

By The Production Management Group, Ltd.

A close-up, high-speed photograph of a paper mill's machinery. Large rolls of paper are being processed, with vibrant colors like purple, red, and green visible on the paper's surface. The machinery consists of various rollers, gears, and metal frames, all in motion, creating a sense of industrial scale and speed.

CUTTING YOUR DIRECT MAIL PRODUCTION COSTS TO THE BONE



Dear Reader,

I understand just how critically important saving money on direct mail production is to your organization. However, years of conversations with prospective clients have made me realize that while this goal is universally shared, many do not fully understand how to achieve it.

I've written this eBook to explain exactly how you can cut your direct mail costs to the bone without compromising quality. Based upon PMG's decades of managing direct mail production projects, I'll explain how to design a mail piece that can be cost-effectively produced and mailed, and how to get the best possible production bids. Then I'll cover how to anticipate and avoid problems that can arise during production that might result in unexpected additional costs and, in the worst case, cause you to miss your mail date. And because choosing the right mail shop can be just as important as selecting the best printer, I've spelled out the key factors to consider in doing so.

One of the biggest opportunities to save money is by reducing postal costs. Because this is often overlooked, I've devoted a whole chapter to how to minimize your postal spending.

Another very effective way you can save money is to move from producing a series of one-off mailings to managing your direct mail program on an annual basis. Because we've found that PMG clients save an average of 10% on their production costs through annual planning, I've made it my personal mission to spread the word!

I'm thrilled to pass this hard-earned knowledge along to you and hope you find it helpful. If you'd prefer to outsource your production management to experts who will focus on maximizing your savings while freeing up your time, the last chapter outlines what you can expect from a partnership with PMG.

Hang on tight; here we go!

Colin Bickley, Director of Business Development

PMG, October 2016



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DESIGNING A COST-EFFECTIVE DIRECT MAIL PIECE

The first step in reducing your direct mail costs is to design a mail piece that can be inexpensively produced and mailed.

The most important elements to consider are size, shape and stock. To cut production costs to the bone, avoid the following problems:

Odd sizes and shapes: Odd sizes cost more to print and to mail. If your designer has specified square envelopes, for example, ask yourself if it really makes sense to pay 22.6 cents to mail each one when you could save 37% by mailing a #10 envelope for 14.2 cents.

Fit on sheet: The more images you can fit on a sheet, the more you'll save. A 5" by 7" postcard with bleeds will be less expensive than a similar 5.5" by 8.5" piece because the first will print 20-up on a typical press sheet versus 16-up for the second. This saves both paper and press time..

Choose a "good enough" stock: Designers often select a higher-quality stock than is really necessary. Since paper is often the single biggest cost in producing a mail piece,

choose carefully. Make sure your paper is strong enough to handle the rigors of the production process and, if you're producing a self-mailer, of the postal journey itself. Avoid requiring special mill order papers unless they are absolutely essential to the effectiveness of the campaign.

Avoid unnecessary finishes: Ask yourself whether the additional element requested by your creative team is likely to pay for itself in higher response rates. Is the higher glossiness and abrasion-resistance a UV coating provides likely to improve response rates? If so, you should include it in the bid. If not, strongly consider saving the money.

Consider production requirements: Intricate pieces that require manual folds or multiple passes through different machines are going to drive up your costs.

Comply with Postal Regulations: The USPS imposes stringent requirements on direct mail to qualify for its lowest postal rates. Make sure your envelopes fit the required height to length aspect ratio and that the total weight of your package is not above the maximum set for that rate class.

Check insertion clearances: If you are inserting one or more components into an outer envelope, you need to make sure they fit easily. Ideally, a component being inserted should be at least 1/2 inch narrower than the envelope it is being mailed in. However, if there are a number of components to be inserted together or if the combined components are somewhat thick, you may want to increase this spacing in order to maintain high insertion speeds while avoiding jamming.

GETTING GOOD LOW-COST PRINTING BIDS

At the end of the bidding process, you want to make sure you are able to select between several high-quality, inexpensive bids. This requires that you request bids from printers ideally suited to this type of production, that you have the ability to accurately compare the bids, and that you've built the minimum-necessary amount of spoilage into your specification.

Choosing the right printer

Every printer has different types of printing they do particularly well and quantities they handle comfortably. However, most printers will bid on every job they receive a request for. If you want to ensure you're getting low-cost bids from printers who'll do good work, you need to do more than send a bid package to the same three printers you've been using for years for all your printing work.

We recommend you to develop a list of printers & their specialties. For example, PMG continually studies the core competencies of major printing shops and pre-qualifies

them by printing specialty. When we bid a job, we'll request bids from 7 or 8 printers who we know specialize in this type of printing. And because we manage the production of over 100 million pieces of mail a year, our buying power assures us of very competitive bids.

Comparing apples to apples

In the quest to save every last penny, many managers simply accept the lowest-cost bid. It is important, however, that you make sure you're comparing apples to apples. Three key areas to check for differences are:

- » **Paper quality:** With the cost of paper usually the biggest driver of production costs, it is critical to make sure the quotes you're comparing are using the same paper. You don't want to choose a printer whose higher production costs are masked by the usage of less expensive paper. Determine whether the less expensive paper is adequate for your job and, if it is, ask your chosen printer to use it.
- » **Postage charges:** As I'll explain in the next section, there are several postal logistics techniques that can fairly dramatically reduce your postal expenses, which different mailshops may or may not be taking advantage of. If you are working with a postal logistics company who is making sure you qualify for the lowest-possible rates, you should compare the production-only portions of the printing bids.
- » **Set up fees:** Avoid any chance of being nickled and dimed by requesting that all potential set-up fees and other add-on charges be detailed separately in the bid document.

Accurately predicting spoilage

Prior to asking printers for bids, think carefully about what level of wastage to build into the specifications. There is always some loss of paper and components during production. However, some types of production (such as hand-written envelopes) have particularly high rates of spoilage. Base your quotes on producing the lowest-possible quantities of each piece that you're comfortable will be sufficient to complete the mailing.





SAVING MONEY DURING PRODUCTION

One of the secrets of effective production management is to conduct thorough preflight and press check review processes so you can catch problems while they're still inexpensive to fix. It is also important to know which production dates are crucial to meeting mail dates and then make sure you meet them. Finally, since unexpected problems are not uncommon, taking steps to anticipate problems and be able to recover quickly from them is important to staying on track and on budget.

The importance of preflighting: We strongly recommend that you establish a preflight checklist and confirm that all elements are perfect before sending your art to the printer. If the printer is responsible for checking art quality and tolerances, it will cost you both time and money. If a second proof is required, for example, it could delay your mail date and result in additional charges.

Here are important elements to confirm in a preflight inspection:

- » **Fonts:** Are all fonts available and embedded correctly in the file? Is the type sharp?
- » **Images:** Are all images of high enough resolution (typically 300 dpi) to print clearly? If any images are compressed, has the compression method jeopardized production quality in any way?
- » **Print Layout:** Are all page elements printing? Is your document set up to the correct final trim size and does it incorporate sufficient bleed? Are any undesirable white spaces showing between elements?
- » **Folds:** Are all of your folds set up correctly?
- » **Typos:** Now that you can see the entire piece, take the time to check once again for any typos.
- » **Compliance with Postal Regulations:** Does the address show clearly through the window on the envelope? Is any content infringing on areas designated for address information or USPS scan lines?

What to evaluate at a press check: If you're doing a large production run of a 4-color or special print job, we recommend you do a press check prior to giving the printer final OK to produce thousands (or millions!) of pieces.

Since you have hopefully identified any type, image or placement issues during the preflight inspection, focus during the press check on making sure the color of the inks applied to the actual paper stock match your color proof as closely as possible. Color proofs are great guides, but differences in the printing process will affect the final colors.

In general, you want to ensure flesh tones look realistic, company/organization colors match, registration (sharpness) is good, and there is consistency among the pages. In addition, check the following:

1. Is the paper stock the correct weight and color?
2. Have all requested corrections been made on your final press sheet?
3. Are there any missing elements or copy changes?
4. Are there any broken letters or imperfections in the type?
5. Is the type sharp, especially when the type is a color-build?
6. Is the press sheet in proper registration, including 4-color images and color builds?
7. Do the four-color images match the color proof as closely as possible?
8. Are there any hickeys, blemishes or other unusual marks?
9. If you have cross-overs, as is common in magazines and catalogs, does the color match from page to page?
10. Do the bleeds extend beyond the crop marks?

Anticipating and Dealing with Potential Problems:

Think about the types of problems that could arise on your job and figure out if there are any steps you could take in advance to reduce the likelihood of such a problem arising.

For example, let's say your mailing includes a flyer promoting a fundraising event in a nearby city. If there are versions of the flyer for 5 different cities, it is relatively easy to imagine the person running the insertion machine grabbing the wrong flyer. In this case, assigning component codes to each separate piece in the mailing and prominently displaying the component codes to be included in each version can do a lot to reduce errors.

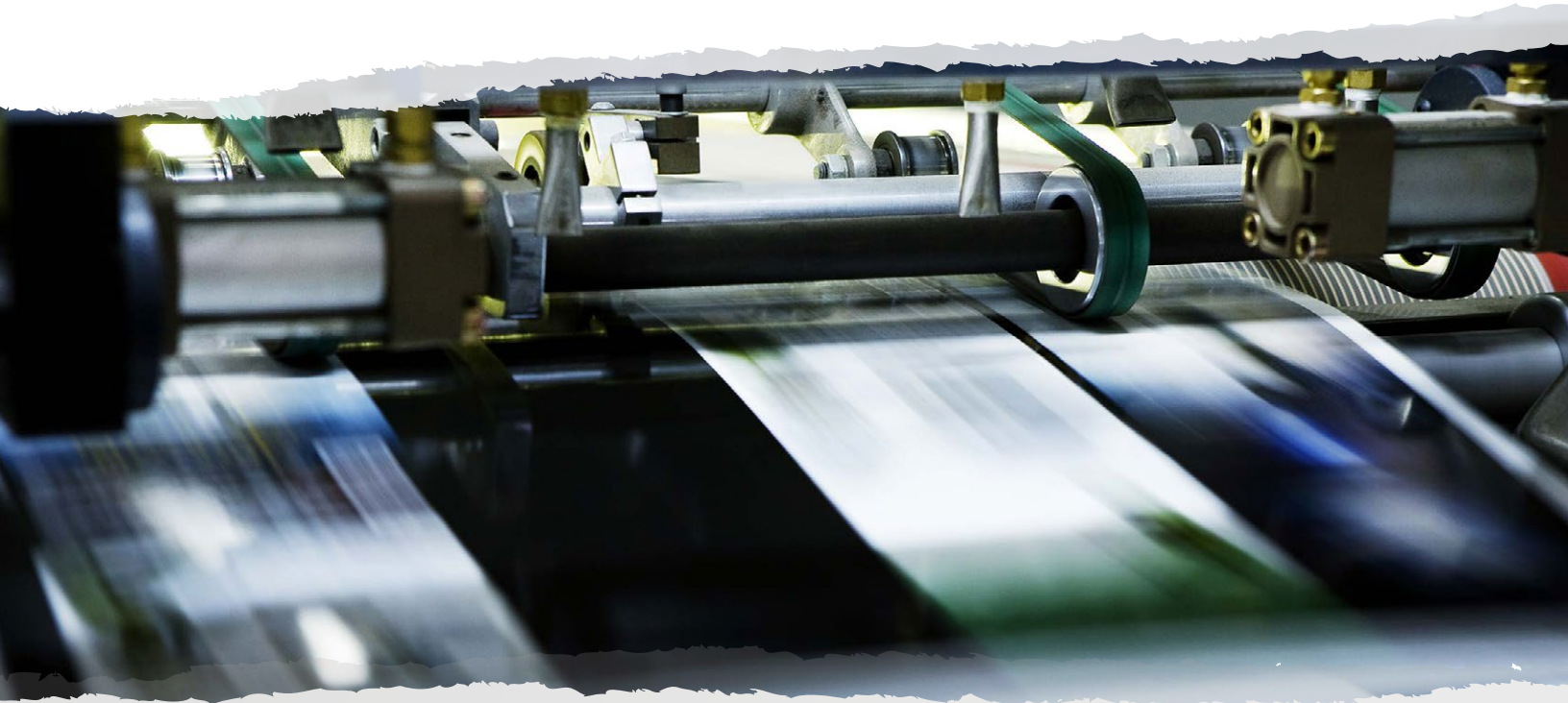
Stories from the real world:

"We arrived at work one day to the distressing news that over 10,000 pieces of a client's mailing had gone up in flames when the delivery truck they were on caught fire. Making matters even worse, this was the first piece of a multi-part mailing!

Because of our proprietary mail tracking system, we knew exactly which pieces had been lost. PMG immediately reprinted the lost mail pieces, rescheduled the follow-up mailing, and had both campaigns back on schedule within one day of the fire at no cost to the client!"

Fred Lloyd,

PMG Production Team Leader



A large industrial mail sorting machine, likely a Roll Systems Inc. model, is shown in a factory setting. The machine is white with a black control panel and a large black hand wheel. A large roll of white material is visible on the right side of the machine. The background shows other industrial equipment and a factory floor.

CHOOSING THE RIGHT MAIL SHOP

It is every bit as important to choose the right mail shop for your mailing as it is to select the best printer. In order to get a low bid with reasonable turn-around times, pay particular attention to the following:

Mail shop size: You want to match the size of the mailing to the size of the mail shop. If you're mailing 2 million pieces, you'll likely get the lowest price and reasonable turn-around times from a mail shop that specializes in large mailings and has invested in high-speed equipment. If you're only mailing 1,000 pieces, however, a larger shop will likely charge an exorbitant amount in order to cover high set-up costs.

Level of automation: It is also important to find a mail shop offering the appropriate amount of automation for your mailing. If your mailing requires inserting a personalized letter into a matching envelope, using a mail shop with camera match capabilities will save the cost of paying someone to continually check that letters are being inserted correctly. Additionally, the presence of high speed insertion equipment will likely reduce your costs on a larger mailing.

Ability to comply with low-cost postal strategies: As the postal logistics world continues to evolve, mail shops need to be adaptable. At a minimum, they need to keep up with the latest postal regulations to ensure your mailing is prepared correctly. However, the mail shop also should be open to using any new strategies that your postal logistics firm recommends without charging extra for them.

PMG typically requests bids from 15 to 20 mail shops of the appropriate size and level of automation for each job we manage for our clients.




MINIMIZING POSTAL COSTS

Many marketers believe that postage is a fixed cost. Fortunately, nothing could be further from the truth!

The first step is to make sure you are following appropriate data hygiene and merge purge processes. Not only do you want to ensure that every piece of mail is deliverable, but you also want to avoid wasting money sending duplicate mailings to the same household or address. To learn more about these crucial processes, check out our free eBooks at www.mmirect.com/free-guides.

Once you've got a clean mailing list, postal logistics offers several techniques you can use to substantially reduce the amount you need to pay to have your mail delivered.

The basis for these savings is the U.S. Postal Service's work share program where they substantially reduce the postage they charge for mail pieces delivered to a mail facility close to its final destination. To achieve these savings, you have to sort your mailing into trays of at least 150 mail pieces going to the same 3-digit or 5-digit zip code and deliver the trays to one of the 21 Network Distribution Centers (NDCs) or 350 Sectional Center Facilities (SCFs) close to where the mail needs to be delivered.



There are two primary options for delivering your mail to multiple NDCs and SCFs:

- » **Drop Shipping:** You can hire a freight company or drop shipper to deliver your mail to the appropriate NDCs and SCFs. If your mailing is large enough, you can achieve postage savings of between 12% and 20% by drop shipping compared to delivering your mail to the nearest bulk mail entry unit. You need to be aware, however, that all drop shipped mail needs to be sorted, sleeved, tagged and strapped according to stringent postal service regulations and appropriate paperwork submitted to ensure its acceptance at its final destination.
- » **Commingling:** Another option is to work with a commingling company who will pick up your unsorted mail, mix it with mail from other sources, and ship it to the mail facility closest to its destination. We've found that clients of MailSmart Logistics (another PMG company) typically save about 12% in postage costs on the mail they commingle. Commingling also reduces your labor costs as your commingler handles all of the sorting, sleeving, tagging, strapping, paperwork and shipping to the NDCs and SCFs.

Commingling offers other benefits too. Typically Mail commingled by MailSmart Logistics arrives 2.4 days faster than if it were dropped off at the nearest USPS mail entry location, and you can follow the progress of your mailing through the mailstream for free with MailSmart Logistic's mail tracking service!

To learn more about commingling, please read our free eBook [Is Commingling Right for You?](#).

Stories from the real world:

"A PMG client had an important fundraising event coming up, but they were way behind schedule for sending out the announcement. The client thought they'd have to send the mailing out by first class mail in order to get it in their potential attendees' hands in time, but they didn't have the budget to do so. When MailSmart Logistics was able to meet their delivery deadline by shipping the mailing directly to critical postal facilities for only 4% more than the basic commingling rate, the clients started calling me their 'Miracle Worker!'"

Vicky Clark

PMG Director of Operations





REAPING THE BENEFITS OF ANNUAL PLANNING

One of the most effective ways to cut your direct mail production costs is to do your planning on an annual basis rather than bidding each job separately.

This reduces production costs in two ways:

- » **Gang printing:** While every solicitation is going to be different, it is likely that some components (such as envelopes and return envelopes) will be the same for each of your mailings. Since printing 1 million envelopes at a time is significantly less expensive than printing 200,000 envelopes five times during the year, annual planning can save you real money.
- » **Contract pricing:** Like most service providers, printers will quote a reduced rate if they know they can count on work throughout the year.

In order to determine how much a company could save by planning annually, we asked for a series of bids for two companies. First, we asked for one-off bids to produce

each of a company's mailings throughout the year. Then we asked the same printers to quote on doing the mailings for the entire year. Here are the results:

COMPANY	MAILINGS PER YEAR	AVG. MAILING SIZE (# OF PIECES)	SAVINGS RESULTING FROM ANNUAL PLANNING
X	6	200,000	11%
Y	6	500,000	9%
Average			10%

In addition to the print production cost savings of about 10% you can expect to achieve, moving to annual planning should also allow you to reap substantial savings from your mail shop. Other advantages to annual planning include:

- » Your production manager, your printer(s) and your mail shop(s) will partner with you throughout the year to make sure you meet your objectives
- » By committing to commingle a larger number of pieces during the coming year, you can lock in a lower postal rate per piece with MailSmart Logistics





WHAT TO EXPECT FROM A PARTNERSHIP WITH PMG

Sometimes the more you learn about an area, the more you realize that you'd be better off hiring experts to manage it for you. If you're interested in outsourcing the management of your production while cutting your direct mail costs to the bone, we'd love to talk.

When we're working together, PMG becomes part of your team. We'll use our decades of production management experience to get you the lowest bids, organize your production process to keep everything on schedule and on budget, and help you deal with any issues that come up.

PMG operates differently than a lot of other companies. We don't believe in making our clients change their way of operating to fit our processes; we build our processes to comply with our clients' preferred methods of working.

We'll continually look for ways we can add value to your program and help fulfill your mission. And, if it's helpful, we can bring in experts in postal logistics, list management, and multi-channel marketing from our sister companies to save you even more.

“

“With the millions of pieces we put in the mail each year, there's so much that can go wrong with production. But with PMG, it's always a top-notch job”.

Lee Freedman, Director of Production

World Wildlife Fund

”

Sound interesting?
Let's Talk!

Request a Free Phone
Consultation

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