

Printers Who Mail

By Clint Bolte with Bill Esler

Expanding mailing and fulfillment, three firms deepen customer partnerships.

Graphic Arts Monthly – July 2005

Adding more value to print is critical. How to do so has the industry on a search for market opportunities and technologies. Two fields getting a good deal of attention are the mailing services and closely related fulfillment services arena. Printer participation in three events falling in close succession this year — the Mailcom exposition, the National Postal Forum and, most recently, April's MFSA/NAPL Fulfillment Conf. — underscore the perception of unfolding opportunities that can turn cylinders on presses and drive postage meter belts alike.

At the behest of members, the Mailing & Fulfillment Assn. and the National Assn. for Print Leadership jointly sponsored the 2005 Fulfillment Conf. this spring in Cleveland. The MFSA hopes to educate printers so they don't add mail and fulfillment services as loss leaders to drive print sales. For their part, NAPL members just want to know the technical requirements required to get in on the business.

The two groups adopted a strategy of showing success in action, as dozens of first-time print industry attendees took advantage of day-long plant tours of three nearby mail and fulfillment facilities operated by, or connected to, printers. This included Midwest Direct Marketing Services; HKM Direct Market Communications; and GL Direct, the fulfillment division of Great Lakes Companies Integrated — the well-known and respected commercial printer in business for nearly 75 years.

Jim Schultz, chairman and CEO of Great Lakes Cos., escorted the group at his firm. While GLDirect has been in existence for 15 years, its plant area has nearly doubled to 185,000 sq.ft. since January due to market demand. (It holds an option for another 90,000 sq.ft. in the same industrial park.)

Twenty-five major clients and a similar number of secondary customers initiate 750 orders a day, to be fulfilled from an inventory of 15,000 SKUs. (SKU stands for Stock Keeping Unit, a term used commonly in inventory management.) GLDirect uses ProMail 5.0 as its inventory control software. Operating two shifts per day, these orders are processed in a window of 24 to 48 hours of receipt.



The main building has a 7,000-skid capacity, with secured storage for high-value or controlled items provided behind a chain-link fence enclosure and on a mezzanine area above the offices within the warehouse. Interestingly, GLPrint, the print division, prints less than 20% of the inventory. Mailing services, kitting, custom finishing, database creation and 24/7 online access all complement the custom pick- and-pack operation.

GLDirect provides no back-order or "out-of-stock" processing. Instead, clients are advised of stock-outs via e-mail, with standing orders to rerun if it is a GLPrint job. When the item is replenished, clients are asked to confirm future reorders.

"We seldom respond to requests for quotes [in fulfillment]," noted Schultz. "We are not in the commodity business." He described an "ideal" major client as one that is on a three-year contract with periodic review cycles. In several instances, GL retains ownership of the inventory, billing each month as orders are processed. Replenishment by GL is pre-established at a mutually agreed upon EOQ (economic order quantity) point. All such aging inventory ultimately is billed to the client after 12 months. While this approach increases GL's inventory carrying costs, it emphasizes something special in the business model with its clients: "They have a contractual, not transactional, relationship," says Schultz.

A truly distinctive competence of Great Lakes' integrated approach is its proprietary digital asset management software. Dean Hanisko, CIO of GL's AKSESS division, which oversees this area, described their objective as "engaging channel partners to help manage and motivate co-op marketing programs" by giving the third party — field salespeople, or retailers, for example — access to create/design and manage images. He added that the firm's extraordinary investment in its proprietary software gets recouped by means of "upfront, maintenance and transaction fees." Some typical clients include sewing machine manufacturer Pfaff and plumbing firm Moen.

At Midwest Direct, visitors saw two different, somewhat complementary businesses. The firm's mail barcode and presort services are provided to local customers in the northeastern Ohio area. (Besides Cleveland, it operates at sites in Pittsburgh and Akron.) Operating 10 mail sorters running at up to 30,000 pieces an hour, the operation barcodes and sorts several hundred thousand First-Class Mail pieces a day. Nearly 80% of that quantity is presorted twice within the same day, allowing it to be trayed or bagged with other mail headed in the same direction. By gathering as much of such mail as possible, it can be trucked closer to direct delivery unit routing, in turn earning the highest First Class postage discounts.

Midwest Direct is the first and among very few firms in its area to have earned the Mail Preparation Total Quality Management certification from the U.S. Postal Service. The voluntary program is based on a set of 72 detailed standards, each carrying specific point values.

Originally a lettershop and mailing house, Midwest Direct's printing and fulfillment operations now are experiencing significant growth. A Halm Jet envelope press has been ordered to complement Heidelberg DI 4-color offset presses as well as a pair of Kodak Digimaster 110 monochrome printers. The Digimasters have a customized delivery, with variable data products folded inline. FoxPro Software is used for mail merge data processing, BCC software for all the mail list maintenance services, and Streamline Solutions PrintStream provides business management information services.

The last two stops on the tour included the 40,000-sq.ft. Distribution Services Center of HKM Direct Market Communications, Sheffield, OH, and its Cleveland operation. The Sheffield facility was built six years ago on 13 acres, with ample expansion room through a long breakout wall. It features six-high racks served by narrow-aisle, right-angle forklift trucks. RFID scanning "guns" from Symbol Technology are used throughout the wireless network to facilitate the picking and managing of all tagged inventory. Inventory is controlled via proprietary software.

HKM also operates an in/outbound telephone call center, working 12-hour shifts daily. While it prefers to use its own DHL and UPS corporate courier shipping accounts, HKM is also subject to a growing trend of increasing third-party client accounts.

The downtown Cleveland print facility houses an art department, web design and maintenance (with 75 sites now under contract), electronic prepress, a pair of Indigo digital presses, a battery of 14 sheetfed presses (including three 6-colors) and extensive inkjet, inserting and specialty affixers from Ga-Vehren Engineering. (The St. Louis-based firm is also a distributor for Pack-Smart Rotary Placers, servo-controlled rotary pick- and-place feeders that insert CDs/DVDs, trays, windows, security tags, magnets, coupons and other items using articulated suction arms able to rotate 360°.)

The company's dynamic growth is being triggered by HKM's membership in DirectConnectGroup. With headquarters in Cleveland, DCG was formed in 2003 by HKM; Mailhandlers/McCallum Print Group, Seattle; and Corporate Communications Group, West Caldwell and Whippany, NJ. As corporate marketing programs become more technically complex, distribution demands exceed

regional boundaries to include both coast-to-coast and international coordination of production facilities. Therefore, alliances such as DCG are paramount for many independent firms.

At a post-tour general conference session titled "How to set up successful strategic alliances," Rob Durham, president of HKM and managing partner of DirectConnectGroup, described his firm's transition from a local printing and mailing house to an international provider of integrated marketing solutions. After 9/11, the 80-year old HKM found itself competing in a commodity marketplace within a limited local economy. They needed to differentiate themselves and expand into more value-added services. Larger, more desirable clients demand national reach and production redundancy for reliability and manufacturing flexibility. HKM could not provide this as a regional printer with mail services.

So Durham and his management team forged both micro- and macro-strategic initiatives in repositioning themselves. Locally, HKM invested \$2 million in new Web-based utilities, print-on-demand applications and alternate delivery channels, such as e-messaging. On a broader scale, they reached out to MFSA members whom they knew and forged a nationwide solutions-based partnership. DirectConnectGroup now boasts combined sales of \$60 million at six plants, 525 employees (25 of which are IT professionals) and 650,000-sq.ft. of space in Washington, New Jersey and Ohio.

In addition to the desired national reach and production redundancies, DCG is now able to attract larger client partnerships, realize better economy-of-scale purchasing savings and offer global freight and logistics management.

The final session included a client testimonial of a major corporation that bought the full package being offered by HKM and its DCG organization. Mike Lyman, Roadway Express' manager of OnLine Communications, described this \$9-billion corporation's transition to customized, enterprise-wide fulfillment solutions focusing on one-to-one marketing programs. Their goals: to manage printed materials with less staff, deliver to target audiences, reduce costs and utilize multi-channel marketing.

To win the contract, HKM/DCG built the freight industry's first dynamic online map-builder utility — crucial to Roadway's custom marketing proposals. The utility calculates standard and average transit times, road status, etc. Before this solution, Roadway produced 500 unique maps; in the first nine months of the new program, 3,000 unique maps were completed.

Meanwhile, printing costs have stabilized at 20% below their conventional experience, warehousing inventory is down 40% and speed to market is three to five times faster.

Bolte is principal of C. Clint Bolte & Assoc., 717.263.5768, cbolte3@comcast.net.