# HOW TO REDUCE MAILING COSTS: BEST PRACTICES FOR U.S. BUSINESSES

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**Pitney Bowes**

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**WHAT IS THE FINISHED COST OF YOUR INDIVIDUAL MAIL PIECE?**

This is a question that we at Pitney Bowes always like to ask our customers. And it's interesting how many organizations are not quite sure of the answer.

That's because there are a number of factors that typically drive up mailing costs and make it hard to determine not only total expenditures, but also the final cost per piece. These hidden expenses can add up to a significant portion of a mailing spend.

At a time when mailers are coping with USPS service changes and price increases, and are looking for new ways to save, understanding the full cost of a mailing is especially important.

To assist businesses that want to lower their mailing costs, Pitney Bowes has created this resource. It is designed to clarify the variety of factors that affect the price of mail pieces, as well as to provide best practices in reducing overall costs and increasing efficiencies.

# 1.0 UNDERSTANDING THE COST TRUE OF MAILINGS

What exactly goes into the full cost of a finished mail piece? The true cost can include the following:

- Paper
- Envelopes
- Inserts (e.g. reply envelopes or ads)
- Postage
- Printing
- Labor (if processing is not automated)
- Equipment maintenance and agreements (if processing is automated)
- Returned or delayed mail

These hidden expenses can account for 10%-50% of the net operating spend per mail piece. We'll explore some of the key hidden costs in greater detail.

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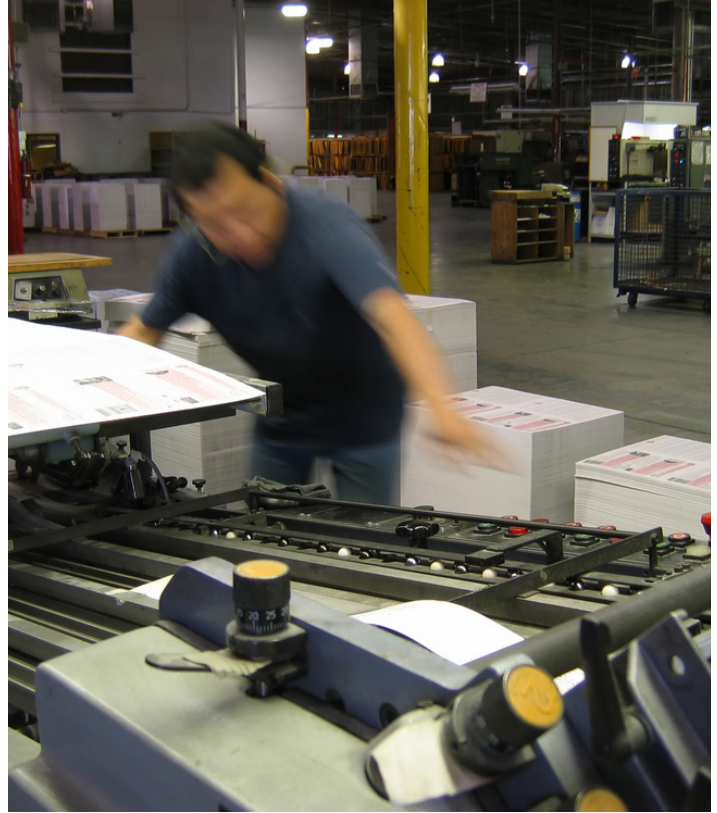


# 1.1 MANUAL LABOR

Manual labor typically accounts for 10%-15% of the cost of a finished mailer. In a regulated industry, this amount can be as high as 20%-30%, if mailers are taking the proper steps to ensure that mailings meet security and privacy regulations. When mail is not handled in accordance with regulations, it increases the hidden costs associated with risks and liability.

Labor costs will also increase when volume grows or during peak mailing periods. If an outside fulfillment house is not prepared to handle the increased volume, mailings may experience longer turnaround times and delays.

# 1.2 USPS CHANGES

The USPS recently proposed a number of service changes that will impact postage prices and the way that organizations across America handle mail. These changes include increased rates for many mailing products and services.

**THE FOLLOWING PRICE SCHEDULE TOOK EFFECT AS OF JANUARY 22, 2012:**

- First-Class Mail® Letters (1 oz.) – 1¢ increase (from 44¢ to 45¢).

- Letters additional ounces – unchanged at 20¢. However, the second ounce on Automated Presort First-Class Mail is free.

- Price changes for other mailing services, including Standard Mail®, Package Services and Extra Services

In addition to these price increases, the USPS is considering the closings of over half of its central processing facilities. If this occurs, it will take more time and cost to transport mail to processing facilities in other cities.

# 1.3 VISIBILITY

Most organizations, whether they outsource their mail preparation or handle it in-house, lack visibility into their mailing operations. This lack of insight, audit trails and quality assurance can be one of their biggest hidden costs.

The hidden costs of lacking visibility into mail can include:

- Overpaying for proof of mailing services.

- Overspending on customer service calls and staffing because of unknown status for outbound or inbound mail pieces.

- Needing to reprint or re-mail critical items because of uncertainty about whether or not they were printed or sent.

- Not meeting customer SLAs – resulting in more resources and higher costs.

Outsourced mailings also do not have tracking capabilities, as most fulfillment houses do not have tracing technology. This means that sensitive customer information may disappear into a black hole where it cannot be tracked. It is also worth noting that outsourced mail may be co-mingled to optimize production queues or postal discounts – which can compromise the quality and security of a mail run.

When organizations handle mail preparation in-house, they may still lack oversight into what is happening in their mail rooms – particularly when mailing from multiple office locations. They may also pay top retail rates for postage and get slower delivery service, since the post office must barcode all of the mail. Once the mail hits the postal stream, organizations will also lose visibility into where each piece is at any given time, as they have no way to tell how USPS is handling each mail piece.



## 2.0 BEST PRACTICES FOR REDUCING MAILING COSTS

One of the keys to lowering mailing expenses is gaining an understanding of the true cost of mailings. For example, many organizations are surprised by quotes from fulfillment houses, as they cover everything that goes into the finished mail piece – not just the

labor. Knowing the true cost of every mailing helps in the budgeting and planning of communications expenditures.

A complete cost picture also allows for further cost savings measures. Here are a few areas where expenses can be reduced:

## 2.1 DOCUMENT COMPOSITION AND DESIGN

To minimize the effects of the USPS postage increases, mail pieces can be redesigned to perform the same communications function in a more cost-efficient format, optimizing the real estate on each document. This means using less paper, or creating a smaller mailing piece, which requires less printing and postage.

## 2.2 ADDRESS QUALITY

Keeping an updated and accurate list can reduce expenses, as money is not wasted on postage to invalid addresses. Maintaining good list hygiene can also make it easier to comply with privacy regulations, as a consumer's confidential information won't end up at the wrong address. This lowers the cost of expensive audits and helps to avoid fines for non-compliance.

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There are two aspects of address quality—the accuracy of the physical portion of the address and the accuracy of the individual, business or family component. A mailing solution should solve both of these challenges. Possible solutions include:

- Implementation of CASS™ certified software that standardizes the physical portion of the address and assigns a delivery point routing barcode.

- A range of move update solutions available for individuals, businesses,

or households. These include pre-mailing solutions that allow for proactively employing a National Change of Address (NCOA) solution before addressing an envelope, thereby validating that the family, business or individual actually resides at the address in question.

## 2.3 MAILING SUPPLIES

Many organizations find it convenient to buy custom letterhead and run prints at a later date. However, the hidden costs associated with printing equipment will result in a high cost per print. It is possible to achieve significant savings by purchasing blank paper and having a logo, along with other text and graphics, printed during a single run. This one change can reduce paper and toner costs by 58%-80% per print.

The same thing applies to pre-printed envelopes. With an on-demand printing system that prints both postage and graphics at the same time, envelope expenses can be reduced by as much as 33%. Inventory management for envelopes becomes easier, also, as there is no longer waste associated with old, damaged or unused stock.

## 2.4 LABOR

Automating labor processes can lower overall expenses and ensure that each mailing is prepared to the highest standards. Using delivery point routing barcodes, such as the Intelligent Mail® barcode (IMb), can streamline the labor process. To achieve the cost- and time-savings benefits of automation, all mail must be prepared and sorted according to U.S. Postal Service regulations. Automation will not only lower postage expenses, it will also eliminate some of the processing steps at the post office, which maximizes the opportunity for timely delivery.

## 3.0 TALK TO PITNEY BOWES

The many hidden costs of mailing can affect an organization's bottom line. However, it is possible to achieve cost savings and run more efficient mailing operations by using the right best practices, processes, technology and services.

This resource is intended as a high-level look at the hidden costs of mailing and best practices on how to reduce these expenses. To learn more about how to save on mailing, contact a local Pitney Bowes representative

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