

ACHIEVING PERFECTION IN A HIGHLY COMPLEX MARKET



Disc Graphics' successful approach to a diversified and complex product mix includes a comprehensive market strategy along with state-of-the-art investments.

By Nick Griffin

Senior Vice President of Marketing John Rebecchi with the company's new Expertfold.



Most converters strive for the highest levels of throughput, putting their major focus on efficiency. A smaller group specialize in mastering techniques and special processes that set them apart from their competition. For over four decades, US based Disc Graphics has worked to maximize both in order to build a highly customer-focused, creative force in high-end folding carton and related packaging.

Located in Hauppauge, Long Island, about 80 km east of New York City, Disc Graphics was founded as a 'captive' printing facility for a record-pressing plant across the street. Eventually that facility was acquired by American Can Co. Fast forward to the early eighties and

Don Sinkin, the CEO, along with a few other key individuals, bought the company with, what was by today's standards, a tiny leveraged buy-out. "At the time, we had 19 employees, 12,000 sq ft of space and a dream. That's when we started transforming from a producer of a single product — record labels — into a diversified folding carton packaging company," explains John Rebecchi, Senior Vice President of Marketing.

When asked, 'Why folding cartons?' he replies, "Don had experience in the folding carton industry. So he acquired a small gluing trade shop and that allowed us to not be just in the entertainment/record label business but also our

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own in-house folding carton converter. We built on it from there. We already had diecutting because, in addition to the labels, we were diecutting record album jackets which, prior to acquiring our own gluing capabilities, we had been sending out for that final stage of converting."

Disc Graphic's core market matured from records to 8-tracks and cassettes, to CD's and then its customers, who had been distributing only music (products), began distributing video cassettes which became a big part of the business for many years. "Since we already had the folding carton capabilities, that put us in a position to go after VHS packaging in a big way," Rebecchi says. "Today, that's matured into things like high-end and special release DVD packaging for major film studios and even software and video game products."

Currently, entertainment related packaging is just a part of Disc Graphics' customer base. "From that we began getting into pharmaceuticals and cosmetics," says Margaret Krumholz, President. "We've been in that business for probably 25 years now. If we had stayed in the original business we wouldn't be here today, so diversification has been a big part of our strength. Yet it also creates one of our biggest challenges in terms of being up to speed with different markets. We're on press with a cosmetics job in the morning, a pharmaceutical job in the afternoon and an entertainment job that night. Our entire group, from sales and customer service right through shipping, is now just so used to a diversity of work and we're very effective at it.

"We're strategically located at the epicenter of two industries here in the Northeast. If we take a map and draw a

circle of about 200 miles from where we're located we capture well over 300 pharmaceutical companies," she continues. "For them, possibly the most important factor is location, easy access and the fast turnaround times we provide. Add to that the fact that Manhattan and the tri-state area is the home of so much of the cosmetics business and we've been in the right place, with the right capabilities, at the right time."

Rebecchi adds, "We look at ourselves as very much a niche player. We've differentiated our place by carving out certain markets and building out an infrastructure around that market that best services those customers." And what are some of those capabilities? While not every carton coming out of Disc has Hexachrome printing plus two types of UV varnish, combined with cold foil which is then embossed using a custom sculptured plate and diecut before being folded and glued... many of the items do. These capabilities make Disc one of North America's high-end packaging leaders.

Quality Control is Key

"When we looked at highly complex specialty items as a market around which we wanted to develop a core competency, we asked, 'What are the necessary strategic investments and training to do that?' We believe that having quality control systems, from front to back, is a key. Everywhere we can we've built in software and digital vision systems to assist our operators with a state-of-the-art workflow throughout. After an automated pre-flight pre-press

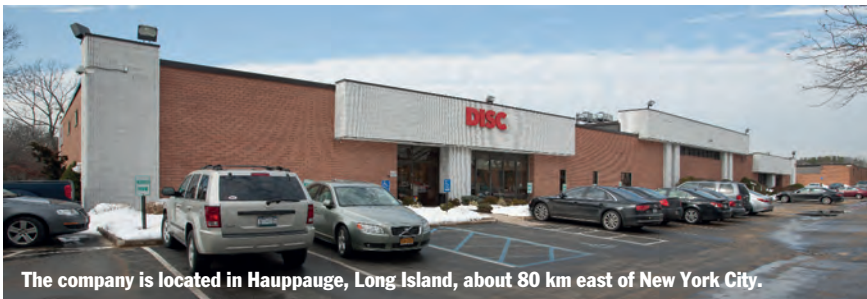


President Margaret Krumholz shows the many types of special effects used on a recent self promotion piece for the company.

management system our newest (printing) press is equipped with a print quality inspection system which uses high speed digital cameras to capture information and look for any defects," Rebecchi explains.

"At the next stage, diecutting, we have quality systems that will indicate if a single sheet is reversed and then when the blank gets to the folder we have the Bobst Accucheck," Krumholz says. "So we're covering every point of the process from a technology standpoint, not to mention our own human-based inspection to make sure that we are not releasing any product that is not fully up to the customer's requirements. Even with what we have on the press side, the Accucheck is the most accurate of all of the quality control technologies we have in place and it's at the last stage of the process. So, before a piece is going into the folder-gluer, the Accucheck has the ability to check any element of that carton to make sure that the type and even the color are what's required for that particular job."

"We're narrowing our focus as we go through the process," Rebecchi says. "At the press we're focusing on the sheet, we're checking on the diecutters to make sure we don't have a turned sheet and that we're properly diecutting the job. From there it goes onto the Accucheck system. What we



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love in particular about it is that we don't have to slow down the productivity of the Bobst Expertfold gluer in order to check each and every item.

"We set out to perform at a much higher level than most folding carton printers would. Let's look at the pharmaceutical industry. They have zero tolerance for any defects and they're enhancing their own quality systems too, for example by adding camera systems on their filling lines. So when using Disc we want them to have the confidence that they're getting the highest quality pharmaceutical packaging. Look at it this way," he continues. "On a typical 'pharma' product there's a drug fact panel. All of a sudden there's broken type or a hickey on that panel that can somehow change the meaning or the message. We can't let that happen. It's too critical."

Adaptable and Ready

Disc operates 24/7 on weekdays and usually 20 hours with abbreviated shifts on Saturday and Sunday. The company has over 200 full-time, regular employees, and although the business is not overly seasonal, at times the employee count rises to 240-250. "While some industries can be holiday-driven or, in the case of pharmaceuticals, driven by the cold and flu season, the entertainment industry tends to be all over the place, with little rhyme or reason as to when a higher demand can come," Krumholz says. "So we have to be

adaptable and ready.

"We've also expanded our pressure sensitive label business. When we look at a customer we want to have a diversified offering," she says. "We can obviously offer printing and folding carton converting. Along with pressure sensitive labels we've also added a hand assembly operation for fulfillment work last year. Additionally, we're now doing tip-on work — affixing the little packets on cards that go into magazines. Last year was, for all intents and purposes, our first year in that business and we produced approximately 10 million units."

Disc Graphics does more than a high volume of business. According to Rebecchi, "We do a lot of challenging value-added packaging, too. We do our own foil stamping in house, not just hot stamping but also cold foil inline on press and that's a big differentiator for us. We've gotten some work that, quite frankly, had we not had these capabilities we would not have been in a position to even bid on. We also apply a large number of decorative coatings and a lot of other specialty treatments."

"Specialty coatings with techniques like texture coating, grit coating, soft coating, glitter coating, reticulating varnish, sculptured (multi-level) embossing and

**ABOUT 750 MILLION UNITS
OF FOLDING CARTON AND
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SINGLE LOCATION ANNUALLY**

more, we basically have the ability to do any coating and any technique that's out on the market," Krumholz says. "If it brings work in the door — anything that's full service where our customers don't have to worry about it — we want to do it."

"If you look at the level of detail and the quality that we put into what we do it's because our clients want their products to be able to differentiate themselves, not only from a visual standpoint, but these days also from a tactile standpoint," Rebecchi says. "When the consumer picks up their product they want to fall in love with it. That's why there has been so many advances in coatings and other techniques. Anything that gives that extra sensation that gets the consumer to engage with the package is valuable to our customers."

Krumholz agrees. "Look at today's high-end packaging. Most of our customers really understand the benefit of that experience with the consumer and keeping them in the moment. It gives such a greater sense of value."

Investment Details

When asked to explain Disc Graphics' recent purchases of a Expertfold and Accucheck and a second Cartonpack unit, Krumholz points out, "In our business, faster is always better. Earlier we discussed how a big part of our business is being here in the Greater New York tri-state area and that's really a wonderful asset of ours. It also



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creates a lot of challenges for us because this is a high cost area in which to do business and we may be competing against companies in much lower cost areas like the Midwest or the Southeast. Their electric bills, their cost of labor, of real estate and taxes may be much less than ours, so in addition to all of the quality aspects of the Accucheck, the faster folder-gluer and the Cartonpack really gives us much greater efficiencies. The seamless integration of our first Cartonpack unit on one of our existing machines produced an increase in productivity immediately. The speed and efficiency of our equipment is critical. It has to be state-of-the-art fast equipment so that we can keep our cost structure in line and be competitive in the marketplace."

Disc has "huge volumes," according to Rebecchi. "About 750 million units of folding carton and print every year come out of this single location. Just yesterday we finished a 225,000 sheets, 3 million piece order. However our 'sweet spot' is in the

neighborhood of 25,000 to 50,000 sheets per print run."

The decision to add the Accucheck and a new Expertfold was based on multiple factors. "Margaret and Don, our CEO, researched most of the manufacturers on the market before choosing Bobst," Rebecchi explains. "It's not just the productivity of the equipment, it's the reliability because many machines can be great three days of the week but you're dead in the water if the machine goes down the rest of the week. When it comes to uptime, Bobst is phenomenal.

"Bobst is one of those companies that you can have a lot of confidence in because they're going to put something on the market when it is ready and not a moment before. Therefore, when you're buying it, you know that you're not a beta site for them. We can talk about the Accucheck, which is relatively new technology, and we can go back to our 20-year-old diecutters to see how Bobst is clearly ahead because of

their quality, their reliability, cost of ownership over the years and their support. It's not even a question as to who is the industry leader."

"When it came to our most recent purchase, the Accucheck brings us to a new level; it clearly is a superior piece of equipment. The production we're getting out of that equipment and our operators being able to function with it has given us a huge degree of confidence in what we're producing and shipping off of that line," Krumholz says. "When dealing with Bobst you know that there's not going to be any question about them backing up the products that have their name on them and that includes training and support so that we can use the equipment at its optimal level. They are a big company with a lot of firepower behind them and they prove the adage that, even though their machines aren't cheap, you get what you pay for. After 30 years we remain very happy with our partnership." ■