

Dr. Joe: Would You Tell Your Son to Choose the Printing Industry as a Career?

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That was the thrust of a simpler but direct question at a recent presentation I delivered. The answer to this simple and direct question is “yes,” although there is great temptation to say “no.” My son is fifteen, and he'll do what he wants based on his interests in college and his desire to find something he loves to do. But if he asked for my advice about our industry, this is what I would say:

There is not a single perfect industry. All industries have problems. All industries have opportunities. All industries have their slow times. Nor are there any perfect companies. Some companies are just survivors, others seem to change the world and then expire. There are no perfect co-workers, either. Regardless of where you land, problems and opportunities ebb and flow over periods that are measured in years, not days or weeks. And we create both our own problems and opportunities.

The printing industry is undergoing massive change, with established companies still trying to play by the rules they knew in the “good old days” as they attempt to hold onto what they have. Change is difficult, and change is created by people who see needs where others don't. More often than not, those “change agents” are able to profit from driving innovative approaches and they get things done that others don't even comprehend are possible.

You may have heard that the printing industry resists change. Don't believe it. We've gone from a strictly manual craft business to an implementer of high technology in the last 30 years, and the changes are astounding.

When I see what you do with computers and the projects you work on, I can't help but think you'd be great in our industry. As we move into the future, we need highly skilled people who are visionaries and can cope with, create, and lead change, and don't take “can't” for an answer. Coming into the industry with fresh vision, you will spend a few years learning and then get restless, like all employees should, and personally facilitate and accelerate change.

Look beyond the headlines that lead some to think of our industry as a dead, declining business, devoid of dynamism. It's not. This year, the printing industry will be bigger than many manufacturing businesses that are much better known, like auto manufacturing, dairy products, semiconductors, household appliances, and many others. This is the industry that went from moveable type to hot type to phototypesetting to desktop publishing to XML. It is the industry that went from letterpress to offset to digital to e-documents. It is the industry that migrated distribution from horses to trains to trucks to networks. And this is the industry that will ultimately take advantage of numerous opportunities to use the latest technologies in ways that would have been unimaginable just a couple of years ago. Sounds pretty exciting to me! This industry is being reborn—again. And thirty years from now, things will have changed so much that we may not call it the printing industry anymore, but you'll probably be giving this same pep talk to someone else who thinks things are collapsing when they are simply changing in new and challenging ways.

Now, son, go finish your homework.

The Cost of Regulatory Compliance

Why aren't printers more profitable? There are many reasons, but a key reason is that printers are small businesses, and small businesses have high costs of regulatory compliance. A recent press release from the Small Business Administration states:

"America's smallest firms bear the largest per-employee burden of federal regulatory compliance costs, according to a study released today by the Office of Advocacy of the U.S. Small Business Administration. Firms with fewer than 20 employees annually spend \$7,647 per employee to comply with federal regulations, compared with the \$5,282 spent by firms with more than 500 employees... The report measures disproportionate regulatory compliance impact on small business. The study finds that small business faces a 45 percent greater burden than their larger business counterparts."

Though it is rarely discussed, this is one of the forces behind printer consolidation. As environmental laws have grown in volume and complexity, for example, a compliance manager who serves several plants rather than just one is an obvious example of the advantage a larger print business would have. Individual plants have to adhere to the same regulations as multiple plants do, and therefore have to assume greater overhead costs in those individual plants. As a result compliance has become a bane for small business and a boon for consultants in various fields, such as financial, human resources, and legal.

Think about it: a 10-employee printer does about \$1,200,000 in sales. Using the SBA average, that means that \$76,470 is spent on compliance with various regulations. That's 6% of sales! Why would anyone want to start a manufacturing business under these regulatory conditions? Page 55 of the report shows that \$21,919 is the cost of regulation per employee for small manufacturing, the economic sector for our industry. If we used this for the printer calculation, since printers are manufacturers, it's not 6% of sales, it's 18%! All these regulations are well intended when they start, but their slow, incremental and cumulative effect is enormous, only felt years later. Health care and benefits regulations are prime examples. In the end, they create a barriers to entry for new firms, and those dollars, as the economists say, easily go elsewhere in our highly connected world, to other sectors, and even to emerging offshore economies where it would never have been possible before. Should we be surprised? We've made our own bed, as they say...