

Enabling Lifetime Customer Relationships.



# Intelligent Mail<sup>®</sup> Processing Offers More Than Just a \$3-Per-Thousand Discount

Gaining Optimum Value for the IMb and Improving Mail Delivery of Tomorrow

WHITE PAPER:

COMMUNICATION MANAGEMENT

Kevin Ricks • Senior Product Manager  
Pitney Bowes Software



## Intelligent Mail® Processing Offers More Than Just a \$3-Per-Thousand Discount

Gaining Optimum Value from IMb and Improving Mail Delivery of Tomorrow

### ABSTRACT

THE UNITED STATES POSTAL SERVICE (USPS®) FACES SEVERE REVENUE SHORTFALLS THAT HAVE FORCED IT TO REEXAMINE CURRENT BUSINESS PRACTICES. TO REDUCE COSTS, INCREASE MAIL VOLUME AND ENHANCE PROFITABILITY, THE USPS PLANS TO MAKE MAJOR CHANGES IN SEVERAL AREAS:

- NUMBER AND LOCATION OF THE FACILITIES IT MAINTAINS
- QUALITY OF SERVICE STANDARDS IT OFFERS
- STANDARDIZED PRICING
- ELECTRONIC MAIL INDUCTION (EDOC)
- INCENTIVES AND FEES ACCOUNTING

THE INCREASING NUMBER OF PROGRAMS DESIGNED FOR MAILERS USING THE INTELLIGENT MAIL® BARCODE (IMB) REFLECTS THE CHANGES THAT THE USPS SEEKS TO DRIVE IMB ADOPTION. THESE CHANGES WILL AFFECT THE WAYS IN WHICH YOU PREPARE YOUR MAIL, THE OPTIONS YOU CAN USE TO TRACK YOUR MAIL AND YOUR ABILITY TO MEASURE THE RESULTS OF YOUR MAILINGS MORE ACCURATELY.

THIS PITNEY BOWES WHITE PAPER EXPLORES HOW THE USPS PLANS TO OPERATE IN THE FUTURE, HOW YOU CAN BENEFIT FROM EFFECTIVE USE OF THE IMB AND THE PRODUCTS AVAILABLE TO HELP YOU DERIVE OPTIMUM VALUE FROM THE IMB AND IMPROVE THE MAIL DELIVERY OF TOMORROW.

# DATA CAPABILITIES PROVIDED THROUGH INFORMATION-RICH BARCODES WILL HELP THE USPS RESTRUCTURE WORKFLOWS.

## The IMb is a Critical Tool for the Future of the USPS

As the USPS deals with revenue shortfalls and evolving expectations for business communications, accurate, timely data becomes more important than ever. The IMb is used to prepare, process and deliver mail, and provide much of this data on a daily basis.

The IMb, hailed as the next generation of USPS barcode technology, makes it easier to sort and track letters and flats. IMb technology, among other things, combines the capabilities of the POSTNET™ barcode and the PLANET Code® barcode into one unique barcode.

This relatively new barcode stems from the efforts of the USPS to develop a more robust solution capable of encoding more information, while using less space on the mailpiece. Mailers have the option of using a basic IMb or the full-service IMb. The full-service IMb has additional requirements, including a unique identifier on every piece. Since its launch in 2007, the USPS has processed more than 40 billion pieces of mail using the full-service IMb.

This unique identifier on the full-service IMb gives mailers the ability to track delivery to any particular recipient up to the delivery point sorter. Going forward, the data capabilities provided through these information-rich barcodes will help the USPS restructure workflows, reduce costs and create new value for mailers and mail recipients.

The IMb barcode gives the USPS the power to:

- Monitor the real-time performance of its network
- Identify bottlenecks in its network that do not meet satisfactory performance levels
- Institute timely corrective action to restore acceptable performance levels
- Track and gather data on the costs associated with every facet of the network's operation
- Provide managers with the information to utilize both physical and human resources to match anticipated workload needs
- Create and market a myriad of customer-oriented information-based services that would enhance value and utility of mail as a means of conducting business

## Vision of the Future

The USPS sees Intelligent Mail technology as the tool that will enable it to “enhance the value of mail by using information and insight from the mail to deliver increased customer value and drive operational efficiency.”

To put barcode initiatives in perspective, we must first consider the changes that the USPS plans to make as it seeks to support its long-term needs.

### Network Optimization

As part of the plan to return the USPS to being profitable, the USPS has determined that it must reduce the number of facilities that it maintains. Some 252 locations are identified as candidates to close in this restructuring of their network.

### Service Standards

Changes in the structure of the USPS network will affect service standards. For example, the USPS is seeking to change First-Class Mail service standards from 1-3 days to 2-3 days. Changes in USPS service standards have many ramifications, affecting everything from the production, induction and, for many, eventual delivery of their mail.

### Price Template Automation

The USPS recognizes the need to add value to the mail and at the same time encourage more mail volume into their network. One of the means to accomplish this is to offer promotions and incentives such as the Mobile Barcode (e.g., Quick Response or QR) promotion of 2011 and the 2nd ounce rides free program that takes effect on January 22, 2012. To accomplish this, the USPS is working to standardize its pricing structure and reduce the time to bring these promotions to market as well as reducing the cost of implementation and management of these programs for the USPS and their customers.

Intelligent Mail technology provides detailed information about induction and processing times, so the USPS can provide incentives to mailers to help balance the supply and demand for mail services at different times and locations.

For example, charging reduced rates during hours with additional throughput capacity allows the USPS to reduce variability in processing rates and plant capacity requirements, thus reducing the average cost of operations.

## Intelligent Mail® Processing Offers More Than Just a \$3-Per-Thousand Discount

Gaining Optimum Value from IMb and Improving Mail Delivery of Tomorrow

### Automated Induction

Currently used paper statements are being replaced by Electronic Documentation (eDoc), which contains the Mailer Identifier (MID), Customer Registration Identifier (CRID) and local permit number. The MID and CRID help the USPS identify who owns the mail and with which mailing facility the USPS should interact. To help the USPS streamline the costs of induction, full-service mailers must induct mail electronically into PostalOne!, and for many, take advantage of eDoc and schedule drop-ship appointments using the USPS EAST System.

### Incentive and Fees Accounting

The USPS is also examining ways to make mail preparation easier and is leveraging the IMb with more accuracy to achieve its objectives.

## Reducing USPS Costs

Recognizing that cost reduction plays a crucial role in its survival, the USPS continues to evaluate its operations and services to make its network as efficient and productive as possible. The USPS has a four-part program to lower its costs and plans to leverage the power of Intelligent Mail to help achieve its financial objectives.

- 1. Eliminate Waste:** The USPS seeks to eliminate waste by dropping manual procedures in favor of more efficient automated processes, such as eDoc induction with the IMb at the core, implementing seamless acceptance and streamlined processing to ultimately increase efficiency.
- 2. Reduce Redundancies:** The USPS is also focusing on current resources and procedures to streamline its business processes, increase labor efficiency and eliminate costly duplications of effort and maximize its return on investment.
- 3. Reduce Reliance on Contractors:** In addition, the USPS is assessing the benefits offered by its current contractors. The USPS will continue to work with those who add value and eliminate those that do not.
- 4. Reduce Operational Costs:** Overall, the USPS seeks to reduce its cost structure by millions of dollars through Intelligent Mail processing. With greater insight into its operations, the USPS can more effectively deal with—and

perhaps even avoid—outages, service interruptions and abnormal processing events.

## Critical Growth Required: Volumes and Revenue

The USPS faces an additional challenge as important, or perhaps of greater importance, as lowering costs: increasing mail volume and revenue. The IMb provides the USPS with new capabilities to capture more data about key customer segments and their class or service preferences, mail volume, usage patterns and other criteria. This rich cache of information enables the USPS to offer targeted promotions designed to motivate and reward mailers for increasing their mail volumes.

Similarly, mailers can use IMb scan data for their outgoing and incoming mail pieces to coordinate their marketing and operations with the actual processing and delivery timing of their mail. This helps mailers to time promotions and follow-up marketing efforts to coincide with in-home delivery.

In addition, mailers can use Intelligent Mail technology to evaluate the performance of their mail and the suppliers they have hired to prepare the mail. For example, mailers can gauge vendor compliance with service-level agreements and provide insight into problems in the supply chain.

You can track the impact of Intelligent Mail processing as a means of increasing mail volume through the evolution of the incentives offered by the USPS.

In the past, the USPS offered seasonal sales or incentive programs that provided discounts for increased mail volumes. But mailers and the USPS frequently disagreed on the actual mail volume. Because of these discrepancies, the USPS wanted to have an efficient means of managing the programs as they introduce additional price incentives and ways to measure the results. This Mobile Barcode Promotion trial program met with reasonable success.

The Mobile Barcode Promotion sought to build awareness of mobile technology and demonstrate to mailers how mobile barcodes such as the QR code could increase the value of their mail. The promotion offered business mailers an upfront 3% discount on Standard Mail® and First-Class Mail® letters, flats, and cards (presort and automation) that include a two-dimensional (2-D) barcode that can be read or scanned by a smartphone.

# USE INTELLIGENT MAIL PROCESSING TO EVALUATE THE PERFORMANCE OF MAIL AND SUPPLIERS HIRED TO PREPARE IT.

This successful promotion required, and then leveraged eDoc to provide additional discounts. Mailers that invested in the Intelligent Mail program and used the Mobile Barcode received additional discounts beyond the \$3 or \$1 per thousand from basic programs for Standard, First-Class letters, flats and cards.

Going forward, the USPS seeks to leverage eDoc to communicate and support future incentives. It will use the IMb data within the eDoc to measure volumes of mail inducted into the process, improve accountability and gauge the effectiveness of new incentives. The new incentives identified in Mail.dat will include eDoc data for quicker accounting and recording. The USPS will require mailers to incorporate these identifiers within the eDocs they submit. This will allow more speed to take advantage of the incentives available to them.

## The Impact of New Incentives

The introduction of Intelligent Mail processing imposed certain financial burdens on mailers. However, many felt that the \$3 and \$1 per thousand discounts offered by the USPS did not offer adequate payback on their investment. As a result, the USPS will complement the current incentives and offer additional incentives to mailers, but they may still feel a financial pinch in terms of mail preparation.

The benefits of Intelligent Mail processing include automation discounts and cost savings. However, Intelligent Mail technology will also impact legacy systems, business unit applications, document creation, database management, marketing, call centers, billing operations and IT resources. This means that mailers will have to cope with changes in the way they prepare their mail and the way in which the USPS delivers it.

## Mail Preparation

USPS network optimization will require mailers to understand how changes in drop-ship locations affect their operations. Advanced presort software will keep track of changes in facilities and point to different induction locations.

This will maximize postal savings, boost productivity and increase customer satisfaction with precision presorting.

As for electronic induction, Mail.dat will inform mailers of impending changes coming to the Induction process.

Within leading presort solutions such as MailStream Plus®, new releases of Mail.dat will inform mailers of new incentives and fee codes. In addition, Mail.dat will extend the ROI mailers can receive through proper preparation of mail, acquisition of Intelligent Mail barcodes for automated induction and information about changes resulting from network optimization.

## Mail Delivery

Fewer induction locations, USPS workforce reductions and procedural changes will have a domino effect on such mailer activities as lettershop production scheduling, call center staffing and training, point-of-purchase displays and fulfillment services. The topics to keep in mind include:

- **Service Standards:** As the USPS makes changes in its delivery standards, mailers will need to understand the impact of these changes in delivery routes and projected in-home dates.
- **Visibility (When and Where):** Look for applications that provide reports, increased visibility and the ability to measure whether the USPS meets its delivery standards. With Intelligent Mail barcodes, you can track the location of individual pieces.
- **Return Mail/Undeliverable as Addressed (UAA):** Leading solutions enable mailers to understand percentages of undelivered mail and obtain information electronically about undeliverable addresses to correct them. With the right address management workflow products, you can review and update address data.

## The Intelligent Mail Program in a Nutshell

The Intelligent Mail Program consists of five separate parts:

- **Unique Intelligent Mail Barcode:** Simplifies service level tracking and reporting. With the right software, mailers can track mail from pallet to individual piece.
- **Produce Mail.Dat:** Organizes mail for reporting in financial and USPS systems. Helps mailers take advantage of incentive programs.

# Intelligent Mail® Processing Offers More Than Just a \$3-Per-Thousand Discount

Gaining Optimum Value from IMb and Improving Mail Delivery of Tomorrow

6

- **Printed Labels and Placards:** Simplifies capture of container data, by pallet, tray or sack. USPS can scan pallet labels to check electronic presentation of the mail TPS2009 allows output of the file from leading presort applications to dat.mail MSP to print labels.
- **eDoc:** Streamlines mail acceptance by USPS. Mailers can feed data into PostalOne! system electronically, giving USPS a copy of mailing file so mailers can move forward to have mail drop shipped or picked up. The POSTNET barcode has a limited shelf life remaining and the USPS is also talking about another deadline to end use of POSTNET.
- **eDrop Shipment:** Enables USPS to plan resources to process dropped mail. USPS can make sure it has enough people to handle a mailing. Mailers can use the USPS FAST system to schedule shipments.

## The Big Prize: Electronic Documentation

As the 21st Century moves into its second decade, the benefits of eDoc will become ever more clear. And the development of new technologies should bring about new economies for the USPS and the ability to offer better, more useful services to mailers.

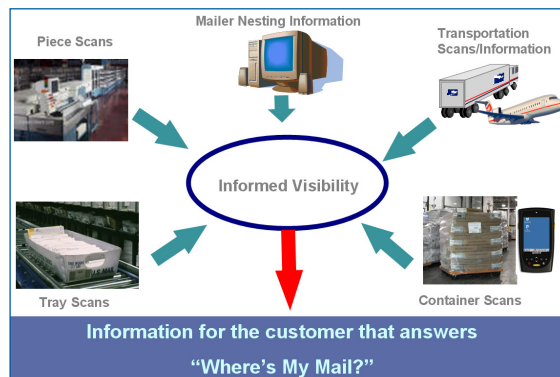
For example, as Intelligent Mail technology evolves, simpler induction processes will enable mailers to reduce the overall costs of mailing. And new automated methodology should enable the USPS to reduce or eliminate the manual processes required for special services.

eDoc has already proved its value, as you can see from the charts. In addition, the USPS has stated that all future mail incentives will require eDoc to participate.

## Informed Visibility of Customer Information

The biggest benefit of the Intelligent Mail program resides in the insight and informed visibility it offers. Mailers will have the ability to see information on piece, tray, container and transportation scans and information.

The USPS will provide mailers with broad data that has the scan data within it. Mailers can then integrate that information into their data systems in order to do more detailed tracking. Leading-edge solutions can help marry business data with the IMb so mailers can see who, what and where information about their mailings.



Get more informed visibility that answers: "Where's My Mail?"

Electronic Documentation: It's a Win-Win	
<b>USPS Benefits</b>	
<ul style="list-style-type: none"> <li>• Provides a single, streamlined process for mail acceptance</li> <li>• Increases data processing agility within the USPS, which can optimize staffing needed to handle mailings</li> <li>• Clearly defines contents of mail and can lower costs by eliminating spoiled mail, or by consolidating mail runs for greater economy</li> </ul>	
<b>Mailer Benefits</b>	
<ul style="list-style-type: none"> <li>• Lowers costs of each mailing</li> <li>• Increases supply chain agility</li> <li>• Automatic sharing of mailing cost data with other ERP systems</li> </ul>	

Enterprise Key 1		Enterprise Key 2		Enterprise Key 3		Customer Name	Address	Nixie Code	Nixie Date
1000100	Invoice					Justin Dunn	491 Fourth ST Philadelphia, PA 19133	A	04/05/2011
1270851	Invoice					Theodore Yates	724 Seventh ST Torrrey, UT 84775	A	04/05/2011
1789852	Invoice					Felx Bernard	105 Ninth ST Hubert, NH 50459	M	04/05/2011
1325857	Invoice					Andre Kato	639 Elm ST Dayton, TN 37321	V	04/05/2011
2583258	Invoice					Dustin Mathis	81 Maple ST Manchester, MD	V	04/05/2011

Mailpiece tracking information using MAIL360™ Data Manager

## LOOK FOR APPLICATIONS WITH REPORTS, INCREASED VISIBILITY AND DELIVERY STANDARD MEASURABILITY.

### **Pitney Bowes Solutions That Set the Standard**

An industry leader in physical and digital mail, Pitney Bowes Software offers high-volume mailers significant financial and operational benefits.

#### **CODE-1 Plus® & Finalist® for Best-in-Class Address Coding**

CODE-1 Plus address quality solution validates, corrects and standardizes customer address data. The technology is CASS Certified™ by the USPS and used by over 1,600 companies. It helps businesses provide more accurate, on-time delivery of correspondence, goods and services, and eliminates the operational costs associated with returned or undelivered mail.

Finalist integrates powerful address correction capabilities into legacy applications, including mainframe, UNIX® and Windows® environments, to increase address quality and maximize postal discounts. Finalist offers batch processing to comply with USPS regulations or interactive processing for point-of-entry validation or address cleansing analysis.

#### **VeriMove™ for Move/Update Compliance**

With VeriMove, mailers can identify new movers quickly, while minimizing change of address data handling and return mail costs. The VeriMove system provides access to 18 or 48 months of move information. Using VeriMove, mailers can quickly update customer data with new address information before printing and sending mail.

#### **MailStream Plus® The Gold Standard for Mail Preparation**

MailStream Plus provides four-levels of presort savings and automatically generates the extensive audit trail and mail production reports needed to speed mail preparation and postal acceptance. This solution supports a wide range of platforms and operating systems. With MailStream Plus, mailers can maximize postal discounts on every class of U.S. Mail with the presort software that is PAVE™ Gold-certified in every single category.

#### **DAT-MAIL™ MSP for Electronic Induction, Drop Shipment Requirements and Supply Chain Management**

DAT-MAIL MSP allows users of PAVE certified pre-sort applications, including MailStream Plus, to meet the

eDoc requirements for USPS Intelligent Mail Full-Service compliance. DAT-MAIL MSP makes it easy to change Mail. dat pre-sort information to minimize postage costs, reduce spoilage and quicken the delivery of mail.

#### **MAIL360 IMb Assignment Management and Service Standard Tracking/Reporting**

MAIL360 is an extensible platform that allows users to take advantage of the intelligence built into the IMb to update and enrich data as well as increase mailing efficiency.

MAIL360 provides a single solution to assist customers with the successful implementation of the IMb. This comprehensive suite features enhanced mail intelligence modules designed to maximize USPS discounts, track and trace mail, manage IMb's for all processes across the entire enterprise and much more.

#### **Aura™ for Address Management Workflow and Customer Database Update**

Aura software automates the cumbersome, manual process of correcting customer addresses. It helps companies handle address changes through a consistent and documented process that maintains the most current contact information while complying with industry standards and regulations.

### **Leverage the Expertise of Pitney Bowes**

PITNEY BOWES HAS BECOME THE WORLD'S LEADING SOURCE OF INNOVATIVE TECHNOLOGIES THAT INCLUDE MAILING SYSTEMS, MAIL FOLDERS AND SORTERS, PLUS A FULL RANGE OF MAILING SOFTWARE AND SERVICES DESIGNED TO LOWER COSTS AND MAKE IT EASIER TO MANAGE YOUR BUSINESS. YOU CAN TAKE ADVANTAGE OF OUR EXPERTISE ONLINE, ONSITE, OFFSITE, NEAR SITE, AND YOU CAN DO IT LOCALLY, NATIONALLY, AND GLOBALLY. TO LEARN MORE, CALL 800.327.8672 OR VISIT [WWW.PBINSIGHT.COM](http://WWW.PBINSIGHT.COM).



Every connection is a new opportunity™

#### UNITED STATES

One Global View  
Troy, NY 12180  
1.800.327.8627

[pbbi.sales@pb.com](mailto:pbbi.sales@pb.com)  
[www.pbinsight.com](http://www.pbinsight.com)

#### CANADA

26 Wellington Street East  
Suite 500  
Toronto, ON M5E 1S2

1.800.268.3282  
[pbbi.canada.sales@pb.com](mailto:pbbi.canada.sales@pb.com)  
[www.pbinsight.ca](http://www.pbinsight.ca)

#### EUROPE/UNITED KINGDOM

Minton Place,  
Victoria Street  
Windsor, Berkshire SL4 1EG  
United Kingdom

+44.800.840.0001  
[pbbi.europe@pb.com](mailto:pbbi.europe@pb.com)  
[www.pbinsight.co.uk](http://www.pbinsight.co.uk)

#### ASIA PACIFIC/AUSTRALIA

Level 7, 1 Elizabeth Plaza  
North Sydney NSW 2060

+61.2.9437.6255  
[pbbi.australia@pb.com](mailto:pbbi.australia@pb.com)  
[pbbi.singapore@pb.com](mailto:pbbi.singapore@pb.com)  
[www.pbinsight.com.au](http://www.pbinsight.com.au)