

Surviving The Shake-Out

Business seems to be getting better for many of the printers I've been talking to. There are many opinions as to why. Here's an interesting comment I heard a few weeks ago: "Business is starting to pick up because my customers are starting to advertise and promote themselves again. Another couple of months of this and I'm going to start advertising and marketing again too."

I agree with this printer's assessment of *why* things are picking up. But I also think I see part of why they slowed down so much in the first place in the attitude expressed by his comment.

This is a printer who cut way back on advertising and other marketing as business started to drop off a couple of years ago. And for most of the last two years he has struggled. Yes, he was "smart" to cut costs in the face of slowing sales. But was he smart to cut these particular costs...advertising and marketing? Even with costs cut to the bone, his volume over the last couple of years was barely sufficient to keep his head above water. In many ways, by eliminating his advertising and marketing efforts, this printer initiated a self-fulfilling prophecy.

Documentation

It's been documented in so many studies that I believe it *has* to be accepted. Advertising is the *last* thing you should cut when things start to slow down. If you accept the position that advertising, promotion, and other marketing activities bring in more business when times are good, how can you possibly abandon them when times get bad and you have more of a *need* to bring in business. Yet that's what the majority of printers seem to have done, at least a seeming majority of the ones who have struggled or failed in the last couple of years.

I remember reading something in a book called "Father, Son, and Company," Thomas J. Watson, Jr's autobiographical history of IBM, the company that his father built. Watson, Jr. notes several times in the course of the story that when things slowed down due to economic conditions or competition, Watson, Sr's immediate response was to hire more salespeople and increase visibility in the marketplace. His philosophy was simple and clear: If there's less business to be gained for any reason, you have to apply more resources to getting it. Not less, as so many printers have done.

Interesting Result

Here's a statement I want you to think about. I think there have been *fewer* business failures among printers in this recession than there *should have been*. And I think this typical response of cutting back on advertising and marketing is a big part of the reason.

There are too many printing companies in this world, right? To say that in a more formal way, our industry suffers from an extreme state of overcapacity. One of the results we should get from a recession like the one we've been in is a "shake-out" of the weaker players, bringing supply—capacity—and demand back into line.

That hasn't really happened. There have been plenty of failures, but there are still way too many printers. The shake-out wasn't as extreme as it could have been, or perhaps should have been for the good of the entire industry.

I maintain that if half of the printers in the country had stepped up their advertising and promotion during this recession, they might have put half of the other half out of business. That would have put a big dent in the overcapacity situation. And *that* would have allowed the surviving printers to be much more profitable as we enter the middle part of the 90's.

What we got instead was maybe 10% of all printers responding aggressively to the situation. Their actions pushed maybe 3-5% of the weaker players over the edge. Instead of something decisive, what we ended up with is shared suffering...and a continuing problem caused by overcapacity.

Some level of overcapacity is good for any industry. It usually adds an edge to the competition that produces new ideas, technical and marketing innovation, and higher levels of customer service. But the kind of overcapacity we have right now is only good for the people who buy printing, as reflected in the very low prices some of them are being offered by you or your competitors.

Thousands of individual printers lost an opportunity to improve their short-term performance during the recession—and to position themselves for the future—because they cut back on business building activities instead of following the Watson approach. If you're not back on track yet, it's time to get yourself and your company back on track. And this is definitely something for you to think about the next time things start slowing down.