

Stu's View

By Stuart W. Margolis, CPA MT

Winning the Competitive Pricing Game

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Printers are reporting price reductions within a range of 10 to 15% this year. Are there any solutions to winning the competitive pricing game other than applying deeper and deeper cuts?

I had the opportunity to discuss this very dilemma with a cross-section of printers from around the country at our Print '09 Seminar. Responses from attendees were positive. The information seemed helpful so our firm decided to revisit the topic on our monthly client conference call, "A Cup o' Joe" (*). In case you missed the Print '09 Show and the conference call, here are few tips that were discussed:

1. **Money is not the only factor to price.** There are many variables to price, not just the dollar amount. An example? Terms. One printer implemented a policy for its sales team stating no discount could be granted unless the sales people discussed payment-term schedules with the client first. When clients complained of budget cuts, the sales people offered Early Pay Discounts of 1 or 2% if the work was paid for within 10 days. In every case, the discount was enough and the customers complied. The 10 day cycle dramatically improved the cash flow at the printing company. The bottom line: Try not to give a discount without getting something in return.

In other cases, actually *lengthening* terms can prove to be the best recourse. Let's look at a printer who had a large client. Monthly spending caps were imposed on the marketing department. So printing the new sales brochure was impossible with the new budgetary constraints. The client called the printer and said they needed to cancel the brochure production this year since they saw no way the monthly budget could absorb the large expenditure. The print sales person responded by suggesting shorter runs of the brochure produced over ten consecutive months. The client agreed to the solution and signed a ten month contract to produce the brochures for the same aggregate price split into ten monthly installments. Allowing the client to spread the expenditure over a period of time saved the account. As it turns out, the shorter runs were better for the printer, too. The value-added to the printer actually increased by switching to shorter runs.

2. **Tylenol Approach to Sales.** You guessed it. Be a pain reducer not a pain enhancer. Talk to the customer. Discuss their budget cuts. Try to work together with them to come to a resolution to their budget cuts. Take the opportunity to open the door for new work. Tell them you would love to help them find more economical ways to do the work. Remember, in a typical situation if pain is relieved, there is a sense of satisfaction. When pain continues, the search for relief continues.
3. **Build a Healthy Relationship.** Any relationship is give and take. It is not a one-side-wins-all-the-time proposition. If a relationship is strong, long term contracts might be possible. A client asked a printer from the mid-west to reduce his price on a job they've been doing together for twenty years. The printer agreed to a discount if the client signed a two year contract for the work. The client agreed -- but be cautious here. To establish long term contracts at reduced prices, evaluate your position first. Make sure you understand how your value-added will change. Don't create a long term loss "disguised" as a long term sale.

A printer on the East Coast had yet another solution. He established tiered pricing based on volume of annual print purchase. This printer offers clients rebates when they purchase a certain volume of print for the year. Two customers increased their print purchase with the printer in order to reap the rebate. Cash back rebates are win-win. The client eventually gets the discount it wants. The discount is given only after the volume that the printer wants is achieved.

4. **Combating Giant Printing Consortiums.** What do you do when a competitor joins a giant print consortium? The first question to ask yourself is how do you compare to this competitor and to the new business model being used? Is your service better, your delivery faster, your product consistency on target? If any of these advantages are true, then tell the client. Remind your client to consider that impersonal purchases are ok, until there is a problem. If they don't believe you, ask them if they've ever experienced a tricky travel question for a major airline, an issue needing resolution with the phone company, or a problem with a health insurance claim. We have all been in situations where we desired better customer service. Remind them. It is your competitive weapon.

Of course, in the end, we at MargolisBecker need to remind all printers to become as financially savvy as possible. To win the competitive pricing game, know your benchmarks. Understand your costs. Understand the benefit of sales from a value-added perspective. Then, figure out which negotiation position is best for you. When instituting Profit Plans for clients we've seen dramatic turnarounds by changing managerial policy, changing pricing policy and re-evaluating the effect of change on the value-added of jobs. If your production is solid and you're still having problems, get help.

() "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.