

# BANTA Mailbox

Banta Publications Group • Drake Oak Brook Plaza, 2215 York Road, Suite 400, Oak Brook, IL 60523 • July/August 2005

## Structure of Periodicals postage rates

Many publishers are confused by Periodicals postage rates, and rightly so. Periodicals mail has the most complicated rate structure of any class of mail. To better understand how the rates work it is helpful to break the rates into the two components of weight and pieces.

A portion of Periodicals postage is assessed on the weight of the magazine. There are different rates for the advertising weight than for the editorial weight. The rates for the advertising weight are higher than for the editorial weight, and they are also zoned rates, which means they are distance sensitive. The farther the destinations of the mail from the entry point at the printing plant, the more expensive the postage. There are 8 postal zones, not including the drop ship destination postal facility zones (more on that later). The rate for the editorial weight, on the other hand, is a flat rate, which is not zoned or distance sensitive. The chart below shows how zones are determined, based on distance of the destination of the mail from the origin point of the mail.

| Zone | Distance                               |
|------|--|
| 1    | Non local zones within 30 miles radius |
| 2    | 50 to 150 mile radius                  |
| 3    | 150 to 300 mile radius                 |
| 4    | 300 to 600 mile radius                 |
| 5    | 600 to 1000 mile radius                |
| 6    | 1000 to 1400 mile radius               |
| 7    | 1400 to 1800 mile radius               |
| 8    | 1800 miles and over                    |

Let's use an example of a publication that weighs 8 ounces (.5 lbs) and has 50% advertising. Now let's assume we want to mail one copy of the magazine from our plant in Long Prairie, MN to Chicago, IL, which would be in postal zone 4. Four ounces of this magazine (the advertising portion) will be charged the Zone 4 rate, which is \$.315 per pound. The other four ounces of the magazine (the editorial portion) will be charged the flat un-zoned editorial rate of \$.193 per pound.

|   |
|---|
| Advertising portion: .25 lbs (4 ounces) x \$.315 = \$.07875 |
| Editorial portion: .25 lbs (4 ounces) x \$.193 = \$.04825   |
| <b>Total per pound postage = \$.127</b>                     |

Now let's assume that we are willing to pay to truck this copy of the publication from Long Prairie, MN to a Sectional Center Facility (SCF) in Chicago, IL which is closer to the ultimate recipient of the magazine (this is called drop shipping). If we do this, the postal zone changes from Zone 4 to DCSF Zone (Destination Sectional Center Facility). The postage rates change as follows:

|   |
|---|
| Advertising portion: .25 lbs (4 ounces) x \$.203 = \$.05075 |
| Editorial portion: .25 lbs (4 ounces) x \$.193 = \$.04825   |
| <b>Total per pound postage = \$.099</b>                     |

By drop shipping, we reduce the pound portion of the postage for this copy of the magazine by 2.8 cents. Notice how the rate for the advertising portion changed when we drop ship, but the rate for the editorial portion remains the same. This is why the advertising content and the weight of the publication play such a role in determining whether drop shipping is cost effective. The reduced postage must be weighed against the costs of drop shipping, which include the shipping/handling, the administrative fee, and the fuel surcharges.

The other component of Periodicals rates is the charges per piece. These rates are not based on weight or distance. Rather, these rates are based on how the mail is sorted before presented to the USPS. The finer the level of sort, the less work the USPS incurs as they process the mail, and therefore the rates are lower. These are known as worksharing discounts. Sorting consists of combining individual copies of a magazine into a bundle of multiple copies based upon the ZIPcode the magazines are destined for. These bundles of multiple copies are, in turn, sorted together by ZIPcode into containers, such as pallets if there is enough total weight to a destination (minimum 250 pounds), or into mail sacks if the weight is not sufficient.

The finest level of sort is the carrier route level, and therefore this level has the lowest postage rate. If there are six copies or more destined for the same mail carrier's route within a 5 digit ZIPcode, a carrier route bun-

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## 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

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### Long Prairie, MN plant

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 Jane Zirbes  
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 320-732-7976 Fax  
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### Liberty, MO plant

*Distribution Manager*  
 Dirk White  
 816-792-6325 Phone  
 816-792-2031 Fax  
 dwhite@banta.com

*Mailing Coordinator*  
 Bobbie Hill  
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 816-792-6480 Fax  
 sbieri@banta.com

### Greenfield, OH plant

*Distribution Manager*  
 Don Anglin  
 937-981-6367 Phone  
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dle may be created. The next level of sort is the 5 digit ZIP level, then the 3-digit ZIP (first three digits of the 5-digit code) level, which each have their own postage rate. Below the 3-digit level, bundles may be created to Sectional Center Facilities (SCF's) or Area Distribution Centers (ADC's). Anything remaining after these bundles are created would be placed into a Mixed ADC bundle, which would contain mail for destinations throughout the country. The SCF, ADC, and Mixed ADC bundles all receive the same postage rate, which is known as the Basic rate.

These presort levels are further broken down into Automation and Nonautomation rates. Mailpieces that contain a ZIP+4 code and associated postnet barcode, and which meet the physical criteria for automation mail, are eligible for the Automation rates. The Automation rates are less expensive than the Nonautomation rates because the USPS can sort the barcoded pieces on more efficient automated equipment.

Let's use the same 8-ounce publication in the previous example, which we are mailing from Long Prairie, MN to Chicago, IL. Let's assume that we have 5 other copies that are going to the same 5-digit ZIPcode so that we can create a bundle of 6 copies going to the same ZIPcode, and that they all have the postnet ZIP+4 barcode. The rate for each copy in this bundle would be the 5-digit Automation rate of \$.226 per copy. Now let's look what happens if we reduce the number of copies we have going to the same ZIPcode, thereby reducing our ability to sort the mail to a finer level:

- 5-digit Automation (six copies to the same 5-digit ZIPcode) = \$.226
- 3-digit Automation (three copies to one 5-digit ZIP, three copies to another 5-digit ZIP, both with the same 3 digit prefix) = \$.283
- Basic Automation (two copies to each of 3 different 5-digit ZIPs, all part of the same Sectional Center Facility) = \$.325

As you can see, the fewer quantity copies we have going to the same destinations, the higher the postage becomes and vice versa. This is why your postage increases when the mailing list is split for various versions of the magazine, and is also the reason that co-mailing your magazine with other magazines can reduce your postage.

In addition to this base rate per piece, there are a variety of discounts that may apply. There is a non-advertising adjustment for each 1% of non-advertising content, which is deducted from the rate per piece. There are also discounts for drop shipping to

SCF's, ADC's, or to Destination Delivery Units (DDU's). There are additional discounts for copies that are on pallets rather than sacks and discounts for copies that are placed on pallets with other magazines (this is called co-palletization).

Let's assume that the magazine in our example will be placed on a pallet, and that we will be drop shipping that pallet from Long Prairie, MN to a SCF in Chicago, IL. The discounts to the piece rate would look like this:

|  |                               |
|--|-------------------------------|
| <i>Nonadvertising adjustment:</i>                |                               |
|  | 50% ads x \$.00074 = \$.00037 |
| <i>Destination SCF discount:</i>                 |                               |
|  | \$.008                        |
| <i>Destination entry pallet discount:</i>        |                               |
|  | \$.015                        |
| <i>Total discounts:</i>                          |                               |
|  | \$.02337                      |
| <i>5-digit Automation rate minus discounts =</i> |                               |
|  | \$.226 - \$.02337 = \$.20263  |

To come up with the grand total postage, you must add together the per pound postage and the per piece postage. Using our previous example of the magazine drop shipping from Long Prairie to Chicago:

|                                      |                 |
|--------------------------------------|-----------------|
| Per pound postage =                  | \$.099          |
| Per piece postage (with discounts) = | \$.20263        |
| <b>Total postage for the copy =</b>  | <b>\$.30163</b> |

As you can see, the postage computations can get very complex. For this reason, estimating Periodicals postage can be tricky unless you have computer spreadsheets or software to assist you. You can also see that variations in weight, advertising content, sortation level, and distance can impact the postage rates that you pay.

The USPS has a postage calculator on their web site, which can be used to estimate postage. Log on to <http://dbcalc.usps.gov/iframe.htm> for further information. Banta can also assist you with estimating postage. Contact your plant client services representative or distribution manager for assistance.

## Improved address correction service

Virtually every mailing list has a certain number of address records that cannot be assigned a ZIP + 4 code even after they have been processed through CASS certified address standardization and coding software. This usually means there is something wrong with the address. To help mailers correct these problems, the USPS is offering a new service, called Address Element Correction II (AEC II), effective July 17, 2005. In a 60-day test period the USPS was able to resolve about 80% of the address records tested. This compares with the approximate 35% hit rate with the current Address Element Correction service, now known as AEC I.

Both services are limited to address records that cannot be coded using commercially available CASS certified software. Mailers must first send their uncoded records through the original service, AEC I. Any addresses not corrected through that system would then go on to the AEC II service for further review. The AEC I service utilizes a number of

different computerized logic routines to analyze the records against the address and delivery point databases. The AEC II service goes the extra mile by taking the uncorrected records to USPS field units for manual review, in some cases to the mail carrier level. All the corrections go into a central database, which is then updated for use in future AEC processes.

Initially, mailers will be limited to submitting 15,000 records per day. The charge for the service is a \$25 set-up fee, plus \$15.00/m for AEC I. For records that go on to the AEC II process, there is an additional \$.25 for each record that goes to the delivery unit for resolution. These charges can be paid either through a CAPS account or via credit card.

Technical specifications for the service can be found by logging on to [www.ribbs.usps.gov](http://www.ribbs.usps.gov), then click on File Libraries, and then click on AEC.

## International mail rate increases

As we have mentioned in previous issues, domestic mail rates will be increasing in early 2006 by about 5.4%. Publishers should plan for a like increase for their international mail. The Universal Postal Union (UPU) has voted to increase terminal dues, which in turn affects the costs of handling postage between countries. While we do not know for certain what the actual increases will be, for international mail that is routed through the USPS, publishers should budget approximately the same increase as for domestic rates. The USPS is not required to file a rate case to increase international rates, unlike for domestic rate increases. However, it is likely that the USPS will wait until the domestic postage increase is implemented to implement any international increases.

If you use a remailer, on the other hand, it is more difficult to project when this increase might incur, or how much the increase will be. It really depends on what the individual countries do as far as postage increases.

Regardless of whether you use the USPS or a remailer for your international mail, we recommend

that you budget for a 6% increase in international mail rates effective in January, 2006. The actual increase may be more or less than 6%, and may be implemented before or after January, 2006. We will keep you posted as more information becomes available.

## UPS expands early service

United Parcel Service (UPS) is expanding its UPS Next Day Air® Early A.M.® service to an additional 7,200 ZIP codes. This will bring the total ZIP codes with this available service to 19,200, which services about 77% of the population.

The service offers delivery earlier than the normal 10:30 a.m. guaranteed overnight service, sometimes with deliveries as early as 8:00 a.m. For information about the expanded service, log on to [www.ups.com](http://www.ups.com).

### 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](mailto:wmetcalfe@banta.com).

For additional copies of the Banta Mailbox, contact Michelle Brasic, Database Coordinator at 630-575-2054 or at [mbrasic@banta.com](mailto:mbrasic@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](mailto:mlundquist@banta.com), or write to Banta Publications Group, Mailing & Distribution Services, 3401 Heartland Dr., Liberty, MO 64068-3378.

# Increased transportation costs

As we have mentioned in previous issues, transportation costs continue to rise, although they are rising at a lower rate than originally predicted for 2005. The increases are attributed to tighter capacity, increased freight volumes due to a pick up in the economy, increased carrier costs, such as insurance, labor, and fuel, driver shortages, and the effects of the Department of Transportation's Hours of Service rules.

Most of the increases are seen in the truckload freight sector, although other areas, such as less-than-truckload (LTL) are also affected. The increases may take the form of an increased per hundred-weight (cwt) pricing, per mile pricing, flat shipment rates, or they may take the form of accessorial charges and fuel surcharges. Fuel surcharges alone

have been ranging in the double digits, which in itself can have a dramatic effect on your total transportation cost.

As we approach the fall season, which is the busiest time of year for transportation, we can expect these costs to increase. Not only will costs increase, but also capacity will tighten. It will become increasingly difficult to book loads, particularly without advance notice. For some lanes, it may be tough to book loads at any price.

While Banta strives to provide our publishers with cost effective transportation and timely delivery, you may see some increased costs toward the end of the year as loads become more difficult to book, and on rare occasions some delivery delays may result.

## Online Information

More information on Banta Corporation is available through the company's Web site at [www.banta.com](http://www.banta.com)

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