

## Stu's View

By Stuart W. Margolis, CPA MT

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### Owner Objectives: Defining and Implementing "Success"

Contributing Editors: Joe Becker, CPA and Stuart Margolis, CPA, MT

MargolisBecker has long held that defining the owner's objectives is the most important step in planning the company's financial model. It is the owner's objectives – both for the short and the long-term -- that should be the primary consideration in shaping a printing company, driving its business plan and culture, supporting its growth and profitability throughout its life cycle to a planned conclusion.

Most owners we talked to over the years have defined success by noting measures taken to carefully plan for and build their printing business and the profits that went along with it. Today, after almost 2 years of economic recessionary pressure, owners are confused as to what their measure of success is. To add to this challenge, technology and customers' needs continue to change, requiring printers to consider whether investments to meet these changes and challenges are part of their definition of "success".

There's little debate that both the current economic situation and recent technological advancements have changed the printing landscape. Digital services continue to gain widespread acceptance, software enhancements have made tools readily available for our customers to capture leads and reel in sales, and broader use of database management has enhanced their experience with mailings and fulfillment. These and other changes have left traditional printing companies questioning their business modes.

In a recent "Cup O Joe" (\*) teleconference with printers from across the country, it was readily apparent that doing business the same old way is no longer viable in today's world. Again and again, call participants expressed concern, confusion, and even frustration over how to profitably ingest new technologies and services into operations. Everyone agreed there was a need to change – but when to make changes and which services (and technologies) to embrace were both areas of great concern. These concerns have forced most companies to put any long-term planning on hold. The immediate focus is definitely short-term -- survive the "now" and the next 12-24 months. As one call participant pointed out, "It's too difficult to plan 5 years ahead when you have no idea what the printing industry will look like in 5 years."

Even within a short-term period, printers are struggling with how to position their limited resources to get the best return on investment – and it is not just an equipment investment issue. Staffing needs to support new technologies are significant to the decision. Owners are pondering, "Should we invest in a new press (\$2,500,000/\$27,500 a month) to improve our technology? Or do we pursue new ancillary applications that require a young and creative, computer-savvy staff to manage them (\$12,000 a month)?" Buying a press has been a pretty easy decision, at least in the sense that you knew what to expect, how it should perform, what the end product should be, and even what reasonable re-training a staff might need to

operate it profitably. Investing in a new staff whose capabilities you don't know, to develop creative products you can't quite define – much less know how to market -- is a far less comfortable alternative for most printers. Traditional printers know how to buy ink and paper, and take pride in producing a quality product that they know how to price to make a profit. But if you choose to pursue new creative opportunities, how on earth do you price the deliverables or make money on the intangibles?

Often resources are not available to pursue both the tradition growth print model using lithographic print equipment to supply your customer with the service they need, and the newer service models that supply a customer with more marketing resources using recently developed software and delivery components. Trying both options simultaneously or choosing the wrong direction for your business can be costly in terms of lost time and investment.

During the recent “Cup O Joe” teleconference, it was inferred that some owners only had a short term objective - survival. We asked Peter Schaffer, Partner in New Directions Partners and our guest on the recent teleconference, his thoughts on the concept of only focusing on the short-term and letting the longer term sort out itself. "Definitely not," Peter responded. "It's almost like there needs to be a short-term objective, a middle-term and a long-term. At present, the short-term objective for 90% of the printers out there is survival...And if they make it through another day (week, month, quarter), then they will want to focus on the medium term” technological wish list (or service need) of their clients. Long term goals become the transitional goals for growth, achieved by utilizing the skills and market knowledge gained in day to day activity to make major decisions such as acquisitions, the sale of the business, a succession plan to transfer ownership to the employees or the next generation of family members, etc. As Peter points out, in today's economy, “We are adding a whole other level” to our owner objectives, so it is even more critical to carefully think through your plan, and to review and update it frequently to quickly respond to the ever-changing needs of your market.

A strategy to ensure success in whichever business model that is chosen is “Marketing”. Traditionally, printers are manufacturers. Sell it, make it, ship it -- all within the same basic and relatively predictable production parameters. Having to actually “market” ourselves just to stay competitive is uncharted territory, and even more of a challenge for a sales staff ingrained in standard business models. Yet customers are demanding a broader range of services, quickly achieved and specifically tailored to their needs. A secret to successful marketing today is positioning your company as partners to clients, helping them achieve their objectives, reducing their costs and becoming an integral part of their company's success. Management must become more agile, embracing not only the new technologies, but also be open to the new marketing mindset offered by the next generation of owners and workers. Once you are perceived as passé, it takes a significant increase in the amount of "marketing" and sales effort to re-engage your customer.

Defining the owner's objectives is still the most important step in planning the company's financial model. Printers are becoming aware that the concept of the typical printer's definition of success has changed. Between the economy, technology, and customer needs, building a business model of "success" has us going back to the owner's objectives, short term, long term, and now even mid-term, as the consideration in driving the business plan and culture. We recommend you take the time necessary to think everything through.

*(\*) "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](http://www.margolisbecker.com) under the "Events" tab. Questions may be directed to Bonnie Pfaff at 888.577.1717 or [bpfaff@margolisbecker.com](mailto: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](http://www.margolisbecker.com).*