

# PROFITABLE PRINT RELATIONSHIPS

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## The Successful Print Sales Circle

### Video 10: Price Rises

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Hello, and welcome to the next video in the successful print sales circle. This is the second video in the series where we're focusing on how to make our customers more profitable. And I'll always remember one conversation I had with a printing company. It was when I was working as a buyer and they rang me up and they said, "Matthew, it's great news. We've bought a new press, so that means that we can give you even cheaper prices." Now, I hadn't been asking them for cheaper prices. They were actually one of my more competitive suppliers, so I was very happy with the levels that I had, but they automatically assumed that in order to keep my business, they would have to constantly lower their prices. And I do think sometimes in the printing industry, we do focus relentlessly on price reduction at the expense of profit margin.

Now, I know that there is a downward trend in prices and that we have to become more efficient and we have to react to those demands from buyers. But you also have a right to protect your profit margins and increase your profits and there's no reason why you can't do both. I think sometimes one of the problems that we've had is that so many companies work on cost plus, whereby when you reduce your costs, you automatically reduce the amounts of profit you're making because you're working at the same margin. But let's look at the maths of this. I'm going to take some very simple maths examples. Let's say that you make an average of a 10% profit margin on your jobs. So, if you could raise your prices by 1%, that would increase your profit margin by 10%, because that price increase would be pure profit.

And let's suppose that things may be slightly worse. Let's suppose you only make a 5% profit margin that 1% increase would equate to a rise in 20% for your profits. What does that sound like to you? I think that's well worth having. So, today's task is all about creating a system where you can raise your prices and increase your profit margins. If you carry out this process correctly, then you'll actually find that you've probably got more time to build client relationships and get more work out of them as well. You'll certainly have better control over your profit margins and you'll achieve better business results. Now, I'm not suggesting that you should apply this across the board to all your customers. There's a system that works, but it works for the right type of customer, so I'm going to walk you through that now.

And step one is actually to identify the right customers for you, so customers who are on price matrices, or who constantly buy exactly the same thing time after time or by commodity products where prices are easily checked online. Those are probably customers where you're going to want to

think carefully before putting a price increase in. But for your customers who are spot buying different types of work all the time, most of them are never going to notice a 1% increase in your prices. Those are the customers I'd like you to focus on for this task. Step two, apply a 1% price rise. That's all I'm asking you to do just 1%. But make sure that everyone in your team knows about it, so make sure you've briefed your estimates and your salespeople and make sure you've made any appropriate adjustments in your MIS system, so that the 1% increase really is applied. Step three, keep quiet. You don't have to tell the customer this.

Sometimes printing companies are too honest for their own goods and they say, we're going to have to apply price rises. This is a stealth rise. This is a rise, which your customer almost certainly won't notice, so we don't have to tell them about it. Step four, let's just deal with those times when you may get some pushback from a customer. Well, that's fine. Admit, you've had to make some slight price increases. One way is to say there's been some changes in raw material costs, and you've had to put those into the job costs, or you could just be open and go, "I need to increase my profit margin slightly. I have increased the price slightly." But make them aware it's only 1%. It's not going to make a major difference on their bottom line. I think the majority of your customers won't notice that price rise so we can actually move to step five, which is to measure the results.

And what I want you to do here is to look at your quote conversion rate. So, both before you apply the price increase and after you apply the price increase, have a look at how many jobs you're quoting for each of these customers where you're applying the increase and how many jobs you're converting. So, some people will say that they're converting one in 10 jobs. Some people may be converting one in two jobs. Some people have an enviable reputation for being able to convert nearly all of their jobs, but it is important that we just monitor those conversion rates and make sure that they haven't slipped back because you've increased your prices, so just monitor that carefully just to make sure you're not losing any work. I'm pretty certain that that won't be the case because those rises won't be noticed. The other part of reviewing this is to actually keep a tally of the extra profits that you're making from this, because it's good to know how much extra money you're making and it will encourage you to take this exercise maybe a little bit further and see what you're achieving in terms of pure profit from it.

So, let's see if we can take it further. Let's move to step six. Do consider for some of customers, if you've successfully applied that 1% increase, applying another 1% increase. Maybe you could increase their prices by two, 3%. Remember those increases are pure profit. You're doing a big change to your profit margins at this point. So, using the same review systems as I outlined in step five, do think about applying that second rise. And with some customers, we can take it further. So in step seven, I'd like you to consider putting in some really steep price rises. Now, that may sound like a crazy thing to do, but nearly all of us have got some small customers who are more trouble than they're worth.

They spend a lot of time on very low turnover jobs. They push us for very low profit margins, the lowest price possible. And sometimes it's tempting to throw up our hands in the air and go, why are we dealing with these people? Well, if we can put in a steep price rise for them, we'll get one of two results. Firstly, they may go. And given that it's a small client, I wouldn't do this on one of your big clients, given that this is a small client and that there's low turnover, it's no great loss. Or they stay with you and now, you're making a worthwhile profit for the trouble that they're giving you. So, do

think about doing that. You can either apply that just automatically by stealth or you can have a conversation with them first. I think it very much depends on how much you really want to keep that customer as to how much you need to explain to them.

So, now I've taken you through seven steps to increasing profit margins with your current clients and in step eight, as always, I'd like you to share your success. For this task, your goal is to increase prices for just five customers. Pick ones aren't too important, just so that you can carry out this exercise and feel safe with it and see that it works, but increase the prices for five customers. And then just carry out the review to make sure that the quote conversion rate is the same. Once you've done that in the weeks to come, you can carry on and apply this across to more customers, but try it out on a limited basis first, just to get comfortable with it. Most importantly, do measure the amount of extra profit you're making as a result of this. I've included a spreadsheet in the worksheet, which goes through all the steps in full detail, but the spreadsheet allows you to measure the quote conversion rates and the profit, so you can see the benefits you're getting from this exercise.

As always, I wish you success with it. You'll be hearing from me next week on the regular podcast and then we're going to look at sales diaries in the second task for this month. Next month, we're going to look at chargeable extras for customers because again, that's where often our profit margins go wrong because we're not looking enough at what we are doing for free for our customers. And on the exercises I've gone through with people before, they've been quite shocked at the amount of money that they're losing, so I look forward to seeing you in two weeks time on the next video and to carrying on with this program next month.