



To: Sean Carroll, NYS Office of General Services

CC: Maureen O'Brien, NYSID; John Normile, NYS OGS

From: Pravina Raghavan, Empire State Development

Date: 11/28/18

RE: NYSID Application to add Mail Fulfillment Services to the List of Preferred Source Offerings

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## **DESCRIPTION OF APPLICATION**

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The New York State Industry of the Disabled (NYSID) is requesting to have Mail Fulfillment Services approved by the NYS Procurement Council as a Preferred Source Offering to be added as an umbrella service, inclusive of the current approved services related to mail services i.e. Mail Distribution; Mail Folding & Inserting; Mail Inkjet Labeling; Mail Packaging; Mail Presort; Mailroom Services – Offsite) to reflect the technological changes in mailing services.

NYSID's affiliate agencies that will provide mail fulfillment are: Center for Disability Services in Albany; Fedcap Rehabilitation Services, Inc. in New York City; Southeast Works in Depew; Warren, Washington & Albany Counties Chapter of NYSARC in Albany; and Westchester County ARC in White Plains.

### **Mail Fulfillment**

At its essence mail fulfillment is digital printing that is mailed and the entirety of the work is performed at the preferred member's agency site. Digital printing may require variable data print (VDP) for both mailing and or printing which allows for the letter and or envelope to be individualized.

### **Proposed Definition of Mail Fulfillment**

In June and July of 2016, a workgroup of Council members, preferred sources and industry representatives met several times to write a definition for the new offering of mail fulfillment. This definition included a list of requirements that must be met in order to print and mail the documents and also what type of documents cannot be printed by the preferred sources.

This new definition includes the printing and mailing of documents, whereas the approved preferred source mailing definitions do not allow printing of any documents except addressing envelopes. The new definition for mail fulfillment services looks to maintain NYSID's current business in providing mail services and adjusting to the changing landscape of mail services in regards to digital printing.

## MARKETPLACE

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The sources below were used to assess the marketplace:

1. NYSID annual estimate provided in the application and other documents in the application;
2. Offerings of other Preferred Sources;
3. Survey of NYS government entities;
4. Current RFPs;
5. Open Book NY;
6. BidNetdirect.com;
7. OGS Centralized Contracts;
8. Search for NYS small business firms through NYS Contract System, SDVOB directory, and Hoovers.com;
9. Survey of companies identified by search; and
10. Historical Contract Reporter ads.

In addition to the above data sources, the marketplace includes purchases done through discretionary spend and purchase cards (P-Card) which are not collected by OGS. The records for P-Card information do not provide spend details on what specific items are purchased. Agencies would have to give P-Card and discretionary spend information voluntarily.

Preferred Source designations also provide exclusivity to purchases made by local governments and municipalities. There is not a centralized New York State database to record the purchase or spend data of these entities. Currently, 213 NYS member agencies, many of which are cities, counties, towns and school districts, publish and distribute bid opportunities on BidNet Direct, an online resource used by many local governments. Empire State Development (ESD) searched BidNetDirect for open and closed contracts of NYS governmental member agencies.

Empire State Development performed its analysis based on available data gathered from publicly available data sources and survey responses. All survey data collected from agencies and businesses is voluntary and self-reported. Therefore, a complete marketplace analysis is not possible and the analysis below does not encompass the entire spend on mail fulfillment.

Each section below includes an analysis and survey results using the available data.

### **1. NYSID Estimate of Annual Sales**

The Open Book search conducted by NYSID in June of 2018 found 71 contracts with mail service in the description. Of those, 13 listed “printing” in the description with a contract value of \$9.6million with original contract approved/filed dates ranging from September 2010 – June 2018.

Of the 13 Open Book contracts that had printing in the description:

- Two contracts are held by an out of state company that utilized two NYS certified MWBEs who have been paid over \$218,000 from January 2017 through August 2018,
- One contracts has a 5% MW goal,
- One contract had M – 2.21% and W – 3.21% goals,
- Three contracts had no goals,
- Three are for printing and mailing of diplomas (excluded from definition),
- Two had no MWBE requirements, and
- One included binding (excluded from definition).

NYSID’s annual sales estimate is \$2.4 million in the first year, anticipating they will be able to secure 25% of the mail fulfillment contracts listed on Open Book NY. NYSID projects approximately 24,000 additional labor hours for mail-fulfillment contracts over the next year which will result in new employment opportunities for 70 full time employees, about 61 of them would be disabled.

The sales estimate based on Open Book is not indicative of the marketplace. As mentioned earlier it does not capture discretionary spend or purchases made by P-card. The market is larger than NYSID is stating in its application. It is reasonable to assume contracts will be pursued outside of what is being estimated through Open Book NY.

## **2. Comparable Products from Other Preferred Source Offerings**

NYSPSP has been approved for the following services on the OGS list of preferred source offerings: mail collating, mail distribution, mail folding and inserting, mail inkjet labeling, mail packaging, mail presort, mailroom services – offsite, mail room services – onsite. NYSPSP only mails out items printed off-premises by other vendors or agencies. NYSPSP cannot do any digital printing as a preferred source currently.

Corcraft is not approved for any of the preferred source mailing services.

## **3. Survey Results with NYS Government Entities**

The 13 government entities in New York State that were interviewed were based in part on NYS Contract Reporter ads and the agency list provided in the application by NYSID. Of the 13, nine have contracted with MWBEs or SDVOBs on a total of 17 contracts. Of those 17, 12 contracts were procured through the RFP process, four from discretionary purchasing or P-cards and one through a preferred source for mailing for a total of \$132.8 million spend. Not all of the contracts listed below fall under the mail fulfillment services definition.

Agency/Authority	Total amount per year spent on printing and mailing services	Purchasing method	Comments
Buffalo Board of Education	\$15,000 - \$20,000	RFPs	Printing and mailing adult education brochures each year. Also a few jobs under \$10,000 printed/mailed each year.
<b>CUNY</b>			
York College			Did not respond
<b>MTA</b>			
Long Island RR	\$645,376 average per year	RFPs and one sole source	Printing of: posters, tickets, writing paper, branch line timetables and HOS cards.
Metro-North Railroad	\$150,000 average per year	RFP	For business cards and stationary
NYC Transit	\$728,575 average per year	RFPs, sole sources and discretionary purchasing	Various printing jobs: subway cards, posters, maps, rulebook, MetroCards and spec book.
<b>NYS Insurance Fund</b>			
Printing contract	<\$3 mill/year	NYSID, preferred source contract	Checks were printed.
Mailing contract	Between \$600,000 - \$800,000/year	NYSID, preferred source contract	Checks and inserts were mailed.
<b>NYS DEC</b>			
Printing & mailing of Conservationist magazine	\$378,000	5 year RFP	No MWBE goals.
Hunting and trapping regulations guide and the fishing regulations guide	Hunting/trapping – \$1.2 mill; fishing - \$1.5 mill	New 5 year contract, 2018 – 2023	20% MWBE goals. These guides are mailed to the 1800 license issuing agents across the state to hand to people who purchase the licenses at the facilities.
<b>NYS Civil Service</b>	\$331,000	5 year contract via RFP	This contract is to print and mail plastic employee health benefit

Agency/Authority	Total amount per year spent on printing and mailing services	Purchasing method	Comments
			cards. 20% MWBE goal.
NYS DMV	\$4 million	5 year IFBs. Also discretionary purchasing for some items.	They utilize very few MWBEs because special paper is needed for many of the printing jobs and MWBEs do not sell the paper.
NYS DOB	Only prints Executive Budget and bills via OGS print shop.	May be printed via centralized contract entitled Legislative Printing for the Executive	No response.
NYS DOL			No response.
NYS Gaming	\$92 million for creative advertising services for lotteries (flyers, posters)	RFP	\$26 million of the \$92 million has been paid to MWBEs.
NYS OSC	\$189,496 total/year for 2 contracts		
Member annual statements	\$119,000	Discretionary purchase with an WBE	Includes both printing and mailing. Next year, NPC from FL will be printing the statements and sending them to NYSID to mail.
Retiree annual statements	\$70,496	Discretionary purchase with an WBE	Includes both printing and mailing. An RFP for next year's statements closed on Aug 3, 2018 with a 100% MWBE goal. NYSID will do the mailing.
NYS OTDA			
	8-year, \$13 million contract	RFP	Printing of carbonless pinfeed forms with a 20% MWBE goal.
	\$1 million per year of a 5-year, \$5 million contract	Current RFP is posted on the Contract Reporter to being in 2019.	Printing and mailing of state supplement program notices. Won by non NYS firm with a 2.6% MWBE goal. When contract expires in 2019,

Agency/Authority	Total amount per year spent on printing and mailing services	Purchasing method	Comments
			printing will be sent to NYSITS and the mailing will be sent to NYSID.
	\$24.9 million, 2-year contract	RFP	Printing alternate format and mail services with a 5% MWBE goal
<b>SUNY</b>			
Albany	\$173,600 average per year	2 RFPs and one discretionary	Three printing contracts, each used an MWBE sub.
Buffalo	\$50,000, generally smaller print/ mailing jobs like postcards	Discretionary purchase with an WBE	Most of their printing jobs are returned to the college for mailing or handing out to students.
New Paltz	\$126,400 average per year	RFPs	Three contracts. Each utilized M or WBE subs.
Upstate Medical	\$60,475	RFP	One contract utilized an MWBE sub.

#### 4. Current RFPs

NYS OSC recently posted an RFP on the NYS Contract Reporter for the printing of the retiree annual statements. A clause is written in the RFP that the chosen must be a certified MWBE vendor who will deliver the statements to NYSID for mailing.

NYS ODTA has a \$20 million variable printing contract for a five year period with two optional one year extensions pending OSC approval for three carbonless forms with Crabar/GBF Inc. from Ohio. They are not a NYS certified MWBE nor an SDVOB, however there is a 15% goal for minority owned businesses and 15% for women owned businesses. Mail fulfillment is not a part of this contract.

NYS ODTA also posted an invitation to bid (IFB) in October 2017 for printing and mailing, which eventually was redacted in December. This contract consisted of a vendor receiving an electronic file to print, fold, insert, collate, sort, meter, presort and deliver the notices to the post office. This would have been a five-year contract with two optional one-year extensions. It was canceled in December a few days before the due date.

**5. Open Book NY**

A ten-year search in Open Book NY garnered 25 printing jobs that fit the description of the proposed mail fulfillment definition created in 2016, for total contract value of \$31.8 million. Of that figure, \$13.3 million has been paid out to vendors, four of whom are WBEs.

**6. Bidnet Direct.com**

Municipalities tend to post their solicitations on BidNet, a similar website to the NYS Contract Reporter. The types of government entities that utilize this website are: authorities, cities, towns and villages; county offices; BOCES; school districts; community colleges; transit authorities; utilities; not-for-profits and technical service providers.

A search conducted for printing services from November 1, 2017 through November 15, 2018 resulted in 98 ads. 16 of the 98 ads were printing jobs that fell within the proposed mail fulfillment definition.

**7. OGS Centralized Contracts**

OGS does not have a centralized contract for mail services, mail fulfillment, printing, copying or digital printing. The only centralized contract for printing is entitled Legislative Printing for the Executive, which is for the printing of budget appropriation bills and executive budget documents on recycled paper.

**8. Search Results for NYS Small Business**

Searches were conducted in the NYS Contract System, SDVOB directory, and Hoovers.com. The results are below:

<b>NYS Contract System Search (MWBE Directory)</b>	<b># of search results<sup>1</sup></b>
Commercial Printing	29
Digital printing	40
Direct mail	40
Mail	13
Mail fulfillment	1
Mailing services	15
Printing	216
<b>Total</b>	<b>354</b>

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<sup>1</sup> Company counts are non-exclusive per category. Single entities may be in multiple categories by nature of raw data.

<b>SDVOB website search</b>	<b># of search results<sup>1</sup></b>
Commercial printing	7
Digital printing	3
Direct mail	2
Mail	111
Mail fulfillment	0
Mailing services	0
Printing	17
<b>Total</b>	<b>140</b>

<b>Hoovers.com Search</b>	<b># of search results<sup>2</sup></b>
Hoovers – NY state <=99 employees NAICS code 323111	2,972
Hoovers – NY state <=99 employees NAICS code 541860	343
<b>Total</b>	<b>3,315</b>

<b>Subcontractors that sell either envelopes and paper to agencies</b>	<b># of search results<sup>3</sup></b>
Search in NYS Contract System (MWBE Directory) on envelopes	6
Search in NYS Contract System on paper	10
Search in NYS Contract System on copy paper	2
Search in the SDVOB directory for copy paper	3
Search in NYS Contract System for envelopes	0
<b>Total</b>	<b>21</b>

The above NAICS codes were selected because subcontracting on printing contracts include MWBE spend by agencies on supplies such as envelopes and paper.

<sup>2</sup> Company counts are non-exclusive per category. Single entities may be in multiple categories by nature of raw data.

<sup>3</sup> Company counts are non-exclusive per category. Single entities may be in multiple categories by nature of raw data.



NAICS codes are broad categories that can be difficult to determine where services may be categorized. The NAICS code of 323111 was chosen because this industry includes digital printing.

Based on the NAICS codes alone, it is hard to determine which businesses can fulfill these positions. Therefore, a smaller subset of 115 was chosen as a sample set to assist in determining the potential marketplace.

### 9. Survey Results with Companies

Of the 115 companies, it was determined the following New York small businesses offer mail fulfillment services printing portion.

Paper and envelope suppliers were included in the search because these businesses receive subcontracts on printing contracts. Agencies use these suppliers to attain MWBE goals.

Results from all the companies that were surveyed:

Company	Total # of Employees	Do you offer printing and mailing services to government entities?	% of government sales for mail fulfillment services	\$ value of government sales for mail fulfillment services	Certification
Company A		Yes. NYS Insurance Fund; sub on MTA and Metro North contracts	10%	\$50,000 – \$70,000	MBE
Company B	Would not disclose	Subcontractor on MTA contract to print branch timetables	Would not disclose	\$373,182	WBE
Company C	14	Yes. Sub on OTDA 5 year contract (EBT cards, M goals 10%, W goals 10%); prime for CUNY & sub on Gaming	5% (only represents OTDA)	\$1.25M (only represents OTDA)	MBE
Company D	69	Yes. OGS, Comptroller, Parks, Tax & Finance, DEC, DOH, DOL, State Police, State Museum	\$125,700 (each job is under \$50,000)	1.3%	WBE
Company E		No response			
Company F	118	SUNY campuses, Boards of Elections, school districts	1.5%	\$350,000	
Company G	3	Subcontractor on MTA jobs to provide paper	3%	\$500,000	WBE
Company H	21	Yes, counties, towns, BOCES, libraries, SUNYs	15 – 20%	\$360,000 - \$480,000	WBE
Company I	71	SUNY campuses and NYS DOH	2.5%	\$250,000	
Company J	6	DEC to resident	NA	NA	SDVOB, formerly an

Company	Total # of Employees	Do you offer printing and mailing services to government entities?	% of government sales for mail fulfillment services	\$ value of government sales for mail fulfillment services	Certification
					MBE
Company K	10	Variable data postcards. Capital Region BOCES, DMV	12%	\$191,595	Reapplying. Owner passed away.
Company L	4	Two contracts with MTA as prime contractor to print platform posters and palm cards.	Did not want to give me the figure	\$253,000 total	MBE
Company M	35	SUNY Stony Brook, SUNY Farmingdale, Nassau County, Suffolk County,	10%	\$360,000	
Company N	5	NYS OSC, ESD, ECMC and Higher Ed. Four water districts	2%	\$80,000	WBE
Company O	13	Yes, SUNYs, DMV, Canal System as a mixture of a prime and subs	40%	\$400,000	WBE
Company P		NYS Insurance Fund, SUNY campuses, Visit Rochester, CUNYS	20%-25%	\$200,000 - \$300,000	MBE
Company Q	82	Baruch College, NYC	1%	\$30,000	
Company R		Sub-contractor for WB Mason on the paper centralized contract	5%	Does not have figure	
Company S		Subcontractor for 3 contracts: magazines for SUNY New Paltz; online stationary/ business cards for SUNY Central; and NYS Board of Elections printing voter registration cards		\$130,804 total	WBE
Company T	2	NYS DOL via RFP and subs on other jobs.	<1%	\$5,000	MBE
Company U	15	Has done work for MTA as a subcontractor; as prime for NYPA, SUNY Buffalo and Buffalo public schools	17%	\$375,000	WBE

### **10. Contract Reporter Ads**

The solicitations posted in the Contract Reporter are not representative of the full scope of the printing landscape as agencies are not mandated to post discretionary procurements.

Discretionary procurements are those under the threshold of \$50,000, however if an MWBE is utilized, the discretionary threshold is between \$50,000 and \$200,000. The timeframes for the final contracts range from six months to 5 years.

Contract Reporter searches were conducted for the past ten years on the following terminology with the number of results in parenthesis and listed with MWBE goals, if any:

#### Printing and mailing (25 ads)

- 17 ads had no MWBE goals listed
- 8 ads had MWBE goals from a mixture of 7% to 20%

#### Fulfillment (16 ads)

- 5 ads had no MWBE goals
- 11 ads had 3% to 20% MWBE goals

#### Direct mail (3 ads)

- 1 ad had 14% minority, 7% women
- 1 had 3% minority and 3% women
- 1 had 0% goals

#### Digital printing (2 ads)

- Neither of the two digital printing ads had MWBE goals

#### Variable printing (0 ads)

MWBE goals are set on these contracts to help agencies attain their state-wide goals.

### **MARKETPLACE/PRINTING INDUSTRY**

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The printing industry is undergoing significant change with an analog-to-digital print transformation taking place. The cost of analog versus digital printing is changing as new equipment and technology come to market and volumes of toner and ink jet grow while prices fall. As the adoption of digital printing takes place at every level of business, it is no exception that New York government digital printing market is growing.

According to Smithers Printing Industry Research Association (SPIRA), digital printing industry continues to take market share off from the offset presses in 2018. Digital printing now accounts for 16% of the market in value and 4% of total printing volume. Digital process is projected to enjoy the fastest growth in the next five years. It is expected to grow at a 7% annual rate, while traditional printing processes remain stagnant or suffer decline. There were 1,248 New York state printers that went out of business between 1997 and 2012 and 26,901 jobs were lost as a result (Economic Census 2012). Each job lost takes with it \$147,000 of business revenues. Even though litho printing still constitutes the majority of print services, the most lucrative opportunities lie in value-adding work using digital print.

Variable digital printing (VDP) is a direct outgrowth of digital printing – it allows for combining data (variable information i.e. name, address, specific content) to produce a document that is individualized and personalized. It leverages both databases, digital print devices, and the deployment of software or apps to create high-quality print similar to offset printing. VDP allows for customization of documents via digital print technology, as opposed to the mass output of a single document using offset printing. VDP market is estimated at \$150 million and growing according to Economic Census 2012.

**NYS Printing Companies**

Statistics from D&B Market Insight list 3,214 printing firms based in New York in 2018, which employs a skilled labor force of 36,275. There are currently 215 certified NYS MWBE printing firms of which 185 are based in New York State. The certified firms are located in all 10 regions of the state.

<b>Region</b>	<b># of printing firms</b>	<b># of NYS Certified MWBEs</b>
Capital	164	18
Central	113	10
Finger Lakes	189	16
Long Island	667	21
Mid-Hudson	352	19
Mohawk	47	8
NYC	1,325	2
North Country	32	68
Southern Tier	90	9
Western	235	14
<b>TOTAL</b>	<b>3,214</b>	<b>185</b>

Below is a list of occupations that are found in the printing industry with the median hourly earnings for the state. The printing industry provides a solid living for all types of workers in the industry across the state. The potential impact on jobs will be felt across the state.

<b>Occupations</b>	<b>Median Hourly Earnings for State</b>
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	\$26.29
Prepress Technicians and Workers	\$20.45
Customer Service Representatives	\$16.13

Print Binding and Finishing Workers	\$16.82
Printing Press Operators	\$17.78

The majority of printing firms in New York have less than 100 employees. Out of 3,214 commercial printers in New York State, 3,150 or 98% have fewer than 100 employees. 68% or 2,018 of the 3,214 have 1 to 4 employees. There are 142 minority owned printing firms and 140 have less than 100 employees or 99%. 72 of the 120 minority owned printing firms have 1 to 4 employees or 51%. There are 332 women owned printing firms and 328 of the woman owned printing firms or 99% have fewer than 100 employees. 196 of the women owned printing firms have 1 to 4 employees or 59% .<sup>4</sup>

**New York Small Business Statistics**

Small New York businesses comprise 99.8% of all New York businesses, totaling 2.1 million across the state. Small businesses employ 50.2% of all New York employees (around 4 million workers). Firms with fewer than 100 employees account for the largest share of small business employment.<sup>5</sup>

In 2011, there were 18,704 employees in the printing industry in New York State earning an average salary of \$59,558.<sup>6</sup> It is expected by the year 2028, there will be 13,931 jobs which is a drop of 3,044 jobs in ten years.<sup>7</sup>

**NYSCS Government Contracts**

NYSCS lists contract award amounts for FY 2017 – 2018 with payments to MWBE vendors with the NAICS code 323111 at \$105 million. This number represents only one NAICS code. There are other NAICS printing codes that pertain to the printing industry. Data has not pulled for those codes.

MWBEs and SDVOBS have both acted as primes and subs on printing contracts. Many of the subs supply paper and envelopes to the primes.

The figures above does not include what was spent on contracts that were let by municipalities through BidNet Direct or print spend on centralized contracts, preferred source, discretionary purchasing and sole source contracts.

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<sup>4</sup> D&B Market Insight, August 2018

<sup>5</sup> 2018 Small Business Profile, U. S. Small Business Administration website

<sup>6</sup> Emsi, Economic Modeling, LLC, August 2018

<sup>7</sup> Emsi Economic Modeling, LLC, November 2018

## **ANALYSIS & RECOMMENDATION**

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ESD supports the definition of mail fulfillment services which is limited to non-profits entities and limits the parameters of digital printing based on the type, size format and excluded documents and can only be done in conjunction with one or more of the mailing tasks identified in the definition. Given the limitation as set forth in the definition of mail fulfillment services, ESD supports NYSID application to provide Mail Fulfillment Services.

ESD encourages that agencies continue using MWBEs and SDVOBs for their paper and envelope supply needs as they do today. The approval of this application should not affect the relationship and utilization of MWBE suppliers.

Given the changing nature of the printing industry and growing nature of variable data print and digital printing in general, any product extension or change to the definition would need to have a new analysis to see the effect on small businesses and in particular MWBE and SDVOB firms. ESD would request that a new application be a prerequisite to any change to the definition or product extensions.

As shown, by various data sources, the NYS printing industry has 3,124 firms and employees 36,275 people. In addition, there are currently 215 certified NYS MWBE printing firms of which 185 are based in New York State. Government spending on printing in general accounts for 20-25% of the revenues currently, according to SPIRA. Further, 68% or 2,018 printing small businesses have less than 4 employees on average.

In addition, state agencies and authorities awarded \$105 million in contract award amounts with payments to MWBE vendors with NAICS code 323111 for fiscal year 2017 – 2018.

Therefore, any change to the mail fulfillment definition or product extension in printing may have a significant impact on NYS printing industry and small businesses in New York State.