

# Publishing Executive

## Can Co-Distribution Save You Money?

By Steven W. Frye

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One of the biggest changes in the publication printing industry today has been in mailing. Mailing used to consist of applying customer-furnished labels to the publications, and printers would drop them into the closest Bulk Mailing Center (BMC). As the U.S. Postal Service (USPS) created more complex sortation rules and subsequent pricing structures, printers have begun offering services to take advantage of potential discounts for their customers.

You've most likely heard printers offering savings through co-palletizing or comailing, or even co-mingling. These "co-distribution" strategies attempt to combine different publications/mail together to reduce postage costs and increase discounts.

### **Co-Palletization**

In co-palletizing, the mailer places pre-addressed and presorted bundles/ packages of "Periodical Publications" on a pallet with other bundles to create more hub- and Area Distribution Center-eligible pallets. The pallets must drop-ship to receive the postage discounts. (Co-palletization does not change presort qualification.)

### **Co-Mailing**

In co-mailing, a publication's address data file is added to those of other publications and/or versions, and presorted together into one mail stream to obtain a higher presort level, optimal penetration into the postal system and the maximum in drop-ship discounts. Each publisher benefits from the higher piece-count of a combined mailing and increases their eligibility for Carrier Route and automation discounts.

Benefits of co-mailing include:

- Eliminating mail sacks and getting onto pallets
- Achieving piece discounts for copies moved to pallets
- Improving the presort
- Higher savings from drop-shipments
- Less handling
- Quicker delivery (Finer presorts ship more directly to a postal facility nearer the final destination.)

### **Co-Binding**

Another option is co-binding and mailing, which coordinates the binding and mailing of two or more publications into one rate-saving mail stream. By co-binding and mailing publications (which must have similar specifications), an additional 4-percent to 5-percent savings can be achieved from fewer makereadies and longer runs, and postal savings from co-mailing. An example of such a system is Fry Communications Inc.'s Affinity Mailing program.

## **Co-Mingling**

Co-mingling is the same as co-mailing, but usually applies to direct mail. (It is also used as a generic term for co-palletization and co-mailing.) Generally, it is when a printer combines one customer's mail with another's.

## **Potential Savings**

Printers claim that co-mailing options, when combined with drop-shipping, can save as much as 10 percent to 16 percent in postage and distribution costs. But can everyone expect to see those savings?

Most short-run magazines lack the ZIP-code penetration required for palletization on their own. Co-distribution truly benefits the publisher with runs less than 200,000, whereas longer-run titles already have the volume required to optimize their lists. Some long-run publishers feel they are being taken advantage of when shorter-run titles are co-mailed with them. But, the truth is, no matter your size, some portion of your mail list will be unable to fill packages, and, therefore, co-mailing helps all publishers involved at some level.

Qualified co-palletized mail can count savings of approximately 0.7¢ to 1.5¢ per piece, depending on drop-ship penetration.

Estimating savings for both methods is difficult, since variables (other co-mailed titles) constantly change. Savings from co-palletization are achieved by simply moving copies from mail sacks to pallets. Greater postage-savings opportunities exist with co-mailing, however. Co-mailing has a big impact on the number of presort and drop ship-eligible pallets, and consequential discounts. It reduces the number of mail sacks used by a publication by an average of 96 percent.

Postal distribution centers are within a few hours' drive from all printers or codistribution facilities. Only one additional day is needed for transport, and drop-shipping and other timesavers (e.g., PDF and soft proofing) could make up lost time.

If not, BPA Worldwide and Audit Bureau of Circulations (ABC) rules could preclude participation in co-distribution, says Monica Lundquist, director, mailing and distribution services, Banta Publications Group, which offers copalletization.

Magazines must mail before the end of the issue month (e.g., a July issue must mail by July 31), and there are sanctions for being late. "This creates problems for publications which typically mail at the end of the month. Co-pall and co-mail ... will add a day or two to the normal schedule, unless this time can somehow be made up either on the publisher's side or the printer's side ...," says Lundquist. "In my opinion, BPA and ABC need to understand the co-pall and co-mail processes, and the impact they have on reducing costs for publishers. There should be some allowance for titles that participate in co-mail or co-pall ... ."

"ABC rules surrounding the timely delivery of an issue focus on stated mailing dates as claimed by a publisher," says Teresa Perry, senior vice president, publisher member audit services, ABC. "Our rules for the mailing of current issues speak to the need for a member to disclose late mailings if over 15 percent of their file is mailed after the stated mailing date. ... Mailing of back copies and supplements, and the ABC rules regarding the timely mailing of those, focus again on the actual mailing dates of the current issue," Perry continues.

"Although we can't say it has not happened, the folks I talked to about this cannot recall a publisher member that was penalized for the mailing of copies as a result of co-pal and co-mailing needs at the end of the month," she says.

### **Printers Offering Options**

Quebecor World suggests that with its Quebecor World Logistics' (QWL) Express Collation Mailing System—which targets short- and medium-run publishers (5,000 to 150,000 copies)—savings could be as high as 16.2¢ per piece.

With multiple co-mail machines, QWL runs weekly cycles, containing up to four geographic sections. Publishers don't need to adjust their schedules to enter a comail pool; they can jump in at any cycle, beginning with the geographic region running at the time.

Norm Jacobs, publisher, Century Publishing, Evanston, Ill., recently switched to this system for two titles, Cruise Travel and TravelAmerica, which he says each mailed between 150,000 and 225,000, and saved \$8,500. "To co-mail, I had to convert at Kable [News Company Inc.] from labels to ink jetting," states Jacobs. "That in itself had to be analyzed, but it did seem to be cost-effective."

Publishers Press Inc. is the first short-run magazine printer to invest in an inhouse co-palletization facility, and it also has invested in a co-mailing system, which is expected to be running in December, says Dan Weber, vice president of sales.

Quad/Graphics, a medium- to long-run printer, has been an industry leader in developing co-distribution opportunities. Its Quad/Tech division has developed much of the sophisticated hardware and software technology used in the industry.

RR Donnelley announced in April the opening of a logistics facility in Chicago, designed to house Donnelley's Logistics Control Center, a mail consolidation center, and its co-mailing, co-palletization, co-mingling and fulfillment operations.

### **What Is Required**

Co-mailing and co-palletizing require some coordination of multiple titles and schedules. Publishers also have to use printers' mail list services, which can be costly, and a publisher needs to account for all costs up front to determine the true savings (if any). Not all publishers will see savings like Jacobs.

Another word of caution: Although some printers have amended their contracts to cover their distribution services, none seem to address nonperformance or other liabilities. It is a good idea to amend the agreement to cover this.

If you want to get an estimate from a printer for co-mailing:

- Determine in-home delivery dates,
- Determine true production and delivery flexibility, and
- Request a mailing quotation and analysis based on a review of an actual mail file and breakdown of delivery needs.

### **To be Eligible for Co-Distribution:**

- The title must be a "Periodical" and must be on the USPS Centralized Account Processing System (CAPS) electronic postage payment system

- The issue cannot be poly bagged (though at least one printer is working on addressing this issue)
- The presort files must be prepared by the printer's mail list group
- publishers must file with the printing plant office or Post Office a "marked copy" indicating each page's percent of advertising/non-advertising content. (The exception is publishers authorized under the USPS Periodicals Accuracy, Grading and Evaluation (PAGE) program—which evaluates the accuracy of publication and print planning software in calculating virtual copy weight and percent of advertising.)

Design also could be affected. For co-mailing, a white box must be "knocked out" on the cover for ink-jet addressing.

However, some other options may exist. Banta's planned co-mailing system (to be running in 2006), for example, will allow for regular ink jetting and for ink jetting onto a paper label (though not the same as current paper labels), with some flexibility in label positioning.

Another consideration is whether your publications will feature ride-alongs or standard enclosures. "These can be included in co-palletization as long as the software supports it," explains Lundquist. "For example, FirstLogic does not support inclusion of standard enclosures in the mail.dat files that they produce, and Monticello software does not account for ride-alongs or standard enclosures in the EntryDB module, which is what does the drop ship analysis," she continues.

"We had some issues with this early on, but have developed a way to create the postage statements, assuming we know in advance that the magazine will contain the ride-along or standard enclosures. However, the drop shipment savings calculations are still not 100-percent accurate due to the Monticello problem," Lundquist notes.

Not all publication printers offer co-distribution services, and of those who do, most are different. Mail list services have become more and more complicated, and related costs more significant. Be sure to give your printer (or bidder) an actual mail list data file to run through its system, and make sure it adds all related mail list service charges, so you have the applicable costs, as well as the savings.

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