

Killer B's

Here are a couple of b-words that strike fear into the hearts of many printers...*brokering* and *business forms*.

They're treated as such frightening concepts individually, it's no wonder that so many printers turn so pale when I put the two together and start talking about my belief that printers should be actively *selling and brokering business forms*.

No one argues that there can be money in business forms. It's pretty well known that this is a multi-billion dollar total market. Just the "short-run" segment of the market—which printers are very well positioned to compete in—is estimated at more than \$1 billion annually.

Justification

Is there any real justification for these b-fears that so many printers carry around? Sure. It's true that business forms can be fairly complex products. And it's also true that there can be risk in brokering—especially if you don't know what you're doing. It may very well be that the more complex business forms are a product area that printers should stay away from. But the printer who extends that to *all* business forms is missing an opportunity...a substantial, low risk opportunity on a huge number of basic business forms.

The truth is that most printers have been manufacturing forms in their own shops for as long as they've been in business. They've been printing single sheet forms, often taking them one more production step and padding them, and they've been producing multiple-part forms from pre-collated carbonless sheets.

These simple, carbonless forms can be very profitable products with minimal risk attached. They typically run one or two colors, 2-4 parts, and all of the parts print alike. The pre-collated stock is readily available, and easy to work with. Run the paper through the press, jog, and edge glue. and you've got functional business forms.

Ok For Some.

Those are all right for some of our small customers, you might say, but some of our other customers want forms with stubs and perforations. For those, you have to go to an outside vendor. Well, maybe you did a year or so ago, but not anymore. A number of carbonless paper brands, including Appleton Papers' NCR Brand, are now available in pre-collated, pre-perfed formats. These give you the convenience and control of normal pre-collated production, and your customer gets all of the utility of stubbed, perfed forms.

These new formats might even go the "old way" one better in the way the perfs are made. This is truly high-tech manufacturing, because the perfs are cut with lasers rather than the more traditional perf wheels, blades, or litho tape. The benefit to this manufacturing process is the elimination of dust and burrs that would otherwise mess up runnability and add to your waste and handling cost.

(By the way, I'm told by people who have run the NCR laser perforated paper that perf strength is not a problem. The perfs hold together through the press, and they break cleanly when the customer wants them to break. That, of course, is a very important consideration. I could tell you some horror stories from my own forms industry days about the early efforts at "laser perfs," which weren't made by lasers at all. Let's just say that the name implied a certain level of precision that wasn't always there.)

Price Factors

How about price factors? Is there a breakeven point where a customer would be better off buying snap-set forms from a forms supplier? Or for that matter, is there a point where a brokering-oriented printer should make the decision to buy-out rather than produce in-house?

In order to find that out, I called six short-run forms manufacturers around the country. I gave them specs for two versions of an 8½" X 11", 3-part unit set in quantities ranging from 500 to 5000. The two versions were single-color (black ink) and two-color (black and a PMS). I took the pricing they gave me and marked it up by a margin factor of 35% (divide by .65) and compared the average values to the averages of quotes that I got from calling six quick printers around the country and pricing the same specs. (I also got pricing on the carbonless stock from paper merchants around the country, and made sure that all of the printers quotes were based on accurate paper cost.)

The results are interesting. On the single-color form, the breakeven point came at about 2200 sets. (That's based on the forms manufacturers' prices for "standard" delivery, and I'll come back to that in a moment.) On the two-color form, the average breakeven point came at a significantly lower quantity of about 1400 sets.

Why so much lower on the two-color form? With a few backtracking phone calls, I determined that four of the quick printers quoted on the basis of two passes through a single-color press. The other two quoted on the basis of

one pass through a T-head equipped press. If I just used the T-head prices, the breakeven point jumped right back to 2200 sets. As is often the case, the right equipment makes all the difference.

Price Advantage

This research tells me that a printer has a competitive pricing advantage—with attractive margins—at any point below 2200 sets. Even up to 2500 or 3000 sets, a printer's in-house production and 35% profit margin should be inside the competitive price "ballpark."

In-house production gives a printer another key advantage in this "short-run" segment of the market. As I noted, the first comparison of prices was with the forms manufacturers' "standard" delivery. The shortest "standard" delivery I found was five working days. If a customer wants—or needs—forms faster than that, there are almost always going to be extra rush charges involved.

The average "24-hour rush" charge I found was \$200.00, with one company at \$300.00! For 48-hour production, the average additional charge was just over \$120.00. And for 72-hour production, the average rush charge was \$62.50. And that's only the charge from the forms manufacturer. In all probability, the person who needs forms in this kind of hurry is also going to have to absorb a rush freight charge.

Not every manufacturer I spoke with demands additional charges for rush service. But the ones that didn't in this experiment also wouldn't guarantee that they could meet a rush delivery. Two of them, in fact, told me that they're quoting two-week standard deliveries right now, and no amount of extra money would get the work in and out any faster. (Well, maybe no *reasonable* amount of money.)

If you factor in the rush charges, in-house production can carry a cost advantage into even higher quantities. In fact, the breakeven point as compared to 24-hour rush service on the one-color form would be above 5000 sets.

Changing Course?

I'm not saying not to broker, not by a long shot. I think anyone who has been reading my articles in *QP* knows how strongly I feel on this issue. Adding to the "product list" is going to be even more important in your future than it is today, and brokering opens up tremendous possibilities.

A large part of the secret to success will be to know what to broker, and what to manufacture yourself. In "big" business, this is called the "build or buy" decision. And the best overall strategy—at least to me—looks like this: Sell all of the "printed products" that you can sell. Make those products yourself when you have an advantage in doing so. And find a good source for the rest.

I really like the new pre-collated, pre-perfed carbonless paper product. It gives you an opportunity to grow your business forms sales, and service a broader segment of your customers' overall printing needs without adding any complexity to the production method. The bottom line is that it adds another level of utility to a simple product, and the simple fact that it eliminates part of the perceived risk should be a confidence booster for printers.

I'd like to think that you'll ultimately become comfortable with a wide variety of business forms products, including continuous forms. The market is there, and you really are well positioned to compete in it. For the time being, though, I'll be happy if you do no more—and no less—that take advantage of a single product...the basic carbonless snap-set. Don't let yourself be intimidated by those "killer b's."