

Financial benchmarking vs other printers

The Visual Media Association has released the results of its Metrics Survey, with the section on financial benchmarking making interesting reading.

Financial benchmarking is a critical aspect of business strategy, providing a lens through which companies can assess their forecasting, risk mitigation, and overall success. Taken from the VMA's Industry Metrics Report 2023, here are some of the key financial benchmarks shaping the printing industry, featuring insights from industry leaders from across Australia.

DAYS SALES OUTSTANDING (DSO)

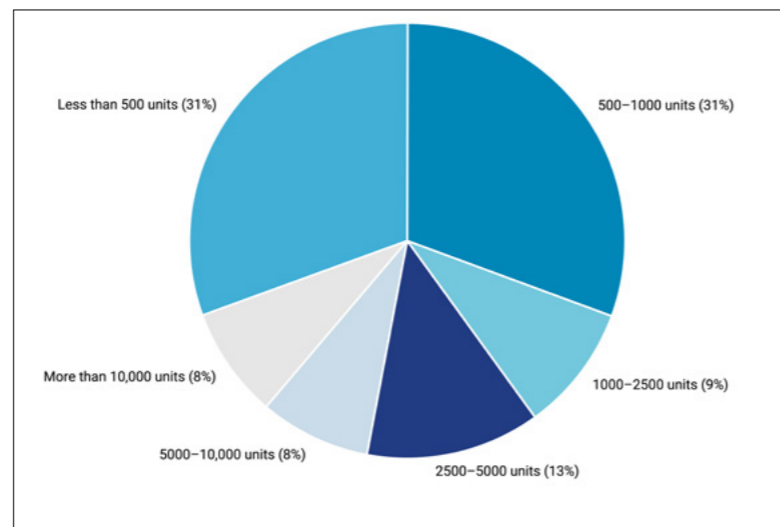
Days Sales Outstanding serves as a pivotal metric, measuring the average time it takes a business to receive payment for credit purchases. In an industry where cash flow is closely tied to labour costs, a lower DSO is crucial for maintaining financial strength. Unfortunately, the report indicates that only 45.88 per cent of businesses are collecting within thirty days, while 49.41 per cent take up to sixty days. Kellie Northwood, CEO, Visual Media Association emphasises that, "In an industry with high labour costs, fast cash flow to cover wages is critical for business strength."

DEBT TO TOTAL ASSETS

The debt-to-total assets ratio is a key indicator of a company's ability to raise cash from new



RIGHT Volume trends: 62 per cent less than 1000 run



debt – a higher ratio suggests increased leverage. The industry reports a debt-to-total assets level of 0-10 per cent, with 61.18 per cent of businesses falling within this range. Understanding your debt structure is key, and balancing leverage is fundamental for growth.

VOLUME TRENDS AND JOBBING

A significant 82.12 per cent of respondents indicate volume trends throughout the year, with a strong focus on major buying groups such as Retail, Government, Tourism, Finance, and Education. Seasonal trends, particularly during holidays and marketing events, hold the highest influence at 57.26 per cent. Northwood commented,

"When benchmarking, we need to highlight the importance of understanding cyclical volume trends for strategic planning."

JOB VOLUMES

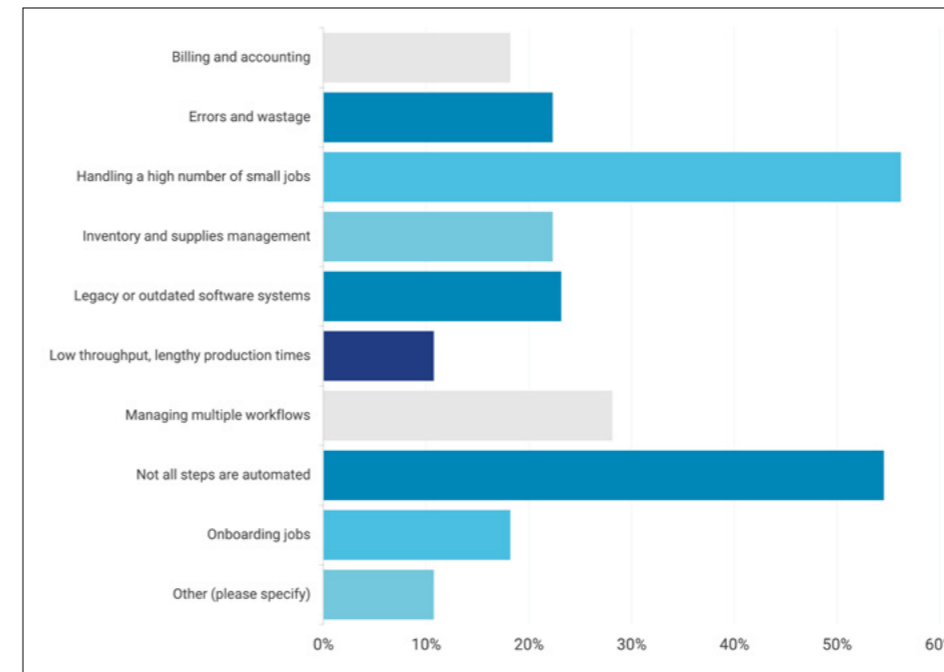
The Metrics Report indicates a positive upturn in job volumes with 55.25 per cent reporting growth. Despite this growth, the average job size remains smaller than historical averages, with around 30.59 per cent reporting jobs under 500 units. The significance of maximising job potential for sustainable industry growth is just as important as overall growth.

JOB ORDERING AND WORKFLOW

Email remains the dominant method for job ordering, at 62 per cent, reflecting high manual ordering. This aligns with concerns about limited workflow automation (54.55 per cent), managing numerous small jobs (56.2 per cent), and multiple workflows (28.1 per cent). Northwood says, "Efficient workflow automation is essential for scalability and operational efficiency."

GROSS PROFIT MARGINS

Gross Profit Margins remain consistent, with 67.06 per cent of the industry reporting an average of more than 20 per cent per job



ABOVE Benchmarking: Job ordering and workflow

produced. This consistency extends to the entire business, with 62.35 per cent reporting a Gross Profit Margin of more than 20 per cent in the last financial year. The importance of maintaining healthy profit margins for sustainability is key to your organisation's success and continued profit margin growth.

"Collapse in the popularity of online communication 'alternatives' such as Facebook, Instagram etc., will yield a quick uptick for our "established and trusted" print solutions. The tactility and lasting nature of environmental and bio-friendly print solutions over digital options provides a solid future for the print and related services industry."

– Industry Respondent

RISK TO BUSINESS SUCCESS

Key risks to business success, including Economic factors (43.41 per cent), Lack of Skilled Labour (28.68 per cent), and Cost of Labour (14.73 per cent), are the highest concerns. Northwood stresses the need for businesses to adapt to economic changes and invest in skilled labour to mitigate these risks.

"Facilitating certification in a sensible fashion should be a priority. As manufacturing has fallen to five

per cent of Australia's Economic Output and print is only a part of that, reducing the expectations to match impact overall is important."

– Industry Respondent

OPERATIONAL COSTS

Labour emerges as the highest operational cost for 68.24 per cent of businesses, with 50.59 per cent attributing 20-35 per cent of their operational costs to labour. This suggests strategic investment in labour and efficiency improvements to optimise operational costs, as well

as the other less variables involved. Industry (46.88 per cent) also reported that energy is less than 20 per cent of business operational costs.

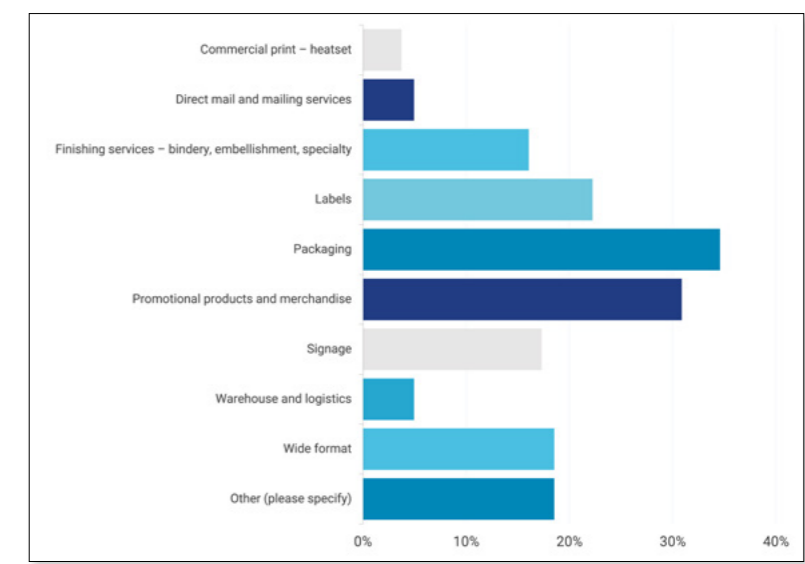
DIVERSIFICATION OF SERVICE OFFERING

The industry reports a significant increase (46.85 per cent) in service offerings, with respondents equally split between reporting stability. Businesses looking to diversify consider capital expenditure for equipment upgrades (48.25 per cent) and venturing into new manufacturing capabilities (28.67 per cent). Northwood highlights the importance of aligning service offerings with market demands for sustained growth.

Diversification investment is reported to occur in the next two years with 77.11 per cent reporting this focus – of which 7.23 per cent within the next six months, 30.12 per cent in the next six to twelve months, and 39.76 per cent in the next one to two years.

In conclusion, the Visual Media Association's Industry Metrics Report 2023 provides invaluable insights into the financial benchmarks shaping the printing industry.

The report provides guidance for industry leaders aiming to navigate challenges and capitalise on opportunities. As Northwood aptly puts it, "Understanding and adapting to financial metrics are critical for sustained success in our dynamic industry." 21



RIGHT Print businesses: Diversification