

THE IMPORTANCE OF SUPPLY CHAIN MANAGEMENT

*HOW PARTNERSHIPS CAN MAKE
OR BREAK YOUR BUSINESS*



FEATURES

- 3 relationships**
suppliers' importance
- 6 linked together**
supply chain
- 9 fly high**
with great people
- 10 Midland Paper**
a valued partner



DEPARTMENTS

- 4 market news**
- 8 HP update**
- 11 ask the expert**



The front cover of this issue contains **Digimarc®** technology. Please see page 11 for all the details!

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Greetings,

I'm probably speaking for the majority of our readers when I say, "we are bombarded by companies wanting to sell us products and services." Let's face it, this can be overwhelming and very time consuming. Many claim to be the "perfect fit" and the "obvious choice" in their sale's pitch. Anyone who knows me well realizes that I'm not swayed by hype and claims of performance. I want to see evidence that what they are offering will add value to my business model.

As I have said many times, adding value is simple. You either increase quality or lower costs. If you do both, you have just caught my attention. However, you better understand my business model and processes and demonstrate how your offering will enhance it. Without that, there is little evidence you truly understand how you will add value. If you have it and demonstrate it on a consistent basis, you now have a client that will most likely tell a friend. Now you have a referral, based on real evidence that will pay great dividends in the future.

Let's face it – the same is true when Huston Patterson or Sigma Graphics sells our products and services to our clients. We know that we have to be viewed as an extension of our client's business by creating higher values for their products. Without that, we are just another vendor or supplier. That is not a sustainable business model and not one that is truly valued. I don't know about you, but I expect more. And, as an industry, we all should.

With gratitude,

Thomas W. Kowa
CEO / Chairman
Huston Patterson Corp.
Sigma Graphics Inc.

our vision

A world class printing organization, providing our clients with unparalleled value and performance through the effective use of both technology and craftsmanship. This is accomplished by incorporating our unifying principles of trust, integrity and commitment to our valued clients.

The Importance of Supplier Relationships

Could your company use a few hundred thousand dollars, or possibly even millions of dollars to put toward your bottom line? No, I'm not selling some type of pyramid scheme...just hear me out. ☺

What if I told you that if you communicated better with suppliers, trusted them more and worked more closely with them to reduce costs - you could save your company this kind of money? This is exactly what the automotive OEM (original equipment manufacturer) Supplier Working Relations Index Study did this past year and for the first time attached dollar figures to the study. The study's author, John Henke, used a formula to determine the value of supply chain management after interviewing hundreds of suppliers on a number of areas related to communication, help, trust and other factors. The results were staggering.

If Ford's score increased as much as Toyota and Honda, the Dearborn automaker would have added more than \$354 million to their bottom line. FCA, Fiat Chrysler, would have earned an additional \$661 million and GM would have earned more than \$750 million.

At Huston Patterson, we place a tremendous value on our vendors which can best be represented by the *Vendor of the Year* award we give out each year. The award is voted on by each member of HP's management team who rank the top 3 vendors they believe were most instrumental to our success in the

previous 12 months. The pool of 100+ vendors is narrowed down to three finalists and the winner is announced annually at the *Huston Patterson Day* luncheon in front of all employees.

From Chris Ellis and his law firm, Bolen, Robinson & Ellis, to the most recent winner of the *Vendor of the Year* award, Kevin Collins of Nicoat, Huston Patterson has been blessed over the years with great partners in all facets of business.

Now...of course, the numbers related to the *Big Three* are much greater than ours at Huston Patterson. (*Man, I'd love to have annual sales that top \$155 Billion like GM!*) However, the principles of supply chain management and vendor relationships are the same. I'd love to say that we are a perfect partner for our vendors, but the truth of the matter is that we are continuously striving to improve as a company and this sector of our business is no different. In 2016 we will be rolling out a vendor survey that will compliment our already established client survey to help stay in touch with the areas that we can improve most.

If we want to continue to reach the high goals we have set for our company, great supply chain management and improving our vendor relationships are essential. GM, Ford and FCA lost the opportunity for millions of dollars to be put towards their bottom line. Will we?



investing in the future - through people



BY JESSICA NEGUS

There is a picture of me sitting with my father at his desk with my grandfather standing beside. This picture captures three generations of corrugated industry professionals. Obviously, it has been a while since this picture was taken. Those men, my earliest mentors, are either gone or in the dusk of their careers. I have come to the realization that I am now at the same place in my career as these men were when that picture was taken and I admired them so greatly. They have taught me much. Now it is my turn to start passing along what I have learned to the new members of our market segment.



My job at Wisconsin Packaging is to grow sales and maintain the business of our long-term client base. Our industry is doing well and is always looking for smart, motivated individuals to enter the field. People are entering our market segment from all walks of life and additionally, our customer work force is, as well. I am constantly reminded as to how much knowledge they have absorbed from their previous work and life experiences. This is a good thing and is probably a major factor in their hiring. I have also come to realize that continued teaching and mentoring of these individuals is necessary for our success.

We are a world of instant communications. The expectation for response to emails, phone calls or texts is now measured in minutes rather than hours. Combine that with the tendency of our industry to communicate at “warped speed” using acronyms like RSC, D/C, J D/C, FOL, POL, Tray, Tele Btm, Tele Top, to name a few. In our haste to be responsive, we must not lose sight of the necessity that both the customer placing the order and those within your organization that are charged with filling it, are on the same page. I have learned to look for the assurance of a clear understanding of a project on their faces or in their



MARKET NEWS



voice. This applies on both ends of the sale, client and my support staff. We know that we make money in our industry by doing things quickly, but it takes several well-run jobs to make up for one rejected one.

The new people in our industry, advances in converting equipment, and shorter lead and response time have brewed a “perfect storm” for mistakes in the workplace. New digital technology and high-speed machinery advances require many of us to work with a “virtual calculator” in our heads when needing to consider price points, job economics and bottom line impact. All these advances can make bad product as quickly as it makes good product.

What have I learned and what is important to pass along? Take the time to educate all the participants in your transactions. Look and listen for their clear understanding. Use vendors as a resource for information as well as product and share that information with everyone, both office support and customers. Education is the key to success and it never ends.

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Linked Together in the Supply Chain

BY KELLY WINGARD

Few enterprises can survive on providing service alone. Nearly every endeavor requires resources. A mechanic needs parts, an accountant needs software, a lawn service needs machinery. No matter the size or scope of an operation, all businesses share a common need: reliable suppliers. From raw goods to finished product or service, there are many links in the supply chain needed to reach the end consumer.

How important are good suppliers in this chain? So important that a Google search of the subject returned over a million hits. Apparently, it is a topic warranting a lot of attention.

Developing supplier relationships is such a big deal, there is even an acronym for the process: SRM. Wikipedia terms supplier relationship management (SRM) as “the discipline of strategically planning

for, and managing, all interactions with third party organizations that supply goods and/or services....”

To develop good supplier relationships, treat your vendors like your peers instead of your subordinates. You depend on them to do your job. If you lord over suppliers as a demanding customer, you may get served but you won't command respect. If you treat your suppliers as equals, you will gain valuable allies in service to your customers.

Think of it in personal terms. You're a nice person. You like to help people. If you saw a guy on the side of the road with the hood of his vehicle up and steam pouring out of his engine, you would stop to give assistance. If the stranded person was a total stranger, you might ask if you could call a tow truck. If the person was an acquaintance, you might offer a lift home. If the person was your friend, you would

probably give him a lift home and then let him borrow your spare car until his gets fixed.

So it goes with suppliers. The higher the order of relationship, the more your supplier will be willing to go above and beyond to assist you in your time of need.

In an article for Entrepreneur.com, author Bob Reiss offers advice on building relationships with your vendors. “Let’s get this right—you need good and reliable suppliers. When you find them, treat them like gold. Work as hard on building a good supplier relationship as you do building a relationship with your customers.”

SUPPLY CHAIN: FROM RAW LUMBER TO RETAILER

Midland Paper Company is a Huston Patterson vendor. Midland distributes coated one-side paper from Clearwater Paper Company’s Idaho mill to Huston Patterson’s Decatur, Illinois facility.

Midland sales representative George Mills has worked in the industry for over thirty years. Over time, he has built an impressive supplier relationship with Huston Patterson. His respect for his client is evident.

“Huston Patterson really does a good job of planning and managing inventory,” says Mills. “They stock their sheeting facility so they can accommodate their customer’s needs expediently.” Mills acknowledges the importance of Midland’s supplier in meeting Huston Patterson’s needs. “Vendor relationships all the way down the supply line are critical,” he says.

Paper is sourced from trees which are chipped, then turned into pulp. Paper mills create products from the pulp slurry. Clearwater, Midland’s supplier, owns its own timber stands, which allows for an integrated operation. This helps insulate the company from price fluctuations in raw materials and helps them control the quality and quantity of its supply.

This reliable source of raw goods helps Clearwater supply Midland, which allows Midland to timely supply Huston Patterson, which then helps Huston Patterson to better serve its clients, such as ImageSOS.

ImageSOS is a Forney, Texas-based paper converter that supplies both trade and retail customers with signage and display materials. They take Huston Patterson printed sheets and turn them into signs and point-of-sale merchandise displayed in retail stores across the country. ImageSOS is the end of

the line in the supply chain, delivering the product to the customer in its final form – from raw lumber to retail advertising.

Mike Nichols, ImageSOS’s owner, appreciates Huston Patterson’s performance and the company’s ability to turn projects around quickly. Nichols firm does “some big things” and he recognizes that HP is in a position to help ImageSOS because of Huston Patterson’s ability to get priority service from paper mills. It all circles back to supplier relationships. Good customers make good vendors.

Nichols recalls a recent time where a retailer presented a pop-up project opportunity to five vendors. Nichols placed a call to Joe Morelli, HP’s Vice President of Sales and Marketing, and “Joe was able to pull a rabbit out of the hat for us,” securing ImageSOS the job.

BUILDING THE RELATIONSHIP

Developing a good rapport with suppliers is easy, but requires initiative. Follow these five steps and you will be on your way to building mutually-beneficial supplier relationships.

1. Keep communication lines open. Two-way communication is a crucial building block for any relationship.
2. Personalize your relationship. Get to know your vendor contact on a personal level. Ask about family and hobbies so you can discover any common interests. Remember to keep it professional, though.
3. Let your vendors see the big picture. Invite your vendors to tour your operations. Let them know what an integral part they play in your production so they feel part of the team effort.
4. Give constructive feedback. If your vendor falls short of the mark, give them an opportunity to correct their shortcomings. They can’t fix a problem they don’t know anything about.
5. Show appreciation. You place an order, you expect delivery. It is easy to take suppliers for granted – until something goes wrong. Expressing gratitude when things go right might make such an impression on your vendor that they will work even harder for you in the future.

Creating a collaborative relationship with vendors takes time and effort, but the payoff makes you a better vendor and helps you reach the ultimate goal of satisfying your customer.

HP Update

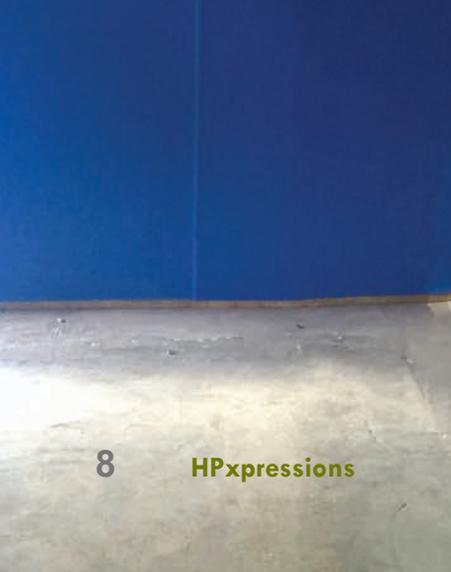


This winter Huston Patterson began construction in the plant on a new break room. Out went the old countertop, cramped space and antiquated vending machine. In comes new appliances, cabinets, countertops, a flat screen TV and a fooseball table.

Coinciding with the company's new cell phone and lunch policy, Huston Patterson employees will now also have individual lockers and a comfortable space to relax and enjoy lunch in.

"The redesign of the plant break room is just one of the steps we are taking to help give our employees an environment to succeed in," said Huston Patterson President, Tonya Kowa-Morelli. "We are constantly striving to improve in all facets of our printing companies and the new break room is an important step in employee engagement."

The new break room is scheduled to open in January of 2016.



fly high with great people

BY TIM TROTTER



It has always been told that in any organization people truly make a difference in their overall success or failure. The people part or human element of the workplace can be intimidating and complex.

Decades ago, the late Dale Carnegie was a huge advocate for being a good and true person. His methodologies for helping everyday people understand that the need for greater human relations skills was the linkage to their happiness, genuine respect and trust in others. He based his teachings on learning solid human relations skills in a group setting, going out and trying them in various real life situations, then reporting back their experiences and discussing as a group how they could improve. This provided many opportunities for people to grow confidence and develop skills that are timeless. The point to this is there are viable programs to help build strong and effective people skills that have benefits inside and outside of the workplace.

A few years ago, I had the privilege to meet with Colleen Barrett, President Emerita of Southwest Airlines and co-author of “Lead with Luv.” Her journey at Southwest was based on her belief that the way we interact with customers, vendors and employees don’t vary. They all are equally important to their business model. Southwest goes to great lengths to develop their work force culture as their foundation and core competitive advantage. This positive attitude is the driving force in their exceptional customer service. At the end of the day, when all groups are valued and happy ... great things will happen. You can see it in their approach to every flight, every day. I should note that Southwest has been the most profitable airline and cites that their success is due to their employees and exceptional customer service.

As much as we know the people part of the business is important, many fail to give it the appropriate attention it deserves. Many employers will go to the ends of the earth to buy the best technologies and tools, but fail to look at the things that matter most ... their people. You would think that the people part of the business would be a no brainer, but it requires leadership, compassion and hard work. It takes people at the top to make it their priority and will vest themselves in making it happen. There is no question that those who get it will reap the benefits, while the others will falter.

Midland Paper *Packaging + Supplies*

In business for 100 years, Midland Paper, Packaging + Supplies has grown from a single Midwest location to a national company with locations from coast to coast. We offer an extensive suite of products composed of Commercial Printing Papers, Publication Papers, Specialty Paper and Film, Packaging, Equipment and Facility Supplies.

With over \$1 billion dollars in sales, Midland is one of the largest independent distributors of paper and packaging in the United States. Based in the Midwest, we have over 30 facilities across the country. Our \$50 million in inventory spread over almost 15,000 SKU's makes us uniquely qualified to be your single source for paper, packaging and supplies.

A key area of focus for Midland is the emerging market for specialty papers and films. We have compiled a team of product experts with extensive knowledge of the complexities of the new digital sheetfed, high speed inkjet, wide format and specialty substrates that are changing the printing landscape. Midland has shown itself to be a true market leader by committing the resources necessary to service this exciting market.

Midland has grown dramatically over the years. When current majority owner and CEO, Stan Hooker, bought the business in 1983, the company was in bankruptcy with \$14 million in revenue. His focus on a customer-centric, service-based operation created rapid growth through strategic planning and acquisition. When new partners Mike Graves (President and COO), Ralph DeLetto (Executive VP and CFO), and Jim O'Toole (President Midland National) came into the business over a decade ago, that focus continued to expand and led to what Midland has become today.

Midland has separated itself from the competition by never being timid about investing in the business. We have done this by bringing in a team of professionals in each market we serve, and investing in the infrastructure to better serve our broad customer base on a local and national level. We understand that our customers need the product when they need it and have grown to rely on our speed, accuracy and efficiency to support their business needs.

Our mission is "To deliver on our commitments to our customers, employees and suppliers." We maintain a focus on this in everything we do. Ultimately, people like working with a company like Midland; a privately-owned company with Midwestern values, but with the scale to operate on a national level.

Midland delivers.

ask the expert

DON ELLIS



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DIGIMARC® AND
HOW CAN IT BE
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The HPxpressions "Ask the Expert" column was developed to address those questions that are forwarded to Huston Patterson and Sigma Graphics by clients, prospective clients and suppliers. If you have a question you would like our team to address, please send your request to:
asktheexpert@hustonpatterson.com

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