

# So You Want to Start a Wide-Format Printing Business?

Part I of a two-part series.

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After 26 years in this industry, I think I’ve heard just about everything, but I still smile when a potential business owner tells me what they feel are the most important parts of starting a new business. Inevitably, they offer the same great answers: capital, company name, customer base and equipment. But the real answer is, “What do you want to do?”

Don’t laugh. That question is absolutely critical. The fact that you work for a company that does something you’re good at doesn’t mean you’ll want to do it for the rest of your life. Most jobs look

great from a distance, but when you get closer they make you want to run in the other direction.

So, before we go any further, answer this question: “What do you want to be doing in 10 years?” If the answer involves owning a business, then keep reading. Oh, and just because the topic is starting a “new” business, current business owners should still read this article. It’s never too late to make improvements.

## **THE BUSINESS PLAN**

A business without a plan is a plan to be without business. If you don’t create a plan



and stick to it, you're asking to get side-tracked and will soon run out of money. I see it all the time; so many companies come to me and ask for help because somewhere down the road they lost focus.

This plan should have an ROI (return on investment) model. Create a spreadsheet and a letter explaining the new business plan. Include actual numbers on a timeline that show how, in time, the business will start to make money. The plan should review the basics like payroll, rent, overhead (electric, heat, etc.), marketing, capitol (equipment), future expansion, expected material costs, vehicles, and anything else needed to make the business successful.

Here's an example of the basic financial costs for a one-person company being run at home:

Expense	Monthly	Yearly
Pay	\$3,250	\$39,000
Phone	\$ 50	\$ 600
Internet	\$ 100	\$ 1,200
Heat/Light etc.	\$ 150	\$ 1,800
Fuel for Auto	\$ 216	\$ 2,600
Cell Phone	\$ 75	\$ 900
Total Overhead	\$3,841	\$46,092

This is the expected overhead for a shop being run out of the home. This plan only budgets for one employee – *you*. Additional funds will need to be budgeted for equipment and extra personnel. An entry-level solvent printer, cutter and laminator will total about \$30,000, and can be purchased on a three-year lease with a \$1 buyout. Add another \$15,000 for a computer, scanner, laser printer, table saw, tools, and software such as Adobe Photoshop and Microsoft Office.

The largest and most important expense for a business is people. A full-time, \$12 per hour employee earns \$24,960 per year. But

add in FICA, medical, vacation time, sick time, etc., and this \$12 person balloons into \$30,000 per year – before overtime. That's \$576 per week! But for now it's just you!

Factoring in equipment costs, the budget now looks like this:

Total Overhead	\$3,841	\$46,092
\$40k Equipment Lease	\$1,425	\$17,100
Grand Total	\$5,266	\$63,192

I know what you're thinking: Wow, how many dollars in sales will that be, and how the hell am I going to sell that much stuff each and every month? Those are great questions. Don't panic.

How much business *does* a shop have to sell to cover expenses? Expect material costs to be about 50 percent in the beginning, and drop to about 25 percent over time. The reason is because, early on, jobs are usually one-offs and can't be ganged together to save material or time.

Assuming you have room in your home to start this business, the break-even monthly sales number for the above model is \$10,532 (\$5,266 overhead, \$5,266 materials).

In order to calculate the amount of sales income necessary to cover the shop's monthly expenses, first determine the shop's average sale. To determine this, once the shop has actual numbers in place, divide the monthly sales dollar amount by the number of invoices. For the start-up, let's be safe and estimate the average sale will be \$300.

Since initial material costs will be 50 percent, gross profit

on a \$300 sale is \$150. (There's a reason they call it *gross* profit.) Meeting that \$10,532 monthly sales goal at an average of \$300 per sale will require 35 sales per month – 1.7 sales per day. The good news is that one \$4,200 vehicle wrap accounts for 14 sales. On the other hand, some days the only sale may be a \$49 banner. Got the figures straight? Then let's figure out how to make that money!

## ESTABLISH A SALES STRATEGY

Most first-time salespeople are out of a job within a year. It's easy to get initial business from friends and family, but after time, that well runs dry. That's when the situation calls for *true* selling techniques. Only the strong survive. Here are some ideas for building sales strength.

- *Advertise in local newspaper, magazine*



## Starting a Business — Initial Steps

and radio. This is a great long-term strategy, but it's expensive and takes time, so it's impractical for getting sales off the ground.

- *Take out an ad in the Yellow Pages.* This is necessary, but the *Yellow Pages* only comes out once a year. Missing the cut-off means missing out on advertising until the next book.

- *Buy on the Internet.* Online directories, such as Superpages.com, Yellowpages.com and Yellowbook.com, allow easy entry and exit. "Pay Per Click" sites like Google and Yahoo can be expensive, and an outstanding



Web site is a must.

- *Start a direct mail campaign.* This option requires the purchase of names, creation of a mail piece, and postage. Expect to pay around \$1 per mailer. Success usually takes multiple mailings.

- *Cold call.* These are the two most hated words in sales. No one likes to cold call, but guess what? *Everyone* needs to do it.

Cold calls are the lowest-cost means to sales, and the fastest way to success. How many calls does it take to get 35 sales per month? The average ROI today for cold calls is 5 percent — calling 100 companies should net five sales. This equates to 35 calls per day for our shop to break even.

Of course, this assumes the sales person is using a good script, is good on the phone, and knows how to get past the gatekeeper

or voicemail. Speaking of voicemail, *always* leave a message. Each and every message is a touch.

Sales are all about timing. A sales person may call the same person every week for months and get nothing, then on a routine call find out that they gave someone else an order the day before. This sort of rejection is hard to deal with. Keep in mind that most companies have a vendor they do business with, and some have a special relationship with their vendors.

Luckily for us, many companies today purchase from anyone with the right product, delivery and price. Loyalty is no longer a major factor. This is good and bad. It's easier for a new company to get in the door, but the door swings both ways, and that client can easily be lost the same way.

Sales is a very difficult game. It requires consistency and a plan every day. One problem with an understaffed shop is that one person can only make sales calls, or make or deliver graphics. One of the biggest business traps is being "too busy" to make sales calls and thinking the business is a success. Don't be a fool! *Always* make the calls, and when there's no longer time to do it, hire another person.

### TAKE IT TO THE BANK

Once a solid business plan and sales strategy have been established, it's time to talk about money. No matter how much money a business starts with, it goes away faster than planned, and much faster than it comes in! Money's hard to make, but even harder to keep. So where should this fledgling shop turn to for instant cash flow? (Don't read the heading, it'll ruin the surprise.)

In all cases, money from family has the lowest cost to borrow but the highest to

pay back. Family never lets you forget what you owe, or who helped you get it. So I recommend the bank.

Any bank will lend money to just about anyone, provided they have: a credit rating above 700, a solid business plan, and collateral. To borrow money, the new business owner must have something worth more than the money they're borrowing — in most cases their home.

Banks typically charge about 8-10 percent for a business loan, not to be extended more than five years. Speaking of which, more than 75 percent of all 50/50 business partnerships fail within the first five years. Banks already know this, and are much less likely to give a five-year note to a business with a partnership.

Remember, no bank wants a house or a car; they want their money back with interest. Banks never make it personal, but it's their responsibility to the people who deposit money with them to be wise in their investments.

### THE NAME GAME

Naming a company (and Web site) is crucial to its success. Don't name a business based on the street or town it's in, or give it a name that won't sell down the road. Every business owner's goal should be to build the business to a point where they can eventually sell it and move on with the money.

Next, find a Web domain and Web site name. In this day and age, it can be tricky to come up with a Web name that hasn't already been taken. In my opinion all companies should use the ".com" domain. I believe that using any other domain designation (such as ".net") will hurt sales. Go to the Web and search for a .com name that works for the new company. I like to use [www.godaddy.com](http://www.godaddy.com).

The buying public establishes a perception in their mind as to what a business can

provide them before they even walk in the door. That perception often starts when they read the business name. So what is a good name?

I like powerful names. If I were located in Arizona, I'd call my company Rattlesnake Graphics; if in Colorado, Rock Solid Graphics; and in Florida, Sunshine Graphics. In all cases, check the Web for a .com name before committing. Set an e-mail address up at the same time.

Once the Web name has been purchased, the site has to be built. If none of your employees are capable of building a decent Web site, hire a company to do it.

A Web site must be functional, professional and accurate – an electronic brochure for the company. It should focus on what the site visitor/potential client will get from the business, and, to accomplish that, the design and text should be exciting. Explain the benefits of doing business with the company, rather than just features.

## REGISTER THE BUSINESS

Once everything else is in place and a name has been chosen, it's time to discuss how to report income from the company. There are several business models to consider, including a DBA (doing business as), an LLC (limited liability corporation), or incorporation.

Many people claim incorporating protects the owner's home and assets. It's been said that the head of a corporation can sign all

the documents as an officer of the corporation, and if something happens they're off the hook for the financial responsibility. *Wrong!* Sorry, but no smart company these days will do business without a personal guarantee.

My advice is to save the money that would go toward legal fees, state filing fees, etc., go to town hall and apply for a DBA. Your DBA could be "John Smith dba Super Great Graphics". The last one I set up (in November, 2007) cost \$50 for four years. The new company will be set up at the bank as John Smith dba Super Great Graphics, and company earnings will be reported on tax returns as personal income.

The owner will still be entitled to all the business write-offs of a corporation, without the state fees and other expenses. As the business grows, there will come a point when it will be wise to incorporate for reasons of personal protection from employees and other business surprises. That's when it's time to seek advice from a good business lawyer.

## LOOSE ENDS

These are the initial steps necessary to start a new business. Of course, this information is only the tip of the iceberg. There will be multiple steps between and beyond what I've laid out here. This article should be enough to get a business on its feet. Once there, and while waiting for Part II, consider a few of the following secondary items:

The company logo is very important. It must have strength, be clean, and easy to read from a distance. It should work in both 4-color process and spot color/black & white. A logo must also have contrast. Avoid colors that blend with each other. Make sure the logo makes sense for the business. Once again, if necessary, hire a professional.

Business cards are another important piece of the puzzle, and often not recognized as the most important marketing piece in a company. Print on both sides of the card. List the company name, address, Web site, and your name, e-mail and phone number on one side. On the back, list key reasons that people should do business with the company. Also incorporate a tag line to match the logo and business objective. Keep the message to eight words or less.

In Part II, we'll discuss evaluating the competition, developing an effective marketing plan, choosing the right equipment and finding a bigger location.

Good luck, and be smart with your money. I'll see you on the show floor!



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