



ANILOX ROLLS: SPECIALTY OR COMMODITY?

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I am sure this question can be answered both way's depending on the markets that different converting entities serve and the quality of the converter. In today's economy it seems that more products are going by the way of commodity. This is due to in part by the need to reduce pricing in order to maintain or grow market share. But is this healthy for the Flexographic industry?

There has been a noticeable trend in price reduction of anilox rolls and other Flexographic supplies over the last year or two. Is this a good thing? Well obviously for the buyer it is at least on the initial purchase transaction. The lure of less expensive products we purchase for our companies and their impact on our bottom lines is stronger than ever. However, after being in this business for 23 years now I am questioning the possible long term ramifications of price cutting on our industries abilities in obtaining higher quality graphics, faster set ups and press speeds and more efficient and consistent runs. All of these issues will relate to the supplies that support the Flexo process and it's quality, consistency and repeatability.

Now, if by new technological advancements one can offer the same quality, services and consistency at lower prices this is great. But I for one have not seen anything significant enough, at least in the anilox arena, to allow prices to drop to *some of* the levels we are now seeing without giving up something. I am not saying that just because you are getting product at good prices that there is something wrong with that. What I am saying is that we need to be cautious of the possibility of drastic pricing reductions causing inferior products or services that can in the long term damage our businesses and our industry.

Most pricing issues are obviously being driven by purchasing and I am seeing more and more cases of buyers not being concerned so much with value, but strictly buying on price. This is especially true with the larger publicly held corporations who are driven by investors for good returns every quarter. Value, quality and delivery seem to be viewed as givens in a lot of instances, but that's just not realistic. In a lot of cases the exercise of running the numbers and having the capability to measure value isn't even being considered. Don't get me wrong, purchasing people are doing their jobs. They are trying to obtain the highest quality products, (or products that work for their needs), for the least cost. That's what they are paid to do. But are some of us loosing our sites on value and the capability to measure it, vendor relationships and the long term cost of ownership of a product verses the purchase price?

Are we stepping over dollars to pick up pennies? I know I have a time or two and it can be a painful experience. You might have a great quarter, but find out at the end of the year you gave up short term gains for long term losses. I've seen too many case histories of the purchasing deal looking real sweet on the surface but actually costing big bucks

due to inferior products and services. And it's not just the impact on our individual businesses but also our industry. Flexo cannot afford to take any step backwards in its ability to gain market share.

The real key I think is to ask ourselves the question, "What quality level of product, service and consistency do I need to satisfy my customers"? And If I need or want value added to my purchases, can I measure it? Am I really getting a good price when considering long term "cost of ownership"?

You cannot quantify what you cannot measure! Unfortunately the flexographic industry, as it strives to reach higher and higher quality levels, still has many converters who have not employed proper measuring techniques to even begin to answer this question. They live in a daily world of verbal documentation and assumption because it's easier that way. Less of a hassle. Then purchasing is made simpler by making the event strictly a price decision which *could* be leaving a lot of profit on the table in the long run.

HOW LOW CAN YOU GO??

It doesn't take rocket science to understand manufacturing costs of most competitive products if you know all the ins and outs well enough. In the anilox arena as well as with most other flexographic supplies, there are some standard cost factors that although are going to vary from supplier to supplier or region to region, really do not have a significant impact on the cost of the product itself. For instance machine and manpower costs are going to be pretty much fixed or less variable. Manufacturing over head and the quality of the raw materials probably being a larger differentiator than the others. The raw materials that go into the production of the anilox roll can vary dramatically and thus the cost. Inferior raw materials can be hidden problems.

But I believe a more significant cost factor goes beyond these line items.

Up until about 1998, there were distinct differences between most anilox roller itself. No doubt about it. In most cases just one look could differentiate suppliers. And although this is still true in some cases the playing field in this regard has become somewhat more level. Newer technologies that gave distinct differences back then have become adopted and today it is becoming more difficult to just look at an anilox and distinguish it especially when it's your first roller from a new anilox vendor. In a lot of cases when you are having anilox problems, any new anilox replacement will typically improve the situation provided the volume and dimensional stability is correct for the application. But this could just be a short term fix. Too often old rolls are compared to new ones and that's not a good comparison.

Some of the major differentiators in anilox today are things like consistency, quality management, service of the product during and after the sale, delivery and graphic improvement?

These are the kind of items that can cost significant dollars to provide and can distinctly differentiate one product from another when the rest of the field is level. These items will also impact the purchase price of the product. It has too. You cannot have it all.

Consistency.

Let's start with consistency for example. Any anilox company can make a roll with pristine cell shape, precise dimensional tolerances etc. especially when trying to crack a new account. But how consistent can it be held, roll after roll after roll. And do you really understand the value of this in your operation? What does an anilox producer have to put in place to make consistency a reality? And, can you truly measure it? Are press operators wasting time making press adjustments due to inconsistencies in the anilox or your other supplies such as inks, blades, chambers etc.? You cannot monitor, qualify or improve what you cannot measure.

Quality management.

Are you concerned about your vendors QA programs? Some say quality is a given and although it certainly should be, this is not real world. Quality and consistency, although they should be in the same bucket, are often not. But I say again, you will never know distinction of consistency unless you look for it and have the means to measure it. This is one of the biggest reasons that, as a buyer and supplier, I personally am a huge fan of a certified quality programs.

To touch on this a bit, certified quality programs do not guarantee that your products are better than your competitor who does not have a certified program. You can literally make junk and get an outside source to certify you. But it's not about your product being better. It's really about what ever you decide to call quality, what works for your customers, will be consistent from yesterday to today and today to tomorrow and the day after and so on. And most good programs force a documentation trail that will protect your interests by reducing machine downtime, improve consistency, reduce training cycles the help take some of the pain out of turn overs. It's not fool proof. No process is. However, you will find if you take the time to implement ridged standards of operation, *documented* standard practice procedures, regular maintenance controls, regular gauge and instrument calibration, regular training and proper administration and checks and balances of the entire process, it will force a discipline through out the organization that results in much more controlled consistency. A discipline that will help you purchase products with more confidence and operate your business more efficiently thus adding to your bottom line. This is true for all aspects of the company and not just manufacturing. And there is something to be said to using an outsider to audit your quality system who has no bias. If nothing else, it keeps you honest. But, it comes with a price. If you can measure its results it will pay big dividends.

I'm not trying to make a case for a specific program or for third party programs. I am suggesting you get to know your vendors quality procedures. How secure are they. They can have a devastating impact on your bottom line if quality is not controlled and you have no means to measure it.

Service.

If you really need someone in your plant to look at an issue, do they get to you it in time to make a difference? If you want technical services with your anilox purchase are you told you get it only to find out you get a few foil impressions from time to time of your anilox inventory. Do you get assistance when you need improve graphics or leadership to help guide your path to penetrate new markets? Does your supplier address other critical

elements of the process other than what they are selling such as inks, blades, chambers, presses and anilox rolls which have to work hand in hand?

There is a lot that goes into true technical services. And it takes more than one or two technical service people to really be able to SERVICE the account base. (Ask your representative for the name of the technical service person assigned to your account.)

Let's face it. It's tough as a sales person to try and open new accounts, follow up with existing accounts and be available at the drop of a hat to give technical service. The only true way to do this is to break it out. And it costs to do this. Are these services free? No they are not. You will pay somewhere. So now the question becomes can I make use of the service? The best advice from me to you is to scrutinize what the services are all about first. Understand the services thoroughly. They are supposed to be there to help enhance your business. Don't just hear the word "Technical Services" and make assumptions about what that means. The interpretation varies greatly. What do you need and want from the word "service"? Once you establish this hopefully you will have the means to measure it and it's impact on your bottom line.

Delivery

Are you told the roll will be there in two weeks only to find yourself four weeks out and still no product. Are you informed of the delivery status? What does late delivery cost you? We all can do better jobs at communication. Keeping customers informed is important. Treat each one like they were your only one and you will have happy customers.

No one person or organization is perfect but it is wise to run a track record on your vendors. Measure what attributes of the vendor are most important to you. There goes that "measurement" word again! Then you can decide. I suggest you set up a vendor certification program and run the numbers at least quarterly and report them back to your vendors. Working with suppliers through rough spots can build strong bonds and become very beneficial if the supplier is listening to your needs.

We are all consumers, and as such we typically do exactly what those who purchase for their companies do. Get the biggest bang for our buck. But, we as consumers also know that in most cases we get what we pay for. So with that said I think the real question becomes one of what works for me?

- Do I need consistent product quality?
- Are some of the variables I tackle every day due to supplier inconsistency?
- Can I truly measure it?
- Do I get what I want when I want it?
- Do I need other service beyond the product itself?
- Do I get assistance when I need it when a problem arises?
- How well are problems handled?
- Can I use a commodity product in my process to do what my customers are demanding, grow my business and maintain a healthy bottom line at the end of the day, or do I need higher quality, consistency and service to accomplish this?

Doing what we are doing today and did yesterday and the day before is Ok (status quo)...if...we want to keep doing these same things tomorrow and the day after that and the day after that! But if we want to grow our business and stay on the leading edge of technology and service we need to think more about our purchasing decisions and examine our capabilities of value measurement.

We all want lower priced, good quality supplies to run our businesses that are reliable and consistent. But you sometimes just can't have it all. All I am suggesting is that we must do what we can (in today's economy especially) to hold down costs and at the same time do what is necessary to measure what our supplies are really costing or saving us and not just short term.

I've spoken to several well respected suppliers recently from around our industry and we are all facing the same problems in these trying economic times. And most of us agree with the damage or potential damage that knee jerking pricing has caused or has the potential to cause to our businesses and our industry. We are all trying to hold down costs and improve bottom lines. But lets be careful and make sure the purchasing decisions we make are intelligent ones that will end up giving us what we are asking for which is what our customers are asking for and what will keep the Flexographic industry in a growth mode.