

Print Profit Leaders Flourish As Print Volume Marginally Improves

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Industry-wide real print volume and profitability showed marginal upward creep for the past several months but is still way below its heyday levels of the late nineties. The outlook is for more of the same in early 2007 with a return to declining volume by about mid-year forecast by several industry analysts.

The printing industry has been characterized --- especially by bankers and purveyors of the competitive alternative electronic media --- as a low profit sunset industry. This murky dismal picture is fueled by the fact that the industry is consolidating at a loss of about 800 to 1,000 operating plants per year and that two-thirds of the industry's companies report unsatisfactory profits, or losses.

Hidden in this gloomy picture are bright spots of growth, higher than average profitability, and opportunity. In every business climate for all types of industries, there are always winners and losers; there are always those that flourish and there is always a mortality rate.

What makes the difference between the winners, losers, and the disappearing failures?

The conduct of plant operating audits as well as marketing and technical research for the industry's suppliers and associations provides the PrintCom Consulting Group with the opportunity to dissect companies and markets characterizing the root causes of success and failure. A quick review of the most commonly found success and failure characteristics follows:

It is often said that perception and impression is more than half of winning the battle. While in some ways cosmetic and in others a true reflection of operating

efficiency is the appearance of the plant. With few exceptions, high profit operations are characterized by clean, orderly plants from the parking lot into the reception area and the production areas from prepress through the pressroom and into postpress operations and distribution. Paper storage, work-in-process, and finished goods are tagged and labeled and stored properly. Press and postpress areas are well lit. Employees are often uniformed. The atmosphere is one of orderly hustle. The plant hums.

Conversely, it is almost inevitable that slovenly plants are low profit to no profit operations. Premises are often dingy, pressrooms poorly lit, postpress operations may look like a confetti factory and warehousing is a mess. The tempo of operations does not feel quite right; there's often an abundance of idle machinery, some of which is in need of obvious repair.

What does your plant look like? Does it hum?

During a plant audit it is common to probe technology and its fit with the marketplace served, individual function and machine productivity, employee skills, workflow, and similar production factors. While these are critically important to achieve higher-than-average profits, they are not quite the whole story.

Under the radar is the importance of running a print business and production operations based on information and not gut feel. Profit-leaders usually utilize a print-oriented, brand name, fully implemented management information system (MIS) with up-to-date standards and estimating tools. Profit-leaders run their print business based on as close to real time as possible information. Profit laggards tend to shun information. They often claim that they do not have the time to “mess with numbers and reports.”

What kind of MIS do you have and how do you use it?

Even further under the radar but intricately intertwined with MIS is the way in which printers price their product.

Profit-leaders price more aggressively than profit-laggards. Leaders, by the way in which they use a MIS know their costs. Leaders collect shop floor data and compare

estimated costs to actual costs. While they consider costs, the leaders market price, value price and customer price their products. They can value price because they have developed specialized services and diversified offerings beyond basic printing. They keep tabs on market conditions. Their sales force is skilled in assisting buyers in developing print specifications that favor their plant's capabilities. They use pricing as a market and profitability tool.

Profit laggards and losers often have less astute salesmen who approach prospects with the "what have you got that I can quote on today" proposition. They are one of the mob submitting prices that are frequently based on inaccurate costs. Costs are often inaccurate because the laggards do not utilize an MIS with up-to-date cost data and analysis. Prices are generally based on some standard mark-up factor over estimated costs. But they are often downward modified in response to a salesman's whining "we'll never get the work at that price." They may get the work, but then unknowingly be producing it at a loss.

How do you price?

Most typically, low profit printers offer little that distinguishes themselves from their competition down the street and therefore are in a commodity pricing game. Successful commodity printers are characterized by running high volume and technologically up-to-date low cost production operations. Margins are often thin but actual profit dollars are substantial because of high volume. Commodity printers that do not meet these criteria are likely to be among the disappearing failures.

Are you a commodity printer? If so, which profile do you fit?

Clean, well lit, organized plants utilizing technology that cost effectively produces specific customer-required products with operations underpinned by information from properly utilized MIS characterizes the industry's profit-leaders. But that's not all. Other key factors in the profit-leaders' larder are dynamic scheduling systems, low waste and spoilage, employee training and low employee turnover.

A more detailed discussion of profit-leader versus profit-laggards' characteristics will be found on PICA's web site.