

Outsmarted Or Outdumbed

I recently visited with a printer who has a scrap of paper tacked to the wall of his office which poses an interesting question. “Was I outsmarted,” it asks, “or was he outdumbed?” When I asked him about the origin of this little pearl of wisdom, he told me that his wife cut it out of a magazine. “She says it’s the story of my life.”

This particular printer is a reasonably bright guy, but he has made some mistakes in his business that could certainly be characterized as dumb. He’s the first to admit that he often acts without thinking...and then pays the consequences. “You’d think I’d learn,” he says, “but I do have a tendency to make the same mistakes over and over again.”

Prime Example

I asked him to give me an example. “Probably the best one,” he said, “is that I keep dropping my prices to try to stay competitive. And while that works OK during the busy months, when things are slow like they are now, I have trouble making my payroll and paying my bills.”

“Who are you trying to stay competitive with?” I asked him.

“Everyone who keeps winning the jobs I’m losing,” he said.

This printer operates in a city of about 45,000 people, and the Yellow Pages lists seven recognizable quick/digital/small commercial printshops, one office supply superstore, and three larger commercial printing companies. He has 401 businesses on his customer list, and the criteria for a place on this list is that they’ve bought something from him within the last three years. Only 177 of those “customers” have purchased anything so far in 2001, and he runs pretty close to the classic 80/20 ratio, where 80% of his business comes from approximately 20% of his customers. In this case, it’s 32 customers who account for 80.2% of his sales volume.

His three largest customers account for just under 11% of his business, and these are the accounts where he feels he has to be most aggressive with his pricing. “They used to be pretty profitable customers,” he says, “but now I’m probably barely breaking even on them. It makes you wonder why I even try to win their business.”

It does at that! I can picture several printers in this town trying to outsmart each other as they offer lower and lower prices to these three companies. The truth of the matter is that the printers who *don’t* get the orders have probably been outdumbed!

Better Customers?

“Why don’t you go looking for some better customers?” I asked. “I’d be willing to bet you that there are plenty of people around here who are paying higher prices than these three companies. If you offered them prices even 10% higher than what you’re quoting these people, you’d probably be very competitive, and you’d be building your sales with volume that’s at least a little bit more profitable than what you’re bringing in now.”

“That makes sense,” he said. “I guess another one of the dumb mistakes I’ve made is to think that a big customer is always a good customer. They aren’t if you’re not making any money off them, are they?”

“But tell me this,” he continued. “How do I know who these better customers might be?”

Unsatisfactory Answer

The printer didn’t like my answer very much. “I can’t answer that question from where we are now,” I said. “The only sure way to find the good ones is to get out there and talk to lots of people at lots of companies. When you see the kind of attitude you’re looking for—a need and respect for quality and service and the willingness to pay for it—you pursue those people. When you see signs that they’re price buyers like your three big fish, you take them off your prospect list.”

“But I don’t want to have to do all that,” the printer said. “I want to find some way to get some really good customers to come to me.”

“We can do that if you’ve got time and money to spend on an aggressive direct marketing program,” I said. “But it seems to me that your need is considerably more urgent than that. And it’s another dumb mistake to do what you want to do instead of what you have to do.”

Are There Better Customers?

This may take us off today’s theme a little bit, but the volume of “really good business” in your market area is worth considering. I’ve developed a theory that every quick/digital/small commercial printer in the US has a minimum of \$100,000 worth of really good business coming in from really good customers. By that I mean profitable orders from

profitable customers, and the definition of profitable customers includes such things as being easy to deal with, having reasonable needs and expectations, paying the kind of prices you want to charge and paying their bills on time. On examination, even the printer I've been talking about seems to have \$100,000 worth of customers who qualify.

By the way, I'm not talking about walk-in or call-in customers who place one small order every year or so. I'm talking about solid \$5000+ accounts, and I know plenty of printers who have considerably larger customers who qualify as "really good customers" in every way.

It's pretty easy to apply my theory to your market. Take a look in the Yellow Pages, and add up the number of printers who compete with you in the quick/digital/small commercial printer category. Then multiply that number by \$100,000, and subtract the component of your sales volume that qualifies. I think this will give you a conservative estimate of the pool of "really good business" you can compete for.

Now get out there and compete for it!

Back On Theme

OK, let's get back to the "Outsmarted or Outdumbed" theme. There has been a thread on the PrintOwners list recently about helping customers to save money on their printing. The responses seem to be divided into two camps—a number of printers who shared the sort of suggestions they might make to their customers, and another group whose attitude might best be expressed as "saving them money is not my responsibility."

I think that's dumb. Dumb! DUMB!

Is it any printer's responsibility to save his/her customers money? Maybe not, but the more important question is whether it's a printer's *opportunity*! And the answer to that question is an unequivocal YES!

Consider this, you have two major challenges on the sales and marketing side of your business—gaining new customers, and keeping the ones you've got. I think it's fair to project that you'll generally want to charge higher prices than either the printer-in-place, or the printers who are trying to take your customers away from you. And it's been proven in the marketplace that you can charge higher prices than competitors if you provide greater value than your competitors. It's also been proven, though, that people do think and care about how much money they spend. You have to expect that even your most satisfied customers will stop and think about the opportunity to reduce their costs by buying from printers who offer lower prices.

The key for you is to address cost rather than price. The worst case scenario is to find yourself in a competitive situation where all you can do is lower your price to "meet or beat" another printer. Remember, every dollar you take off of your price comes straight off of your bottom line.

Reducing cost is a completely different matter. Let's consider a job with a production cost of \$100.00, and a 30% markup, yielding a selling price of \$142.85 (\$100 divided by .7). Now let's say that your cost-saving suggestion reduces the production cost to \$90.00. At the same markup, the selling price is \$128.57, and your customer saves 10%. You, on the other hand, lose 10% of your gross profit, or \$4.28.

OK, that would be a win-lose scenario, with you on the losing end. But that's only if you apply the same markup. If you simply added that \$4.28 back into your price, the new selling price would be \$132.85, and your customer would save 9.3% without any negative effect on your bottom line. Doesn't that sound like a win-win proposition?

Remember the key, though—to address cost rather than price, and to do it *before* you get into a price-comparison situation. That's a big part of establishing the *value* that keeps customers happy and loyal. The more value they're getting from you, the less likely they are to even talk to your competitor.

Increasing Order Quantity

Several of the printers who participated in the PrintOwners thread mentioned "increasing order quantity" as a key cost-saving suggestion. Obviously, ordering more of any printed item will decrease the unit cost, but is buying more always a good strategy, for them or for you?

I had an interesting experience a few years ago, when I walked into a local printshop to order promotional mailers for a seminar. I asked for a quote on 800 pieces, and the young woman behind the counter said something like, "Sir, you should buy at least 1000. The more you buy, the more you save."

"That may be," I said to her, "but I've got exactly 744 people on my mailing list."

Her heart may have been in the right place, but her selling strategy wasn't. I'd have been impressed if she'd said something like, "Gee, that's not a typical order quantity for us, and one of the things about printing is that the cost of each piece goes down as the order quantity goes up. Is this is situation where ordering a larger quantity would make sense for you?"

I think it's dumb to assume that buying more is always better for the customer. In fact, the whole marketing foundation of digital printing is that buying *less* is sometimes a much better decision. Buying more to get a better price and then throwing most of it away sure sounds like a dumb buying strategy for a customer!

In the “old days”—back when I actually sold printing and/or business forms for a living—I was taught a rule of thumb that 35% of what I sold would become obsolete before it was used. A lot of printed material has been thrown away over the years, and a lot more has been used even after it was obsolete, which had to effect the performance of that printing. (In other words, it’s ability to do what the purchaser wanted/needed it to do.)

Beyond the issue of whether buying more is good for the customer, I question whether “upselling” them to larger quantities is really all that good for you. Assuming that your customer is going to buy 2000 of any item in a year, which would you rather have, one order for 2000 or two orders for 1000? I’d rather have the two smaller orders, and not just because of the enhancement to my sales volume and profitability. I’m also in favor of anything that produces more *contact* with any customer, and in that regard, more orders are definitely better than fewer.

Remember, though, that it’s not about what’s good for you, it’s really about what’s best for your customer. The key here is to *ask*, and the best questions I know for this situation are: “How long do you expect this quantity will last? Do you expect that anything we print now will change during that time period? Do you want to look at the price difference if you buy more—or less—on this order?”

Bottom Line

I guess the bottom line for today is that there is a difference between “smart” and “dumb” in the quick/digital/small commercial printing business. I’ll bet you can think of situations where you’ve been either outsmarted or outdumbed—I know I can!

We should think about those situations, though, and learn from our mistakes. That in fact may be the biggest differences between the successes and the failures in this business.