

What Do “Higher Performers” Do?

Some printing companies are “rocking it” – producing profits and returns far above industry averages. We refer to these companies as “higher performers.” About a third of the printing firms participating in our March 2023 Printing Industry Performance & Insights financial benchmarking study are higher performers.

What makes higher performers different? Below, I share vital differences we saw between higher performers and all respondents. For each key difference, you will find bullet points with approaches higher performers may apply to accomplish that advantage.

Higher performers spend a smaller percentage of their revenue on paper and outside services

- Higher performers may produce products more efficiently, wasting less paper and other substrates. They may have a TQM (Total Quality Management) culture, which focuses on continuous efficiency improvement, “producing more with less waste.”
- Higher performers may bring more services they provide customers inside their walls. For instance, a firm providing website design through outside sources might pull that service inside. However, this is a potentially challenging tactic. Bringing a service inside requires executing that service effectively and efficiently. Bringing in external services or adding complementary services is not easy. Indeed, an association leader shared that he has seen multiple printing firms fail at this. However, doing it right might enhance financial performance and the value printing companies provide their customers.
- A smaller percentage of revenue spent on paper, substrates and outside services may also reflect higher performers’ ability to charge their customers more... higher pricing for what they provide them. Higher prices reduce the percentage of revenue spent on paper and outside services. This potential advantage is related to a firm’s mission: Who are our target customers, and what value do we provide them? Firm leaders might ask, “Have we cast a ‘mission net’ in which customers are willing to pay more for what we provide?” Also related to strategic thinking, firm leaders might ask, “Have we chosen a

mission where there are few competitors who provide what we do, or as well as we do, allowing us to charge more?”

Higher performers spend less on total factory costs

- Related to TQM mentioned above, continuous improvement connects with “doing more with less” and is a culture. Developing a culture devoted to continuous production efficiency improvement requires total top management commitment, but that culture can produce benefits.
- Operating multiple shifts can reduce the fixed factory costs per hour or per project (job).
- To lower our total factory costs, we applied an “expandable-contractable” approach. We planned our factory capacity based on our lowest monthly revenue projections and set hourly rates accordingly. When we exceeded our revenue budget, our fixed factory costs were a smaller percentage of revenue. To accomplish this, we made our employees aware that we expected them to work overtime, and we made overtime feasible for employees through our shifts. This is related to scaling, which is producing more without more fixed costs... “Doing more with what we got!” Another way to scale is to plan growth without adding fixed costs.

Higher performers spend less on administrative costs

- It appears that high performers do more with less administrative resources. They may have staff members who take on multiple roles; they may outsource some administrative functions; they may increase revenue without increasing administrative staff; they may apply technology to replace manual tasks; or they may apply other organizational efficiency approaches.
- I presented this material at a printing association luncheon. After hearing that higher performers spend significantly less on administration costs, a printing company leader shared that their firm did not monitor administrative efficiency at the same intensity as they did in their shop. It sounded like our results prompted him to look at their administrative efficiency.
- To explore more possibilities for

making administrative functions more efficient, consider these options: apply digital tools to improve the documentation process; chart administrative tasks and look for ways to reduce steps or combine roles; explore employee training options; and build a culture of efficiency and productivity in your executive offices (like you want in your shop).

Higher performers spend more on sales and marketing costs

- This is the one area in which higher performers spent more. But be careful. This is about more than how much you spend on sales and marketing. It’s about effectively applying sales and marketing resources.
- In a previous study, we found that higher-performing printing firms have a marketing plan: they identify targeted customer groups, they identify the value their firm provides those targeted customer groups, they have a marketing strategy with an action plan and they have marketing objectives.
- We also found that higher performers monitor salesperson development, apply salesperson training, apply ongoing salesperson evaluation and reward salespeople (sometimes for items other than sales generated, such as the number of new prospects converted to customers).
- Higher performing firms may strategically seek ways to effectively market products and services, such as through social media, printed brochures or direct mail.
- When a printing firm leader heard that higher performers spend more on sales and marketing, he said, “It sounds like they are hunting (seeking and pursuing prospects) more than farming (merely depending on current accounts).”

Higher performers earn much more in EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)

- Do the differences mentioned above contribute to stronger EBITDA? YES! However, compared to other firms in our study, higher performers have other minor cost advantages. Higher performers spend a little less in a lot of cost categories. “Little by little, a little becomes a lot” – Tanzanian proverb.

Higher performers generate much greater Return on Assets (ROA)

- This may result from higher performers’ investment in new equipment or technology. Indeed, it appears higher performers incur more in depreciation expenses.
- I propose that higher performers make solid equipment and technology investment decisions based on potential return. For instance, if a firm is considering a \$200,000 equipment investment, the leaders would explore the potential effect of that investment on their bottom line and seek at least a \$20,000 increase in net profit.
- Are there other ways to achieve the performance advantages presented above? Absolutely, yes! Hopefully, the material above will prompt some thinking and help you enhance your printing firm’s performance.

Source: Dr. Ralph Williams Jr., Associate Professor of Management and Dr. Richard Tarpey, Assistant Professor of Management, Jones College of Business, Middle Tennessee State University



BUSINESS MANAGEMENT

Multiple Tactics are Better than One

As your investment advisor has told you, diversification is important. This advice also holds true for your marketing program. Successful companies employ a variety of marketing tactics in order to reach their target audiences in a variety of ways. If you are relying on just one or two things, you could be missing out on a substantial amount of business.

Use multiple tactics

A mix of tactics will enable you to both reach more people in general and reach some of these people multiple times. Plus, it often happens that a potential client sees the value of what you offer but doesn’t have an immediate need at the time. Your marketing mix needs to include tactics that will keep you top of mind for when the need does arise.



While some of your marketing tactics will be ongoing (such as a blog, pay-per-click ads or participation in a business networking group), others will be used just to promote specific events, such as a product launch, webinar or sale.

Repurpose/reuse content for multiple tactics

If you’re going to put the effort into creating high-quality original content, try to get as much use out of it as you can. For example, once you write a blog you can send the same article out as an e-newsletter, pull snippets from it for social media posts and then use the blog content to create a podcast and/or video. In this way, one piece of content can be used in five marketing tactics.

Reach out many times

You may need to reach people many times before they become comfortable with the thought of doing business with your company. In fact, a prospective

client may need to notice you, hear about you, see you, listen to you, etc., at least seven times before they’ll buy.

Look for synergy

Be on the lookout for ways to make your marketing tactics work together. For example, if you have a newsletter, you can use it to promote an upcoming event in which you are participating. Your display at the event can then include a sign-up list for your newsletter.

Be consistent

Be sure that your branding and messaging – including your “look and feel” – is consistent across all of your marketing efforts. You want people to be able to recognize that it’s you and to become familiar with the products, services and benefits that you offer.

Source: Linda Coss, Plumtree Marketing, Inc., www.PlumtreeMarketingInc.com.

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For more information contact Nadine Mora at 323-728-9500 ext. 262 or nadine@piasc.org.

Update from Our Lobbyist: Two Things to Watch

This year there are two main things shaping up in Sacramento that can have a big impact on printers. Here's what you need to know about each of them...

An attempt to modify 2022's SB 54

Back in 2022 California's comprehensive packaging legislation, SB 54, was passed. This legislation set up Producer Responsibility Organizations to pay for the full lifecycle of packaging. At the time we were able to secure language in this bill that ensured that (a) paper is not considered a covered material under this law and (b) printers that use paper for commercial and industrial processes would not have to participate in the Producer Responsibility Organizations – thus avoiding fees and regulatory burdens.

In other words, we were able to exempt most of our industry from this legislation.

Fast forward to this year and we're seeing some attempts to unwind some of these agreements that we had reached in 2022. Needless to say, we are already hard at work trying to defeat these efforts.

Potential PAGA reform

There is a ballot initiative that has already qualified to appear on the general election ballot which would in essence eliminate PAGA (the Private Attorneys General Act) as we know it, thus protecting businesses from frivolous litigation.

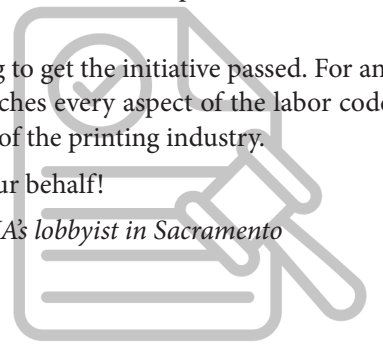
However, the legislature has the ability to pull the initiative off the ballot – provided there's agreement by the initiative's proponents (the California Chamber of Commerce, the California New Car Dealers Association and the Western Growers Association) to do so. Why would these organizations consider pulling their own initiative off the ballot? Because running a campaign can cost upwards of \$100 million. It is extremely expensive!

Because of this dynamic, it is possible for the legislature to pressure everyone to come to the table and compromise. A potential compromise would see the initiative come off the ballot, but would legislatively pass comprehensive PAGA reform. This would all need to happen before July or else it will be too late to pull the initiative of the ballot.

For now though, its full steam ahead on trying to get the initiative passed. For any company that has hourly employees, PAGA touches every aspect of the labor code. Reforming it is therefore critical to the interests of the printing industry.

As always, we will continue to advocate on your behalf!

Source: RJ Cervantes, Resilient Advocacy, LLC, PIA's lobbyist in Sacramento



MEMBER BENEFITS

This Month's Featured Benefit: HR Services

Did you know that you've got an HR consultant on call? It's true! The services of a boutique HR consulting firm, HR|BIZZ, are included with your membership dues. This means that when human resources-related questions and issues arise, expert assistance

is readily available. With a staff of eight, many of whom are bilingual, HR|BIZZ is here for you. You can reach your HR consultant at piasc@hrbizz.com or 626-999-5990.



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GOVERNMENT AND LEGISLATIVE

On Our Radar

Proposed regulations and other issues that we're following:

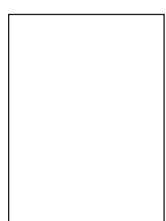
- **Criminal background checks** – If passed, SB 1345 would forbid employers from requiring applicants to allow the employer to obtain the applicant's criminal history – and it would also prohibit the employer from taking adverse action based on that criminal history – unless the employer can demonstrate a "business necessity." For more information, see bit.ly/BackgroundCheck24.
- **Indoor heat illness standards** – In an unusual development, on March 21 the Cal/OSHA Standards Board held a vote on the proposed indoor heat illness prevention regulation that has been under development for a number of years, even though the California Finance Department had advised the Board not to vote on the matter. The regulation, which the Board adopted without the necessary financial impact statement, now faces an uncertain fate in its review by the Office of Administrative Law.

- **Major antitrust legislation** – Major changes to California's antitrust law are being considered by the California Law Revision Commission. These could lead to future legislation (potentially in 2025) that would allow aggressive claims against companies that hold "abusive dominant positions" in individual marketplaces. The proposals could also give the Attorney General new powers to unilaterally approve or deny mergers and acquisitions valued at \$8 million and above. PIA's lobbyist is following this effort closely.

Approved regulations and other issues that we've been following:

- **Fair chance hiring ordinance** – Los Angeles County has enacted a sweeping new Fair Chance Ordinance, which will take effect on September 3, 2024, to regulate the consideration of criminal history information by employers. This ordinance affects employers in the unincorporated areas of the county that have five or more employees. For more information, see the article at bit.ly/FairChance24.

- **New resource hub now available** – The U.S. Department of Labor (DOL) has created a new website at bit.ly/CIEResourceHub24 that brings a variety of resources regarding supporting employment of those with disabilities into one place.
- **Workplace violence prevention** – Cal/OSHA has released guidance, including a model Workplace Violence Prevention Plan and fact sheets for employers and employees, for use in complying with SB 553. Access these at bit.ly/CAL-OSHA24.



5800 S. Eastern Ave., #400
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Events CALENDAR

Americas Print Show 2024
WEDNESDAY - THURSDAY,
MAY 8 - 9
Cleveland, Ohio
americasprintshow.com

Colorado Par-Tee on the Green
WEDNESDAY, JUNE 26
Aurora, CO
bit.ly/Coloradogolf24

Printing United Expo
TUESDAY-THURSDAY,
SEPTEMBER 10 - 12
Las Vegas, NV
bit.ly/PrintingUnited24

LabelExpo Americas 2024
TUESDAY - THURSDAY,
SEPTEMBER 10 - 12
Rosemont, Illinois
bit.ly/LabelExpo2024

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