

Stu's View

By Stuart W. Margolis, CPA MT

The Digital World

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Digital vs. offset: That's a balance many graphic communications companies are struggling to find as print technology continues its evolution. There have been tremendous steps forward, but questions still remain regarding customer reactions, the long term viability of the technology, and metrics for success. Printers of all sizes are wondering just how far they should pursue the digital trend, and what impact digital technology can and should have on their business model.

To address some of these questions, we asked digital expert and printing industry consultant, Frank McPherson, to join us and printers from across the country for a recent "A Cup O Joe" (*) conference call discussion of the digital world. Some 10 years ago, Frank was one of the first to embrace digital technology, successfully building a digital only business at his Canadian location. In digital printing, Frank saw a creative opportunity to move away from conventional printing trends, expanding into fulfillment, variable data, asset management, website development, and other services. "We were not really just a printing company," Frank said, "but a marketing company. We didn't sell ourselves; we marketed."

This marketing focus is key to anyone entering the digital arena. As Frank pointed out, printers as a whole have been woefully deficient in marketing their own companies. "Typically, printers market their list of equipment, how big they are, or how much software they have," Frank said. "The one thing you have to do is look at how you want to develop your company in the way of sales. You have to produce less to make yourself bigger. The smaller the run that you can sell to the client to cut their costs, to cut down their inventory...that's [where] the whole concept with digital print really makes a difference." Frank shared the example of a client who was buying 200,000 brochures a year, then throwing out half of them at year end. By switching them to digital with its smaller print runs, he showed them the opportunity to save ½ of their costs. "There are opportunities," said Frank. "You are not going to lose the account; you are going to gain more out of the account."

One of our print clients on the call has had similar success in transitioning customers to digital. "In the last couple months, I'm seeing a growth in our digital business as opposed to offset," she said. "On one hand, I believe as we get deeper into this depression, as customers find alternate ways of communicating and are successful with that, they will do less offset. Print runs are smaller. Format sizes are changing so they will fit digital capabilities. That's part of why our digital capabilities are growing. Our customers were once die hard offset, but we've shown them a job done on offset vs. digital. Now they're happy with digital. They see it looks just as good and costs less."

Another call participant agreed that there is a definite trend toward decreased run lengths. He further noted that we seem to be moving toward a convergence of digital and offset capabilities. Offset “make readies are getting shorter, their run lengths are getting smaller, and they are trying to compete with the copiers. Copiers are conversely trying to get longer run lengths because they can’t compete on the run lengths. They’re converging on each other. The latest, greatest Heidelberg can make ready in 7 minutes, 50 sheets. That’s pretty impressive. They can compete with, say, an Indigo.”

That brings us to the cost of digital vs. offset equipment. One participant noted that, “Our big issue with going digital vs. contemporary press is that the technology is changing so quickly. I know my press will have value at the end of 4-5 years. [Digital is] constantly changing faster than the press can change. You have to capture and make money on that digital piece of equipment really quickly. It’s like your computer. Why do I want to get into something that’s going to change so quickly? That’s a hesitation for a printer.”

Frank concurs that “digital is inexpensive, but it’s not cheap.” His company purchased new digital equipment every 3 years to stay competitive. While he admitted that the investment may cause some hesitancy and anxiety, he pointed to a similar industry challenge in the 90’s in going computer to plate. Such change is always difficult, but inevitable. “It’s about staying competitive, and what you are trying to achieve,” Frank said.

If you’ve made the choice to go digital, you also need to have a marketing plan and the sales force to sell your services in this new world. As Frank points out, selling digital is a whole different concept – more of a marketing effort than a job sales effort. “You may still be able to go to the print buyer and get some digital runs,” Frank commented, but “who you market to in the organization may change. This is where the conventional sales people are having a hard time. They don’t want to break the bond they have with the print buyer. And the print buyer doesn’t want them going to the marketing person, or office services, or document handling people, or someone else. That is a very tricky question, to market yourself.”

So what’s the solution? Frank suggests a multi-tiered approach. “Talk to the purchasing agent, but also send a mailing to the marketing department, the president, the CFO, etc. saying ‘We’re more than just a printer; this is what we can do.’ You’re not treading on anyone’s toes. You are just spreading the word about everything you can do. If you use that technique, you have a better chance of not walking on egg shells.”

Digital and offset – there is room for both in today’s world. Indeed, digital can be a strong complement to your current services. “It doesn’t matter if you are going into large format signage, small digital, etc. Your current customers are the people you can sell to,” Frank said. Today’s printers recognize that digital lends itself to shorter runs, while offset is the method of choice for longer runs. There undoubtedly are opportunities to be found in the digital market, and the results in finding your niche there can be very rewarding.

() “A Cup O’ Joe is a complimentary teleconference series for printers offered by MargolisBecker on timely topics for the graphic communications industry. Details and registration forms for upcoming sessions are available at www.margolisbecker.com under the “Events” tab. Questions may be directed to Bonnie Pfaff at 888.577.1717 or bpfaff@margolisbecker.com*

Stu’s View is contributed by Stuart Margolis, CPA and Partner of MargolisBecker LLC to provide information that helps firms operate profitably. More information can be found at www.margolisbecker.com.