Advancing Graphic Communications

PRINTING INDUSTRIES OF AMERICA

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Practical Sales Leadership

Mike Philie
Principal
The Philie Group

The business landscape continues to change, and the print and graphics segment is not exempt. With this transitioning landscape, the goal should be to keep the sales effort ahead of the changes. With an aging, legacy sales force, some graphic arts companies are struggling to keep up, while others have excelled. Starting at the top, the leadership of the business should make it clear that refocusing the selling efforts to meet the market conditions and to better align with company goals is a top priority.

How This Happened

There are several factors to understand before embarking on this journey. For years, the sales force was asked to prospect, network, build relationships, and sell the business. They were responsible for generating estimate requests, closing deals, and writing up orders. Then they showed proofs and were on press if the client was going to inspect the run. Then they made sure that the billing was accurate and signed off on the invoice. This went on for years, and for years it worked just fine. Print, as they knew it, was growing, and the order size could shoulder the non-selling costs associated with the transaction.

Fast forward to today and the environment has changed. The processes and skills needed to effectively prospect, network, and build relationships are different. Also, the average size of the orders has decreased for many and can no longer cover the costs of multiple touches. **The individuals responsible for buying print are different than before, the types of print they need have changed, and the manner in which they buy it has changed.**

Some would argue that as long as sales is selling and bringing in the work, then why mess with anything? The real question to ask is whether or not the sales team is keeping up with selling the expanded range of services in an integrated manner that solves client problems. Are they building a good business case for why their clients should buy from their company? And for those shops that have invested in high-speed and efficient press and bindery equipment, is sales now the weak link?

Getting Started

The best time to start this journey is now. The challenges will include unlearning many of the things that are no longer relevant in today's selling model. From building relationships to communication choices to solving complex print-related challenges, make sure that the skill set your team is proficient in today wasn't for a time that has been long forgotten. The relationship model that paved the way for years needs to be reviewed and updated to included solving real business problems. Here are some process factors to consider:

- **Are your customer relationships only with a sales rep or with the company as well?**
- **Is your sales process unique for each customer and not repeatable?**
- **What percentage of your reps made their budget last year, and does your growth outweigh any client sales attrition?**
- **Are your new business efforts scalable, repeatable, and realistic?**
- **Are you a strategic or significant supplier to your clients, or are you a vendor?**

Your Current and Future Clients

When was the last time you profiled your company's ideal client? This is an opportunity for you to refresh the definitions and strategies for finding your best new business opportunities. Even if your current and potential market definitions seem appropriate and adequate, this exercise is never a waste of time.

- **Which markets will provide the most revenue, profit, and opportunity for growth?**
- **Who should reps call on within these markets?**
- **What are the targeted revenue expectations and over what period?**
- **Vertical markets—new and unexplored. How can you learn more?**
- **Past success—where did our good results come from?**
- **What types of accounts should you go after now?**
- **How can we improve our services to appeal to new types of accounts?**

Your Sales Team

Over the years, the value of a printing sales rep has been based on the strength of their personal relationships with their client base. The adage was, "Get them to like you, and they'll find a way to buy from you." What many reps have added today is their ability to properly recognize how their clients want to buy, what problems they are trying to solve, and how they can make their buyer's job a bit easier to handle. Some areas that you should review include:

- **Sales team: strengths, weaknesses, and performance gaps**
- **Sales leadership: strengths, weaknesses, and performance gaps**
- **Lead generation: sources, resources, and effectiveness**
- **Account retention: what works now, and where is it headed?**
- **Compensation: in line with market? Compensating the right things?**
- **Account management vs. business development—do your reps have time to sell?**
- **How does marketing support the sales and business development effort? Is it working?**
- **How is sales supported internally? Any sales prevention departments in your business?**

Why should they pick you?

The traditional view of the sales role, and maybe your value proposition too, may need a makeover. Does your value statement promote your top quality and service? Those aren't differentiators when everyone claims the same thing—and most do. This is like saying the table at the restaurant was clean, so it must be a good place to eat—clean tables are an expected outcome and it's a common mistake.

Before you can sell anything, you first have to get their attention. Personal relationships, quality, and service are important, but they aren't necessarily differentiators when trying to attract new business. You need a real differentiation strategy for customers in new markets. They don't know you or your reps yet, and you have to stand out with a persuasive storyline.

Is your value proposition still as relevant and meaningful as it once was? How can you update it? Be more concerned about the message you are sending than with how many marketing dollars you are spending. Keep within the budget you've set but make sure the message is relevant. It's possible to create a high-value marketing campaign for a modest expense.

From Plan to Process

There are many steps in re-aligning your sales and sales leadership efforts, so don't be discouraged along the way. Take your growth goals and break them down into actionable tasks that can be defined within your marketing and sales process. You'll need actionable metrics to help gauge the effectiveness of your efforts, and to know when to stay the course and when to make a correction. And finally, don't assume that everyone is on board or has all the tools necessary to get the job done. Always be checking and re-affirming their status, their aptitude, and their attitude towards the common goal.

ABOUT THE AUTHOR

Mike Philie, The PhilieGroup: Changing the trajectory of a business is difficult to do while simultaneously managing your core competencies. Mike provides strategy and insight to owners and CEOs in the graphic communications industry by providing direct and realistic assessments, not being afraid to voice the unpopular opinion, and helping leaders navigate change through a common sense and practical approach. He provides no-nonsense tools for organizational change, performance management, and strategic sales growth.

PRINTING INDUSTRIES OF AMERICA
Advancing Graphic Communications

THE MULTIGENERATIONAL WORKPLACE

In a given workplace, up to 4 generations may be present in one company! From the Baby Boomers to Gen Z, the generational diversity present in most companies can create a range of challenges—but also opportunities.

FOUR MAIN GENERATIONS

BABY BOOMERS

Population: 75 Million

LOYAL
Grew up among those who spent many years at one company.

Age Range: 55-75 (1944-1964)

Motivating Factors: Money, respect, & titles

GENERATION X

Population: 51 Million

INDEPENDENT
Considered the first generation of "latchkey kids."

Age Range: 39-54 (1965-1980)

Motivating Factors: Aim for a work-life balance

MILLENNIALS

Population: 76 Million

FREE AGENTS
Grew up witnessing companies downsizing and outsourcing.

Age Range: 22-38 (1981-1997)

Motivating Factors: Respond to visual mediums

GENERATION Z

Population: 60+ Million

MOBILE-CENTRIC
Have never known a life without mobile technology.

Age Range: 18-21 (1998-2001)

Motivating Factors: Curious about company culture & values

35% of the American labor force is made up of Millennials. currently the largest generational segment.

62% of Generation Z anticipates challenges working with Baby Boomers and Gen X.

5% of Baby Boomers anticipate challenges working with Millennials, in contrast.

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Understanding Equipment Financing

Gerry Michael, CPA, CMA, MBA

Let's face it: Printing is a very "capital intensive" industry, and decisions about investing large amounts of capital in capital assets are a permanent part of the environment that printers live in. Over 40 years in public accounting and management consulting, I have worked with clients on literally hundreds of capital asset investment projects, as my clients have dealt with the constant need to implement new production technologies. In many cases, the first question that clients ask me is this: "Do you think I can finance this investment?" With capital always a scarce resource, the issue of financing seems to be the most important. Will the return on this investment be large enough to provide for a return of my capital and a reasonable return on that investment?

That question must be answered in the affirmative, or whether or not it can be financed is irrelevant. Before looking at financing issues, we must ask whether or not the investment makes sense.

The only realistic way to evaluate a capital investment decision is to first determine what the total initial cost for the investment will be, assuming that no financing is used to make the purchase...ultimately, what's the "cash price" of the investment? This includes all costs for getting the asset in place and ready for use by your company. This is the total investment that a firm is making when they commit to a new piece of equipment, technology, or other capital asset. Ultimately this is the only appropriate "cost" that should be compared to the benefits to be earned from this investment.

This is different than looking at the cash flows only, which is what many firms do when they look first to the financing offered on the investment, usually by the vendor. The return that the investment can make is far more important than merely cash flows.

This process of review, called capital budgeting, involves comparing the present value of the benefits from an investment over its realistic expected life with the present (cash) cost of the investment. While conceptually pretty simple, there are a number of challenges that have to be addressed when approaching this analysis:

- **With technology changing so quickly, what's the realistic useful life of this investment, as opposed to the technical useful life?**
- **If you make the investment, will the benefits come from your current customer base and revenue stream or will it require new customers and new revenues? If so, do I have a plan to achieve those?**
- **What will my customers (current and future) pay for this capability if I make this investment? Will the price that they will pay, based on the value they perceive they will see, be equal to the price that I propose to charge, based purely on the costs I will incur? In other words, will the market pay me what I need to make this investment profitable?**
- **Will this investment preclude me from making other investments that might actually be better?**

These are all questions that need to be carefully addressed before the question of how best to finance any investment is made. Assuming that the results of the capital budgeting analysis indicate a positive return, the next question becomes: How will I generate the cash required to make this investment?

Often the answer to this question is based more on expediency than it should be. It may be tempting to look to the vendor of the asset to provide financing, but sometimes this is not the best solution. The advantage of looking to outside, third-party financing sources is that they are more objective in evaluating the proposed financing than the people that are selling the asset to you. Having to go through the analysis most commercial lenders (such as your bank) will require to make a loan is a useful exercise in making sure that your own analysis is sound. If you can't convince a lender that this is a good investment, you may want to consider why you were able to convince yourself that it was. Easy is not always best. You should consider all realistic alternatives available to finance your investment, not just grab what appears to be the simple solution.

It's also important to consider the terms of any financing that are offered. Consider the following:

- **How much initial payment should I be willing to make? Generally, the lower the down payment, the more expensive the loan that will be offered. Make sure you are providing a realistic commitment of your own resources before asking your lender to take the risk on your decision.**
- **Make sure that you match the term of the financing to the expected useful life of the asset. Too many firms utilize lines of credit to acquire longer-lived assets. This is dangerous, will tie up your available capital in ways that will at the very minimum restrict growth, and may result in major problems down the road. Lines of credit are for working capital, not for capital investments.**
- **Loan costs can often be very complex to evaluate, when things like loan fees, compensating balances, and other loan terms are included; but only by making these calculations can a real comparison be made between alternatives. It's also helpful when negotiating a loan's terms to remember that all terms and costs should be included in the negotiation.**
- **Remember that capital leases are generally very restrictive, much more expensive than traditional loans, and generally contain potential future obligations that are not fully understood when these are entered into. In general, capital leases are not the best way to acquire assets. However, in some cases, once it is clear that the investment will generate a return, then they may be the only alternative. Always make sure you fully understand all of the terms of any proposed lease and that you include the financial effects in your analysis.**

When dealing with the analysis of proposed financing arrangements, your CPA and your controller should both be involved in the analysis. This is a small cost when compared with the potential expense of making the wrong decision. Make sure that you understand the benefits you expect from the investment, how likely those benefits are to be achieved, and the real costs of any proposed financing, before you make a commitment to invest your scarce capital resources.

And finally, financing arrangements are not just complex financial arrangements, but complicated legal agreements as well. No such agreement should ever be entered into without a review by your legal advisor, to ensure that you understand all the terms of such agreements. Know what the agreement requires of you, and of the lender, before you sign.

ABOUT THE AUTHOR

Gerry provides services to his clients in the graphic arts industries that are designed to enhance the value of the client firm, and hence the value of the owners' investments. Gerry was the founder of GA Michael & Company, PS, a West Coast CPA and consulting firm. In 2011 Gerry led his firm into a merger with Carlson Advisors. He continued in that capacity until the end of 2015, at which time he led the West Coast division of Carlson into the firm of Falco Sult, a CPA and Consulting firm based in Redmond, Washington. In this role he led that firm in a major commitment to the graphic arts industry as its Graphic Arts Principal and continues to serve in that capacity in an advisory role. His firm, GA Michael & Company, LLC, and Falco Sult frequently work together to serve the needs of both firms' clients.

MEMBER SPOTLIGHT
Worth Higgins & Associates, Inc.

Sarah Sudar
Copywriter
Printing Industries of America

Marketing plays a vital role in the business of a company and, if done right, its efforts can generate new clients, increase revenue, and make a company stand out against its competitors. That's how Worth Higgins & Associates has used marketing to its advantage. It has developed creative ways to market its services and itself along with making it a priority to invest in new technology, constantly giving their sales team something new to talk about.

"It's getting cliché to say, but in everything we do, we try to differentiate ourselves from our competition," says Scott Hudson, Director of Corporate Communications.

Hudson and his team are always looking for unique and strategic ways to brand themselves. In 2014, the company installed a new 40-inch, six-color Komori UV press and when thinking about how to talk to customers about what the new press could do, they implemented a special approach. The company printed a book featuring local craftsmen, including breweries, cheese makers, butchers, and chocolatiers, for each of the regions that they serve.

The sales team showed customers the books, not only for content, but to showcase the power of the new press. A few weeks later, the same customers received a printed invitation to an event in each region that featured the local craftsmen that were in the books, as well as moderated speaker panels talking about craftsmanship. Everything from posters and wide-format to the drinking glasses was produced by Worth Higgins & Associates. The company made it a point to not really talk about the company, but just wanted clients to know a little bit more about the company than when they first arrived.

The regional events were held in the spring and summer of 2015, and in October of that year, Worth Higgins & Associates hosted a large event at their home base of Richmond, Virginia, inviting those who attended their regional events as well as others in the area. Over 500 guests attended the day-long event. Breakout sessions included a preview of the film

Pressing On: The Letterpress Film, a moderated speaker panel featuring the Richmond craftsmen, and a keynote presentation highlighting the resurgence of print. At the event, attendees printed their own t-shirts, hand letterpressed a biscuit recipe, visited paper vendors, and received a special letterpress-printed, historically-correct replica of the Declaration of Independence produced exclusively for the event.

"Our team realized there hadn't been a paper show in our area in over 15 years, so we put our spin on it and it worked out well," says Hudson. "From a printer's perspective, I think that people are hungry for this sort of event."

Marketing is not only a function of sales to attract new customers, but it can also be used to recognize and communicate with current customers. Worth Higgins & Associates produces several magazines including *Craft* and *Caliber* as a way to stay in contact with clients. *Craft* was born from the craftsmanship events and features local craftsmen in the regional markets. *Caliber* is a content-based magazine that Worth Higgins & Associates brands and sends to clients every other month.

"Most recently, we have become corporate sponsors of CreativeMornings in Richmond and Charlottesville. It's a perfect fit for us, once a month we are in front of up to 400 area creatives supporting the graphic arts community," says Hudson.

Worth Higgins was founded in 1970 by Mr. Worth Higgins, who ran the company until 1999. After running the business for 29 years, Mr. Higgins was looking for an exit strategy and

went to his employees with options: sell to a consolidator or sell to the employees. The company began its employee stock ownership plan (ESOP) and in 2010, the company became completely employee-owned. Since 2000, Worth Higgins has been adding divisions and acquiring other companies and last year was a banner year for the company, with sales 19 percent over the prior year.

"I like to think that marketing had a little something to do with that growth!" says Hudson.

In addition to marketing, the sales team has had a lot to do with successful growth. It helps that everyone in a management position at Worth Higgins & Associates has some sort of sales background.

Brian Losch, Vice President of Sales, says the company always tries to make an investment in some sort of new product or service technology that allows the sales team to have something new and different to talk about. The 16 full-time sales reps are very knowledgeable about the products and when they meet with new, potential, and existing clients, they can say to them, "Have you ever thought about trying this or doing it this way?" Losch says it's very likely that the competition is limited in their capabilities and Worth Higgins & Associates can offer a better solution. There's always going to be the challenge that someone may be able to do a job for a lower cost, but that can also be an opportunity.

Over his 19 years in the industry, Losch has seen a change from customers who used to have a print or production manager and who specifically went to school for printing, to individuals who are doing two to three other functions in their job with print not being a primary function.

"They are spending a lot of money and we have the opportunity to help them make the right decisions," says Losch. "They don't even know what they want or need until they see the possibilities, and that's what our sales team is good at explaining."

With creative marketing, a knowledgeable sales force, and investment in technology, Worth Higgins & Associates is making sure it's around for another 50 years.

Five Next-Level Customer Service Strategies to Grow Sales

Kelly Mallozzi
Principal, Success in Print
Girl #2, Girls Who Print

Order taker. Phone answerer. Job writer-upper. Those descriptions of what a customer service rep does for your business are SO last century. If that is how you are still viewing and treating these irreplaceable members of your sales team, you are missing out. You're missing out on connecting to your customers on a deeper level. You might be missing out on their ideas. And you could be missing out on ways to grow your business without having to add headcount or hire new outside sales reps.

This article provides five ways to cultivate and invest in your loyal team members and grow them into what every organization needs today:

Customer Engagement Ninjas.

Print Solutions Engineers.

Growth Strategists.

Think about it. Your CSRs know EVERYONE. They have access to your customers all day long. They talk to them. They email them. The customers rely on them, arguably even more than they rely on your salespeople, at least as it pertains to getting the work in and out of the shop correctly and on time.

They are your lynchpins—make no mistake about it.

So how can you elevate your CSRs, deepen your relationship with them, and make them understand how crucial they are to the future of your business?

1. **Tell them**—Words of affirmation are sorely missing in many professional environments today, and that is sad. Everyone likes compliments, and even better, they like to be recognized when they are doing a good job. The folks who wrote *The Five Love Languages* even adapted the concept for the workplace. Don't be stingy with your positive reinforcement. When you see something good, say something good.

2. **Empower them**—Whether it's giving them more say over policies, asking for ideas, or giving them more decision-making discretion, there is no question about it—an empowered employee is a loyal one. Knowing that you value their opinions, trust them, and do not need to micro-manage them matters to them. If you have someone who seems adept at social media, why not ask him or her to take control of one or more of the channels you currently use? Not using any? Perhaps it's time to start!

3. **Ask them**—Regular communication in which you ask for ideas, feedback, or just generally ask how things are going in their department and the plant in general is a great way to show how much you value and trust your CSRs. Whether you hold regular meetings where everyone is given the opportunity to voice opinions and ideas, or whether you do this one-on-one or in small groups, there is no downside to involving your team in decisions and guiding the future of your company.

4. **Promote them**—Provide a career path that involves not only financial growth, but also responsibility and input (see above). A management position is one way to do this, but so is assigning them to bigger and more substantial accounts, as well as asking them to handle more elements of account management. Even giving them more face time with the clients is a great way to demonstrate how much you trust and value someone.

5. **Train them**—While customer service training and brushing up on skills is important, why not embark on something new and get them some sales training? Imagine the value of having someone who not only is great at taking care of existing business, but someone who can take an account to a new level by exploring new opportunities within an existing account. I can see your head shaking if you are a sales person (or are worried about how a sales person would feel about this), but this could also be vastly helpful for house accounts; or you can consider creating account management teams for key opportunities. If a major account knows they have a team of people working for them, so much the better. And internally, a team arrangement means more delegating and people can focus on what is best for the company in the big picture.

Imagine your company operating without customer service reps. Whether you change their titles altogether to more accurately reflect all that they accomplish for your company, or whether you invest in them or give them a seat at the table, it can't be overstated.

You need them.

Your customers need them.

Your salespeople need them.

Treat them, develop them, and reward them accordingly.

Viva La CSR!

Does your sales staff need sales training and coaching? Check out the PIA iLearning Center's Advanced Sales Training course. To learn more about the course and the iLearning Center, visit www.printing.org/advancedsalestraining

ABOUT THE AUTHOR

Blogger, author, consultant, coach, and all-around evangelist for the graphic arts industry, Kelly sold digital printing for 15 years, so she understands the challenges, frustrations, and pitfalls of building a successful sales practice. Her mission is to help printers of all sizes sell more stuff. Kelly's areas of focus include sales and marketing coaching, enabling clients to find engagement strategies that work for them, and mentoring the next generation of sales superstars.

Kelly graduated from the University of Michigan with a degree in Political Science and, among other notable accomplishments, co-founded the Windy City Rollers, a professional women's roller derby league. She is also the mother of two sets of twins under the age of ten, so she fears nothing!

Want to Thrive?

Four Ways We Can Attract Females to Print

Ashley Maydak
Brand Manager
Domtar

I have often heard, at many industry conferences, print spoken about in terms of relevancy. As someone who regularly speaks to a variety of audiences, I can tell you without a doubt that print is more relevant than ever. In a world where the majority of communications lack authenticity and true engagement, print stands out like never before.

The area where print lacks relevancy isn't in the medium—it's in the lack of diversity. The sad truth is, the printing industry hasn't kept up with the times when it comes to diversity and inclusion, an important factor that forty-seven percent of millennials consider when sizing up potential employers. The largest discrepancy exists between female employees and female print media students. As illustrated in the PRIMIR Study "Attracting New Talent to the Print Industry" produced by the Association for PRINT Technologies, females only represented 40% of the workforce in the print industry in 2018. Amazingly, female students account for 80% of students enrolled in print education programs. So, why the stark contrast? In an industry hungry for a skilled workforce to fill the gaps as trusted craftsmen retire, why isn't more of an effort being put toward making print look attractive for this specific group of people declaring interest in our industry?

As a female who's been connected to the print industry for more than 15 years, I can honestly say that print has a lot to offer and can be a rewarding career, regardless of gender. Here are four ways we can attract more females to print:

Pay More Attention to Students

Today's print media students will be tomorrow's employees in just a few short years, yet they're often easily dismissed at tradeshows and industry events. The next time you're at an industry event, spend a little extra time on student day and to talk to the next generation of female industry leaders, share your experience, and welcome them to print. Don't constantly stay in "mentor mode"—ask what attracted them to the industry and what they're looking for in an employer. You can learn as much from them as they can learn from you.

Empower Females to Breathe New Life into Your Company Culture

We've all heard the advice of countless speakers telling printers to appeal to millennials by offering such menial perks as Free Beer Friday. The truth is, millennials have grown up—what they found appealing when they were living in a college dorm room may not tip the scale now that they are adults and possibly parents. By including a variety of people on teams to shape company culture (including women), your company will be more likely to create solutions that appeal to a wider array of potential employees that are different than the people that currently work for you—and you will probably attract new customers too.

Pay Attention to Your Tone

The next time you're mentoring a female colleague or speaking to another female at a tradeshow, pay attention to your tone and what you say. Do you find that you speak to females differently? Do you show them the same amount of respect during conversations as you do your male counterparts? If you're not sure what to look for, the incredibly popular blog post from Print Media Centr "Now Trending in Print: Mansplaining the Women's Movement" is a great read. As leaders in print, others in the industry look up to you as an example. And, if change is needed, it can be to your benefit; companies in the top quartile for gender diversity are 15 percent more likely to outperform others.

Make Women Feel Welcome

Newer generations view the meaning of the word "diversity" differently than many Baby Boomers and Gen Xers. Today's definition of a diverse workplace extends beyond age, gender, religion, race, and physical ability. It's about how different viewpoints are accepted and valued. In short, they are looking for an environment that's welcoming and collaborative, where individuals feel respected and comfortable sharing their viewpoints and experiences. In a male-dominated industry, where women in body paint and scantily-clad outfits still had a presence at industry events in 2018, it's obvious to any bystander why a young female might not feel welcome. As many spread the images on social media outlets—the first place where today's potential employees look to "size up" the values of a potential employer—the effect extends far beyond the tradeshow floor.

The truth is, diversity is more than simply a nice idea. Truly celebrating diversity and inclusion is what the print industry must do in order to attract much-needed valuable talent and thrive. And, if you're a female and not involved with Girls Who Print, I would highly suggest you join the Linkedin group and connect at the next print industry event you attend. It's an exciting way to meet other females in the industry, network, share experiences, and encourage each other in our careers.

Print is a highly rewarding industry in which to build a career with much to offer. Let's work together to make sure the next generation of females who are interested in our industry perceive it that way.

ABOUT THE AUTHOR

Ashley Maydak is a Brand Manager at Domtar Paper with over 15 years of experience in paper and print marketing. With a background in graphic design and production management, Ashley has an eye for how paper and print connect and amplify a brand's story. She is the brand strategist for Domtar Paper's most iconic paper brands.

What's the Cash Flow for your Future Press?

TCO Tools Are One Part of True ROI Analysis

Paul Dombrowski
ROI Analyst

I practice the art and arithmetic of Return on Investment (ROI) analysis for printing presses. My work brings together and quarterbacks the expertise residing inside printing and converting companies and their press vendors. The outcome from our collaboration is a comprehensive view into the production and financial impact of the future press.

Let me introduce the Total Cost of Ownership (TCO) tool and show its place in an ROI analysis. My colleagues say a TCO tool is the new black, because when used in a true ROI analysis, it could keep you out of the red. Brilliant.

TCO tools are built by the press vendors. It's a financial model constructed using an Excel workbook. It allows for inputs to simulate the press owner's operating conditions, job parameters, cost information, and press specifications. TCO tools allocate direct and indirect costs across jobs run (in a year) and calculate productivity and cost per unit.

TCO tools show the future press owner how much work could run through the press and the unit cost. The TCO tool does not show the ROI.

Let's see where TCO tools fit in the ROI process.

The ROI process starts with the strategy and business case. It ends with two methods of calculating the ROI, net present value (NPV), and internal rate of return (IRR).

The I-beams that support the strategy and business case for a future press are cost savings and new business opportunities. An ROI analysis systematically quantifies the cash flow from cost savings and new business.

The process of producing an ROI analysis creates metrics to show if the press will pay for itself and how quickly. It can also show how much money is being lost every day by not doing anything—and sticking with the current state.

For a greenfield strategy, the analysis helps management generate a rational view for investing in an entirely new product line.

The purpose of the TCO tool is to calculate, demonstrate, and document the production efficiencies and cost savings delivered by the future press. It does the heavy lifting to feed cost and production figures into the net present value (NPV) and internal rate of return (IRR) models.

The NPV model is dependent upon the TCO output. It does the work to bring together three cash flows (cost reduction, new business, depreciation). It compares the future cash flows with the initial cash out-

Figure 1: ROI process and tools

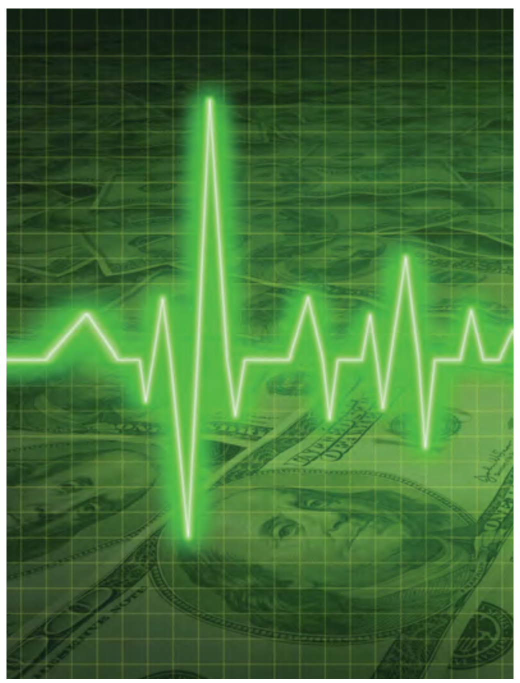
Figure 2: Steps to configure the TCO tool.

START	Analyze Current State	Map Process & Activities	Identify Cost Drivers	Job Data Analysis (Transfer Work)	Specify Future Press	Estimate Potential Cost Drivers' Improvements	Calculate TCO for Both Scenerios	Link Results to NPV Model

lay and takes into account the time value of money. Figure 2 shows the steps to configure the TCO tools, starting with analyzing the current state.

Does the strategy involve transfer work from the "as-is" press?

Consider conducting job data analysis to provide a clear view of what production would look like on day one. Use job data and cost information to quantify cost savings from transfer work. Job data analysis ends with the preparation of a report that shows what jobs can run on the future press, capacity consumed, substrates, plates, plate re-use, ink and ink usage, finishing, priority jobs to transfer, and more.



Run lengths and number of jobs are powerful multipliers. Guesstimating is not the best idea, because the NPV model is dependent upon reliable performance-by-hour figures. A better plan is to use data-driven insight extracted from job records sitting quietly inside the company's information system. Combine this insight with ink usage estimates to create validated figures.

Is work from new customers and products a part of the strategy? Close collaboration between the company's sales and marketing team and its customers can help to mitigate the risk of forecasting future work that can be driven to the press.

Close collaboration between the press vendor, ROI Analyst, and the press owner pays off. Each party brings specialized intel and discipline into the steps to properly calibrate the TCO. The outcome is a trusted and rational view into the proposed press investment.

Open dialogue between the press owner and ROI analyst builds the partnership required to successfully assess the financial rationale for the investment. Working together to analyze the company's operations and assess the financial impact of the future press generates a trusted, in-depth comprehension of needs and requirements.

The press owner and press vendor must have complete faith in the investment. Both have a stake in the outcome. Use the press owner's inputs and assumptions and validate the numbers.

The TCO tool is one part of the ROI process. It quantifies product produced and cost per unit. Chief financial officers and finance people want to see the cash flow. True ROI analysis for the future press employs the TCO tool and links the output (results) into the NPV model to forecast the cash flow for your future press.

ABOUT THE AUTHOR

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