

# Where Did My Customers Go?

The Problem of Undeliverable-As-Addressed Mail



# Where Did My Customers Go?

## The Problem of Undeliverable-As-Addressed Mail

### INTRODUCTION

The U.S. Postal Service® said it best when it noted in its recent annual report that “Nothing delivers like the power of the mail.” Mail is a powerful communicative device, but what happens when your mail doesn’t reach the intended recipient? What happens if your message is lost due to an incorrect or outdated address? Can you put a price tag on that failure to communicate? The USPS® can.

Undeliverable-as-addressed (UAA) mail costs the USPS more than \$1.8 billion each year to process according to published reports. And the USPS revealed that more than six billion mail pieces are disposed of every year because of poor address quality. That means they never even left the Post Office™ and went straight into the dumpster!

The main culprit is incorrect and outdated addresses on business-to-consumer mail. This kind of mail accounts for roughly 80 percent of the mailstream. That’s why Postmaster General Jack Potter’s goal is to reduce UAA by 50 percent by 2010.

The USPS hopes to achieve this goal through new technology, education, new penalties, and incentives to help companies clean up corporate mailing lists and move forward with data quality initiatives.

Even companies that don’t do a lot of mailing can reap the benefits. Private sector reports estimate the cost of returned or undeliverable mail at more than \$3 per piece. That’s a pricey—and devastating—hit to a company’s bottom line. Fortunately, reducing UAA mail is something that can be achieved easily and cost-effectively with the use of proper address management practices.

***“As responsible practitioners, we should be applying mail delivery improvement procedures routinely. It begins with adjusting our objective to getting mail into mailboxes, not simply into the mail stream.”***

*-Robert B. Swick, Address Management Solutions Inc  
DM News*

### **The True Cost of UAA Mail**

Before creating an action plan to reduce and prevent UAA mail, it’s important to know the root of undeliverable mail.

The main contributor to UAA mail is the estimated 43 million Americans who pick up and move every year. More than 17 percent of Americans change their residence each year and nearly 20 percent of all businesses change locations, published reports state. Some file a change-of-address notice with the USPS, while others do not.

As a result, your address database deteriorates at an estimated rate of 15 percent per year because of moves associated with families, individuals and businesses.

### **Direct Costs of UAA Mail**

The direct cost of UAA mail are the costs associated with producing and mailing the ultimately wasted mail piece. A First-Class™ mail piece (one ounce letter) costs \$0.31 at the 5-digit presort rate category. If you mail 25,000 pieces and 7,000 are undeliverable as addressed – your business wasted \$2,170 in postage alone.

Add to that the additional cost to create and print the mail piece – and the picture is even more grim. For instance, if it cost \$1.10 to design and print the letter, and 7,000 pieces never get to the right people – that's an additional loss of \$5,500 in marketing costs above and beyond the wasted postage, for a total loss of about \$7,700.

### **CRM Costs Associated with UAA Mail**

The CRM cost is the biggest cost contributor, but it's also the most difficult to determine and the least understood. CRM costs reflect the damage to customer relationships that result from failed communication. If a mail piece does not reach a customer or prospect, then the business objective for that mailing failed.

Determining the CRM impact on customers can be calculated using the estimated annual value of the customer divided by the number of times that customer will tolerate poor service. For example, a local cable company subscriber generates about \$700 per year in revenue. If the number of times that subscriber will put up with any CRM disappointment (which could include lost or late invoices or promotional material), before canceling, is estimated between 20 to 25, then the CRM cost of an event involving an undeliverable mail piece has a value of about \$28 to \$35 per piece.

Another way to determine the impact of UAA mail is by factoring in the customer's annual value times the customer's expected response rate. So, if the average value of a new customer is \$600 the first year, and the customer's expected response rate is about 5 percent, then the CRM cost of an undeliverable mail piece is \$30.

Fortunately, it is possible to reduce, and ultimately prevent undeliverable mail by maintaining good data quality and regularly updating your database with change-of-address information.

## **DEPLOYING THE FIRST LINE OF DEFENSE**

### **Getting it Right From The Start**

The key to maintaining good data quality is validating customer address information at the point-of-entry. Utilizing this method – either via a data quality Web service program or API – helps prevent address errors from entering your database in the first place. Correcting and validating customer data from the start is an effective way to significantly reduce UAA mail.

How do address errors get into your database in the first place? They can come from a variety of sources

– internally from within your IT department due to data migration or system errors, or by customer service or sales reps doing data entry, to external ones like customer order entry, reseller databases, etc. According to a report from The Data Warehousing Institute (TDWI), customer data entry accounts for 26 percent of errors, while external data sources account for 38 percent.

But it's customers themselves who are the main cause of address errors. According to TDWI, your customers account for 74 percent of poor data quality. Your customers are not static data, they are constantly changing: moving to new locations, changing their jobs, getting new phone numbers, changing their names due to marriage, etc.

As a result, every customer change is an opportunity for data to be entered incorrectly or quickly become out of date.

## **NCOA<sup>Link</sup>® TO THE RESCUE**

### **What is NCOA<sup>Link</sup>?**

Another way to reduce UAA mail is to implement change-of-address processing before you mail. National Change of Address (NCOA<sup>Link</sup>) is a database owned and updated by the USPS, containing approximately 160 million permanent change-of-address (COA) records filed with the USPS over the last 48 months. The database is comprised of 47 percent family moves, 47 percent individual moves and 6 percent business moves.

Prior to mailing, companies can have their list(s) matched against the USPS NCOA<sup>Link</sup> database to identify individuals, families, and businesses that:

- Have moved and completed the USPS COA Form (Moved, with forwarding address)

NCOA<sup>Link</sup> processing will return a new address for any person, family or business that moved or filed a COA record within a 48-month period.

### **The Origins of Poor Quality Data**

Which of the following most often contribute to data quality problems in your organization? Source: TDWI.

- Inconsistent definitions for common terms 75%
- Data entry by employees 75%
- Data migration or conversion projects 46%
- Mixed expectations by users 40%
- External data 38%
- Data entry by customers 26%
- System errors 25%
- Changes to source systems 20%
- Other 7%

### **Did You Know?**

Over 6 million trees are wasted each year because of UAA mail.  
- Source: UAA Clearinghouse

### **The Benefits of Using NCOA<sup>Link</sup>:**

- Reduces undeliverable mail by providing most current address data
- Prevents having to re-send mail pieces because address is updated prior to mailing
- Lowers postage, printing and mail preparation costs
- Meets USPS requirements for First-Class Mail<sup>®</sup> and Standard Mail<sup>®</sup> discounts

### **How to Access NCOA<sup>Link</sup>**

Today, mailers have more options to choose the way they would like to update their files with change-of-address information. Mailers can send their files to a licensed NCOA<sup>Link</sup> vendor via email or more securely via FTP transfer. Typically, turnaround is one to two business days depending on the time of day the vendor receives the file and paperwork. Vendors can usually accommodate a same-day processing request.

Some vendors now offer automated Web services for companies that frequently process files and require even faster turnaround. Utilizing a Web service allows the mailer to build a seamless address verification and updating process into their application so there is no transfer of files or formatting issues. The process occurs in real-time so a mailer can process an unlimited number of records 24/7 without having to wait for a vendor to process and return the updated file.

### **Expanding NCOA<sup>Link</sup> to Other Types of Mail**

To qualify for postal automation and presort discounts, First-Class Mail and Standard Mail must use a USPS-sanctioned move update method like NCOA<sup>Link</sup>.

By expanding the rules to include Standard Mail in 2008 – the most widely-used mail format – the USPS has demonstrated its pledge to crackdown on undeliverable mail.

According to the USPS, First-Class Mail volume declined 5.9 percent, while Standard Mail volume grew 14 percent in the past five years. And the Postal Service expects Standard Mail volume to continue to increase. The USPS also wants to increase the frequency of address updating that mailers must perform. USPS announced that First-Class and Standard Mailers must apply a Move Update method 95 days prior to mailing – reflecting a bold move to encourage mailers to update addresses more frequently before mailing, in order to receive postal discounts.

### **Going Beyond NCOA<sup>Link</sup>**

While NCOA<sup>Link</sup> is a necessary and effective data hygiene process (and required for postal discounts), more than 40 percent of all moves are not filed or reported to the USPS – a potential blow to businesses sending mail.

Fortunately, there is a new resource available that goes beyond the traditional NCOA<sup>Link</sup> route to catch those unreported moves and more. That resource is known as “UAA Processing.”

UAA Processing taps a central repository of compiled, confirmed UAA data (currently more than 33 million unique records) from multiple sources.

Over 1 million ACS™ (Address Correction Service) updates are recorded each week, along with more than 150,000 self-reported change-of-addresses from over 100 contributing companies in the publishing, telecommunications and financial services industries. ACS provides change-of-address information to mailers electronically or manually.

Once a list has been processed for NCOA<sup>Link</sup>, it can be matched against the UAA database. This will flag additional undeliverable mail and the reason why – including consumer-reported moves, death or divorce, or missing apartment numbers, for example.

There are a limited number of service bureaus offering this unique processing service, and those that do, offer pricing based on a per match basis. This means that customers are only charged for records that have been updated or flagged – thus providing immediate and significant ROI to those utilizing the service.

Why? Because the cost per match is significantly lower than the postage and production costs that would have otherwise been wasted by mailing those undeliverable mail pieces. In essence, UAA Processing is a perfect complement to NCOA<sup>Link</sup> processing. The combined services ensure the greatest level of identifying undeliverable-as-addressed mail. In addition, decreasing the amount of paper and printing wasted on UAA mail is a cost-effective way of “going green” – smart for you and smart for the environment.

Annual Mail Volume	Hard & Savings	Paper Saved	Trees Saved	Annual Reduction in Client Mailing Costs - Example Assumptions <ul style="list-style-type: none"> <li>- 5% match rate against UAA Database</li> <li>- \$0.40 cost per solicitation (standard class)</li> <li>- Average mail piece – 1 ounce</li> <li>- 1 tree generates 130 pounds of paper</li> </ul>
1,000,000	\$20,000	3,125 lbs.	24 trees	
10,000,000	\$200,000	31,250 lbs.	240 trees	
50,000,000	\$1,000,000	156,250 lbs.	1,202 trees	
100,000,000	\$2,000,000	312,500 lbs.	2,404 trees	
500,000,000	\$10,000,000	1,562,500 lbs.	12,019 trees	

### **Calling in for More Back Up**

The USPS is serious about its goal to slash UAA mail volume by 50 percent by 2010. In fact, the USPS now requires that CASS Certified™ software include DPV™ and LACS<sup>Link</sup>™ processing for ZIP + 4® encoding.

DPV confirms that an address has an actual point of delivery and also identifies addresses located at a Commercial Mail Receiving Agency (CMRA). According to the USPS, if a ZIP Code™ does not have a primary number of the address (and is not confirmed as deliverable), then the 5-digit ZIP Code will not be assigned a ZIP + 4 code – a critical component to accurate mail delivery and required for discounted mailings.

The LACSLink process identifies and updates addresses that have been converted from primarily rural route and box number to standard city-style addresses. The database also includes addresses that have gone through some type of restructuring, such as existing city-style addresses where streets are renamed or addresses are renumbered. LACSLink processing does not verify name to address.

***“No amount of time, wishful thinking, or lack of attention will turn a bad address into a deliverable one. Left uncorrected, a bad address will remain in your list and repeatedly cost you postage, processing... you will continue to pay those charges again and again only to have the piece land in a recycle bin and not a mailbox .”***

*-Mary Ann Bennett, President and CEO, The Bennett Group  
Excerpt from MAIL: The Journal of Communication Distribution*

Utilizing DPV and LACSLink as additional address correction tools will help mailers achieve automated mailing discounts, cut high postage costs, improve response rates – and most importantly, maintain clean, updated databases.

## CONCLUSION

Reducing undeliverable mail can be achieved easily and cost-effectively with the use of proper address management practices. These methods include validating customer address information at the point-of-entry, via a real-time Web service or API, and utilizing a Move Update/premailing processing solution.

Implementing these address management practices can significantly reduce undeliverable mail and help you save money. Mailers who apply USPS-sanctioned Move Update processing methods qualify for presort and automation discounts.

Maintaining an accurate contact database is the key to building profitable relationships with customers. Every bad address costs the company in wasted postage, printing, and packaging, and every piece of mail communication that fails to reach the intended customer could harm the customer relationship or sever it all together.

Implementing a smart address management strategy that includes address validation and change-of-address processing will not only provide immediate ROI in the form of cost-savings, but also give you more opportunities to build your brand and cultivate a stronger relationship with your customers.

### **About Melissa Data Corp.**

Melissa Data is an active DMA member, as well as a member of the DMA's List and Database Council. For over 23 years the company has been a leading provider of data quality solutions with emphasis on address and phone verification, postal encoding and data enhancements. A powerful line of software, databases, components and services afford customers the flexibility to achieve quality U.S., Canadian and international contact information using almost any language, platform and media for point-of-entry or batch applications. For additional information, visit [www.MelissaData.com](http://www.MelissaData.com) or call 1-800-MELISSA.