

Business Forms Distributors: Opportunity or Threat?

I found an interesting article in a recent issue of *Business Forms, Labels & Systems* magazine. *BFL&S* is one of two major trade magazines for the business forms segment of the graphic arts industry. The article was titled “Quick Printers: Opportunity or Threat?”

A number of forms manufacturers, business forms distributors, and even one corporate and one franchise employee from Sir Speedy were interviewed, and the conclusion presented by the article seemed to be that quick printers do not represent much in the way of competition for the business forms industry.

“Quick printers have a niche,” one forms distributor was quoted as saying. “They don’t have the capabilities or desire in most cases to (compete with forms professionals). They might do a job with a 40% margin, but it’s a \$25 job. A quick printer can handle the small stuff, but for the average distributor, and certainly for us, that’s not the kind of business we’re after anyway.”

What kind of business are they after? “We would rather make a smaller margin on a \$10,000 job,” said this forms distributor. Well gee, I thought, so would a lot of quick printers!

Smaller Targets

There are plenty of large orders in the business forms marketplace, just as there are in the world of big-press commercial printing. I helped to sell a single order worth almost \$240,000 during my own business forms sales/sales management days. I can tell you, though, that the average order value for most of the 8-10,000 independent forms distributors in the United States is a lot closer to \$1000 than it is to \$10,000. And many of those orders are for “flat” printed products: letterhead, envelopes, business cards, presentation folders, and other examples of what the forms salespeople refer to as “promotional” printing. That category includes everything from basic one and two-color flyers, booklets, brochures and pricelists all the way up to long-run, four-color process brochures, mailers and catalogs.

Forms distributors have always sold basic “flat” printed products. In recent years, though, these products have gained even more importance to the typical forms distributor’s business. That’s because the demand for traditional forms products is shrinking, as multi-part unit sets and continuous forms are being replaced by “cut singles” which end-users run through—and sometimes create with—their own laser printers. At every level of the forms industry, the players have had to find new things to sell just to make up for lost traditional forms volume.

As one forms industry supplier was quoted as saying in the *BFL&S* article: “We all know the lines have already been blurred (around) what used to be distributor territory. The real threat is to (distributors) who are still doing things the way they always have without regard for the rapid technological changes that are taking place.” The same thing can certainly be said of quick printers.

Sales Opportunities

There has never been any question in my mind that quick printers could sell business forms. I’ve written on that topic several times in this column. But I recognize that there are product knowledge issues and “fear-of-brokering” issues that make many quick printers reluctant to enter too deeply into this product category.

So how about this for a sales opportunity. Rather than selling business forms, how about selling to business forms distributors? They are buying short-run, “flat” printing somewhere...why not from you?

It’s not uncommon for me to have a few printing brokers and/or forms distributors at my *PRINTSELLING* seminars. The dynamic between the printers and the brokers or distributors is interesting. Everyone comes to learn something about selling, but it’s very rare that I don’t find at least one printer and one broker or distributor in a conversation about *buying*. These conversations are usually initiated by the brokers/distributors who approach a printer at the break or after the seminar and say: “I sell a lot of the kind of thing you probably produce. Would you be interested in talking about being my supplier?”

Profit Margin

For an intelligent forms distributor or printing broker, the *second* most important thing about a relationship with any supplier is *price*. The reason is obvious...the supplier’s price has a lot to do with the broker/distributor’s profit margin. But this doesn’t mean that your prices—and profit margins—have to suffer dramatically in order to do business with forms distributors.

What the broker/distributor needs is a price which can be marked up enough to provide an adequate profit margin and still remain competitive. It's exactly the same situation you face when brokering something you can't—or don't want to—produce in-house. The factors that provide the greatest opportunity for both parties to profit in a brokering situation are contained in the definition of the words “adequate” and “competitive.”

You should already know that different people have different ideas of what represents adequate profit margins. If nothing else, you should know this from some of the prices that your “crazy and irresponsible” competitors are offering every day. But truly smart businesspeople also know that “adequate” is relative to both situations and conditions.

You should also already know that your prices don't have to be the lowest in town in order to be competitive to some percentage of the buyers in your market. Quality, convenience, dependability, product knowledge, and the ability to provide guidance and new ideas all have a role to play in the print buying decision. That will also be true for any broker/distributor you align yourself with. (By the way, these same factors—which all add up to *trust and confidence*—represent the *most important* consideration of any supplier relationship for an intelligent forms distributor. A good price is worthless if the job isn't done right and delivered on time, or if the printed product doesn't work the way it's supposed to for the end-use customer.)

The bottom line is this: An intelligent broker/distributor may be willing to work on lower margins than you might think adequate, especially on some of the smaller projects that round out his or her ability to provide “one-stop shopping” to a client. And perhaps more importantly, that broker/distributor may also be able to command higher prices than you might think are competitive. I know brokers who will take a quick printer's regular prices and double them on certain projects, and they still get the orders! That should tell you something about the definition of “competitive.”

20% Rule

Most brokers and distributors will want some sort of a discount from your regular prices. How much is appropriate? As a general rule, I don't think you should ever sell at more than 20% below your “regular” price levels. If you target a 40% gross margin, that would mean you'd be splitting your expectation of profit with the broker/distributor.

If you phrase it like that, I think you'll find forms distributors will be willing to work with you. But I also think it's also important to stress that the price you're offering is 20%—or whatever percentage—lower than what *you* would sell the job for. Remember, the broker/distributor may be able to get a higher price, increasing his or her profit margin.

Now, what is the justification for discounting your price to a broker in the first place? First of all, I wouldn't view this as a charge against your production cost. I would think of it purely as a consideration of sales cost. A quick printer who employs an outside salespeople will absorb a sales cost of at least 10-15% to compensate the salesperson. In many cases the compensation load will be considerably higher, especially when a salesperson is just starting out, or otherwise underperforming. In effect, the discount you provide to a broker/distributor is comparable to the salary, commission, expenses and benefits you'd pay a salesperson.

The other consideration is that any business you generate through a relationship with a forms distributor is likely to be *incremental* business. In other words, it's business you weren't going to get otherwise. Incremental sales volume simply doesn't have to carry the same overhead burden as “established” volume in order to generate profit dollars. I think it's fair to say that most quick printers can handle at least a little bit more volume each month without incurring a significant increase in operating cost.

Here's a warning, though...this idea only works when you're past your “break-even” volume level, and even then when only a small percentage of your total volume is coming in at reduced margins. I'm not advocating building your business around brokers and distributors; I am suggesting them as another market segment worth pursuing.

Proactive Pursuit

If you like the sound of what you've read so far, the next step is to communicate with a few forms distributors. Where do you find them? I'd start with the yellow pages. My phone book (Raleigh, NC) has 39 entries in the category “Business Forms & Systems.” About a third of those are easily identifiable as printers who “also” sell business forms, including a few quick printers. But that still leaves quite a few companies who are solid prospects for a printer/forms distributor relationship.

I'd call each of those forms distributors and ask three questions: First, are you normally involved in “flat” printed products like letterhead, envelopes, business cards, and basic one and two-color printing? Second, where do you source those products now? And third, would you be interested in taking a look at my printshop and talking to me as a possible supplier?

Not everyone will be interested, but then again, that's true in every selling situation. My point is that if you go actively looking for this kind of work, the likelihood of forming a profitable relationship with one or more forms distributors is really pretty good.

A Closing Thought

I've been saying for a long time that a quick printer really only has two ways to grow. One is for you to gain new customers, and the other is to sell more to the people who are already your customers.

Business forms distributors have *had to* go looking for new products and services to sell. Given the choice, most of them would never have chosen to stray into product areas like ad specialties and commercial printing. But laser printers and other technological changes kicked the forms industry right in its comfort zone, and they have had to react.

Are quick printers threatened in the same way? You bet you are! I also read an article in one of the computer magazines recently that focused on how new publishing technologies let the average computer user create above-average marketing materials...print-shop quality output with no print shop involved!

The author reports that this technology is ready for general office consumption. "And," she added in her final paragraph, "if you work in the print services industry, either get cracking on some value-added services or create an updated version of resume.doc."

From my perspective, it comes down to this: You do have a definite opportunity to increase your business by selling flat printing to forms brokers, but in the long term, I think you'd do yourself a lot more good by learning about business forms and adding that value to the relationship you already have with your current customers. Forms distributors—and anyone else who can sell the same products and services you sell—represent a very real threat to you. Would you rather aid your enemy...or beat on him before he does anything nasty to you?