

Switching to digital got me through sticky times

HOW I MADE IT

James Costello, Owner of Label Tech



JAMES COSTELLO was 21 when his father asked him to join Label Tech, his new printing business. A year later his father died, aged 42, leaving his son to take the reins of the nascent family business earlier than anticipated.

His father, who was in print sales throughout his career, had been sick and off work for some time, yet setting up the business was characteristic of him.

“He had a great outlook on life and he loved a challenge,” said Costello, now 44, who found himself heading up a staff of five.

The business specialised in self-adhesive labels for the food industry. “Dad had a lot of contacts in the sector, and they were very loyal to him,” said Costello, who coped with his loss by throwing himself into his work.

His focus helped the company grow quickly. “We developed a very good reputation in the market early on. We capitalised on that by reinvesting constantly, achieving milestones such as ISO accreditation by the mid-1990s, which was quite early for the sector.

“We were also keen to innovate and as a result constantly invested in new kit.”

It took Costello longer to invest in a senior sales person, but it paid off when he did. The company landed a big contract to print labels for computer disks for Microsoft



BRYAN MEADE

Windows across Europe. Large investment was required because the company’s flexo presses would not be fast enough to cope with the volume of work, so Costello bought a souped-up version with an ultraviolet drying feature that speeded up printing.

The company had the capacity to take on more jobs when the presses were not rolling for Microsoft. The new presses necessitated a move to larger premises — up the road from the original unit in Santry, Dublin, but twice the size.

By the end of the 1990s Costello had spent more than IR£1m (€1.27m) on printing presses, opting for machines with interchangeable units so the company could scale up and down as jobs demanded.

Growth slowed when the dotcom bubble burst in the early 2000s and spending fell following the frenzy of

2000. “We continued to expand but it was a speed bump.”

He decided it was time to invest in more financial acumen. “I needed someone with the financial skills that I knew I didn’t have,” said Costello, who had studied at night to get an MBA.

He approached David Keogh, an accountant and a member of his auditor’s practice. Keogh came on board as a co-owner, chairman and finance director.

“I’ve always believed in getting people who are more qualified than me to work with me, so I was delighted,” said Costello.

The growth of the business continued for the next six years, most of it coming from the consumer goods sector. The computer labelling job might have been a whopper, yet the solid sales on the fast-moving consumer

goods side (FMCG) — mainly food — kept the company steady during the recession.

“If you sell into the FMCG sector, you don’t really see a boom you might in other sectors, but you don’t see a bubble bursting, either.

“Regardless of what’s going on in economic cycles, people still need to eat. Consumer purchasing patterns don’t really alter that much when it comes to food, and that helped keep the business stable.”

By 2005 Label Tech had a turnover of €4.5m and about 30 staff. The following year Costello decided to embrace digital printing technology, investing more than €600,000 in a digital press. Many traditional printers were wary of the advent of digital printing, but Costello saw it as an opportunity — one that could work alongside the company’s existing presses.

“Digital offered us a way to do short-run jobs in a very cost-effective manner.”

Customers no longer had to tie up cashflow in high-cost, high-volume runs — a huge boon in the fast-changing world of food labelling, where regulations can change overnight. It was an even bigger benefit in the cash-straitened recession when no one wanted to tie up cash in stock.

Costello still felt the pinch when the downturn hit, however. Revenues fell to €5.4m in 2009, having peaked at €5.7m the previous year.

“There was a huge focus among our customers on cutting costs throughout the supply chain, and that impacted on us. We found ourselves, all of a sudden, tendering for work where previously it had just come to us.”

The company did not lose staff but did learn to be “a bit savvier” with its cost base, said Costello. He renegotiated with suppliers, agreeing bulk discounts and substituting product that had been overspecified in the past. Hit by a “little bit of bad debt” he tightened up his credit control, particularly with new customers.

The company remained profitable throughout. “We learned a lot about running a business from going through that period. The main thing is that you can’t take anything for granted.”

Since 2014 the company has been back on a growth path, showing double-digit increases each year. It’s on track for sales of more than €8m, with 40 staff, this year.

Costello’s goal is to grow the business by 50% within the next five years — and he doesn’t see much stopping him.

“We’ve a really strong staff, loyal customers and a very good management team. It all looks very positive. The aim is to keep doing what we’re doing, but better.”

SANDRA O’CONNELL

Costello hasn't looked back since investing in digital printing technology a decade ago