

White paper



Shipping & Mailing
Address Management

Stemming the tide: Control the quantity and cost of returned mail.



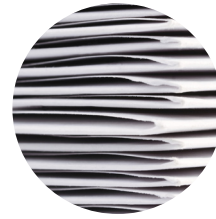
Confront the Titanic problem of returned mail.

Undeliverable as Addressed (UAA) mail is a serious, widespread problem for both the USPS® and the US mailing industry.

In Fiscal 2015, over 6.5 billion pieces processed by the Postal Service® were Undeliverable as Addressed (UAA), representing 4.2 percent of the total volume processed. That cost the USPS an estimated \$789 million.

What's more, returned mail volumes keep rising. According to the Office of the Inspector General (OIG), UAA mail increased by 2.1 percent from 2011-14, despite a concerted effort by the Postal Service to stem the tide.

For business mailers, the cost was even higher. The OIG estimated that returned mail cost the mailing industry almost \$20 billion in FY15, with an average total cost per piece of \$3.



The hidden penalties are severe.

UAA mail also exacts a heavy burden on mailers. Pitney Bowes estimates that mailers can spend up to \$25 per piece when they use manual labor to process returned mail, not to mention the additional time and effort to research and correct erroneous addresses.

And there are even more serious hidden penalties that go beyond the visible ones like additional printing costs, postage, labor and overhead expenses, and non-compliance issues.

These hidden costs include damage to business performance through:

- Delayed customer payments.
- Lost revenue.
- Poor overall productivity.
- Vanishing customers.
- Damaged reputation and competitiveness.

Businesses must understand the true costs caused by the returned mail deluge and how these costs impact their entire organization.

Determining where these issues come from and how they can be resolved most efficiently is paramount.

With that knowledge, automating and streamlining the inefficient, time-consuming process of manual returned mail processing can offer a sustainable way to slash UAA volume, lower costs and increase profitability.

In a highly mobile society, only 60% of people who move file change-of-address forms.

Multiple factors cause returned mail problems.

A landmark baseline study of UAA mail conducted by the Major Mailers Association in cooperation with the USPS attributed three-quarters of the responsibility for returned mail to the public (40 percent) and business mailers (35 percent).

The study indicates that people tend to be lax about completing change-of-address forms. Sixteen to 18 percent of the population moves every year, but only 60 percent of those movers notify the Postal Service of their new addresses. Over 75 percent of returned mail is caused by moves, according to the 2015 OIG report. That means that the 40 percent of people who don't report their new addresses saddle mailers with a huge dilemma.

"Insufficient address" is the chief cause of UAA business mail, the 2006 study said. NCOA Link®, the change-of-address database operated and licensed by the USPS, is the go-to source for most mailers, but maintaining one single, accurate source of updated addresses can be hampered by multiple factors:

- It takes time to process "physical" change-of-address orders (versus those that are entered online).
- Moves are often complex and involve a series of changes, such as a household dispersing into several new individual addresses.
- People often submit erroneous or misleading change-of-address data. This can happen when optical scanners map a correct address to the wrong COA file, which corrupts a good address.
- Some individuals and businesses deliberately avoid providing change-of-address information to avoid creditors. This is a problem that has intensified since the 2008 financial crisis.

The result is that pertinent and sometimes valuable correspondence such as invoices, explanations of benefits, even rebate and refund checks will not be delivered to people who can't, or won't, be found.

"High rises" and regulations add to the UAA volume.

Another part of business mailers' "insufficient address" challenge: "Address line 2," which specifies individual suites or apartments in multiple-unit office towers and residential buildings, adding another potential point-of-failure.

Letters that bear a missing or incorrect suite number are a major source of UAA mail. While the USPS endeavors to keep track of individual unit numbers within an office or apartment building, the building's management (which is responsible for reporting moves within their property) may neglect to keep the Postal Service updated, or it may furnish incorrect suite information.

Regulations and legal requirements contribute to the UAA volume. The 2015 OIG report notes that financial services companies are legally compelled to mail information to the recipient's "last known address." If that address is missing, wrong or simply not yet entered in the NCOA database, the letter will be returned as UAA. Unless the problem is corrected, the mail piece will be mailed and returned again, over and over.

Unnecessarily high transactional and overhead costs are visible consequences of returned mail. However, the hidden penalties — delayed and lost revenue — can be massive.

Undelivered mail puts a drain on financial resources.

Some mailers are only aware of the obvious problems caused by high UAA volumes, including:

- The call centers and mailrooms stacked with returned correspondence
- The need to reprint and repost important documents
- The lost productivity caused by dedicating staff resources to reprocessing mail or manually trying to correct addresses
- The frustration of having the same mail bounce back to them, marked UAA

Hard transactional costs and non-compliance costs are certainly real.

The original mailing's costs include paper, printing, inserting and postage for the original mailing. Upon its return, mailers must sort, open, research, and route UAA mail to the originating department or line of business. The reprinting and remailing costs then add to the final bill. Errors compound the problem when subsequent mailings of the document are also returned UAA.

Mailers who claim presorted or automated mail prices, but don't comply with the Postal Service's Move Update Standard, can be penalized by the USPS. This adds to the cost of UAA mail.

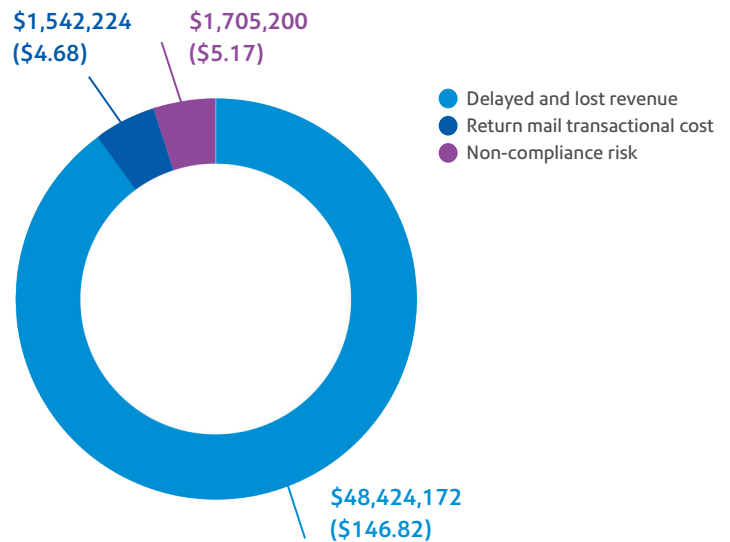
Visible costs are only part of the story.

The hidden penalty of delayed and lost revenue can overshadow this tangible evidence of returned mail's impact.

As an example, consider a mortgage services company with an annual mail volume of 11.6 million statements and a return rate of 2.84 percent. As much as 20 percent of unresolved mail contains statements with a \$1,000 average amount due. Delayed or lost revenue of this scale, caused by the inability to reach the recipient in a timely manner, can cost millions.

In fact, in this example, hard and hidden costs account for a hit of over \$50 million to the company's overall yearly financial performance.

Total current cost, revenue and risk impact



Based on 11,600,000 annual mail pieces / 329,820 Returns

Process by process, high volumes of returned mail damages productivity and business outcomes.

Operational area	Impact of high UAA mail volumes on operations	Estimated impact on expenses
Call center	Receives in-bound customer service call relating to missing statement, benefits, etc.	\$5.00 per call
Print and postage budget	Recurring statements being sent to the same incorrect address.	\$0.50 to \$1.00 each
Mail capture	Employees must open, extract and handle physical UAA mail.	\$10-\$15 per hour per full-time equivalent
Address research	Employees must research undeliverable mail in search of a possible resolution	\$0.50 to \$1.00 each
IT and data management	Employees must key information or load batch file into host system to note mail has been returned UAA.	\$10-\$16 per hour per FTE

Impact of returned mail can be felt across the enterprise.

For medium to large-scale mailers, ramifications such as these are so potentially harmful that the problem is hardly confined to the mailroom.

- For the finance department, two critical issues arise. The outstanding cash flow caused by undeliverable bills, or bills significantly delayed by manual processes, is costly. Unrealized receivables are often assigned to collection agencies, an expensive and time-consuming exercise. Or they're simply written off to bad debt.
- In sales and marketing, poor deliverability can handicap promotional and "trans-promo" initiatives.
- In customer relationship management, undelivered mail burdens contact centers, creates more expensive and contentious relationships, and hampers efforts to retain customers.
- The legal departments of regulated industries assume an added burden if important information doesn't reach the customer within mandated notification windows (such as those specified by the Truth in Lending Act).
- Operations and HR staffing issues may arise from having to divert personnel from normal tasks, incurring overtime, or adding contract staff to manually confront the returned mail problem.
- Of course, the executive suite will ultimately be held accountable for poorer-than-expected business performance or profitability that stems from uncollected revenues.

The returned mail problem may be best solved through a combination of automation, data management and address quality capabilities. The goal: Reduce costs and continuously improve deliverability.

Current solutions fail to meet all the challenges.

Mailers who want to dramatically reduce UAA mail volume have traditionally had limited options.

The USPS offers secure destruction of returned mail (which sends mailers a file that simply identifies the destination addresses of the destroyed pieces). This service is designed mainly to reduce costs. It doesn't give mailers a way to effectively update and correct the bad addresses.

The Postal Service's NCOA Link and ACS™ (Address Change Service) offerings help mailers comply with the Move Update Standard. But they're based on data supplied by movers or carriers themselves – data sets that are often incomplete or rife with errors.

Importantly, there are security and privacy concerns. Health care and financial services companies must keep personally identifiable information secure. They must ensure that address files only, and not the physical mail piece, are shared with any third party that's engaged to help them improve their mail deliverability.

Solutions that demand manual look-ups and correction of address errors falls short of the need as well. They're time-consuming, inefficient, and ineffective if comprehensive sources of updated address data aren't at hand. In addition, address hygiene is a continuous process: even successful efforts that reduce UAA for February's mailing will require updates and corrections after March's mailing is inducted.

Why automation makes sense.

UAA mail has been a sore spot for at least a decade. USPS mail reduction strategies have been undermined by recalcitrant movers and other factors. There needs to be a repeatable, efficient way for mailers to lower UAA volumes and keep them low.

Developments in data management, sortation, and even cloud computing are making possible the automation of returned mail processing. These advances offer access to multiple public and private address databases for address hygiene and verification, fast computational speeds, and the ability to improve address quality from mailing to mailing.

In fact, automation offers a significant improvement in accuracy. Recent tests of an automated returned mail solution by Pitney Bowes® showed address "uplift" – the return of a correct and updated address to improve deliverability – ranging from 60 to 75 percent.

Combining sortation technology, the infrastructure to scan and capture thousands of faulty addresses per second, and the ability to scan those addresses against multiple private and public databases, the Pitney Bowes automated returned mail solution can find and verify changes of address that previous solutions can't.

Automation on that scale promises to address operational challenges faced by both mailroom and finance department personnel.

Operational area	Expected improvement from returned mail automation	Benefit of returned mail automation adoption
Call center	60 - 80%	Customer is notified quickly of issue and the updated address is noted.
Print and postage budget	80 - 100%	Suppressing and/or updating a bad address earlier in the cycle significantly reduces recurring costs caused by bad addresses.
Mail capture	60 - 80%	Automation eliminates manual processes and responsibility for handling physical mail.
Address research	80 - 100%	Automates updating and distribution of address files within the organization.
IT and data management	100%	Uses an electronic version of information based on current business rules.
Finance	50 - 100%	Higher likelihood of receiving payment when bill reaches destination.
Finance	50 - 75%	Customer receives bill prior to engagement of collections agency.

By speeding time-to-payment and improving receivables, the Pitney Bowes automated returned mail solution can help stem the tide of returned mail, enabling businesses to compete harder while improving performance and profits.

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