FSSI
Document Outsourcing Specialists

TOP 10 REASONS
TO OUTSOURCE PRINT-MAIL PRODUCTION

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INTRODUCTION

Is print and mail dead? Or perhaps on life support?

No, actually, it's alive and well. But what gets printed and mailed and what doesn't has changed a lot in the last 10 years.

When it comes to print-mail production, today's IT Manager or Chief Marketing Officer needs to know what choices are available and the business advantages of each. They'll also want to understand the financial implications, logistical, legal, and practical considerations for every option.

Needless to say, the internet has changed everything. Businesses today are still watching patterns evolve as to how customers choose to receive and review information. Still, there is a definite role for electronic communications, such as email, texts, web-based documents and PDFs–and for printed and mailed documents, especially those that are mandated by the government.

This Special Report will help you weigh the benefits and business considerations of print-mail outsourcing. It may be for you. Or it may not. Unless you have the scale and facilities to do three-shift printing and mailing, there are many sound economic reasons to outsource. There may also be other considerations you have not yet thought of.

So whether you're considering outsourcing your print-mail production or already doing it and want to affirm it was a good decision, this Special Report provides information you can use.

REASON #1: COST SAVINGS

In today's economy, controlling costs seems to be everyone's highest priority, so we're giving it the top spot on this list. Print-mail equipment is very expensive and depreciates quickly.

COMMERCIAL PRINTER COSTS

The lowest-end commercial laser printers cost about $50,000, and the high-end continuous digital color presses can be $5 million. To achieve the lowest per-page print cost, you need production volume that can justify the equipment, typically over 100,000 pages on the low end, and upwards of 30 million at the high end. The same guidance holds true for mailing equipment.

MAILING EQUIPMENT COSTS

A new, non-intelligent inserter will cost $50,000, and a fully automated intelligent machine with tracking will run close to $1 million. This doesn't include the workflow software that's needed to control the daily management. That's a significant amount of capital to tie up in equipment with a five-year life expectancy. It must also be maintained regularly, which can add as much as 40% to the cost. It uses electricity, creates heat (must be in a controlled environment), and requires dedicated space and trained operators to run it.

FACTOR IN ALL THE COSTS

When some companies do their cost analysis, they disregard the space, since they already have it, and the management resources needed to run it. But if the company is focusing on its core competency, then that space can likely be repurposed for activities more suited to the organization's mission and objectives. The outsourcing vendor will also have to be managed. However, the skills required will be substantially different than those needed for an in-house operation.

Finally, people and equipment need to be part of a department, and that means management must be dedicated to making it run efficiently; the company's goals and objectives also need to be measured through reports that the department creates.

REASON #2: SPACE SAVINGS

In reason #1, we looked at the various costs that accompany hosting your own print and mail production. This next item can be deceptive. You may have a lot of facility space, so the reasoning might be that it doesn't cost anything extra. If so, refer back to reason #1.

HOW SPACE COSTS ADD UP

If you don't have the space, then you'll need to repurpose existing space to make room for print-mail equipment and the expected inventory of stock. The footprint on industrial laser printers goes from eight feet to over 80 feet (continuous form machines with roll-feed input and finishing devices). Mailing machines have different configurations, but for one that's 12' x 8', for example, you'll need twice that space to comfortably operate and service the equipment.

If you don't leave enough space around the machinery, you may be creating a safety issue for the operators and maintenance crew. For backup and redundancy, you may also want to install additional equipment, because if a machine goes down, it could be days before it's back up and running.

THE HIDDEN COST OF WAREHOUSE SPACE

Paper and envelopes also need to be warehoused, and to get any kind of price concessions on quantity, you'll likely be storing from six to 12 months of stock. If you have an existing warehouse, you may already have pallet jacks and/or a forklift. If not, you will need them, as well as a place

to park them when they're not in use. Don't forget the space needed for maintenance cabinets and tools. You'll also need space for the electrical supply and cutoff boxes, as well as any wall-mounted or floor-placed air conditioners, since the equipment throws off a fair amount of heat.

MORE ASSETS, MORE COSTS

The hardest question might be, "If the space was devoted to our core competency, how might our business be better?" Dedicated print and mail space is often subject to 'growthcreep.' Inevitably, another piece of add-on equipment is needed, such as a stitcher, offline folder, tabber or cutter. Getting started in document print and mail can be a slippery slope that requires additional asset purchases, as well as extra space.

"IF THE SPACE WAS DEVOTED TO OUR CORE COMPETENCY, HOW MIGHT OUR BUSINESS BE BETTER?"

REASON #3: EFFICIENCY

We've already examined cost and space as factors, and their impact on operations. Now, let's take a broader view of efficiency and its overall effects on your whole enterprise.

EFFICIENCY: TIME AND COST PER-UNIT PRODUCED

A non-dedicated facility will be less efficient than one designed and built for efficiency. Workflow, environmentals (HVAC), security, electrical and network cabling need to be well thought out, as these all contribute to operational efficiency.
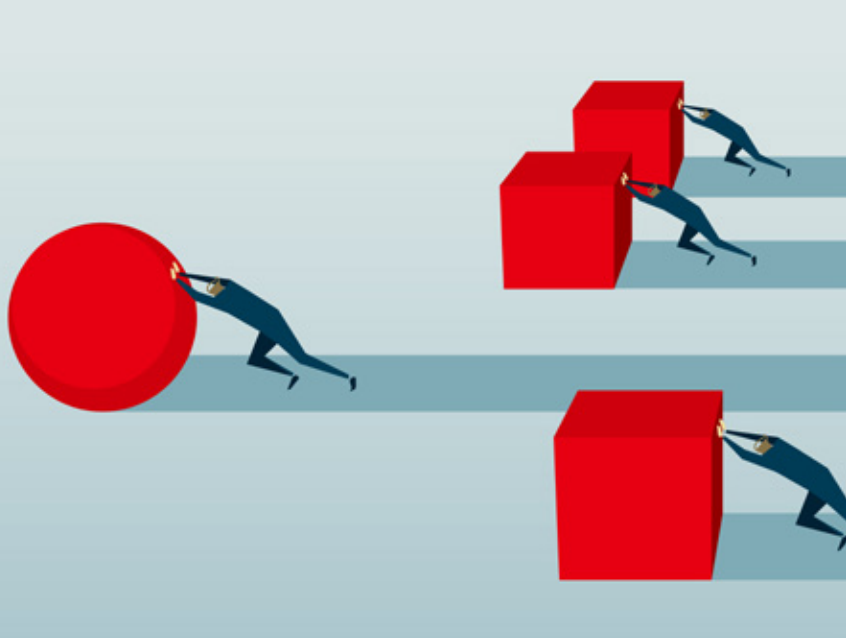
PRODUCTIVITY'S HIDDEN PRICE TAG

There is also the issue of personnel efficiency. Unless you have enough work to keep operators busy all day, they will likely have other jobs. Thus, prioritization of tasks will take management time and will require the operators 'coming up to speed' every time a machine is turned on. Since employees get sick and take vacations, backups will need to be trained. The training itself will require coordination and someone will need to monitor and manage changes in regulations, software updates and job specifications.

BIGGER IS OFTEN BETTER

If you have smaller equipment, it will take longer to get each image or mailpiece produced; generally the slower the equipment, the higher the per-unit cost. Larger equipment is more efficient but it is also much more expensive, requiring volumes and scale that aren't easily justified. Although the quality produced by smaller equipment has improved, larger, more expensive machines still produce better output.

REASON #4: QUALITY

Respected management theorist and Zero Defects guru Phil Crosby defines quality as "conformance to requirements."

This is a useful definition because it requires managers to lay out all requirements of a job before it gets started, so that the end result will match the expectations agreed upon at the outset.

SMALL ERRORS COME WITH A HIGH PRICE

In print-mail production, it's difficult to over emphasize attention to detail. For example, a job could be printed in perfectly good registration–on the right paper in the right color–but a supervisor with a keen eye might exclaim, "Wait, that job was supposed to be printed duplex, now the postage will be double!" Or last month's data could inadvertently be used, and whoever sent the file simply didn't catch it. There could also be typos or a hundred other things that push an almost-perfect job into the 'bad quality' category.

The likelihood of these errors occurring in a non-dedicated facility is much higher than in a professional print-mail company whose staff is trained to find and prevent errors. At FSSI, we reward employees with cash for finding mistakes in clients' work.

QUALITY COSTS CAN ADD UP

Sometimes quality performance requires more technology or a more complicated process. For example, is individual piece tracking and auditable results one of your requirements? If so, this must be designed into the system at the start.

Does a new compliance requirement specify that the job has to be done in an SSAE-16 certified secure facility? That kind of certification doesn't happen overnight and not every outsourcer holds it. Do your substrates have to meet special requirements? Unless someone on your staff is a paper expert, you'll have to rely on a paper salesman to educate you on the myriad of factors related to the weight, brightness, opacity and quality of today's stock.

REASON #5: TECHNOLOGY COSTS

How do you keep up with the pace of technological change? Unless you're constantly cycling equipment in and out, you may feel the sting of obsolescence soon after you buy your first new piece of equipment.

Not long ago, the USPS required all its customers who used postage meters to buy (or lease) new digital meters. This was a huge investment that required upstream changes to most mailing platforms.

INVEST, OUTSOURCE OR BOTH?

There are many other pieces of specialized equipment that go along with printing and mailing machines that must interface with the equipment you already have. Examples include specialized folders, cutters, perforators, tabbers, meters, cameras and the like.

Are you running MICR or spot color? Making booklets off the imaging equipment? Many companies that do in-house printing and mailing have found themselves outsourcing more work simply to avoid investing in new and expensive technology. Often, the peripherals they need won't fit on their existing equipment. Then, the choice is to upgrade all the equipment or outsource that portion of the job.

OUTSOURCING REDUCES COSTS, RISK

Technological change brings incredible new products. But sometimes taking advantage of those changes means upgrading equipment to which the new technology connects. Unless you're in it for the long haul, you may be better off letting an outsourcer take the investment risk.

REASON #6: BACKUP AND DISASTER RECOVERY (DR)

The risk of a disaster that could interrupt business is a subject that keeps many executives awake at night. Many highly regulated industries (financial, healthcare, insurance) require their companies to have a documented disaster plan in the event their facility becomes damaged or compromised.

This plan must cover something as simple as a long-term power outage or a flood threat, or as complicated as a catastrophic fire or a natural disaster. If the documents you send out are critical to your enterprise, or to the clients receiving them, DR is still a sound protective measure, even if it isn't required.

DO-IT-YOURSELF DR IS COSTLY

One way to satisfy this requirement is to set up a second site that has the capability to be operational on short notice. However, if an organization is bearing this expense itself, it can greatly increase the cost of the printing and mailing function. Partnering with a dedicated DR facility is also an option, but staffing and maintaining even a contracted disaster recovery plan will come at a price.

THE 10% SOLUTION

Service Bureaus (aka 'mail houses') must have a DR plan in place in order to pass certain certifications–SSAE-16, for example. FSSI has a disaster recovery facility in Dallas, Texas that runs work every day, using trained operators, with backup printers, mailing machines, servers and alternative internet connections. Some clients make it a part of their disaster plan to run 10% of their work every month in the disaster site. This tests the programs for any changes, and keeps the materials up-to-date.

There are many reasons for concern these days. Outsourcing your print and mail to a company that has a DR plan can eliminate many of them.

REASON #7: NEW FEATURES

There are always new programs being developed and new features added that Service Bureaus routinely make available to clients. Unlike many outsourcers, FSSI employs a full-time staff of developers who maintain existing client programs and continually develop new ones.

As new hardware comes on the market, new software has to interface with it, so it's an ongoing challenge that's difficult to keep up with. However, if you outsource, you can pick and choose which technology solutions you want to incorporate into your workflow, and chances are these will already be developed and tested. If you need a new subroutine or a program, a Service Bureau that has the necessary programming resources will already be familiar with your data and can develop the code or applications you need.

REASON #8: CONTROL

When companies are first deciding whether or not to outsource, the biggest obstacle is often psychological. There's an innate fear of losing control of one of the most important channels of communication the organization has with its customers.

PROVEN PROCESSES MEAN GREATER CONTROL

However, the reality is that, companies who outsource often find they have more control with their outsource provider than they had when they were doing it themselves.

How? Because the controls that are set up with an outsource service must work for many clients, and they must work all the time, for all kinds of print and mail jobs, in all circumstances.

REASON #9: POSTAGE SAVINGS

Unless you send out huge volumes of mail on a daily basis, you are likely paying more postage fees than you would if you had a big mailer to process your mail. Large mailers can usually offer multiple options to ensure you pay the lowest possible postal rates. At FSSI, we use USPS-Compliant postal software to increase the number of addresses that are deliverable, then sort the mail during the insertion process and prepare it for direct entry into the USPS. For nationwide mailings, we offer co-mingling services to ensure discounted rates, and we can provide a combination of direct sortation and co-mingle services.

UP-TO-DATE ADDRESSES MEAN GREATER SAVINGS AND FASTER DELIVERY

In order to use the lowest postage rates, mailers are required to update their customers' addresses with change of address (COA) notifications at the USPS every 95 days. This move update requirement ensures addressees receive their mail on a timely basis to the address they've requested to the USPS. Address correction services compare your address records to the addresses on file with the USPS. If there are discrepancies, the address in your print file can be replaced with the USPS update, or the update can be reported to you to update your database. FSSI offers several different services to assist you with Move Updates, including NCOALink, Address Correction Services and Return Services Requested.

POSTAL BARCODES AND MAIL TRACKING

An Intelligent Mail Barcode, or IMb®, is also required for discounted rates. The IMb® allows tracking of mail pieces through the postal system and provides a much higher level of reporting for the USPS. Since the IMb® includes your Mailer ID, it also enables the USPS to comply with Move Update requirements. Organizations like FSSI can help you determine the best Move Update solution and then track both your outgoing and incoming mail.

Since postage is by far the biggest expense in the print-mail equation, it's important to make sure you're taking advantage of discounted postage rates as well as the other services offered by the USPS. By updating your mail with the latest changes of address, your customers will receive their mail faster. With IMb® mail tracking, you will know with confidence that your customers received their mail, and you can even receive reports when your customers mail their payments.

REASON #10: ACCOUNTING/REPORTING

Accurate reporting can answer many important management questions. When did print jobs go out? For that matter, when were they run? How big was the file? Who approved it? These questions and others are at the heart of good reporting.

Many companies have long waiting lists in their IT departments for seemingly simple requests (such as the above mentioned reports) that would, if addressed, save considerable amounts of time and money. Too often, however, IT's response is some version of "please take a number and wait your turn.

REAL-TIME COST DATA

Most corporate workflow structures aren't built with internal clients' needs in mind, so getting timely and accurate print and mail production data will, at the very least, involve interrupting the person who tracks it.

FSSI has placed a huge emphasis on transparency, which involves making all pertinent job information available in real time to those authorized to see it. Our individual piece tracking takes that one step further and enables clients to track their jobs – down to the piece level – with details such as where a specific piece of mail is in our facility or in the distribution system. We can guarantee, with auditable proof, that 100% of a job has been completed.

REBILLING SUB-ACCOUNTS

Do you need to rebill sub-accounts for the proportion of work they do? This requirement can be built into the job during the setup phase. Does postage need to be reallocated throughout your organization? This can be done in real time as the job goes through the building. Do you need to order new paper stock or envelopes? All the information is available online.

A good outsourcing partner will customize the accounting and reporting to fit your needs. It's good to remember that accounting departments are made up of people who know the value of time, so frustrate them at your own peril.

SUMMARY OF OUTSOURCING BENEFITS

Cost Savings — **1** Manage costs by retaining a print-mail provider that spreads its resources out over many clients

Space Savings — **2** Gain control over the space in your facility

Greater Efficiency — **3** Stick to your core competency and let those who print and mail for a living exercise their expertise on your behalf

Enhanced Quality — **4** Enhanced output reflects favorably on the quality for which your company is known

Cost Avoidance — **5** Don't buy technology that will be outmoded soon; instead, let someone else make that investment

6 Use outsourcing services as part of your own disaster recovery plan

Reliable Backup — **7**

Ongoing Innovation — **8** Stay up on new features by letting your outsource provider be your source of print and mail innovation

Improved Control — **9** An outsourcer's proven, repeatable processes can give you greater production control than you have at your own facility

Optimal Discounts — **10** Take full advantage of all available postal savings

Strategic Insights — Get the exact production and compliance reports you want

CONCLUSION

This ends our Special Report on outsourcing print-mail production. We trust that it has helped inform and guide your decision-making process. If you've found this resource helpful or still have questions, please let us know. If you want to add insight or opinion on the subject, please call or share them using the contact information below. To learn more about FSSI and its 30+ years of outsourcing experience, visit us online at fssi-ca.com.

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