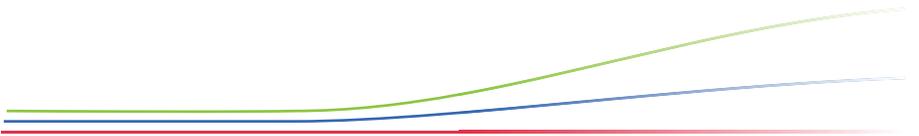


# An Insider's Guide to Evaluating Statement Vendors

A White Paper From

 **XPRESS DATA INC**



# Let's be honest.

Statement printing is not a top-of-mind topic at most credit unions. The task of seeing that statements are delivered to members in a timely manner typically falls to an operations manager who has many, many other competing priorities to manage. Once you've selected a statement vendor and worked out the process, you should be able to "set it and forget it," right?

The problem is that what may seem so easy on the surface is actually costing your credit union a lot of unnecessary money. Sure, more and more members are moving to electronic statements, but the day when your membership will be at 100-percent electronic delivery is years away.

In the meantime, maybe the contract with your current statement provider is coming up for renewal. Or maybe you and your board are wondering whether your statement operation is really as cost-effective as it should be. In any event, a small amount of education can go a long way in saving you money on this expensive and necessary undertaking.

## The Myths of Statement Processing

The most common method of evaluating statement vendors is creating an RFP and submitting it to multiple vendors for completion. Some credit unions opt to create this RFP on their own – which is very time-consuming. Others opt to hire a consultant to manage the RFP – which is very expensive. In either scenario, even the most well-crafted and well-intentioned RFP probably won't get you the information that you really need to make the best decision.

How can this be? If you print, for example, 10,000 statements each month and you ask five vendors how much they'll charge you to print 10,000 statements, the math should be simple. The vendor that quotes you the lowest price should be the least expensive.

If only it were that easy.

The simplistic RFP approach to evaluating statement vendors attempts, quite reasonably, to compare apples to apples. The problem lies in the fact that every vendor uses different technologies and different techniques to print your statements, not to mention different pricing matrices to arrive at a final cost. In other words, no RFP will ever be able to accurately compare apples to apples, because some vendors are selling oranges.

Specifically, most RFPs fall prey to three common myths:

- 1. Postage is a simple pass-through cost and thus doesn't need to be figured into the cost comparison.** The truth is that postage costs can vary widely from one vendor to the next. Four cents per envelope may not seem like much, but when you multiply that out by the number of envelopes mailed annually, that number becomes significant.
- 2. The vendor that charges the least for materials is cheaper, at least in that area.** It's important to realize that some vendors will actually use fewer materials to produce your statements more efficiently. That means that if one of these vendors has a higher per-unit cost for materials, that vendor may still save you money in the long run.
- 3. Cost of services should be a straight-across comparison.** RFPs tend to focus on per-unit cost. So, if one vendor can get the job done printing fewer pages and/or mailing fewer envelopes, your monthly services cost may be lower even though the per-unit cost appears higher.

## It's All About the Data

At its simplest level, statement printing is a matter of taking transactional data, printing it on a page, and mailing it to the member. You provide the data to the statement vendor, something magical happens in the middle, and the member eventually finds a statement in his or her mailbox. It's what happens with that data in the middle that varies widely from one vendor to the next, and therein lies the opportunity to significantly drive down costs in all three areas noted earlier.

### Postage

What does your statement vendor do with the statement data you provide each month? How much effort goes into making sure that data is handled as efficiently as possible. A statement vendor that has your best interests in mind will do three things with that data:

1. The vendor will reengineer your statements using sophisticated software to make sure that the most data possible fits on every page, while also maintaining a highly usable, highly readable format. This ensures that each month, the vendor prints the fewest number of pages possible, which results in the lowest postage possible.
2. By electronically merging your data before it's ever printed, the vendor will combine multiple mailings for the same person to ensure the fewest number of envelopes are addressed to each member. (This is especially important in notice printing, where it's common for a member to receive multiple pieces on the same day.)
3. The vendor will qualify each piece of mail for the lowest possible postage rate, and then charge you that rate and only that rate for the postage.

This last point is especially important, because most credit unions don't realize that some printing houses treat postage as a *profit center*. At first, this may not make sense. If a vendor is, for example, metering each envelope at 41 cents and charging you 41 cents per envelope, how can they be making any profit on postage?

After your statements have already been printed and metered, some vendors combine and re-sort all of their outgoing mail so that it qualifies for an even lower rate. Once they document to the US Postal Service that your statements were actually metered higher than they should have been based on the comingling and re-sorting, the USPS issues the vendor a refund. In other words, the vendor pockets a refund on your postage that you never even know about.

### Materials

It stands to reason that if the statement vendor is printing fewer pages to achieve the same results, as described earlier, your materials cost will go down. However, that's not the only way a vendor can reduce materials costs.

Is your credit union still providing your statement vendor with preprinted forms? This is very expensive and, in this age of high-quality on-demand printing, very unnecessary. If there's any waste during a job, that extra paper comes out of the stock you've already paid for. If you change your address, thereby making your preprinted forms obsolete, you'll have to pay to replace that paper.

If you're using preprinted forms, you're well-advised to talk to your statement vendor about moving to blank sheets.

## Services

Just as with materials, a fewer number of printed pages will result in a lower cost for services. However, there are other ways your statement vendor can save you money on services.

For example, suppose a particular statement contains three pages of data. Some vendors will charge you for printing four pages, because they included the blank page on the back as “printed page” even though there’s nothing on it.

Likewise, if you have a standard boilerplate disclosure page that’s included on every statement, some vendors will count that just like any other printed page, even though it never varies and doesn’t require the data manipulation that your statement data does. Other vendors will charge you a lower rate for those boilerplate pages.

## Contract Considerations

Outside of how your statement vendor manipulates your data, there are other variables that affect the price you pay over time. When considering your contract with a statement vendor, ask these three questions:

- 1. Does cost escalate over time?** If the contract gives the vendor the “option” to raise prices on an annual basis, rest assured that they’ll exercise that option. Look for a vendor that charges all of its credit union customers the same rate and whose contract doesn’t include any escalation clause.
- 2. What happens if there’s a problem?** Make sure you’re certain what the financial penalty is to the vendor if they make a serious mistake. A confident vendor will allow you to determine the penalty based on how seriously *you* feel the mistake impacted you and your members.
- 3. What happens if I want to leave?** Most vendor contracts lock you in for three years, five years or longer. If service degrades over time, you’re still, for the most part, stuck. Again, a vendor confident in its ability to satisfy its customers will include an escape clause that allows you to switch vendors at any time *without penalty*.

## Where Do I Go From Here?

We’re fortunate to work in an industry that prides itself on cooperation. If you’re wondering whether you’re using the right statement vendor, talk to your peers first. Find out who they’re happy with, or who they’re not happy with.

Of course, another credit union recommendation won’t be enough to satisfy your board. Since RFPs are unreliable, the only way to do an accurate comparison is to have each vendor sign a non-disclosure agreement and then provide them with a month’s worth of your actual statement data. Basically, tell them, “This is what you have to work with. What’s the total cost, including postage, to put these statements in members’ hands?”

If you take this approach, you’ll actually be able to compare apples to apples.



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