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How to Make A Profit -- A Message to Print Suppliers

By William Gindlesperger, Founder, Chairman and Chief Executive Officer, e-LYNXX Corporation

There is only one reason to produce print whether it is for the private sector or for government markets. That one reason is to make a profit. Although most of us would agree that in making a profit we assume that we are going to offer our customers the service and quality that was agreed to at the time the order was placed, it still remains that the one reason to have done the project in the first place is to make a profit.

There are two ways to make this profit. The first is to produce a product and get paid. The second is to avoid losing money. It is only on the bottom line at the end of a given time period, as your accountant will tell you, that all the pluses and minuses are reflected.

Equipment running at a profit margin of 15% one quarter of the time and 10% two quarters of the time would seem to create a plus in the profit column. Unfortunately, losses in fixed operating costs which are incurred if equipment is idle in the 4th quarter can substantially or totally deplete the profit made when the equipment was running in the first three quarters.

Obviously, if you can slow or stop this loss, you are indeed making money. The optimum situation would be to fill any downtime with highly profitable work. If that were easy, we could end the discussion here.

Let me offer to you an example. When I am asked about profitability by individuals or organizations, I am fond of asking this question. If a print supplier produces 1,000 business cards on standard white stock with standard black ink with nothing particularly special about the business cards, and if that print supplier charges \$100,000 for the project, is that a profitable project for that print supplier? Generally the responses are, "of course", "yes", "absolutely", "sure", "that is a profitable project". Consider then, what happens to this same print supplier if in fact its overhead is \$500,000 per year and the only project that it produces during that year is the \$100,000 business card order. Is that order still profitable even at \$100,000? The answer to this follow-up question is, "no", "it is no longer profitable".

This is what is called contribution. It is a well-known and standard concept utilized by successful print and manufacturing firms throughout the world. Given its acceptance, and the fact that it is simple and it works, it is difficult to understand why some print suppliers still hold on to the belief that they would rather let their equipment sit idle than "not make a profit" on a given project. That means that the equipment sits still rather than bringing in any amount of money to contribute to the coffers. Unfortunately, unless some good fortune befalls such print suppliers, they may be doomed to extinction in today's marketplace.

The time tested and proven way to increase profitability is to fill downtime, not let it sit idle. Profitability is eroded by downtime, whether it exists all the time or arises on a cyclical sporadic basis. Work obtained by the creation of a secondary market for the print supplier is a good way to fill downtime. Secondary market work, such as work from the U. S. Government Printing Office (GPO) or work obtained from a source that allows for bidding high, low or not at all without setting precedent for future pricing expectations, can be used to plug production holes.

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Assume you are already profitable on other work, but you have nothing to do during a particular time frame, except an opportunity to take in an “unprofitable” project during this idle time frame. Your calculated cost for labor, rent, utilities, insurance, taxes, bank notes, etc. is \$10,000 above paper and other out-of-pocket costs. Yet, the project only yields \$1,000 above paper and other out-of-pocket costs. Does that mean that by accepting the project that you will lose \$9,000? No. In this case you will add \$1,000 directly to the profit line as your cost for labor, rent, utilities, insurance, taxes, bank notes, etc. have already been paid, and the \$1,000 has nowhere to go except to contribute to the bottom line. Compare this to simply sitting idle when absolutely nothing contributes to the bottom line.

If equipment is normally sold for \$400 per hour, but in a competitive secondary market can only be sold for \$100 per hour, is that project profitable? The answer again is “yes” provided overhead is already fully absorbed and the lower hourly rate project is being used to fill downtime that would otherwise be idle. Both hourly rates contribute to the bottom line.

The opportunity is that downtime is not limited to a few minutes here and there or even an hour here or there. Downtime is rampant in the print industry and amounts to fully 30% of available production time. With the print industry averaging less than 3% profitability, take a moment and think about just how valuable it is to fill this untapped source for profitability. It is possible to increase 3% profitability to 17% and more and still reduce secondary market pricing by 25%, 50% and even 75% on work that fills schedule holes.

At the GPO alone, large, medium, small and very small print suppliers of every ilk produced more than \$420 million of work for the United States government last year. GPO work has a reputation for being complex to fathom, difficult to produce and very, very competitive. Yet anyone who believes that all of that work was done without profit is simply not in touch with reality. The same applies to other secondary markets that apply to industries including textiles, machined parts, temp services, customized fabrication, etc. Profitability results from optimizing revenues by producing every dollar possible.

It is important to understand that contribution levels vary up and down within the marketplace. Not all secondary market work is created equally. For example, looking at GPO work again, pricing on projects at the GPO regional offices throughout the country is less competitive than those projects bid through the Washington Central Office. Also, higher quality projects are bid higher than lower quality projects.

Because print suppliers in the secondary market need to pick and choose projects to suit their equipment, scheduling and capabilities, they need to gain exposure to as many suitable secondary market opportunities as possible. The idea is to have ready work available that can be bid high, low or not at all to fill immediate production holes so as to eliminate otherwise unused downtime.

Finally, to sell right one has to buy right. Often we hear about how a print project was sold “for less than my paper cost”. This is a fairy tale. Knowing how to buy is as important as knowing how to print a project. This is especially true when paper itself can amount of 50% or more of a project. By buying right the print supplier allows for more room to maneuver its pricing strategy, fill its downtime and build its profitability.

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About the Author

William Gindlesperger is a nationally recognized entrepreneur, inventor, author and consultant in print and procurement. He founded ABC Advisors and its successor, e-LYNXX Corporation, in 1975. Under Mr. Gindlesperger's leadership the firm has grown into the recognized profit enhancement leader. Print buyers and suppliers alike have benefited from his insight and innovation.

Mr. Gindlesperger has directed major in-plant studies in both the private and public sectors and he is highly regarded for his knowledge, advice and work on behalf of firms in matters pertaining to the U. S. Government Printing Office (GPO). He has testified before the U. S. Senate Committee on Rules and Administration regarding government print and procurement policy. He also has worked directly with numerous Congressional and Senatorial members and staff and has advised Congress on the development, operations and future of GPO print procurement and the federal print program in general. He was founder and the first chairman of Printing Industries of America's (PIA) PrintPAC (political action committee), and he has been recognized for his contributions to PIA and services to the printing industry.



Mr. Gindlesperger invented the methodology that optimizes cost reduction in the procurement of specification-defined goods and services. He has been granted two separate business method patents by the U. S. Patent Office, first for the competitive procurement of print and then for the competitive procurement of *all* specification-defined goods and services.

The Chambersburg Chamber of Commerce named Mr. Gindlesperger Volunteer of the Year for his efforts in saving 3000 jobs at the Letterkenny Army Depot.

A native of Chambersburg, Pa., Mr. Gindlesperger is a graduate of Dickinson College.

About e-LYNXX Corporation

e-LYNXX Corporation, the North American procurement authority, is exclusively endorsed by *Printing Industries of America (PIA)* and *Educational and Institutional Cooperative Purchasing (E&I)* and recognized as a top 100 procurement firm by *Supply & Demand Chain Executive*. Founded in 1975, e-LYNXX has three divisions. ● American Print Management provides enterprise print procurement solutions and patented competitive methods to reduce costs for direct mail, marketing materials, packaging and other procured print. Results include enhanced quality and service levels, efficiencies, process control, transparency and procured print cost reduction of 25% to 50%. ● Patented Procurement Method grants patent licenses for supply chain optimization. Results include substantial reduction in existing costs of competitively procured goods and services. ● Government Print Management offers U.S. GPO bid services, access and assistance. Results include filled downtime, operational stability, improved cash flows and increased profitability. www.e-LYNXX.com – 888-876-5432

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