

White Paper

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Production Print & Mail Group

Independent Thinking for Print & Mail Strategies



Production Print & Mail Group



Process & Workflow Group



Output & Distribution Group



Intelligent Document & Security Group

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If you have not heard the announcement about the USPS' discounts that will be applied in November 2009 if you implement the new Intelligent Mail® barcode (IMB) full-service option, don't worry you did not miss much. Essentially, your organization could experience an additional \$0.001 (Standard Mail) to \$0.003 (First-Class Mail) of savings per mail piece over today's discounts, if you are already maximizing your potential discounts.

That being said, it is not time to be critical of the USPS' discounting policy. It is time to look closely at your organization or your customer's organization to discover the true Return on Investment (ROI) of the IMB. The benefits of the IMB far outweigh the fractions of a penny per mail piece that are visible above the surface. The real savings, efficiencies and ROI can be gained by exploiting the IMB to the fullest.

First of all, it is critical to recognize that documents are part of an overall document lifecycle that does not end once the document is inducted into the mailstream. Secondly, one must also realize that mail pieces are the culmination of input from various sources within the document ecosystem, which includes various departments within a company and are subject to many external forces as well.

With those fundamentals established let us think about business critical documents like invoices and statements as well as their close cousins, dunning letters and cancellation notices. These documents are subject to external forces from government agencies such as the Securities and Exchange Commission (SEC) or the Board of Governors of the Federal Reserve System, as well as the USPS. There are also many stakeholders within an organization that are concerned about the whereabouts of the documents and how that affects their business. The Finance department and their fearless leader the CFO are concerned that the document contains all of the information their customers need to stimulate an action such as paying their bill while keeping in mind that the accounts receivable department will have to deal with the inbound portion of the document when it is returned. The Marketing team, lead by their fearful leader, the CMO (current stats have their lifespan ranging between 23.2 months and 38 months¹ depending on the industry), wants to ensure that they are maximizing their print budgets. To do so, they need to track and measure how well they are doing since every move is critical during their tenure. Another department that is concerned about the document's 'well-being' is Customer Service. The customer service representatives (CSRs) are responsible for fielding the inbound inquiries about documents. Good document infrastructures with integrations to customer-relationship management systems have given CSRs the ability to 'see' what the customer is seeing but their managers have never really known exactly when the customer would see the documents or if the documents were ever really received in the first place. By the way, the Security and Audit department, the Legal department, the IT department and a few other significant players like the CEO also want assurance that the documents are where they should be and if they are not, they would like to have an answer as to why. And who has to attempt to answer this question today? The Mail Center Manager only has costly ways to confirm the document is in the mail or can estimate the delivery status by using the estimated delivery standards of the USPS and if they are really savvy a few control documents seeded in each of their mailings.

Companies need to look beyond the postal rate and review their own enterprise's business requirements and processes to unlock the true ROI that the IMB can provide.

¹ CMO Council – Survey of CMOs

For these reasons the IMB's ROI needs to be measured differently to really express its value to the entire organization. Companies need to look beyond the postal rate and review their own enterprise's business requirements and processes to unlock the true ROI that the IMB can provide.

Now let's start where we should always start – with the client. From the client's perspective, they simply expect an accurate, clear document that is received on time. They also want an easy way to contact you if necessary and if they do contact you they want someone on the other end to know all about them and their current status. With the IMB in place on their documents, tracking of the outgoing document and the incoming document is possible. How does this 'simple little barcode' translate into ROI?

The C-Suite (CEO, CIO, CMO, CFO, CSO) wants to retain or gain customers, control costs and to grow profits while maintaining visibility into processes. To retain customers they need to satisfy them with their products and services while communicating with them monthly. Now the departments under their management can have visibility into the mailstream which gives them the power to manage various components of the document lifecycle.

The Chief Executive Officer (CEO) now knows that their team will have the tools to work more effectively. The effectiveness takes many forms. It will be seen: when managing human resources that work in the accounts receivable process; in customer service improvements when first-call resolution numbers rise because CSRs can reliably answer questions about the status of documents in transit; or when a decision is required on how to handle late payments to retain customers.

Since a CEO will probably rubber-stamp their subordinate's decisions if they are involved at all, the rest of the C-Suite needs to see the ROI of the IMB presented in hard dollars. Assuming that the organization is already maximizing their postal discounts and they know that the additional savings will be \$0.001 to \$0.003 per mail piece, industry pundits have to analyze the positive effects on the organization and translate those efficiencies into money.

The following are some line items that could show up in the ROI model:

Department	Savings or Revenue Item	Annual Savings
Legal / Security and Compliance	Certificates of Mailing reduction	\$54,000
Marketing	Return Mail (UAA) reductions	\$8,640
Business Units	Document Production & Postage (UAA) reductions	\$141,360
Customer Service - Call Center	Inbound call labor reduction	\$45,000
Customer Service - Call Center	Outbound collections call reduction	\$64,500
Lifetime Customer Value	Customer Retention (1-year)	\$24,000
Mailing Organization	Postage Discounts	\$4,800
Total		\$341,800

- **Legal / Security and Compliance - \$54,000**

- A mailer producing 2,000 of each of the following documents in an insurance policy cancellation cycle - Renewal, Late and Cancellation notices - per month requiring proof of mailing or Confirm® services, could realize an additional annual savings of \$54,000 through improved address accuracy and by taking advantage of the free OneCode ACS®
 - $\$54,000 = 2,000 \text{ envelopes returned} \times \$0.75 \text{ per Certificate of Mailing (from the USPS)} \times 12 \text{ months} \times 3 \text{ document types (Renewal, Late and Cancellation notices)}$
- In cases where the proof of delivery of a document to a customer is critical, companies like to have the confirmation from the USPS on record showing the date that the document was delivered to the customer and the address it was delivered to. The IMB will reduce the delivery confirmation costs tremendously with the free OneCode ACS® (full-service provides unlimited for First-Class, 30 days for Standard).
- Free Start-the-Clock – is the date the mail piece was determined to have entered the USPS network, also called Day Zero. Mailers that comply with the Full-service IMB will receive information online and an automated data exchange.
- Another by-product is overall mail piece volume reduction. In general, when a company invoices its customers, they have one month to pay their invoices. If they miss the payment date, another document or two are mailed approximately two to three weeks later. By using remittance envelopes with the IMB, a company will have visibility into incoming documents as soon as they arrive at the USPS. This will also reduce the amount of subsequent mailings being sent out.

- **Marketing – \$8,640**

- A mailer producing 20,000 marketing pieces per month, could realize an additional annual savings of \$8,640 through improved address accuracy
 - $\$8,640 = 2,400 \text{ envelopes returned} \times 30\% \text{ addresses updated before mailing} \times \$1.00^2 \text{ to produce each piece (document production and postage)} \times 12 \text{ months}$
- Undeliverable as Addressed (UAA) mail is very costly. Mailing economics discussions often focus on postage and the failure to receive automation discounts when addresses are inaccurate, incomplete, or not current. However, when an address is undeliverable, the entire mail piece becomes a sunk cost. Therefore, business mailers must consider the total cost of producing and mailing the piece. Approximately 44 million Americans (17% of the population) file changes of address with the USPS every year. In addition, 2.3 million U.S. businesses file changes of address annually³.

² Conservative cost to produce a document (composition, paper, printing, insertion, labor, fuel, postage). Some pundits have this number up to \$2.75 per piece.

³ USPS Web sites: www.usps.com and <http://ribbs.usps.gov>

- **Business Units – \$141,360**

- A mailer producing 200,000 envelopes per month, could realize an additional annual savings of \$141,360
 - $\$141,360 = 200,000 \text{ envelopes} \times 5.89\%^4 \text{ returned as Undeliverable As Addressed (UAA)} \times \$1.00 \text{ to produce each piece (document production and postage)} \times 12 \text{ months}$
- Once again, the free USPS OneCode ACS® service will allow mailers to achieve significant cost savings, by avoiding repeat UAA offences for the same addresses.
- In addition, business units will now be able to track mailings from production to the clients mailbox, which will allow the department to manage an overall multi-faceted or mixed media approach to campaigns. Imagine being able to track the effects of television advertising, in combination with radio, internet campaigns and mail pieces since they could all be used in unison.

- **Customer Service (Call Center) - \$109,500**

- A mailer producing 200,000 marketing pieces per month, with an inbound call center cost of \$300,000 per year could realize an additional annual savings of \$45,000 through reduced labor costs from outbound document tracking
 - $\$45,000 = \$300,000 \text{ call center cost} \times 15\% \text{ labor saving}$
- Knowing precisely when documents are delivered to customers means that call centers can be right-sized for the expected inbound call volume. In addition, if there is proper integration of IMB's capabilities into an organization's customer service system, CSRs will have even more knowledge about customer communications.
- A mailer than has an outbound collections call center volume of 1,000 calls per day could save an additional \$64,500 per year using inbound document tracking
 - $\$64,500 = 1,000 \text{ outbound calls day} \times \$5.00 \text{ per call} \times 258 \text{ business days} \times 5\% \text{ reduction in calls}$
- Calling customers who are late on payments is expensive and irritates customers. Once the IMB has been implemented to track return documents, customer service staff can be more efficient. If a return document has already been mailed in by a customer, but not yet received and/or processed, an outgoing call can be avoided since your organization knows the "check is in the mail". On the other side of the coin, when a problem customer says the "check is in the mail", you will know whether this is true or not while on the phone call, resulting in more accurate first call resolutions.

⁴ Source: 5.89% of mail volume is returned per mailing - Intelligent Mail and Address Quality - Delivery Statistics – Office of the Inspector General

- **Lifetime Customer Value (LCV) - \$24,000/year**
 - A mailer retaining 40 customers a month could make about \$24,000 more per year under the following conservative scenario
 - $\$960,000 = \$50 \text{ per month billed to a client} \times 40 \text{ customers retained per month} \times 480 \text{ months (40 years) as a customer}$
 - The LCV is an underappreciated statistic in the ROI model. If a customer states “the check is in the mail” and your policy is to cancel the service if it is not received and the customer gets upset and goes to do business with another company then you have potentially lost that customer forever. This could add up to millions of dollars of losses for the company under the present value of the customer not to mention the potential future up-sell or cross-sell opportunities.

- **Mailing Organization - \$4,800**
 - A mailer producing 200,000 documents per month, 50% First Class and 50% Standard, only realizes an additional annual savings of \$4,800
 - First Class \$3,600 = 100,000 envelopes x \$0.003 IMB savings per piece x 12 months
 - Standard Mail \$1,200 = 100,000 envelopes x \$0.001 IMB savings per piece x 12 months
 - As mentioned earlier, the savings number is not huge but should still be a line item in the ROI model. Also, all of the required information is on the one IMB line, making it easier to setup applications. Aesthetically and practically speaking, the reduction of endorsement information on the printed pieces makes it easier to get the addressee’s name and address in the window of the envelope and gets higher read rates at the USPS with reduced variables.

Obviously, there is a lot to consider and many technicalities associated with an IMB implementation. If everyone is ready, including the USPS, the IMB theoretically speaking should save the USPS and companies that utilize the services of the USPS everyday millions of dollars annually. So think of this as the ‘Y2K of Mail’ that has an impact on your document ecosystem and your company’s bottom line. Get prepared now and don’t be the 1 in 4 companies who do nothing until it starts costing them money⁵. Be proactive and make or save money now – the ROI is in the mirror. Reflect on that.

⁵ With the official launch of Intelligent Mail® barcode now months away, Mailing Systems Technology reports that 40% of companies plan on implementing Full-Service IMB, 35% plan on Basic, and 25% still haven’t decided.