



WHITE PAPER

NOT MERE MAIL ANYMORE!

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REGULUS

**Dominating the Business of
Customer Transactions: Transactions²**

Not Mere Mail Anymore!

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Smart Mail. Mobile Mail. Intelligent Mail. Mail-Piece Tracker. Mail Innovator. The Galler ID for Mail. Call it what you will, but the United States Postal Service (USPS) mail tracking and reporting service, Confirm[®], is a revolutionary new product. It's posed to dramatically improve the direct and indirect costs of a company's production and customer support operations... all from just knowing that "the statement, check, credit card, catalog, policy, cancellation notice or collection letter is in the mail". Don't make the mistake of viewing this emerging service as merely a tracking tool that monitors individual pieces in transit through the postal system.

It is much more! Confirm transforms mail into actionable data that aids better business decisions, alleviates costs and leverages revenue across customer touch points.

Before delving into the practical uses of this type of data within three principal business areas: performance management, marketing, and treasury, let's first step back and understand how the mail data is captured and delivered through the Confirm service itself.

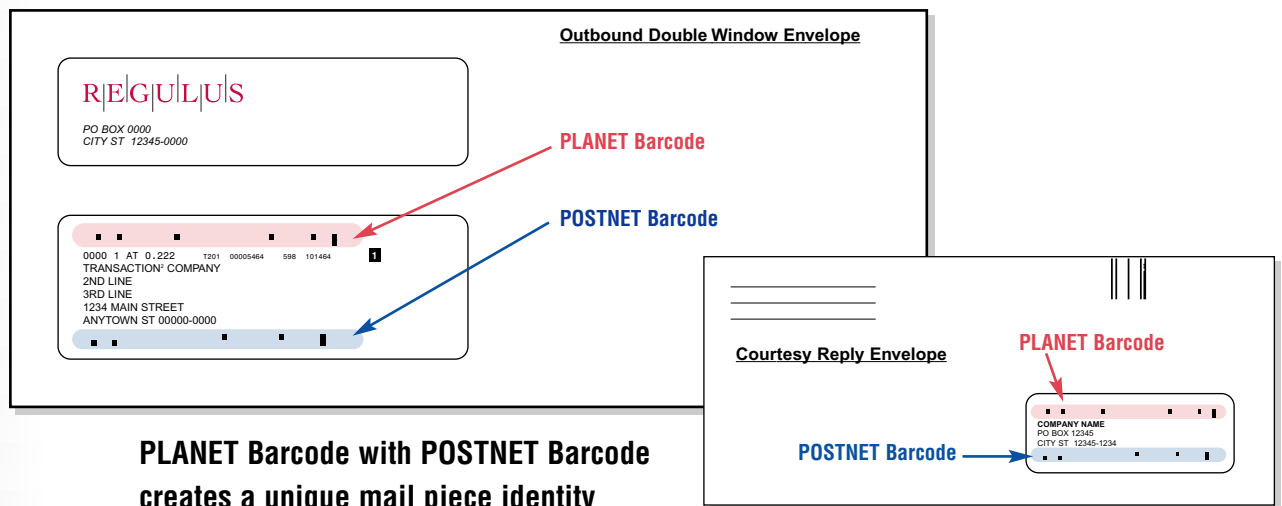
The Barcodes...

It's no wonder that practically everything you purchase has some sort of barcode on the package. The fundamental problem of tracking thousands of items and capturing prudent information electronically vs. manually did not become an issue overnight in the marketplace. In the early 60s supermarkets wanted a way of tracking inventory as it passed from the suppliers to the shelves. The railroads followed next looking for optimal ways to track and identify large number of railcars at switching stations. Each industry turned to barcode solutions. Now barcodes are used in almost every industry. Who would have known that technology introduced years ago would still be so widespread and useful in all industries, including Document and Payment Processing?

Confirm uses a combination of the POSTNET Barcode and PLANET Barcode to electronically track a customer's piece of mail. The regular POSTNET Code currently placed on mail identifies the zip+4 and delivery point of the recipient. The mail is actually tracked using a second barcode, called PLANET Barcode, on the front of the letter or flat mail piece (see below). When a piece of mail is scanned on a letter or flat sorter, the postal service captures the date, time and location where the piece was processed. Additional identification information about the customer is also captured. This robust data set is

PLANET Barcode: What is it?

- An additional barcode that prints on the front of an outbound or incoming mail piece.



routinely updated throughout the day and posted to a USPS Web site for access, or high-volume customers can download the information to their own systems. Confirm provides near real-time status within the postal system on when outgoing mail is nearing delivery or when incoming payments or reply mail is on its way to you. Fees exist at different subscription levels and are set by the level of scans generated.

The Confirm service is in place for First-Class Mail, Standard Mail, Periodicals, Letters and Flats. Currently 98% of letter mail is successfully scanned for reporting. The scan rate for flats is somewhat less than letters (50% to 60%), because half of the flats entering the system by-pass the flat-sorting machine where the barcodes are scanned. USPS plans to address this situation by putting barcodes on bundles so flats can be tracked even if the individual pieces don't go through a machine.

Strict rules, including USPS certification of who can participate in this powerful program, are in place. One must be a major mailer with high volumes and be able to generate pre-shipment information to initiate start-of-clock that signifies when the mailing actually enters the postal system. Some large-volume mailers, especially pre-sort houses, experience difficulty with this mandatory notice step because mail is commingled among multiple companies for postage savings, making assignment complex. The advanced shipping notice is a requirement for companies seeking to track outbound mail.

Confirm has tremendous potential. It is a powerful tool capable of opening up new possibilities for service providers and companies to create value by packaging and presenting the data in a form or format to bring positive change to your organization. This paper explores and discusses these possibilities.

The Practical Uses...

Greater control of the information means a greater control of cost. Simply collecting and reporting data doesn't always help solve the common business challenge — do more with less and constantly seek more efficient ways to deliver customer care given budget restraints.

Having hundreds of thousand of scanned mail records every day from the USPS is meaningless unless that information can be massaged, manipulated, and merged into your day-to-day business practices. This is especially true for contact centers where daily cost-related activities can be altered or suspended using up-to-date customer data. There are three functional areas where Regulus observes the most measurable impact achieved with the timely capture, reporting and integration of mail tracking data: Performance Management, Marketing, and Treasury.

Performance Management

Performance management and resulting cost reductions reach an entirely different level by knowing the who, when and where answer for every mail piece sent or received. Consider these examples of ways to act on the information tracked as the mail enters and exits the postal service. You see quickly how performance improvement turns into significant dollar savings.

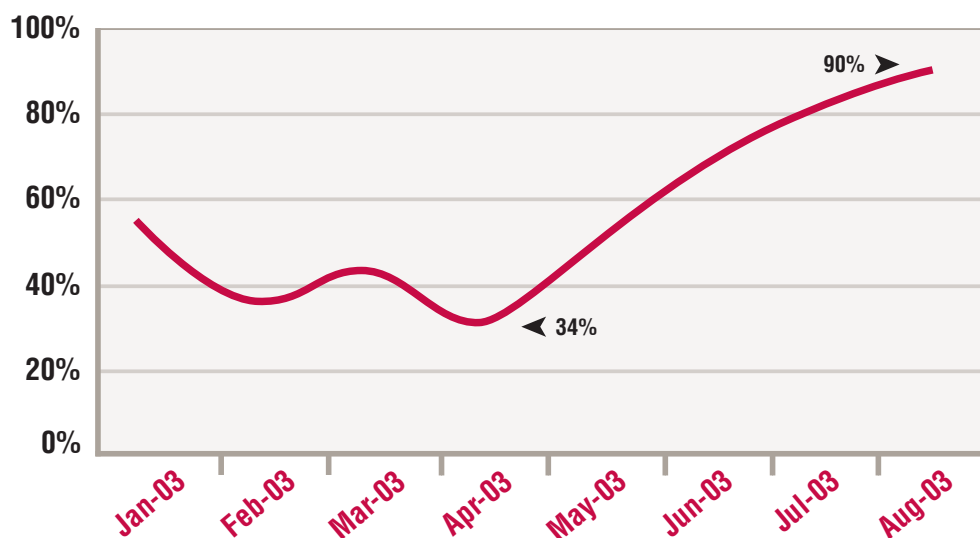
Service Agreements: Think about the areas where watching outbound mail performance would better allow you to oversee service agreements around delivery. Three important areas normally top the list for these necessary performance checks: in-house mail distribution centers, outside print or direct mail providers and the overall delivery performance of the USPS itself.

Monitoring and enforcing service level agreements with providers, whether internal or external, is no longer a problem with an accurate picture of the mailing in process. Now, the exact entry date of every piece of mail sent is captured for an instant status on achieving agreed upon service levels. In addition, companies are exploring different ways to examine the postal data to pinpoint problematic delivery points. Mail performance is more closely monitored by viewing a summary of an entire outbound mailing, by state, by 3-digit zip code, by 5-digit zip code, or even down to the house level. For one key provider, the USPS, it's amazing what improvements can be achieved with facts in hand about conformance to National, 1-day, 2-day, and 3-day delivery standards. Regulus recently saw a prime example of the data in action.

See the improvements captured in the chart below for a major Financial Services company. Look at the results once the poor performance was brought to light with the post office. Remember, each day a billing statement is delayed costs your company real money. If the bill gets there late, the payment cycle starts late as well, since a statement often triggers a customer to pay. A USPS mail study conducted several years ago reported that 11.7% of consumers pay within a day or two of receiving their bills. Another 6.6% pay weekly, which most likely are the weekend payers.

still may be days away from reaching the final processing site. Without an actual time and date scan at the physical remit-processing site upon receipt, measuring true processing timeliness is unachievable with *just* the Confirm data. While setting an exact start time for mail entering the postal system is possible, the same does not hold true for items exiting the system. Proof of delivery, not estimated delivery, is required to start the clock to diagnose and measure service performance for incoming payments. However, having advance knowledge about incoming payments brings companies many other benefits to offset this shortcoming.

Percentage of On-Time or Early Mail Delivery



We talked about gauging performance around service agreements for outbound mailers, but what about providers processing inbound mail, mainly incoming payments. Since Regulus is the largest, independent remittance processing company, it warrants mentioning the inaccuracies in attempts to measure timeliness of processing using postal data for incoming payments. The Confirm service can capture the date and time of the last scan before the payment is delivered to its processing designation, but this delivery information may be several hours or days before actual arrival at the lockbox location. Be aware that the last scan may also be the first, and only one, for mail heading to high-volume lockbox providers. For major lockboxes, the post office separates and holds out mail for expedited delivery, but again it

Call Center Metrics: Consider all the statistics that companies benchmark and scrutinize to gauge performance and control cost within their call centers. Since two-thirds of call center costs relate to personnel, getting the right number of staff is a critical item to service and cost. Accessing advance information on mail going or coming from a customer makes call center staffing much more efficient. Retailers can staff stores by combining known purchase and traffic behaviors with more accurate delivery knowledge on discount coupons. Firms still processing payments in-house avoid under or over staffing with up to several days notice of incoming volumes. Catalog or direct mailers sending product promotions to customers can better plan when to add workers to handle an influx of orders with the arrival

date and locality in hand. And, Financial Institutions marketing electronic or other products within transactional statements can ramp up personnel for follow-up phone calls closely after arrival within areas. For all these activities, linking the precise mail delivery or early notification data with production activities improves staffing decisions, thereby controlling expenses.

Mail tracking information also helps companies tackle two other major call center performance metrics: first call resolution rate and average handling time. Payment receipt and posting, along with statement delivery, are top categories for service call activities. Service representatives must find answers quickly to resolve inquires to keep cost per call low. By integrating tracking data with online Web tools, reps get instant access to images and reports that help answer customer questions immediately. When a customer complains that they didn't get their statement, disputes a late fee, or tells you they made a payment, your service person can check and see the status of these mailed items. They can confirm if the statement reached the customer or if there was a delay caused by the USPS. Waiving or collecting fees becomes less subjective and more objective based on true circumstances. Material savings will accumulate as late fee reversals are not an automatic at the call centers and a portion of statements no longer must be reprinted and resent to customers. A paper invoice alone costs an average of \$5 to produce and print, according to Gartner Group.

Your company and your customer both win with more accurate information on hand. Customer relations will strengthen with faster responses and actions based on facts. Your company saves in many cases because a new bill does not have to be generated and the payment is not delayed. Costly research activities and premature payment reminder letters come to a halt.

Marketing

Clearly, direct mailers now covet the mail tracking details and consider it more valuable as a marketing tool than a tracking tool. Mailers seek to increase response rates by initiating e-mails, generating follow-up phone calls or reinforcing the original offers with additional material.

All these activities are exactly timed to the definite arrival of the mail piece for fine-tuning campaigns. It turns out marketers are finding all kinds of useful ways to exploit the tracking feedback. For example, even while the hard-copy reply flows back through the postal service, companies get a head start on pre-filling orders and checking inventory stock given the early knowledge gained. The reverse action works, as well, when a firm monitors final receipt of fulfillment orders sent to customers. Also, by adding the PLANET Barcode to the reply piece or return envelope, mailers avoid sending additional notices or renewals requests to these people. Postage savings alone mount quickly with this type of intelligence.

“Direct Mailers were the early adopters of Confirm® and are responsible for much of the PLANET Barcode mail today”

– Mury Salls, Senior Member of Regulus & President of the Major Mailers Association –

By far, these seasoned marketers use the service more than First Class mailers. Mury Salls, a senior member of Regulus' staff and the President of the Major Mailers Association, states “Direct Mailers were the early adopters of Confirm and are responsible for much of the PLANET Barcode mail today.” Regulus is one of a limited few 1st Class mailers using PLANET Barcodes to track and report the status of both outbound and inbound time-sensitive documents. Regulus, however, sees interest growing as larger businesses expand personalized marketing campaigns through the traditional billing channel.

As more businesses leverage their billing channel to up-sell and cross-sell products and services, the necessity to track statement delivery increases. So, what makes the billing channel so attractive? First it's regular and reliable mail that reaches the customer.

Second, it's almost always opened and read. Third, it can be a highly lucrative revenue source that helps pay for the ever rising postage costs. The 100% hit rate for bills and statement is a marked contrast to the 2% to 3% hit rate of direct marketers.

There is another hidden advantage within PLANET Barcodes for marketers. Within the incoming (or Origin Destination) PLANET Barcode layout structure is an additional 9-to-11 digits available for customer-specific identifiers.

Most mailers take the simple route by putting a customer's account number in these fields to match incoming information to internal records. With some creativity and forethought, service providers or companies can construct a more sophisticated barcoding scheme that points to other customer characteristics for data mining and intelligence internally. This is a marketers dream to link demographics or purchase history to an individual client for segmenting and tailoring further one-on-one marketing initiatives. For Regulus, our position as a combined statement and payment processor, gives us a unique advantage. We possess the ability to build a master index by combining key identification data fields from both sides of the business to tie together the incoming data. Like us, others will be encouraged to explore endless possibilities tapping this unique code.

Treasury

"Always search for ways for faster cash collections" stands as the mantra followed by financial managers for many, many years. Cash management services such as lockboxes, wire transfers, and electronic ACH debits were all developed to satisfy this business discipline. Ask any treasurer the three most important factors to their company's financial health, and they will equivalently

answer: "**Cash flow! Cash flow! Cash flow!** Are the payments posted? Who paid, who didn't? What customers are late or delinquent? How many days did it take to collect receivables? Is the collection process generating the desired conversion rates? How well does the forecast align with real cash flows for maintaining corporate liquidity and investments?" These are daily questions asked and answered during a typical month of monitoring the money. With this in mind, think about the impact and importance of an early alert of incoming customer payments.

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Collections must come instantly to mind. The drawn out process unfolds with the friendly letter reminders, the pleasant phone calls, the firm past due notices and late fees, the urgent letters, the aggressive calls, and then finally the turn-over to the collector. Each of these steps carries a dollar expense that increases every passing day the payment does not post. Several research firms estimate the cost to collect a payment ranges from \$10 to \$50 per account, depending on the number of collection steps taken. A single customer service call alone can cost \$4 to \$8 to field, depending on how long it takes to be handled.

The only thing that stops this collection "chain reaction is a posted payment or the assurance the payment is in the mail". No wonder the most popular use of the mail tracking data is to be notified of the first scan, or the first day, a customer puts the payment in the mailbox. That lead-time of one to three days immediately stops the next collection step, allowing time for the payment to post and preventing the next unnecessary expense. As evidence, Regulus is working with firms feeding daily updates to automated-dialers and Customer Relationship Management (CRM) systems to stop outbound collection calls with this timely "check is in the mail" data. It's proving to be yet again another cost-saving measure with an average of 12% to 15% of monthly debt collection calls suspended.

Suppressing the collection letters already slated for production will gain even more savings.

Did cash forecasting cross your mind before collections? Yes, many companies are getting a jump on forecasting those dollars based on an estimated day of delivery using postal performance projections and an estimated check value. The number of payments, the specific customer and the day mailed are particulars gathered from these early postal scans, but the missing piece is the true amount paid. Some customers pay the full amount, some a partial sum and others just the minimum due. The best forecast method takes more effort but ties each customer's barcode information to the exact payment amount due and then applies a factor based on past customer payment behavior. The accuracy of the forecast improves considerably by combining the pertinent current and historical data. Regulus built its forecast reports by linking identities of customer's incoming payment to the original statement amount and then projected actual lockbox receipts using postal delivery standards.

Besides collections and forecasting, a few others treasury functions deserve noting as viable beneficiaries of this valuable data. Issuing checks with PLANET Barcodes for outbound tracking can help control reissues and stop payments. Another area is Risk Management – combating theft or fraud by specifically identifying high-value mail pieces, like credit cards, and taking action based on rules of non-receipt. For repeat late payers or customers that historically “pay when due”, separate tracking and reporting gives collections necessary facts for possible negotiating alternative payment methods such as an automatic electronic payment debit or EBPP (Electronic Bill Presentment and Payment). And lastly, a Cash Manager can adjust a forecast, a collection process or even a billing cycle by monitoring customer payment patterns to detect changing habits of certain types of customers. Routine reviews of payment patterns are especially useful when a merger, acquisition or business consolidation causes the client mix to change and negates historical patterns. Again, the possibilities are endless with some forethought.

The Bottom Line...

It's not mere mail anymore! This paper just scratches the surface on how your business can benefit from this evolving mail tracking service. Your ideas can trigger new ideas that capitalize on the service. We predict you'll see more and more uses as service providers and companies bring the technology to bear on customer relationship management. The value of integrating and connecting mail data with the daily processes within your company cannot be underestimated as an avenue to increase productivity and profitability. As the old saying goes, “time equals money”.

Regulus encourages every company to explore and test the possibilities. We take pride in leading the way with the introduction of our newest mail tracking service, *i-Trace!*SM. On-line mail performance summary or detail, early and late payment notification, payment behavior and treasury reporting make up our exciting service offering. Learn about *i-Trace!* – It will play a pivotal role in reshaping customer interactions in the future as a technology solution that leads the pack in realizing process efficiencies.



Regulus is a national provider of transaction processing services, offering bill presentment and payment processing in one place. The compelling combination of these two services from one company sets us a part in the industry. We call it Transactions².

Contact Regulus today at **1-888-747-2877** or visit our Web site at **www.regulusgroup.com** to learn more about how to take electronic communications to the next level.

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