

for Affiliates this month in Center research:

## Selling Small and Smart

As society faces environmental limits to material consumption, the typical business model's goal of "selling large" must be questioned. In the seminal book *Small is Beautiful*, Schumaker argues that in order to be a truly sustainable society, we must ultimately consume less. The Printing Industry Center at RIT research report, "Selling Small and Smart: The Future of the Sustainable Enterprise (PICRM-2004-01)," outlines the experiences of three suppliers that are operating under a new business model that allows economic growth, while also helping society to step away from the spiral of increasing consumption.

In this new business model, material goods are not seen as ends in themselves. The traditional model of selling as much as possible is abandoned in exchange for a model in which firms make money by helping their customers achieve their goals while using less product.

### Three Cases

The experiences of three companies, PPG (one of Chrysler's paint suppliers), Gage Chemical, and Xerox show how the switch to a sustainable business model can be successful. (See Table 1). In addition to the reduction of product use, other environmental benefits were seen in all three cases.

**Table 1. Summary of Three Cases**

	Gage	PPC	Xerox
<b>Old Model of "Selling Large"</b>	Selling chemical blends for automotive paint application	Selling paint for automotive paint application	Selling printers, copiers, and supporting products
<b>New "Selling Small" Model</b>	Providing an effective paint shop operation	Managing efficient and quality paint shop operations	Managing efficient document management processes
<b>Material Good Reduced</b>	Solvents and Cleaners	Paint	Printers, Copiers, paper, and toner

### Center Spotlight

#### Announcing the Release of New 2004 RESEARCH MONOGRAPHS

☐ Selling Small and Smart: The Future of the Sustainable Enterprise

☐ An Investigation Into Printing Industry Trends

☐ Digital Printing Success Models: Validation Study (2004)

New research monographs will be released periodically over the next few months. Stay tuned!

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### The e review

The *eReview* is a monthly publication of the Printing Industry Center at RIT for registered Affiliate companies. Articles are also published in the quarterly printed publication *printReview*.

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<b>Other Environmental Benefits</b>	Lower VOC emissions	Lower VOC emissions	Less energy use and reduced solid waste
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### Bringing About a Cultural Shift

The move to selling small is not easy. This new business model challenges one of the most basic assumptions about the goal of the average manufacturing organization, namely, that selling more of a product is good for the organization, and selling less of a product is bad. Internally, this basic assumption about the very nature of the firm is likely to be challenged, requiring attention to cultural change. Firms need to reframe the usual operating assumption from “the goal of our firm is to sell more product,” to “the goal of our firm is to help our customers do X, and use less of our product in the process.”

A Xerox spokesman explained the conflict: “It is a tough [transition] because you are now selling an intangible alongside the tangible, and the intangible (the services and optimization) is often the more important component of the transaction. ... [But] when you ultimately concentrate on what is right for the client, the client is inherently going to give you more business and more revenue, which is an offset to the declining product element of a transaction.”

Bringing about a cultural shift in employees’ minds is not the only challenge to firms that are trying to “sell small and smart.” They need to change sales incentive structures and the skill base within their organization. Also, at the operational level of the customer organization, reductions in the use of various materials are likely to mean changing long-held routines and assumptions.

### How to Make the Switch

Given these challenges, how can firms manage the change to selling small? Drawing from the experiences of PPG, Gage, and Xerox, there are some general steps that can be followed for firms wanting to make the shift to selling small:

- **Build off Existing Strengths:** Often, suppliers are in the best position to help their customers use less of their product. Recognize and build off existing technical expertise about the product and the customer operation in which it is used, as well as the existing customer relation skills. In the experience of Gage Chemical and PPG, for example, there was already a service mindset that was used to help employees understand the new role they were playing for their customers. Xerox, on the other hand, built off an existing base of technical expertise, which contributed to the detailed process information needed to help customers find ways to use less product.
- **Redefine the Basis for Profit in Contractual Agreements:** Traditional contracts, usually based on compensation per unit sold, rarely offer any incentive for suppliers to help consumers use less of their product. New contracts need to offer “win-win” alternatives, in which both parties can benefit from reduced sales of the

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### About the Center

Dedicated to the study of major business environment influences in the printing industry precipitated by new technologies and societal changes, the Printing Industry Center at RIT addresses the concerns of the printing industry through educational outreach and research initiatives.

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traditional product. These contracts can even include explicit goals for product use reduction and associated environmental goals. Gage, for example, changed the way it sold its material from a per gallon basis to a “cost per unit” basis, where the customer paid a set amount per vehicle being painted. Using a slightly different approach, PPG and Chrysler reformulated their traditional contract so that both parties shared cost reductions achieved by supplier initiatives

- **Communicate the New Business Model:** Selling small does not fit in the traditional business model, challenges basic assumptions, and requires change on both the part of the supplier and customer. Leaders need to continuously communicate, to all affected parties involved, the value in reduced product use and sales.
- **Change Incentives:** Most firms working under the selling large model offer incentives tied to increased product sales. These incentive systems need to be changed to allow salespeople and other employees make the link between selling less and their own personal compensation. Gage, for example, eliminated commission. Xerox has stopped paying some employees on a transaction-by-transaction basis. Instead, they are paid on an overall year-over-year revenue increase from their customer base or their targeted geography.
- **Acquire New Employee Skills and Knowledge:** While suppliers need to build off their existing skills and knowledge, it is likely that these are not sufficient to fully implement the new business model. Additional customer service skills or technical knowledge about customer processes may be needed. For some companies, acquiring the appropriate skills may only involve retraining workers. All three firms we interviewed adjusted their service training to meet the needs of their new service role. For others, it may involve hiring workers with specialized knowledge about customer processes or even acquiring another firm. Xerox, for example, purchased an entire company in order to obtain an expertise in information technology.
- **Highlight Environmental Advantages:** Most approaches to selling small are motivated by customer interest in reducing cost. Yet, the environmental benefits are real and sometimes significant. Some suppliers will be approached by customers already interested in reducing environmental impact. For those that aren't, the environmental benefits of reduced product use can be a strong component of the marketing effort.

Firms are more likely to be successful selling small if there is pressure for change, coming either from the customers, as in the case of PPG and Gage, or from the market, as in the case of Xerox. Building a close relationship in which customers come to depend on the supplier for their process knowledge is the key to a sustainable selling small strategy. Thus, firms that

want to sell small need to have an in-depth knowledge of the customer's processes and needs, and a close service relationship with the customer. Suppliers can also use the selling small approach to build closer relationships with their customers, and actually increase revenue in the process. In addition, because they are better able to propose innovative process solutions, firms with a broader product base and strong R&D department will benefit more from selling small than those suppliers who only produce one particular product.

The motivation to use less product is usually primarily economic. But, as Xerox found, proactive and environmentally aware customers also recognize the environmental benefits of reducing material use. Suppliers can educate their customers about the synergies between environmental performance and cost reduction. Framing services as a means to help both the environmental and financial bottom line makes an attractive proposition for customers.

As pressures for reduced material consumption become more salient, it is likely that this new model will become more common. The question for most manufacturers of products is not if they should move to selling small, but when. As in other areas of service provision, early movers will have the advantage.

### **2004 Research Monographs:**

To read about this research in detail, download the monograph from: <http://print.rit.edu/pubs/picrm200401.pdf>

Other research publications of the Center are available at: [http://print.rit.edu/research/index\\_byyr.html](http://print.rit.edu/research/index_byyr.html)

### **Next Month:**

We will examine the state of fulfillment, finishing, and distribution in the industry.

