

Co-mailing: How Mailing Smarter Can Help Companies Improve Profitability.

WHITE



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PAPER

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Introduction:

Like almost everyone else these days, publishers, advertisers, and catalogue companies are interested in finding new ways to reduce their costs. With increasing postage rates in many countries, there is simply a greater sense of urgency when it comes to finding ways to reduce expenses. Here it is important to note that there is a sure-fire strategy for lowering mailing costs that many publishers and now cataloguers as well, are already employing: co-mailing.

The fact is that there has probably never been a more compelling time for magazine and catalogue publishers to consider co-mailing. In the U.S., for instance, in July of 2007 the United States Postal Service dramatically increased the benefits of co-mailing by providing discounts for publications that are bundled in such a way that they are pre-sorted for a deeper and more efficient entry into the postal distribution process.

By combining various publications such as magazines or catalogues for postal distribution, one can maximize the bundle counts and in turn, realize postal savings through discounts applied to such carrier route bundle preparation. With a proven return on investment, co-mailing has become the latest trend in the international printing industry and is therefore much more than just a buzzword.

Industry trade magazines are currently filled with articles outlining the benefits which establish the need for this service. While major printers may have been doing this for their larger publishers for many years, the smaller, lower volume publishers are often left out of the opportunity due to lower saturation/distribution potential. However, due to recent changes in postal rules, it may be easier to qualify for discounts on even smaller volumes. This increased opportunity for postal discounts and resulting savings now available to even smaller publishers, has created interest among publishers and printers, regardless of their size, as the savings can be rather substantial.

Regretfully, the tremendous growth has caught many publishers, printers, print finishers, and mailers completely unprepared. They are in jeopardy of losing valuable clients by not being able to offer the postal savings realised through co-mailing in additional rebates or discounts, and are continuing to pay and absorb the higher postal rates that continue to erode their already shrinking profit margins.



Co-mailing: A brief introduction

So, what exactly is co-mailing and where do the savings come from?

Co-mailing is a process whereby third party enterprises (usually printers, print finishers, or mailers) combine mail lists of many publications to create the most efficient postal distribution by maximizing the number of publications in the distribution bundles and therefore gain deeper penetration into the postal distribution process. Co-mailing enables more pieces in the bundle to be delivered, sorted down to the carrier route, optimising the efficiency of his delivery route – saving time and resources.

Co-mailing involves taking two or more publications (magazine or catalogue titles or versions) and combining their mailings in order to realize additional volume-based postage discounts. Most experts feel that co-mailing offers the best way to save money on postage – often the biggest cost in producing their publication. The basic objective is to mix shorter-run [lower-circulation] publications with longer-run [higher-circulation] publications to create the larger bundles and in turn be able to qualify for the maximum amount of postal discounts.

Co-mailing can be of particular benefit to publishers who do not have the volume on their own to create qualifying bundles or carrier-route packages. The process can allow publishers with relatively small volumes to share the discounts and savings offered by the new postal rate structure with other co-mail pool participants.

Since overall savings from co-mailing varies depending on circulation volume, publishers and cataloguers should explore co-mailing options with their printer or mailer to find out how they could qualify and what the potential savings are.

Why do postal services offer co-mailing?

The answer is quite simple: As a result of the cost studies that they perform, postal services are fully aware that it takes more time and labour to add one or two magazines to a distribution route, versus several magazines (or catalogues) that are already pre-sorted in a bundle of combined titles already in delivery sequence. Titles which volumes are too low to qualify for presorted bundle rates will face the steepest postage bill due to the manual labour required to sort and combine the low-volume scattered distribution with other material being mailed. And, regrettably, it does not make economic justification to automate for such low saturation and on such a broad delivery scale.

Perhaps because they are not aware of it, many companies have not yet considered co-mailing as a cost savings alternative. Or, perhaps some are not yet participating due to fear of the complex



process. But for many publishers, co-mailing has been rather seamless and painless. As long as postal service providers are getting the bundles prepared correctly, it is certainly in their best interest for everyone to participate. Companies, in turn, are going to mail more if they receive the attractive discounts they are seeking.

Recent activities and reports indicate that more and more publishers are jumping on the bandwagon. According to industry experts, co-mailing offers one of the last opportunities for companies to save significantly, and is good for the industry as a whole. In fact, for many clever publishing companies, the service has developed into a prerequisite in dealing with printers.

What are the main benefits of co-mailing?

In short, co-mail offers economies of scale. Co-mailing simply provides savings by combining mail lists and improving sortation characteristics in the postal stream for greater efficiencies during distribution and delivery. Co-mailing can refine the delivery sortation characteristics of the total mailing (combined publications) down to the carrier route level, which reduces transportation and labour costs associated with standard sortation methods and the number of times mail pieces that are handled within the distribution process. Sorted bundles can often bypass the normal sortation and distribution steps, for even more savings.

An additional benefit of co-mailing can be improved quality of the publication at time of delivery to the recipient; i.e. the printed material simply arrives in mailboxes in better condition due to being handled or processed fewer times than if the title were not co-mailed.

Especially for smaller companies, the savings from postal discounts can have a noticeable impact on their financial results. This makes co-mailing one of the last real frontiers in postage savings for publishers that directly impacts bottom line profitability.

Co-mailing is based on partnership

Publishers need to understand that most often the co-mail process is a partnership – not just between the publisher and the co-mailer, but among all of the participants in the co-mailing pool. Each publication in a given co-mail pool can impact the others in that co-mail pool. For example, if a





publisher agrees to be in a co-mail pool but does not provide the materials and data on schedule, the entire pool can be affected by higher postage rates and missed delivery dates. For this reason, there are often penalty clauses in co-mail contracts (in order to recover the costs incurred to for additional postage).

There are some other potential drawbacks to co-mailing. To start with, finding an appropriate co-mailing partner can be somewhat difficult. One must pay close attention to trim size and thickness variances, compatible printing and mailing schedules, and commitments on volume of the specific publication. Because one must make sure that all of these aspects are lined up properly, there is a level of sophistication to it, and there has to be a willingness to compromise to effectively co-mail.

Timing is often the key factor with co-mailing: One must consider how close the match is to one's targeted in-home dates. Usually, publishers and/or advertisers do not want to compete in the mailbox, so one must weigh the risk of mailing together with other publications or competitive advertisements from a different merchant. Most co-mail operation strategies have fixed dates that are not flexible due to the other publications in the pool.

Nor does a publisher want to sacrifice a scheduled mail date such as those associated with holiday mailings. One may not want to miss the prime dates to get a catalogue in front of a customer only to qualify for a co-mail pool. If there are compromises such as later delivery than normal when participating in a co-mail pool, the publisher needs to place a value on the date versus the savings.

One might be surprised that the savings can greatly influence one to be more flexible in format and perhaps even compromises with regards to their normally preferred delivery schedule.

New growth opportunities for printers

Most recently, publishers that did not print with companies that offered the co-mailing services were often shut out of co-mailing altogether. That's changing now. A few printer/co-mailers have begun to accept mail from other printers, providing co-mail services to a wider audience. Third-party co-mail service has now become a growing trend in the industry as well. Such service providers are now also looking to make co-mailing available to a wider array of publishers, product formats, and classification types.

It is also worth noting that as co-mailing gains in popularity, printers are increasingly offering to broker the co-mail services as part of the full coordination of the printing and finishing service. In fact, many printers are quite aggressive about finding co-mail partners. In doing so, printers can



produce comparative studies of how much members of their co-mail pool would save, in order to demonstrate that their co-mail operation delivers more postage savings than another printer.

In any case, it is becoming easier for a co-mail service provider to find potential co-mailing pools for their customers once they have precise information on each client's specifications and requirements such as product format, mail classification, volumes, schedules, and mail list compatibility. They can then easily see how the publisher's titles can fit into a specific co-mail pool and provide projected savings for consideration.

Rules of Thumb / Important co-mailing tips

- A) Save Money: by qualifying for the best discount associated with shipping and pre-sort discounts. The most reliable method to establish savings is to run the postal qualification and the postal estimates with and without the co-mail.
- B) Save Time: Mail that is less fragmented requires less handling. Less handling requires less time so it gets delivered sooner.
- C) Protect Product Integrity: Co-mailed magazines arrive in the reader's hand in far better condition than manually sorted mail pieces.
- **Examine all of your options**
Enter into discussions with an open mind; ask the printer for an analysis of your list and a recommended co-mailing strategy. It could be that your publication simply does not qualify and a different solution is available. Remember that your goal is reduce your costs. One way is to get more of your mail to qualify for additional postal discounts. Do not get hung up on how that happens, as long as you can live with the requirements and have confidence in your print partner to facilitate your participation.
- **Look at the total savings picture**
Some say the sweet spot of most off-line systems is usually in the 20,000 to 100,000 circulation range, but mailings as small as 5,000 pieces and as high as 2,000,000 pieces might still experience net savings with co-mailing. If you are not excited with your initial savings projections, keep in mind that you may still realise incremental savings from a series of changes that result in small postal savings. Perhaps simple mailing list hygiene improvements combined with co-mailing will add up to worthwhile and more significant savings.



- **Standardise**

Bindery in-line co-mailing of two, or maybe even up to three titles, requires publications with almost identical trim sizes and thicknesses, whereas off-line co-mailing systems are extremely more flexible. Off-line solutions such as the Buhrs 4500, offers a much broader range of product variation in trim sizes and/or thicknesses. Your service provider could offer capabilities that can run pools for various publication formats, even from digest to tabloid.

One needs to also consider addressing options such as paper label and ink-jet locations. Some co-mail service providers may be limited in not only the trim sizes and/or thickness restrictions of the equipment they are using in providing the service, but even more limited with regards to the positioning of the address information. Depending on the equipment being utilised, some service providers will be limited to a specific location on the publication where the labelling and/or ink-jetting is to be placed on all titles in a given pool, while others may offer multiple east-west and north-south locations intermixed within a pool.

- **You have to give to get**

In considering the many aspects of product format restrictions, address placement, and schedule conflicts, one might think they can not possibly qualify and consider it to be easier to stay away from co-mailing all together. But if you find a co-mail service provider with the right tools and experiences, and you as a publisher are willing to compromise on a date or make a small adjustment to the publication format, the realised postal savings can be substantial.

- **Understand the rules**

Nothing causes greater buyer remorse than unpleasant surprises — especially those that involve money. Just as you should consider the service provider's equipment capabilities and restrictions, you should equally take into consideration all schedules and schedule adherence terms and conditions.

Participants must meet the required dates for providing mail lists, postage funds, and other requirements or risk negatively impacting your co-mailing partners. If you miss a deliverable, the mailing may go out without your publication. This may cause your title to be either mailed solo or wait for the next pool – either way, your savings are lost and your publication arrives late at the recipient.

Make sure you address issues such as any up front or additional costs for the co-mailing service, how your postal savings share is calculated, any penalties that might apply for missing a co-mailing date, and your ability to move in and out of the program. These points should be fully understood prior to moving forward.



Co-mailing technicalities

With co-mailing, it is important to keep in mind that one company is actually sharing the co-mailing services and related equipment with one or more of its co-mail pooling partners. For some with more limited equipment capacity, the number of pockets available to accept new titles or versions that can be ran in a given pool could be limited.

Co-mail processing run can be a daily pool or a three day pool, or even a seven day pool depending on the set up of the operation. Depending on who is doing the co-mailing and how they are set up, this may or may not add time to how soon the publication can be delivered to the recipient. In the opinion of most co-mailers, the keys to flexibility are; volume, timely trucking schedules, and efficient in-house mail list processing.

Many successful co-mailers have the ability to swiftly analyse mail lists in extreme detail to ensure that publishers employ the best delivery options in order to realise the maximum postal rate discounts. To do this successfully though, does require a partnership. Publishers must have the mail list files early enough to be co-processed and receive the finished publication on time to co-mail as well.

One must also make sure that the savings with co-mailing are substantial enough to offset the additional processes involved. If the savings are not guaranteed and participant pulls out, one could wind up with a drastically higher postal bill.

Conclusion

With additional postal increases on the horizon, publishers need to aggressively manage their distribution costs, many publishers' largest single line item cost.

Publishers continue to be hit hardest by postal increases. As a result of such increases, postage costs can represent more than 65% of the total cost to produce the publication. These cost increases are continuing to squeeze some publishers' margins so tightly, for some, publishing via print may no longer be a viable business for them.

Fortunately, co-mailing provides a method that is considered the best way to reduce the postal bill, without having to slash trim size and cut down the paper weight – such considerations that could require much more drastic changes and could even redefine the publication itself.



Therefore, it should be no surprise that co-mailing is emerging as the most direct, least expensive, and most efficient tool for cutting costs.

Even though recent postal increases have been a huge burden to publishers, there is some opportunity for relief through co-mailing. By planning and coordinating the approaches with the respective printer, one can execute most of these processes without jeopardizing readership or order response rates.

While co-mailing has been perceived as a capital-intensive endeavour and therefore has not be a feasible option for some smaller operations, many smaller publishers, printers, mailers, are now finding the savings potential is now enough to warrant the investment.

Co-mailing has been seen as a major relief for many publishers. As capabilities of equipment develops and the number of service providers increases, printers may be asked to have the ability to handle poly bagged, tabloid, and other special or unique publications.

About Buhrs

Buhrs has been successful in designing, manufacturing, and installing such system solutions at major accounts, such as RR Donnelley, MetroGroup, Quebecor World, and Brown Printing.

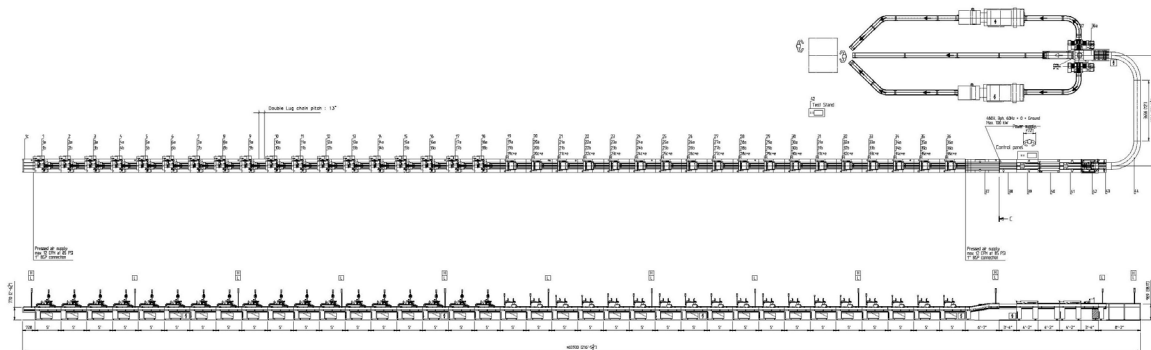
The latest systems from Buhrs are capable of feeding a wide range of publications to include poly wrapped magazines and tabloid-sized pieces for co-mailing.

Buhrs has supplied co-mailing systems in configurations exceeding 35 feeder stations. Buhrs is leading the market in number of systems in operation, the number of possible titles that can be combined, and greatest range of product variance, all with cycle speeds in excess of 21,000 per hour.

Now that the low to mid-range printers are being pressured to get into co-mailing, in order to provide their clients with attractive postal discounts, they too are turning to Buhrs for the right solutions.



Buhrs can provide a system that includes more than just the co-mailing capabilities such as inserting, addressing, and poly or paper wrapping as additional features that can increase the utilisation of the system and improve the justification for the investment.



Buhrs Co-Mailer



The Buhrs Group:

- The Netherlands
 - Buhrs Mailing Solutions BV • Zaandam • Phone: +31 (0)75 7990600
 - Buhrs-Zaandam BV • Zaandam • Phone: +31 (0)75 7990600
 - Buhrs-Fulfillment Systems BV • Zaandam • Phone: +31 (0)75 7990600
- Germany
 - Buhrs-ITM GmbH • Löhne • Phone: +49 (0)5731 7440
 - Buhrs DACH • Löhne • Phone: +49 (0)5731 7440
- China
 - Buhrs Shanghai Ltd. • Shanghai • Phone: +86 (0)21 68878999
- France
 - Buhrs France SNC • Evry Cedex • Phone: +33 (0)1 69113821
- Japan
 - Buhrs Japan KK • Yokohama • Phone: +81 (0)45 4751258
 - Buhrs Japan KK • Osaka • Phone: +81 (0)6 63927111
- UK
 - Buhrs UK Ltd. • Basingstoke • Phone: +44 (0)1256 329191
- USA
 - Buhrs Americas, Inc. • Minneapolis • Phone: +1 (0)763 5579100