



ACHIEVING OPERATIONAL EXCELLENCE IN PRINT PRODUCTION

EXECUTIVE WHITE PAPER



Kodak
Solutions for Business
Consulting. Technology. Results.

Introduction

The graphic communications industry is experiencing a watershed. It is being confronted with massive transitions that are still playing out:

- New technology in production; the internet and other new forms of media
- Changing skill requirements, from craftsman to programmer
- Rising costs, shrinking margins, and increased competition

What will emerge in the future is a smaller number of very robust businesses. Looking ahead, what will the successful business models look like? How are printers evolving in the face of the vast technological and economic transformation? What truly makes up operational excellence and optimization?

The Three Transformation Curves

The current situation is the result of a decades-long legacy of underinvestment and struggles to improve productivity at the pace of the overall economy:

- Lean methodology has only been sporadically embraced and has too often been given little more than lip service
- Technology investments often fail to meet expectations—“plug and play” doesn’t, or the technology is not fully understood and is underutilized
- Skill requirements have dramatically changed and many are behind the curve
- Strategic views of the print enterprise are often overlooked, and when such a view exists, often the execution roadmap or implementation falls short

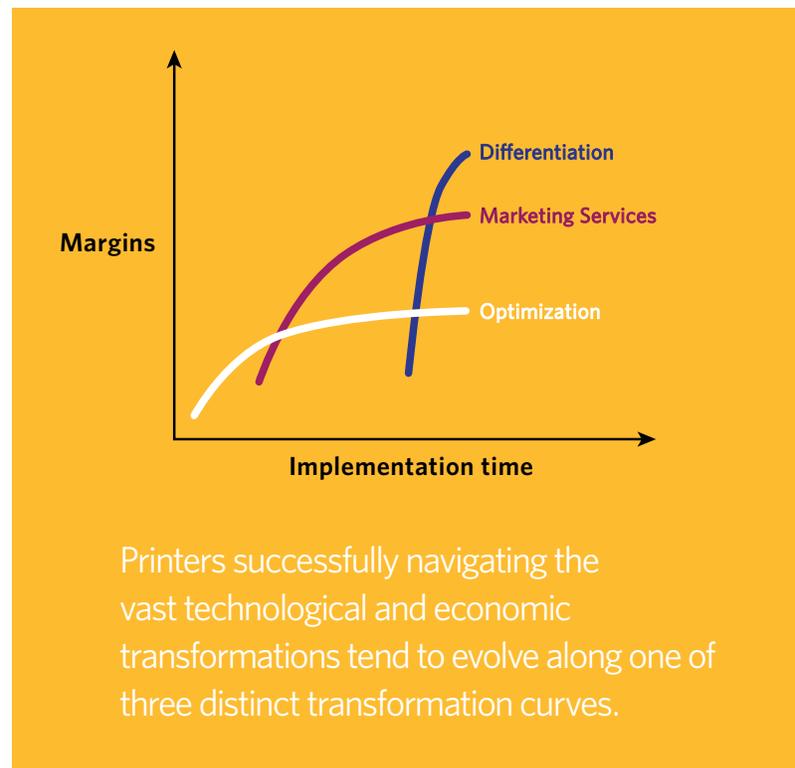
Ronnie Davis, Ph.D., Vice President and Chief Economist of the Printing Industries of America, notes that as the historic restructuring of the printing industry continues to unfold, print service providers are diverging into profit leaders and profit challengers. Profit leaders achieve sustained profit margins between eight and ten percent or higher. Profit challengers hover on the brink of disaster, with profit margins well below two percent and trending into negative profitability when faced with local challenges or a downturn in the business cycle¹. Three predominant business models can be seen emerging amongst profit leaders: optimization, marketing services, and differentiation.

Optimization Model

The first model is to strive for on-going operational excellence and continuous improvement. This is also a precondition of success for all three models. Printers that follow this model drive improvement around cost, cycle time, and waste reduction, among other things. In the early stages of these programs, businesses often see substantial margin improvement as low hanging fruit is harvested. Over time and with proper techniques and leadership, companies adopt a continuous improvement approach and mindset to continue capturing opportunities for improving profitability.

Marketing Services Model

The second model, one that has been the subject of much discussion in the industry, is the marketing services model. In a time where customers are shifting their mix of media spending with less being allocated to print, the ability to provide a wider range of marketing services enables print service providers to offer one-stop service for the execution of a customer’s marketing campaigns. Not only does this approach help attract and retain customers by increasing their return on marketing investment, the higher degree of value also can command higher margins. Keep in mind that a healthy degree of optimization needs to be implemented in order for these margins to be fully realized.



Differentiation Model

The third model is differentiation. Here, a print service provider differentiates themselves by customizing offerings to the requirements of a particular vertical market, or a particular set of customers. The ability to cater to the needs of these particular markets results in incremental value to the client, and therefore enhanced margin opportunity. For example, some printers have created a niche in unique photo books for the high end real estate market; others have eased creative, production and fulfillment bottlenecks for the seasonal campaigns of large retailers.

Realizing True Operational Excellence

Irrespective of the business model, realizing the promise of enhanced margins requires operational excellence. In the printing industry, this typically focuses on driving cost efficiencies in prepress through workflow enhancements, reducing labor hours per plate, shortening makeready times and improving quality control to eliminate spoilage. While these are logical first steps, true operational excellence is much broader in scope and includes an examination of associated inputs, outputs, touch points and management tools to optimize the business as a whole. This requires a sustained focus on both production workflow efficiencies and business optimization.

Optimizing Print Production

In his report, *Renewing the Printing Industry: Strategies and Action Items for Success*, Dr. Joseph Webb states:

“Now, it’s not just presses; it’s software, it’s communications, it’s digital printing—none of which are simple. Most of all, the recommendation to keep up with new equipment ignored the fact that print fits what economists call a ‘pure competition market’ very well. One of the characteristics of a pure competition market is that the same production technologies are available to everyone... It’s what you do with the equipment that matters, especially how it is managed, and how it is a springboard to do profitable things².”

Achieving Business Optimization

Print service providers that have achieved operational excellence demonstrate characteristics beyond the usual focus on print production efficiency.

• Developing Superior Leadership and Management Skills

Transformational leaders are able to identify the need for major organizational change, and then get people involved in making the change happen.

• Implementing Lean Manufacturing

Lean thinking is now increasingly being applied to all areas within the organization, from sales and marketing to prepress and production through to delivery, finance and post-sales customer service.

• Becoming a Learning Organization

Organizations need to maintain knowledge about new products and processes, understand what is happening in the outside environment and produce creative solutions using the knowledge and skills of the whole organization.

• Leveraging Human Capital Investment

Capital investment does not always mean equipment. Says Dr. Joe Webb:

“Great equipment in a disorganized company with untrained personnel cannot create value. Marginal equipment with skilled workers and high-priced jobs can create value³.”

CLIMBING THE OPERATIONAL EXCELLENCE CURVE

Questions to ask:

Order to cash cycle:

Is it too lengthy?

Auditability and visibility:

Are profits being lost? Where?

Hardware and software:

Is it being used correctly? To maximum capability?

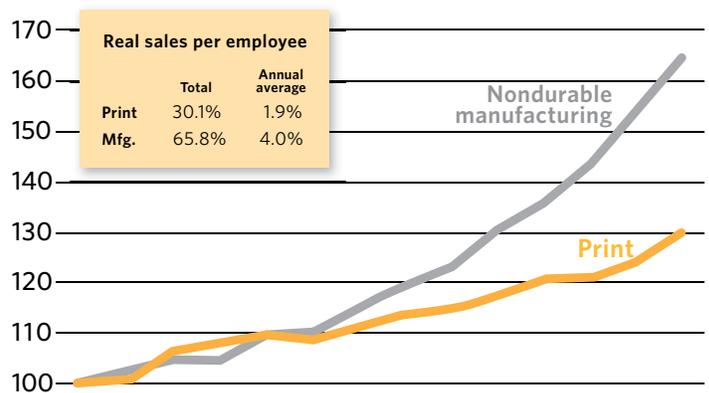
Are staff trained to do so?

Investment strategy:

Are processes and people as important as technology?

Recognizing Room for Improvement

Many companies understand that there are areas for improvement, but face challenges in realizing them. Overall, the print industry has lagged behind other industries in its ability to improve productivity.

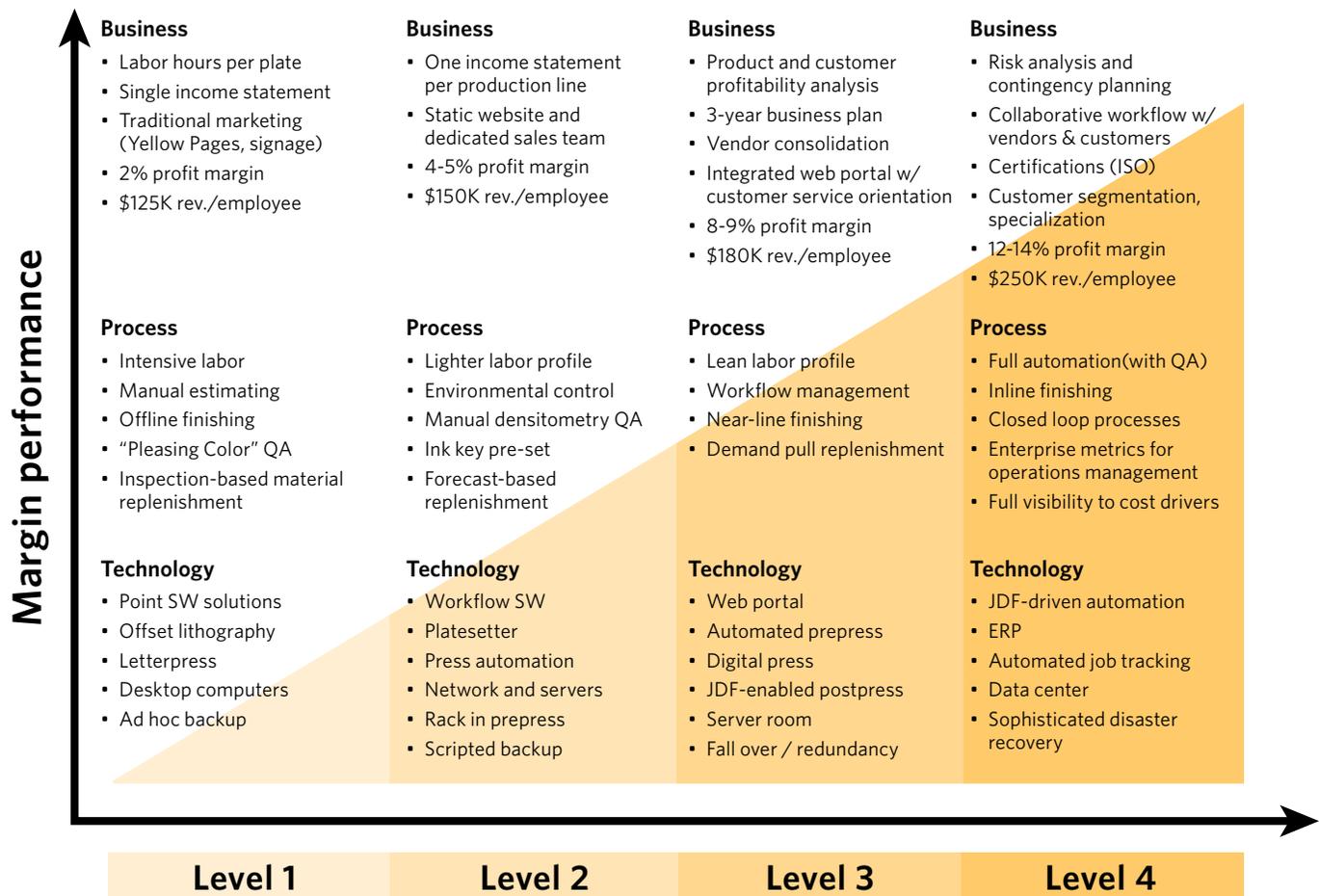


Productivity improvement in the print industry has lagged other industries by 50%.

History has shown that initial margin improvements of 5-10% and more are achievable depending upon the current state of the operation. Hundreds of labor hours per month can be redeployed to more productive activity once waste and inefficiencies are addressed.

Positioning on the Optimization Maturity Model

Printers tend to fall into one of four stages of optimization. Where a print service provider sees themselves positioned—and where they actually are positioned on this model—determine the next steps for action and the long term path forward.



The optimization maturity model is a useful barometer of where a printer is and what they need to consider.

Summary

In order to succeed in an increasingly complex industry, investments in capabilities across the enterprise are mandatory. The organizations that excel with their operational excellence initiatives are ones that take a holistic view of their business and a strategic approach to optimization. They seek to optimize not only software and equipment, but processes, financial management, human capital development, and management tools and techniques. They realize that it's not the equipment that makes a business successful, it is how it is used, how it fits into an overall plan, and how it is managed.

References

- Davis, R. *How printers are adjusting to the realities of the 21st century*. Printing Industries of America
- Webb, J. (2008). Economic outlook webinar. WhatTheyThink.com Economics and Research Center
- Webb, J. (2008). *Renewing the printing industry: Strategies and action items for success*. Strategies for Management, Inc. and WhatTheyThink.com

For more information about solutions from Kodak:

Visit www.kodak.com/go/marketmover

Produced using **Kodak** Technology.

Eastman Kodak Company
343 State Street
Rochester, NY 14650 USA

©Kodak, 2010. Kodak is a trademark of Eastman Kodak Company.

U.UWS.121.0910.en.01 (K-814)

Kodak

It's time for you **AND** Kodak