

## It's Crazy Out Here!

"It's gotten crazy out here," the quick printer said. "Two of my Top 10 customers just told me that they're going to start bidding every job, and another one is going to do a 'reverse auction' for a contract for all of next year's printing. How do I deal with this?"

It's a good question, isn't it? As you probably already know, there's no easy answer. There are things you can do, though, to respond to this kind of price pressure.

### The Real Issue

Let's look at the real issue behind the price pressure. It is *not* the economy, it's that people want to lower their costs. Sure, economic conditions may be driving that desire, but it's important to get past the *cause* here and deal with the *effect*.

Now let's drill even deeper. Why do people want to reduce costs? For some, it's to preserve profit, for others, it's a matter of survival. I think you need to know which of those motivations you're facing in order to deal with the situation effectively.

Let's also recognize that *cost* and *price* are interrelated, but they're not the same thing. They're related because paying lower prices for business supplies can reduce the overall cost of doing business. They're different in two ways, first because *cheap* doesn't always mean *good*, and second because an analysis of *usage and performance* could create a far greater effect on a business than just buying cheap.

Here's how I'd respond to a customer who told me about bidding every job. "Why are you going to do that?" I would ask. "And please, I'm not trying to be confrontational, I just want to make sure that I understand your motivation. I *think* it has to do with reducing your overall cost, but I want to be sure that it's not rooted in some level of dissatisfaction with our performance."

Hopefully, there haven't been issues with your performance. If there have been, all bets are off. If not, though, I think it's important for the customer to hear himself/herself say: "No, you've been great. We just need to lower our costs" or something similar.

"If that's the case," I would continue, "let's do something that could result in a 'win-win' instead of a 'lose-lose.'" Obviously, I stand to lose your business if it comes down to bidding for the lowest price, but you could lose too if a cheaper printer can't deliver the same level of satisfaction. What I propose is a comprehensive evaluation of your printing. Let's look at everything; how it's used, how it works, the quantities you order, the paper you specify. Let's see if we can find some cost savings or performance enhancement in all of that. I think we can probably accomplish more for you that way *with less risk* than by bidding for lower prices!"

### Waste/Overkill

I'd be surprised if you're not already thinking about one or two customers who order letterhead or envelopes or other items that are more costly than they need to be, because of the design or the stock or the quantities ordered. I hope you're also thinking that this strategy could get you into the competition for other items that your customers have never purchased from you. I was involved in an analysis like this recently, and one of the items we evaluated was a four-part carbonless form which was purchased from another supplier.

"Where do the parts go?" I asked

"The customer signs the form and keeps one copy, and another one goes to Accounting. I don't know where the other two go," was the answer.

"Who gives the form to the customer in the first place?" was my next question.

"The service guys," was the answer.

"OK, let's go talk with them," I said, and on doing that, we learned that the service guys turned three parts of the form into the Service Manager, who sent one to Accounting and threw the other two away.

"We used to keep one on file here and give one back to the technician," the Service Manager told me, "but no one ever came looking for our copies so I just started tossing 'em."

I'm pretty sure that most businesses have printing waste going on, just like this one. I'm also pretty sure that there are plenty of examples of "design overkill" that can be addressed. Bottom line: Your customers' desire to reduce costs can be more of an opportunity than a crisis!

## Performance Issues

As I mentioned earlier, sometimes the motivation for cost cutting is sheer survival. Other times, though, it's profit preservation, and if that's the case, improving the performance of printed materials could be of much greater value than lowering the cost. This is where marketing expertise comes into play, and it goes hand-in-hand with the transition many progressive quick/digital/small commercial printers have been trying to make, from just a printing supplier to a true marketing partner.

Here's a question to ask your customers: "Would you rather cut costs or increase sales?" I think increasing sales will be the answer, at least often enough to make performance enhancement as valid a strategy as cost reduction. And if you can do both, you're in the best shape possible when it comes to dealing with pricing pressure.

## Reverse Auctions

Someone had the bright idea a few years ago to take advantage of the basic stupidity of most sales organizations by staging a reverse auction. A traditional auction is about seeing who will pay the most for an item in a responsive bidding situation; a reverse auction is about seeing who will sell something for the least, in the same sort of responsive bidding. In other words, the players can quote lower and lower prices until there's only one idiot left in the competition.

I do mean *idiot!* I simply can't imagine why any self-respecting printer would want to play this stupid game. Here's what I'd say if one of my customers decided to employ this strategy—if they wouldn't agree to giving me the opportunity to do a comprehensive evaluation of their printing first.

"With the greatest of respect for you, we're going to decline to participate. If you feel you have to do something this aggressive to lower your costs, I understand, but we won't be your supplier, because there's certainly going to be someone who'll offer you cheaper prices."

"Now, if it turns out that someone else can do it cheaper but they can't do it right, we will welcome you back. You're not burning any bridges here and I hope you won't feel that we are."

The reality here is that if another printer can meet their quality and service needs at a much lower price—and an auction is almost certainly going to bring out someone with a much lower price—you're out of luck. If they can't, you want the customer to learn a lesson and come back to you. Your best strategy is to gracefully decline to participate—and to prospect for new customers who aren't in survival mode!