

In the USSR:

FREEDOM OF THE PRINTING PRESS

by Rodger Ford

A "quick print" shop in the Soviet Union used to be a misnomer. But no more. Now an AlphaGraphics Printshops of the Future franchise is open for business near Red Square—the first non-government printing facility in the U.S.S.R. in decades. Rodger Ford, president of AlphaGraphics, tells how his business has made history back in the U.S.S.R.

IT USED TO BE that if you found yourself in Moscow's Red Square with your resume to copy, you'd be flat out of luck. There are approximately 37,000 quick print shops in the United States, but until March 6, 1989, the Soviet Union had none. That day an era ended when an AlphaGraphics Printshops of the Future franchise opened for business in Moscow, a few blocks from Red Square. It was the first non-government printing facility to operate in the Soviet Union since the time of the Czars.

The freedom of our printing presses depends on a rapid flow of information throughout the AlphaGraphics system. Our 275 printing centers worldwide are connected by AlphaLink, our satellite communications network that allows text and graphics submitted to one shop to be transmitted instantaneously to any other shop and printed in a matter of hours.

Several years ago, we initiated an expansion program aimed at putting our high-tech franchised printing centers in most major U.S. cities and world commercial capitals. Although Moscow was one of the cities on our target list, we didn't assign it a high priority.

In the fall of 1987, Jeffery Barrie, a former U.S. government official who had been stationed in Moscow, called on me at my office in Tucson. He represented a Canadian company, Phargo Management and Consulting, Ltd., of Toronto, which wanted to open AlphaGraphics franchises in the Soviet Union. We talked of changes underway in the Soviet government and speculated on others that might be in the works.

Then in February 1988, Barrie and Geoffrey Carr-Harris, president of Phargo, spent three weeks in Moscow and found definite interest in the project. Recalling that McDonald's had been negotiating for over 10 years to open restaurants there, I remained cautious, but by Fall 1988, we were able to announce an agreement for two printshops in Moscow. Six months later we opened the first AlphaGraphics at 50 Gorky Street, Moscow's Main Street.

Glasnost and perestroika

To understand the significance of this accomplishment, one must know a little about just how regulated the printing industry in the U.S.S.R. has been for the past six decades. Only the government was allowed to reproduce printed material. Any American or other foreign business representative needing stationery, business cards, or brochures frequently ordered such work from other countries—and waited weeks or even months for the final product to arrive in Moscow after the usual customs delay. There was no such thing as a quick print environment.

But that was before Soviet Leader Mikhail Gorbachev began his campaign of *glasnost*—openness—and *perestroika*—restructuring—to revitalize the Soviet economy and advance his country's role in international commerce. And it's his program that makes possible ventures such as AlphaGraphics. Glasnost removes the restrictions on exchange of information between individuals and businesses, and perestroika permits the formulation of pri-

vate corporations to engage in a wide range of businesses—including printing and copying—for profit.

Nothing this involved happens overnight. About three years ago, the Soviet government authorized formation of profit-making family cooperatives to engage in commercial ventures. But the ventures were limited to service businesses such as taxicab companies and restaurants. In January 1987, cooperatives were allowed to branch out into manufacturing and more service industries. At the same time they were authorized to form profit-making joint ventures with foreign companies.

Before Gorbachev's era, firms wanting to do business with the Soviet Union had to form a partnership with a monopoly—the government. Glastnost and perestroika opened the door for firms like ours to get into the emerging Soviet market, described by some as “one of the few areas in the world where potential large new markets exist for American industrial products.” At first, regulations stated that cooperatives could not engage in the printing business. In June 1988, the Supreme Soviet removed that restriction for cooperatives and joint ventures.

Negotiations were conducted by Barrie and Carr-Harris, both of whom have lived in the Soviet Union and are fluent in Russian. The first step was to obtain permission from Goskomizdat, the State Committee of the

Printing and Publishing Industry. That was in January 1988. In February, they received two protocol documents, one permitting us to work with Goskomizdat on projects of mutual interest in printing and publishing and the second authorizing negotiations with Printshop Number One, a government printing company, to discuss the operation of AlphaGraphics franchises in Moscow.

In April, Phargo signed an agreement with AlphaGraphics for two Moscow franchises with an option for a master license for additional AlphaGraphics shops in other Soviet cities and Eastern Bloc countries.

Finalizing the Tekhnika details

In May and June, difficulties began to arise as Printshop Number One kept insisting on more than 51% ownership, a condition unacceptable to Phargo. After discussions with 17 other government entities, Phargo decided to take advantage of a new law passed in March 1988, which authorized cooperative ventures to engage in foreign trade. Negotiations were initiated with private cooperatives.

A cooperative named Tekhnika offered the most favorable terms, including two prime business locations for the AlphaGraphics shops—one on Gorky Street and the other in the Soviet trade center. Final work began immediately on a joint venture agreement, technical-economic evaluation,

Before Gorbachev's era, firms wanting to do business with the Soviet Union had to form a partnership with a monopoly—the government.

AlphaGraphics Printshops of the Future

Address: 3760 N. Commerce Drive, Tuscon, AZ 85705; (602) 293-9200

History: Founded 1969. Chief Executive Officer: Rodger Ford; Chief Operating Officer: Rick Ulrich; V.P. International: Michael Amies

Employees: 190 corporate; 2,800 in franchises worldwide

Export Niche: Sophisticated computerized printing and publishing services for small and mid-sized companies, foreign tourists, businesspeople, and government officials who need quick printing and communications to overseas locations.

International Markets: Canada, U.K., Hong Kong, Soviet Union

Export History: In July 1986, in an effort to open a franchise in an international business hub, an AlphaGraphics franchise began operations in Hong Kong. On its heels, AlphaGraphics' first Canadian franchise opened for business.

Marketing Strategy: Utilize the most sophisticated existing technology and cater it to businesses' printing and publishing needs. Provide the quickest service possible through the Personal Printshop—where a customer can design a document on his own PC or desktop publishing unit, transmit it by modem to the closest AlphaGraphics franchise, which then through AlphaLink telecommunicates the document to another franchise in the world, where the job can be printed and picked up by the recipient.

Future Plans: To open shops in Spain, Mexico, Japan, Australia, and Continental Europe.

One major difficulty common to all foreign firms doing business in the Soviet Union is that the ruble is not convertible.



and final contract forms.

But when Carr-Harris returned to Moscow in July he found an even better proposal from Goskomizdat that called for a joint venture with Kniga, a publishing entity owned by Goskomizdat. Kniga would own 51% of the venture and Phargo the remainder. Their freedom to negotiate with private cooperatives gave them the leverage to get a better deal from Goskomizdat.

By mid-August the necessary documents were completed and the agreement—Soviet Joint Venture Project #95—was signed in New York on September 22.

From the beginning we wondered about the acceptability of AlphaLink, which uses a technology similar to the one used by *USA Today* and *The New York Times* to print multiple editions at different locations. There were some who speculated that we would not be permitted to use technology which, in effect, bypassed customs and other government controls. However those fears have proved to be groundless.

Solid business in Red Square

The system is working with no government interference. So far we've encountered few restrictions on what we can and can not print. In the U.S. we don't print pornography—we don't over there either. We do not reprint copyrighted material in either country. In the Soviet Union, however, we are not permitted to print religious material or material critical of the government, unless

authorized. But no one dictates what can be printed. It is our responsibility to see that no regulations are violated, just as in the U.S.

One major difficulty common to all foreign firms doing business in the Soviet Union is that the ruble is not convertible. Kniga and Phargo have agreed to limit business paid for in rubles to about 25% of the total as labor and some supplies are available locally. Hard currency will be needed to purchase supplies not available in the Soviet Union and to provide profits for the partners. Consequently, most of our customers will be foreign firms and governments that can pay in convertible currency.

We expect to have 25 shops in the U.S.S.R. by 1994. Soviet leaders recognize the need to become significantly involved in the global marketplace to enhance their country's economic base. And as they move in that direction, they will create a much greater demand for services such as ours. The greater the number of global centers that AlphaGraphics serves, the more convenient it is for our customers to send camera-ready documents via AlphaLink to be printed at AlphaGraphics shops around the world. That's why we are in global locations from Washington to Moscow.

Our international experience has been interesting and rewarding, most particularly in the Soviet Union. I get a thrill each time I see our Gorky Street shop and the Soviet sign that reads "AlphaGraphics Print Salons of the Future." □