

The Printer's Guide to Profitability

An InkSoft Guide
With special thanks to Marshall Atkinson



The Printer's Guide to Profitability

Some thoughts and guidance on increasing revenue and reducing costs, brought to you by the team at InkSoft.

We help printers grow their businesses, from online sales to order management and getting paid on time.

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In any business, the profit equation is simple: You bring in more revenue, and/or you reduce your costs.

Beyond this, there is no single formula to making more money. What there *is*, however, is a host of tried and true techniques that print shops have experimented with over the past few decades. In this guide, we've compiled some of the top advice and discovery questions to help you take a closer look at your business.

This guide is for retail printers, contract printers, and those who are selling (or want to sell) printed goods online. Growing your business isn't easy. But when you have the right mentality, techniques, and tools, success is within reach.

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PART 1

It's Time to Change the Way You Think About Profit



Every business owner knows that profitability doesn't just happen. It requires hard work. But what do you do when the hard work doesn't seem to be paying off?

Putting in the time is just the first part. You have to work hard *and smart*. Luckily, there are three mentality shifts that can take you from struggling to stay afloat to calm and in control.

MENTALITY SHIFT #1

You Can't Manage What You Don't Measure

Changing how you operate your company begins with understanding. That understanding comes from solid and diligent measurement. This helps you focus on key aspects of your business and what costs that you need to control. Plus, when you keep track of these metrics year over year, you'll be able to make better choices based on what's impacted your company in the past.

For starters, look for costs that have fluctuating numbers and can drive increased profitability if you get them under better control. These items are often called "Key Performance Indicators," or KPIs for short. The most common areas of measurement for the decorated apparel industry are labor, energy, and overhead, measured in a cost per impression basis. Other areas of measurement might be:

- Total Sales
- Number of Orders Produced
- Number of Impressions Produced
- Number of Orders with Defects
- Total Cost of Misprints & Defects (otherwise known as the "Cost of Poor Quality" or COPQ).

Of course, there are plenty of other variables you can isolate and track if the improvement will impact your business.

Once you have defined your targets, the next step is set up your system to measure it. This can easily be built using a spreadsheet program like Excel or Google Sheets. Fill in any historic data so you can understand in the future if your numbers change in any meaningful way.

	A	B	C	D	E
1		January		February	
2		Value	Cost per impression	Value	Cost per impression
3	Total Impressions	6,279		6,833	
4	Labor	\$5,984	1.0492	\$6,087	0.8908
5	Energy	\$538	0.0856	\$562	0.0822
6	Overhead	\$4,287	0.6827	\$4,411	0.6455

Setting up your data like this gives you the ability to put each cost in context. In statistics, this is called “normalizing.” For your utility bills or labor, take the total dollar amount and divide it by the total unit of work, which in our industry will be an impression. When you decorate a shirt with a front and a back, that counts as two impressions. How many impressions are you producing a month?

So, let’s say your shop spent \$538 on electricity for January. In that month, your shop produced 12,693 impressions. The total electricity cost per impression will be \$0.0423.

$$\frac{\$538 \text{ electricity bill}}{12,693 \text{ impressions}} = \$0.0423 \text{ cost per impression}$$

This is important to measure, as you gain efficiency and performance, your cost per imprint can go down. If you do something in your building to save energy, such as controlling your thermostat or installing LED lighting, your overall electric bill will decrease.

Revenue vs. Profit

Revenue is the total amount of money your business brings in. Profit is what’s left after you subtract your business expenses.

Now, let's say your shop did something that impacted the electric bill so that it was lower the next month, but still had the same number of impressions. \$432 with 12,693 impressions would mean that the cost per imprint would now be \$0.0341 per impression.

You just demonstrated that you saved one penny per impression for your effort. That might not sound like much at first, but when you start measuring your KPIs and quantifying them with the work in your shop, you will realize how much money you can save, and how the decisions you make everyday affect your costs.

Graphing this with data over time is a great way to visualize whether you are making improvements or not. Both Excel and Google Sheets come with visual data analysis tools. If you're looking for something more in-depth, there are a number of options out there. For example, Pentaho is a data visualization tool that has an open source version, meaning it's free to use—if you know what you're doing. DBxtra is a similar tool for those who are willing to pay the fee, and it requires less coding knowledge.

MENTALITY SHIFT #2

Focus on Profit Margin

The definition of margin in business is the difference between your total revenue and how much of it is actually profit. In the decorated apparel industry, most shops operate at a 20-35% margin, sometimes higher. Have you calculated yours?

Markup vs. Margin

Markup is a little different from margin. While margin looks at the percentage of your total incoming revenue that's profit, markup looks at the total incoming revenue and the cost it took to make it.

This is as easy as taking all of our sales totals and dividing that by all of your costs. For example, let's say your shop had \$438,789 in sales last year. Adding up every outgoing

dollar spent (inventory, mortgage or rent, insurance, labor, utilities, ink, press wash, emulsion, mesh, tape, etc.) equals \$332,163 for a final profit of \$106,626. That's a gross margin of 24.3%.

$$\frac{\text{Profit}}{\text{Revenue}} = \text{Profit Margin (\%)}$$

$$\frac{\$106,626}{\$438,789} = 24.3\% \text{ Profit Margin}$$

Think about the work you are taking that is filling up your schedule. Are you making the money that you want to make with every job? Some work is simply more profitable than others. For the jobs with the worst profit margin, can you raise prices or lower costs? The goal should be to identify the jobs that make the most money for your company, then try to get more of those scenarios.

At the end of the day, shops that do their homework and analyze the jobs in house will be more successful than the shops that just wing it.

MENTALITY SHIFT #3

Cash Is King

The old saying is true: A dollar today is worth more than a dollar tomorrow.

One thing to always consider is how your shop is handling the money for orders. Do your customers pay up front either in total or with a deposit? This is important, especially on large orders. For anything that has a large financial risk, you may want to stage payments with stated terms for big purchases or contracts. A typical contract

can be a third up front, another third before shipping, and the final third after delivery and acceptance of the order. When selling online, on the other hand, payment usually occurs up front.

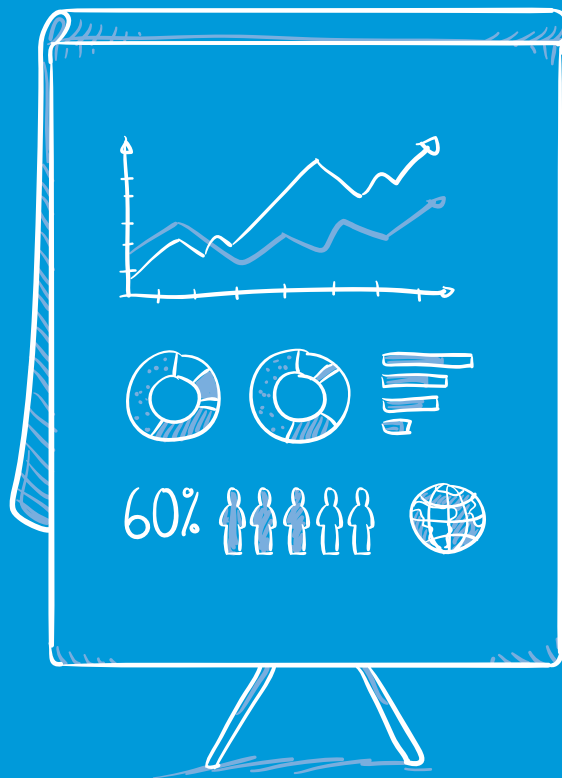
Financially, it pays to manage expectations on orders with your customers. Sometimes challenges get hidden during the work, such as when a two color order becomes a four color order with an art change. If this doesn't circulate back to order entry or invoicing, you may be leaving money on the table for the job. Be sure you are billing for all of the work you do.

Establishing your policies and making them clear to your customers gives you a good professional foundation to lean on when there is a challenge. If an account is overdue, explain to the customer what your policy is and that they can't place another order until you are paid in full.

You can also charge interest on payments that are due, so be sure to talk to your customers about what you need from them. If you are having problems collecting, don't forget you can always turn them over to a collections agency. Don't get to the point that the client or the order is a total loss.

PART 2

Pricing for Profit



If there's one truth about running a print shop, it's that pricing can make or break your business. Of course, it's also one of the hardest things to pinpoint. What makes a good pricing strategy? How do you know that you have a pricing strategy that's not going to collapse in a few months?

The first big decision to make is whether you're going to position yourself below competition price, on par with it, or above it. Here's what to consider:

BELOW COMPETITION PRICE

When you price with this mentality, your goal is to do everything as cheaply as possible so you can beat out competition by always offering the better deal. You'll see this in companies that say "We'll beat anyone's price!"

On the one hand, pricing below the competition is a sure-fire way to appeal to cost-conscious buyers. You'll likely get more customers, at least at first.

Unfortunately, this pricing strategy is also extremely risky for two reasons. First, you're subject to whatever prices your competitors are charging. The strategy is sometimes called the great race to the bottom. Second, as you try to compete with lower costs, your product quality will suffer—often to the point where your work isn't valuable and your customers walk away.

ON PAR WITH COMPETITION PRICE

Many printers look to their neighbors to gauge what reasonable prices are for their products. This has the advantage of ensuring your prices are always close to what your customers expect to pay. However, this also puts the responsibility on your shoulders to stand out. If two stores offer the same quality goods at the same price, what sets them apart?

On par pricing is a healthy way to go, but keep your eyes on ways to differentiate your business from your competitors

ABOVE COMPETITION PRICE

This pricing method takes the approach of pricing everything at higher margins. You often see this in luxury brands. This can be tough for many businesses, as the lower-cost competitors may easily steal your customers. However, believe it or not, there are always buyers who will gladly hand over their money to companies that operate this way. Charging higher prices signals to buyers that you are exclusive, prosperous, and deserving of their attention. This is why plenty of designers can charge \$150 for a t-shirt in their line.

The key is differentiating yourself and demonstrating the value of your *brand*, not just the products. The products, of course, must be good quality. But you can also set yourself apart by offering top-notch customer service, premium packaging, and a modern website. It's difficult to build a brand that can command above-competition pricing, but working toward this direction is going to pay off in the long haul.

Developing a Pricing Strategy

When you set prices, it's not a matter of a single number or percentage. It's about multiple pricing strategies that work together to allow you to serve the largest number of customers at prices that make sense to them. A healthy pricing setup actually uses many different pricing strategies in different parts of your business. For example, you might assign a mark up of 40% to most of your goods, but sell a line of customizable t-shirts that vary in price depending on the level of customization. Then, maybe you run a seasonal promotion where customers who buy 100 shirts get an additional 10 for free.

Below are some of the most popular pricing methods that printers often utilize.

COST PLUS

Cost plus pricing takes the base cost of the product and adds overhead costs and

direct labor costs, then marks it up by a set percentage to arrive at a final price. It's the most common pricing technique in the industry because it's fairly simple to build a price matrix and use that to run your shop.

Pros: Cost plus keeps your pricing system simple, so you don't spend extra time fiddling with how much you should charge for every product.

Cons: It doesn't take anything into account except for your own business. If someone down the street is selling similar products at a lower price, you can't compete with cost.

KEYSTONING

Keystoning takes all of your costs, including the base cost of the product, labor, ink, etc. and doubles it to arrive at a final price. So a shirt that costs \$10 for you to produce would cost \$20 to the customer.

Pros: Keystoning is popular in the printing industry because it's easy and ensures that you're making a profit with each sale.

Cons: Your prices may end up higher than your competitors' prices. This isn't always bad, but it can put you at a disadvantage. If you are operating a store or website, be sure to constantly check the pricing online for similar items with your competition.

RETAIL PRICING

Retail pricing takes the base cost of the product and adds a markup to arrive at a final price. This pricing structure is how most stores operate.

Pros: It's even simpler to calculate than cost plus.

Cons: The markup needs to be high enough to cover the cost of overhead and

labor. This runs the risk of losing money if you're not paying strict attention to your shop operating costs.

PROMOTIONS

Many businesses will operate with high prices, but run regular promotions with good discounts.

Pros: The regular discounts attract new buyers and encourage return purchases. The trick is to schedule or offer promotions that won't damage your everyday business relationships.

Cons: If your discounts are too extreme on a regular basis, customers can take advantage of it and erode your profits. Similarly, if your promotions are regular, customers may wait until they have a coupon to even consider buying from you.

MULTIPLE PRICING

Also known as "bundling," multiple pricing offers a discount when multiple products are bought together. For example, you might bundle a practice jersey, home jersey, and away jersey for each member of a sports team. Buyers who buy all three in the same purchase would receive a discount.

Pros: Even though it's at a discount, bundling encourages (or sometimes requires) the buyer to purchase more products overall than they might normally. As long as the discount doesn't cut below your costs, you can make a higher profit overall.

Cons: If the bundle contains things that the buyer doesn't actually want, they may pass up the bundle and buy only one of the products. And if you don't offer the products separately, some shoppers will leave you altogether to avoid paying for things they don't want.

If you are going to go with a multiple pricing route for a program, make it easy to understand. Think of how it's done in fast food drive-throughs—they group the bundled items together with memorable names or numbers. How can you make this easier for your customers?

LOSS LEADER

Loss leader offers most products at a regular price, but includes a discounted item as a hopeful add-on. For example, you might sell jackets, but have hats on discount at a lower margin.

Pros: If you select the discounted product correctly, the small add-ons can add up in a big way.

Cons: If you discount a product that's too popular, you can end up decreasing your revenue for no reason.

You'll want to take a close look at your historical sales data to see what item might work well for a loss leader sale. Look for not only what sells the most, but also what has the best margin.

PSYCHOLOGICAL PRICING

This pricing method is about making prices seem just a bit more appealing. You see it in stores often when a product is priced at \$19.99 instead of \$20.

Pros: Psychological pricing is popular and even expected in many cases. Surprisingly, it can make your business seem a bit more legitimate because buyers are so used to seeing it in their regular shopping. This can work to your advantage too, as you may even want to add some money to the price. If you quote something at \$8.63...do you think you could sell it at \$8.99 and make an extra \$0.36 a shirt?

Cons: It makes calculating tax a little more laborious, and if you're not careful, it can make your business seem gimmicky or desperate.

ANCHOR PRICING

Anchor pricing is a form of psychological pricing that makes a product seem discounted, even if your original price was low all along.

"Originally \$40, now just \$32!"

Pros: The price can feel like a sale, which encourages the buyer to jump before the price returns to normal. It makes them feel good about their purchase, because they can see exactly how much they're saving by buying from you.

Cons: This has the potential create distrust, especially if too many of your products are priced this way. Customers can see right through it.

Anchor pricing works best with items that have a higher dollar value. The implied savings makes a better impression.

VERSIONING

Versioning is about offering different versions of the same product at different price points. You might sell an average quality T-shirt at a low price, a nicer shirt at a slightly higher price, and a super fancy shirt with the best inks at a much higher margin. The goal is to drive the majority of buyers to the middle-of-the-road option, while still offering options for both cost-conscious buyers and buyers who just want the best of the best. The reason the middle price works the best is that most people don't want to seem super cheap, but they don't want to waste money either. The middle price is usually comforting.

Pros: Versioning is an excellent choice if you find you're losing customers because your prices seem too high. It also gives you a chance to upsell to

the customers who don't care about cost, which may lead to an increase in new revenue.

Cons: If your low-cost product is far cheaper, you may find more customers going with it instead of the intended middle-price option. Finding the right mix of prices may take some experimenting. Also, you have to ensure that the low-cost option is still decent quality, or else you may gain a reputation for poor quality products.

Communicating Pricing to the Customer

Imagine you're looking for a hotel for your next vacation. You find one for \$1000 for the week. This is a steal for the area it's in, and you make your reservation immediately.

Of course, when you go to check out, the bill comes back. Sure, the reservation was \$1000 for the week, but the mandatory breakfast fee was \$25 a day. Parking? An additional \$15 each night. And that's *on top of* the two beers you grabbed from the mini fridge when you missed the "\$10 each" sign.

You'd certainly be more than a little disappointed with the experience.

The thing is, this happens to print shop customers more often than many business owners realize. When printers aren't crystal-clear about all costs involved from the very beginning, the customers feel trapped. And while they might pay for it because they signed a contract, you can be sure they won't be making any repeat purchases.

The worst part is few customers will feel comfortable enough to tell you that this problem exists. It's up to you to nip it in the bud. Here's how.

COMMUNICATE EARLY

A policy is pointless if nobody understands it.

When a customer places an order, make sure they understand all timelines and policies. For example, what happens if they're late on approving art? Make communicating your policies a normal part of the new order process.

Details are important. For each invoice, you'll want to list all aspects of the order. For example, you'll include the shirt type, size, quantity, color, brand, product SKU, and description. You might know what a 5280 means, but don't assume your customer will. Customers should also leave with a visual representation of how the final art will look on the product. InkSoft makes this easy with an online designer and order manager. When setting the terms, you'll also want to include clear information on payment. How much is due up front? When is the remaining total due? If you struggle to get payment on time, consider instituting an incentive, such as a rebate if they pay within 10 days. Remember, payment on time is key to staying afloat. Your monthly expenses aren't going to wait while you try to get customer payments 45 days down the line.

Of course, this is much easier if you're selling online. With payment up front and designs handled on your website, and with digital versions of your return and privacy policies, it's much easier to communicate with customers and manage their orders.

COMMUNICATE OFTEN

Don't think that saying something once will produce the results you want. Humans are humans. We all need reminders. For example, if you're working with a school football team that's unsure how many uniforms they want to order, set clear deadlines and remind them multiple times as the deadline approaches. Create clear "if-then" scenarios so they know exactly what happens if they don't get their order in on time. For example, they may be charged a late fee, or you won't be able to get their order to them as early as they wanted it.

COMMUNICATE THE RIGHT WAY

Getting customers texting you regarding placing an order? If you don't want to deal with that text message as their order form, have an alternative ready and drive the

best behavior by steering them in the correct direction. Professionalism is all about anticipating problems and being ready to solve them.

HAVE BRANDED COLLATERAL ON HAND

When a customer comes into your shop, what do they leave with?

Branded fliers, brochures, price sheets, and the like are not only important for communication, but for creating an *experience*. Think of Walmart and Target. Walmart is simply a lot of products put into a store. But Target? Everything is branded, down to the custom red handbaskets that are easier to carry. The result is a fun shopping experience, and Target tends to command higher prices.

Your customers want the information presented in a way that they can not only understand, but enjoy. When you take the time to create professional collateral, you earn their trust—and decrease the number of follow-up calls from anxious buyers.

However it's arranged, here's the information you should keep on hand to pass out whenever a customer asks about it:

- Pricing and fees
- Payment guidelines
- How to order
- General art guidelines
- Guarantees for orders

Write these out and have your art team create each with a branded piece with your logo and company information on them. Create them as PDF documents so you can email them, and print stacks of each to have at the front counter (if you operate with a store front). You'll also want to make this information easily available on your website. Remember, the goal is to provide as many ways as possible for customers to get the information they need.

PRICE WITH CONFIDENCE

It can take a while to really get comfortable with what you're charging. Some customers will balk at the price, while others will leap on what they view as a good deal. It's important to listen to your customers, but also to stand strong in what you've calculated. You know what it takes to run your business.

PART 3

Cutting Costs



There's nothing worse than having a great month of sales, only to find a few days later that almost all of your revenue was eaten up by rogue costs. Imagine how much more profitable you'd be as a business if you were able to remove excess expenditures!

We'll get to methods of reducing individual costs in a moment, but let's first start where it *really* counts: Your daily operations. It all begins with the right foundation.

Communication

Think about all of the pieces of information needed to complete an order in your shop. From information about the customer, the garment, the decoration, to how to ship or invoice for the job—there's a lot to it.

Now, imagine you run a shop that communicates just well enough to get by. A new customer comes in who wants a design in blue. Your team member shows them an ink sample, the customer loves it, and the team member marks them down for "royal blue."

When it comes to creation, though, your artist might just pick a Pantone color that they feel might work, or the print staff might just use any royal blue on the shelf. However, the client is expecting PMS 293 exactly. When the order is delivered, you're going to have an unhappy customer on your hands.

To avoid these situations, create a standard list of information you need from every customer. That way, if details are missing from an order, your team will then automatically know the right questions to ask before work begins.

Next, set the standard for every step in your production process and communicate those standards to your whole team. For example, here are some questions your team may be wondering about:

- What constitutes a rush order?
- How many days out should art be approved?
- What is the shop standard dimension for a full front?
- How does information get recorded?
- Who approves the information and makes decisions?
- What happens if there is a mistake, or if something is unclear?

Always follow up with your customers and your team to make sure that your shop's procedures and standards are effective and make sense to everyone. Clear, concise, and exact information will enable your team to make faster decisions, improve performance, and – with the proper training – make fewer mistakes.

Training

Let's focus on your team. How often do you think about employee training in your shop? Is this a constant effort, with a dedicated program to improve your staff's knowledge base, or is it something that you do every once in a while when you get around to it?

In any busy print shop, time for training can be hard to come by. However, it's one of the key methods of not only improving your shop's efficiency, but also creating a more engaged workforce. The most successful shops keep training as a priority, and they *make* the time for it.

Think about it: When you start showing a catcher how to run a press, or that press operator how to mix a Pantone ink color, their view of their roles within your company will change. Details that they haven't noticed before start to make sense, as they have a better understanding and more skill. This means if you have a training program on dye migration, maybe you won't need a manager telling someone to lower the dryer temperature to print with low-bleed polyester inks. The operator will automatically do that. Details and decisions in your shop will happen faster. Ultimately this means more efficiency, better performance, and fewer mistakes.

Building this training can be the tricky part though. You have to set aside time for it, find mentors or teachers that are willing to share, and be patient with the folks that are getting the training. Not everyone will pick up the details quickly, and they probably will make a lot of mistakes.

Take it slow, and construct your training program to focus on one or just a few learning opportunities at a time. Get the trainee to master things in levels before moving onto the next concept. Praise and reward both your trainee and your trainers as you go.

Your supply chain can often help too. Many vendors in our industry will be more than happy to share knowledge with your staff through a demonstration at their facility, a trade show demo, or even training in your own shop. After all, it's important to them that your crew uses their products and equipment properly.

Organization

Many shops have a great system down on paper, but something always seems to go wrong during production. Maybe you habitually try to take on more work than the shop can handle, or maybe you always have the wrong amounts of blanks and materials?

It's vital to regularly take a step back and examine the bottlenecks that are stopping you from being more successful. This could be looking at the timing and deadlines for each department for their tasks, such as when art gets approved, or screens are burned. It might also mean taking a closer look at how inventory is received, counted, and ultimately staged. Believe it or not, even your shop's layout and the amount of clutter you have on the floor can impact your schedule.

Pull together all of your team members and ask them: What problems impact production on a day-to-day basis?

Trust us, this will be a very interesting and passionate discussion.

Your goal should be to build your production workflow to be self-managing and as frictionless as possible. Eliminate the bottlenecks as they come up. Encourage your staff to be proactive in solving problems and communicating what needs to happen. Standardize as much of the decision making process as possible so everyone knows what to expect. Anything outside that norm, such as a rush or special order, will stick out and get everyone working on it faster.

Being organized is also about how you use information to your advantage in your shop. Can you pull up your orders by ship date and produce your schedule for this Thursday? Can you find all the jobs that are ready to print that require a sleeve print so you can stage them at the same time and not have to change your boards? Can you do a search and find all the jobs that might use polyester ink, so you can run them together with the same dryer temperature?

Becoming better organized will lead to more jobs shipping on time and with fewer mistakes.

Reducing Your Monthly Costs

Every print business is different, of course, but there are a few key expenses that tend to show up across the board:

- Rent
- Equipment
- Utilities
- Labor
- Materials
- Mistakes & defects
- Marketing
- Software & technology

Below are some tips on how to reduce your costs in each of these areas.

RENT

When was the last time you looked at your rent or mortgage interest rate? Could you do better? If you're renting, is there anything your landlord could do to help you out? If the rent isn't negotiable, would they look at upgrading any part of the building such as lighting or HVAC to lower your monthly costs? If you own the building, could you find a lower rate or even pay off your building sooner?

Also, don't forget about looking at getting new insurance quotes every once in awhile. Put your plan out for bid and see what comes back, especially if your shop has been safety conscious and you have a low DART score. DART stands for "Days Away, Restricted or Transferred". The DART rate is an OSHA calculation, which determines how safe your company has been regarding particular types of worker compensation injuries. Lower DART score could get bigger discounts.

EQUIPMENT

The equipment you use in your shop will always determine your overall performance. A shop with only manual presses will print less than a shop with automatics. A shop with a fourteen color press can print more complicated jobs than one that just has a six color. It's common sense.

However, look at the tools you are using and the jobs you are producing every day. What's the average print run for jobs in your company? Are you putting that thirty five piece, two color job on an automatic because you don't have anywhere else to put it? An automatic press can print much faster than a manual, but it also uses more labor, and has a higher opportunity cost associated with it. In other words, for every manual-sized job you are running on the auto, that's one less larger job you aren't printing on it. Maybe it's time to look at getting another manual press instead.

As your business grows, it is important to tie your equipment thought process with your production needs. If you can, try staffing a second shift before investing in other equipment. Using your equipment to its fullest potential will save the thousands of dollars on a new machine.

If you do go shopping for new equipment, think about the jobs you are printing now, and also the ones that you have been trying to land. What do you need to complete them efficiently? Always buy the best equipment you can afford. If you want a better press and can't buy new, consider buying a used model. There are plenty of used equipment dealers out there. Also, don't forget that new printers means you'll need added screens, platens, people to run the press, and maybe even an upgraded electrical system to handle a more rigorous load.

An easy area to cut costs is to build a solid preventative maintenance program in your shop. This will prevent loss from machines breaking down and costly repairs. Routine checks need to be documented with dates, notes of what you found, and any general descriptions of the service performed. Do this on all mechanical equipment you own. Don't forget to change the filters, grease the bearing, replace worn parts, keep things clean and give these machines the loving care they deserve.

If you aren't mechanically inclined, be sure to schedule a technician at regular intervals to make sure things are running smoothly. Often you can get an annual service plan and extended warranty when you purchase the equipment. These experts can also help you repair, rather than replace, older equipment. Mechanical devices wear out with use, and problems will occur. Stay on top of them and replace the worn parts, and they will serve you for a long time.

UTILITIES

One superb way to lower your shop's operating costs is to start a sustainability program. While most people might think that this is just talking about recycling the soda cans or cardboard, it goes way beyond that.

There are three core tenets to any program, nicknamed the three "R"s. Reduce, Reuse and Recycle.

Reduce is all about lowering or eliminating waste, mistakes, materials or steps in your company's processes. If something takes five steps to complete and you can

determine how to do it in three, then that's more sustainable.

Maybe there's a better performing consumable on the market that allows you to use less of the product. Maybe there is some equipment you can buy or a process you can develop in your shop that will eliminate the need for something altogether. The first step is to just get some people together and ask "Why do we do it this way?" and see if there's a better process.

Reuse is all about finding an alternative purpose for something rather than discarding it. Misprinted or defective apparel can be reused for test prints. Plastic bags that wrap t-shirts in inventory boxes can be reused as trash bags. Instead of buying new office furniture, can you find used ones at a sale or thrift store? What could be reused or repurposed in your shop?

Recycle is just what it seems. However, this goes beyond just your soda cans or water bottles. You can also recycle your light bulbs, batteries, hydraulic fluid, cardboard, plastic, paper, and metal. Contact your local recycling facility to see what they accept and how to recycle these items.

One expense that is usually the easiest fruit to pick off of the money saving tree is just taking a hard look at your energy consumption. While nobody wants to be the energy police and walk around telling people to "turn that off", it pays to examine how you use energy in your shop.

Do you have a programmable thermostat in the office that can be set and locked so nobody can change the temperature? Have you looked at switching your lighting to LED's? Do your printers flip on the screen-printing press flash units the first thing they do in the morning, or do you turn them on only when you are using them? If people can't remember to turn the lights off in the bathroom, you can always install a motion detector so they switch off automatically.

The great thing about sustainability is that there are plenty of resources and aid out there to help you. Your city, state and federal government may have programs that

can assist you with grant money, low interest loans, and even training on building a sustainability program. For example, there may be grant money available to replace outdated equipment with newer technology that will make your company more competitive. Thinking about switching to LED lighting from fluorescent? You may be able to get some help with the cost. Contact your local, state or federal chamber of commerce, environmental agency, or trade association for help.

If you are serious about pursuing your sustainability program, there are two groups that will be able to help you with your effort. SGIA (www.sgia.org) has a wonderful program called the Peer to Peer Network, which is an hour long webinar class that is hosted every other week. Groups of companies go through the class and learn how to build and operate their programs successfully, one lesson at a time. After they are through with the class, participating shops can qualify to get their Sustainable Green Printing Partnership certification. This third party certification allows you to show your efforts to your customers. It's a market differentiator.

LABOR

The cost of your labor is the biggest variable and the ultimate Key Performance Indicator. At the end of the day, what your employees accomplished in the time they spent at work vs. what you are getting paid to do with your orders determines your success.

Overtime

Do you keep track of overtime? It may be a dollar amount on a report, but have you looked into why you are spending money on this? Maybe you have late jobs that need to go out. Maybe there's a big order that has to ship. How does this amount get discussed and accounted for in your pricing for orders or in your pricing guidelines? Another thing to consider is whether there's more overtime for one client or another. Is this a negotiated element to doing business with them, or are you just expected to eat the cost?

While overtime is expected during the busier seasons, you should always think of

ways to prevent it and complete your work without spending this extra money. Would contracting the work out be cheaper? How can you increase performance so that your tasks can get handled with standard pay? Would upgrading equipment help?

Discipline consistently

When it comes to your labor, you have to also think about accountability. When someone makes a mistake that costs your company money, what happens? Does the discipline you mete out depend on the dollar amount? Is there a discussion? Extra training? Do you hold them accountable for their actions and have a standardized way of dealing with the problem by officially writing them up?

The manner in which you deal with performance issues directly correlates with how your staff views themselves as professionals. It's no secret that companies that hold their staff to higher expectations are more successful than companies that just sweep problems under the rug because they don't want to deal with HR issues. How does your shop deal with these challenges?

Silence by management often equates to an attitude of unspoken permission. When in doubt, say something.

One way to get the most out of your team is to establish a culture of excellence within your company. Poor performance is eliminated. Mediocre performance is trained better. Excellent performance is championed and rewarded. This happens with training of course, but you have to constantly demonstrate and communicate what is expected. Don't assume that the people that work for you understand what you want out of them just because they are in the building.

Re-examine payroll practices

If you switch your payroll to a bi-monthly cycle, you can lower your admin costs, as you'll only need to process it 24 times a year. This could be a big help if you are currently paying weekly.

Another great tip is to only pay your staff with direct deposit instead of using paychecks. Most employees are used to doing things online, and using direct deposit saves your staff time in depositing their paychecks. If you go this route, be sure to plan for what happens on holidays or when your accounting staff is on vacation. Your employees should also be able to obtain a pay stub for each pay period.

Like other key metrics, be sure to monitor and graph your payroll so you can review how your company functions. Are you spending too much on overtime? Are you supporting too many people with not enough work? Be sure to keep a close eye on this with a chart and compare against past history and your sales. If you aren't busy, send people home. If you have too much work, consider bringing in some temporary workers or looking at how to produce the work more efficiently before getting into a big overtime trap. If you are constantly busy, but don't have enough staff, that could signal bringing on more employees to help with the load.

MATERIALS

The products you buy to create your own products might seem like an inescapable hard cost, but there are always ways to whittle down what you're spending.

Re-examine your consumables

Consumables are the supplies that you are constantly buying to get orders produced. This is tape, ink, press wash, emulsion and the other hundred things you are always shopping for every week.

Many shops get locked into their favorite brands and items and swear by them. While standardization and consistency is great, every once in a while it pays to review new items and compare them to what you are currently using. Is there something better on the market? Can you get a sample? Experimenting with new items can lead to big cost savings sometimes, as often the new item performs better and is less costly.

Remember to do the math. Sometimes an item might cost more, but it performs better. This may mean your results will be even cheaper than before as you are getting

more bang for your buck. Don't let a line item cost scare you until you know if the consumable will work as advertised. Track and log your results and see if it holds up to the manufacturer's promises.

The next tip is fairly obvious, but you'd be surprised how many problems it causes: Use the products as they are intended. For example, one of the biggest problems with screen-printing ink is the fact that the users are not following the guidelines by the manufacturers on how to properly use the ink. They try to print it with the wrong mesh, or mesh tension and even cure it at a higher temperature than recommended. When it doesn't work as advertised, they claim the ink is garbage.

If you are unsure how to use a product, you can often download the product specification sheet from the manufacturer or even get a sales rep to show you how to use the item correctly.

Leverage your supply chain

You should always try to talk with your suppliers to see what they can do to help you be more competitive. Don't just look at the raw costs, but also think about what they can bring to the table. Can they give you better terms on payments? Can they supply some training, or offer free delivery? Maybe they stock more inventory, which can come in handy if there is a big order. Don't be afraid to ask, and certainly don't be afraid to look into other alternatives. As the buyer, you have the purchasing power to seek discounts, terms, or services that will add value to your business.

Some companies will give you better pricing if you agree to more progressive terms. You can get a % discount, rebate or even a better pricing grid if you go to a net 10 or less pay agreement for invoicing.

The same applies to signing long term supplier agreements. Companies with three or five year contracts often purchase their supplies at a lower rate than ones that simply buy as they go.

Change the way you buy

Buy only what you need. Have you ever purchased some equipment or some ink, only to find six months later you still haven't used it? Are you stocking cases of shirts in inventory so you will have them when your customers place their orders? Can you get that same stock in a day or two ground from a distributor?

If you purchase consumable items from big box stores, could you order them online with free shipping and not only save money, but your time shopping for them as well?

Sometimes it also pays to look at your order history for some items. If you are ordering a lot of black ink or another consumable such as emulsion, could you go up a size and order it in five gallon buckets or thirty gallon drums?

How much of the item do you typically use in week or a month? If you are constantly reordering the item, going up in size can typically get you big savings.

Seek out bargains

Maybe you're considering upgrading some equipment or getting some new computer workstations. Rather than finance that purchase, get a fund ready to take advantage of a sale, going out of business clearance, or other opportunity that may come up.

Interestingly enough, there are also opportunities that might turn your way for trading or bartering services. Maybe you need some electrical work done, or some landscaping. Finding a partner that is willing to trade for those services could benefit you both. Use the standard retail price for each partner and see if you build a balanced trade. Your costs may be significantly lower than if you paid full price.

MISTAKES AND DEFECTS

First, it pays to remember that everyone makes mistakes. There are always going to be problems. The question is, are you learning from them?

When something bad happens, a great trick to discover the root of the problem is to practice the “5 Why” technique. This means that when you usually ask “why” at least five times, you can discover how to solve a problem.

For example, let's say your shop mixed PMS 293 incorrectly. Here's how the “5 Why” technique might work:

❓ Why wasn't the PMS 293 mixed correctly?

It came out the wrong shade, it was too light.

❓ Why was it too light? Did you use the proper percentages of the pigments?

Yes, we followed the manufacturer's recipe exactly and used the correct amounts that we loaded into the bucket and measured on the digital scale.

❓ Why was a digital scale required?

The digital scale helps determine the exact proportions of the pigments to use. After each pigment is loaded, the scale is zeroed out.

❓ Why do you zero out the scale?

After each pigment is added, the scale is zeroed out so the scale reading goes to zero. That's how you know the measurement for the next pigment can be added correctly.

❓ Do you know if the operator zeroed out after each step? Is it recorded?

It's not recorded, and after checking it was determined that the ink mixer didn't zero out the scale after the first pigment was added. This meant that not enough of the main pigment was added to the ink, which caused the color to be mixed incorrectly.

Another process to consider implementing in your shop is a mistake log. Record mistakes in a spreadsheet or journal, and at least once a month review the entries. Label them with the categories “People”, “Process,” or “Item”.

For “People,” is it the same person that is making the mistakes? This could alert you to the need for some training or disciplinary action.

If it is a “Process,” maybe you need to spend some time rewriting how you handle this particular step.

If it is an “Item,” see if you can choose another product, or find a better way of using it.

Also, don't forget to use your mistakes as examples in your shop training. Even though it may be painful to talk about, hold the problem up as an example to your staff and discuss how the problem occurred and what steps you need to take to alleviate the problem in the future. Have a discussion and get people involved in how they would handle it in their area.

The more your staff understands how problems occur and what they should be on the alert for, the better.

MARKETING

You might have made it this far without any marketing at all. Or, rather, on word of mouth. However, building marketing into your budget is one of the first steps to getting out of a plateau and growing your business.

The trick with marketing is that you can't just do it for its own sake. Instead, you need to make smart decisions based on Return-on-Investment, or ROI. In other words, if what you're spending on marketing isn't bringing a higher return, it's time to switch gears. Cutting costs in marketing isn't about cutting *down* on marketing—it's about making your marketing more effective and pruning away the techniques that aren't working.

There are a few different marketing techniques that tend to pay off for print shops. Could any of these work for your business?

Email marketing

Do you send promotional emails to your customers? Email is a top way to stay in touch and keep your business at the forefront of their mind. Collect emails in person when you make a sale, as well as through a form on your website. It's easiest to use an email marketing platform like MailChimp or ConstantContact since there are a few laws to be aware of and these platforms make it easy to stay in the green.

Pay-per-click advertising

Pay-per-click, or PPC, is just what it sounds like—you run an online advertisement that links to your website, and you pay for each click you get. Google AdWords is a huge player in this space, but most social media platforms run their own PPC platforms as well. Facebook Ads and Instagram Ads tend to be less expensive options. There are many free guides and training resources available with a quick Google search to help you get started.

Social media marketing

Social media isn't as useful as other channels for making direct sales, and frankly it's hard to prove ROI. However, a social media presence is considered standard for businesses today, and it's a major trust factor with buyers. Many buyers will check your Facebook account to see if you're an active and legitimate business.

When it comes to social media, you don't have to be everywhere. Just choose one or two platforms and make sure you're active. Facebook is the most popular and well-known choice, but depending on your audience, Twitter and/or Instagram may be beneficial for your business as well.

Fliers, business cards, and physical collateral

Good ol' fliers are important to keep on hand if you ever want to promote yourself in the local community. Keep their design clean and messaging to the point. Your goal isn't to describe every single product or service you offer—you just want to get them in the door.

SOFTWARE & TECHNOLOGY

So many shops today are stuck in an endless flow of papers. Order forms, art approvals, quotes, invoices, sticky notes—it can take a ton of your time, and it's not really necessary.

Even one-man shops are now using shop management systems to easily handle their day to day operations and make things simpler. From ordering inventory to scheduling a job for next Monday, shop systems can be a great way to organize your tasks and keep your whole team clear on the work that need to be performed. From a business pricing perspective, using a system means that multiple people can quote orders with automated pricing matrices so that they all arrive at the same price. This standardizes the process, and helps prevent mistakes that can happen when doing quoting the old fashioned way with pencil and paper.

When looking to buy any software tool, ask yourself:

- Does this have all the functionality I need? If not, are there work-arounds to help me make this tool work for my business?
- Am I buying this because my friend says it's a good idea, or do I actually understand exactly how I can use this to make money?
- How long until the tool will pay for itself?
- Do I know how much time and effort I'll need to put into it up front?

The other business technology that many printing businesses are slow to adopt is a professional ecommerce website. In today's market, customers are used to not only having information at their fingertips, but also easily buying exactly what they want without leaving their armchair. A website with contact information is just the start. When customers can complete a purchase on your website without any back-and-forth communication with you, that's when your time is saved and profitability skyrockets.

And of course, there's InkSoft

InkSoft helps you grow your business by providing the tools you need to streamline your daily processes and sell more effectively online. Curious how InkSoft would work for your business? Reach out to an InkSoft Expert now at www.inksoft.com, or call us at 800-410-3048.