

'Data, Data, and More Data': The Smart Strategy for Investing in Capital Equipment

The analytical discussions helping vendors and customers determine what acquisitions will deliver the strongest ROI.



By Patrick Henry,
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“People do not just pick up the phone and say, ‘We want to buy a printing press,’” observes Eric Frank, whose job is selling printing presses. As senior VP of marketing and product management for Koenig & Bauer, he knows that investment in capital equipment is a process, not an impulse — and the process is one that both the vendor and the customer have to carry out in the same deliberate, analytical way.

This understanding applies to investment in digital as well as conventional printing equipment, and it arises from long-standing relationships. “We stay very close to our existing customers,” notes Ed Jansen, VP of marketing for Canon Solutions America. “We know their businesses intimately.” Effort put into forging the

same bonds with prospective customers “turns itself into a discussion about equipment,” Jansen says.

“The No. 1 thing in a successful relationship is to assess what a client is trying to accomplish in their business,” concurs Jeffrey Zellmer, VP of global sales for Eastman Kodak. “That’s a people process. We will take as much time as is necessary to understand our clients’ needs.”

By working together, buyers and sellers of printing equipment find the best ways to evaluate what should be purchased or leased, and build the right strategy for getting the maximum return on the investment (ROI). Haphazard planning has no place in this kind of consultative selling, say the vendors, who emphasize that they’d rather pass up a sale than base one upon



New London Communications of Alpharetta, Ga., installed the world's first HP Indigo 15K digital press, a B2-format device.
Courtesy of HP/New London Communications.

"Is this adding value, or is it adding cost?" Penge elaborates. "If it's only adding cost, it's doing no one any good." For example, fully automated plate changing on a press that will be used exclusively for very long runs adds less value than it would if installed on a press built for short runs and numerous job changeovers.

This illustrates the thinking behind the approach the vendors take toward helping customers parse and clarify their technology needs. Chris Manley is the owner and president of Graphco, part of a network of equipment dealers that distribute RMGT offset presses in North America. He calls needs assessment "the crux of the matter," and the key to deciding how the prospective buyer should or should not proceed.

"We do a cost analysis on practically everything we've offered our customers," Manley says. This is carried out with the aid of a questionnaire that probes the customer's costs related to staffing, waste, reruns, maintenance, machine downtime, and other factors. The answers provide the data on which Graphco's recommendation will be based.

The next step, says Manley, is a "go/no-go discussion" in which the central question about the equipment recommended for purchase is, "Will there be an adequate savings provided to recoup the costs that will be incurred?"

Q&A Is the Way

Interrogating need is a baseline sales procedure for all of the OEMs. "We ask a lot of questions of both customers and prospects: where they are today, where they may want to go with technology, or if it's a new product that one of their customers has approached them with," says Mark Milbourn, executive VP, Komori America Corp. "We ask the right questions to make sure that we marry up not only the press, but the accessories to the press."

Customers' answers supply clues to "minimizing their pain points," Milbourn says. This could be accomplished, for example, by replacing multiple straight presses running 4/4



with a single long perfecter that can do all of the printing in one pass. Adding LED-UV curing to dry both sides eases another pain point by eliminating wet-ink marking on transfer cylinders after the sheet flips.

HP starts the conversation about what's needed by examining "buckets" of potential opportunity in the customer's business, according to Brandon Betts, team lead for financial consulting in HP's printing and industrial market segments.

"Justification for a piece of equipment is going to come from one of three different places," says Betts. These include conventional production that can be migrated to digital; existing digital assets that can be upgraded; and outsourced work that can be brought in-house by adding digital capability. Understanding what the buckets contain lets HP identify the data points it must gather in order to make recommendations specific to the customer's business.

"We'll churn the data, and working with our solutions architects — who are the applications specialists — we'll generate that analysis and provide it to the customer as, here's what it would look like if we were to put this work onto a new HP production press," Betts says. He adds that it's also common for customers to ask HP to match presses from its portfolio to the types of work they most often run.

Crunch Time, all the Time

Once need is established, the vendors ►

Advertisers Printing Company of St. Louis, Mo., invested in a 10-color, LED-equipped RMGT 920 sheetfed press it acquired through equipment dealer Graphco. From left, Chris Manley, president, Graphco; Bill Fechner, CEO, Advertisers Printing; Alex Fechner, director of business development, Advertisers Printing; and Derek Gordon, Midwest regional manager, Graphco.

Courtesy of Graphco/Advertisers Printing Company.

faulty assumptions that could come back to haunt the customer.

Goodbye to 'Gut Feelings'

There was a time when capital equipment investment was more about "gut feelings" on the buyer's part than the disciplined methods used today, says Clarence Penge, VP of sheetfed product management for Heidelberg. Now, vendors and customers rely on "data, data, and more data" to answer what he says is the key question about configuring a press for purchase.



Canon Solutions America recently opened a new Customer Innovation Center in Boca Raton, Fla., for equipment demonstrations.
Courtesy of Canon Solutions America.

employ a variety of analytical tools to refine and validate the equipment recommendations they have made.

Manley says Graphco calculates comparative budgeted hourly rates — a menu of the costs associated with producing work on a given piece of machinery — for both the existing equipment and the new RMGT press Graphco thinks the customer should replace it with. In some cases, Manley indicates, it's possible to show that even at 50% utilization, the new press would achieve ROI based on its reduced cost of manufacturing versus that of the old equipment.

This is similar to how Zellmer describes Kodak's approach to doing deep-level assessments of customer needs. "It would include an ROI on minimal, medium, and high levels of usage of capital equipment," he says. "Our goal would be to sit down with the potential partner and explore those different scenarios. If the equipment is only used minimally, what's your ROI? If you're able to grow the business, what does that look like? When their business succeeds, we succeed."

Jansen says Canon Solutions America can perform a total cost analysis that compares the cost of existing print equipment with the cost of new equipment — not just for the initial acquisition, but over the long term of the investment. HP, according to Betts, has a "pretty extensive tool set" that includes calculators of crossover points, ROI, and TCO (total cost of ownership) for HP presses in various market segments and applications. These findings, he says, are presented

"in a simple Excel spreadsheet that customers then can take and build into their business plans."

Some Heidelberg customers obtain this kind of data from Heidelberg Assistant, a digital interface that monitors the output of their equipment, and lets them compare it with data from other presses in the vendor's cloud-based network. Penge says Heidelberg's performance team advisors can also base recommendations on data drawn from customers' MIS and ERP systems if they don't use Heidelberg Assistant.

Can't Be Rushed

In Koenig & Bauer's effort to apply the right analytical tools to its customers' needs, says Frank, "we do audits of their organizations. We bring in application specialists to see what they're producing, and how. We have analytical specialists who look at their OEE (overall equipment effectiveness) numbers, as well as their KPIs (key performance indicators). We look at how they're producing things from the front door, to the time the product goes out the back door in a holistic manner, to see if we can enhance it."

Selling capital equipment along these consultative lines "is a process that doesn't happen quickly," notes Frank. He says that although some sales happen more quickly than others,

Kenmore Envelope Company of Richmond, Va., installed a six-color, LED-UV Koenig & Bauer Rapida 106 press in 2020. Seen with it are Kristin Ogo, COO, and Scott Evans, president and CEO.

Courtesy of Koenig & Bauer/Kenmore Envelope Co.

there could be a span of six to 18 months between the customer's initial decision to acquire a press and the time the equipment is on the floor of the pressroom.

Part of that cycle consists of locating the capital to fund the investment, another task in which vendors can assist their customers. Most of the OEMs have relationships with printer-friendly banks and other lenders to which they can refer customers in search of cash.

HP, for example, works with HPE Financial Services, part of its sister company Hewlett Packard Enterprises. Rolando Martinez, worldwide products and solutions manager for HP, says the division is well attuned to the needs of the graphics industry, and can structure leases to protect lessees against equipment obsolescence. Financing for postpress and other equipment from HP partners is available from HPE Financial Services as well.

Other vendors lend and lease directly through financial services divisions within their organizations. In most cases, funding for capital equipment remains readily available to qualified borrowers at low interest rates, enabling the vendors to be creative in their financing arrangements.

Manley says that last year, Graphco wanted to build on the momentum of money being channeled to printers through the federal government's Paycheck Protection Program (PPP) and forgivable lending by the Small Business Administration (SBA). Its solution was "Ready to Rebound," a program run in conjunction with deferrals of





During COVID-19, HP live-streamed equipment demonstrations and other programming from its Graphics Experience Center in Alpharetta, Ga.
Courtesy of HP.

initial payments offered to Graphco customers by the dealer's network of lenders. Manley says Graphco added rebates that enabled the borrowers to hold off making their first payments until January of 2021.

Take a 'Subscription'

Heidelberg gives its customers the option of acquiring equipment by subscription in lieu of purchase, a method in which a monthly fee based on a cost-per-sheet calculation replaces a traditional price tag. The fee covers not only the use of the press, but also consumable supplies, software, parts, training, and support.

Under this pay-per-use model, printers don't own the equipment. As a result, they can't take advantage of write-downs for depreciation — a tax-reducing practice most printers and their accountants have come to rely on.

"Many customers would still like to own [the press], and write it down and depreciate it," Penge acknowledges. In response, Heidelberg tweaked the subscription model to include "Subscription Smart," which lets the customer buy the press in the usual

way while sourcing everything else on the pay-per-use plan.

Every vendor has a repertoire of sales and marketing techniques for persuading its customers to invest in needed new technology — it is the business these companies are in, after all. But they're unanimous that

Old York Road Printing of Warminster, Pa., recently acquired a Heidelberg Speedmaster XL 106-7+L sheetfed press by subscription rather than by sale in an alternative program created by Heidelberg. From left, Tom Chwieroth, plant manager; John Foody, general manager; Mario Sanchez, floor manager; Bud Brodhag, press operator; Bob Horan, lead press operator.

Courtesy of Heidelberg/Old York Road Printing.



there are circumstances in which they'd readily advise printers against acquiring equipment, even if it meant sacrificing an order.

The last thing a press manufacturer wants to do is sell a customer something "that potentially could put them out of business," asserts Milbourn. He says that if the seller detects "red flags" against investment on the purchaser's part — for example, weak management, shaky finances, or lack of an ownership succession plan — the effort probably should stop there. In such cases, he says, "I think it's the right thing to walk, at some point."

It's a vendor's responsibility to steer customers away from acquiring anything that might be "beyond their means at the moment," Frank concurs. Instead of over-leveraging, he says, the customer should be counseled to start at a lower investment position and grow into the opportunity from there.

Refining the investment decision with this kind of guidance helps customers spend wisely, according to Frank. "It's like a chess game," he says. "We try to keep them three moves ahead."

"If something doesn't fit, we either have a different option, or we tell our clients that we recommend that maybe they stay put until there is something that might fit their needs," says Zellmer. He notes that it makes no sense for a vendor to risk an entire business relationship for the sake of ▶

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selling a single product. “It’s important to us that we don’t make recommendations that would jeopardize us from doing business with any print shop,” he declares.

Since 2019, Slate Group of Lubbock, Texas has operated a five-color Komori Lithrone G40 sheetfed press with coater (GL540C) and Komori’s LED UV curing system.
Courtesy of Komori/Slate Group.



‘No’ for No Good Reason

But it’s just as important to help customers move past self-created obstacles that keep them from proceeding with the investments they genuinely need to make — investments that could take their businesses to the next level of prosperity.

The objective, as expressed by Tim Steff, commercial category manager, HP Indigo and HP Page-Wide Web Press, is to get customers “out of the commodity, red-ocean death zone, and into more of a value printing process” with solutions they know to be economically viable for their businesses.

However, many different factors can dampen their willingness to try them. “Risk is the No. 1 apprehension,” observes Milbourn, adding that most print company owners “shiver” at the thought of committing large sums of money to capital equipment acquisition until they’ve fully perceived the ROI.

“Concern about the long-term

viability of their customers” also holds prospective purchasers back, according to Manley. Or it might be, as Frank points out, that the torch is being passed to a new generation of ownership whom the present owner doesn’t think ready to take on a major investment of this type.

External events also create drag. Zellmer notes that during the long siege of COVID-19, “many financial decisions were delayed, and justifiably so,” although he sees optimism and motivation returning.

And, when new processes like digital production inkjet enter the picture, there’s another kind of hesitancy to overcome. “Moving from a different technology to inkjet, there are a lot of hurdles,” Jansen acknowledges. With inkjet, “the world changed, and [printing] became

more of a manufacturing process.” That means helping customers find their places in an unfamiliar new production environment.

“Let them understand how we get them there,” Jansen says. “Really teaching them how to fish is critical.”

Assets, Assuredly

When customers remember that good fishing starts with good tackle, everyone wins. “A company is most valuable when it has assets that can produce,” says Frank. “Printers are still investing in capital equipment.” A sign of their seriousness, he notes, is that the sales process is now more “laborious,” with vendor-customer interactions having become a “lot less emotional, and a lot more analytical” in character than they used to be.

The industry’s profit leaders, says Milbourn, “are constantly investing in the most efficient solutions.” Their experience has taught them that “it’s probably more of a risk not to invest than to remain inefficient.”

That squares with Penge’s estimation of how printers should be thinking about capital investment. “The future is happening now,” he says. “The longer you wait, the bigger the change it will take to be competitive.” ■

Patrick Henry has covered the graphic communications industry since 1984 and is the recipient of multiple awards for industry education and service.

A Canon ProStream 1000 continuous-feed inkjet press in operation at SG360°, Wheeling, Ill.
Courtesy of Canon Solutions America/SG360°.

