

BANTA Mailbox

Banta Publications Group ■ 12 Salt Creek Lane, Suite 350, Hinsdale, IL 60521 ■ February 2003

Approved

Co-palletization discount approved for Periodicals

The USPS Board of Governors has approved the Postal Rate Commission's decision offering a discount for co-palletized Periodicals mail. The discounts will be effective April 20, 2003. This is an experimental two-year rate, during which time the USPS will gather data in an effort to fine-tune the rate and determine if the discount can be made permanent.

Co-palletizing involves combining presorted packages of mail from multiple magazine titles on to the same pallet. Under normal mailing circumstances, each individual magazine title is presorted and the packages are placed on a pallet or in a sack by themselves. The USPS has offered the discount in hopes of moving more mail out of sacks and on to pallets. The costs to the USPS of handling sacked mail are much higher than handling palletized mail. Sacked mail is also more prone to damage than mail on pallets.

The new discounts apply only to Periodicals rate mail and apply only to mail that is currently in sacks. The discounts also apply only to mail that is drop shipped to SCF or ADC entries. The discounts are \$.01 per piece for co-palletized mail drop shipped to SCF entries and \$.007 per piece for co-palletized mail drop shipped to ADC entries. These discounts are in addition to the current pallet and drop ship discounts for Periodicals mail.

Unfortunately, the discounts are not very large and have some potential disadvantages:

■ The discounts are based per PIECE of mail, not per COPY. For magazines that are sorted to obtain the firm bundle discounts, this can result in a disadvantage. Firm bundles are multiple copies of a magazine addressed to a single business firm at the same address. For postal purposes, the presort portion of the postage for mail sorted in this manner is applied per firm bundle (or piece) regardless of how many copies are in the bundle. This is a very lucrative discount, which many business-

to-business publications take advantage of. The potential disadvantage of the co-palletization discount occurs because to drop ship the mail (required for the co-pallet discounts), shipping charges apply to the weight of each copy, but the co-palletization discounts apply only to the number of pieces, not the number of copies.

■ The discounts are tied to drop shipping. This may be beneficial for the "tail of the mail" which is the sacked portion of jobs that already drop ship. This may also be beneficial for jobs that are "on the bubble" of drop shipping. In other words, the job almost qualifies for drop shipping but doesn't make it because of insufficient pallets. The discount is not beneficial, however, for low weight, low ad content magazines which do not qualify for drop shipping regardless of how much mail is on pallets.

■ Initial indications are that participation in the USPS Centralized Accounting Payment System (CAPS) will be required to achieve the discounts. While CAPS is a very beneficial program which we encourage all of our customers to apply for, there are some minimum volume requirements for participation in CAPS, which could exclude some smaller publishers.

Banta has formulated a co-palletization work group to analyze the economics of co-palletizing and to determine if there are cost effective ways to physically perform the co-palletization. Representatives from the bindery and distribution departments of each plant, along with corporate engineering and group distribution services will participate on the work group. The group is charged with determining if the costs of performing the co-palletization will outweigh the small discounts being offered. The group will be researching various methods of performing the co-palletization, both internally and through a third party source. We will keep you posted as this project progresses.

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Banta Publications Group Distribution Contacts

As a customer, you are encouraged to direct all of your communications to your plant Customer Service Representative. However, there may be occasions when you may need to contact someone in the distribution areas directly. To facilitate this, the following is a list of contacts:

Entire Publications Group

Director, Mailing & Distribution Services

Monica Lundquist
816-792-6370 Phone
816-792-3112 Fax
mlundquist@banta.com

List Services Manager

John Buck
816-792-6349 Phone
816-792-3112 Fax
jbuck@banta.com

Long Prairie, MN plant

Distribution Manager
Al Lemke
320-732-7946 Phone
320-732-7976 Fax
alemke@banta.com

Distribution Supervisor

Jane Zirbes
320-732-7969 Phone
320-732-7976 Fax
jzirbes@banta.com

Liberty, MO plant

Distribution Manager
Jeff Volkmann
816-792-6402 Phone
816-792-2031 Fax
jvolkmann@banta.com

Mailing Coordinator

Bobbie Hill
816-792-5300 ext 6376 Phone
816-792-2031 Fax
bhill@banta.com

Shipping Manager

Steve Bieri
816-792-6363 Phone
816-792-6480 Fax
sbieri@banta.com

Greenfield, OH plant

Postal Specialist
Bobby Rivers
937-981-6320 Phone
937-981-5032 Fax
brivers@banta.com

Postal Reform

Presidential commission studies future of Postal Service

As we told you in the January issue, President Bush has appointed a commission to study postal reform. First testimony was heard on January 8, 2003. Although the commission is free to consider other issues, the following six items are its primary mission:

- 1) The role of the USPS in the 21st century.
- 2) The flexibility that the USPS should have to change prices, control costs and adjust service in response to financial, competitive or market pressures.
- 3) The rigidities in cost or service that limit the efficiency of the USPS.
- 4) The ability of the USPS to maintain over the

long term universal delivery at affordable prices while minimizing exposure to taxpayers for unfunded liabilities.

5) The extent to which the postal monopoly restrictions continue to advance the public interest under evolving market conditions and the extent to which the USPS competes with private sector services.

6) The most appropriate governance and oversight structure for the USPS.

If you would like to monitor the progress of the commission, you may do so by logging on to www.treas.gov/offices/domestic-finance/usps/meetings.html.

Direct Mail Guide

USPS publishes how-to information and direct mail statistics

The USPS has a new guide for business mailers called "Direct Mail By The Numbers." The guide covers mailing lists, database management, creative, production and budgets, testing, and mailing. The publication was designed as a step-by-step guide to the process of direct mail, from creative inception to mailing to the final analysis of the results. The book includes not only how-to information on direct mail, but also some fascinating statistics:

- 73 million, or 25% of the US population orders merchandise or services by mail.
- In 1995, American businesses spent \$33 billion on direct mail. In 2000, that figure grew to

\$44.6 billion. By 2005, that figure is expected to reach \$60.7 billion.

■ Forty-five percent of US companies make their lists available for rental.

■ Forty-four percent of companies nationwide use direct mail to drive web traffic. This compares to 10% using broadcast advertising.

■ In 2000, American households sent an average of 4.3 pieces of mail per week and received an average of 25.6 pieces.

To obtain a copy of the guide, contact your local postal representative or call 1-800-THE-USPS ext. AD4318.

Damaged Mail Continues

The USPS has pinpointed the problems with the AFSM 100 flat sorting machines that are causing damage to mail pieces, primarily torn covers. Evidently the feeder that feeds the pieces into the sorting equipment is the culprit. The USPS has plans to upgrade the feeders on the flat sorting equipment, but the upgrades will not be deployed until August 2003.

Northrup Grumman, manufacturer of the AFSM 100 equipment, has been granted a contract for the feeder retrofitting, after the funds were approved by the USPS Board of Governors. The contract calls for retrofitting each of the 534 AFSM 100's with three new feeders.

Sooner or Later

Postal rate increase timeline

As we've discussed in previous issues, there is legislation currently pending that could possibly allow the USPS to forestall the next postal rate increase until 2006. Back in November of 2002, it was discovered during an actuarial review that the USPS has almost fully funded its future retirement obligations for the Civil Service Retirement System (CSRS). If the USPS was no longer required to make payments to this fund, this would free up a substantial amount of money that could be used to hold off the next postal rate increase.

However, laws dating back to the mid-seventies dictate how the USPS pays into the retirement fund, so any changes to that formula require Congressional action. Legislation to do this has been filed and industry lobbyists have been pushing to

get this on the Congressional agenda early in the session. Some potential hurdles to this are the current Congressional focus on the Omnibus Budget Reconciliation Act, and a potential hold-up waiting for a confirming review of the CSRS numbers by the Government Accounting Office. Also at play is the possibility of Congress wanting to use this money to help balance the federal budget and the potential desire to hold off any such legislation until after the report is issued from the President's commission on postal reform.

Bottom line is that if legislation is not passed in the next month or two, the USPS will proceed with a rate increase filing in April or May, which would mean postal rates would increase in the spring of 2004. Stay tuned for updates in future issues.

Online Information

More information on Banta Corporation is available through the company's World Wide Web site at www.banta.com

Drop Shipping

Understanding drop ship administrative charges

We occasionally get questions from customers regarding the administrative charge that applies to the weight of mail that is drop shipped to additional entry points. The administrative charge is in place to cover the costs of administering the drop ship program. Among those costs are the following:

- The purchase and annual maintenance of specialized drop ship software.
- The cost for generating additional paperwork required by the USPS for drop shipping (additional mailing statements and clearance documents).
- The cost of additional material handling in the printing plant. Drop shipping requires unique pallet identification flags and often requires staging of mail, which may result in multiple handlings of the mail pallets.
- The cost of administering contracts, communications, and invoicing from freight consolidators used to consolidate and transport the drop shipped mail.

All of these functions are part of the costs that are incurred at the printing plant to coordinate drop

shipping of mail, which are passed on to our customers in the way of administrative charges. We strive to continuously improve our drop ship processes and procedures to insure that these costs are kept to a minimum. Virtually all printing companies charge an administrative fee for drop shipping, either as a separate line item or in some cases it is incorporated into the shipping charges. Our drop ship analyses account for this administrative fee, and mail is not drop shipped unless there is a net savings after the shipping and administrative fees have been accounted for.

While there is an administrative fee for drop shipping, Banta Publications Group does not charge our clients for the creation or transmission to the plants of the mail.dat files that are required for drop shipping. Many list processing companies charge hundreds of dollars for creation and transmission of these files.

If you would like a drop ship analysis for your mailing, please contact Monica Lundquist at mlundquist@banta.com.

BANTA Mailbox

is a monthly publication produced by the BANTA Publications Group. Any comments or questions are welcome. Please contact Monica Lundquist of the BANTA Publications Group by phone at 816-792-6370, by e-mail at mlundquist@banta.com, or write to BANTA Publications Group, Mailing & Distribution Services, 3401 Heartland Drive, Liberty, MO 64068-3378.

Tracking Your Mail

Confirm® program improves scan rates

In our October issue, we told you about the USPS program for tracking mail, called Confirm®. This USPS program involves scanning of PLANET codes, which are similar in appearance to the postnet barcodes. The USPS scans the PLANET codes on mailpieces as they are processed through the flat sorting equipment and electronically transmits the data. This allows mailers to track the status of their mail during postal processing. In turn, this data can offer more predictability as to when the mail will be delivered to the recipients.

In that article, we mentioned that the scan rates for flat size mail were below the scan rates for letter size mail. We are happy to report that these scan rates have seen steady improvement. In fact, our sister division, Banta Catalog Group, has experienced

great success with their BantaTrax program, which is based on the Confirm® program. The BantaTrax program allows catalogers to better predict in-home delivery so that they can better manage their call centers and fulfillment operations. For a preview of the BantaTrax program, log on to www.bantacatalog.com and click on the BantaTrax pawprint logo.

We are interested in offering a similar tracking service for our publications customers if there is enough interest. If you would be interested in participating in such a program (a fee would apply), please contact Monica Lundquist at mlundquist@banta.com.

Drop Ship Mail Statistics

We are pleased to report the following statistics for our drop ship mail program (includes all three publications group plants) for the calendar year 2002:

- We drop shipped **29,324,693 pounds of mail** to additional entry points.
- There were **1,229 magazine or catalog issues** included in the drop ship program.
- The **NET savings** (savings after shipping, handling and administrative charges are deducted) to Banta customers totaled **\$1,728,214.39**.

If your mailing list is currently processed by Banta Distribution Services (BDS), your mailings are already being analyzed each issue to determine if there are drop ship savings. If BDS is not currently processing your mailing list, or your current list provider cannot supply a mail.dat file to us (required for drop shipping), you may be missing out on some drop ship savings. If you would like us to analyze this potential for you, please contact Monica Lundquist at mlundquist@banta.com.
