

# Iceland Post enhances letter sorting automation to increase efficiency and reduce cost

## Customer profile

### Iceland Post Ltd.

- A corporation wholly owned by the government of Iceland
- One of Iceland's largest employers, with about 1000 employees handling 64.2 million letters and parcels annually
- Their vision is to be progressive and provide a reliable and stable service based on recognised quality standards



## Keeping up with change

The past few years have seen fundamental changes in the postal industry. With the advent of electronic billing, payments and statements, letter post volume is decreasing. At the same time, the volume of parcel, packet and express post is on the rise.

Like many other postal companies, Iceland Post is exploring a number of options, including better technology, to reduce costs. The goal is for its letter post operations to remain self-funded, rather than taxpayer-funded or subsidised by revenues from the parcel and express post operations.

## Business challenge

For Iceland Post, improving the efficiency and increasing the level of automation in its letter sorting operations was an obvious place to begin. The company's existing sorting machine was more than 10 years old and, with some parts difficult to source, at risk of breaking down and disrupting service.

In addition, the old machine could not read hand-written addresses, so some letters had to be sorted manually. Nor could the machine take advantage of the wealth of data available from mail it processed, hampering Iceland Post's ability to offer services such as direct invoicing for postage.

*"During installation there was not a single problem that the Pitney Bowes team could not or would not solve. We got all the support we needed to make it through Christmas."*

—Kjartan Flosason. Head of Post Terminal

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## Technology used

- Vantage™ mail sorter combines speed, intelligence and accurate optical character recognition for high operational throughput

*“The Pitney Bowes team has a lot of experience in the postal world and with our business, and they are happy to share ideas with us.”*

—Kjartan Flosason, Head of Post Terminal

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## Solution

At the conclusion of a two-stage tender process, Pitney Bowes was awarded the contract to equip Iceland Post with a new sorting system—besting eight other companies to win the business. “Following the pre-qualification phase, Pitney Bowes spent time on-site to understand precisely what we needed”, says Kjartan Flosason, Head of Post Terminal. “The team came up with the best solution as well as the best pricing.”

That solution consists of a Pitney Bowes Vantage mail sorter equipped with two inline scales (postage rates in Iceland are based on weight), three printers, two OCR (Optical Character Recognition) cameras and 192 pockets for sorting down to the sequence for each letter carrier walking route. In the past, Iceland Post could only sort on two levels: by postal code and then to mail carrier. The carriers themselves sequenced the mail according to their delivery route. Now the sorting machine handles that third level, and carriers pick up mail ready for delivery.

The equipment features advanced software functionality, including highly accurate OCR for handwritten addresses as well as automatic detection and forwarding of mail to recipients who have changed address. In addition, the software can detect letters from large mailers that have a contract with the Iceland Post, calculate the postage based on weight of the letter and tally an invoice to the company. An inline printer prints required information on the envelope.

The new equipment was scheduled for delivery in November, but shipping was delayed by a hurricane in the United States. This meant installation started at the beginning of December, Iceland Post’s busiest period and the time when on-schedule delivery is particularly important to customers.

“Pitney Bowes were with us every step of the way, and their mechanical and IT technicians were on call for us throughout the festive season”, said Flosason. The Pitney Bowes team also helped Iceland Post with internal workflow changes, further enhancing the new machine sorting capabilities and provided in-depth training for operators and management.

## Benefits

Investing in this latest technology is paying off in many areas of the business. Iceland Post anticipates it will recoup its investment in four years. Productivity benefits are also significant. By sequencing the mail and automatically handling forwarding, the new system saves 30 to 40 minutes per day for each mail carrier.

Maintenance is significantly reduced, and the new equipment requires fewer operators. Most importantly, Iceland Post is fulfilling its commitment to stakeholders by employing technology as one of its measures to keep the postal service self-funded in a time of declining revenue.



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