

# Choosing the Right Mail Model: INSOURCING VS. OUTSOURCING

## Should I insource or outsource my mailing operations?

This is a key question for organizations that rely on mail for a large part of their communications and customer relations.

A number of factors can impact this decision, such as costs and the ability to keep customer data secure throughout the mailing process. In addition to deciding between insourcing and outsourcing, there may be times when a blend of both models is the best approach.

Pitney Bowes has put together this resource that explores the pros and cons of handling mailings in-house versus outsourcing them. It will help mailers decide which model is the best option, as well as when they should consider a blended approach

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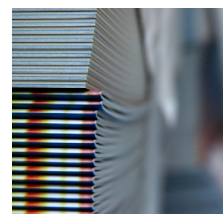
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# 1.0 Cost Considerations: WHICH MODEL IS MORE COST EFFECTIVE?

When it comes to choosing between insourcing and outsourcing mailing services, one of the biggest considerations is cost. The full cost of a mailing can go way beyond postage and often includes a number of hidden expenses. For example, a typical bulk mailing may include the costs of:

- Paper
- Envelopes
- Inserts (e.g. reply envelopes or ads)
- Postage
- Printing
- Labor (if processing is not automated)
- Equipment maintenance and agreements (if processing is automated)
- Returned or delayed mail
- Space to prepare mailings
- Travel expenses and mileage (e.g. transporting mail to the post office or mail preparation facility)

When handling mail preparation in-house, organizations need to account for all of these expenses and ensure that they have the space and staff to efficiently manage mailings. Plus, they must maintain separate contracts with equipment manufacturers and suppliers, which can lead to increased expenses and administration.

If an organization outsources its mail preparation, it will receive a single quote that covers every aspect of the mailing. However, since fulfillment houses need to mark up the entire mail process, the cost of outsourcing may be more expensive than doing it in-house.

In addition to these considerations, there are several other factors that can impact the cost of mailings:

## 1.1 POSTAGE

To determine which model will provide lower postage costs, an organization should calculate its in-house postage expenses and then compare them against what an outsourcing provider can offer. Fulfillment houses may provide bundling or volume discounts, but they may also charge a higher post rate. This higher rate can negate the savings of a volume discount, so organizations should consider the pros and cons of each option.

### A Note for Nonprofits

If a nonprofit outsources its mail preparation, it may pay higher postage fees than if it prepared its mail in-house. This is because outsourced mail providers usually cannot offer nonprofit rates, as they do not drop from the same post office where the nonprofit has its permit. In order to receive the lower nonprofit prices, nonprofit organizations must ensure their Standard mailings are processed using their own nonprofit permit, and the mailings are deposited at their licensing post office.



## 1.2 LABOR

Manual labor typically accounts for 10-15% of the cost of a finished mailer. In a regulated industry, this amount can be as high as 20-30% if mailers are taking the proper steps to ensure that mailings meet security and privacy regulations.

If an organization invests employee time to prepare mailings in-house, it may consider outsourcing its mailings and assigning these employees to tasks that achieve critical business results. For example, if a group of employees spend 16 hours each month folding materials for mailings, ask if their time would be better spent getting product out the door

## 1.3 AUTOMATION

When it comes to automation, an organization should consider the following factors:

- Space
- Automation equipment and software (including leases and licenses)
- Maintenance agreements

Although many automation programs call for an investment in these areas, the efficiency and cost savings potentials of automation can far outweigh the upfront costs. Automation not only helps mailers reduce postage expenditures through automation discounts, but also eliminates some of the steps at the post office, which can help to reduce processing times and ensure timely delivery.

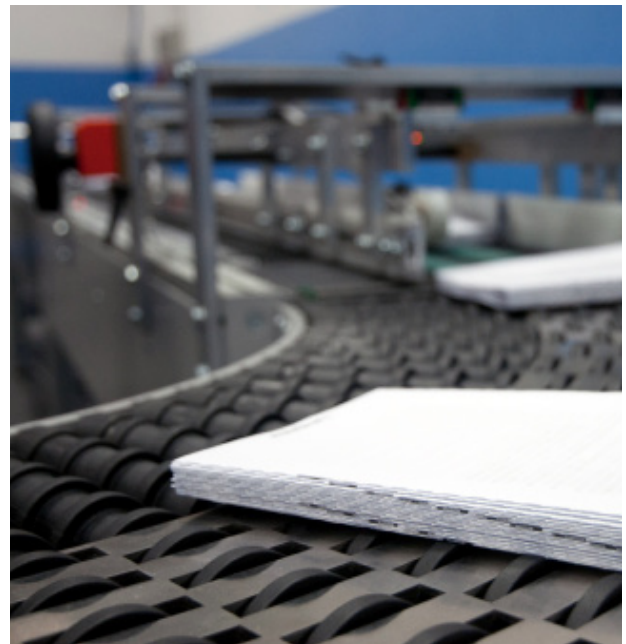
## 1.4 MATERIALS

Materials, such as high-quality paper and envelopes, can greatly impact the cost of a mailing. If an organization prints its mailings in-house, it must often purchase

more supplies than it needs in order to meet a printer's minimum requirements. This can result in wasted money and materials. In addition, the organization must account for hidden costs, such as printer maintenance.

When an organization outsources its mail preparation, it can take advantage of the provider's volume discounts on supplies. In addition, the organization will put less wear-and-tear on in-house equipment and can save on maintenance and contracts. However, a provider's hidden fees can drive up the costs of a project and negate some of these savings.

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# 2.0 The Top 3 Things to Know BEFORE OUTSOURCING MAIL HANDLING

While cost will play a big part in the decision on whether or not to outsource mail preparation, there are a number of other factors that must be considered:

## 2.1 PRIVACY AND SECURITY

Organizations that outsource their mail handling can face a number of privacy and security risks, including mishandling, data theft and the loss of sensitive information. Here are two key factors to consider when it comes to minimizing risks and keeping outsourced mail safe:

**1. List integrity.** Organizations that outsource mailings must gain visibility into their fulfillment houses' practices to ensure that no one is abusing their lists. Disreputable providers may steal mailing lists and sell them to their clients' competitors or other mailers.

For example, if a fulfillment house sells a charity's list of significant donors, the donors may receive unwanted solicitations or competitive mailings. If the donors trace it back to the charity, the charity – not the mailing house – can face brand damage, a PR crisis and the loss of their donors' trust. An organization can minimize risks in this area by asking its outsourcing company to sign a confidentiality agreement.

**2. Data Security.** Many organizations lack visibility into their outsourced providers' processes and whether or not their regulated data is being protected. An organization with regulated mailings should look for a compliant fulfillment house.

Although not every mailing is regulated,

organizations may still have concerns about the security of their mailings. For example, a cable company may want to ensure that someone who works at the fulfillment house doesn't see their neighbor's cable bill. An outsourced provider should put quality assurance measures in place to ensure that sensitive data doesn't fall into the wrong hands.



## 2.2 COMPLIANCE

A number of privacy and security regulations can affect mailing operations. These regulations are designed to keep consumer data safe and protect the public from corporate fraud. If an outsourced service provider fails to comply with these regulations, the mailer could face a number of risks that range from losing customer data to heavy fines and brand damage.

The best way to reduce compliance risks when outsourcing mail handling is to ensure that the fulfillment house maintains industry standard certifications, such as Statement on Auditing Standards and International Organization for Standardization. Although quotations from companies with these certifications are typically higher than quotes from non-certified fulfillment houses, mailings handled by certified providers will meet the highest quality and security standards.

### 2.3 ACCURACY, TRACKING AND VISIBILITY

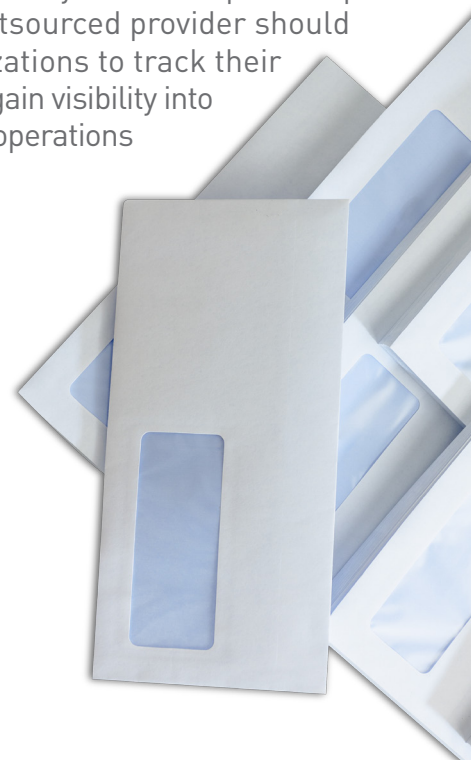
Many organizations – whether they outsource their mailings or handle them in-house – lack visibility into their mailing operations. This lack of insight, audit trails and visibility can lead to a number of risks such as falling out of compliance and overspending on mailings. If an organization outsources their mailing operations, they should consider the following:

- Integrity. An organization must trust that its provider will do what they promise and meet all quality and security standards.
- List quality and accuracy. USPS gives discounts to mailers who use automation, but a cleansed list is needed to take advantage of these savings. This means mailers must run a move update within 180 days of each mailing. However, many outsourced providers do not report back on the results of mailings, which gives organizations

no visibility into their lists. This causes mailers to lose control of their list quality and accuracy, which can lead to increased costs and less effective mailings. If an organization wants to outsource its mailings, it must ask the provider to send back address correction data so it can maintain an up-to-date list.

- Tracking. Outsourced mailings do not have tracking capabilities, as most fulfillment houses do not have tracing technology. This means that sensitive customer information may disappear into a black hole where it cannot be tracked. It is also worth noting that outsourced mail may be co-mingled to optimize production queues or postal discounts – which can compromise the quality and security of a mail run.

The more an organization knows about where its mail is going and when it arrives, the more efficient the overall process will become, since the organization can plan for timely delivery and anticipate response needs. An outsourced provider should allow organizations to track their mailers and gain visibility into their mailing operations



# 3.0 Beyond Cost: WHEN THE BEST OPTION IS TO COMBINE INSOURCING WITH OUTSOURCING

The decision on whether to insource or outsource mailing operations is not always black and white. There may be times when an organization finds it more efficient and cost-effective to perform some mailing operations in-house and outsource the rest. Here are some examples:

## 3.1 SPECIALIZED MAILINGS

An organization may decide to perform its day-to-day mail runs in house and outsource more complex or specialty runs (i.e. envelopes with non-standard sizes, custom mail pieces and mailers that require special assembly, such as booklets).

Generally standard outlying variables for individual mailings: say set up for 5000 a month standard, 2x a year they do 50 k so send that out.

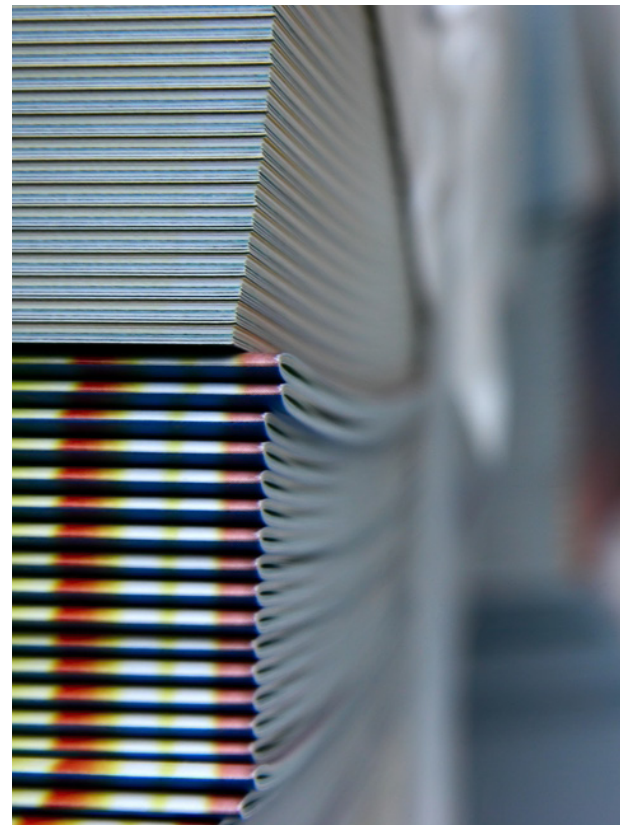
## 3.2 OUTSOURCING PARTS OF A MAILING

Getting a mail piece out the door involves many tasks, such as assembly, address cleansing and list management. An organization may have the resources to handle some of these tasks in-house in a more cost-effective manner than if it outsourced them. An organization can take advantage of the best of both worlds by doing what it can in-house and outsourcing the rest. Mail houses can handle specific components, such as:

- Printing and induction
- Assembly
- Mailing the printed materials

These options give organizations more control over their mailings and how much they spend.

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## 4.0 Going Forward

Whether an organization decides to in-source its mail handling, outsource it to a third party or do a combination of both, it will want to revisit this decision on a regular basis. For example, outsourcing may be the best option for smaller businesses that do not have enough resources to handle everything in-house. However, as the business grows, it may decide to bring its mailing operations back in-house.

An organization should also perform a periodic cost analysis. As a rule of thumb,

if the costs are roughly the same, the organization should outsource its mailings. The organization may want to bring its mailing operations back in-house if doing so would lead to a cost savings of at least 10%.

Even if an organization's mailing volume remains the same over time, new technology can make it easier and more affordable to automate internal mail processes. New equipment is also easier to run, and the relative cost per item is lower.

## 5.0 Talk to Pitney Bowes

There are many pros and cons to both insourcing and outsourcing your mail handling. However, taking these into consideration – along with using the right best practices, processes, technology and services – can help you achieve cost savings and run more efficient mailing operations. Plus, no matter which model you choose, Pitney Bowes can help.



If you have any questions or would like to learn more about the best model for your organization, don't hesitate to contact us at [www.pb.com/contact-us](http://www.pb.com/contact-us)