

# Postage Cost Reduction Strategies and Tips

September 15, 2009

LaserNet Whitepaper Series

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## Executive Summary

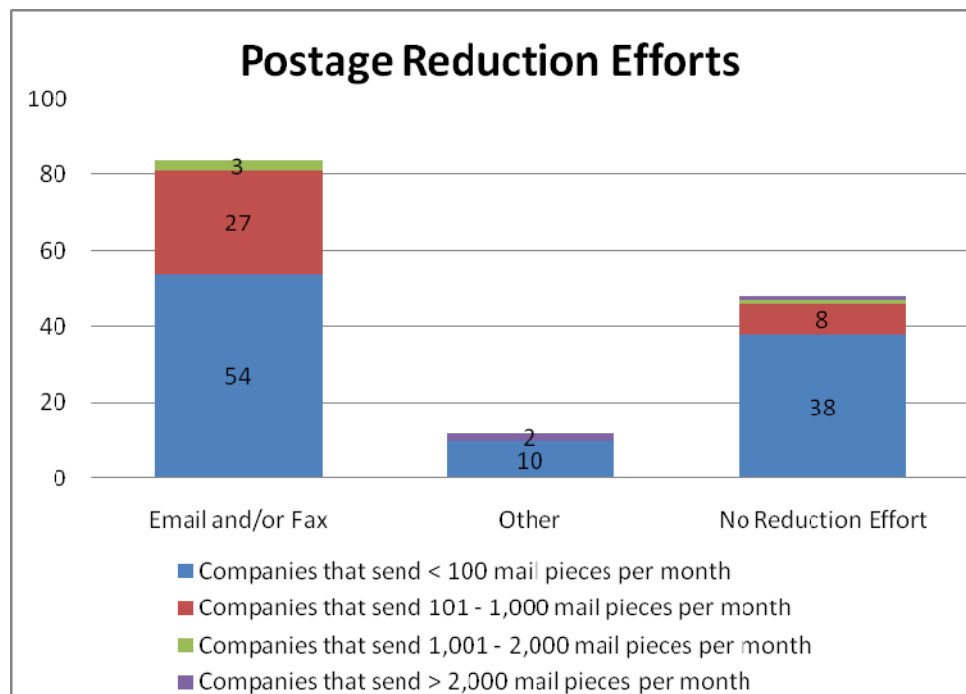
It is widely understood that postage is the foremost driver of mailing costs. Most large companies recognize this and have access to internal or external resources, allowing them to analyze their mailings and minimize the effects of ever-increasing postage rates.

But what about companies with limited resources? Luckily, there are solutions that can be adopted by organizations of any size. In this whitepaper, we summarize many available solutions, along with a benchmark of postage reduction actions taken by small-to-midsized Midwestern transportation companies.

And why is this important? The United States Postal Service (USPS) has struggled in recent years due to declining mail volumes and increasing operational costs. As a result, postage rates have risen 42% between 2000 and 2009. Looking forward, USPS has established a schedule to review postage rates annually, moving away from the inconsistent timing of past increases—while nearly guaranteeing that an increase will occur every year.

Reducing postage costs starts before a mail piece is ever created, including the pursuit of alternatives to mail. Even among

companies sending far fewer than 100 mail pieces each month, more than 50% use a combination of email and fax to eliminate placing an envelope in a mailbox. When you avoid creating a mail piece, you also address another USPS challenge: lag time. With email and fax, receipt is instantaneous and the recipient may respond quickly. This is critical for businesses that seek alternatives to shorten their accounts receivable cycle.



Of course, it isn't always possible or desirable to avoid the mail system. In these situations, the design of the piece itself, along with the content and placement of the address, can affect postage costs. Do you consolidate mail to the same address within one envelope? Are you routinely checking the USPS National Change of Address (NCOA) database? Can you avoid envelopes altogether? We will explore these possibilities and more in this whitepaper.

Once a mail piece has been created, saving opportunities continue. With as few as 150 pieces of mail in a single zip code, you can presort your mail for the Post Office and receive substantial savings. If your mailings are more dispersed, a local presort company may sort your mail for you for a nominal fee.

Traditionally reserved for larger companies, these solutions are increasingly available to organizations with limited mail volumes.

If internal resources continue to be a challenge, you may prefer to rely on external expertise for reducing postage costs. Selecting the optimal outsourced print and mail provider for your organization should be based on a number of considerations, including breadth of document delivery services, proximity to your organization, industry expertise, and cost.

Cost-effective, timely, and secure. Contact LaserNet today for your document delivery solutions.

## About this Research

### Survey

Results for this report are from a telephone survey conducted with 144 small-to-mid-sized transportation companies, predominantly located in the upper Midwest. Interviews were conducted between August 4, 2009 and August 17, 2009.

Surveyed companies were located in the following states:

- Wisconsin – 29%
- Michigan – 24%
- Illinois – 17%
- Minnesota – 13%
- Iowa – 10%
- Other – 7%

The survey focused on three SIC codes:

- SIC Code 4212, Local Trucking without Storage = 111 responses or 77% of total
- SIC Code 4213, Trucking, Except Local = 15 responses or 10% of total
- SIC Code 4214, Local Trucking with Storage = 18 responses or 13% of total

Most of the surveyed companies had relatively small mail volumes, with the following pieces of mail sent monthly:

- Less than 100 monthly pieces of mail = 71%
- 101 – 1,000 monthly pieces of mail = 24%
- 1,001 – 2,000 monthly pieces of mail = 3%
- Greater than 2,000 monthly pieces of mail = 2%

Of the companies surveyed, 53% worked solely with other businesses (B2B), 24% worked only with retail customers, and 13% worked with a combination of B2B and retail customers. 8% of respondents did not respond to this question.

### LaserNet

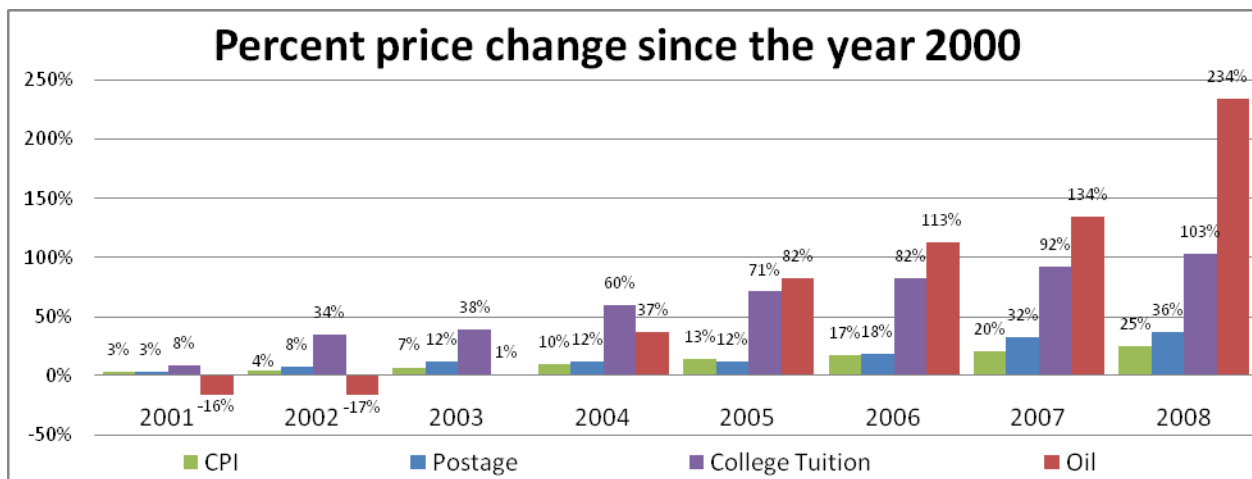
Since 1994, LaserNet has provided document delivery solutions to transportation, healthcare, financial services, utilities, and a variety of other industries. Producing over 100 million images annually, LaserNet delivers your electronic and printed documents quickly, securely, and accurately, every time.

As an industry leader, LaserNet is committed to providing the resources and expertise that you need to cost-effectively deliver documents in the most efficient manner.

## The History and Future of Postage Costs

The United States Postal Service (USPS) is frequently the target of criticism: turnaround times, customer service, and cost have all been heated discussion topics. At the same time, we would like to give credit where it's due. For less than 50 cents and from anywhere in the United States, you can mail a letter and it will arrive at its destination's door in a few days. Pretty incredible, really.

At the individual mail piece level, this seems reasonable. But for businesses with volumes of mail, postage costs can add up quickly. And those postage costs are not trending downward. In fact, from 2000 to 2009 postage rates have increased 42%. This increase exceeds the overall increase in the Consumer Price Index, although it compares favorably to fuel prices or the cost of college tuition.



But all is not well with the USPS. According to a 2009 study by the Government Accountability Office (GAO), the USPS needs to “urgently restructure” to achieve financial viability. The financial outlook for the Post Office has continued to deteriorate due to declining mail volume and revenue. For 2009, the USPS projected mail volume to decrease by 175 billion pieces, or 14% from the prior year. They also projected a 2009 net loss of \$7 billion, even as they achieved record savings of more than \$6 billion.

Accordingly, the GAO has called for USPS to adopt major restructuring including a realignment of postal services including delivery frequency, delivery standards, along with retaining earnings to finance needed capital investments and repay its growing debt. What does this mean for us? Expect postage costs to continue to rise and services to decline. USPS has already proposed reducing mail delivery from 6 days to 5.

In the short term, there is a modicum of good news: USPS did announce that they will not increase postal rates in 2010.

### Solutions – Document Preparation and Mailing Process

Any company that prints and mails transactional documents must carefully consider all components of their document preparation and mailing process. Once only an issue for high volume mailers, economic challenges and rising postage costs make this exercise just as necessary for smaller companies.

Before costs rise again, evaluate your design, printing, inserting, and mailing processes to ensure that you're minimizing costs and maximizing opportunities with your mail pieces.

#### Watch the Weight

One sure way to start saving is to find ways to keep mail pieces under one ounce. If your documents are printed simplex—on only one side of a page—you might end up with many multi-page bills. Switching to duplex printing—printing on both sides of the page—can allow companies to trim the weight of each mail piece and significantly reduce postage costs.

Another way to save costs is to work with a document design expert to maximize the effectiveness of your layout and minimize unnecessary whitespace or details. All design elements should be carefully selected for their importance on the page and the layout reviewed for easy readability. For example, there might be less-critical information that could be moved to your website or an online statement. These measures will help keep mail pieces at less than one ounce.

Sometimes it makes sense to exceed one ounce if you can avoid creating an entirely new piece of mail. Perhaps you can combine communications that go to the same address or recipient. In this case, the incremental cost of that second ounce is less than the cost of another envelope with its own postage.

Ultimately, it's best to stay under 3.5 ounces. If the 3.5-ounce threshold for letter mail is exceeded, the pieces are classified as "flats" and incur an increased cost.

When doing your own mailing, you'll also want to weigh your mail, especially if you think it might go over an ounce. And don't forget to periodically check the accuracy of your scale.

#### Watch the Size

The USPS imposes a surcharge for letters and packages that it deems difficult to process and penalties have increased over time. Any "odd-shaped" mail—mail weighing more than 3.5 ounces, measuring more than 4.25 inches high or 6 inches long, or poly-bagged, with strings, buttons or other such devices—will be considered the same as flat mail and subject to a surcharge.

On the flip side, smaller documents can lead to postage savings. For example, a document design expert might find ways for you to utilize self-mailers and folded postcards. These postage-saving devices are one additional way a knowledgeable designer can help you save money.

#### Paper and Envelopes Matter

The weight of paper and envelope stock will also influence your costs. In general, paper should weigh between 20 and 24 pounds per 2,000 pages. Lighter paper stock might have difficulty working effectively with printing equipment and heavier stock may take fewer pieces of paper to exceed an ounce in weight.

Although not directly related to postage costs, preprinted forms can drive up your overall mailing costs. Consider working with a document design expert to use an electronic form, perhaps with spot color for your logo, and you will find that purchasing multi-purpose plain white paper is far less costly. For

envelopes, you can save by using double-windowed envelopes for your mailings. Work closely with a paper and envelope supplier to ensure the most cost effective approach for your organization.

### Eliminate Duplicates

With larger mailings, inadvertently printing and mailing duplicates can be quite prevalent and difficult to discover. Make sure you have a process for checking your database and preventing this from occurring. For some recipients, it's just an inconvenience. For critical prospects or important clients, it can reflect on your company's professionalism and be a turnoff, not to mention a considerable waste of money.

### Presort for Postal Discounts

USPS grants significant discounts for properly presorting mail. For example, if you have at least 150 mail pieces going to the same ZIP code, you may receive a reduced postal rate. In fact, there are two benefits of presorting: earning discounts and speeding up delivery.

To achieve postal discounts there are vendors that will provide equipment to scan and sort your mail for you. If you explore this option, be certain the vendor analyzes your mail volumes and can do the heavy-lifting of the setup on your behalf. They should be able to calculate your return on investment for you.

Of course, receiving a postal discount also means that you must also comply with other USPS regulations. For example, you must check your recipients' addresses against the National Change of Address (NCOA) database at least every 90 days.

If you couldn't achieve sufficient presort postal discounts on your own, or would rather leave USPS regulatory compliance to the experts, you might work with a presort vendor in your area. Once available to only the largest of mailers, these presort vendors will guarantee a reduced rate on all of your mail for a nominal fee. Again, they should be able to demonstrate for you an immediate return for this service.

### Shop Around for Shippers

If you ship letters overnight or larger packages on a regular basis, routinely shop the competition. Shippers will offer flexible pricing and pickup times, depending on your needs. And in this highly competitive space, you may be able to request a needed service at a reduced price.

### Consider the Forever Stamp

On April 12, 2007, the Postal Service issued a forever stamp. As the name implies, the forever stamp is good for mailing one ounce, first class mail letters anytime in the future, regardless of price changes. Since forever stamps cost the same amount as regular stamps, they make good sense when you mail small volumes, but want some protection against increasing rates. They also eliminate the need to buy one- or two-cent stamps when rates do rise.

### Minimize Returned Mail

It's been estimated that nearly one-fourth of all mail that goes through the USPS contains some address mistakes. Simple errors, like misspelled street and city names and improper abbreviations, can result in significant increases in postage costs. Coding Accuracy Support System (CASS) software is available to validate, correct and standardize addresses.

If a mail piece cannot be delivered and is designated "undeliverable as addressed," or UAA, the additional cost to correct the piece could be three times as much as the original mailing cost. A number of tools in the marketplace are designed to reduce returned mail by automating the address updating process.

Delivery Point Validation (DPV) identifies undeliverable addresses and links old addresses to new move addresses.

### **Maximize Marketing Opportunities**

Every company can find hidden value in its mailed documents by using them as marketing vehicles. For example, monthly bills offer a direct point of contact with customers. With proper messaging and statement layout, it's possible to produce statements and bills that command dramatically improved customer response rates. Don't miss the opportunity to leveraging technology to personalize your message and market to your customers.

Marketing inserts can also be a cost-effective communication tool. And mailing a company newsletter separately will cost significantly more than the incremental ounce it would add to an existing envelope.

## Solutions – Mailing Alternatives

Technology has provided us with options besides “snail mail” that may be suitable for your organization. These options continue to grow in popularity.

### Electronic Delivery

Electronic document delivery has been a more recent method to overcome the never-ending postal rate increases and improve the customer service experience. It doesn't have to be an all-or-nothing endeavor, and converting a portion of existing documents to electronic delivery can result in cost savings. A combined paper and electronic document may be one way to help recipients through the transition. Paper documents would no longer hold all specific details, but would instead point the recipient to secure websites for relevant details. This shortens the paper document, and thus makes it more economical to print and mail, yet still provides recipients with the essential information in a traditional format.

If you work with an external print vendor, make sure they have an alternative available for electronic document delivery. Even if you don't adopt this approach immediately, it's important to work with a provider that has the capabilities you might need in the future.

### Facsimile

Do you have smaller volume of documents to send? It has become “old school,” but sending a fax does eliminate postage and mail lag times, and provides a traditional paper document for the recipient. Due to the time it takes to send a fax, this is rarely a viable alternative for higher document volumes.

If you do send faxes fairly frequently, you might want to investigate fax software for your computer. Increasingly economical, this allows you to send an electronic document to a recipient via fax line, rather than printing documents and physically sending them from a fax machine.

### Hand Delivery

Do you have frequent, in-person contact with your mail recipients? Don't overlook the convenience of hand delivering documents. For example, our survey found that this is a preferred delivery method for many trucking companies. Not only does it eliminate postage and mail times, it can remind customers of the value you're delivering to them when one of your representatives visits.

## Solutions – Outsourcing

Whether you handle your mail yourself or outsource some or all of the process, it makes sense to periodically evaluate outsourcing alternatives. And your outsourcing partner shouldn't just take on your print and mail efforts, but should also help to minimize your paper and postage costs.

Benefits of outsourcing include:

### No Equipment Maintenance

In-house statement printing and inserting can be a distraction from your core competency. If you don't have to worry about equipment, you can focus on serving your customers and growing your business. If you utilize an electronic delivery solution, your outsourcing partner assumes responsibility for computers, systems, and servers.

### Limited IT Resources

Many think that outsourcing document delivery will be a time-consuming process, especially for the time-strapped technology team. Fortunately that's not the case. New technologies have been developed that can make conversion to a new vendor as simple as providing a data file.

### Expertise

Outsourcing to a printing or electronic delivery expert often results in immediate savings. They are going to be familiar with the latest printing innovations, postal services changes, and electronic delivery options. In particular, extensive progress has been made in electronic delivery options as technologies are developed to meet the needs and expectations of tech-savvy customers.

### Regulations

Outsourcing also means that you don't have to worry about ever-changing regulations. Make sure your outsourcing partner is current with the latest rules changes and customer privacy regulations, and has a mechanism for sharing that expertise with you on an ongoing basis.

## Conclusion

Postage costs are generally the largest cost component of any mail piece and we know we haven't seen the last of postage price increases. Mailroom activities are often an overlooked function that can be managed to reduce costs and enhance customer communication and relationships. Before costs rise again, take the time to review your processes and see if any of these alternatives could benefit you.

If you are interested in assistance with your mailing analysis, please consider LaserNet as your resource of choice. To learn more about us, visit our website at [www.laser-net.com](http://www.laser-net.com), email us at [Contact@Laser-Net.com](mailto:Contact@Laser-Net.com), or give us a call at 877.337.2966.