



A TRIANGLE GUIDE - MAILROOM MANAGEMENT

IS OUTSOURCING AN OPTION?



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1. INTRODUCTION

The current global situation encompasses possible recession, political uncertainty and difficult prospects for business survival. All organisations are therefore fighting to maintain market share.

In this economic climate many more companies are choosing to focus on core business functions. Companies may wish to make their cost structures more transparent to shareholders, staff and customers; they may need to examine closely all their activities outside the primary company function and perhaps even consider disposal of non-core activities.

Of course, such disposal does not mean getting rid of ancillary activities without which the core cannot function and to this end many organisations have outsourced those activities in which they do not have appropriate levels of competence or expertise.

However one of the main reasons for outsourcing - lack of expertise can mean that Invitations to Tender and selection processes for contractors or outsource operations are made on false premises, incorrect assumptions or simply bad information.

The management of facility services within a company is diverse, complex and capital intensive. In larger companies suitably qualified and highly trained staff manage a wide range of facilities from cleaning, catering, security, telecommunications, IT and engineering to mailrooms. All these functions can be outsourced through an increasing range of suppliers, both established and new entrants in the field. In this particular report we cover outsourcing of the mailroom and its associated functions.

The world of postal and courier activities is currently undergoing a vast change in terms of regulation, pricing, security and quality of service. It is a subject of extreme complexity with a wide range of product and service offerings that are extremely difficult to analyse and compare on a like-for-like basis. This complexity is daunting for an organisation that operates solely within the United Kingdom. It is even more complex for multi-national organisations or for those who need to send mail, courier items or packages overseas when choice, price, quality of service and regulation are overwhelming in their profusion.

As the postal market goes through a period of considerable change, customers have more choice of courier service, international mail service provider and, soon, even domestic mail service provider. These opportunities are open to customers in the “new” postal environment as regulation is liberalised in the United Kingdom, Europe and elsewhere in the world; as more operators move into the market to take advantage of the deregulated environment; and as suppliers become more customer focused in providing products that are designed to meet specific customer needs.

Despite the arrival of email, post continues to be the preferred communications method for many types of information and postal volumes are continuing to grow. Postal technology is growing in sophistication and complexity and customers should shortly be able to use 'intelligent mail' in their communications. However the decision processes involved in selecting the best services and suppliers require a detailed knowledge of a complex and rapidly moving regulatory and operational market place.

The aim of this report is to highlight the problems and decision processes that may face any organisation intending to outsource its mail and/or courier activities and to provide stepping stones for activities along the road to successful outsourcing.

Why should you outsource this function?

- You want more concentration and focus on your core business.
- You would like to investigate possible savings in service costs and headcount.
- You want to increase the flexibility and expertise of your personnel.
- You can envisage possible space and security savings with an off-site mailroom.
- You wish to increase quality of service and take advantage of current postal liberalisation but do not have the necessary in-house expertise.

This report will help you decide the correct course of action for your organisation and will guide you through the Invitation to Tender (ITT) process.

2. STRATEGIC OVERVIEW

Information is the life-blood of any organisation. To be effective this information must be available to those who need it when they need it and must be protected from unauthorised access. Management now has responsibilities thrust upon them by UK statute law, by EC Directives and by Codes of Professional Conduct (such as Cadbury, Hampel, Turnbull and now Higgs) in respect of the data acquired, used and held by the organisation and its security – both in transit and at rest.

In setting strategic targets, directors should first decide if "communications" (information movement) is core to business survival. Then they should decide whether "mail" (hard copy movement) is to be treated as part of their communications strategy or whether it should solely embrace Information Communications Technology (telephonic and computer communications).

The next major decision is how properly to define “mail” within the total value chain (see chart p.10.). This decision process will include consideration of hybrid mail solutions, improved control of fulfilment activities, integration with current or envisaged document management [FM] or transport [logistics] activities as applied to the organisation, and then to consider whether this definition fits within the Facilities Management or the Logistics functions.

Such strategic direction having been agreed it is then purely an operational function to manage the activity and to take views on the possible outsourcing of non-core activities.

3. THE OUTSOURCING DECISION

Having decided that mail is not “core” and that outsourcing can be considered without putting at risk the fundamental security of the organisation, the strategic definition of “mail” must be addressed, as this will have a bearing on any possible Invitation to Tender (ITT) process and the organisations to which such an ITT will be issued.

If “mail” has been defined as a facilities management (FM) operation, then any probable ITT will be issued to specialists in mailroom management or in general FM activities such as document management and handling, premises management and cleaning, catering or similar organisations.

Where “mail” has been defined as a logistics activity, any ITT is likely to be issued to a mailroom management specialist with transportation connections or to a company specialising in the transportation of mail and freight. Within this process it will be necessary to scope the types of “mail” (e.g. standard, bulk, palletised, hazardous etc), quantities, service levels (eg same day, next day, deferred etc) and destinations (eg national urban, national rural, European, rest of world etc) of despatches, their source or sources within the organisation and the volumes despatched.

Currently providers of mailroom management services can be divided into six areas of specialisation and expertise:

- Mailroom management specialists.
- FM companies offering mailroom management services.
- Specialised mail delivery companies or consolidators.
- Courier companies.
- Post offices (both domestic and foreign).
- Property management companies offering mailroom management as part of an overall property strategy.

Selection of a specific provider or providers to whom an Invitation to Tender (ITT) might be sent would be contingent upon an analysis of traffic profiles and the structured preparation of an ITT fully detailing the requirements of the enterprise.

4. CARRIER ANALYSIS

The choice of service (carrier) suppliers will depend upon whether selection will remain the responsibility of the enterprise or whether this will be passed to the chosen outsource organisation. However consideration should be given to:

- Postal liberalisation and deregulation, and the effects that these could have on selection of carriers, costs of service and quality of service, both nationally and internationally.
- The possible use of consolidators or of Extraterritorial Offices of Exchange (ETOE) for outbound international mail and the ramifications of such usage. This will include consideration of such matters as the need for international business reply services, the appearance at destination of envelopes bearing a postal indicia of a postal administration other than that of the originating country administration and the subsequent effect upon corporate image, the ability to regain undelivered and “gone away” material.
- The selection of discrete carriers for same-day, overnight and deferred national document and package deliveries, for national and international mail/letter services and for national and international express courier services (documents and dutiable items), or “bundling” of these services to one, or a limited number, of carriers.
- Whether motorcycle despatch riders will be needed for urgent transmission of documents.
- Whether bulk mailing and marketing activities be retained in-house, be subject of a separate contract with a fulfilment house or be part of the outsourcing process.
- The level of computer support offered by any prospective supplier.

Again, selection of a specific carrier or carriers to whom an Invitation to Tender (ITT) might be sent would be contingent upon an analysis of traffic profiles and the structured preparation of an ITT fully detailing the requirements of the enterprise.

5. OUTSOURCING CONSIDERATIONS

The following points must be taken into consideration when considering the possibility of outsourcing mailroom activities:

- TUPE (Transfer of Undertakings Protection of Employment), staff capabilities, staff suitability, manpower level review, staff training and motivation etc. Consideration must be given to the intention of HM Government to reform TUPE that will be effected through public consultation on draft regulations during 2003 with the aim of bringing the new regulations into force in the spring of 2004. It is possible that new legislation may have a dramatic effect on an organisation's ability to successfully outsource a mailroom, particularly if that organisation is in the public sector.
- What activities will be subject to the outsource ITT (mailroom, internal collection/delivery), external carrier interface (UK same day, UK overnight, UK parcels, UK mail, international mail and courier etc), archive (internal and external including deposit and recall), internal fulfilment (stationery, copiers etc)).
- Ownership (renegotiation of leases and equipment hire agreements) and maintenance of equipment currently used within the mailroom(s).
- Cost/usage of space allocation.
- Who will manage the contracts with suppliers and carriers – the company or the outsourcing organisation? What are the risks/benefits of such management structure?
- Contractor incentivisation.
- Should suppliers be bundled? Who will bear what responsibility? What are the risks and/or benefits of single source carriers?
- Will major activity take place on or off site? What are the security, cost and quality of service implications of such a decision?
- What length contract will be negotiated and how will it be determined?
- What methodology will be entailed in contract alteration or amendment? Will this occur through renegotiation or re-tender?
- If operations are multi-national or international, under which jurisdiction will the contract fall?
- Should the contract contain an arbitration or Alternative Dispute Resolution (ADR) clause?
- What Service Level Agreements (SLAs) will be raised and what will they cover?

6. INVITATION TO TENDER

Any Invitation to Tender (ITT), can come under different guises and may be a two part process where an Expression of Interest [EoI] or a Request for Information [RFI] is sent out first.

A full ITT should cover the following:

- The tender process. This will include data collection, preparation of a detailed ITT, timetable for the process, agreement of those to whom the ITT will be issued, the timescale for responses on a like-for-like basis, facilities for tenderers to visit the organisation, dealing with questions from tenderers and the final selection process.
- Detailed bid data. How will the bids be received – eg hard copy or electronic on-line bid process?
- The management process. How will the bids be evaluated and compared. What priorities and weightings will be given the various response data such as price, quality of service, and improvements in operations etc?
- The ability for outsource organisations to suggest cost savings, service improvements or alternative solutions based on current operations.
- Maintenance of corporate image.
- Prices and cost controls. Does the company seek only a bottom line cost or an analysis of all costs and prices?
- Quality of service requirements and the ability to amend these as the business matures or changes.
- Service Level Agreements (SLAs). Who will produce these, how will they be measured, managed and controlled?
- Disaster recovery proposals, procedures and management.
- Reporting procedures and review meetings.
- Procedures manuals, both for internal customers and operational staff.
- Hand over to the successful bidder and possible interim management.

7. MAIL AND MAILROOM SECURITY

Not only is commerce now global but society generally has become more time conscious and certain elements of society have become more strident and violent in pursuing their aims. In the postal environment this has been adequately demonstrated by the anthrax contamination of mail in the USA following the “9/11” attack upon the World Trade Centre in New York in 2001. The security of mail is not only affected by such malevolence - other specific threats include:

- Mail contents designed to cause harm to the addressee (such as a padded envelope full of razor blades sent to a senior officer in an organisation by a disaffected ex-employee or stakeholder).
- E-commerce fraud leading to a potential fraudulent delivery of illegally obtained merchandise.
- Transmission of drugs.
- Transmission of explosives and mail bombs.
- Transmission of paedophilia and pornography in general.
- Mail fraud (revenue protection for postal administrations).
- Franking machine abuse and fraud and misuse of company mailing services.

Any contamination of mail, such as that by anthrax in the USA, could close the building containing the relevant mailroom for a long period, as well as posing a severe health hazard to staff. For this reason many organisations are now dealing with incoming postal deliveries at locations discrete from operating sites; the mail is delivered to recipients after it has been checked and opened.

Detailed procedures and training of staff must be provided to cover the following areas in detail:

- Mail room structure.
- Recognition of suspect items.
- Action on identifying suspect items.
- Safety and protective equipment.
- Outgoing material and the “Known Shipper” concept.

8. THE NEXT STAGES

If you have found this pamphlet informative and are now considering outsourcing your mailroom activity, then Triangle Management Services can help. We have specialists available to help you review your operations, assess activity levels and confirm your options, all of which can lead to the formulation of an Invitation to Tender.

If you would like to discuss this further please contact Triangle Management Services consultancy department as follows:

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The Mail Value Chain

