



INTELLIGENT MAIL[®] ROI

Using Intelligent Mail[®] services to reduce costs and increase mail effectiveness.

RETURN ON INVESTMENT FROM INTELLIGENT MAIL®

If you use mail as part of your business, Intelligent Mail® will be a part of your future. By May of 2011, virtually every postal discount will be tied to using the new barcode, with additional discounts for users of the new “Full Service” option being offered by the Postal Service™ expected to take effect in late 2009. Since these discounts are an important savings for any significant mailing operation, you will be using Intelligent Mail® for the discounts alone. The only real question is “When?”

Aside from lower costs in the years ahead, there are good reasons to start using Intelligent Mail® right now. In fact, the benefits of the Intelligent Mail® services available today go beyond the cost savings being offered, and we’d like to review some of those benefits and show you how to take advantage of them.

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Intelligent Mail® – Background

Intelligent Mail® has been available from the Postal Service™ since September, 2006, and has been used to route and track billions of pieces of mail since then.

“Intelligent Mail®” is a suite of services that uses a new barcode. The Intelligent Mail® barcode (IM™BC) is a 65 bar barcode using bars of four different lengths/positions, also known as a four-state barcode.

Intelligent Mail® currently includes the following services:

- Mail routing – The IM™BC contains all of the information contained in the postnet barcode currently used on mail pieces, providing the ZIP®+4 and delivery point information;
- Confirm® – This Postal Service™ program follows mail as it travels through automated sorting equipment, returning scan data to subscribers that can be used to predict delivery. This functionality was provided by adding a second barcode, the PLANET Code®, before the IM™BC was released in 2006;
- OneCode ACS™ – ACS™ is the acronym for Address Correction Service, a service from the Postal Service™ that returns information to the subscriber when a piece of mail is undeliverable (or the reason for nondelivery) along with a new address if available.

None of these services are completely new, but they are enhanced and often made more accessible through the use of the IM™BC.

The original purpose of Intelligent Mail® was to provide an added measure of control to mailing through the USPS. When the Postal Accountability and Enhancement Act (PAEA) was passed, the Postal Service™ had to create a means of measuring service performance. It chose Intelligent Mail®. As a result, the Postal Service™ has added new requirements and discounts to encourage adoption of the IM™BC, but the original value of Intelligent Mail® still remains the best reason of all to begin using Intelligent Mail® today.

Two Flavors of Intelligent Mail®

New Intelligent Mail® regulations take effect in May 2009, breaking Intelligent Mail® into two categories – Basic and Full Service. Full Service requires the mailer to provide a great deal more information, which will result in additional discounts and information about the mailing, including when the mail entered the mail stream. We don't recommend one option over the other. As an intelligent mailer, the choice is yours. Except as noted, all of the benefits we talk about here are available for users of either Basic or Full Service Intelligent Mail®.

The Benefits in a Nutshell

Intelligent Mail® tells mailers when and if mail has been delivered, and provides information on “undeliverable as addressed” mail (UAA). This information offers you the opportunity to directly improve both mailing operations and the effectiveness of each mailing.

Using delivery intelligence, you can:

- Coordinate other activities related to the mail piece, whether it is a related marketing offer, or a collection call reinforcing the message of a mailed collection notice;
- Choose the most cost effective class of mail;
- Plan and time mailings more effectively;
- Anticipate and allocate resources for response more effectively;
- Respond to customer inquiries regarding a mailpiece
- Reschedule actions based on a mail delivery date – e.g. power disconnects, policy cancellation
- Provide a proof of mailing

With address intelligence, you can:

- Remove undeliverable addresses for future mailings
- Update addresses with new addresses supplied by ACS™
- Meet Move-Update compliance regulations
- Suspend services to an address when the customer has moved

Many of these capabilities provide specific cost benefits. Let's look at some examples of how you could achieve a significant return on investment using Intelligent Mail® data, and show you tools that can help you measure the available return for your own mailing efforts.

The Cost of Intelligent Mail®

To get a “return on investment,” you first have to invest. There are required start-up costs involved in preparing to use the Basic version of Intelligent Mail, and a larger investment to realize the additional benefits listed above by implementing the FullService option.

Required costs:

The costs above are necessary to use Intelligent Mail® and maintain the status quo in terms of postal discounts when the new postage requirements take effect.

- Equipment updates: Your addressing equipment may need to be updated to accommodate the new barcode, the IM™BC.
- Software updates: Creating the IM™BC requires an encoding process, and possibly software updates to handle a new font and new barcode dimensions. The updates may be in either the addressing/presorting software or document composition software. The cost can be small in some cases – for most small to medium mailers, the IM™BC capacity will be included as part of a routine update – or it could be quite expensive for large or complex mailing operations where extensive legacy applications need to be modified.
- Process updates – Intelligent Mail® preparation will require process changes in any mailing operation. There is, at a minimum, an additional encoding process, and there may be many more process updates required. Again, the cost will tend to vary with the size and complexity of the enterprise.
- Training – Both employees and customers will have to understand the new technology as well as its challenges and benefits. There is a cost associated with such training.

Optional Costs:

To take advantage of additional benefits, you'll need to develop a way to use the data provided by either Confirm® or OneCode ACS™, the two primary programs that make up Intelligent Mail®.

Mailers can either develop an in-house application, or use an outside service such as Track-MyMail.com®. The costs involved in an in-house operation include:

- Development/software costs – Mailers will need to either develop or acquire software required to process Confirm® and/or ACS™ data as it is returned from the Postal Service™
- USPS® subscription fees – Some USPS® programs, such as Confirm®, may include subscription fees as high as \$23,500 in 2008. These fees are for raw data only, and to not include reporting analysis;
- Training and USPS® issues – Participating directly in Intelligent Mail® programs will require fairly extensive postal knowledge and staff training in order to be compliant. These are not simple programs.

Of course, you can avoid many of these costs by using a third-party provider such as Track-MyMail.com®. Also, how cost-effective any solution might be will depend on the size, complexity, and capabilities of your enterprise.

By May of 2011 at the latest, all mailers will need to cover the required costs to keep the postal discounts that are essential to cost-effective mailing, and possibly add more discounts by choosing to use Full Service Intelligent Mail®.

However, we also believe most mailers will choose to take advantage of the additional capabilities that Confirm® and OneCode ACS™ have to offer, and that the return from that decision will more than justify the additional investment.

Saving Money with Intelligent Mail®

Virtually any mailing operation can save money with Intelligent Mail®. The higher the volumes of mail being sent, the greater the overall savings, but for the purposes of this example, we'll be looking at mailing in three volumes: 1,000 pieces, 10,000 pieces, and 100,000 pieces. You can look at these as either per job volumes, or per day.

For the cost side, we'll use undiscounted TrackMyMail.com® prices. For the purposes of this illustration this works out as:

1,000 pieces:	\$50.00 (\$50.00/1000)
10,000 pieces:	\$68.00 (\$6.80/1000)
100,000 pieces:	\$248.00 (\$2.48/1000)

These prices are for TrackMyMail™ processing only. You may have other start-up costs as listed in the previous section. Other services may have different price points, and volume users may qualify for different prices.

Postage

Intelligent Mail® can directly impact your postage in two ways:

1) Automation Discounts: In order to continue to receive automation discounts, mailers will need to adopt Intelligent Mail® no later than May, 2011;

Available savings:

Based on automation versus non-automated mailing, Standard Class letters, typical nationwide mailing densities, based on rates as of 1/1/2009:

1,000 pieces:	\$14.00 (\$.244 vs. \$.258/ea)	\$14.00/1000
10,000 pieces:	\$230.00 (\$.258 vs. \$.235/ea)	\$23.00/1000
100,000 pieces:	\$2,800.00 (\$.258 vs. \$.230/ea)	\$28.00/1000

These savings are based simply on today's automated rates vs. today's non-automated rates. Currently, you can get the same rates with a postnet barcode. After May 2011, you'll need the IM™BC to receive these rates, using either basic or full service Intelligent Mail®. TrackMyMail™ services will not be required.

2) Full Service Discounts: Beginning in November 2009, participants in Full Service Intelligent Mail® will be eligible for an additional postage discount of \$.003 per piece (\$.300/M) on First-Class mail, and \$.001 per piece (\$.100/M) on Standard class mail.

Available savings:

First-Class Mail:

1,000 pieces:	\$3.00	\$3.00/1000
10,000 pieces:	\$30.00	\$3.00/1000
100,000 pieces:	\$300.00	\$3.00/1000

Standard Mail®:

1,000 pieces:	\$1.00	\$1.00/1000
10,000 pieces:	\$10.00	\$1.00/1000
100,000 pieces:	\$100.00	\$1.00/1000

This discount is for participating in Full Service Intelligent Mail® only, and meeting all of the attendant requirements. TrackMyMail™ services are not required.

Postage Savings through Tracking

Knowing when mail is delivered can be leveraged into additional postage savings in many cases. Many mailers with time-critical events use First Class™ mail to make sure their message is delivered in a timely predictable manner, allowing them to coordinate other marketing actions, or promote a time-sensitive event.

With Intelligent Mail®, mailers may be able to convert some or all of their mail to Standard Class. The table below shows the savings for the portion converted:

1,000 pieces:	\$112.00	\$112.00/M
10,000 pieces:	\$1,050.00	\$105.00/M
100,000 pieces:	\$9,900.00	\$99.00/M

These significant savings may be applied to a small portion or a mailing, such as local addresses or directly injected SCF drops. Mail tracking with Intelligent Mail® enables you to evaluate your options.

Labor Savings through Tracking

Most mailers have other actions that occur as a result of their mail. Direct marketers can expect responses to call centers or mailed in orders. Invoice mailers expect their invoices to be paid. Retail advertisers expect to draw customers into their stores. Even informational mail such as explanation of benefit (EOB) mailings and cancellation notices can generate inquiries to customer service.

Staffing for these responses is often a significant cost to organizations. Knowing when mail is being delivered allows you to staff and prepare appropriately. Particularly with Standard Class mail, the delivery date can vary a great deal. Using Intelligent Mail® to determine the actual delivery date allows you to optimize your staffing. If the mail has not been delivered to the extent expected, staffing can be reduced. Conversely, if the mail delivers early, call centers can be sure to have adequate staff on hand to meet customer needs.

Even though it's harder to quantify in terms of savings per thousand, you would expect that an organization driven largely by direct mail could reduce call center/response center labor costs by at least 5% through careful use of mail tracking. A direct marketer mailing 20 million pieces of marketing mail a year driving responses to a call center would expect to have call center labor expenses well in excess of \$2,500,000 a year. Even a 5% savings could reduce labor costs by more than \$125,000 due to better scheduling based on actual delivery dates, while the cost to track 20 million pieces could be less than \$20,000.

Postage and Production Savings through Address Quality

Intelligent Mail® allows mailers to identify not only when mail gets delivered, but where it was delivered. In many cases, if a piece of mail is forwarded or returned it can be identified using Intelligent Mail® mail tracking. If the piece is rerouted, a new POSTNET® will indicate a new ZIP+4™ where the mail is now destined. In some cases a change in ZIP+4™ may simply indicate a Postal Service™ refinement of the ZIP+4™ originally on the piece. In other cases the piece may be “forwarded” to the ZIP+4™ in the return address – a good indicator that the piece is being returned. Mailers can use this information to refine their mailing list. Even in the absence of ACS™ information, you can use forwarded and returned information to eliminate (or at least identify) defective addresses in a file.

Prospects move, and forwarding and returned counts will typically average around 3% - 4%, even in well maintained lists. By eliminating these wasted addresses from lists, you can save not only postage, but printing and production costs as well. Based on an overall cost per piece of \$1.10 (postage, printing, mailing services), and a forwarded percentage of 3%, you can expect the following savings just from utilizing this data:

1,000 pieces:	\$33.00	\$33.00/1000
10,000 pieces:	\$330.00	\$33.00/1000
100,000 pieces:	\$3,300.00	\$33.00/1000

These are typical rates. Of course the cost per piece may drop as quantities increase. Standard Class mail with no ancillary endorsement is generally discarded, so this is only effective with First Class™ mail and endorsed Standard Class.

In addition to identifying forwarded and returned mail, Intelligent Mail® makes the OneCode ACS™ service available, which will provide more detailed information, including the reason for non-delivery as well as the new address, where available. For lists that are mailed to regularly, this can also be used as a move update tool. In addition to postage and production savings listed above, using OneCode ACS™ can eliminate your need for NCOA™ processing to remain move-update compliant.

Postage Savings on Proof of Mailing

Many organizations need to demonstrate proof of mailing to meet statutory and corporate due diligence requirements, but the methods for doing this are often prohibitively expensive. Single piece certificates from USPS® cost \$1.10 each. Certified mail is even more - \$2.70 each. Additionally these methods are often labor intensive and difficult to administer.

In many cases, proof of a mailing doesn't have to meet such a high standard. Although Intelligent Mail® does not provide proof of delivery, a scanned piece does show proof of mailing. Intelligent Mail® can also prove that a piece of mail was placed in the mail stream. It is important to clarify with the appropriate authorities what standard of proof is required, but in cases where mail scans are deemed adequate; Intelligent Mail® offers a dramatic savings.

Improved Response Rates

By coordinating other marketing methods, timing your mailings better, and improving the percentage delivered by eliminating bad addresses, you can boost the response rate on a direct mailing, through intelligent use of Intelligent Mail®.

As an example, if an offer has an expected response rate of 0.5%, and the product is priced at \$150, the value of response is \$750.00/1000 (5 responses per 1000 at \$150/ea). Simply eliminating 2% of the addresses that are bad could be expected to boost response by the same amount, adding \$15.00/1000 to the response value of a mailing. In many cases, the total value of a response is well beyond its initial value, especially when you factor in the lifetime value of a new customer.

Reducing Collection Activities

Collection activities are expensive and often make customers angry. If a payment is in the mail, there is no need to generate this cost, and Intelligent Mail®, using Origin Confirm®, can identify payments that have been placed in the mail.

A typical live collection call today costs \$5.80. If a call center typically makes 1,000 collection calls a day at a cost of \$5.80/per call, a 5% reduction in calls can result in direct savings of \$290.00/day, as well as not angering your customers. In addition, utilities that need to notify customers using door hangers before disconnecting service typically spend \$7.00 each to distribute them. Intelligent Mail® can identify payments in the mail, and mailers can use that data to suppress collection activities to those customers.

Putting It All Together

In challenging economic times, businesses need to get the most from every resource, including their mailing programs. Intelligent Mail® provides tools that can help resourceful mailers reduce costs without reducing results.

As an example, let's look at a hypothetical but typical insurance company and how they might be able to save.

Our insurance company mails the following, monthly:

- 300,000 pieces new customer acquisition direct mail at an average cost per piece of \$.90
- 50,000 invoices, average cost \$1.10
- 8,000 late notices, average cost \$1.10
- 3,000 collections call at \$4.00/ea
- 1,000 cancellation notices, certificate of mailing, \$1.10/ea

Monthly savings they could expect to see with a comprehensive Intelligent Mail® program:

- Reduced wasted addresses on prospect mailings: @1% \$2,700
- Reduced wasted addresses on invoices: @1% \$550
- 3% reduction in late notices (from inbound tracking) \$264
- 3% reduction in collections calls \$360
- Elimination of \$1.10 per piece certificate of mailing \$1,100
- Total savings: \$4,974

Typical cost of a tracking program like trackmymail's \$1,700
 Net savings: \$3,274

Of course this does not take into account the postage savings available simply for using Intelligent Mail®.

This example does assume that a mailer will actively work to optimize their mailing operations. Intelligent Mail® gives mailers tools to improve the operations...it's up to the mailer to use those tools effectively.

What Are Your Intelligent Mail® Opportunities?

It's time to take a closer look at your mailing operations to see how you can reduce costs and improve efficiency with Intelligent Mail®. Ask yourself the following questions:

- What is your total cost per mail piece? Be sure to include paper, printing, postage, lettershop costs, and design. These costs typically come in at \$1 - \$3.
- How much of your mailing is undeliverable as addressed? On a well maintained list, 2% - 4% is typical. If you can correct or eliminate those pieces at your typical cost per piece, how much can you save?
- What is your normal response rate? What is the dollar value of each response? What is your response in dollars per thousand pieces mailed? If you can improve response by 2%, what is the value of that? What is the lifetime value?
- What are your outbound and inbound telemarketing costs? What is the dollar value of a 5% reduction in telemarketing labor?
- What are your collection expenses? What is the dollar value of a 5% - 10% reduction in these expenses?

Although respective costs and available benefits will be different for every organization, a quick look at your own numbers will show you how you can improve your operations using Intelligent Mail®.

IMPLEMENTING INTELLIGENT MAIL®

If you use mail commercially in your business, you will switch over to Intelligent Mail® within the next two years to maintain essential postal discounts.

The question you need to ask yourself now is, "how many capabilities of Intelligent Mail® can I leverage to improve my operation, and how quickly can I do it?"

The benefits of Intelligent Mail® are already working for some of the most sophisticated mailers today. Now is the time to make them work for you.

Fortunately, it's easy to reap the rewards of Intelligent Mail® with TrackMyMail™. TrackMyMail™ has built its reputation on helping mailers just like you understand the opportunities and challenges presented by Intelligent Mail®. It's a whole new way of looking at mail and the proposed regulations don't make it simple. In the end, you will survive — and thrive. Just find the right partner. Call TrackMyMail™ at 888-444-9972, ext. 1043, or visit trackmymail.com today!

