

1 of 1 DOCUMENT

Graphic Arts MONTHLY

Graphic Arts Monthly

August 1, 2007

Differentiating a Commodity

BYLINE: By Kevin Cooper.

Cooper, who now teaches graphic arts at Cal Poly, his alma mater, had an 18-year career with RR Donnelley and Microsoft.

SECTION: COLUMNS; BestTrack; Pg. 68

LENGTH: 895 words

Fundamental business thinking states there are two primary strategies to be pursued—cost leadership or differentiation. Firms focus on building blocks of innovation, quality or customer responsiveness to build brand equity and customer loyalty. Differentiators tend to receive higher prices as their products or services are perceived as providing greater value.

In the print world, overall maturity of the industry, intensive competition between firms, excess capacity in particular segments, and improved capabilities have all led to conditions where price competition is strong. General conditions tend to commoditize print markets, making it tougher to distinguish between providers—and leaving price as a key determinant in awarding work.

To avoid having its offering commoditized, GE Capital Solutions, a provider of financing for growth-seeking printers and other businesses, created a unique program: At the Customer, For the Customer (ACFC) leverages the company's experience and expertise operating in many lines of business for decades.

ACFC is simple. GE shares its best practices, process improvement tools and subject matter experts with customers and prospects to help them manage and grow their business.

Kent Gilmore, COO of \$100-million Nahan Printing, St. Cloud, MN, wanted to bring lean manufacturing expertise to his firm. To help kick-start Nahan's initiative, GE offered Nahan over 40 areas of expertise to train their employees on lean manufacturing. After the initial training, which included increasing plant awareness on 5S initiatives, Total Productive Maintenance, Visual Management and holding Kaizen events, GE Capital experts walked the facility floor and offered advice on specific visual management improvement opportunities.

Nahan learns lean

Daily Information Boards are updated by crews on an hourly basis. Numbers in green indicate production in excess of standards, while red numbers indicate a deficit to expectations. Any employee walking the floor can see at a glance

where equipment centers are failing to meet production expectations. Operators in the plant have seen management's commitment to improve operations and have begun to embrace the hourly information boards as a means of ensuring their equipment maintenance needs are supported.

Nahan also had to rethink its employee incentive systems. The printer redesigned its "Wall of Fame" to recognize employees who are problem solvers; this is a change from the past where recognition tended to favor the better "fire-fighters" by recognizing production records. Nahan knew it needed to change behaviors in the plant, and the quickest way would be through what they recognized and incited employees to do. Annual goals were created to facilitate increased change. Stretch targets are set that cannot be met without changing behaviors internally. This year's goals include reducing spoilage by 35%, cycle time by 65% and holding 100 Kaizen events over the course of the year.

Lean progress at Nahan continues with ongoing phone support from experts at GE Capital. Makeready reduction efforts are increasing in the facility. An initial effort on a particularly difficult piece of equipment showed a make-ready reduction from 388 minutes to under an hour. Process mapping showed operators initially walking over 3.5 miles during makereadies. This has been reduced to a total of just 900 steps. Gilmore expects further improvements as employees learn to standardize their work methods and the lean training spreads over the entire facility.

Lean manufacturing efforts have helped the company avoid passing price increases on to customers.

Rotoman enhances lean efforts

Recently, Nahan added the first 10-unit Rotoman press in North America to help expand its capabilities and brand, and further enhance its focus on lean production. The company says the automation will help minimize changeover times and makeready wastes, while producing a wider range of high-end products for its customers. It features 10 printing units, two roll stands and two folders.

GE Capital Solutions doesn't charge for this program and offers it to existing and potential customers. It is not GE's intent to resolve customer issues for them, but rather to provide access to the vast intellectual capital the company has accumulated and to allow customers to apply this knowledge for themselves. In doing so, GE Capital Solutions effectively differentiates itself in what may otherwise be seen as a strict commodity business. This program also aids customers in becoming more successful with their resources. Obviously, as a supplier to the industry, any further success the industry has will also lead to success for the supply base as well.

The question to ponder is this: How are you differentiating your product or service offering within the printing industry, in a time when industry conditions threaten to march towards increased commoditization? Are there ways you can provide valuable help to your customers, as GE Capital Solutions is attempting to do for theirs, to resolve their business issues and problems? There may be creative ways to provide value to the marketplace beyond traditional paradigms of improving quality and doing it cheaper and faster. What's your strategy?

Cooper, who now teaches graphic arts at Cal Poly, his alma mater, had an 18-year career with RR Donnelley and Microsoft.

LOAD-DATE: August 20, 2007

LANGUAGE: ENGLISH

PUBLICATION-TYPE: Magazine