



Creative Disruption

Should Kinkos Be Worried?

Renee Hopkins Callahan 08.18.08, 2:30 PM ET

Strategy and Innovation's Renee Hopkins Callahan interviews Thomas J. Karrat, executive vice president, sales and marketing, for Mimeo. Previously Karrat was senior vice president, sales, for Yahoo! Hot Jobs. He started his career as a co-op student at EMC, where he rose to manager of the company's largest division, with responsibility for over \$1 billion in annual sales. Note: Innosight, which publishes Strategy and Innovation, is a loyal Mimeo customer.

Forbes.com: What is Mimeo?

Thomas J. Karrat: Mimeo is the leading innovator in on-demand, online printing and binding services, and offers overnight delivery for most jobs. The company was founded in 1998 with the mission of giving busy professionals a better alternative to time-consuming, low-quality results that copy shops and in-house print centers provide. We can deliver as early as 8:30 a.m. the next day. Along with printing and binding, we offer a wide range of services, including document management solutions, unlimited online document storage, warehousing and kitting, and CD and DVD duplication.

We currently have more than 500 employees who are located in our New York headquarters, our print production and distribution facility in Memphis and our sales office in San Mateo, Calif.

How do clients use Mimeo?

With Mimeo, printing and assembling documents takes just minutes. New users simply download the Mimeo print driver. To print a document, the user opens the file and hits "print," selecting the Mimeo driver from the drop-down menu. Files are automatically uploaded to the Mimeo server, where the user can then choose paper and binding options, proof the document online, enter delivery selections and submit an order. All documents are stored in the user's DocCenter account, where they can be updated and reprinted whenever needed.

What makes Mimeo disruptive?

Mimeo has radically changed the traditional process by which people create and distribute business documents. That gives our customers a range of competitive advantages, including greater employee productivity, reduced document costs and improved work flow processes. One client told us that, within seven months of deploying Mimeo.com, his company had gained back seven man-years of time.

Could you give us a sense of digital's share of the overall printing market and its rate of growth?

The U.S. printing market is approaching \$200 billion a year. The larger share of that is what's traditionally called commercial, long-run, offset printing. The digital component is about \$30 billion right now, and is projected to grow to about \$60 billion over the next four years. There aren't any published figures on the percentage of the market that is coming online. Though small, it is probably the fastest-growing segment. The online print market now is about \$1 billion, and we believe that is probably 1% or 2% of the entire market.

How does Mimeo differ from competitors such as VistaPrint, and how big a competitive issue is the FedEx Kinkos combination?

We are very familiar with VistaPrint. It's an amazing company with a great story and a great management team. But we are different in size, product type, and in the particular markets that we are serving. VistaPrint's customer base, for the most part, is the small office and home office (SOHO) marketplace--a company size of one to five employees. To these customers, they generally offer offset or commercial printing, and not so much digital. They also create templates for their customers, whose companies are often too small to have a graphic designer or marketing people in-house.

While Mimeo does do some business for the SOHO marketplace, the vast majority of our business comes from small, mid-sized businesses, with a minimum of \$20-25 million a year in revenue, up to the largest companies in the world. About FedEx--we have a great relationship with FedEx. It is a huge provider of services to us, in particular for the overnight delivery portion of our business. However, I don't believe its strategy is based around centralization and Web-enabled technologies, because that would likely be a conflict with its strategy to create greater footprint through retail presence.

Our competitive advantage lies not in the use of FedEx, but in our unique ability to process an order so quickly and efficiently that we can guarantee delivery of a quality product by 8:30 a.m. the next day.

What is the long-term vision for Mimeo?

While we're heavily focused on product development, sales and marketing in the U.S. right now, we think our model is portable to other markets, and that's driving our intention to expand internationally, which we will be doing very rapidly. We can also extend our product offerings to serve different users with different kinds of document needs, as we have done with our new Mimeo Marketplace offering.

What is Mimeo Marketplace?

Marketplace is an innovative tool that allows companies to create a custom-branded online document storefront that works in a similar way as sites like Amazon. In creating Mimeo Marketplace, we focused on major challenges for many of our target audiences--making documents readily accessible for recipients.

With their own Marketplace, users can let franchises, branches, students or anyone else go online, directly purchase the materials they need on-demand and receive them as early as the next day. This service eliminates the need for companies to warehouse obsolete documents and allocate staff to handle the operations and logistics of kitting and distributing the documents. It also allows for a faster and more accurate process and, if the company wants, their online store can even serve as a profit center.

Today, many organizations are seeing as much as 200% turnover of employees, which means they are regularly in need of updated learning aids, branded training materials, and so on, from corporate headquarters. With Marketplace, sales and marketing organizations can make these updated materials available "real time" to employees who work out of remote offices or who work out of their homes.

What is the strategy for Mimeo's success, as you look ahead?

Although we are private, we have been growing at a revenue rate of more than 40% for four years in a row. Our gross margins are expanding, and we are profitable. All of that is occurring while we are investing heavily in the business and staying laser-focused on the technology that makes the user experience more convenient and drives value for the customer.

Above all, we are focused on production quality. We have publicly proclaimed a 99.6% error-free rate, 20% higher than the industry standard. That stems not only from our passion and our great people, but

from our business model itself. Centralization enables greater economies of scale, which then enable us to invest more in quality assurance programs. Again, I think when you are a disruptive transformational player in a huge market, and you find a model that works, you stick to it.

We just have to keep doing what we are doing and learn ways to do it even better. Hopefully, over time we will be able to accelerate our growth even further. Really, the only thing keeping us from growing even faster than we are is just getting the word out.