
On-Site vs. Off-Site Shredding

(Wednesday, 12 February 2003) - Written by Robert Wagner - Last Updated (Sunday, 29 August 2004)

There has long been a debate among contract shredding services whether it is more advantageous to start with on-site or off-site shredding. While the ultimate decision will depend upon each person's unique situation, this article discusses the pros and cons of both.

On-site shredding normally entails operating a mobile unit consisting of a truck, an installed shredder, and perhaps various types of additional equipment. Off-site shredding normally utilizes a larger and more powerful shredding system and frequently also consists of conveyors to increase throughput, as well as a baler to maximize recycling profits.

When comparing on-site and off-site shredding, a number of important points should be considered:

- **Start-up costs.** An on-site shredding service can be started simply by buying a truck with an installed shredder, and contacting customers to offer destruction services. On-site services can be started while working out of one's home. A high-quality mobile unit does not come cheap, but expenses such as rent and overhead for a facility can be avoided. Off-site shredding, on the other hand, requires the added expenses of leasing or buying a facility, in addition to purchasing a shredding system as well as a truck for pick-up and transport of confidential materials to be shredded.
- **Scalability, or ultimate throughput potential for each dollar spent on equipment.** On-site shredding does not offer the 'scalability' that off-site shredding does. To illustrate this point, a mobile unit may cost X number of dollars, but ultimately will be limited in the per hour volume of paper that can be destroyed. In contrast, an off-site shredding system may also cost X number of dollars (or slightly more), but will have much greater per-hour destruction potential: often 3-4 times that of an on-site mobile unit. Thus, for about the same initial dollar cost (often called capital expense), off-site shredding systems offer greater scalability potential than on-site mobile units. This means that off-site shredding offers significantly greater profit potential than on-site shredding. Additionally, during peak periods, off-site shredding enables shredding equipment to be used during off hours, allowing business hours to be devoted to the pickup of confidential materials. With on-site operation, shred-as-you-go is required.
- **Labor costs.** Typically, mobile shredding units can be operated with one or two people. Off-site high performance shredding usually requires more personnel, unless the equipment has an automatic feeding system that enables one person to operate the entire system. Higher capacity shredders used in off-site facilities have the potential to destroy larger volumes of paper per hour than the smaller capacity shredders in mobile units, and can therefore be more profitable, when using an automatic feeding system.
- **Image of security.** On-site shredding has one clear advantage over off-site shredding: it's easy to sell the concept of security when a customer can witness the destruction process. Many customers new to shredding are wary of having their confidential information transported to an off-site facility, where the destruction process is invisible to them. Many off-site services ease this fear by offering to let customers view the off-site shredding, until they feel comfortable with the level of security offered.
- **Baling.** Off-site shredding systems, which can incorporate high performance balers (including manual and auto-tie), can produce tighter, denser bales that bring higher prices from paper mills. Paper that has been shredded onsite by a mobile unit must be taken directly to a recycler for baling because paper mills will not accept unbaled paper. Mobile shredding services thus receive a very low value for their unbaled paper. However, on-site services can bridge the gap by leasing or buying a facility and installing a baler. This allows them to shred on-site and off-load the shredded material at their facility for baling, thereby taking advantage of the higher prices offered for baled paper.
- **Sorting.** When shredding on-site, all wastebasket and storage-console contents are usually tossed into the shredder for destruction. But when shredding off-site, types and grades of paper can be more easily sorted. Paper mills pay more for bales that contain solely white ledger paper, for instance, rather than bales that contain a mixture of office paper. Being able to offer bales of sorted paper means greater profit from recycling efforts.

When analyzing the start-up of successful contract shredding services around the country, it has been found that some started solely with one or more on-site mobile units, while some started with an off-site facility and a larger shredding system. Companies that were successful with their on-site mobile units almost inevitably add off-site shredding capability. This is because the cost advantages of large-scale offsite shredding are indisputable, and as a company grows, it eventually determines that migrating as many customers as possible to off-site destruction can assure greater profitability.

By the same token, successful companies that begin with off-site shredding inevitably add mobile units. The reason for this is also clear: some customers insist on witnessing the destruction of their confidential documents. The largest, most successful shredding services usually have a number of mobile units, while also having an off-site facility consisting of at least one high-performance shredding system.

To conclude, there is no 'best' choice for a start-up contract shredding service. When considering on-site vs. off-site, it

must be understood that successful services have grown from both sides. Starting a company using only off-site capability may offer greater long-term profit potential. But it may also require greater financial investment and time to reach the breakeven point. Starting with only an on-site mobile unit may allow a person to work out of the home—without expenses associated with having a facility—but may require a longer time to achieve great profitability.