

Petersburg Life Reduces Returned Mail By Half

Reducing costs is important for any organization. And one of the best ways to reduce costs is to attack the problem of returned mail.

That's what Petersburg Life Insurance Company did. The effort is yielding impressive savings—nearly \$600,000 a year in lower postage, handling, materials and labor costs. Plus, the firm is enjoying much improved relations with both its customers and agents.

"We knew for some time that returned mail was a problem at Petersburg Life," explains Richard Shriner*, who serves as Director of Document Technology and Services for the Missouri-based insurer. "But we are a decentralized organization, and we operate through eight independent business units. So it was difficult for us to gauge precisely the various costs that are associated with returned mail."

For assistance in determining the full scope of the problem, Shriner turned to the mailstream experts at Pitney Bowes, an organization that he worked with in an earlier job with another insurance company. "I was experienced with the Finalist® software product, which is superb for standardizing, verifying and correcting addresses," Shriner says. "I thought Finalist would be involved in our solution in some way."

THE TRUE COST OF RETURNED MAIL

"The eight autonomous business units of Petersburg Life distribute more than 10 million mail pieces a year across dozens of applications, such as premium notices, statements of accounts, routine correspondence and agent commission statements," Shriner explains. "Each unit views and handles the problem differently."

The first step was to focus on the facts and find out exactly how many mail pieces were returned each year, how they were handled, and how much it cost to receive, reprocess and re-mail the messages. Pitney Bowes mailstream consultants helped Shriner create a detailed survey, which was distributed to the eight business units and served to elicit the pertinent facts needed to understand the scope and cost of the problem at Petersburg Life.



According to Shriner, the survey revealed four key aspects to the returned mail problem.

1. More than 650,000 mail pieces—or roughly 6.5% of the 10 million distributed each year—were being returned marked Undeliverable as Addressed.
2. Relations with both customers and agents were hampered because important communications were being delayed, and in some instances not delivered at all.
3. There was uncertainty as to whether the firm's current efforts were sufficient to comply with postal regulations and preserve its postage discount.
4. The cost to handle and re-mail those messages, as well as investigate the invalid address information and update the firm's customer information database, totaled more than \$1.1 million a year.

The cost and unnecessary expenses associated with returned mail added up quickly:

- Labor and the manual handling of returned mail and move notices, and efforts to contact customers and update the customer database: \$250,000.
- Lost postage for messages that were never delivered to the recipient: \$190,000.

- Outside service to investigate and update invalid addresses: \$72,000.
- Re-generating, re-processing and re-mailing the messages to a correct address: \$485,000.

The total cost: approximately \$2.00 per returned mail piece. To solve the dilemma, Petersburg Life implemented an integrated software solution involving three tools from Pitney Bowes: StreamWeaver® for print stream engineering, Finalist® for assuring address quality, and a move update solution that fully complied with USPS® requirements.

AUTOMATED PRINT STREAM PROCESSING

After each mailing application is processed at the mainframe, but before it is received at the print/mail finishing center, StreamWeaver automatically intercepts the print stream for conditioning and manipulation. The system locates and extracts the name and address information for each mail piece and calls on the Finalist software to standardize, verify and correct each element of the address information.

Next, StreamWeaver invokes the move update software to compare the customer address data in the print stream with the USPS® database, which contains the last 13 months of move update data. Each address is updated as necessary and an additional file is created and appended, which enables Petersburg Life to automatically update their central customer database in batch mode.

Lastly, StreamWeaver performs a mail piece consolidation function by searching the print stream for multiple mail pieces going to the same recipient. The solution re-sequences the print stream so that related pieces are grouped together for easy inserting into a single envelope. Or, in the case of agents receiving a large combined mailing, the materials are grouped together for assembly into a single package.

Initially, Petersburg Life migrated two applications to the new solution, and the results were extraordinary.

LOWER COSTS, HIGHER PRODUCTIVITY

The total number of returned mail pieces decreased by nearly 40%. If extrapolated over the insurer's entire annual mail volume, that means an eventual reduction of about 300,000 returned mail pieces each year, or a savings of about \$600,000.

Shriner expects those savings to be even higher over time because the merging of mail pieces is resulting in far less outgoing mail. "Our daily outbound mail volume is now lower by about 15-50%, depending on the specific application, which in turn is influenced by the number of customers holding multiple policies and the amount of mail going to our agents," he says. "Our total returned mail volume will be declining well into the future."

Plus, Shriner believes even better results will be achieved once the firm's customer and agent databases receive regular updating. "We work with about 60,000 agents, and this year we mailed 1099 tax forms to about 17,000 who had commission income in 2001," he explains. "Typically, that mailing would result in several hundred pieces of returned mail. But this year we received only ten."

This decrease in returned mail is allowing the firm to redeploy its people into higher value and more productive work. "Before we implemented this mailstream solution, we had the equivalent of 22 full-time people working on some aspect of the returned mail problem," continues Shriner. "We have already migrated most of those people to other tasks as the volume of returned mail has decreased."

As an added bonus, Shriner has learned that shifting the remaining mailing applications to the new processing solution is far easier than expected. "We were able to implement the first two applications without any involvement from our IT people, which is big advantage in time because of the heavy backlog of work they face. The Pitney Bowes Professional Service organization has been superb for us," he explains.

"We engaged Pitney Bowes to implement the first two applications for us. They performed the analysis, prepared the specifications and wrote the initial programs," he continues. "And they came in exactly on time and on target and without any glitches. Plus, those original programs were easy for us to replicate, so we can migrate additional applications with only minimal additional help, which helps speed our implementation and eventual pay back on our investment."

* These names have been changed at our customer's request.



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