White Paper

RETURN MAIL IS BAD FOR BUSINESS

Best Practices for Address Management

LANVERA

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ABSTRACT

Organizations that mail documents in mass volumes typically do not realize the impact of a bad address. According to the U.S. Census Bureau, 11.5% of all U.S. residents move every 12 months. This fact alone creates tremendous headaches for companies that are required to send customer-facing mail pieces. Digital solutions such as ePresentment only compound the problem as customers with electronic access to documents typically do not see the need to update their addresses as frequently.

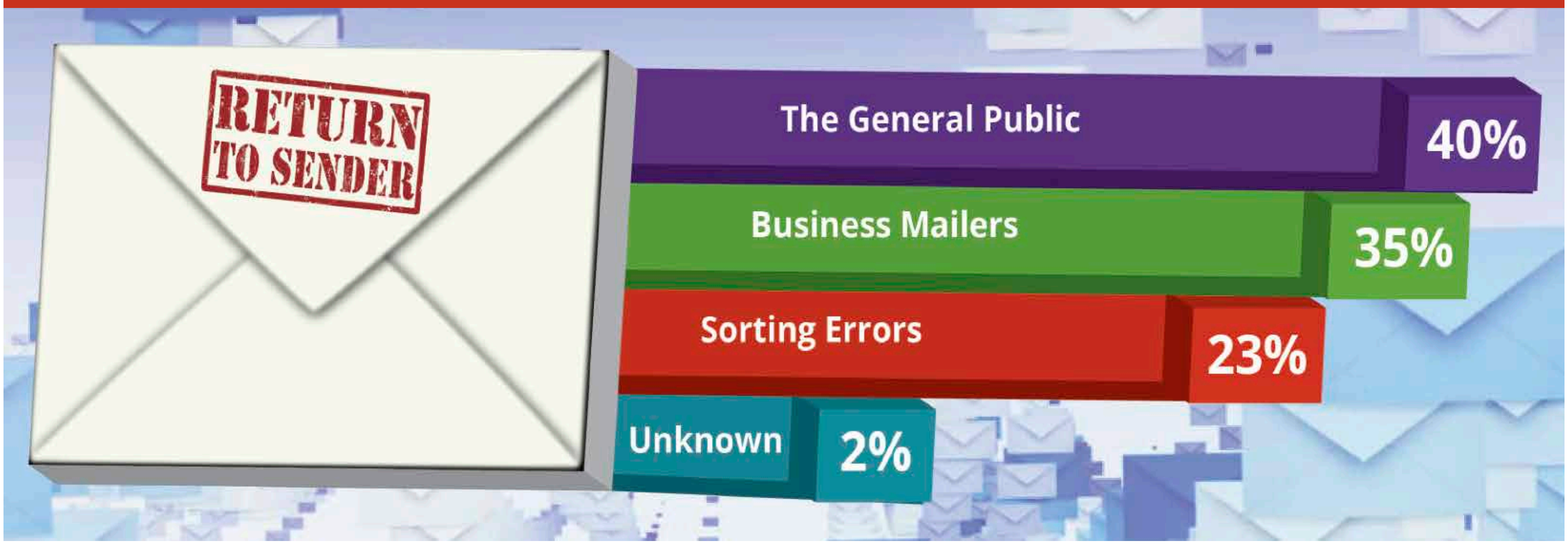
Of an estimated 155 billion processed mailpieces annually, over 6.6 billion are identified as undeliverable as addressed (UAA) by the USPS.

One bad address means wasted time and money, as well as a damaged reputation. Aside from postage and material costs, return mail also results in increased labor costs, reduced cash flow, delayed payments, impaired customer relationships, noncompliance, and other unseen problems that cut into operational efficiencies and margins. There are several strategies that can be implemented to reduce the adverse effects of return mail, which will be discussed.

WHY ADDRESS FORWARDING FALLS SHORT

The United States Postal Service (USPS) offers mail forwarding services to consumers who change addresses for twelve months after the forwarding is scheduled to begin. In most cases, the consumer assumes if they are receiving all of their mail at the new address that all of the organizations they receive regularly scheduled mail from are aware of the address change. However, once the 12 month forwarding period lapses and the physical mailing of transactional and other important documents ceases, the flood of return mail begins. This creates major problems for both the organization and the customer. The cost of time, money, compliance risks and damaged customer relationships can be astronomical.

United States Postal Service Undeliverable as Addressed (UAA) Causes



THE PROBLEM

Each Month, stacks of mail are stamped “return to sender” by the USPS and shoved into corners of mailrooms until someone opens the mail and determines how to find the intended recipient and what specifically was intended for them. Approximately 4.3% of all First-Class Mail does not get delivered, amounting to 6.6 billion pieces of mail annually labeled “Return to Sender/Return Mail.” Furthermore, according to Pitney Bowes, approximately 35% of those 6.6 billion pieces of return mail originate from the financial space- mainly due to return mail being managed at decentralized locations.

Different departments have different standards for managing return mail, and the central organization does not get visibility to the enterprise problem. For example, one department of a company cannot forgo making an address change without the client’s approval, while another can update an address just based on USPS NCOALink® or Address Correction Service (ACS®) data. This makes it difficult for the organization to ensure that lines of business are meeting the requirements for USPS work-sharing discounts. Without centralized reporting and analysis of return mail, how can an organization meet compliance requirements in a Postal Inspection Service audit?

Most people do not realize that return mail and correction charges alone can cost an average of $5 per piece of mail. This results in an organization losing tens, and in many cases hundreds, of thousands of dollars annually. A bad address goes far beyond the cost of postage, envelopes and re-sending documents and negatively affects operational costs, invoice payments and brand reputation.

1. Initial Production and Mailing Cost is Lost

Consider the entire cost of the original mail piece. Since the returned mail piece has not yet been delivered as intended, the cost of processing and mailing has been lost. If the mail piece has been returned by the USPS, the mailer has now paid full production, materials and postage costs, yet still has an undelivered mail piece. From there, the entire mailing process must begin again with composition, printing, insertion into envelopes, and postage. Typically, the volume and density of regenerated mail requires it be sent at non-discounted postage prices.

Finally, an organization can see up to a $25/piece cost when a return mail item contains a check because they must cancel, re-authorize and re-issue the check. With undeliverable mail items containing credit cards, the cost is even higher, with some companies reporting up to a $75/piece profit loss.

The Financial Impact of One Return Mail Piece

$5 *The average hard cost of return mail correction charges*

$25 *The cost of reprocessing a return mail piece containing a check*

$75 *The cost of reprocessing return mail piece containing a debit or credit card*

2. USPS Fines for Return Mail

By USPS mandate, organizations must update First-Class Mail claiming discounts and Standard Mail™ with customer move information within 95 days prior to the mailing. If an organization's mailings do not reflect current customer addresses, the USPS can fine the company. Furthermore, as explained in a 2014 OIG report about UAA mail, the USPS has a policy that says if a mailer fails to meet a 70 percent address accuracy threshold as part of Move Update, the Postal Service assesses the mailer a 7-cent-per-piece surcharge on the portion of the mail that exceeds the 30 percent tolerance.

3. Collateral Damage

The hard costs alone should be sufficient motivation for most organizations to eliminate the problem of returned mail. But the soft costs of returned mail can be even more significant, especially for the organization as a whole.

The most tangible soft cost involves the delay in the receipt of revenue, a negative for any business. Undeliverable invoices that are returned interrupt cash flow; and the invoices that never reach the customer do not render payment. When a payment fails, the billing organization adds late fees, fueling customer dissatisfaction and increased call center activity from inbound complaint calls. Furthermore, the delay in delivery and subsequent delay in payment may also cause a customer to exceed a credit limit, resulting in embarrassment and anger when the customer tries to make additional purchases. The costs incurred through CSR support and additional incentives in attempts to salvage a customer's business loyalty are difficult to quantify, but do take a major toll on the bottom line. Once customers are dissatisfied, it is very hard to get them back. In fact, it is far less expensive to keep a customer than it is to acquire a new one or re-acquire a lost one. On average, it costs six times as much time, money and resources to onboard a new customer than it does to retain an existing one.

Undeliverable mail can also lead to a loss in sales. For example, customers who don't receive statements also don't receive inserts and other promotional and marketing-related mailings, meaning that additional or incremental sales can be lost.

Bad addresses give hackers a chance to steal...

Every year, an average of 9.9 million Americans are victims of identity theft

***4%** of identity theft victims cited stolen mail as the source of personal information stolen*

4. Compliance Risks Become Greater

The longer an organization sends mail to an undeliverable address, the greater the risk of noncompliance becomes. For instance, if a distressed mortgage loan notice is sent to an incorrect address, the borrower who never received the notice then has grounds to file a lawsuit. Even if the servicing organization is able to prove when a document was sent and what the envelope contained, an incorrect address may work against them in a court of law. Attorney fees, time and labor spent in tracking down the customers' transactional document history and settlement cash are all factors to strongly consider when looking at the bottom line.

Additionally, in the financial market, the Red Flags rule of the Fair and Accurate Credit Transactions Act (FACTA) provides compliance requirements associated with change-of-address fraud. However, due to the ever-changing technological landscape, many financial institutions do not realize they are not completely protected by these rule requirements and are still susceptible to data breaches.

5. Data Breaches

Thieves and scammers are well aware that on average, mail takes 45 days to be returned. In turn, they take advantage of an organization's inability to detect a bad address over a length of time, taking possession of personal data and mail offers. One of the most common scams mentioned, change-of-address fraud, involves an identity thief asking a financial institution to send a replacement debit or credit card to a "recently changed" address. What happens next? The customer's account is depleted by the thief, resulting in an unhappy customer and a hard hit on the organization's bottom line.

By not addressing the problem of undeliverable addresses immediately, an organization may be keeping the door open for simple and preventable data breaches that harm the customer, as well as brand reputation.

The bad address cycle has two entry points: one at the conception of a customer profile, and the other when a customer moves residencies and does not provide a change of address.

BAD ADDRESS CAUSES

1. Errors During the Creation of a Customer Profile

When creating a profile, a customer or CSR can accidentally enter the incorrect postal code, mistype a number or street name, or leave out suite or apartment information. This problem is compounded today through mobile data entry, which makes consumers more susceptible to typing incorrect letters and numbers on small touch screens. When this information is not checked at the point of entry, all future correspondence suffers, resulting in a poor customer relationship and unnecessary costs.

Many organizations have implemented the costly and undependable practice of sending correspondence to a first-time customer in order to identify potential faulty address problems and remedy them. However, this still results in excess time, labor and materials costs.

2. Customer Moves and Does not Provide a Forwarding Address

Many well-intentioned customers will visit their local USPS office or go online to provide forwarding addresses upon moving residencies. However, a majority of individuals still do not realize that even though they have completed this task, they still must directly notify each organization they regularly receive transactional documents from. What happens when an organization mails a document to one of these customers? It is forwarded from the USPS to the correct address, unbeknownst to the organization sending the piece. From there, the customer receives the forwarded mail from the organization for twelve months, and the mail pieces past that time period are then stamped "Return to Sender," adding USPS penalty fees to the mix, as well as unforeseen operational costs. If the customer receives documents electronically, they do not see the need to notify the organization of not receiving paper version.

DID YOU KNOW?

11.5% of Americans change addresses annually

HOWEVER, only 60% of those address changes are filed with the USPS, and even less are reported to individual organizations

As the USPS requires absolutely accurate addresses for mail delivery, the best place to remedy an incomplete or incorrect address is at the point of entry.

UNSCRUPULOUS FIXES

There are many address management non-secure websites that promise to update customer data at nominal fees. What many organizations do not realize is that these fixes can actually cost more money, as well as more headaches. Picture this: An address list is uploaded to a non-secure website for updates and verifications. The list is then hacked by a cyberthief and sold/used for identity theft, money laundering and other scams. As a result, the responsible organization not only incurs the hard costs of reimbursing affected customers, but also legal ramifications, damaged relationships and extra labor costs. By not partnering with a secure, trusted and known vendor, organizations put their customers' data in jeopardy of being compromised.

THE ANSWER

Lanvera's Real Time Delivery Point Validation: Addresses can be corrected at the point of list upload by partnering with a trusted and known vendor that has a secure website where customers enter addresses that are automatically formatted. Lanvera is SSAE 16, SOC 2, Type 2 and HIPPA compliant, meaning customer addresses will be safe and secure.

Lanvera's NCOA Database Incorporation: Another effective way to better manage undeliverable mail is to partner with a vendor that syncs with the NCOA database, providing information about the customer move and forwarding address, if available. From there, it is recommended that an NCA Notification is sent to both the old address and the new address to request clarification from the customer.

CONCLUSION

Return mail is often overlooked and requires an organization's full attention by partnering with a secure, trusted and known address management vendor. With nearly one in every nine Americans changing their addresses every year, high volume mailers are faced with a continuing need to update customer address lists. They can either continually correct the problem after each mailing; or they can do it before a mailing is prepared, thereby saving time and money, satisfying compliance standards and strengthening customer relationships.

To learn more about address management and partnering with Lanvera, contact our team at lanverainfo@lanvera.com.

Sources: United States Postal Service, U.S. Census Bureau, Pitney Bowes