





Untangling the Economics of Wide-Format

How to confidently set prices that lead to a quicker ROI.

The wide-format market is changing. It's becoming faster, more versatile and easier to produce.

For businesses, this means more competition, but it also means more opportunities. The wide-format toolbox is growing, which means creativity can take printers a long way. Some of the industry's leading creatives are flocking to wide-format, looking to capitalize on the growing market. Like any business venture, there are considerations to account for, and for those who are new to wide-format — or to a segment within wide-format — there are mistakes that can easily be made. Fortunately, they can just as easily be avoided.

As the production side of wide-format has become more intuitive, the majority of these miscues are happening on the business side. The economics of wide-format can be confusing to newcomers — especially those who are used to traditional print pricing and economic models. The reason for the confusion is the same as the reason wide-format is particularly attractive: the big margins.

Pricing: More Markets than Math

In most of the print world — and many other industries — pricing is traditionally done "cost up." This means taking the cost of the materials — ink and media — and adding to that all other costs involved, including labor and supplies. That results in what's called the fully burdened cost, a clear picture of the actual investment that goes into producing an application. From there, one adds the markup — say a healthy, standard 50% — and there's the price.



By Dan Johansen,
U.S. Director, Sales and
Marketing, Industrial
Printing at Ricoh USA

Consider, for example, a direct-to-substrate UV printer printing to 1/4" acrylic. The ink and media costs would be about \$2.80 per sq. ft., or \$4.98 fully burdened. Of course, this depends on one's operation and the suppliers, but these are fairly common average numbers. A 50% markup on that would take the sale price to \$7.47 per sq. ft. Pretty nice, right? But as the saying goes, "wait, there's more!"

It might be surprising for printers to learn that their competition is likely selling that same application for as much as \$16 per sq. ft. — the going street rate for such a job — and that they could be, too. But that begs the question: How did they arrive at \$16 per sq. ft.? ▶

There's no one-size-fits-all formula, because it's all market based. However, that doesn't mean it's guesswork. As posters in libraries have long been emphasizing, knowledge is power. Wide-format pricing is based much more on how the market values it and what the market will bear. Knowing that requires knowing the market. Compare with competitors offering similar applications. If possible, look to the pricing and practices of businesses in the same region. While online ordering and impressive shipping speeds have flattened markets to a degree, there are still differences to be found.

By teaming up with the right third-party expert, businesses can get a stronger picture of what the rest of the industry is up to. Nothing beats the informed insights of an expert able to apply what they know to printers' unique situations.

Drive Down Costs with Direct

While talking about setting prices to make the most out of wide-format's great margins, it's important to address the other side of the coin — reducing costs. While there are many ways to creatively cut costs in any business, one way in wide-format that doesn't sacrifice anything for the savings is opting

Ricoh offers a calculator that can help printers determine well-founded ROI estimates.

for direct-to-substrate UV printing. Direct print UV is faster and less expensive than manual processes, meaning printers can take on more jobs at lower cost, driving greater profits.

To offer an example, think about rigid signage, like what is used for lawn signs or poster board.

First, if printers will not go the direct-to-substrate route, they will have the cost of the base substrate — e.g. adhesive vinyl — at \$0.50 per sq. ft., including materials and labor. Then, add ink, at \$0.25 per sq. ft. Laminate, another \$0.50 per sq. ft. The mount — foam, board, or gator style — will add another \$0.25 per sq. ft. And, finally, trimming and cutting add another \$0.83 per sq. ft. All told, that adds up to \$2.33 per sq. ft. in costs.

Now, consider the same job, but with direct-to-substrate UV printing. First, printers can get rid of the base substrate, which is \$0.50 savings per sq. ft. They can also drop the laminate, which saves another \$0.50 per sq. ft. And, using less expensive ink means spending only \$0.15 per sq. ft. In sum, that's \$1.10 in savings per sq. ft., and those \$1.10 increments add up fast.

If a business prints 25 yard signs a day at 3 sq. ft. apiece every day for a 22-day work month, that's \$1,815 in savings. If it produces 20 foam-core signs a day, which are about 12 sq. ft. apiece, it would save \$5,808 over that period.

Translating to ROI

Practically and holistically, what does this mean for one's business?

It means printers can make back their wide-format investment in under a year — sometimes much sooner. One last example looks at a business that has decided to add a flatbed to their shop. That addition immediately sets the bar the company is trying to hit: making back the cost of the implementation.

Filling in reasonable average answers for all the previously discussed variables helps showcase how they all relate, as seen in the image below.

Calculators, such as the one displayed in this image, are available to help print shops turn that information into well-founded return on investment estimates. As seen in the example, the platform pays for itself in five months. What's even more exciting is if this is bringing work businesses would normally outsource back in-house, net cash flow has a real opportunity to skyrocket. This example shows a more than \$17,000 jump in that metric, which can be reinvested in the business for even more growth. Hard-nosed traditional printers may raise an eyebrow at the 69% profit going into these calculations, but, as a reminder, the direct-to-substrate example delivers just under 70% profit.

As printers expand into wide-format, it's important they look for knowledgeable partners who can help them get the results their investment deserves. By being informed, rather than settling for lower price points, printers can set their prices confidently and begin realizing the incredible benefits of wide-format faster than they could have imagined. ■

Wide Format Economics

Which printer are you considering?	Ricoh Pro TF6250 + Colex																										
How much wide format are you looking to do in house/day (sq ft)?	250																										
Average # of work days per month	20																										
What % of your anticipated work is RIGI:	100%																										
Anticipated % of printing with White (backlits, special effect, etc...)	0%																										
Expected average sell price / ft - Rigid	\$8.00																										
Expected average sell price / ft - Roll	\$6.00																										
Anticipated mix of print output quality (can customize in sheet)	Average																										
START HERE																											
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">Current Outsource Volume or Need</td> </tr> <tr> <td>Avg Spend/Mo</td> <td>In Ft</td> </tr> <tr> <td>\$20,000</td> <td>5,000</td> </tr> <tr> <td></td> <td>250</td> </tr> <tr> <td colspan="2">Average cost/ft for outsource -></td> </tr> <tr> <td colspan="2">\$4.00</td> </tr> <tr> <td colspan="4" style="font-size: small;">*Calculated from M6 input or enter O6 manually * Cost in O7 impacts ft/day. Check for accuracy</td> </tr> <tr> <td colspan="4" style="text-align: center; font-size: small;">If J6 is entered manually, outsourcing values are ignored and K18 below is N/A</td> </tr> <tr> <td colspan="4" style="text-align: center; font-size: small;">Avg Print Capacity/ManDay 4407 7% in ft sq at 75% utilization, 15% waste</td> </tr> </table>				Current Outsource Volume or Need		Avg Spend/Mo	In Ft	\$20,000	5,000		250	Average cost/ft for outsource ->		\$4.00		*Calculated from M6 input or enter O6 manually * Cost in O7 impacts ft/day. Check for accuracy				If J6 is entered manually, outsourcing values are ignored and K18 below is N/A				Avg Print Capacity/ManDay 4407 7% in ft sq at 75% utilization, 15% waste			
Current Outsource Volume or Need																											
Avg Spend/Mo	In Ft																										
\$20,000	5,000																										
	250																										
Average cost/ft for outsource ->																											
\$4.00																											
*Calculated from M6 input or enter O6 manually * Cost in O7 impacts ft/day. Check for accuracy																											
If J6 is entered manually, outsourcing values are ignored and K18 below is N/A																											
Avg Print Capacity/ManDay 4407 7% in ft sq at 75% utilization, 15% waste																											
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">VS. outsource</td> </tr> <tr> <td>\$10,000</td> <td>GM at 50% markup</td> </tr> <tr> <td>\$17,425</td> <td>Net cash flow improvement/Month</td> </tr> </table>				VS. outsource		\$10,000	GM at 50% markup	\$17,425	Net cash flow improvement/Month																		
VS. outsource																											
\$10,000	GM at 50% markup																										
\$17,425	Net cash flow improvement/Month																										
<p><small>*Please note - this spreadsheet and all included data and calculations are used for example only. Your experience may differ based on additional or unique circumstances or situations with your business. This document is for illustrative purposes only and implies no commitment or guarantee of actual costs or savings.</small></p>																											
Calculated Results																											
Make your money back in just																											
5.0 Months																											
industry average																											
Anticipated Gross Revenue																											
\$43,820																											
per month																											
Anticipated adjusted gross profit																											
\$29,619																											
per month																											

Dan Johansen serves as U.S. director, sales and marketing, Industrial Printing at Ricoh USA, and plays a key role in the growth of Ricoh's wide-format and industrial businesses. For more than 15 years, Johansen has been successfully driving initiatives in both direct and indirect channels in the United States and Canada.