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MarketIntellibits™

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What are you selling?

By Jack Miller

I recently got into a discussion about printers marking up paper, and print customers supplying paper to avoid the markup. Printers are not in the business of selling paper, but they do make a profit on the paper. To be fair, they need to cover their overhead, and there is a cost associated with ordering, tracking, and handling paper. But is making a profit on paper the best way to do this?

If you are a printer, join the discussion at
<http://www.zoomerang.com/Survey/WEB22B9ABDZN9X>

When I started to think about it, and looked for other situations that made me wonder “what are they selling” I realized that there are many situations that raise the question, and they are all different.

Restaurants often make more money on liquor than they do on food.

Airlines are making a lot of money on baggage and other fees.

Some banks give free checking to poorer customers because they expect to make money on overdraft charges.

Airlines also make money by selling frequent flyer miles to car rental companies, hotel chains, etc.

Office equipment companies lease equipment and apply click charges.

And there is the famous case of selling the razor cheap and making money on the razorblades.

Is it better to bundle or unbundle?

Do we prefer to buy the whole package, or to buy “a la carte”?

Is it better to sell or lease?

Is it better to sell a product or a license to use it?

The answer, of course, is “it depends.”

The lesson in all of this comes on several levels.

Lesson one: make sure you have the right business model. Don't assume that the one you are using is right just because you've always done it that way.

Lesson two, and this is ultimately more important: make sure you know what business you're in. It has often been said that if the railroads realized that they were in the transportation business rather than the railroad business, we'd be flying Santa Fe and Union Pacific instead of American and Delta.

This second lesson applies to any business, but it is particularly critical to paper mills, paper merchants, and printers.

Are mills in the business of growing trees, or running paper machines, or extracting value from land? Or extracting value from lignin and cellulose?

Are paper merchants in the business of buying and selling paper? Or supplying goods and services to printers? Or supplying goods and services to printers and offices and schools and packaging converters and other types of facilities?

Are printers in the business of putting ink and toner on paper? Or helping clients execute marketing campaigns, communication programs, transaction management, etc.

Your greatest assets are not always on your books as “assets.” It just may be that your greatest asset is your customer base and you are in the business of meeting your customers' needs with a range of goods and services where you have expertise.

For Need to Know™ market intelligence, to understand what they buy and why, what makes them change suppliers, and what process they use to make those decisions, contact Market-Intell.

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