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Zuccarini has way of printing money

Innerworkings CEO links businesses with printers, enhancing everyone's profits

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BY TED PINCUS

When the annals of American business history are next updated, I predict that one of the more remarkable highlights will be the ability of human ingenuity to create a major enterprise out of almost nothing.

Today the only tangible asset some business people have is a perceptive eye for an untapped market opportunity and a gutsy investment in building specialized knowledge.

Chicago's shining example of this phenomenon is a five-year-old company that simply spotted a chance to fill perhaps the last bastion that had resisted outsourcing, then nailed down a proprietary database, and has racked up compound annual revenue growth of 138 percent. It's called Innerworkings Inc. (Nasdaq: INWK) and it's aiming for \$1 billion top line in the next three to five years.

Doing what? By serving as the first mega printing broker -- the dominant super-intermediary between Fortune 1000 companies and the right 5,000 of the nation's 39,000 printers. As CEO Steve Zuccarini tells it, despite all the noise about online marketing, old-fashioned printing is still a \$170 billion industry, and much of that dough is spent -- not always wisely -- by huge companies on huge press runs for everything from direct mail marketing to instructional manuals to just ordinary envelopes.

"With cost-control pressures facing everyone this decade," he says, "the task of finding the lowest price for each print job has become a high priority science. Companies in the habit of handing jobs to a favorite printer miss immense savings opportunities."

The key reason, he says, is that even in good times, printers typically have 30 percent idle press capacity. Filling part of that capacity on any given day spells added profits. But who has the spare capacity this morning?

That's where Innerworkings meets a crucial need. By creating proprietary software and a database that tracks, updates and analyzes the product capabilities of 5,000 proven quality printers, it can identify opportunities within minutes, and obtain competitive bids from printers previously unknown to a company.

"We learn instantly who really wants the work today. The savings can be 25 to 35 percent, and we split those savings with the client," he says. Moreover, his systems permits the consolidation and production management of the numerous print jobs needed by a variety of corporate departments, and whose procurement had not traditionally been coordinated. This allows greater clout with suppliers, he says.

That's why Innerworkings has outrun the printing brokerage industry nationwide, and in this area has won the business of Walgreen, Servicemaster, Deere and many others.

One local beneficiary is Peapod, the online grocer. CEO Andrew Parkinson says he's realized 15 to 20 percent savings regularly in his printing costs since outsourcing bids through Innerworkings for his \$2 million annual print needs. Electronics retailer Circuit City depends on Innerworkings for production of all store signage and point of purchase materials for all of its 640 U.S. outlets and 2,000 Canadian units.

Today Zuccarini runs the enterprise from headquarters at the former Montgomery Ward building, where, appropriately, the world's first catalog was issued in 1896. And the folks who printed that catalog, R.R. Donnelley, were the very same ones who groomed Zuccarini for the first 25 years of his career, putting ink on his fingers and ideas in his head.

A graduate of Northwestern University, Zuccarini, 50, took over Innerworkings in 2004, when revenues totaled only \$16 million. He refocused on major corporate accounts, and built the company to \$160 million in revenues in three years, took it public last year, and has rung up \$126 million in revenue in this year's first half, with earnings doubling to \$9.4 million. He now serves more than 2,000 clients from 13 sales offices, with 170 sales specialists. They're backed by 176 print production specialists, 29 of whom are based at client headquarters.

His goal is 50 percent organic growth per quarter, plus acquisitions of regional print brokers like Philadelphia's Brown & Co., which he acquired last month. He figures profit this year could totaled \$17 million, or 33 cents a share, on revenue of \$280 million. Wall Street's consensus sees 51 cents next year on revenues of \$418 million.

"But we've just begun," Zuccarini says. "Thus far we're only serving about 20 percent of our average enterprise client's printing needs. We have lots more to do."

Ted Pincus is an adjunct professor at DePaul and managing partner of Stevens Gould Pincus, merger and management consultants.
