

Postal Reform — The Silent Budget Breaker

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As of August 1, 2007 the United States Postal Service's Delivery Point Validation (DPV) requirements will impact service providers' mailing budgets. Under DPV standards, only exact addresses that can be confirmed accurate will be assigned a ZIP + 4 code and thus be eligible for presort discounts. DPV software will identify addresses that are invalid and undeliverable according to the USPS, assign them a regular five digit zip code, and thus make them ineligible for discounts. This change to a more stringent set of rules will increase telecom service providers mailing expenses significantly if their mailing processes cannot conform to the DPV requirements. Using addresses the USPS deems invalid will also slow invoice delivery and payment.

Stricter Presort Discounts

Most telecom operators that invoice end-customers directly handle their invoice distribution in-house or choose to outsource it to a bill presentment provider. Regardless of how or where processing takes place, address matching software is critical to ensure that address databases are accurate to qualify mailings for maximum postage discounts. Today addresses must conform only to the USPS' Coding Accuracy Support System (CASS) standards. Addresses that match the defined criteria receive ZIP + 4 codes that mark them as eligible for the maximum presort discount.

DPV will work similarly, but is far more precise. Under the current CASS system, as long as its address falls within a valid address range, a mail piece will be deemed eligible for a presort discount. However, when the rules change to DPV on August 1, the USPS

will no longer accept addresses that merely fall within a valid range.

For example, if an invoice is sent today to 101 Main Street, the current system only verifies that 101 falls in the range of 1 to 150 on that block and thus it qualifies for a presort discount. With DPV, however, if 101 Main Street does not physically exist, the discount is lost.

According to information gathered at Pitney Bowes' 2007 DMT Customer Conference, automated coding for discounts is expected to drop an average of 1 to 3 percent as a result of the new rules, thus reducing automated discounts in kind. Direct billers thus will spend more for postage as many of the addresses in their databases that were eligible for discounts previously fail to qualify under DPV standards

Return to Sender

Last year the USPS also began its quest to improve mail quality, setting a goal to reduce undeliverable-as-addressed (UAA) mail 50 percent by 2010. Each year handling and processing UAA mail costs the USPS more than \$1 billion. Using correct addresses will save on address correction and return fees which run approximately 75 cents per piece of improperly addressed mail.

The USPS offers licenses to mailers for a technology product called NCOA Link that is designed to update addresses with the latest change-of-address information on file. When a customer files a change of address, this service will flag it, change the address and send the information to the direct biller in order to update their records. New invoices can then be delivered directly to the customer's new address – not forwarded – thus eliminating any delays in payment.

Practicing Good Address Hygiene

The only way to mitigate the potential cost of DPV is to update and maintain an accurate customer database. Maintaining accuracy becomes easier when it becomes part of any customer interactions, whether with a customer service representative or the invoice itself. Service providers should make "address hygiene" part of the conversation with customers.

CSRs should confirm addresses whenever speaking with customers and should verify apartment numbers and street addresses every time a customer calls. Many providers also place a change of address area on the back of the first page of the invoice or insert postage-paid return cards in the invoice package. Highlighting change-of-address information on the invoice also helps to remind customers to update their addresses with each bill they pay.

Address hygiene is of vital importance to any one involved in direct billing. This summer, take this opportunity to keep postal discounts intact and improve address quality. Doing so will not only save a few cents per envelope, it will speed invoice delivery which always results in better and more consistent cash flow. Bad addresses must be corrected before August 1 and any provider of presort discount processing services should be helping its service provider customers to offset the extra costs today. The provider should include a bad address report that indicates which pieces of mail and which addresses no longer qualify for presort discounts. Running customer files through the DPV now will tell providers what addresses need updating. ●