

# quoin2pixels

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## Dollars or Percent?

A curious reader asked, "I understand that my average contribution to overhead (sometimes referred to as gross margin) is around 35%. I also understand that if I accept work at lower prices and thus lower contribution, I'm better off than getting nothing. However, if I fill up the plant with this kind of work, won't this create a problem at the end of the month?"

This is an understandable concern, but it really turns around what "fill up the plant" means. For printers who are operating a single shift, or perhaps a skeletal second shift, the concern ignores the reality that there are really 120 hours in every five-day week and 168 hours in every seven.

A moment's thought makes it obvious that significant additional dollars of contribution would be available at more competitive pricing levels. Those dollars would go straight to the bottom line. Almost all the high profit printers are focused on utilizing all the available hours. The owner of one of these firms said, "every hour that one of my presses isn't running, it's picking my pocket."

## Better Order Handling

Many printers use a complex and repetitive paper-based system to enter and process customer orders. There is no question that this could be improved by using one of the systems now available thus providing better customer service and reducing front office cost.

The challenge is in choosing from the range of available packages and then putting them into successful operation. The barrier is the people who now work for you handling these orders in the way they've always been done. It's quite natural for people to resist change and particularly so if it's imposed from above.

Successful change requires that it has champions who are a part of the present team and were a part of the selection process. Simply put, implementation must come from within the affected workforce, not dropped on them from above.

If the folks who do the work understand and like the new way, it will work. If not, it's a problem not a solution.

## Two Shifts

Most printers operate only a single shift with overtime as needed while a minority also employ a skeletal second shift. That reality creates a real opportunity for printers who are willing to break out of this mold and move to a full two shift model with frequent overtime.

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The source of this opportunity is the reality that for the average firm, producing a job involves an expenditure (paper, outside work, production wages and sales commission) of about 60% of the usual invoice price. The balance is what covers the overhead (rent, equipment, front office) and when covered, profit at the end of the month.

Moving to a two-shift operation can double the number of dollars to pay for the overhead, which remains unchanged, and thus explode the profit. Getting to this nirvana, requires the willingness to leave the comfort of a single shift operation and learn how to manage a multi-shift one.

Getting the sales to support it requires a pricing approach that begins with an estimating process but is not a prisoner to it as the object of the game is to get as much as the customer will pay, but also get the order. Simply put, pricing becomes customer centric, not production cost centric.

## **Your Most Important Asset - People**

This author has been in hundreds of printing company tours over his career, and the focus is always on the equipment and its capabilities. Important? Yes, but often overlooked are the talented individuals who operate the equipment and facilitate projects from beginning to delivery. With the expanded concerns of today's society regarding myriad of issues ranging from social norms to work-life-balance to remote working, owner/managers need to rethink how their workforce plays into their business strategy.

Although a lot has been said about how many industries are embracing remote working and individuals are changing careers, our #1 concern should be the structure of our business and how to accommodate and recruit a younger workforce.

How do you start? First explore what the industry trade associations have to offer. Over the past five years, time and dollars have been spent in studying employment issues and there is solid information available. Second, and probably more important, is befriend a business owner, or two, who have a younger workforce (retail, software, technology industries) and discover what makes them successful (or challenged). The next step is the hardest.

What is it going to take to retool our workforce?

This must be done as a "white board" approach. When we start contemplating what our new workforce would look like, we need to start with a clean white board -- no limitations. Remote work. Flexible hours. Childcare. Restructured benefits. Different operational structure. We need to rethink our business from the personnel side -- not the technology one. While this type of exercise may seem somewhat theoretical and difficult to execute, it will provide a different perspective. It gives us a pathway which ensures we focus on our personnel as the key to our success, rather than just purely thinking about equipment and technology.

*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](mailto:jspolanco49@gmail.com).