

Mailers brace for double-digit postal increases

The postal reform legislation that we've mentioned in previous issues did not pass in the most recent legislative session. While there is some remote hope that perhaps the "lame duck" sessions in mid-November might result in some postal reform action, that is not very likely.

As a result, mailers are bracing for postage increases of 12% to 15% in early 2006. Had some meaningful postal reform legislation passed, chances are that the increase would have been slightly below 10%. However, since no reform legislation is likely, this adds another 5% or more to the postage increase.

Although there are lots of elements of postal reform legislation, the most immediate need is to resolve the issue of the Civil Service Retirement System (CSRS) money that is currently in escrow. When it was determined that the USPS would be over-funding this program by \$78 billion, Congress passed legislation freeing up a portion of the money in 2003 and in 2004 to pay down debt, reduce expenses, and keep postage rates stable until 2006. As part of that legislation, the balance of the funds are to go into an escrow account until such time as Congress acts on the USPS proposals for what

should be done with the funds. Even if the more far-reaching proposals in the recent postal legislation are not passed, it is critical that the CSRS escrow money be released in order to keep the next postage increase below double digits. Mailer lobbyists are expected to drive this issue hard during the "lame duck" Congressional session in November, and in early 2005 if the effort is not successful this year.

For budget purposes, we are recommending that publishers budget for at least 15% increase starting in January of 2006 to be safe. Best-case scenario is an increase of 7% to 10%. Worst-case scenario is probably around 12% to 15%, however, nothing is yet official. The most important thing that publishers can do right now is to contact your congressional leaders and let them know how important it is that the CSRS escrow money be released to the USPS, even if no other postal reform legislation is passed. Log on to <http://www.visi.com/juan/congress/> to find out who the congressional representatives are for your location. There is even a link on this site to help create a letter and e-mail it to your congressional representatives.

Inside This Issue

Cost of undeliverable mail
Page 2

Co-mailing and co-palletization update
Page 3

Final rule on Standard vs. First-class mail

As mentioned in previous issues, the increasing availability of technology has increased the amount of personalized information in Standard class mail. This has started to blur the lines between some Standard mail and First-class mail. Items that are personal in nature, such as greeting cards, personalized unique letters, invoices, statements of account, etc. are required to be mailed at First-class rates. Some Standard class mailers found themselves assessed additional postage for some personalized mailings that had previously been allowed to mail at Standard rates.

The USPS published its final rule on the matter as a Federal Register notice, dated October 27, 2004. The rule will take effect on June 1, 2005. This should allow mailers to use up any printed materials that may be in violation of this ruling, or to accommodate design plans for new materials.

As part of the ruling, the definitions of what must be mailed at First-class (or Express Mail) include the following:

- Mail containing handwritten or typewritten material.

see **FINAL** on page 4

Cost of undeliverable mail

Banta Publications Group Distribution Contacts

As a customer, you are encouraged to direct all of your communications to your plant Account Manager. 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

Distribution Manager
Don Anglin
937-981-6367 Phone
937-981-5032 Fax
danglin@banta.com

Each year, approximately 14.8% of Americans move to a new address and 19.6% of businesses move each year. There are currently approximately 141 million delivery addresses in the US, with 1.8 million new addresses added each year.

In 2003, the USPS handled 5.5 billion pieces of undeliverable as addressed mail. This is almost 3% of the total 202.2 billion pieces of mail processed. Processing this undeliverable mail cost the USPS \$1.8 billion which in turn impacts the level of postage increases that are passed on to mailers.

What about the costs of this undeliverable mail to publishers? Mailing lists on average contain 8% addresses that cannot be ZIP+4 coded. In addition, mailing lists on average have an 8% move update problem. It is difficult to tell for certain how much of this mail actually gets delivered.

How do you know how much this is costing you, or how much it will cost to correct the problem? Let's look at a case study, using the averages above and a total mailing quantity of 10,000 copies of a Periodicals rate publication.

Using the averages above, 8% of this mailing list will not achieve ZIP+4 coding, and thus will not be eligible for automation discounts (average \$.041 each) and 8% of this mailing list will have a move update problem, meaning that the publisher will receive address correction notices. If the publisher is using ACS service, these returns will cost \$.20 each, but if the returns are received manually, the cost goes up to \$.70 each. Now let's assume that of these 800 address change notices, 8% (64 copies) of these address notices are such that the magazine was not forwarded and did not reach the recipient. In these cases, chances are the copies will be remailed, likely at a higher postage rate, such as First-class.

Now, let's take a look at the costs of some tools to help update addresses.

For National Change of Address (NCOA) processing on a mailing of this size, it is likely that a minimum charge would be in effect. Let's assume that the minimum charge is \$100 for processing this 10,000 record mailing list. Using NCOA processing in this case study could have saved the publisher approximately \$200 to \$500 net after the cost of the NCOA processing.

NCOA processing, in addition to helping with move update issues, can help pinpoint other address problems. NCOA processing assigns codes

Scenario 1	Quantity	Cost Each	Total cost
Postal discounts lost on 8% of total	800	\$.041	\$32.80
ACS corrections on 8% of total	800	\$.20	\$160.00
Wasted Production & Postage on 8% of 800	64	\$.78	49.92
Re-mail at First-class on 8% of 800	64	\$1.06	67.84
Total costs			\$310.56
Cost of NCOA processing	10,000	\$100min	\$100.00
Net savings			\$210.56

Scenario 2	Quantity	Cost Each	Total cost
Postal discounts lost	800	\$.041	\$32.80
Manual corrections	800	\$.70	\$560.00
Wasted Production & Postage	64	\$.78	49.92
Re-mail at First-class	64	\$1.06	67.84
Total costs			\$710.56
Cost of NCOA processing	10,000	\$100 min	\$100.00
Net savings			\$510.56

to each address record, which indicate how deliverable the address is, and if the address is questionable, provide direction on what the problem might be. From there, the publisher can do further research on these problem addresses to obtain corrections.

One such method is a service from the USPS called Address Element Correction (AEC). This involves sending uncodeable addresses to the USPS for analysis. There is a cost for this service, but it is minimal.

Not only do these types of address hygiene processes help with the delivery of the magazine, but if you use your database for promotional or other types of mailings, undeliverable addresses can have even higher additional costs.

So, if you think you can't afford NCOA or other list hygiene processing on your mailing list, you may want to analyze what the true costs are of the problem addresses in your mailing list. Banta Distribution Services (BDS) can arrange for NCOA or AEC processing of your mailing list; contact your BDS rep, sales rep, or plant client services rep for more information.

Co-mailing and co-palletization update

With talk of large looming postal increases in 2006, publishers are asking what can be done to help alleviate these increases. Even before this rate hike occurs, publishers are looking for help to reduce their postal costs.

Co-mailing and co-palletization are two methods of preparing mail that can offer some postage savings. The trick is to understand the two methods, what the potential postage savings are, what the costs are for participating in these programs, and what the pros and cons are of each.

Co-mailing is defined as combining copies of different publications or catalogs, or multiple versions of a single publication or catalog, together into the same postal presort or mailstream. In this scenario, a bundle of mail destined for a specific ZIPcode area would contain copies of different publications or different catalogs. This process can be accomplished using an in-line process such as selective stitching or binding, or using an off-line process that involves already finished books.

Co-palletization is defined as combining presorted bundles of separate publications or versions of the same publication, on to the same pallet. In this case, the bundles contain copies of only a single publication, but the pallet contains bundles of multiple publications. Co-palletization discounts are currently only available for Periodicals rate mail. Co-palletization can be accomplished using automated sorting machines to sort the bundles, or it may be done manually.

Usually the postage benefits are greater for co-mailing than they are for co-palletization. The primary benefit of co-mailing is to move copies to a finer presort level (with resulting lower postage rates and improved delivery) by aggregating multiple publications or catalogs into a larger quantity total mailing. By doing this, you can also potentially take advantage of additional discounts by increasing the amount of mail palletized (pallet discounts) and the amount of mail drop shipped to additional entries (drop ship discounts and lower zone rates). The primary benefit of co-palletization is not actually the co-pallet discount itself, which is very small. The real benefit of co-palletization is the increased potential for drop shipping mail previously in sacks that is now on pallets as a result of the co-palletization process.

Savings for either process can vary substantially, and volume is key. The larger the co-mail total pool quantity, the better the savings, although there are diminishing returns once the total pool size reaches over 1 million copies. Co-mail pools usually vary in size, depending on the total mail volume available for any given pool, the frequency of the pools, and the size of the co-mail equipment (i.e. the number of pockets). This volume can also be affected by limitations of the types of mailpieces that can be combined. Usually polybagged pieces are difficult to incorporate into a co-mailing operation. Tabloid and standard size pieces cannot be combined together. Classes of mail cannot currently be mixed together, i.e. Periodicals cannot be co-mailed with Standard mail. Off-line co-mailing equipment can usually not accommodate inside ink jetting. As a result, savings by co-mailing can vary from title to title, and even from issue to issue.

The larger the co-palletization pool, the greater ability to create more and larger pallets to ADC and SCF facilities. The more facilities that can be reached, the greater the postage savings.

It is also important to understand what the true savings and true costs are of these types of programs. Co-mailing may offer up to 20% savings in postage, but what are the costs of the program? In many cases, the net savings after deducting the costs of participation are in the single digits. Co-mailing costs can include increased list processing costs, off-line co-mailing costs, increased drop ship shipping and admin fees, co-mail admin fees, and other ancillary costs. Likewise, co-palletization costs can be comprised of a number of elements. The key is to understand what the postage savings are compared to your *current* postage costs (taking into account that you may already be qualifying for some pallet and drop ship discounts), and then take into consideration all of the costs.

For either co-mailing or co-palletization, there are some pros and cons that need to be considered. You may need to adhere to a much more strict schedule, and there are usually substantial penalties for not adhering to the schedule. The frequency of co-mail pools is usually limited, so it may take a day or more longer than usual to mail. Although this time may be made up in the finer

Banta PubNet Design

This issue was designed and assembled by Banta PubNet. If you are currently outsourcing the design of your publication, you might want to investigate Banta's design and assembly capabilities. Banta's creative team has the experience it takes to design outstanding publications from scratch, or work with your existing templates. We can also convert your native layout documents to PDF for streamlined computer-to-plate workflow as well as provide custom designed graphics and layouts for your magazine. For more information, contact Wayne Metcalfe at 816-792-6394, or make an e-mail inquiry to wmetcalfe@banta.com.

For additional copies of the Banta Mailbox, log on to www.bds.banta.com or contact Jennifer Fitzpatrick, Marketing Communications Manager at 630-575-2049 or at jfitzpatrick@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.

see **CO-MAILING** on page 4

FINAL continued from page 1

■ Mail containing personal information (defined as any information specific to the addressee).

■ Bills and statements of account that assert a debt in a definite amount owed by the addressee to the sender or a third party. Bills include a demand for payment, statements of account do not. The debt does not have to be due immediately, nor does it need to be legally collectible or owed. Bills and statements of account do not need to state the precise amount due if they contain information allowing the debtor to determine that amount.

Matter mailed at Standard rates may only contain personal information if ALL of the following conditions are met:

■ The mailpiece contains explicit advertising for a product or service for sale or lease or an explicit solicitation for a donation.

■ All of the personal information is directly related to the advertising or solicitation.

■ The exclusive reason for the inclusion of the personal information is to support the advertising or solicitation in the mailpiece.

Most of the Standard class mail that Banta Publications Group produces for our clients is not affected by this. The Standard mail that we produce is usually magazines and catalogs which generally have little or no personalization. The delivery address and generic ink jet messages with personal names inserted do not count as personal information. However, other mailings that our clients produce, such as promotional pieces or solicitations for donations may be affected.

Your best bet to insure compliance with these newly defined content standards is to have your mailpiece reviewed by your local Business Mail Entry office. For a copy of the federal register notice, log on to <http://ribbs.usps.gov/fedreg.html>. Click on 2004 United States Postal Service, then on 04-23646.pdf or 04-23646.txt.

CO-MAILING continued from page 3

presort and drop shipping, there is no guarantee, and in some cases the mail date is more critical than the actual delivery date. There may be limited flexibility as far as where the address block (ink jet knock-out) may be located. There may be minimum per pocket quantity restrictions that may eliminate small versions or supplemental mailings from participating. There may be trim size and thickness limitations. There will likely be some additional coordination and administrative work for the publisher. If the processes are performed by a third party, you may need to apply for an additional postal entry, link CAPS accounts to new entry

locations or apply for a CAPS account. There will likely be additional or more complicated mailing statements, invoices, and process summary sheets to review and reconcile. There may be additional coordination required between production and circulation departments to insure the schedule deadlines are met.

Banta Publications Group is currently in the process of analyzing both co-mailing and co-palletization services for our clients. We plan to offer one or both of these services in 2005; we will keep you posted on the progress of these efforts.

Online Information

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

www.banta.com

This piece was printed by Banta Print Services. For more information about Banta's Print Services, contact Patrick J. Aho, Banta Print Services Manager, 320-732-7907, or send an e-mail to paho@banta.com. To order reprints Online, visit our Web site at www.BantaReprints.com.