

The Value to Printers of Mailing and Fulfillment Services

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“Diversifying with Mailing & Fulfillment Services: Unlocking Hidden Profit Potential”

By Pete Basiliere

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Many printers are considering adding mailing and fulfillment to the services they offer their customers. From an analog workflow perspective, these two services seem to have little to do with one another, since most fulfillment orders are distributed via classic courier services such as UPS, FedEx, DHL or Priority Mail. But as digital workflow — specifically, variable data printing — becomes increasingly mainstream for printers, these two services are becoming inextricably intertwined.

Whether printers make the leap into one or both of these services or simply want to more effectively outsource these services on behalf of their clients, “Diversifying with Mailing & Fulfillment Services: Unlocking Hidden Profit Potential” by Pete Basiliere is certainly a worthy addition to any printer’s strategic planning library. Likewise publishers, corporate marketing coordinators and print buyers who simply want a broader perspective so that they can more effectively “buy” and manage their vendors will find this book a quick read and a good reference source.

Mailing Services

For printers who are considering offering mailing and fulfillment services, it is essential to understand the basics of doing business with the United States Postal Service. Basiliere’s treatise does a good job describing the USPS’s mail classes and the levels of presorting mail piece design criteria according to the “Domestic Mail Manual” (DMM); the variety of mail production equipment available; various software considerations to keep in mind; database and mailing list sources; and ordering procedures.

To distinguish themselves from their

competition, leading mailing service vendors offer all five steps in the mail program development cycle and try to develop distinctive competencies in each:

- Become involved in the planning process as soon as the customer decides to produce a campaign.
- Be a technical consultant for the mail piece design to ensure effectiveness of purpose and compliance with DMM guidelines.
- Maintain a database of mailing list vendors to help the client acquire new prospect names, as well as ensure “hygiene” and compliance of the entire sorted list.
- Develop production expertise, as one or several connected processes might have varying degrees of automation potential.
- Delivery efficiency and effectiveness might include the USPS’s “Confirm” service, as well as followup to concerns expressed by “MERLIN” (Mail Evaluation Readability Lookup Instrument) inspections.

Basiliere’s book lists reputable industry suppliers for envelopes, inkjet, postage meters, specialty feeders, specialty inserters, strapping and packing equipment, and tray tags. An entry-level investment configuration that includes postal software, addressing equipment, an inserter and a folder/tabber/strapper could end up costing from \$50,000 to \$150,000, depending on whether the equipment is new or used and the level of sophistication required.

In describing the classes of mail — first-class, express, priority, standard, periodicals and package services — the book lists the various USPS publications that define the specifications for regulating each. The book also describes the four postage payment methods (metered postage, permit imprint, precancelled stamps and PC postage), along with the specific applications that might be most appropriate. And it discusses in detail the three means and levels of maximizing

postal discounts: presorting, drop shipping and co-mingling. For example, the USPS has the following eight sort classifications: three-digit common ZIP code, five-digit common ZIP code, AADC (Automated Area Distribution Center), mixed AADC, carrier route, basic carrier route, high density and saturation.

Standard mail drop shipping can result in various distribution discounts, depending on how close the drop is made to the ultimate recipient: the mailer’s local post office, the local Section Center Facility (SCF), the destination Bulk Mail Center (BMC), the destination Auxiliary Service Facility (AXF), the destination SCF and the destination post office.

In his book, Basiliere describes tracking and confirmation via the Postal Service’s Confirm service as a relatively inexpensive Internet means of asserting delivery date expectations for larger-volume projects or ongoing mail needs. This has proved effective in tracking financial transactions (“check’s in the mail”), as well as in coordinating the timing of multimedia projects. For example, direct-mail postcards should arrive at the prospect’s address no more than 36 hours before the reinforcing e-mail blast goes out.

The 18 proven mail piece design tips offered in the book could be invaluable to avoiding production problems, mail regulation noncompliance or unexpected higher classification rates. Inserting capability will be critical to the flexibility and efficiency every mailer wants to offer. The discussion of mail production equipment includes sections on basic inserter designs, short-run inserting equipment, intelligent inserting, desirable features to be considered for all inserters and the automated document facility (ADF) concept.

A startup operation has to make a decision regarding four inserter features:

- how many insert stations, with most manufacturers making either four or six station modules;
- whether or not to handle continuous forms;
- whether to meter inline and, if so, how many meters are essential if the job contains pieces of varying weights and, therefore, postage due; and finally,
- the size of the take-away conveyor, which might affect the ultimate speed of the overall system.

Security is covered briefly in the book, but could well be a full chapter or even a book unto itself in the near future. Protecting a customer's financial information is critical for every transactional printer/mailer. Additionally, Health Insurance Portability and Accountability Act (HIPAA) regulations are increasingly uncompromising when it comes to personal medical records and health information. These concerns and the resulting systems and procedures could affect fulfillment as well as mailing operations.

A human resources section appropriately addresses the skills required for critical positions and details a thorough employee training program borrowed from Gunther International. Although job descriptions are not provided, these will be essential and can be purchased from the Mailing & Fulfillment Service Association (mfsanet.org).

The Value of Data-Processing Services

For the small- to medium-size printer entering the mailing services arena, data processing is a distinct service that has relatively low investment but high perceived value to small to medium corporate clients. Many moderately priced software packages are available to perform nearly a dozen different data manipulation and cleansing tasks. For example, after the list has been run through the software program to correct addresses for either street misspellings or to insert new moved-to addresses and eliminate duplicate names/addresses (called "deduping"), a report can be generated showing a "potential" mailing list error. This report also quantifies the postage savings accrued by following the discipline offered by these tasks if performed repetitively for each periodic mailing.

Fulfillment Services

The National Association for Printing Leadership (NAPL), through its Chief Economist Andrew Paporozzi and his staff, has documented the changes and opportunities in fulfillment services for the general commercial printing industry. This was accomplished by the first extensive industrywide printing survey conducted in 2004 and then repeated in 2005. Reports about these surveys of practices and activities can be purchased directly from

NAPL, but the book does a good job of encapsulating the trends of the various, and often dynamic, issues.

Planning for warehouse space can cause wrinkles on the brows of many newcomers to fulfillment services. Unfortunately, the book comes up short in dealing with this issue. It includes the square footage results of the two industrywide surveys, as well as an excellent survey conducted in conjunction with the Mailing and Fulfillment Service Association (MFSA) in preparation for last April's first joint Fulfillment Conference, organized by MFSA and NAPL. The new guys on the block might be a little overwhelmed by the amount of space the printers and mailing/fulfillment specialists who participated in the survey occupy. Newcomers rarely need this much space to start.

The reality is that virtually all of the survey participants had been offering fulfillment services for quite some time and were therefore considered to be "mature vendors." Similarly, the average annual sales size of the survey exceeded \$25 million for printers and \$5 million for mailing/fulfillment specialists. Both of these figures show that the largest practitioners supported the survey. Evidence is clear that much smaller vendors can be successful and profitable offering these services without investing in the 36,000-69,000-plus square feet indicated. A tenth of that range should be more than enough initially. Acknowledging dynamic space needs are a given.

The Vendor Managed Inventory (VMI) supply-chain trend is a double-edged sword. It increases the risk to the supplier, who now owns the stock, but should lead to a tighter contract. Successful VMI arrangements result from the supplier being knowledgeable about the customer's product planning and scheduling.

The sales process is becoming increasingly visual. Stated another way, it is not enough for the salesperson to describe what the fulfillment warehouse management system will do; the prospect must be shown the complete functionality on a laptop. For example, your software should be so flexible and so easily templated that you can prepare a demo Web site "that illustrates your understanding of the fulfillment process." At least one page of the Web site should be dedicated to item selection, order entry/shopping cart, internal order

processing, customization (if applicable), kitting, pick and pack, shipment tracking, handling returns and reports.

The key to profitable costing and pricing of fulfillment services is to use a classical industrial engineering workflow diagram that illustrates the various steps in the process.

Selective outsourcing might be appropriate when the vendor partner is more experienced with comprehensive and specialized offerings, such as a call center or rebate redemption. However, be sure that your contract does not limit their liability, leaving you exposed. Also, stipulate the period of time during and after the performance of services that the partner should not solicit your customer(s).

Specific Web sites are listed for nearly 90 publications, associations, specialty hardware and software vendors and sources of expendable supplies.

The appendix contains three valuable reference tools:

- Mailing Trade Customs developed and updated by the Mailing and Fulfillment Service Association. An electronic version can also be downloaded from mfsanet.org.
- Graphic illustrations and discussion of envelope styles borrowed with permission from the Worcester Envelop Company (worcester-envelope.com/resources_envelope_basics.asp).
- Acronyms are a way of life with this federal government agency. All print sales personnel should become fluent with the mailing terms in the Glossary as they strive to serve as the "door opener" for expansion of sales from existing print clients, as well as needs assessments for other full service graphic communications buyers.

Conclusion

Few books are available for printers who want to delve into mailing or fulfillment services. Pete Basiliere's book can serve as both a good treatise for a printer putting together a business plan to expand into these services or for a printer who has well-established mailing and information fulfillment services. In the latter case, the book can be a good training checklist for employees who aspire to move up in the organization. **TSR**