

Complex Challenges Require Smart Decisions

BY C. CLINT BOLTE

The premier conclave of the National Association for Printing Leadership in Phoenix coincided with the end of a three-year drought, with ample rain falling during the Feb. 16-20 conference. It also apparently coincided with the end, at least for now, of a drought in the printing industry.

Following nine of 11 quarters of declining sales, the 400-member Printer Panel reported four consecutive quarters of increasing sales, Andrew Paparozzi said in his annual State of the Industry Report. “After a year of extending (production) hours, (the printing industry is) finally hiring again,” said the National Association of Printing Leadership’s chief economist. “Printers not experiencing increasing sales, improving profitability, and firming prices should be asking themselves why,” said Paparozzi.

(However, the expected 4.5% to 5.5% growth for 2005 will only get the industry back to the pre-recession sales levels of \$86.6 billion in commercial print revenues recorded in 2000.)

The greatest threat presented by this good news is complacency and assuming, as too many printers do, that a favorable turn in the business cycle is going to make everything right again, Paparozzi said. The reality is that printers’ jobs, service mix and workflows are becoming more complex, he said. “We (printers) must make better decisions over a broader range of issues, excel at more tasks and think integration of systems, not stand-alones,” he concluded.

Paparozzi presented a chart showing that non-durable manufacturing productivity since 1990 has doubled that of the printing industry (77.1% vs. 36.9%). “Technology is an essential part of productivity maximization, but only a part. We have to get more per employee ... while not over-hiring,” Paparozzi said. He suggested that the industry is competing for 18 specific skills that are in demand across the entire economy, 10 of which are IT-oriented.

Paparozzi showed the sales results of 173 members of the Printers Panel during the past decade. Fifteen percent of the firms enjoyed above-average growth in at least seven of the 10 years while the remaining 85% are up one year and down the next. The discrepancy between companies that consistently do well and those that are erratic transcends company size, equipment configuration or product specialty. “The gap between the enduringly successful minority and the up-and-

down majority will widen as our industry gets more competitive and complex,” Paparozzi said.

To help printers boost business, the Printers’ Panel, which Paparozzi queries quarterly, offered some best practices suggestions:

- CEO-to-CEO selling as a key part of getting to know the client’s total business;
- A board of advisers with no legal authority but which contributes opinions on increasingly complex business issues;
- Employee performance appraisal systems that embrace interpersonal as well as job-specific technical skills clearly define performance standards and encourage extensive ongoing dialogue with employees;
- A dynamic performance indicator report with at least a dozen metrics traced frequently.

Customer Relations

Featured keynote speaker Martha Rogers spoke on “Customer-Focused Marketing and Strategy” taken from her series of popular business books and consulting practice (www.1to1.com). Increasing “share of customer” and “return on customer” requires “applying more resources to keeping valuable customers than acquiring new ones of unknown value,” said Rogers, who advocates “treating different customers differently.” Facts have shown, she said, that having a greater share of a client’s business results in incrementally lower costs to service and clients becoming more locked in.

To make her point, Rogers said that the top 10% of people purchasing jewelry buy 66% of all jewelry sold; the top 0.2% of car rental customers rent 25% of the cars; the top 5% accounted for 50% of all Lego sales; and the top 5% consume 60% of all long-distance services. “Identify, understand and connect with these most valuable clients,” Rogers said.

She advocates “tiering” clients into those you want to retain as being the most valuable, those you want to “grow” as having additional potential and those you should consider “firing.” Rogers illustrated this with

the example of a business equipment firm whose top 3,000 clients represented 50% of sales and should be receiving more one-to-one marketing efforts. The bottom 7,000 customers, who bought little from the company over the previous two years, should receive only periodic postcard blasts.

To implement this strategy, Rogers emphasized that companies should “identify, differentiate, interact and customize.” She offered numerous successful case studies demonstrating process and retail businesses.

Important Technology

NAPL Senior Consultant Howie Fenton discussed the latest digital technologies that will be important to printers. Wireless fidelity (wi-fi) transmissions will become increasingly important as more printers adopt computer-integrated manufacturing, he said. Chemistry-free plates will be increasingly attractive to printers, as chemistry accounts for 30% of the costs of printing plates. Printers typically spend \$40,000 to \$100,000 a year on plate chemistry. Fenton emphasized that while the large format (8-up) inkjet digital proofs have become the de facto industry standard, running a daily test and recalibrating when necessary is important, as inkjet is inherently quite variable.

Successful Fulfillment

Discussing the keys to success in fulfillment services, consultant Tom Quinn said the primary reason for a corporate divorce is “inventory inaccuracies.” While Internet accessibility is important for a management information system, he emphasized, “Order entry is for show, warehouse management is for dough.” Another tip for success is that “pricing items must be backed up by your system documentation.”

Speaking on a related topic, Bob Shaunnessey, executive director of the Warehousing Education and Research Council (WERC), suggested how companies can make a buck in warehousing, based upon his industry practices. Pallet storage for the month should be billed when the skid arrives, he said, not at the end of the month. That way, if a skid arrives and leaves within the same month, it will be assured of being charged a storage fee. In addition to storage, the warehouse industry charges for moving pallets in and out. Specialized storage, such as refrigeration and security, entails multiple handling fees due to the staging required. He offered warehouse industry typical costs of \$5.55 per pallet per month for six to eight skid high warehouses and moving pallets of \$2.70 in each direction for high-volume operations. Printers in the audience commented that their fulfillment cost studies reflected prices at least twice those levels, due to lower volumes and higher relative fixed costs.

Jim Clark, a McNaughton & Gunn operations executive and a frequent conference presenter on advanced manufacturing issues, led a panel on “Critical Trends in Print Manufacturing Excellence.” Kenneth Moring, manufacturing manager of newspaper insert and direct mail printer Vertis’ Atlanta plant, described how Vertis spun Deming’s philosophy into its “Vertis Improvement Process.” The objective of Vertis’ VIP effort is to increase cylinder rotating time through press op codes; process checks, steering committee and liaison; best practices and process improvement teams; and crew feedback via postings. As a result of this program, web press spoilage dropped from 10% to less than 7% and net productive impressions increased from 22,000 to more than 26,000 per hour. Moring said that the process has become so ingrained at Vertis that “the successful employees get to keep their jobs.”

Dal Patterson, former Quality, Technology & Systems Senior Vice President for American Color and American Color Graphics, emphasized that successful quality management is “a business process, not a program or a technical activity.” Thorough and ongoing training at every level, including change management, is essential to ensure an ingrained culture change of acceptance and adoption. A successful quality process includes elements of lean manufacturing and shows results in “standardization, value stream mapping, organized waste reduction, total productive maintenance, and make-ready reductions,” Patterson said. For lasting results, Patterson advised, “keep objectives and specific efforts customer- and business-focused and... make this part of the merit and incentive compensation program.”

David Pitts, co-founder and president of Charlotte’s Classic Graphics, attributed his firm’s extraordinary growth over the past decade to its ISO process and resulting discipline. This program resulted in overall spoilage reduction of 66%. Classic Graphics is now at 2% waste and has a goal of less than 1%. “Document what you are now doing, and then improve it,” he advised.

For the past 25 years, the conference’s Management Plus Awards have acknowledged the best-managed printing companies in North America based upon an exhaustive application form submitted the prior fall. For the first time the Hall of Fame award went to a Canadian company, the Friesens Corp. This third-generation book printer is the largest employer in little Altona, Manitoba.

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