



PIASC WEEKLY UPDATE

Printing Industries Association, Inc. of *Southern California*

March 13, 2017

The Apple Example

We read that Apple enjoys a gross profit of 60% on the latest iPhone. Would you guess that Apple thinks like a printer with an estimating system built around detailed operating costs including projections of overhead or would you guess that it thinks about how much the prospect is willing to pay for the latest and greatest? You might be tempted to say that printers are different than Apple. After all, we aren't selling the latest and greatest—we're selling ink on paper which everyone says has become a commodity. But, is that really true? We have to realize that that it isn't the process of putting ink on paper that counts—it's the use the end user has for it that matters. Is it the image on the box that will cause the consumer to grab for it or is it the product safety disclosure that no one will read? Also, print itself is changing. Digital is getting better and better and growing in-line finishing capabilities. These facts are redefining the product, adding value that didn't exist before. Conventional offset is becoming smarter with shorter makereadies, reduced spoilage and faster running speeds. These changes are creating value that is invisible to a conventional estimating system. If anything, a conventional system will give away the improvement to the customer and so we produce a better product and charge less for it! The remedy for this is to think like Apple—what is the customer likely to pay for our work and then charge for it.

Estimator Thinking

Estimators (and estimating packages) focus on knowing as much as possible about the mechanics of printing. This makes them very good at production planning since producing the job in the lowest cost way is the name of the game. Unfortunately, estimators and estimating packages are also used to drive the pricing process. It tends to be the norm that quotations are sent to the client with the same numbers as that on the estimate or perhaps a standard markup. It is also common that any deviations from this are downward in response to the sales rep or the boss saying "No way will they pay that much!" The quote goes to the client and we get the order 30% to 50% of the time, sometimes after making a further reduction in the price. This process makes us think that print is a commodity, that clients are not loyal anymore and that it's all about price competition. To get out of this

box, we need to change our thinking on price. First, while producing it as cheaply as possible is important, pricing is just the opposite. Pricing must be as high as possible, but we must also get the order. We must focus on the client relationship and the value of the project to them to avoid leaving money on the table. We must also focus on the orders we didn't get as lost opportunities. If we got the 30% to 50% of the jobs we quote on but don't get, we could more than double our sales by getting them all. Even if their average cost sheet margin was 15% percent less, just think of the increase in net income coming from better plant utilization. As a star sales manager one said, "If it's worth quoting, it's worth selling."

Overtime Is Good

It is the very nature of the printing business that demand is extremely variable and wholly unpredictable. It is unlikely that we can persuade clients to order anything in advance nor to dissuade them from the "I need it tomorrow" syndrome. Given that reality, overtime is the only way to control labor costs. If the workforce is large enough to handle the peaks on the straight time, the firm will be paying for many more hours than needed. The dead time will also create work habits which are hard to break when it's busy. A reasonable number of ten or twelve hour days deals with these problems and makes the firm a source of better wages and thus more attractive to the best people. Finally, holidays, vacations, health insurance and (frequently) payroll taxes are sensitive to the number of employees, not to the number of hours that they work.

Thought for the Week

A free society is one where it is safe to be unpopular. ~ Adlai Stevenson

**Upcoming
National
Events
Calendar
2017**

3/19-3/22	TAGA Annual Technical Conference	Houston Marriott West Loop, Houston, TX	John Bodnar	412-259-1706	jbodnar@printing.org
4/2-4/5	Continuous Improvement Conference	Omni William Penn, Pittsburgh, PA	Jim Workman	412-259-1710	jworkman@printing.org
4/6	Webinar: Are You OSHA Ready?		Gary Jones	412-259-1794	gjones@printing.org
6/20-6/21	Print & Packaging Legislative Summit	Washington, DC	Lisbeth Lyons	202-627-6925	llyons@printing.org
7/16-7/19	Affiliate Managers Summer Conf.	Vintners Inn, Santa Rosa, CA	Tad Parker	508-804-4114	tparker04@pine.org
9/10-9/14	Print 17	McCormick Place, Chicago, IL	Chris Price	703-264-7200	cprice@printing.org

For more information on any of the following events, go to www.piasc.org.

PIASC February-April Activities

Mar. 21 <small>Register at right</small>	<p>Event Number- BWB</p> <p>7:30 a.m.</p> <p>Cost: \$5</p> <p>Location: <small>see locations at right</small></p>	<p>BREAKFAST WITH BOB AND CHERYL Contact: Emily Holguin, Ext. 262, emily@piasc.org</p> <p>California is the world leader in restrictive labor laws and hungry trial lawyers. All you're trying to do is to run your business and hire folks who will do decent work, but it's easy to make a mistake and become a victim of the system. Be sure to join Cheryl Chong, PIASC's HR Director and Bob Lindgren, PIASC' President to learn how to be safe rather than sorry.</p> <p><i>Check the box(es) below to register for any of these additional upcoming Breakfast Meetings:</i></p> <p><input type="checkbox"/> Mar. 21st – <i>Mimi's Cafe • 17231 E. 17th St. • Tustin 92780</i></p> <p><input type="checkbox"/> Mar. 22nd – <i>Ozzie's Diner • 7780 East Slauson Avenue • Commerce 90040</i></p> <p><input type="checkbox"/> Mar. 23rd – <i>West Bistro • 3900 Atlantic Ave. • Long Beach 90807</i></p>
Mar. 23 <small>Check here to REGISTER</small>	<p>Event Number CRM</p> <p>10:00 a.m.</p> <p>Cost: FREE / member \$25/ non-member</p> <p>Location: <small>on your computer</small></p>	<p>HOW TO USE CRM TO TRACK AND AUTOMATE YOUR SALES AND OPERATION <i>Label & Packaging Technical Webinar Series</i> Contact: Emily Holguin, Ext. 262, emily@piasc.org</p> <p>Do you have leads from tradeshow, e-mail campaigns, or an existing customer database? Have you wondered how to get more revenue from your sales process? Are you looking for a way to be more mobile and to look like a bigger company than you actually are?</p> <p>Learn how to use Customer Relationship Management (CRM) to acquire and retain customers through repetitive sales and marketing activities. Understand how to send marketing information to prospects over longer periods of time in order to nurture them to become customers. Learn how a CRM system can prioritize telephone calls, face-to-face visits, and help you achieve greater revenue growth.</p> <p>Who should attend: Business owners, CEOs, personnel responsible for sales processes.</p>
Apr. 7 <small>Check here to REGISTER</small>	<p>Event Number GN</p> <p>5:30 p.m.</p> <p>Cost: \$100 ticket \$1000/table of 10 \$800/table of 8</p> <p>Location: <i>Pacific Palms Resort One Industry Hills Parkway Industry Hills, CA 91744</i></p>	<p>2017 GRAPHICS NIGHT <i>A Night to Remember</i> Contact: Maribel Campos, Ext. 210, maribel@piasc.org</p> <p>Join us at an extraordinary evening filled with sky high festivities where we will honor the Executive of the Year and celebrate the winners of the 2017 Print Excellence Awards Competition. Two Celebrations – One Great Event!</p> <p>Overnight Accommodations: 1.800.524.4557 (Room Reservation Code: PIASC / Account #NC3290) Spa: 626.854.2502 • Golf: 626.854.2531</p> <p>For all details visit www.piasc.org/GraphicsNight. Sponsorships are still available!</p>

Quick Registration

- Mark your choices from listings above
- Fill out the form at the right
- FAX page(s) to (323) 724-2327

Company _____ Phone () _____

Attendees: _____

☐ Bill Company ☐ Credit Card # _____

All No Shows and Cancellations Less Than 48 Hours Prior to Meeting Will Be Billed.

Other Industry Events	4/8	Kids Krazy Kraits Day	International Printing Museum, Carson	mail@printmuseum.org	(310) 515-7166
	4/20	Cal Poly GrC Career Day	Cal Poly State University, San Luis Obispo	Ising@calpoly.edu	(805) 756-2645
	4/22	Merit Badge Day, Boy Scouts	International Printing Museum, Carson	mail@printmuseum.org	(310) 515-7166
	5/13	Book Arts Patch Day for Girls	International Printing Museum, Carson	mail@printmuseum.org	(310) 515-7166
	6/24	Merit Badge Day, Boy Scouts	International Printing Museum, Carson	mail@printmuseum.org	(310) 515-7166
	7/1	Independence Day Celebration	International Printing Museum, Carson	mail@printmuseum.org	(310) 515-7166

Apr. 6 <input type="checkbox"/> <small>Check here to REGISTER</small>	Event Number OSHA 11:00 a.m. Cost: FREE / member \$49/ non-member Location: on your computer	WEBINAR: ARE YOU OSHA READY? <i>Label & Packaging Technical Webinar Series</i> Contact: Gary Jones, 412-259-1794, gjones@printing.org <p>The printing industry has been deemed a high hazard industry by OSHA for amputations and combustible dust, causing the number of inspections, citations, and penalties in our industry to skyrocket. On average, OSHA is inspecting at least one to two printing operations per week and they are finding violations that cost you real money.</p> <p>This webinar will provide you the information needed to understand the key OSHA regulations and what steps you will need to take to become compliant. OSHA has dramatically increased their fines so don't wait until they come knocking on your door, be proactive!</p>
	Event Number KKCD 10:00 a.m. - 4:00 p.m. Cost: \$10 Location: <i>In'l Printing Museum</i> 315 W. Torrance Blvd. Carson, CA 90745	KIDS KRAZY CRAFTS DAY <i>at the International Printing Museum</i> Contact: Mark Barbour, (310) 515-7166, mail@printmuseum.org <p>Demonstrations throughout the Museum for kids of all ages and sizes! Including:</p> <ul style="list-style-type: none"> • Papermaking - get your hands wet with goopy paper fibers while making your own paper • Paper Marbling - see a demonstration on how to marble paper • Cartooning - create your own characters and watch our own quick sketch artist at work • Printing Presses - print your own design on our 19th and 20th century presses *Calligraphy - see how to letter your name in beautiful letters • Mini-tours that demonstrate type casting and printing on a Gutenberg press • Watch our "8th Wonder of the World" Linotype casting type • Bring a clean t-shirt to Silk-Screen your own memento of your visit! • Watch the Linotype's cousin the Magnificent LUDLOW casting its type. • Paper Sculpting demonstrations and Many More Surprises! <p>Visit www.printmuseum.org for details and reservations!</p>
	Event Number CAC15 5:30 p.m. Cost: \$25 non-members: \$40 Location: See locations at right	COCKTAILS AND CONVERSATIONS Contact: Emily Holguin, Ext. 262, emily@piasc.org <p>Connect with other local colleagues, meet some new friends and network, network, network.</p> <p><i>Check the box(es) below to register for these events:</i></p> <p><input type="checkbox"/> Apr. 20th - Magnolia House, 492 S Lake Ave, Pasadena, CA 91101</p> <p><input type="checkbox"/> Apr. 27th - Rock & Brews, 7777 Beach Blvd., Buena Park, CA 90620</p>

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Company _____ Phone () _____

Attendees: _____

☐ Bill Company ☐ Credit Card # _____

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**Sales
Commission
Musing**

The historical standard for sales compensation in our industry is a percentage of gross sales (usually in the 8% to 10% range) with a draw against commissions which are settled monthly. Firms have elaborated this pattern with attempts to focus sales reps on cost sheet profitability. Usually by giving a higher percentage on higher margin work and conversely, reducing or eliminating the rate on lower or negative margin jobs. This works, but can be confusingly complex and also can be counterproductive if it deincentivizes the reps to sell jobs which although of negative margin would help pay for the overhead. Some firms have addressed these limitations by paying a uniform percentage of value added. In implementing this approach, the starting point should be the same of the previous system, e.g. 10% of gross sales converts to 14% of value added. This is not only simple to understand, but also improves the rep's pricing incentive by giving them an additional forty cents of every additional dollar while retaining some level of earnings even at lower pricing. It further still compensates the rep for work produced on the outside but reflects its lower contribution to overhead. One of the classic sales management challenges is the rep who is earning enough from their established base to be indifferent to cold calling. Of course, there's nothing wrong with clients who keep buying, but clients and buyers can change in unexpected ways which can be painful to the rep and the firm — hence

the need for cold calling and new client development. A possible solution is an additional commission for the first year of orders from a new account, a practice which is standard in the insurance industry.

**Paying For
Sick Days**

Now that paid sick leave is the norm, an employee who is not sick is still incentivized to take the sick days off as they don't want to lose them. Assuming that there is work to be done, it is not in the firm's interest to encourage employees to take sick days when they're not sick. A useful solution for this is to pay for unused sick days at the end of the year. Employees are thus encouraged to continue working if they are able which is better than losing people at busy times.

**Sales
Compensation
Agreements**

The California Labor Code (CLC 2751) provides that employers of persons paid by commission must give each such person a signed contract covering their terms of compensation. This contract can be prospectively changed at any time by written notice from the employer. Not only are such contracts required by law, but they avoid misunderstandings and disputes about the proper payment of commission. A sample contract and explanatory material is available at bit.ly/SalesCompensationAgreements. For help on this, call Cheryl Chong at Ext. 218 (email: cheryl@piasc.org).

See our e-Classifieds section on the web at www.piasc.org.

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