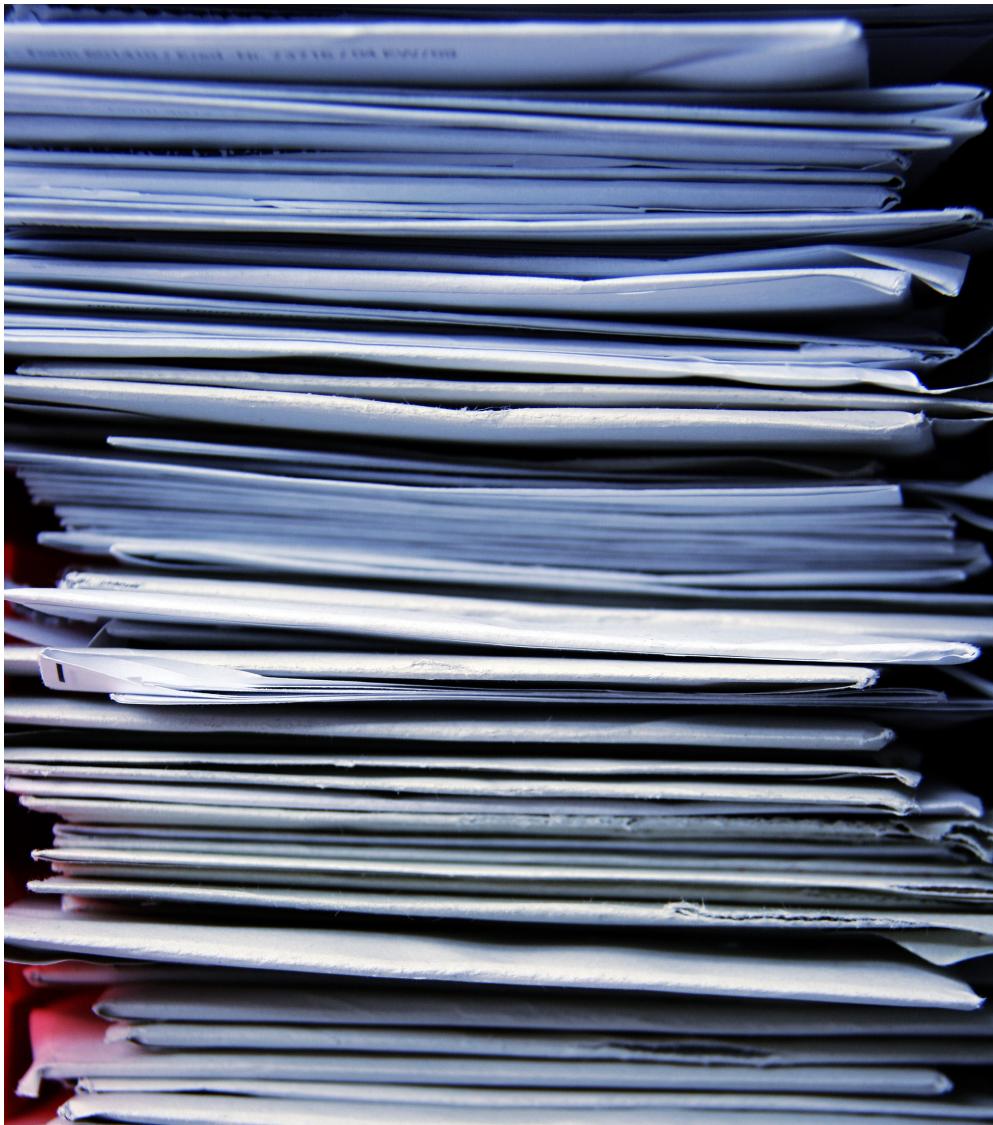


The Secrets to Lower Postal Rates

Steps you can take to save more money
on each and every mailing



WHITE PAPER

While you may be taking advantage of some discounts, there are often significant opportunities to multiply your savings when you dig a little deeper. The benefits can be quite substantial.

Most organizations have taken steps in recent years to trim the fat, cut costs and eliminate waste. Even the most efficient companies, however, are likely leaving money on the table when it comes to postage.

The U.S. Postal Service provides mailers with opportunities to save 22% or more on First-Class Mail®—money that can go right to your bottom line. While many organizations capture some of these discounts, the complexity and ever-changing nature of postal regulations make it difficult to fully exploit these opportunities.

This white paper examines the areas where even the best-run organizations may be missing out on low-hanging fruit. In many cases, you can attain these savings without any additional staff or capital investment.



The Concept of Postage Discounts

Over 20 years ago, the United States Postal Service (USPS®) introduced a new concept to larger mailers called "Workshare". The concept was simple at the time: transfer a portion of the USPS' work to mail preparers and incent the mailing community with discounts on postage. The USPS instituted this process to compensate for the growth in mail volumes without expanding their operations. The concept was widely embraced by the mailing community as postage is typically the largest portion of a communication budget.

Today, Workshare, also known as "presort", has become much more complex. While you may be taking advantage of some discounts, there are often significant opportunities to multiply your savings when you dig a little deeper. The benefits can be quite substantial.

Workshare Basics

In simple terms, Workshare involves sorting the mail and applying a USPS-specific barcode to reduce the steps it takes to process mail within the USPS Operations. This happens by preparing the mail so it is gathered in:

- 5-digit ZIP Code order (for example, all the mail for ZIP Code 93430 is all in one or more trays)
- 3 digit ZIP Code order (for example, all the mail that has ZIP Code 934xx in one or more trays)
- Mixed AADC order (for example, all the mail is sorted by USPS processing center), or
- Automated presort order (all the mail has a barcode that reflects the address of the recipient and is in ZIP Code order)

In order to qualify for these discounts, you must meet the minimum volume threshold of 500 pieces per mailing. To qualify for the 5-digit ZIP Code rate, you must have at least 150 pieces going to that specific 5-digit ZIP Code. If you have fewer than 150 pieces, you would then need to check whether you had at least 150 pieces going to the same 3-digit ZIP Code, and so on. In mail terms, this is called "density," which means you have a lot of mail going to a small area. Unless you are mailing to a limited geography, it is likely that you are missing out on some discounts because many pieces will not qualify for the lowest rates.

The Presort Service provider can increase the volume of mail going to the same ZIP Codes, enabling mailers to qualify for the deepest postage discounts—discounts they could never earn on their own.

In addition, the mail has certain size requirements, has to meet certain addressing requirements so it doesn't need incremental handling and has to be packaged for the USPS in a certain manner—including detailed instructions on how to place mail in trays, how to pack trays on palettes and the type of documentation required.

The more work that's done for the USPS, the greater the discount. A "5 digit sort" provides approximately \$0.10 per-piece discount—a substantial amount if significant volume is produced by a mailer. For example:

	First-Class Letter One-Ounce Price	Savings on 100,000 Pieces
Non-Automation		
Retail Rate	\$0.45	n/a
Basic Presort	\$0.424	\$2,600
Automation Rates		
Mixed AADC	\$0.404	\$4,600
3-Digit	\$0.374	\$7,600
5-Digit	\$0.350	\$10,000

Beyond the basics, mailers need to keep up-to-date on new requirements and specifications in order to maximize long-term savings. For example:

Intelligent Mail® Barcode. Today, you can qualify for Automation Prices by applying a POSTNET™ barcode. As of January 28, 2013, this barcode will be discontinued. In order to qualify for the lowest rates, mailers must use the new Intelligent Mail® barcode. There are two versions of this new barcode. The Basic option is priced at the same rate as the current barcode options. The Full-Service option, which has additional requirements, would allow you to save an additional \$3.00 per thousand on First-Class Mail®.

Entry Point Discounts. If you send Standard Mail®, in addition to presort you can save even more by trucking your mail to specific postal facilities. Generally, the closer you take your mail to its final destination, the less postage you pay. For Standard Mail, lower postage prices are available for dropping

your mail off at a Network Distribution Center (NDC) or Sectional Center Facility (SCF).

Non-Machinable Surcharges. Most importantly, mailers need to keep up-to-date on any rules changes that may allow the USPS to add a non-machinable surcharge, which can cost you twenty cents per piece. Sizes, dimensions, materials and even the type of wafer seal used can all come into play.

Presort Methodologies

There are many ways you can presort your mail. The three main approaches to achieve presort postage discounts include software, hardware and presort services.

Software. Takes each print stream before you begin to print each mailpiece and sorts it in the various ZIP Code orders. Some software solutions will generate the reports that mailers must provide to the USPS, and print out the unique tags and labels that mailers must affix to mail trays. There are operational requirements needed to prepare the mail, which is then directly presented to the USPS.

Hardware. Machines called "sorters" can process over 30,000 pieces of mail an hour. They separate each mailpiece from a large batch of mail, read the address and convert the address into special barcodes used by the USPS for processing. Then each mailpiece is sent to a specific area of the machine where operators remove it, place it in a USPS tray and add the same type of tray tags and associated paperwork as in the software solution. Sorters require significant floor space, supplies, maintenance and staff to operate them. Mail is directly presented to the USPS.

Presort Services. With a Presort Service, mail is picked up by a trusted third party, a company that sorts mail into ZIP Code order using high-speed mail sorters. Most service providers will mix or "commingle" mail from several organizations in order to increase mail density (and corresponding discounts). These sorters process mail as explained in the "Hardware" solution above, but for multiple customers. The Presort Service provider can increase the volume of mail going to the same ZIP Codes, enabling mailers to qualify for the deepest postage discounts—discounts they could never earn on their own. In addition, the mailer requires no capital investment, greatly simplifies mail operations and leaves the complex USPS regulations to the experts.

Some mailers employ a hybrid approach, sorting to their best postage rate, then for the portions that don't get the lowest discounts, an outside vendor sorts to provide better postage rates.

Here is a summary for each of the three presort methods:

	Software	Hardware	Presort Services
Overview	Puts mail files in ZIP Code order and creates USPS reporting. Each separate mailing is processed independently.	Physically sorts mail in ZIP Code order. Can combine all mail produced in one day to increase density. Large capital investment required.	Provides discounts on postage without any time or capital investments.
Workshare Process	Must acquire a presort permit (\$380 per year). Separate mail by ZIP Code into mail groups. Sort and tray, place key tags on trays. Prepare mail for USPS induction. Create reports for each mailing. Transport finished mail to the USPS.	Must acquire a presort permit (\$380 per year). Separate mail by ZIP Code into mail groups. Sort and tray, place key tags on trays. Prepare mail for USPS induction. Create reports for each mailing. Transport finished mail to the USPS.	Service provider prepares and delivers all mail according to USPS specifications.
Benefits	Achieve greater discounts when mailing large volumes to a limited geography. Maintain control over mail.	Achieve greater discounts when mailing large volumes to a limited geography. Maintain control over mail.	Lowers postage with no effort. No capital investment, labor costs or management expertise.
Typical Best Discounts	National Mailing when mailing size is over 250,000. For local mailings (limited number of ZIP Codes), can often achieve lower rates when mail volumes reach 5,000 pieces.	In-state discounts are fairly good as long as volumes per state are over 150,000 pieces per day.	Will vary; typically based on the volume of mail. High-volume organizations with national networks can often generate greater savings than in-house software or hardware methods.

Some mailers employ a hybrid approach. For example, they may presort mail in-house for local mailings with high density, and then send mail that does not qualify for 5-digit rates to a third-party service.

In other instances, an in-house sorter may be sorting only a certain sized mail, leaving larger pieces to go out at the full postal rate. With a hybrid approach, the operation continues as before, sorting to their best postage rate, then for the portions that don't get the lowest discounts, an outside vendor sorts to provide better postage rates.

An outside vendor can perform an analysis of current discounts and quantify the postage savings opportunities.

Automation increases efficiency, lowers cost.

If you process over 100,000 pieces of *local* mail every day, chances are you could maximize speed and productivity by investing in your own mail sorting equipment. If you're like most companies, however, your specific requirements—and mail volumes—fluctuate over time. Helping you manage these fluctuations is one area where a mail specialist can help decrease your operating expenses.

The right servicing firm can match the right technology to your unique requirements regardless of mail volume. Whether that means sorting at speeds of 36,000 pieces per hour or scanning with the most accurate multi-line optical character reader, the right equipment improves mailpiece integrity, increases productivity and decreases your mail processing costs.

Advanced software improves deliverability.

Software solutions are being introduced at an increasingly rapid pace, with each new application providing a lift in deliverability, speed, address quality or discounts earned.

Working with a specialist in this field, you'll benefit from the latest barcode functionality, the most accurate move updates and corrections on the fly, services which are often included as part of a core offering. When you consider that for each 1% increase in coding rates your postage costs may decrease by 0.28% or more, even small gains add up fast.

How much can you save?

There are several areas to pursue in identifying savings opportunities, which can vary based on how much presorting you are currently undertaking.

- Examine how you are presorting today. Do you use the same approach in every office or facility that sends out mail? Where do you use software, actual sorters, or no presort at all.
- Analyze your current presort levels. How many pieces a year are sent at full rate, presort, Mixed AADC, 3-digit or 5-digit levels?

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What to Look For in a Presort Service Provider

Why use an outside provider instead of presorting internally? The answer to this question is simple: save money on postage while focusing on your core business. Quality Presort Service providers are solely focused on presorting mail, bringing you the largest possible discounts.

With postage and delivery costs accounting for as much as 70% of mailstream expenses, you should consider how your current operations (or current outsourcer) stack up against the seven key attributes of a top service provider.

Nationwide and global networks ensure uninterrupted service.

Location is important. Organizations with multiple operating facilities can offer more options, and may even sort a piece of mail at more than one site to maximize discounts. Firms with facilities near major gateway airports and other USPS® bulk mail centers can also make it easier to expedite delivery.

In the post-9/11, post-Katrina environment, however, one of the biggest advantages of a global network may actually be in terms of business continuity. Having redundant operations—with excess capacity—provides the disaster recovery infrastructure needed to keep your mailstream flowing, regardless of local or regional events.

Sheer volume provides for otherwise unobtainable discounts.

Working with a large, established player in this field is comforting—and it is also far more economical.

Whether your mail is destined for Poughkeepsie or Pasadena, you will pay far less money when your mail is concentrated in a specific geography. When you work with a specialist that handles billions of mailpieces, your mail counts are added together with the mail counts of other leading organizations to achieve discount levels that no single organization could achieve on its own. When you consider that geographic density could lower postage expenses by 20% or more—without sacrificing delivery time—the advantages of a high-volume operation become quite clear.

Your Presort Service provider should be a problem solver with employees specifically trained to handle any issues that arise regarding mail processing.

Specialized workflows add speed and integrity.

While saving money is important, it is not the only variable to consider. Experienced managers have uncovered best-practice processes that can improve mailpiece quality, decrease the incidence of return mail and manage “in home” delivery dates with speed and precision.

Having on-site postal quality inspections before your mail is inducted into the postal service is one advantage. The ability to coordinate and drop-ship containers closer to the end-point is another. For many mailers, enhancements to quality and security are essential. When considering alternatives, you should inquire about MPTQM Certification (Mail Processing Total Quality Management), Six Sigma processes and overall information security.

Processes in place to ensure confidentiality and mail security.

Some mailers send confidential information, such as checks and warrants (which have specific procedures that must be followed) and require the utmost care in delivery. Look for a Presort Service provider that operates in a very secure environment to ensure proper processing. Such providers often process mail that includes credit cards, personal health care information, checks, negotiable and other types of highly sensitive types of mail.

Work sites should feature a high level of security: security cameras, limited card access, security fences, and employees that are screened for criminal, drug and other background checks. Mail should be commingled with other mail. In fact, sensitive mail is actually safer when interspersed with other mail.

Outstanding customer service.

Your Presort Service provider should be a problem solver with employees specifically trained to handle any issues that arise regarding mail processing. They should ensure mail is processed correctly with no delay in service. This ranges from discovering mail quality issues in receiving or during processing, to responding to afterhours calls from customers. A quick problem resolution process should be in place as well.

You should also receive assistance from your Presort Service provider on mailpiece design, mail quality issues, billing questions, special reports, and service issues.

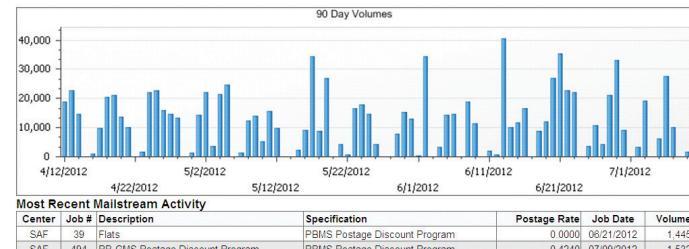
Reporting that gives you visibility into the mailstream.

In a world where knowledge is power, piece-level tracking and online reporting are essential. With the most advanced solutions, service providers can let you monitor individual mailpieces through the entire postal system—or gain advance notice of local or regional “hot spots” and other potential disruptions. Such insights, combined with proper spend-management tools, can make it easier for you to administer your mailstream on a more proactive basis.

You’ll want to stay on top of your Presort Service providers’ activities utilizing an integrated, secure, web-based interface with a comprehensive overview of account information, delivery analysis, mail analysis, and general information pertaining to your mail where you can monitor:

- Daily Volume Reconciliation
- Daily and/or Weekly Return Mail Reporting
- Daily Mail Discrepancy Report
- Weekly Postage Usage & Reconciliation
- Month-End Reporting

My Account provides a view into the services that Pitney Bowes Presort Services provides to you, our customer. Information and analysis reports are provided that allow you to see into your mailstreams.



Sample web based report. Reports should be password protected.

Look for a Presort Service provider that offers tracking reporting, so you'll know where a given piece of mail is from the point of induction through the USPS mail delivery process. Also, look for reporting when mail is processed through the USPS to its last touchpoint with the USPS—so you can find out how long it takes to deliver mail or when mailpieces are processed in a specific area of the country. That way, you can identify the days of delivery time from one site to various points in the country.

Meaningful postal relationships put you in the driver's seat.

The seventh attribute of a top service provider is the depth of their relationship with the USPS, International Postal Administrators and other private and public carriers.

Is your service provider committed to the mail industry and an active participant in local Postal Customer Councils, National Association of Presort Mailers (NAPM), National Postal Policy Council (NPPC), Major Mailers Association (MMA), Association for Postal Commerce (POSTCOM), and Mailing & Fulfillment Service Association (MFSA)? Working together with these associations ensures that mail quality is their priority and service commitments to customers are met throughout every processing phase.

Perhaps the most important relationships involve postal administrations. These relationships—whether expressed as USPS® partnerships, Postal Qualified Wholesalers or Global Networks—go far beyond “who you know”. They impact what you can do.

Do you or your current Presort Service provider house a department that coordinates relationships with the United States Postal Service and other posts throughout the world to help establish policies and strategies including regulations and new product development?

The purpose of these relationships is increased postal efficiencies and cost savings:

- Postal Relations: ultimate responsibility for coordinating relationships with postal administrations worldwide
- Revenue Protection/Postal Regulations: devising policies on mail preparation, metering and mail finishing and to ensure compliance with USPS® requirements
- New Product Development: developing mail-processing solutions to meet current and future requirements

How does the Presort Services process work?

To learn more, contact Pitney Bowes Presort Services; the largest Presort Service provider in the world and the only one to establish an Office of the Post. Pitney Bowes continually monitors all Postal Rate Reclassification requirements and ensures that our clients optimize any and all rate changes.

Each year, Pitney Bowes Presort Services sorts over 14 Billion pieces of mail, including one out of every four First-Class Mail® pieces in the United States. Our network includes 37 operating centers across the nation.

To discover how you can save your organization significant dollars by outsourcing presort to Pitney Bowes Presort Services, call 1-877-962-4578 or visit www.pb.com/mailservices.

Delivering more than 90 years of innovation, Pitney Bowes provides software, hardware and services that integrate physical and digital communications channels. Long known for making its customers more productive, Pitney Bowes is increasingly helping other companies grow their business through advanced customer communications management.



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