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Turn postage increases and service changes to your advantage

By Harry Stephens
 President and CEO of DATAMATX

The United States Postal Service (USPS) has been operating very similar to an independent business over recent years and today faces the same economic challenges as any other business in the US—along with the need to comply with its mandate to serve as the nation’s primary mail delivery system.

The USPS must somehow continue to deliver the mail to more than 145 million destinations nationwide while keeping its rates within the caps set by federal regulators. And although the USPS has worked diligently to streamline its operations and improve efficiencies by adopting new technologies, it reported a loss of \$2.8 billion in 2008.

Though First Class mail rates went up on May 11, 2009, this increase likely will not offset the losses resulting from a predicted volume decline of 12 to 15 billion pieces for the current fiscal year. Much of this decrease is due to the fact that banks and credit card companies, along with retailers and other businesses, are reducing their budgets for promotional and direct mail. With a decline of this magnitude, it is clearly time for some changes. With a certain decline in mail, the USPS is forced to look at new ways to balance the budget.

Of course, utility companies must continue to use USPS delivery for the vast majority of its mailed documents, particularly regular monthly invoices. A rise in postal rates will surely increase mailing costs, and changes in USPS services have the potential to slow delivery of both bills and payments. Keeping your list scrubbed and your processes up-to-date is one way to reduce your postage costs, but a proactive “TransPromo” strategy might serve you better by optimizing the potential returns for the postal dollars you spend.

Proposed changes

Last year, Postmaster General Jack Potter challenged the mailing industry to find new sources of growth, to adapt to new technologies driving the marketplace, and to take a fresh approach to business. Currently, new solutions—and some older ones—are being looked at to help the USPS become a self-sustaining business in today’s world.

Although the idea is not brand new, last year Rep. Jack Kingston (R-GA) added language to the Fiscal Year 2009 Financial Services Appropriations bill that would require the USPS to study “the cost-effectiveness and fuel consumption of a five-day delivery system and consumer demand of Saturday postal delivery.” By eliminating Saturday delivery, the USPS would realize substantial savings in labor costs, drastically reduce overtime, and save on fuel and vehicle maintenance costs and distribution clerk hours. Postmaster Potter reported the USPS would save \$3.5 billion per year just by eliminating delivery one day a week.

For utilities and others who rely on the USPS to deliver volumes of invoices to customers, this may mean adjusting invoice production and mailing cycles to ensure that customers receive their bills with adequate time to pay them without late charges, but it might worth doing if it would help support USPS operations.

Enter “TransPromo” double-duty mailings

No one wants to pay more for postage, but since the rate increase is unavoidable, a more positive approach is to seek ways to make your mailings work harder to pay their own freight. One way to do this is to develop a TransPromo program, which means combining your regular monthly mailings of bills and statements with revenue-generating marketing and customer relationship management (CRM) materials.

Telecommunications companies, health care providers, and many of the larger utilities have been utilizing this tactic for a while by bundling marketing and other types of information in the same envelope with the monthly bill.

Because customers open and carefully read their bills, you can be assured they will see your promotional offer in a timely way. And with First Class mail, you can also deploy USPS tools to track delivery times so that you can coordinate telemarketing efforts—or even collection procedures—with the arrival of the mailed piece. Additionally, advanced data processing and printing technologies available today allow you to go even a step further. Rather than developing separate brochures or inserts, you can print information about new payment or usage programs and other services directly in the white space on the bill. Color printing and graphical devices like icons can be employed to draw attention to these product and service announcements, or you can highlight past-due amounts in an eye-catching red. These can be accompanied by the details about how to enroll for a new program, or whom to contact for service restoration. It all helps to boost revenues.

Today, the right software tools can take customer energy usage and rate data and turn it into visual devices like charts and graphs to illustrate a customer’s energy consumption over a given time period. Or it is possible to show total community usage at peak hours—and perhaps suggest that a business customer can reduce its energy costs by working around these high-demand hours. In some instances, businesses utilizing these techniques have been able to reduce their customer service call center costs simply because the monthly bills provide a better, clearer explanation of the charges. This is something to keep in mind in summer months when air-conditioning means increased energy demand.

The best benefit in terms of your postage budget is that TransPromo lets your regularly monthly mailings do double duty as a vehicle for your marketing and CRM materials. If your utility company—like most other businesses right now—is looking at cutting promotional budgets, TransPromo is a way to keep up or even step up your marketing efforts at lower costs relative to those for producing a separate brochure and paying the postage for a separate mailing.

Nuts n’ bolts review

The challenges the USPS faces certainly won’t be solved overnight but will take considerable study and public debate. In the meanwhile, in addition to adopting a TransPromo program, utilities can assist the USPS in keeping their postal rates as low

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as possible by implementing these suggestions:

Clean up your mailing list. One of the USPS's largest unnecessary expenses is in correcting addresses and handling "undeliverable as addressed" (UAA) mail. The USPS and a number of private vendors offer automated software tools to identify undeliverable addresses and link old addresses to new ones, including Coding Accuracy Support System (CASS) software to validate, correct, and standardize addresses.

Meet all USPS pre-sort rules. Ensure that properly pre-sorting your mail is a priority. Make sure mail is segmented to reach the critical volumes per zip code, and print a delivery point barcode on each mail piece.

Re-think the envelope. Irregular and oversized mailing envelopes cost more to mail. As the USPS is automating processes to handle pieces like 9"x12" envelopes and bound publications, it's also changing the regulations for address placement to make them machine-readable. Knowing the new requirements is critical, and whenever possible, use standard-size envelopes.

Move customers to electronic delivery. Electronic bill presentment is another way to keep your delivery costs manageable. Although many utilities are experiencing difficulty in getting customers to accept digital correspondence, a bulleted list of the benefits of electronic communication can be sent to educate customers, detailing the speed of electronic payment, the reduction of clutter, and reduced deforestation and paper waste.

Consider TransPromo applications. To review, the implementation of TransPromo is within reach for most utilities—an organization simply needs to utilize customer information already stored in a database. With the right software, messages can be tailored to reflect an individual customer's service interests and preferences.

Keeping the USPS viable
The nation's current economic and financial condition has been compared to that of the Great Depression of the 1930s. One huge difference between then and now is enhanced automation, which has made postal operations more efficient, but it has also reduced the volume and type of mail the USPS handles. While some businesses may substitute mailed communications with email blasts or online catalogs, many customers still strongly prefer a printed piece that they can hold and keep.

Business mailers have an important stake in keeping the USPS viable, even through what may be significant changes. The only—and less desirable—alternative is to go back to depending on tax money to operate the USPS. Business mailers can help by complying with the regulations that trim both their and the USPS's operating expenses and ensure timely delivery, by cooperating with the USPS as it works through these difficult times, and by deploying today's automation to get the most out of their postage expenditures.

Author: Harry Stephens is President/CEO, and founder of DATAMATX, one of the nation's largest privately held, full-service providers of printed and electronic billing solutions. As an advocate for business mailers across the country, Stephens is actively involved in several postal trade associations. He serves on the Executive Board of the Greater Atlanta Postal Customer Council, Major Mailers Association (MMA), PCC Advisory Committee (PCCAC), and National Postal Policy Council (NPPC). He is also president of The Imaging Network Group (ING), an association for electronic service bureaus. As an expert on high-volume print and mail, he has frequently been asked to speak to various USPS groups, including the Board of Governors, about postal reform and other issues affecting business mailers. Find DATAMATX at www.datamatx.com

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