

Bad Times Are Good Times

Jimmy Buffett sings a song called “Desperation Samba.” I think a lot of quick/small commercial printers are doing that dance these days. The combination of a soft economy and the summer slump that many printing companies experience every year seems to be driving a lot of printers to desperate—and often destructive—measures.

Jimmy doesn’t sing a song called “Bad Times Are Good Times”—although the Parrotheads among you would have to agree that it’s the kind of title that would appeal to him. I may send the song along to him. I wrote it this morning, and it goes like this:

*Bad times are good times—for the ones who are willing.
Bad times are good times—for the ones with the drive.
Bad times are good times—when the going gets tough...
The ones who get going are the ones who will thrive!*

OK, my little song might not be Grammy material, but I think it carries an important message. If you’ve been feeling desperate lately, I want you to take a step back and resist the temptation to *act* in desperation. Yes, conditions in the marketplace are difficult, but there are also significant opportunities out there for you right now. In fact, bad times might actually be the best time to improve your business!

Positive Actions

The two most common examples of the desperate measures I’m talking about are cutting back on sales/marketing activity, and cutting prices in an effort to increase or protect market share. It’s probably no surprise, then, that the more positive actions I recommend are to increase sales/marketing activity, and to increase your prices.

The idea of raising prices right now might seem crazy, but it’s an essential part of a winning strategy. The key is to raise them *selectively* and to understand that there will also likely be situations where you have to lower your prices on certain jobs or with certain customers. The basic idea is that the prices you raise will at the very least pay for the prices you have to cut, preserving your overall profitability.

Here’s what I recommend: Sit down with your customer list this weekend (or sooner!) and create a sub-list of people who don’t appear to be particularly price-sensitive. I suspect that this list will include at least a few of your 20/80 customers (the 20% who probably account for 80% of your business) and it should definitely include most of the 80% of your customers who account for only 20% of your business. The next step is to raise the prices you quote and charge these people by 5%.

This is an easy action with most computerized estimating systems. I know that PrintSmith allows you to enter a standard discount for any individual customer, and you can raise their prices by making that discount a negative number. (I know quite a few PrintSmith users who use this feature to implement a “PIA Charge” with certain customers.)

This action alone stands to increase both your top line and your bottom line by 2%-3% (based on the assumption that 40%-60% of your total sales volume is coming from customers who are not particularly price sensitive.) Now, let’s take this price increase strategy another step. Let’s also increase prices by another 5% on all orders below a certain dollar value—even those from your price-sensitive customers—on the assumption that smaller orders are less likely to be seriously shopped than larger ones.

I suggest using \$200 as that dollar value, although if that scares you, you could start at \$100—as long as you promise to monitor the results of this strategy, and increase the dollar value when you don’t see any major push-back from your customers at the \$100 level. Think about it! What I’m proposing is that a not-price-sensitive customer will now be asked to pay \$220 for a job that would otherwise have cost \$200 (or \$110 for an job that would otherwise have cost \$100, and so on). Could they buy it for less? Sure, but remember, they could always have found prices lower than yours. They buy from you for a reason, and that reason will probably support a little bit higher price.

Your price-sensitive customers will be asked to pay \$210 for a job that would otherwise have cost \$200. Will that cost you orders? Perhaps, but what I think you’ll see is that you’ll win the jobs at \$210 that you would have won at \$200, and you’ll still lose the jobs that you would have lost at \$200. In other words, you’ll make more money on the jobs you win, without losing anything other than jobs you would have lost anyway.

Competitive Situations

Now, what do you do when a current customer puts price pressure on you? One all-too-common scenario is when quotes aren't turning into orders with a particular customer at the rate they used to. When someone from the printshop follows up on this situation, it's learned that the orders have been going to a competitor with lower prices. Another fairly common scenario is when a customer tells a salesperson that they're considering changing printers because of pricing, which is usually interpreted as an invitation—maybe “demand” would be a better term—for the printer-in-place to match a competitor's lower prices.

When those things happen, your best strategy is to try to negotiate a way to keep or win back the business at terms that are acceptable to you. I have written before that there are always three things open for negotiation—value, cost and price—and that's exactly the order in which you should approach them! Your first option should be to try to convince the customer that you're worth more money. If that doesn't work, your second option should be to see if you can reduce the ultimate price by changing the specs of the job, and taking some cost out of the equation. That may reduce your top line, but it gives you a reasonably good chance of protecting most of your profit.

If that doesn't work, you may have to lower your price—but let's only do that after exhausting the other two possibilities, and thinking seriously about whether lowering your price to keep or win back this sales volume is in fact a good business decision. (You might find it helpful to look back at my column on “Negotiations And Love Songs” which appeared in the February 2002 issue of *QP*. If you don't keep back copies, shame on you!—but you can find it in the Article Archives at my website: www.davefellman.com.)

What would make lowering your price a good business decision? To me, the most important criteria is how much you'd have to lower it. If it's a modest amount, say 10% or less, I might agree, especially considering the price increase component of my overall strategy. Anything more than that and I think you'd be wiser to put your energy into replacing that sales volume!

Sales/Marketing Activity

And that, of course, takes us to the other all-too-common example of the Desperation Samba—cutting back on sales/marketing activity. The simple fact is that the harder business is to get, the more resources you have to apply to the challenge of making it happen! Cutting back on sales/marketing activity is exactly the wrong thing to do in bad times! *Expanding* your sales/marketing activity is the right thing to do!

Granted, there's a cost attached to expanding your sales/marketing, but this is a situation where it's both a necessary cost and an opportunity cost. From the *necessary* side of the equation, let me repeat the statement that the harder business is to get, the more resources—read that, time and money!—you have to apply to the challenge of making it happen. From the *opportunity* side, let's consider two things. First of all, when most of your competitors are cutting back on their sales/marketing activity, yours will be more visible in the marketplace. Secondly, some of your struggling competitors are having trouble maintaining acceptable quality and service levels, which is putting many of their customers “into play.” Beyond that, every time a printing company closes down, it puts even more printing buyers into play. How are they going to know that they should start buying from you if you're not out there aggressively selling and marketing your company?

If you don't have the cash flow to support an appropriate level of sales/marketing activity, give some thought to borrowing the money, even if that means a cash advance on one of your credit cards. You wouldn't hesitate to spread the cost of a piece of equipment over a period of time, and the sales/marketing activity I'm talking about could do a lot more for your business right now!

Rightsizing

Another opportunity to do good things for your business in bad times is to “rightsize” or even “upgrade” your staff. If I had people who weren't really putting in a full day because there wasn't enough work for them, I would strongly consider cutting back on their hours, and I would definitely ask them to maximize their value to my business. You might very well find opportunities to consolidate positions, reducing your labor cost substantially.

Will your employees like having their hours cut back, or being asked to do more? Maybe not, but that's not really the issue, is it? The most important issue is the health of your business! Please understand, though, that I'm not talking about destructive measures, defined as cutting people or hours that you really need in order to maintain the necessary quality and service levels. What I'm talking about is cutting out any *unnecessary* labor expense.

I'm also suggesting that current high unemployment levels mean that there are good people looking for jobs right now—maybe better people than the ones you've got! If you have weak people now on your staff, I'd be putting some of my energy into a search for possible replacements.

New Products

I'm an unabashed ACT! advocate, and many quick/small commercial printers have heard me say that I couldn't run my life without this very powerful contact management software product, let alone my business. (Getting Your ACT! Together, *QP*, February 1999). I got notice last week of a new add-on product for ACT! called Action!—an automatic campaign generator, which means that you can use it to generate and send a series of personalized letters, faxes or e-mails to any ACT! contact or group of contacts. You design the campaign and schedule the activities, and ACT! does the rest automatically.

Action! looks like a perfect tool to help you automate campaigns with a couple of my products—36 Sales & Marketing Letters For Quick Printers, the Sales & Marketing Tool Kit, and my new 30-30 Target Marketing Program. If you're already using these products, I think you should give Action! a look, and if you're not already using ACT!, they have an attractive bundled price for ACT! and Action! together. You can get more information at www.actaddons.com.