

MetroBusiness



colortree
Full-color envelopes, easy and on time

The envelope, please

Local company makes
an imprint — about 1
billion of them a year

F12

F

MONDAY

October 13, 2008

inRich.com

...

Richmond Times-Dispatch



**PATTI P DOES
MINOR ALTERATIONS
TO CUSTOM
TAILORING**

F6



**NEW CANON
SLR CAMERA
WILL CAPTURE
MOVIES IN HD**

F23

Signed, sealed, delivered

Henrico's ColorTree makes envelopes that aim to stand out in your 'mail moment'



LINDY KEAST RODMAN/TIMES-DISPATCH

ColorTree executives Dennis A. Whitcomb Jr. (from left), Michael R. Heatley and J.E. "Pat" Patterson stand by some of the about 1 billion envelopes a year that roll off the company's presses.

BY JOHN REID BLACKWELL
Times-Dispatch Staff Writer

At ColorTree Inc., employees know that success ultimately comes down to what's called the "the mail moment."

That's an industry term for the time of day when people sit at their kitchen table or stand over the trashcan and sort their daily mail.

"It is probably not more than three minutes," said Michael R. Heatley, ColorTree Inc. of Virginia's executive vice president. "That is when people decide whether they are going to pay attention and open something, or drop it in the recycling box."

ColorTree's goal, Heatley said, is to make people want to open some of that mail. Specifically, the envelopes that ColorTree makes.

"The purpose is to intrigue you and make you want to know more about what's inside."

That goal is a constant challenge for the 20-year-old company that produces about 1 billion envelopes a year mostly for direct mailers or suppliers of direct mailers. And that's far from the only challenge facing the Henrico County maker of one of society's ubiquitous products.

Heatley and President Dennis A. Whitcomb Jr. were part of a small group of salesmen formerly with Union Envelope Co. in Rich-

ColorTree
See what they're doing with envelopes to entice you to open your mail.
Keyword: Metro Business

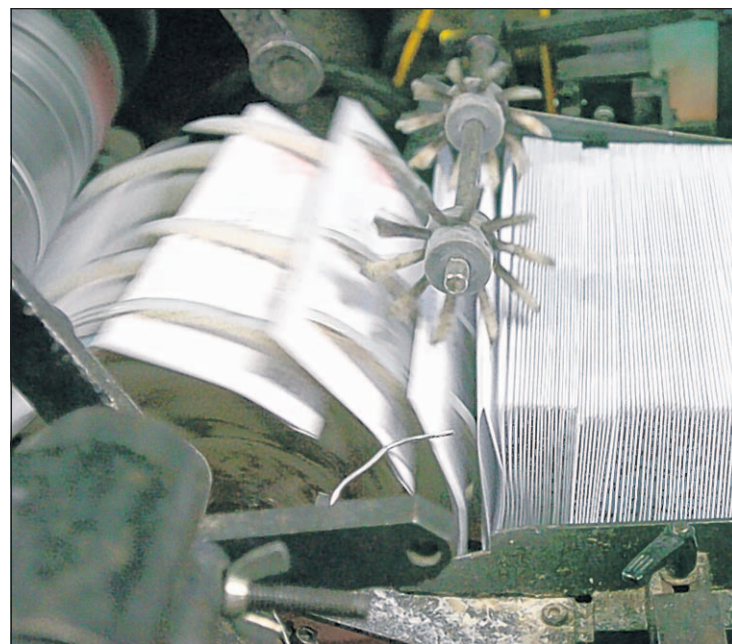
mond who founded ColorTree in 1988. Now they are partners in the company, which employs about 150 people.

ColorTree has grown, adding staff and requiring a move from a 73,000-square-foot plant on Brittons Hill Road near Bryan Park, where the company operated for 16 years. It operates a 105,000-square-foot plant near Parham and Brook roads.

ColorTree is one of about 100 fabricators in North America that turn paper into about 184 billion envelopes a year, and that's just envelopes that go into the mail, said Maynard H. Benjamin, president and chief executive officer of the Envelope Manufacturers Association in Alexandria.

Because envelopes are used so frequently in business, their shipments are a good gauge of the economy, Benjamin said.

"From our perspective, we started seeing an economic slowdown about the end of the third quarter last year," he said. Ship-



ments are down about 6 percent this year.

Like many manufacturers, ColorTree has found supplies getting more expensive. Costs for raw materials such as paper are rising, said Pat Patterson, the company's chief operating officer. Higher fuel prices affect shipping costs.

Oil prices change the cost of the petroleum-based adhesives and the plastic films used to make envelopes. Even the cost of ink is affected by petroleum prices.

"Our margins are being squeezed," Whitcomb said.

Overcapacity in the industry drives down prices. And online and electronic communications such as e-mail in direct marketing pose a challenge.

Given all those trends, "You have got to reinvent your process on a constant basis," Whitcomb said.

Most of the economic factors the company faces are outside its control, Patterson said. What it can do, however, is manage the type of work it does.

The company's strategy has been to build a niche business.

While there are billions of transactional envelopes moving around the world every day — what most people use to send their bills, for example — ColorTree's focus is more specialized and aimed at a higher-value end of the business.

The company's expertise is making envelopes, and printing them with colorful images for customers who need quick turnarounds on customized orders. About 80 percent of its business is with nonprofit groups and issue-advocacy organizations.

ColorTree customers include the Diabetes Research and Wellness Foundation, which sends about 20 million pieces of mail a year in six countries, seeking donations and providing information about diabetes research.

"We probably raise almost half of our money through the mail," said Mike Gretschel, president of the foundation. Like other nonprofits that use direct mail, he said, the organization needs a response rate of at least 1.5 percent to break even on its costs, which makes it imperative

About ColorTree Inc.

www.colortree.com

Founded: 1988, in Richmond

Location: Villa Park Drive, Henrico County. The plant also houses ColorTree partner Graphics Innovations Inc., which employs 20 people in a printing operation.

Employees: About 150

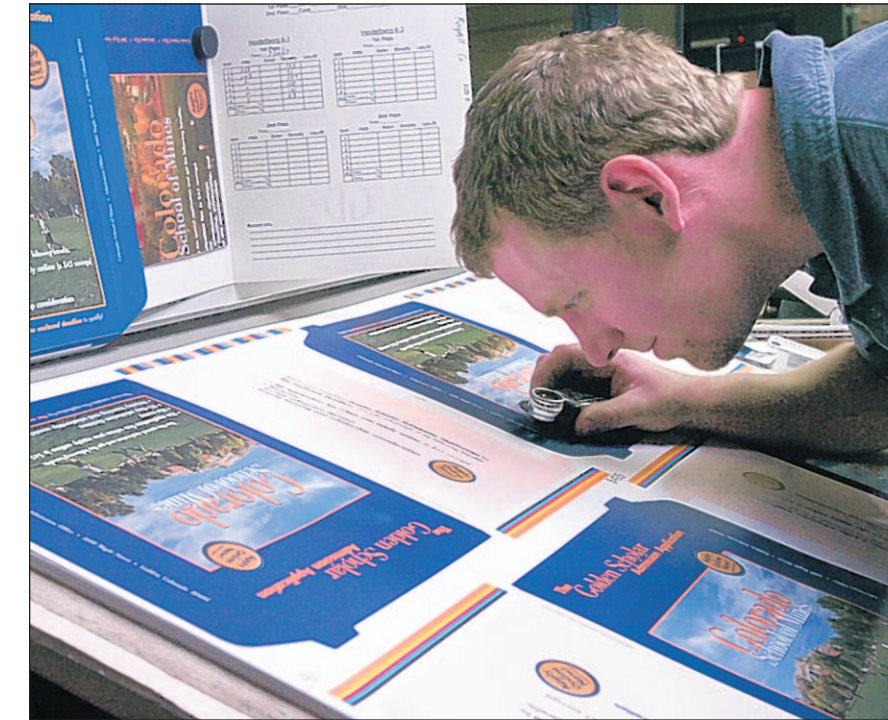
Primary business: Makes envelopes for direct mailers, mostly nonprofit groups

Production: About 1 billion envelopes a year

Top officers: Dennis A. Whitcomb Jr., president; Michael R. Heatley, executive vice president

Recycling: 280 tons to 320 tons of paper a month

SOURCE: ColorTree Inc.



Graphics Innovations Inc. production coordinator Mike Herndon checks the color registration on a print job for its partner ColorTree, which markets itself at a higher-value end of the business.



About 80 percent of ColorTree's mailer and envelope business is with nonprofit groups and issue-advocacy organizations.

that mail recipients are interested enough to open the envelope rather than toss it.

ColorTree also goes after smaller-volume orders. It also tries to respond swiftly when, for example, an emergency relief organization needs to send out requests for donations quickly.

"We will end up doing fewer units because we are staying away from those high-volume orders that are so price sensitive," Whitcomb said. "But we will end up making more money because the products we put through [the plant] are of much higher value."

It's a model Patterson said he believes could benefit many other manufacturers and help preserve production and jobs in the United States.

A longer-term question is how the industry adjusts to electronic media. Internet communications in direct marketing rose almost 20

percent from 2006 to about \$19 billion in 2007, according to the Direct Marketing Association.

"It is a threat to our industry in some ways," Whitcomb said.

Still, direct mail remains a huge force, with sales of more than \$60 billion in 2007, Benjamin said.

"The mail is still a powerful communication tool," said Tony Conway of the Alliance for Non-Profit Mailers.

Nonprofit groups get a higher response rate from mailings than from online or e-mail marketing. "That said, [electronic communication] is growing and it is something that will continue to grow," he said.

"The envelope business is here to stay," Whitcomb said. "I do think the industry is really looking at itself and deciding how and where you need to be positioned, and that's what we are doing right now."

Contact John Reid Blackwell at (804) 775-8123 or jblackwell@timesdispatch.com.



Robert Leslie checks the quality of a ColorTree finished envelope. About 150 people work at the firm founded in 1988.

