Weighing Your Options

Business Mailers Require a Mix of Flexible Postage Evidencing Options
Phase I accomplished the retirement of mechanical meters. Phase II required the retirement of all manually reset meters (meters that must be reset by a USPS employee). We are now in Phase III of that plan, which requires that non-enhanced letterpress (non-IBI compliant) meters be retired by December 31, 2006. Phase IV, which will affect enhanced letterpress meters with a “time out” feature (to disable meters not reset within a given period of time), will be completed by December 31, 2008. (General information on USPS-approved postage meters can be found at www.usps.com/postagesolutions/flash.htm.)

Information Based Indicia (IBI) combines a machine-readable barcode and human readable information as the postage imprint. It contains postage and mail processing information, which serve security and automated processing functions. The IBI imprint contains identifying information about the postage meter and the postage payment for the mail service. In the future, these meters will also serve as an interface between the Postal Service™ and the mailer and therefore deliver even more value to meter users. For example, the two-dimensional indicia printed by these meters can be used to provide additional information about the timing of delivery, increasing the value and effectiveness of the mail.

As the phased migration continues, many high-volume mailers are quite appropriately reviewing their options for postage evidencing in an effort to drive down costs, at least in part by qualifying for postage discounts. Mailers must look at the “big picture” when deciding on how to obtain postage discounts and perform their postage payment/evidencing and should take care not to confuse these two issues. Criteria to consider also includes postage costs, production costs, capital investment, ability to increase or decrease the effectiveness of the communication, the limits and costs of IT and other resources, and alignment of the mail production process with the organization’s overall customer communication goals.

Background: The USPS Meter Migration Mandate

Starting in 1995, the USPS formally identified the need to increase the security of postage revenue while increasing the overall value of the mail. In 2001 they began working with postage meter vendors on a phased plan to provide new, secure meter technologies that enable more efficient mail processing while ensuring postal funds security. As a result of this effort, the USPS mandated a new type of postal imprint called Information Based Indicia (IBI), which provides the best security for postage evidencing.

The United States Postal Service® (USPS®) mandated Digital Meter Migration makes this is an opportune time for mailers to re-evaluate the postage evidencing options available to them. This paper will provide an overview of the mandate, discuss the separate but connected issue of postage discounts and examine various postage evidencing options. We will then provide a summary with recommendations for the most cost-efficient and effective postage payment solution.

Pitney Bowes is uniquely qualified to provide insight into postage evidencing, as there may be no greater authority in this field than a company with 85 years of experience providing leading postage payment methods to the business community. Pitney Bowes has invested more than $1 billion in research and development during the past ten years to ensure that it maintains the most advanced solutions available in the marketplace.

Through investments in MailCode, Group 1 Software and PSI Group, Pitney Bowes can provide virtually any solution that business mailers may need and therefore has no vested interest in recommending one solution over any other. In short, our message is to ensure that revenue-producing mail flows without interruption and is produced and mailed at the lowest possible cost, mailers must understand their business needs and how today’s solutions can meet them.
Earning Postage Discounts

Three steps are required to earn postage discounts: address standardization, address cleansing and mail sortation. Mailers can perform the steps themselves or outsource one or all of these functions. Address standardization and cleansing are done with CASS™ approved software. For First-Class Mail® to qualify for postage discounts, mailers must check for address changes using NCOA Link™ or participate in the USPS ACS™ program, which notifies mailers of address changes after a piece is mailed.

The advantages of doing the processes in-house include minimizing the cost of cleansing, controlling potentially sensitive data and having the ability to easily update corrected address information back to the company's databases. Many organizations have discovered that using standardized and cleansed customer data in their operation for processes peripheral to mail production has additional benefits.

Mail sorting options include using presort software to sort the mail and document how it should be placed in containers, doing machine mail sorting with an in-house multiple line optical character reader (MLOCR) that can read the address printed on the mail piece, or outsourcing to a presort services company, which can commingle mail from many different companies to improve postage discounts.

In making a decision on earning postal discounts, factors such as the number of daily mailings, their size and ZIP Code™ density, workflow, labor costs and equipment costs are important.

Pre-canceled stamps, by meter imprint or with permit imprint, can be used to pay for postage on presorted mailings. What follows is an examination of the latter two methods, which are the most cost-effective and the most frequently used evidencing options for business mailers.

Permit Imprint

Production mailers are authorized to mail without affixing postage if they have a Permit Imprint Advance Deposit Account. A permit imprint indicia must appear on each mail piece to indicate postage has been paid. Funds to cover postage must be deposited into the mailer's Permit Imprint Advance Deposit Account either prior to or at the time of a mailing. Larger volume mailers can also link their permits to bank accounts using the USPS CAPS program. This program allows funds to be transferred automatically from the mailer's bank account into their permit account to cover postage expenses at the time of mailing. Permit imprint indicia can be used for First-Class Mail, Priority Mail®, Standard Mail® and Package Services®. Mailings must be deposited at a Bulk Mail Acceptance Unit (BMAU) or the mailer needs to establish an in-house Detached Mail Unit (DMU) to verify and accept the mail.

The Benefits of Permit

Using permit imprint to pay for postage allows the mailer to pre-print the permit imprint indicia on their envelopes to eliminate the need for postage meters and supplies. When using envelopes with pre-printed permit imprint indicia, “in-line,” the production workflow can be simplified since the mailer does not have to worry about metering mail at different rates for different presort discounts, as was true before the advent of the resettable on the fly meter.

Under some circumstances it is best to print the permit imprint indicia at the time of production rather than using envelopes with preprinted permit imprint indicia. In-line indicia printing eliminates the need for managing inventories of preprinted envelopes and allows mailing dates to be printed as part of the indicia, an important feature for a number of industries. The technology is now available to do this reliably and quickly enough to meet the needs of high volume production lines without complicating the production workflow.
Permit imprint indicia mail is usually limited to identical piece weight mail. Permit payment of non-identical piece weight mail is possible only under the USPS Optional Procedure (OP), Alternate Mailing Procedure (AMS) or Manifest Mailing System (MMS) programs. Optional Procedure and Alternate Mailing Procedure programs are very highly specialized and will not be discussed in this white paper. For more information on these please read the DMM® 705.30 and 705.40. The Manifest Mailing System (MMS) has broader applications and is discussed below.

Management Issues with Permit Mail

The greatest weakness of permit mail is that it is often difficult for mailers to manage. If you are not printing the permit imprint indicia “in-line” as the mail is produced, and if you use multiple permits, maintaining and managing envelopes with pre-printed indicia can be cost prohibitive. Another management issue is that the USPS requires mailers to maintain separate permits at each Post Office™ where they will be depositing mail. A more important problem is that using the permit imprint option does not incorporate the security features and benefits associated with the IBI technology being advocated by the USPS. Unless your postage is being paid for via the CAPS program, you must fully fund the correct permit in advance of the mailing. If you underestimate your postage needs, your mailing might be held up until the balance is deposited into the permit account. In some cases the entire mail run is returned to you by the USPS, thereby interrupting your mail stream and cash flow.

The Manifest Option

For mailers that have large, ZIP Code dense mailings of non-identical piece weight mail, most notably in the telecommunications and utility industries, a permit imprint with a manifest is an attractive postage evidencing option, combining the discounting of presort with the ease of workflow offered by permit payment.

Manifests, in combination with information printed on each piece of mail, can be used to document non-identical weight mail pieces. It allows the USPS to verify these mailings and accept payment by permit. In this way, manifests are used both to provide evidence of postage payment and to achieve postal discounts. Again, this method is most popular with companies that have large, ZIP Code dense mailings of non-identical piece weight mail. Unless ZIP Code densities are high, doing machine based presort of non-identical weight mail can earn a mailer much better postage discounts. If the mailer processes a large number of mail pieces spread out across many mailings each day, using an MLOCR sorter in-house to commingle these mailings is the best processing method.

The major barrier to manifesting is obtaining accurate information on mail piece characteristics, a factor that has historically reduced the number of mailers for whom manifesting is the best solution. The cost of obtaining this data must be figured into the overall picture. In addition, the mailer using manifesting is required by the USPS to implement quality control procedures (documented in PUB 401, chapter 3) that will often impact the workflow and productivity of the mailing operation.

For this reason, Pitney Bowes developed a net manifesting solution on the DFWorks® platform that builds an accurate, USPS-compliant manifest based on the actual results of production. Mail runs from several inserters can be combined into one manifest for additional postage savings due to greater postal densities. The manifest is created through the DFWorks GUI allowing the user to select only desired trays and “model” the manifest and postage costs if desired. The DFWorks Postal Manifesting module can adjust the postage paid for mail pieces that are damaged in the inserting process. These pieces are later reprinted and subsequently mailed.

Model manifests can be created prior to closing out the mailing. Depending on damage repair and reprint procedures, this can help determine if it is advantageous from a postage perspective to manually repair and replace pieces that were damaged or removed during the insertion process. Spoiled pieces that are not included in the manifest and postal calculation or the supporting documentation allow that the USPS to accept and audit the submitted trays of mail. This capability saves postage and
meets all USPS requirements for taking the appropriate postage discounts.

When both the DFWorks Manifesting and Postage Accounting modules are used it is possible to create consolidated postage reports for all posted mail, regardless of postage evidencing methodology. Unlike other manifesting solutions, the DFWorks Postal Manifesting is a component of a comprehensive mail management software suite that allows mailers to address many of the production and financial management challenges involved with producing mail.

**Machine Presort: Permit or Meter?**

If you are manifesting, your postage evidencing will be by permit imprint. When doing machine-based presorting the most cost-effective and reliable method of evidencing is to use a postage meter to affix postage to your mail at a rate based on the weight of the piece. When the MLOCR is able to determine the best rate at which postage should be paid, the mailer pays the difference between the rate at which the mail was metered versus the mailing’s actual postage rate as determined by the sorter.

If either the total piece volume or number of mailings is too low to provide a good return on investment on the MLOCR, providing this mail to a presort service bureau like PSI Group will yield the maximum savings both in postage and labor. Doing machine based-sorting, either in-house or outsourced can also simplify the mailer’s workflow to yield substantial labor savings.

**The Benefits of Digital Metering**

In the past, decisions about postage evidencing were made based on the broad needs of your business: although some of the larger telecoms and utilities use a permit solution, most transactional mailers processing mission critical bills and statements depended on the flexibility and reliability of the metering process. Over time, the meter indicia itself has come to signal to recipients that a particular mail piece was important and a “must read” and, as a result, mail with meter indicia tends to have a higher “open rate” than mail with permit indicia.

In contrast, direct mailers have been willing to sacrifice open rates for low cost mass production printing and the easy workflow of bulk rate processing. But technology is changing this with print on demand (POD) and “intelligent” inserting solutions challenging long-held assumptions about how to reach prospects most cost effectively. Added value such as color and variable data enable greater personalization, which leads in turn to high open rates.

New technology, specifically the DM Infinity™ Series Digital Mailing System, makes metering on demand direct mail a more viable option for marketers. The cleaner, more easily-read, information-rich meter indicia serves to increase open rates and the timeliness of direct mail pieces and have subsequently led many direct mailers to add more digital postage meters to their technology mix. As the USPS adds programs like mail tracking and “date certain” delivery to standard mail, direct mailers will find even greater value in metering their mail. In addition, Pitney Bowes worked closely with the USPS in the development of the DM Infinity Series Digital Mailing System to ensure it was a secure IBI-compliant meter to safeguard company funds and protect your branding.

The speed, ability to meter mixed weight mail on a single DM Infinity model, reliability, extremely low jam rate and low cost per impression changes the metering paradigm. A single DM Infinity meter can cost-effectively apply postage to high-volume mail runs that in previous years would almost always have been processed as permit imprint mail. The mailer also benefits from the high open rate enjoyed by metered mail.

**The Power of Personalized Mail**

It is advantageous to create a mail piece that is in alignment with your company’s goals in customer communication. The image that a company presents to clients is often part of a broader customer communication management strategy; the ability to control the appearance of the meter indicia can serve this strategy.
A professional, clean-looking mail piece is likely to be the first impression your customer has of your brand. A poorly produced piece of mail can send the wrong impression, eroding customer confidence. Worse, a piece with the wrong or outdated customer information or with the wrong document inside could cost you that customer’s business.

The DM Infinity Digital Series Mailing System provides production mailers of every type and in every industry with new opportunities to quickly personalize mail pieces on the fly with postal inscriptions, endorsements or customized messages to make their mail stand out as a “must-open” mail piece. Service bureaus are adding more value to customers by personalizing mail pieces with company logos, specific vertical market messages or other inscriptions that further increase open rates.

**Improved Productivity Maximizes Net Savings**

Pitney Bowes can evaluate your operation and determine the most cost-effective alternative. Whether your business model supports permit payment of identical piece weight mail, manifesting non-identical piece weight mail, digital metering or any combination of the above, it is important that implementing these solutions can be done without complicating or slowing your production process. Loss of productivity can easily offset the savings earned through postal discounts. Having the flexibility to produce permit imprint or metered mail without changing your production process and managing large inventories of envelopes with pre-printed indicia will improve rather than degrade productivity. Pitney Bowes offers a wide range of postage evidencing solutions. Pitney Bowes SmartMailer™ and Group 1’s MailStream Plus® solutions can handle virtually any presort software need. If a barrier to manifesting is obtaining accurate information on the mail piece characteristics, Pitney Bowes offers StreamWeaver® print stream management software. Pitney Bowes also offers Olympus® II MLOC® sorters that sort both outbound and inbound mail pieces. PSI Group, another Pitney Bowes company, provides presort services to many organizations in the United States.

Whichever postage evidencing process one chooses, Pitney Bowes Global Financial Services (GFS) offers programs to help mailers get the most value for their money.

Pitney Bowes GFS can manage your permit funding to avoid these problems. Even if your volumes do not qualify you to use the CAPS system to fund your permits, GFS can help you utilize CAPS and even cover postage deficiencies if you did not deposit enough funds into your Pitney Bowes Advance Deposit Account. In this way your mail is never delayed and you can use funds in your Pitney Bowes Advance Deposit Account to cover both permit imprint postage and meter postage purchases, simplifying your postage accounting. You can pay for permit postage electronically in advance or be billed for this postage on approved credit even as you qualify for discounts on postage. There is no need to pre-purchase postage in advance of when it is needed, although many mailers enjoy earning interest on their account balance that can be applied toward postage.

In addition, a seamless interface to DFWorks Postage Accounting and Funds Management can help customers monitor their postage spending and mailing trends, allowing them to set necessary budgets and/or limits, and automate refills. Pitney Bowes offers the greatest variety of technology and services to meet all of these needs, no matter how large or small your business may be.

**An 85-Year Legacy of Excellence**

The two major reasons that the USPS is driving towards digital compliance are (1) security of funds and (2) the need for IBI. Mailers should ask themselves which method provides the best solution for reducing costs overall, has the best funds security for postal dollars, and coheres to the future goals of the USPS to track mail and reduce costs.

Pitney Bowes is a brand that is virtually synonymous with postage evidencing and innovative mailing solutions. Our commitment to the mailing industry goes far beyond that of any other organization. Pitney Bowes produces a wide range of products,
services and solutions in the mail and document space – both hardware and software. There are complete postage payment solution suites that includes permit and manifesting solutions.

Pitney Bowes offers solutions that conveniently and securely enable them to print high quality permit indicia and craft a customized solution that fits the specific needs of nearly every mailer.

In business, the best course of action is often a flexible course of action: as business objectives change, tactics must change with them. Different types of mail serve different business needs. Vendors that advocate a single postage evidencing methodology – or that can only support a single method – cannot adequately meet your changing needs. Among leading postal vendors, only Pitney Bowes has made the investments in technology and research needed to develop a suite of solutions designed to meet the needs of virtually every mailer.