**What do “Higher Performers” do?**

Some printing companies are “rocking it” – producing profits and returns far above industry averages. We refer to these companies as “higher performers.” About a third of the printing firms participating in our March 2023 - *Printing Industry Performance & Insights* financial benchmarking study are higher performers. What makes higher performers different? Below, I share vital differences we saw between higher performers and all respondents. For each key difference, you will find bullet points with approaches higher performers may apply to accomplish that advantage.

* *Higher performers spend a smaller percentage of their revenue on paper and outside services.*
	+ Higher performers may produce products more efficiently, wasting less paper and other substrates. They may have a TQM (Total Quality Management) culture, which focuses on continuous efficiency improvement, “producing more with less waste.”
	+ Higher performers may bring more services they provide customers inside their walls. For instance, a firm providing website design through outside sources might pull that service inside. However, this is a potentially challenging tactic. Bringing a service inside requires executing that service effectively and efficiently. Bringing in external services or adding complementary services is not easy. Indeed, an association leader shared that he has seen multiple printing firms fail at this. However, doing it right might enhance financial performance and the value printing companies provide their customers.
	+ A smaller percentage of revenue spent on paper, substrates, and outside services may also reflect higher performers’ ability to charge their customers more… higher pricing for what they provide them. Higher prices reduce the percentage of revenue spent on paper and outside services. This potential advantage is related to a firm’s mission: who are our target customers, and what value do we provide them? Firm leaders might ask, “Have we cast a “mission net” in which customers are willing to pay more for what we provide?” Also related to strategic thinking, firm leaders might ask, “Have we chosen a mission where there are few competitors who provide what we do, or as well as we do, allowing us to charge more?
* *Higher performers spend less on total factory costs.*
	+ Related to TQM mentioned above, continuous improvement connects with “doing more with less” and is a culture. Developing a culture devoted to continuous production efficiency improvement requires total top management commitment, but that culture can produce benefits.
	+ Operating multiple shifts can reduce the fixed factory costs per hour or per project (job).
	+ To lower our total factory costs, we applied an “expandable-contractable” approach. We planned our factory capacity based on our lowest monthly revenue projections and set hourly rates accordingly. When we exceeded our revenue budget, our fixed factory costs were a smaller percentage of revenue. To accomplish this, we made our employees aware that we expected them to work overtime, and we made overtime feasible for employees through our shifts. This is related to scaling, which is producing more without more fixed costs… “Doing more with what we got!” Another way to scale is to plan growth without adding fixed costs.
* *Higher performers spend less on administrative costs.*
	+ It appears that high performers do more with less administrative resources. They may have staff members who take on multiple roles; they may outsource some administrative functions; they may increase revenue without increasing administrative staff; they may apply technology to replace manual tasks; or they may apply other organizational efficiency approaches.
	+ I presented this material at a printing association luncheon. After hearing that higher performers spend significantly less on administration costs, a printing company leader shared that their firm did not monitor administrative efficiency at the same intensity as they did in their shop. It sounded like our results prompted him to look at their administrative efficiency.
	+ To explore more possibilities for making administrative functions more efficient, consider these options: apply digital tools to improve the documentation process; chart administrative tasks and look for ways to reduce steps or combine roles; explore employee training options; and build a culture of efficiency and productivity in your executive offices (like you want in your shop).
* *Higher performers spend more on sales and marketing costs.*
	+ This is the one area in which higher performers spent more. But be careful. This is about more than how much you spend on sales and marketing. It’s about effectively applying sales and marketing resources.
	+ In a previous study, we found that higher-performing printing firms have a marketing plan: they identify targeted customer groups, they identify the value their firm provides those targeted customer groups, they have a marketing strategy with an action plan, and they have marketing objectives.
	+ We also found that higher performers monitor salesperson development, apply salesperson training, apply ongoing salesperson evaluation, and reward salespeople (sometimes for items other than sales generated, such as the number of new prospects converted to customers).
	+ Higher performing firms may strategically seek ways to effectively market products and services, such as through social media, printed brochures, or direct mail.
	+ When a printing firm leader heard that higher performers spend more on sales and marketing, he said, “It sounds like they are hunting (seeking and pursuing prospects) more than farming (merely depending on current accounts).
* *Higher performers earn much more in EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortization).*
	+ Do the differences mentioned above contribute to stronger EBITDA? ***YES!*** However, compared to other firms in our study, higher performers have other minor cost advantages. Higher performers spend a little less in a lot of cost categories. “Little by little, a little becomes a lot” – Tanzanian proverb.[[1]](#footnote-1)
* *Higher performers generate much greater Return-on-Assets (ROA).*
	+ This may result from higher performers’ investment in new equipment or technology. Indeed, it appears higher performers incur more in depreciation expenses.
	+ I propose that higher performers make solid equipment and technology investment decisions based on potential return. For instance, if a firm is considering a $200,000 equipment investment, the leaders would explore the potential effect of that investment on their bottom line and seek *at least* a $20,000 increase in net profit.

Are there other ways to achieve the performance advantages presented above? Absolutely, yes! Hopefully, the material above will prompt some thinking and help you enhance your printing firm's performance.

We seek to provide you with “actionable knowledge” through our work! See our March 2023 - *Printing Industry Performance & Insights* report for details about the above points. Please help us build actionable knowledge by participating in our upcoming financial benchmarking study, which will occur in Spring 2024. Email Dr. Ralph Williams with any questions or comments: ralph.williams@mtsu.edu

1. <https://www.pinterest.com/pin/94083079691917769/> [↑](#footnote-ref-1)