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Systems**

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**LASER PRINTING & MAILING SERVICES**  
**INVOICES, STATEMENTS, AND OTHER BUSINESS DOCUMENTS**

**PREPARED FOR:**  
**CLEANING CORP.**

**PRESENTED BY:**  
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MARCH 28, 2003

## EXECUTIVE OVERVIEW

**Based on the recent merger with Chemicals Corp. (creating Cleaning & Chemicals Corp.), the time is right to review current internal processes regarding the laser printing and mailing of “Business Critical” documents (invoices, statements, acknowledgments, letters, past due notices, etc.) to determine if we can improve efficiencies and reduce costs by streamlining processes.**

Rather than simply providing products and services for a fee, as Document Consultants, we accomplish this by providing comprehensive process review and analysis of current systems, recommending and implementing technological strategies. In addition to streamlining processes, we assist our clients in retaining, attracting, and expanding their business. These goals are accomplished by providing total business solutions, as a single source supplier of all business communication needs. From design, printing, and management of traditional business forms and other printed materials to laser printing and mailing services, we are positioned to deliver this value proposition to our clients as a business partner.

With the limited information we obtained in our single meeting, the following highlights a few of our findings, which we believe warrants further exploration and consideration:

### **Over ¾ of a Million dollars has been spent on hardware alone to support a non-core competency service**

Equipment utilization for printing and mailing of “Business Critical” documents is only 50%. The other 50% is being utilized for systems output documentation. By outsourcing the laser printing and mailing to our facility and allowing us to implement a document imaging system internally, this equipment can be eliminated.

### **An enormous amount of resources (money, space, people, and time) are being utilized**

You can achieve a greater utilization of your resources by outsourcing to our state of the art facility. Resources now allocated for print and mail production, such as people, building space, and equipment can now be used for your primary business functions. In addition, this eliminates the need for you to hire additional people as your volume grows. **This is especially relevant since the merger will result in a consolidation of processes, people, and space.**

### **Your current process does not allow you to take full advantage of postal discounts**

By outsourcing to our laser printing and mailing facility, **you can add \$137,000 to your bottom line.** You will obtain 100% of the postal discounts available, which equates to a 12% reduction in costs over current processes.

Cleaning Corp. has invested a lot of resources (money, people, space, and time) in non-core competency functions. With the recent merger with Chemicals Corp. (creating Cleaning & Chemicals Corp.), volumes of “Business Critical” documents will only increase. Our experience has shown that administrative costs outside a companies “core competency” usually continue to grow at a rate faster than core administrative functions. Why continue to invest in internal administrative processes outside your business “core competency” when you can share the costs of improved technologies with thousands of other customers by utilizing our state of the art Chicago based facility?

## **BENEFITS**

### **Eliminate Equipment Obsolescence**

Technology is affecting the equipment market on an on-going basis. Cleaning Corp. can not possibly cost justify keeping pace with the latest technology in efforts to have the best production equipment available for the lowest costs. As equipment costs are shared by hundreds of clients, we can cost effectively keep pace with the latest technology through revolving leases on all the high-speed production equipment. Pertinent to Cleaning Corp's investment in IBM high speed laser printers, attached is an article about IBM contemplating selling off their high-speed laser printer division.

### **Reduce or Eliminate Document Obsolescence**

Unlike common standardized computer filled forms, electronic forms generation on a "letterhead" stock allows economical production while retaining a professional image. Document images, which are retained in an electronic library, can be used or changed on demand. Highlight color **red** and **black** can be used to image logos and other Cleaning Corp. information, potentially eliminating all pre-printed forms and the costs associated with ordering, storing, and managing those forms.

Electronic merging of information that was previously printed in separate runs (i.e. invoices, statements, acknowledgements and other documents) can now be printed concurrently in a single print stream, eliminating multiple small runs of each mail type. Whenever possible, various techniques such as multi-page formats eliminating the remittance copy on second and subsequent pages, dynamically changing font sizes on the fly to allow for expanded detail lines, and/or duplex printing are used to reduce page counts. This reduces the number of forms needed, click charges, consumables, envelope weight (which effects postage rates), etc.

### **Improve Document Readability, Improve Cash Flow & Expand Your Business**

Utilizing **highlight color (red, green, or blue)**, dynamic messages can be imaged on your documents on the fly. We can target clients based on zip codes, demographic data, or other client specific data in efforts to inform them of "Past Due" status (to improve cash flow) or dynamically cross sell to them other products and services you offer (to grow your business). With state of the art intelligent inserting equipment, you can also dynamically market to your clients by selectively inserting additional pieces, brochures, price lists, newsletters, etc. In addition, we can provide an integrated new business program to specific geographic areas you may want to further penetrate, helping you grow your business.

### **Experience and Knowledge**

Our Chicago based facility (perfect for nationwide first class and bulk rate mail distribution) started as a programming shop and evolved into a high-speed laser printing and mailing facility, specializing in "Business Critical" documents. To the contrary, the majority of the laser printing and mailing facilities in the industry started their business providing "Direct Mail" services, lacking the programming expertise, mind set, and procedures required for accurately and efficiently processing "Business Critical" documents. **Our experienced staff can format and customize your data any way you like, without you having to spend any programming time.**

## TYPICAL PROJECT CONTENT DESCRIPTION

Preparation of your project may encompass a number of aspects. Our total solution covers:

- ◆ Forms design and manufacture;
- ◆ Computer programming and processing, including Postal sortations;
- ◆ Printing of your variable information;
- ◆ Envelopes, optional brochures or informational inserts;
- ◆ Inventory control via our forms management system;
- ◆ Letter-shop conversion and/or bindery services, and delivery to the U.S. Postal System;
- ◆ Document archiving in microfiche, microfilm, or CD ROM.

## SOFTWARE PROFILE

There is considerably more to a mailing cycle than personalized forms and mail handling. Clean, accurate data, sophisticated software, and efficient printing and mailing systems are of significant importance when selecting your Direct Marketing Partner.

Address Correction: How much can an undeliverable address cost you? Postal software identifies bad addresses and standardizes them to conform to Postal standards.

Zip Code Correction: Correct Zip Codes are mandatory for all U.S. Postal discounts. Software matches addresses and City/State information against the U.S.P.S. national address data base and standardizes city names and two character state abbreviations.

Postal Discounting Services: Postal sorts are simply an extension of standardization and correction services. Once we have cleansed your data, appropriate sortation extensions (ZIP+4 or 11-Digit Delivery Point bar-code) are applied., and then your mail is qualified for the greatest possible postal savings.

Postal Discount Qualification: Effective July 1, 1997, mailers who claim presort or automation rates for 1<sup>st</sup> class mail must demonstrate that they have updated the addresses in their mailing lists within 180 days (6 months) prior to us dropping the mail to the USPS. The four USPS approved updating methods include one of the following: Address Change Service (ACS), National Change of Address (NCOA), FASTforward, Ancillary Service Endorsements. We will discuss with you each avenue and their associated costs so that you can make the best decision for each project. We will then implement your decision so that you can obtain the best postal discounts possible.

## SPECIFICATIONS

This is a proposal to provide data processing, imaging, assembly and fulfillment services to Cleaning Corp. The initial communications to be produced are end customer communications. Most of these devices are single page simplex laser printed forms. Intelligent folding and inserting processes will be used to assemble the documents into finished mailings.

### Data

Data will be provided by Cleaning Corp. via, direct data transmission, Internet, or magnetic media. Some form of check-sum file or approval document should also be provided. Typically, this check-sum information will contain the number of forms generated and the sum of any defined amounts. This information will be used to compare and approve processing, printing, and mailing of the communications. Test data will be provided for programming, testing, and implementation.

### Data Processing

We will perform the following processes on the data:

1. Extract mailing address information from the input data for CASS certification and sortation (CASS stands for Coding Accuracy Support System and is used to compute the zip+4 and delivery point bar codes required to comply with automation mailing requirements).
2. Extract, convert, and embed the customer image objects into the print data.
3. Compute and append the Post Office automation delivery point bar codes. All pieces will mail at first class automation rates. By complying with the automation postage rate regulations set by the USPS, a first class 1oz letter can mail for as low as 23.8 cents as of the date of this proposal.
4. Re-order documents so that full automation postage rates can be applied and the imaging is performed in the order required for automation rate traying.
5. Generate any control marks required by the inserting process.
6. Create print image files for spooling and printing.
7. Incorporate any/all different document types into a single run stream.
8. Generate all postal 3600 series reports, bar coded tray tags, etc.
9. Generate all audit reports and job control paperwork used as the input source for lettershop job control, stock usage, etc.
10. Split in-house and undeliverable pieces from the mail stream for delivery back to Cleaning Corp.
11. Extract various segments for other end handling processes. No Mails, copies, etc. will be triggered and processed where necessary.
12. Generate various exception reports for Cleaning Corp.

## **SPECIFICATIONS CONTINUED**

### **Imaging & Assembly**

We will laser print all documents using high-speed laser printers. Print images may be modified on the fly to provide customized logos or other customized text for individual document versions. There is no practical limit to the number of document versions that may be used. Signatures, graphics, etc. may be digitized and used also if desired. Forms may be simplex or duplex printed. At the current time, simplex printing is anticipated. As an option, highlight color may be used to further enhance document readability. Forms will be assembled using intelligent secure inserting processes; single page sets are anticipated but multiple page sets can be processed within the same production process. Additional inserts may be included as desired. All components will be inserted into a #10 standard window envelope. Mailings will be delivered to the Chicago Main Post Office. This facility is a brand new, fully automated environment.

### **Reports**

1. **Stock Report:** We operate a complete stock control system that is functionally integrated with the imaging and assembly process. As each imaging and assembly job is completed, stock levels for all components are automatically deducted from current on-hand quantities. Order thresholds and order quantities are programmed in and used to indicate when a stock items needs to be replenished. Thus, we will manage complete inventory control and tracking for you.
2. **Postage Report:** This report shows each mailing and the amount of postage used for each mailing. Postage accounting is also integrated into the production assembly process so a real time postage balance is maintained for each end client. Cleaning Corp. will provide all required postage in advance of mailings. We will maintain an accurate accounting of all postage used for each run. Similar to stock control, postage accounts will have a low threshold and an order amount established.
3. **Control/Approval Reports:** Each time a job is run, a control report showing items such as total statement dollars, total records processed and a break down of the number of recipients receiving each number of page counts, and a date and time of processing. This report may also act as a job approval two-way fax form.
4. **Special Audit/Exception Reports:** These reports are customized to meet your specific needs.

### **Operating Schedule**

Files will become available in the early AM hours of the morning. All processing, imaging, and assembly must be completed so that all pieces are in the mail by the next business day. It is assumed that any daily approval process (if required) will not interfere with same day processing.

## COST ANALYSIS

			PerRun		PerMonth		PerYear		
<b>Frequency</b>			1		20		260		
<b># Invoices</b>			9,075		181,500		2,359,500		
<b># Letters - Center</b>			313		6,250		81,250		
<b># Letters - Left</b>			420		8,400		109,200		
<b># Laser Legal</b>			156		3,125		40,625		
<b># Laser Labels</b>			10		200		2,600		
<b># Statements</b>			1,250		25,000		325,000		
<b># Collection Letters</b>			4,350		87,000		1,131,000		
<b>Total # Pieces</b>			15,574		311,475		4,049,175		
<b>Description</b>	<b>Current Unit Cost</b>	<b>Proposed Unit Cost</b>	<b>Current Total Cost</b>	<b>Proposed Total Cost</b>	<b>Current Total Cost</b>	<b>Proposed Total Cost</b>	<b>Current Total Cost</b>	<b>Proposed Total Cost</b>	<b>Difference</b>
<b>Forms</b>									
# Invoices	\$ 10.76	\$ 8.40	\$ 97.65	\$ 76.23	\$ 1,952.94	\$ 1,524.60	\$ 25,388.22	\$ 19,819.80	\$ 5,568.42
# Letters - Center	\$ 14.28	\$ 9.02	\$ 4.46	\$ 2.82	\$ 89.25	\$ 56.40	\$ 1,160.25	\$ 733.20	\$ 427.05
# Letters - Left	\$ 26.00	\$ 9.07	\$ 10.92	\$ 3.81	\$ 218.40	\$ 76.20	\$ 2,839.20	\$ 990.66	\$ 1,848.54
# Laser Legal	\$ 7.60	\$ 38.04	\$ 1.19	\$ 5.94	\$ 23.75	\$ 118.88	\$ 308.75	\$ 1,545.38	\$ (1,236.63)
# Laser Labels #1	\$ 160.00		\$ 1.60	\$ 0.00	\$ 32.00	\$ 0.00	\$ 416.00	\$ 0.00	\$ 416.00
# Statements #2	\$ 4.87	\$ 8.63	\$ 6.09	\$ 10.79	\$ 121.75	\$ 215.70	\$ 1,582.75	\$ 2,804.10	\$ (1,221.35)
# Collection Letters #2	\$ 4.87	\$ 8.40	\$ 21.18	\$ 36.54	\$ 423.69	\$ 730.80	\$ 5,507.97	\$ 9,500.40	\$ (3,992.43)
<b>Envelopes</b>									
#10 Std Window 2/0	\$ 18.63	\$ 16.25	\$ 290.14	\$ 253.07	\$ 5,802.78	\$ 5,061.47	\$ 75,436.13	\$ 65,799.09	\$ 9,637.04
<b>3160 Laser</b>									
Equipment Cost #3	\$ 833.33		\$ 41.67		\$ 833.33		\$ 9,999.96		\$ 9,999.96
Click Charge	0.0033		\$ 32.91		\$ 658.27		\$ 8,557.48		\$ 8,557.48
Supply Charge	0.0042		\$ 41.89		\$ 837.80		\$ 10,891.34		\$ 10,891.34
Fixed Maintenance	\$ 697.00		\$ 34.85		\$ 697.00		\$ 8,364.00		\$ 8,364.00
Electricity	\$ 150.00		\$ 7.50		\$ 150.00		\$ 1,800.00		\$ 1,800.00
Space (200sq feet)	\$ 20.00		\$ 16.67		\$ 333.33		\$ 4,000.00		\$ 4,000.00

**Footnotes:**

#1 10 laser label sheets per day can be cost effectively printed on a standard desktop model laser printer. There is no need to print these using production laser equipment. Thus, we do not propose to print these for Cleaning Corp.

#2 Current costs are based on using blank white laser paper where as our costs are based on a pre-print form. Statistics show that color improves appearance, readability, and motivation towards action. With documents as important as Statements and Past Due Notices, the additional color and effect it will have is worth the nominal cost increase.

#3 The cost of a 3160 IBM laser is \$50,000. Based on a 60-month depreciation schedule, monthly depreciation costs are approximately \$833.00.

## COST ANALYSIS

<u>Description</u>	<u>Current Unit Cost</u>	<u>Proposed Unit Cost</u>	<u>Current Total Cost</u>	<u>Proposed Total Cost</u>	<u>Current Total Cost</u>	<u>Proposed Total Cost</u>	<u>Current Total Cost</u>	<u>Proposed Total Cost</u>	<u>Difference</u>
<b>4000 Laser</b>									\$ 0.00
Equipment Cost #4	\$ 3,850.00		\$ 192.50		\$ 3,850.00		\$ 46,200.00		\$ 46,200.00
Click Charge	0.00119		\$ 6.66		\$ 133.28		\$ 1,732.64		\$ 1,732.64
Supply Charge	0.00086		\$ 4.82		\$ 96.32		\$ 1,252.16		\$ 1,252.16
Maintenance #5	\$ 766.20		\$ 38.31		\$ 766.20		\$ 9,194.40		\$ 9,194.40
Electricity	\$ 200.00		\$ 10.00		\$ 200.00		\$ 2,400.00		\$ 2,400.00
Space (400sq feet)	\$ 20.00		\$ 30.77		\$ 615.38		\$ 8,000.00		\$ 8,000.00
<b>Insertter</b>									
Maintenance	\$ 3,000.00		\$ 11.54		\$ 230.77		\$ 3,000.00		\$ 3,000.00
Electricity	N/A		N/A		N/A		N/A		
Space (200sq feet)	\$ 20.00		\$ 16.67		\$ 333.33		\$ 4,000.00		\$ 4,000.00
<b>Meter Machine</b>									
Maintenance	\$ 500.00		\$ 2.08		\$ 41.67		\$ 500.00		\$ 500.00
<b>Laser &amp; Mail</b>									
Flat per run setup		\$ 40.00		\$ 40.00		\$ 800.00		\$ 10,400.00	\$ (10,400.00)
Per M images		\$ 60.50		\$ 942.21		\$ 18,844.24		\$ 244,975.09	\$ (244,975.09)
<b>Materials Storage</b>									\$ 0.00
Space (480 sq. feet)	\$ 20.00		\$ 36.92		\$ 738.46		\$ 9,600.00		\$ 9,600.00
<b>People</b>									
Processing/Printing	\$ 17.00		\$ 17.00	\$ 0.00	\$ 340.00	\$ 0.00	\$ 4,420.00	\$ 0.00	\$ 4,420.00
Inserting	\$ 484.00		\$ 96.80		\$ 1,936.00		\$ 25,168.00		\$ 25,168.00
					\$ 0.00		\$ 0.00		
<b>Postage</b>									
1st Class	0.295	0.261	\$ 4,594.26	\$ 4,064.75	\$ 91,885.13	\$ 81,294.98	\$ 1,194,506.63	\$ 1,056,834.68	\$ 137,671.95
<b>TOTAL</b>			<b>\$ 5,667.04</b>	<b>\$ 5,436.16</b>	<b>\$ 113,340.83</b>	<b>\$ 108,723.26</b>	<b>\$ 1,466,225.87</b>	<b>\$ 1,413,402.39</b>	<b>\$ 52,823.47</b>
<b>Difference</b>				<b>\$ 230.88</b>		<b>\$ 4,617.56</b>		<b>\$ 52,823.47</b>	

**Footnotes:**

#4 Over \$700,000 was spent on the IBM 4000 laser printer configuration. Since equipment utilization of the IBM 4000 configuration is 33% for the printing of "Business Critical" documents, resource allocation costs towards this project is only \$231,000. Based on a 60-month depreciation schedule, monthly depreciation costs are approximately \$3,850.

#5 Published fixed maintenance costs for the IBM 4000 are \$1550 per month. From a conservative standpoint (guessing you negotiated significant discounts), we used \$1162 per month per printer. Since equipment utilization of the IBM 4000 configuration is 33% for the printing of "Business Critical" documents, cost allocation towards this project is \$766.92 per month.

#6 Based on a 3 month supply of materials ordered at one time, you would need space to warehouse 32 skids of material. One skid requires approximately 15 square feet, which calculates to 480 square feet required.

## PRICING

### Approximate Programming Setup

**\$3200**

The above includes programming for data receipt via modem, Internet, or magnetic media, setup of audit control reports, setup to process through Postal Discounting Software, and setup of 6 different document overlays. If any additional programming is required (file merging, data manipulation, etc.), the standard programming charge is \$75 per hour.

### Products

Products will be billed upon the completion of production and shipping. Our terms are Net 30 days. Costs include all freight charges from production facility to Imaging & Mailing facility. I don't believe your current costs, documented below, include freight.

<u>Description</u>	<u>Qty</u>	<u>Price/M</u>	<u>Total Sell</u>	<u>Current Price/M</u>	<u>Current Total \$</u>	<u>Savings</u>	<u># Orders Per Year</u>	<u>Annual Savings</u>
#10 Std Window	1,000,000	\$ 16.25	\$ 16,250.00	\$ 18.63	\$ 18,630.00	\$ 2,380.00	4	\$ 9,520.00
Invoices	600,000	\$ 8.40	\$ 5,040.00	\$ 10.76	\$ 6,456.00	\$ 1,416.00	4	\$ 5,664.00
Letters Center	20,500	\$ 9.02	\$ 184.99	\$ 14.28	\$ 292.74	\$ 107.75	4	\$ 430.99
Letters Left	27,500	\$ 9.07	\$ 249.48	\$ 26.00	\$ 715.00	\$ 465.52	4	\$ 1,862.08
Statements	81,250	\$ 8.63	\$ 701.03	\$ 4.87	\$ 395.69	\$ (305.34)	4	\$ (1,221.35)
Collection Letters	282,500	\$ 8.40	\$ 2,373.00	\$ 4.87	\$ 1,375.78	\$ (997.23)	4	\$ (3,988.90)
Letters Legal	10,250	\$ 38.04	\$ 389.91	\$ 7.60	\$ 77.90	\$ (312.01)	4	\$ (1,248.04)

### Laser Printing & Mailing Services

**\$40 Flat per Set up + \$60.50/M Images**

Please note: \$40 flat charge is per mechanical setup.

All 11" forms can be processed under one setup. 14" forms will be a separate mechanical setup.

The above includes:

1. Processing: Receipt and processing of data through various programs to create print image files for spooling and printing.
2. Laser Printing: Simplex black laser printing of images
3. Lettershop: Intelligent gathering and nested folding, inserting into #10 window envelopes, sealing, and mailing under a pre-printed indicia.
4. Prices above do not include postage. Postage is due a minimum of 3 days prior to the date of the mailing. Costs will be billed on a monthly summary invoice, upon completion of services. Invoices are due net 30 days.

For **highlight color**, add

**\$.0085 per image**