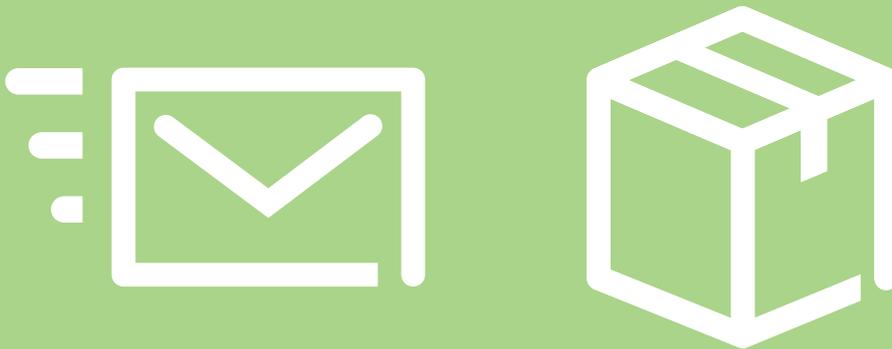


What is an Ideal Mail Center?



Executive Summary



This white paper takes a look at what should be taken into account when setting up and managing a mail center. It examines the mail and parcel needs of organizations and provides insights into trends in the U.S. and Germany. The paper explains how a mail center can support small and medium-sized business (SMBs) and highlights what needs to be taken into consideration before investing in the different mail center solutions available today.

The main points to note are:

- Multiple hardware and software solutions are available for mail centers
- More and more parcels are being processed due to the growth in e-commerce
- Mail can be outsourced or handled internally
- Intelligent software can help you customize your mail
- There 10 key business processes that a mail center can offer
- Certain factors should be evaluated before you invest in a mail center solution

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1. How Would You Describe Your Mail Center?



Mailing experts in the U.S. often talk about the differences between a bare-bones mail center and a major mail center. A bare bones mail center is one that manages small volumes of mail. It may only operate within a single facility and maybe it only handles simple outgoing and incoming mail jobs. Bare bones mail centers don't have a dedicated Mail Center Manager. They probably have some level of equipment in a centralized location to handle basic jobs such as postage metering for outgoing mail.

On the other hand, a major mail center is one that manages a full suite of mailing and shipping processes both for incoming and outgoing mail and parcels. A major mail center probably has a dedicated Manager and mail center staff to manage the mailing and shipping operations. These are typically high volume mail and shipping operations. *"Major mail centers have multiple solutions to help them with the productivity and efficiency of both sending and receiving mail and parcels."* confirms Kevin O'Connor, Vice President, Marketing, Neopost USA. The term "high volume" means different things for different types of industries. For many organizations, sending more than 10,000 mail pieces a year places their mailing activity in the higher volume range.

Companies that send transactional mail, such as invoices, like to have dedicated operations with automated solutions because they handle recurring operations.

In addition, following the growth in e-commerce, more and more parcels are being sent via a range of carriers. And organizations that send a lot of parcels like to have a large mail center in order to centralize this activity.

In Germany there tends to be four different groups of mail centers. Firstly there are large centers that handle standardized mass mailings in their millions. Secondly there are middle-sized companies for correspondingly smaller mailing volumes. As a rule, both types of mail centers handle all standard mail formats: enveloped mailings, card mailings, brochures, catalogues, and more. In addition, there are specialist mail service providers, for example for card processing or brochure distribution experts. And lastly there is a smaller type of service provider who deals with jobs that other service providers cannot take on. This could include detailed manual work for which the human eye is required.

According to Thomas Stutenbäumer, Head of Direct Mailing Solutions at Neopost Germany: *"The use of intelligent equipment in mail centers can save up to 30% of postal costs. And software for multi-channel communications makes it very easy to control which recipient is targeted and via which channel: such as physical mail, e mail or social media."*

1. How Would You Describe Your Mail Center?

Key Figures

U.S.

U.S. Postal Service Shipping and Packages Services¹ (in millions of units indicated, unaudited)

YEAR	FY2015	FY2014	FY2013
Revenue (\$)	15,085	13,543	12,597
Number of pieces	4,530	3,969	3,715
Weight, pounds	7,771	6,485	5,956

Germany

IN 2015 TNS Infratest surveyed 2,727 marketing decision makers about their 2014 advertising and budgets for the Dialog Marketing Monitor²:

- Fully addressed mailings have experienced steady growth.
- The retail sector saw an increase in the use of advertising mailings, and budgets in this area rose by 0.2 billion to around 5.2 billion euros
- Growth in online marketing was weaker compared with previous years
- Only social media marketing (+10%) and mobile display advertising (+14%) recorded double-digit growth

¹United States Postal Service 2015 Annual Report to Congress

²Deutsche Post DHL Group : Dialog Marketing Monitor 2015: Volladressierte Werbesendung ist stärkste Kraft im Dialogmarketing



2. Should You Insource or Outsource Your Mail?

The size of an organization's mail center depends on the importance of mail and parcels to that particular organization. However it's important to remember that companies have the option to in-source or outsource their operations. It's up to each organization to evaluate how critical their mail and parcels are and what type of investment they wish to make internally in order to build a mail center. Certain organizations prefer to outsource due to either cost saving opportunities, or when they simply don't have managing a mail center within their area of expertise.

Whether you insource or outsource your mail largely depends on the types of mail and parcels you are sending out, together with the level of standardization. Outsourcing is an ideal option if you send large volumes of mail that are common from one job to the next. But if you have specific jobs or handle jobs for multiple departments within the organization, each with its own customized needs, for example marketing materials, invoices or annual reports, a dedicated in-house solution is preferable. Opting for insourcing gives you more control over how you handle your customer communications and enables you to take advantage of the new mail room technologies that are currently available.

You may however have a single large job to handle, a one-time event type job, such as sending a marketing letter to 20,000 customers or 20,000 prospects; it's the same letter and the only level of customization is in the address. This is a typical example of when you'll get the benefit from outsourcing because this can be managed at a low cost.



3. Customized Quality Customer Communications



There are two aspects to creating physical mail pieces. The first involves creating a targeted list of customers and examining the rules you wish to apply from your prospect database in order to create that file. The second aspect involves personalizing your messaging. Most transactional mail whether it is invoices, statements or letters starts with a blank sheet of paper. What you need to decide is how you wish to customize your mail before actually folding, inserting, metering it and sending it to your customers or prospects. You need to be clear about what you want to print on that sheet of paper in order to help you either drive an important message to a customer or add intelligence to help you add inserts or additional messages for that particular customer's mail piece. You need to decide how to print that mail piece and decide if you wish to use black and white or color to make it stand out.

Beyond that, as Kevin explains: *"Mail centers should be able to add a wide variety of quality and intelligence to the internal contents and external mail piece (the envelope or the front side of parcels) to maximize tracking and response rates for users"*. When we talk about quality we are really referring to data quality, or more specifically, address quality. Quite often businesses send out important mail, to a list of either customers or prospects and they don't go through the proper exercise of cleansing their address database before sending the mail out. About 17 percent of Americans (40+ million people) change their residence and nearly 20 percent of all businesses change locations every year. As a result, address databases can deteriorate at a rate of 15 percent annually. When you think about communications that aim to drive revenue, a 15% return rate on mail could really diminish your return on investment on mailing jobs. Therefore quality is key to making sure that customer communications get to the right people in a timely and accurate manner and the audience will read them and hopefully take some level of action.

3. Customized Quality Customer Communications



Did You Know?

According to the United States Postal Service³ in Fiscal Year 2015, over 6.5 billion mail pieces and parcels were flagged as Undeliverable as Addressed (UAA):

- 15% Forwarded
- 22% Returned to Sender
- 62% Treated as Waste

First Class Mail, over 2.3 billion pieces were flagged as UAA:

- 39% Forwarded
- 58% Returned to Sender
- 4% Treated as Waste

Many businesses don't quantify and comprehend the amount of undeliverable mail that they send out. Nor do they quantify or comprehend whether this represents a lost opportunity that costs an enterprise. For example if 15% of an organization's invoices are being returned as undeliverable, this delays the accounts receivable operations and the receipt of cash. It impacts cash flow, thus affecting the bottom line. Such a situation also leads to lost marketing opportunities and means people have to be paid to spend time going through the processes of recreating a mail piece and sending it with additional postage costs.

An intelligent mail piece however will be produced with data quality software and solutions that make personalization simple. Thanks to technology available today, mail center operators can add barcodes to mail pieces and when these barcodes go through folder inserters, they instruct the folder inserter to include the right insert in the right mail piece. This allows the user to incorporate certain messages or inserts into different customers' mail pieces in a fully automated and productive fashion.

³ <https://ribbs.usps.gov/index.cfm?page=uaaemail>

4. The 10 Business Processes of an Ideal Mail Center

SMBs with up to a few hundred people are looking for mail solutions that are cost-efficient and easy to use. Therefore the user-friendly aspect of for example postage meters and folder inserters is crucial. From a shipping perspective, a centralized system that helps you easily find the right price, time and destination, and choose the right carrier is equally important.

There are 10 main business processes that mail centers can offer in order to support SMBs and help them achieve the following objectives:

- Acquire new customers
- Drive revenue growth
- Improve operational efficiency
- Reduce Expenses

Not every organization requires all of them but a suite of solutions can be selected to meet your business needs. These 10 processes include:

1

Data Cleansing & Enrichment

Maintaining complete and current customer contact data with accurate addresses that improve mail and package deliverability.

2

Document Automation

Transforming ordinary documents using modern branding, personalized offers and barcodes that enable automated machine processing.

3

Delivery Channel Management

Distributing documents via physical mail or digital delivery based on your customers' preferred format.

4

Document Printing

Printing high-resolution color documents at the lowest cost per page.

4. The 10 Business Processes of an Ideal Mail Center

5

Document Folding/Inserting

Securely automating folding and inserting with high-performance document handling equipment.

6

Mail Addressing

Printing eye-catching envelopes at high production speeds

7

Mail Metering

Moving your mail out the door with ease, allocating the costs and reporting on your spending patterns.

8

Mail Opening

Safely opening an entire day's worth of mail in just a few minutes.

9

Parcel Shipping

Shipping smarter by incorporating all carriers into a single shipping system

10

Receiving and Tracking

Quickly logging, routing and delivering packages using paperless tracking systems to manage the complex chain of custody.

According to Thomas "On the one hand, an ideal mail center offers standard services such as printing, folding, inserting, addressing, sorting, and franking. On the other hand, it has to handle country-specific and media-compatible preparation of communications content. This calls for intelligent solutions: not only because of legal compliance and data protection but also for efficiency."

5. Before Investing in Mail Center Solutions

There are four basic fundamentals that lead to the success of any organization:

- Attracting new customers or members
- Improving retention of customers/a member base
- Increasing financial performance or revenue
- Reducing costs through improved operational efficiencies

“Before investing in any mail center solutions, organizations should ask themselves what type of return on investment they are looking for. Smaller businesses may be looking for more of a convenience opportunity. However most people make decisions based on some level of return on the investment.” confirms Kevin. There are solutions on the market today such that are extremely low priced. This means that SMBs can enjoy a PC-based online shipping solution for only \$5 a month.

Another aspect that is important for SMBs is ease of implementation. Therefore before investing they need to be sure that the solutions they are planning to buy have been designed for multiple operators inside an organization. They don't want to have to train dedicated employees to understand how to use these solutions. They really should be intuitive to use and easy to manage when it comes to running multiple jobs through their mailing operations.

A key success factor in mail center investment is comprehensive and competent consulting. This covers the technical, logistic and strategic aspects, and should be provided by somebody who really knows the market, the solutions and the mail center processes extremely well. Thomas believes that: *“Before investing in mail center solutions, organizations should ask themselves how they can open up to new business potential. They should also examine to what extent digital services can help them make progress and build their business over a given number of years.”*



Conclusion



Over the past 10-15 years there has been a significant decline in the number of letters mailed, particularly in the U.S. where there has been a sharp decline in first class mail and a shift towards standard mail. However recent studies by the U.S. Postal Service show a lot more companies going back to first class mail. And with the growth in parcel shipments in the U.S. it is believed that mail centers or insourcing mailing operations are stronger now compared to the past 10 or 15 years. This doesn't necessarily mean that every company needs to set up a mail center. What it does mean is that organizations need to think through some of the business processes a mail center can offer and consider which ones could help them improve the productivity of their mailing and shipping operations.

Germany is currently seeing a trend towards the full-service provider. Service providers here need to be able to efficiently handle mailings for every country in Europe at a reasonable price, for large or small mailing volumes. In Germany it is important to observe the relevant legislation, postal rules, and communication traditions of the respective destination countries. Therefore service providers will have to continue to take into account different requirements such as postage rates, and mail formats. When it comes to sustainability for the future, German mail centers are looking at three-dimensional mailings - from physical letter dispatch to e-mails to the provision of communications content on the Internet.

Mail and parcels are critical to every organization's success. If businesses start to look at their how and why they manage their mail centers in detail, they will be able to turn them into a major financial opportunity.

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