

USPS – May 2007 Postage Rate Increase – Understanding Implications for Direct Mail Programs



The USPS issued new postage rates which have been in effect since May 14, 2007. The new rates must be considered when designing a direct mail program. Although the rate increases are under review by the Postal Regulatory Commission, we are not optimistic the new rates will be significantly lowered.

This document outlines the most significant areas to address in order to minimize the impact of the new rate regime on mail plan cost. **Mack | Crouse Group** has the targeting expertise, the production experience and the right network of mail houses to help guide our client's approach to getting the most for each dollar spent on their mail program.

This document is divided into four parts:

- 1. Impact of New Postage Rates on Political Direct Mail**
- 2. Understanding Postage Rates and Mail Plan Design**
- 3. Four Steps to Crafting Efficient Mail Plans**
- 4. Glossary**

Impact of New Postage Rates on Political Direct Mail

The postage rate increases for standard mail (both nonprofit and standard rates) are across the board. However, there are three areas that are most clearly affected by the new rates:

- a. "Flat Mail" rates are now much higher than "Letter" rates. Traditionally, VBM, GOTV and persuasion direct mail does not qualify for letter rates since the pieces are usually larger than the maximum allowable size.
- b. For flat mail, the difference in cost between mail that qualifies for Enhanced Carrier Route ("ECR") rates and non-qualifying mail has increased.
- c. For both letter and flat mail, the rate difference between mail that qualifies for automation vs. non-automation rates is significant.

Understanding Postage Rates and Mail Plan Design

- 1. How dense is the mailing – does the mailing qualify for ECR rates?**
In order to qualify for ECR rates, there must be at least 10 pieces per carrier route. To achieve high density ECR rates, there must be at least 125 pieces per carrier route. ECR rates for a piece entered at the Bulk Mail Center ("BMC") are as follows:

Basic ECR	\$0.216
High Density ECR	\$0.172

The lowest rates are achieved by qualifying as a high density mailing. This is often difficult to achieve in statewide mailings, but can be achieved in targeted mailings to specific geographic or demographic targets.

2. Does the mailing qualify for letter or flat rates?

To qualify as letter mail, the maximum flat size can't exceed 6.125 x 11.5 inches. Also, if the piece is folded, it must be tabbed. Political mail has traditionally not qualified for letter rates because political mail is typically larger than the maximum allowable dimension and/or because it is not desirable to tab political mail. Most letter mail in a recipient's mailbox is mailed in a #10 envelope or smaller. So, even though smaller than a traditional piece, it is still possible to create a piece that qualifies for letter rates and is larger than most mail in the mailbox.

Persuasion, GOTV or VBM pieces can be designed with finished dimensions less than 6.125 x 11.5 inches. To qualify for letter rates, the piece would have to have a mail panel parallel to the longest side and be tabbed. However, the rate difference is significant in cases where the mailing does not qualify for ECR rates:

BMC, Basic ECR Rates:

Letter	\$0.193
Flat	\$0.216

← With ECR, only a \$0.023 difference between letter and flat rates.

BMC, 5 Digit Presort, Automation Rates:

Letter	\$0.185
Flat	\$0.302

← At Automation Rates, a \$0.117 difference between letter and flat rates!

3. If the piece does not qualify for ECR rates, does it qualify for automation rates?

It is critically important to design the piece and to process the mail list in the right way to assure the majority of the mailing qualifies for 3 or 5 digit automation rates. The difference between Automation Rates and Non-Automation rates average around 3.5 cents per piece.

Automation rates are also dependent on how the list is presorted. Assuming the piece was entered at the BMC, the automation rates vary as follows:

5 Digit Sort	\$0.302
3 Digit Sort	\$0.359
Non 3/5 Digit Sort	\$0.424

4. Where is the mail entered into the postal stream – qualifying Bulk Mail Center (“BMC”), qualifying Sectional Control Facility (“SCF”) or non-qualifying postal facility?

Mail needs to be entered at either the qualifying SCF or BMC. “Qualifying” means that the mail is entered into the SCF or BMC that services the range of zip codes included in the mail list. The decision about whether to enter at a SCF or BMC is dependent on the trade-off between postage and shipping costs and the desired in-home date.

- 5. How many pieces qualify for the SCF?** – The postage discount of \$0.009 for entering at a qualifying SCF is quickly offset by the extra shipping cost if there are not a substantial number of pieces qualifying for each SCF.
- 6. Political Red Tags** – Does the majority of the mail qualify for ECR or automated rates? The risk of entering a mailing at the BMC when the majority of the mailing does not qualify for ECR is the losing the “Red Tag” effect. ECR mailings are presorted to the carrier route and the red tag remains in place until the local post office where the carrier picks up the mail. Automated mail entered at the BMC will be treated as red-tagged at the BMC – but not necessarily throughout the post office distribution from BMC to SCF to DDU to letter carrier. So, to the extent economically feasible, mailings mailed under automation rates should be entered at SCFs.
- 7. Desired in home date** – Dropping at an SCF usually results in the piece arriving in home a minimum of 2 to 3 days faster than dropping at the SCF.

Four Steps to Crafting Efficient Mail Plans

The approach to the design and drop strategy for all political mail programs should be considered early in the planning process taking into account:

1. **Targeting** – The total mailing cost should be taken into account when targeting potential voters – this is especially true in statewide mailings. For example, choosing a larger universe to a more limited geographic area will minimize postage costs.
2. **Mail List** – How dense is the mailing? The mail list should be evaluated early to determine whether a substantial portion of the mailing is going to qualify for ECR rates or not. This means – mailing lists need to be selected and made available to our production staff as early as possible.
3. **Mail Piece Design** – If a substantial portion of the mailing does not qualify for ECR rates, make sure that the design qualifies for automation rates at a minimum. Also, consider whether or not to go with a design that will qualify for letter rates. See rules for automation mail in glossary following.
4. **Drop Strategy – Drop Strategy** – Assess the list early to determine the drop strategy. Does it make sense to go to multiple SCFs or to simply enter the piece at qualifying BMCs? This decision can only be taken after running the mail list to determine the overall discount vs. estimated shipping cost.

Glossary

BMC Bulk Mail Center	The top of the USPS mail distribution chain – services a range of 3-digit zip codes.
SCF Sectional Control Facility	The next step in the USPS mail distribution chain – typically services from one to three 3-digit zip codes.
ECR Enhanced Carrier Route	Enhanced Carrier Route mail is presorted and bundled according to the actual carrier routes walked by individual postal delivery employees. To qualify for ECR rates, there must be at least 10 pieces per carrier route.
High Density ECR	ECR mail where there are 125 pieces per carrier. High Density rates are significantly lower than basic ECR rates. The only better rate is “saturation rates” which means mailing to every residential household on a carrier route.
Entry Discount	<p>The discount for offered by the USPS when mailers deliver the mail directly to a qualifying BMC or SCF. To qualify, the piece must be delivered to the qualifying BMC or SCF – which means that the pieces must be in the range of zip codes serviced by the BMC or SCF.</p> <p>It is also possible to go one level deeper in the distribution chain and deliver to the Delivery Destination Unit (“DDU”). This is rarely done for political mailings, since the increased shipping costs are typically far greater than the postage savings. Typically, DDU drops are only done when a piece is dropping on a Friday or Monday before a Tuesday Election Day.</p>
Standard Mail	Mail that is mailed at either standard or nonprofit rates. This is what is commonly known as “third-class” mail.
Letter Rate Mail	<p>Letter rate mail is standard mail that meets the design requirements as defined by the USPS:</p> <ul style="list-style-type: none">▪ no wider than 11.5”▪ no taller than 6.125”▪ must be at least 9 points thick▪ if the piece folds, it must be tabbed▪ the mail panel must be oriented parallel to the wide side of the mailer

Flat Rate Mail	Any mail that does not qualify as Letter Rate Mail. Mail will qualify for flat rates as long as it is not considered a parcel. Political direct mail is always designed to qualify as either a letter or flat rate mailing.
Automation Mail	<p>Mail that qualifies for USPS Automation Rates. Automation rates can be paid for both Flat Mail and Letter Mail. The key requirements that need to be met to qualify for automation rates are –</p> <ul style="list-style-type: none"> ▪ The piece must be machinable (USPS has extensive definition of what qualifies as “machinable”). ▪ There must be a bar code representing the 9-digit zip code inkjetted on the piece (this is done at the same time the address is inkjetted on the piece).
Political Red Tag	Political Red Tags are attached to mailings prepared for political campaigns, campaign committees and other entities mailing political mail. The political red tags assure that the mailing is expedited through the USPS distribution process.

Contacts: For further information regarding this document, please contact:

Jim Arnold (jarnold@mackcrouse.com)

Nick Hummel (nhummel@mackcrouse.com)