiatives, and many new products becoming available with digital printing. Their commitment to change and to continue to provide new ancillary services is unshakable. These new services will catalyze growth and enable more traditional print opportunities at fair profits.