



The **LeadINg** Edge

The Newsletter of the Imaging Network Group Spring 2021

Face-to-Face in Denver



FOR the first time in over a year INg members gathered face-to-face for the 30th annual Spring Forum. The venue was Gaylord Rockies in Aurora, Colorado, a few miles from Denver, with a back lawn that came with a view of the Front Range, fine food, and a well-isolated meeting room for 99 INg members and partners. “We wanted to be one of the first trade organizations to be back and unmasked, and here we are,” proclaimed INg President **Fred Van Alstyne**. “It shows how INg is a true networking group in which we all benefit from each other’s experiences.”

INg has been together for thirty years, and although the industry and members’ businesses and the technologies we use

have evolved, many things we have discussed over the years are still relevant today: USPS and the mail, security, compliance, and regulatory mandates at the state and federal levels. Although certain details may have changed, these topics still have top-of-mind importance. At INg meetings we are able to share how our respective companies handle these key issues.”

That is what networking and sharing are all about, and part of how INg and its members have endured economic shifts, the pandemic, and why membership and the number of partner firms that support INg have continued to grow for three decades.

The USPS and a 10-year Plan

One of those recurrent issues for INg members is mail, especially the U.S. Postal Service. **Leo Raymond** of Mailer's Hub, a man more than qualified to be Postmaster General, walked us through the trials, tribulations and machinations of the U.S. postal system. It was fascinating to hear the inside story from someone who knows all the players and what questions to ask.

It's probably not surprising that there has been a decline in overall mail volume—some of it attributable to the pandemic—but a bigger concern is the decline in first-class mail. Sure, transactional mail continued throughout 2020 but the pending increase in postage rates may impact the bills and statements sent out by many INg member companies. Fewer mail pieces quickly translates into less revenue for all concerned, hardly what the already cash-strapped USPS needs. The ultimate remedy for this anything but apparent and while the USPS has a plan for the future, the downturn in volume precipitated by the pandemic was more reactive than proactive. A postage increase is already in the works but rates are already likely to climb further as less mail is sent out. Companies that rely on transactional mail—many of which are customers of INg members—may well react by reducing the volume of physical mail they send out.

For INg members this underscores the need to provide *both* postal and electronic distribution while emphasizing the value of the capabilities they bring to the table such as data processing, physical and electronic security, list cleansing, and more. Customers need to understand that although postage may be a pass-through cost, far more than postage is involved in sending out bills and statements. While these other costs may only be fractions of a cent per mail piece, they are incurred no matter how a document is sent. Moreover, the details involved are a bit more complex than inserting a statement in an envelope and applying a postage indicia. You know this, so make sure your customers understand all that is involved.

But wait! There's More!

Leo also delved into some of the details of the USPS's 10-year plan, some of which seems to show little appreciation for the facts on the ground, delivery routes, and familiarity with the process of how mail actually works. For example, USPS has embraced the notion of packages as the silver bullet that will bring them back to solvency, never mind that little of the USPS is set up for large scale package handling, while its competitors, UPS and FedEx, do packages for a living.

Then there is the idea that having mail take longer to reach its destination is a good thing. Remember how, back in the day, you would carefully affix an airmail stamp to a letter going across the country? We might be doing this again because USPS seems to think it'd be okay for a first-class mail piece to take 5 or 6 days to cross the U.S. using surface mail (for full price, of course). And by not using airplanes it will. The "money cost" of this idea to banks, credit card companies, utilities and retailers is enormous, especially since some 60% of bills arriving in the mail are paid online. The longer delivery times that are part of the 10-year plan will impact companies' cash flow, at least until mailers call their congressmen—or companies push more customers to electronic delivery and more actively charge for physical mail delivery. Either way, bureaus will be impacted.



There was a lot more in Leo's presentation which has already been distributed to Forum attendees. But the key takeaway is to pay close attention to what the USPS is doing and planning because the impact on your business could be substantial. And don't hesitate to call your congressperson.

Small Group Roundtables



A highlight of the 2021 INg Forum was Small Group Roundtables. These broke up the days of the Forum while encouraging face-to-face communications and networking. Lasting about 25 minutes each, the roundtables covered several key questions:

- What is your strategy for retaining your best employees?
- What have you done due to Covid that really made a difference? What have you put in place that plan to keep going?
- What is your BHAG (Big Hairy Audacious Goal) for 2021-2022?

Here's how members responded:

What is your strategy for retaining your best employees?

Every business owner knows that having the best possible staff makes for excellent results. In some markets business owners this can be compounded by "Amazon Factor," the outsized influence Amazon has on surrounding businesses for workers who look first at hourly rate.

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Small Group Roundtables, continued from Page 2

It was noted that this goes beyond hourly employees. Some members said there were salaried employees who thought hourly workers were “catching up,” extending the impact of Amazon beyond the people who punch a time clock. Members cited several effective strategies for keeping their best people coming to work each day:

- Offering competitive pay with a growth path and personal development plan, including helping employees shift to roles that may be a better fit or that help them move up in responsibility, underscored by a policy of promoting from within.
- Maintaining communications so employees are aware of what is going on in the company, combined with involving and listening to them so workers feel they have a voice.
- Further ensuring employees feel they are part of the business with benefits such as 401Ks, profit sharing, health benefits, and contributing to educational expenses.
- Bonuses based on what employees do, with rewards for achieving goals. This could include “casual” awards, like gift cards given out in recognition for extra effort or even just as an “attaboy” showing that an owner or manager appreciates a person’s efforts.

Other points included having a Hispanic PR person in places with high Hispanic populations, having healthy food available in cafeterias or vending machines, and offering more paid time off.

What have you done due to Covid that really made a difference? And what have you put in place that plan to keep doing?

Covid changed the business world forever. What most of us have come to think of as the new normal will become business as usual as some changes of the past 12–18 months turn into ones that many companies keep in place. While most ING members were able to stay open, numerous business practices changed to accommodate the new ways of working. Here’s what ING members learned:

- The best ways of using cameras on Zoom or Microsoft Teams as part of developing new ways to collaborate. While the virtual environments many of us became accustomed to are less than ideal, they can work well if all involved make an effort to get the most out of a video connection. This often means staying “live” in front of the camera instead of putting up a still-image placeholder image or just one’s name and walking away from the camera. This is a practice we’ve all seen more than a few times on Zoom calls!
- Members are also re-evaluating trade shows with an eye to saving money: The common question is “Do we really need to be there?” Videos and demonstrations can replace trade shows and can be done at viewers’ convenience, unlike shows which are locked to a specific time, location, and incur the costs of travel and lodging.
- With many members now having multiple locations, the change in business practices due to Covid fostered better load balancing with other facilities.

- A plus to having fewer people in a business on a given day had a two-fold benefit. It let people personalize workspaces while also re-purposing some spaces to make an area more productive. In addition, some production people appreciated “not having managers breathing down our necks,” a benefit that showed how some workers may be capable of working with less direct supervision and that some managers may intrude on workers’ space more than is necessary.
- Letting people who can work from home stay at home is seen as a plus because physical location is proving to be less important. In particular, the number of small devices (smartphones and tablets) people have facilitated internal communications.
- Training has improved, enabling production people to do more.
- The new environment increased workers’ awareness of other employees’ needs.

What is your BHAG (Big Hairy Audacious Goal) for 2021-2022?

Very few members admitted to having a BHAG, but Content Critical Solutions is aiming to be the largest transactional mail provider in the insurance industry. An audacious goal indeed! But that other member firms are not citing BHAGs hardly means they are sitting back and relaxing. For example, **Mike Mulcahy** of OBRIEN noted that an overall goal of doubling a company’s pipeline in a year might hinge on successfully completing several smaller objectives. Taking this a step further, the goals should be in 90 and 180 day increments and even span multiple years because it forces you to think about how to move forward. “It is not unreasonable to think out 20 or even 30 years because it focuses one’s thinking on how a plan may work long term,” noted **Fred Van Alstyne**.

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Dave, Andrew and Bob recommended bureaus take eight steps to protect themselves from unexpected tax liability.

1. Find a partner (legal/accounting firm) to work with.
2. Perform an assessment to determine your back-tax liability and future tax obligations.
3. Decide where it makes sense to pursue VDA (Voluntary Disclosure Agreement) with states where your liability is significant.
4. Have clients pay postage directly to USPS via EPS (Enterprise Payment System) to avoid any taxation issues with postage.
5. Find or develop a system (Thompson Reuters, Avalara, or home-grown) to calculate sales tax amounts.
6. Develop a client communications packet (with required forms) to send to clients.
7. Contact Clients.
8. Begin collecting taxes.

A key takeaway is that you should not ignore this and hope it will go away because it may get worse the longer you wait. Andrew, Dave and Bob noted that states (all hungry for revenue on the heels of companies like Wayfair, Overstock, Amazon and others not collecting sales tax on internet sales) are getting more aggressive in sending nexus letters to companies who are not registered. Above all, do not go it alone: seek help for guidance to determine your potential tax exposure and create a going forward plan. Talk with your accounting firm, a tax attorney and a processor that can facilitate sales tax collection. And be realistic: implementing a plan will require significant time and internal/external resources.

As you move forward, work to limit exposure by having clients fund postage via EPS or checks paid directly to USPS. However you do it put a plan in place, contact your clients, and get started.

One approach, a member noted, is not itemizing postage as a line item and to make no mention of postage in any document (or on your books). This may work but can wind up being a “bet the company” move because one or more states may see

through this ploy and send tax bills that could cripple a company’s finances.

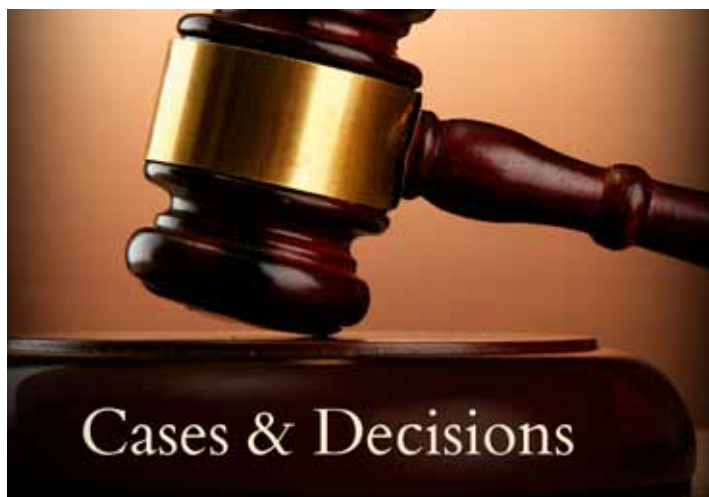
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Got Nexus? The Wayfair Tax Decision

Nexus, it turns out, has lots of meanings. Among several other things nexus is a flavor of smartphone, a motorcycle, a hockey skate, and a sneaker. But for this story it is a legal term used to determine whether or not you have to pay sales tax in a given state. In this case, *nexus* can come down to whether you have physical place of business (a nexus) in a state. Moreover, the U.S. Supreme Court ruled that a state can collect sales tax on goods delivered to that state even if a business does not have a physical presence in the state. How this may impact service bureaus is yet to be determined but very bureau owner should be aware of the rule because it is possible that a bureau could wind up owing sales tax—for postage of all things—in a state where transactional or direct mail is delivered and get hit with an unexpected tax bill.

Dave Henkel, Andrew Henkel and **Bob Arkema** shared their insights on this concern, asking ING members if they are ready for what *nexus* and the Wayfair Decision could mean for them. The name of the decision, by the way, comes from a U.S. Supreme Court decision in a South Dakota case against e-tailers Wayfair, Overstock and Newegg. The court ruled that South Dakota could impose its sales tax collection requirements on remote sellers that exceed certain sales or transaction thresholds, *without regard to physical presence*. Here’s a link to some details: <https://bit.ly/3suvgdj>

Nexus, in this case, means “economic presence” which can be interpreted as delivery of tangible products to a state by a common carrier, UPS, FedEx or USPS. Some 17 states (AK, AR, CA, DC, DE, FL, IL, MI, MO, MT, NH, NY, OH, OR, PA, VA, WI) offer varying levels of exemptions with some only for promotional direct mail, while seven others (CT, HI, LA, MD, MA, MS, TN) consider postage (when collected and paid by vendor) as taxable. Because postage has a way of adding up quickly, it may mean you could be responsible for collecting tax on postage, especially if you receive postal funds directly. So far, postage on statement mailings do not qualify for the promotional direct mail exemption and may be taxed in some states.



The Huntstein Decision

Linda Woodward and Chris Kropac took the floor to fill members in on the Huntstein Decision and introduce us to the Print and Mail Coalition, a group of bureaus and OEMs that are teaming up to pressure the 11th Circuit Court (Alabama, Georgia and Florida) with regard to mailings that may disclose certain types of personal information. Based on what was termed an *amicus brief* (friend of the court) it was a broad ruling that could put the kibosh on almost any direct mail communication that may involve transmittal of data. Even dunning letters—which many INg members print and mail—could be covered by this ruling. (It should be noted that some members later said the presentation did not include some salient facts, was at least partially inaccurate, and that

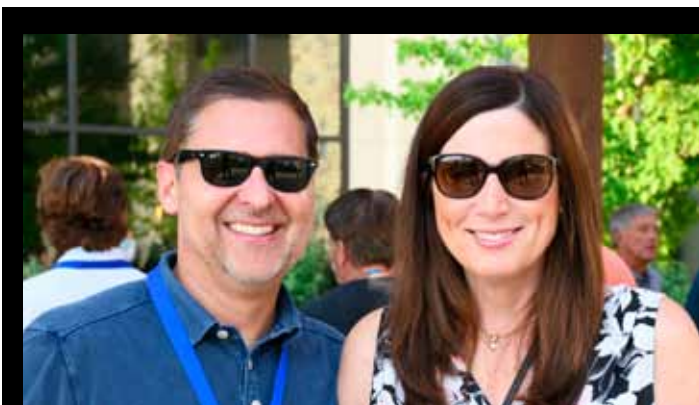


some ideas presented were not enforceable by current law. A link to the case provides more detail: <https://bit.ly/3D1Oj3M>

On June 14, 2021 (the day before the presentation), the Eleventh Circuit issued an order stating that the Court was withholding issuance of the mandate, a procedural step to ensure that the opinion does not become final pending a determination on the *en banc* (full court) petition. That said, it is entirely possible that the Eleventh Circuit had been tipped off about what was coming from the Supreme Court on a similar case. Because, on June 25, 2021, a few days after the INg Forum, a U.S. Supreme Court decision in *TransUnion, LLC v. Ramirez* addressed the standing of Article III. In a footnote to the opinion, the Court essentially confirmed that sending information to a letter vendor for the purpose of printing and mailing a communication is *not an actionable publication* that would cause an injury-in-fact necessary for Article III standing. Attorneys for the defendant debt collector have submitted this as supplemental authority in support of its petition.

Courts do what they're going to do so stay tuned for more details. The Huntstein Decision is still in play and could have an impact if it creeps outside of Alabama, Georgia and Florida.

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INg and the Year that was 2020

Marc Mascara from Keypoint Intelligence gave us the numbers on INg over the past year, info that is best prefaced with insights of 2020 in review:

- Health protocols increased the use of digital communications
- Enterprises pivoted as many in-person interactions were eliminated
- Homebound consumers became more reliant on physical mailboxes
- Enterprises were forced to rethink bills & statements
- Transaction/Direct Mail/Packaging communications accelerated in digital and print formats
- Outsourcing became a business focal point

With those points as context, Marc's report showed the power INg wields in the industry. Member companies employ 12,395 people in 109 locations. In 2020, INg members put out some 6 billion first-class, 629 million standard mail transactional pieces, while direct mail members sent some 208 million first-class direct mail and 3.7 billion standard pieces for a total of 10.6 billion mail pieces. The average 2020 mailing contained about two pages, reflecting the total of 20.7 billion pages printed by INg members. While these volumes were a slight increase over 2019, members expect 2021 to be stronger, with a 10 to 12% growth expected through the end of 2021 for both transactional and direct mail segments.

However, Marc noted four polarizing points that portend changes in the volume and types of communications in the coming years:

- Consumers are demanding choices for receiving BOTH digital and print channels
- Consumers want the freedom to select their preferred communication channels
- Enterprises are highly focused on revenue targets and costs—sometimes at the expense of customer loyalty!
- Due to a desire to cut costs, brands and enterprises drive, and sometimes force, consumer channel preferences

Interestingly, transactional documents—primarily financial material—are showing a mild consumer preference (roughly 1 person in 6) for paper-only. Map this onto any coming price increases from the USPS and the related desire of companies to decrease spending on mail, and we begin seeing a possible challenge for mailers, bureaus and consumers in determining the “best” choice for transactional documents. The question is the extent to which mailers will opt to offer digital-only (as some banks already do for new customers) and asking customers to pay extra for physical delivery. Compounding this is the lack of broadband internet connections in some areas of the U.S. None of this is going to be solved quickly, and INg transactional members need to keep fully apprised of any changes so they can discuss the best strategies with customers. As noted previously, members need to remind customers of all the costs and processes that go into a transactional or personalized



mailing to ensure customers understand the many functions a bureau does to ensure accurate, timely and successful customer communications in both digital and physical formats.

Marc's research also looked at members' expected investments in equipment and software in 2021. Inserters and other finishing equipment are budgeted for this year by about a third of members with nearly as many planning such purchases beyond 2021. Both roll- and sheet-fed inkjet printers are on the shopping list for the next year or so.

The key takeaways—including reading between the lines of the data—included:

- Toner volumes are being replaced by inkjet with sheet-fed inkjet continuing the momentum started by roll-fed systems, yet full-color inkjet is ramping slower than expected.
- Inkjet capacity is up to 65% under-utilized, resulting in excess capacity and less need to upgrade or replace existing equipment. It is not clear whether the under-utilization is based on a print engine's capacity or the volume a print provider could possibly print.
- Sales and marketing efforts are being rebuilt following 2020 and absorbing a portion of investment capital.
- Industry-specific regulations by federal, state and local governments are driving changes.
- Channel fog & channel fatigue driven by security breaches and public sentiment.
- Consumer preferences and changing demographics, such as millennials and some Gen Z individuals who may prefer digital communications.
- Business realignment with print's role as communication enabler when used in conjunction with digital media.

Marc's presentation was distributed to members and you can always reach Marc by email at Marc.Mascara@keypointintelligence.com.

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Failure *IS* an Option

THE tagline for the movie Apollo 13 was “Failure is not an option,” a precept that is a mantra within NASA. Popularized by the words of actor Ed Harris in the film it is actually not something Gene Kranz, whom Harris portrayed, ever said. But it made for a great line in a tense movie.

In business though, *failure IS an option*, said **Pat McGrew**, provided it does not involve a non-reversible move, such as merging, selling your business, or acquiring another company. Reversible moves include buying equipment, changing your staffing, your mix of products and services, instituting a new approach to your markets, changing locations or your contract for services. Her point was that although business decisions are not created equal, all require careful consideration bolstered by communication with all stakeholders. And, as movie director James Cameron has noted, it is really *fear* that is not an option.



Outlining several steps to success, Pat encouraged what she termed *Fast Failure* to get things wrong while on the path to getting them right..

- Practice with small decisions
- Measure and test
- Communicate
- Be prepared to change
- Keep on the path or course correct
- Try something bigger
- Keep on the path or course correct as needed
- And when it works, do it again: Wash, Rinse, Lather, Repeat

Always be on the lookout for both overt and passive resistance because there are usually people around you who dislike change—and some may be managers and supervisors. She encouraged members to be honest about changes while also making change part of the culture. This is where the importance of keeping employees apprised of plans is important, as noted in lessons from the pandemic.

In an age where change in so many things is a constant, businesses need to adapt and change with the times. Failure *IS* an option. The skill is knowing when to use failure as a way of finding the right path forward. And that is working smart.



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Making the Most of Non-profit Organizations

Shelley Sweeney, formerly of Xerox and now with Cathedral Corporation, used customer examples to illustrate the communications needs of non-profit organizations. “The non-profit market is very large and has plenty of players, most of which benefit from many of the same communications techniques used by for-profit companies,” said Shelley.



For example, relevancy and data are always key factors when reaching out to potential donors or when recruiting new members, and also to finding a niche in which your company can specialize and even build a brand. For Cathedral, this has meant specializing in churches, especially Catholic dioceses, for annual pledges and special fund-raising needs. “It is important to be a fund-raising partner with any non-profit,” said Shelley. “It creates trust that helps drive repeat business.”



Speed Dating

Don't you think we ought to know each other first?

Trying to find the right technology for your business is not unlike finding the right mate—and can have a similar impact on your life. To get a sense of the right fit, “speed dating,” where a bureau executive spends a few minutes with various equipment or software vendors, provides a quick way to see if the duty cycle is right, if the software may do what is needed, and if the price is in the ballpark. More detailed discussions can take place later when warranted.

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Speed Dating, Continued from page 9

Given the mix of C-level business owners and high-level sales execs, 10-minute speed dating sessions made a lot of sense for the Wednesday afternoon agenda. Each vendor had a table with the potential customers cycling by in 10-minute increments. It made for a new level of networking at INg and a way for equipment and software vendors to meet and gain better understandings of the differing needs of INg members.

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Welcome New Members!

Two new members, L & D Mail Masters and Japs-Olson were on hand for the first time as new members.



L & D, based near Albany, New York is a 100-percent woman-owned direct marketing firm that focuses on helping

clients to create campaigns that relate, captivate, cultivate and resonate with target audiences. Its facility enables clients to design, print and mail all in one location.



RELATE



CAPTIVATE



CULTIVATE



RESONATE



Japs-Olson, a 114-year old direct mailer in St. Louis Park Minnesota. Also being a commercial printer, Japs-Olson has a full range of printing and imaging technology from prepress services to offset and digital presses to bindery, finishing and envelope converting.

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Still more Break Out Sessions!

With Thursday afternoon on the run, **Bob Arkema** and **Marc Mascara** led two more break-out sessions to cover trends in production equipment and customer communications preferences. These sessions were another opportunity for members to hear what colleagues and counterparts were doing and how they were thinking as customer needs changed with the times.



INg Just Keeps on Rockin'

The annual Fall Workshop has been expanded this year to nearly 3 days and for the first time in many years will *not* be associated with a major trade show. Mark space in your calendars for **November 8-12** at the Hard Rock Hotel in Orlando, Florida for a full schedule of networking and idea sharing. The full agenda is still being developed so watch your email and be ready for a new INg experience in Orlando.

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Got Pictures? Now you do!

Like the photos from the conference? They are all available free and in full resolution on Noel's Hightail server at <https://bit.ly/37YQmHc> The link *should* take you right to the file, and the password is ING2021denver (case sensitive). Download and enjoy! I picked the best of the ones taken (over 600 in all with about 160 in the cloud) and avoided the ones that were terrible or might be embarrassing. I have more from the previous years, too, at least from about 2010, so I can get those to you as well. Those are not presently up on the Hightail server. If the Bitly link doesn't work, try this one: <https://spaces.hightail.com/space/63QqOcCcSk/files>



A Blast from the Past!





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