

Top 10 Ways to Save on Outsourced Print and Mail

Most of the mail in the United States is not processed in local offices, but instead sent to outsourced print and mail services who have the proper equipment, staff, and expertise to do it efficiently. The issue is that this is one of the least understood categories, with the lowest level of visibility and the highest opportunity to overspend. When we analyze what organizations are paying for these services, we find huge discrepancies in the rates paid, the level of detail provided on invoices, as well as a lack of knowledge to the scope of the services being provided. This category can be in the hundreds of thousands to millions in annual spend and because of these issues, can have significant savings opportunities.

There are three main reasons to look at this spend now:

1. On August 29, 2021, the USPS® had their largest increase in the last 15 years increasing production postage classes by 8%. They stated they will be having 2 increases annually and they could be at similar levels since their rates are tied to inflation rates.
2. The USPS® put new slower service standards in place. Companies will need to pay more attention to the distance mail will be travelling which will dramatically impact delivery times.
3. This is one of the most overlooked areas with high spend levels. By managing the category proactively, there could be large savings opportunities.

We are going to focus on the top 10 ways to reduce costs in this area. The list is broken down in the order required to maximize your savings and control.

1. Gain visibility

Most organizations that we work with had limited to no visibility to what service providers they were using, the cost of the projects they were outsourcing, and the breakout detail which was driving their rates. The reason is that the spend is typically fragmented with different groups creating projects that will typically not communicate together. Some of the most common we see include:

- Accounts Receivable - Statement and transaction print documents
- Marketing - Advertising based projects
- Customer Service/Operations - Customer service information announcements
- Human Resources - Internal staff mailings

This visibility is made more difficult when there are multiple locations and lines of business, all working with different outsourced providers. We recommend having one person or group take responsibility for managing this category holistically to have the understanding and data to create the leverage for change.



The level of visibility is difficult to manage because each vendor invoice has different degrees of detail. We have seen bills for large sums with a single line charge, while others break out every service area into multiple sub-groups that may be difficult to understand. You will find incredible variations in the rates charged from one job or service provider to another.

The key to reducing costs is to develop a standard process to build this visibility, to better understand your mailings and fees. We developed a system to categorize every charge into one of the mailing categories listed below. With this, you can now compare cost of services, providers, and the impact of changes.

Mailing Categories	Description	Cost High to Low 1-5 (5 being the highest)
Material	Paper, envelopes, Pre-printed stock.	3
Data Processing	The cost to receive data files and turn it into its final version.	2
Mail Automation	Processing the mail list through postal software to meet the USPS® requirements.	2
Printing	Putting images onto paper	4
Mail Preparation	Folding, Inserting, tabbing, inkjetting addresses, hand processing into final form.	4
Postage	USPS® costs to mail the item. This also includes Presort services.	5
Email	The cost to divert the document to be emailed vs. printed.	2
Transportation	Moving mail to the USPS® or closer to its final destination to reduce postage costs.	1
Data Storage	Image creation, storage and retrieval typically for backup or to have e-presentation.	3
Miscellaneous	Other charges based on the specifics of your project.	1

2. Audit invoices

It is essential to understand the current contracts in place with your vendors, not only the rates that should be charged, but also the other items that can make a big difference in the total costs.

Examples include:

- Rebates
- Minimum quantity commitments
- Tiered pricing levels
- Quality and turnaround time guarantees

Each invoice needs to be compared to the terms in the agreement to validate that you are being billed correctly and you are maximizing the spend. Most organizations are not managing the granularity of the contracts and invoices to be able to find these overcharges which can be at significant levels.



3. Benchmark Services

Many organizations will use multiple outsource mail providers because they are contracting directly with different facets of the business as discussed above. It is a best practice to compare the rates and services of these organizations.

4. Consolidate spends

The more volume you can give to the fewest providers gives the best opportunities to reduce costs. As you can see in the chart below, mail volumes are continually shrinking and went down dramatically with Covid-19. This means that the outsource industry is hungry for new work. There is a better opportunity for rate concessions with higher consolidated spends.

Year	First Class® Mail - Single Piece	% Change	First Class® Mail Presort	% Change	Marketing Mail	% Change	Total	% Change
2021	13,895,163	-9.2%	35,621,927	-1.8%	66,236,440	3.1%	115,753,530	0.1%
2020	15,172,441	-8.8%	36,246,494	-2.4%	64,180,125	-17.9%	115,599,060	-11.9%
2019	16,511,298	-5.7%	37,130,541	-1.9%	75,690,047	-2.1%	129,331,886	-2.5%
2018	17,460,477	-6.4%	37,833,487	-2.5%	77,305,661	-1.4%	132,599,625	-2.4%
2017	18,582,618	-6.0%	38,795,454	-3.0%	78,369,843	-3.3%	135,747,915	-3.6%
2016	19,705,721	-5.3%	39,943,145	-0.6%	80,929,933	1.0%	140,578,799	-0.3%
2015	20,741,368	-3.8%	40,174,244	0.0%	80,090,273	-0.4%	141,005,885	-0.8%
2014	21,524,319	-4.5%	40,193,317	-2.4%	80,374,260	-0.7%	142,091,896	-1.8%
2013	22,501,509	-6.3%	41,144,184	-3.4%	80,962,678	1.4%	144,608,371	-1.1%
2012	23,913,510	-8.9%	42,524,039	-4.6%	79,801,009	-6.1%	146,238,558	-6.1%
2011	26,035,071	-9.8%	44,494,498	-3.9%	84,691,971	2.6%	155,221,540	-1.4%
2010	28,584,912	-10.8%	46,225,386	-3.7%	82,524,693	-0.2%	157,334,991	-3.2%
2009	31,682,890	-11.6%	47,933,717	-8.3%	82,706,211	-19.8%	162,322,818	-14.8%
2008	35,355,570	-9.1%	51,935,871	3.8%	99,084,155	-4.5%	186,375,596	-3.1%
2007	38,565,956		49,978,441		103,516,112		192,060,509	

Piece Data in Thousands

From USPS REVENUE, PIECES, AND WEIGHT BY CLASSES OF MAIL AND SPECIAL SERVICES Reporting

5. Optimize Insource/Outsource Decisions

In most organization, mail is a mix of work done in-house and through outsourcers. Oftentimes it is based on the adage “we have always done it this way”. Most large jobs will end up being less expensive to do outside due to the economies of scale. There could be smaller more complex jobs that are being outsourced that would make more sense to do in-house as well. There are new digital print drivers that can help organizations control where they print, moving specific mail to internal production facilities and others to outsource providers.

6. Run an RFP Comparing Services

With the data we have gained from the visibility step, you will see drastic rate variances between providers, and it is a best-in-class practice to do a request for proposal (RFP). When creating the



RFP, it is important to control the template so you can easily compare services. It is equally essential to know all the fee structures to your current projects to make sure they are represented. The biggest issue companies have is they focus on the cost to mail the one-page document and do not look at the other items we mentioned above that could have a significantly larger impact on the total cost. It is also valuable to be able have sections where each provider can discuss their visibility and support models as well as provide references.

7. Print Closer to the End User

If you mail locally, you will get faster delivery times if the service provider is in your area vs. needing to send across country. On the other side, if your customers are nationwide, you may want to look for providers with multiple mailing locations that can split projects to be closer to the customer. If you are going to mail from one location, is the service provider in the center of the country or near a USPS hub to provide better service levels? Finally, what is the cost of labor in your area? If you are in a high cost of living region, it may make sense to look at providers in less expensive parts of the country who can have offer lower pricing.

8. Expand Use to Other Areas

What added value services will you need? Examples include creative, transportation, web presentment, storage of stock, or on-demand mailing services with online portals.

9. Manage your Own Agreements

Outsource mail providers will want to bundle all your services, but if you have a large enough spend, specific areas may make sense for you to control on your own to maximize your discounts.

Examples include:

- Presort Services and International Remailers – Many of our clients have their own direct relationships with these services vs. having the outsource provider mark up their own agreements on your bill.
- Marketing Consolidators – There are companies that want to control the creative and the production of the mailings and they work with their own outsource mail providers. Clients like it because they get to hand off all the work. The big issue is are you getting the best rates on the mailing side? Often mail services are being marked up with little visibility to the true cost. It is best in class to see what these rates would be if you managed the print and mail vendors directly and have the marketing agencies focus on the creative only.

10. Set Up Continual Review Processes

The key to save money in this category is to create processes of continual review. This means having the data in a format where it can be evaluated and measured. Invoices need to be audited and review meetings with key providers need to happen quarterly or annually.

Conclusion

The best part of this category is that it is one of the largest untapped areas to find savings. Very few organizations have proactive controls with any consistent visibility. The industry is seeing downward



mail volumes and needs to fight for every piece of mail giving the client leverage in future negotiations. Finally, there is no published rates available with services bundled making it difficult to compare. With the postage increases and service standard reductions, this is the best time to try to optimize your spends.

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