quoins2pixels

An exclusive publication for the Members of The Printing Industries Alliance

Volume 2, Issue 3

Overtime Pays

When employees work overtime and their hourly wage increases by 50%, it's tempting to think of this as a burden to be avoided. Actually, it's an opportunity to boost your bottom line.

Why? Because the more hours worked, the more dollars of contribution flow straight to profit. Overtime also avoids the need to hire more employees with their attendant load of fringe benefits and payroll taxes.

Production is simplified as the folks working on a job get to finish it, rather than hand it off to someone else and risk confusion.

Finally, regular overtime means that your people are seeing more money in their paychecks which is particularly important in this tight labor market.

Pricing Nirvana

Charge as much as the customer will pay, but also get the order" is the core of a strategy to maximize contribution dollars (invoice price minus paper, buy-outs, factory wages for the job and sales commission). This reality is the key to profit maximization.

How do we achieve this?

- First, we begin with an estimate prepared in the traditional way with the usual allocations of overhead included. Of course, it's really absurd to assess a portion of the rent to an individual job, but since most of your competitors do it, it's a useful starting point as it parallels their thinking. You can, however, bypass the detail in the traditional estimate and replace with a simplified internal price list.
- Second, we adjust the estimate up or down, using our PowerPricing method, to avoid leaving dollars on the table with prime customers or losing the order when quoting opportunity customers or price buyers.
- Third, on unusually large or unique projects, we take a deep dive into the probable value to the customer and its importance to them as well as our probable competitors, to make a further fine tuning.

Finally, on all jobs, we don't lose sight of the reality that printing is a custom process that we and the customer are building it as we're flying it. This usually leads to a containing stream of modifications (alts) to the original plan. A simple process of informing the customer of our willingness to make the change and the cost to do it, produces a revenue stream at higher pricing levels as the customer can't buy them from another source.

Want to learn more about PowerPricer? Call Bob Lindgren at 818-219-3855 (bob.lindgren815@gmail.com).

Printing Industries Alliance

Trends in Compensation

In a recent *Wall Street Journal* article titled "U.S. Wages, Benefits Rose at Two-Decade High as Inflation Picked Up," journalist Gabriel Rubin covered the fact that labor costs rose rapidly in 2021. For many on Main Street, as well as our industry, this comes as no surprise. Individuals are making decisions to change careers, work from home, or are just fearful of leaving home. All these factors, acerbate the challenges our industry faces in attracting and maintaining a technologically savvy workforce.

Over the next few months, Q2P will explore a variety of topics on compensation. We'll share data from the industry's Wage + Benefit Survey which is conducted every year, as well as explore trends in employment which affect how we hire and compensate employees today and into the future.

The first topic we'll explore is wage compression. Basically stated, it's the effect our company's "minimum" wage has on our entire workforce. As that "floor" increases for an individual of minimal skill; so does the pressure to increase everyone else's salary. This is the major reason corporate America is fighting an increased minimum wage. Regardless of our position on minimum wage, it's increase is a foregone conclusion in many states and eventually at the federal level.

The median wage (nationally) for a skilled bindery cutter/folder operator (based on the *2021 Wage + Benefit Survey*) is $20.00 per hour. At a minimum wage of $7.25 (Federal), which is seen as an "entry-level" wage by many, our bindery technician has a 2.75 multiple (wage divided by minimum wage). If the minimum wage increases to $15.00, which many desire (or if you operate in California), a person could argue that the bindery technician should now be making $41.25 to maintain the differential. As much as any owner/manager sees this as unrealistic or impractical, there are voices stating otherwise.

Here's the action item. As your state (or city) begins to adopt new minimum wage standards, it's incumbent your company's management team explore compression and how to defend the realities of compensation and its effect on profitability and sales. This will also require an in-depth analysis of positions and skill levels. Over time it may require changes in non-minimum wages to keep a skilled workforce, but if the process is managed, the impact on your workforce, sales, and profitability can be managed.

We Need Sales

It's hard to imagine a firm who wouldn't say that. The knee jerk reaction is to imagine hiring a great sales rep. The problem is that finding one is one of the hardest tasks around as good reps don't need a new job, and the woods are full of folks who are con artists or worthless.

A good solution for many firms is to cultivate brokers who have buying customers ready to hand. However, the objection usually is that we want to control the customers, but the reality is no one controls the customers—they buy where they want to buy. Also, we can't get full price from the broker. Usually not, but we can get sales we now don't have and new sales at even 20% off "full price" will give us meaningful dollars on the bottom line at the end of the month.

quoins2pixels is written by Bob Lindgren and Joe Polanco. Bob and Joe have spent decades in the printing industry, and throughout their careers, they have counseled hundreds of company owners on a variety of management topics. As a value-added service of The Printing Industries Alliance, they are available to expand on these articles, or aid with projects. Bob can be reached at (818) 219-3855 and Joe at jspolanco49@gmail.com.