The USPS and Postal Logistics

Part of the 2021 Production Week Series

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Agenda

- State of the Postal Service
- Likely future of the USPS
- Understanding Entry Points & Tiers
- Postal Logistics Strategies
- Mail Intelligence Planning
- A few other things to think about







The Postal Service Today

- Financial Position
 - Continuing to lose money -\$299M in January
 - Losing volume: FCM -4.9% YTD; MM -8.3%
 - Packages are making a profit and growing for now
 - \$10 billion grant
 - Costs are simply outrunning revenue





Service Has Been Terrible

		USP	S Ser	vice I	Perfor	man	ce for	PQ I	/FY 20	021 (0	Octob	er 1 -	- Dece	embe	r 31, I	2020)				
			F	irst-Cla	ass Ma	il				Ma	arketin	g Mail	(Overa	all)			dicals erall)		age Sei Overal	
	Single	-piece	Prese	orted le	etters	Pres	orted	flats			HD,	/Sat								
	2-day	3/5-day	Over- night	2-day	3/5-day	Over- night	2-day	3/5-day	EDDM Retail	Carrier Route	Letters	Flats	Letters	Flats	Parcels	ln- county	Outside county	BPM flats	BPM parcels	Media/ Library
Eastern Region	77.6	49.6	88.9	81.3	74.3	60.9	60.7	52.5	69.8	77.9	83.8	80.5	82.1	64.6	51.0	66.1	65.8	52.4	<mark>97.3</mark>	73.7
Chesapeake	67.2	43.3	80.0	70.1	64.1	56.8	51.2	45.9	69.4	73.3	79.1	80.6	77.5	57.9	57.1			47.2	<mark>97.1</mark>	69.5
Coastal Southeast	82.7	50.6	93.0	88.8	77.8	50.9	65.1	54.0	63.7	75.2	85.4	74.2	83.8	62.2	44.2			56.9	<mark>95.8</mark>	74.5
Lakeshores	73.7	47.8	85.4	77.4	74.2	58.1	56.9	52.1	75.5	80.0	78.5	87.4	78.5	65.1	44.0			53.0	<mark>97.0</mark>	73.1
Mid-Atlantic	79.2	49.2	91.0	80.5	73.6	67.4	61.6	52.6	74.4	78.4	83.0	77.8	80.2	64.1	52.0			55.5	<mark>97.8</mark>	74.9
New England	84.5	54.5	94.1	89.4	76.5	75.3	66.5	53.7	73.9	77.7	89.8	84.0	87.5	67.6	59.1			46.0	<mark>97.8</mark>	73.9
New York Metro	80.2	54.4	91.9	84.3	77.8	77.9	65.4	58.1	69.8	86.7	<mark>92.1</mark>	89.4	89.9	75.3	52.2			50.8	<mark>98.0</mark>	76.8
Western Region	87.1	59.4	93.8	90.2	81.6	79.2	74.7	59.0	78.1	86.6	93.1	88.0	90.0	73.6	52.7	73.8	73.5	61.3	<mark>97.4</mark>	75.6
Mid-South	87.0	55.8	93.0	87.2	76.9	75.7	70.0	54.2	82.9	77.3	88.3	85.5	85.8	60.1	52.0			60.9	<mark>97.0</mark>	69.2
Midwest	84.2	58.4	92.7	90.5	83.0	83.6	73.8	56.7	85.2	87.1	88.5	89.5	86.0	75.6	56.8			67.5	<mark>97.9</mark>	74.5
Pacific N'west	88.8	63.0	95.3	94.5	84.8	82.0	79.4	64.9	77.0	<mark>93.4</mark>	<mark>95.1</mark>	87.6	<mark>91.8</mark>	86.1	55.4			61.6	<mark>97.8</mark>	76.1
Southern CA	90.1	63.0	95.1	95.7	85.8	84.3	78.4	63.7	68.8	<mark>92.0</mark>	<mark>98.3</mark>	89.0	<mark>94.9</mark>	82.4	53.5			61.0	<mark>98.9</mark>	81.7
Southwest	89.1	59.8	94.2	88.1	81.4	80.8	76.2	59.8	80.9	86.4	<mark>94.1</mark>	86.9	<mark>91.9</mark>	73.4	50.6			61.4	<mark>95.8</mark>	77.2
West Shore	83.9	54.4	92.9	87.4	73.3	65.7	67.2	54.4	76.0	77.0	90.8	86.4	88.3	57.9	47.8			50.2	<mark>97.0</mark>	71.8
National	82.0	54.8	91.6	85.0	78.3	71.0	67.2	55.9	73.6	81.9	88.2	84.1	85.9	69.1	51.7	69.8	69.5	57.2	<mark>97.3</mark>	74.7





The Holiday Crisis

- Caused almost entirely by COVID-19
- Absenteeism in facilities
- Unprecedented packages
 - Literally no place to put them
 - Pallets of mail stuck behind packages
 - Temporary facilities used to hold overflow
 - Loss of FIFO
 - Some facilities worse than others
 - Philadelphia
 - Cleveland
 - Baltimore

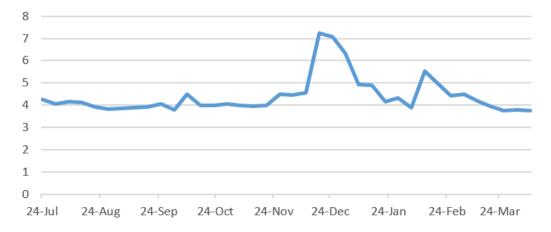




How Is Service Today?

Getting better...maybe?

FCM Letters Delivery Days 2020 - 2021







How Is Service Today?

- First-Class Mail: Presorted/automated seems to be back close to normal. Single piece is still unpredictable
- Marketing Mail (includes nonprofit): SCF inducted mail performing well.
- Origin inducted mail less predictable
- Flats remain slow in all classes





Management Changes

- Louis DeJoy, new Postmaster General
 - Disliked by:
 - Unions
 - Congress
 - Postal employees
 - Mailing industry
 - Public
 - Liked by:



· His Mom, other select family members





Postmaster General

- Appointed by USPS Board of Governors
- Can only be fired by Board Of Governors...who selected him
- New nominees maybe added to board to change balance, but there are still other limitations as to cause
- The PMG cannot be fired by the president





What DeJoy Has Really Done

- Continued removal of sorting machines, blue boxes started long before him
- Temporarily reduced overtime, changed truck schedules
- Major reorganization Split into "Retail and Delivery" and Logistics
- New Areas and Districts
- The net effect has not been good





The Future of the USPS

- Some return to normal delivery
- New service standards on First-Class Mail
 - Why do you mail First-Class?
 - Not a general slowdown proposed for other classes
- Permanently reduced volume?





10-Year Plan

- Focus on building parcel business
- Use promotions and incentives to preserve mail volume
- "Realign" network
- Expand use of ground transportation
- Focus on innovative products like Informed Delivery
- New Trucks! Sort of electric...





Rates in the Future??

- We just had our annual increase of about 1.9%
- PRC has just competed 10 year review of rate setting process 4 years late
- Increases allowed above CPI based on
 - Retirement
 - Performance
 - Density (Delivery points/pieces of mail)
- We could see up to 7% increase this summer announcement expected in May







- Anticipate higher rates in the future
- Keep lists clean by all means don't send undeliverable mail
- Temper delivery expectation on First-Class Mail
- Track your mail





Zone Improvement Plan

launched in 1943

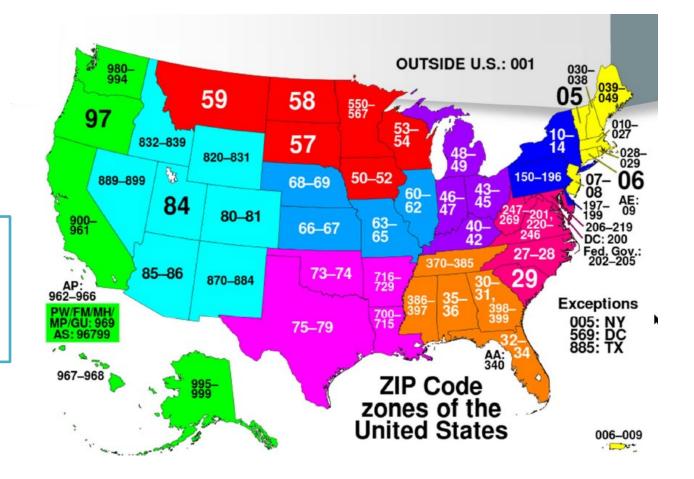






Virginia SCF's

Dulles (201, 226, 227, West Virginia 268) Northern (220-223) Richmond (224, 225, 228-237, 238, 239, 244) Roanoke (240-241, 243, 245







USPS Postal Processing Hierarchy

Network Distribution Centers (NDC) - 29 of these

• Process Pallets Only

Sectional Center Facilities (SCF) - 200+ of these

- Sorting Equipment
- Most scans take place here

Destination Delivery Unit (DDU) - 40,000 of these

- Where carriers pick up their mail processed at the SCF
- Little processing, very little automation
- Where you can buy a stamp









Presorting Your Mail

Essentially, "presorting" means grouping mail by ZIP Code. All of the pieces going to the same destination get grouped into the same bundle or tray. Mailshops sort to specific areas, and then work their way up to more general areas. All leftover mailpieces are combined together.

- Putting the data file records in order based on how the USPS finds it most efficient for them to process the mail logistically.
- There are 4 types of rate tiers (5-Digit, 3-Digit, AADC & Mixed AADC). Higher saturation in a particular geographic location allows for greater savings.
- There are 3 types of entry point tiers (Local Entry, DNDC, DSCF). The closer the mail gets to its end location the lower the postage cost.





Automation

- Automation letter or flat-size mail is mail that is 100% barcoded using an Intelligent Mail barcode (IMb) encoded with the correct delivery point routing code and prepared for the Postal Service's high-speed mail processing equipment.
- The Postal Service saves the cost of more labor-intensive sortation and shares the savings with you in the form of lower postage prices.

Commercial Prices

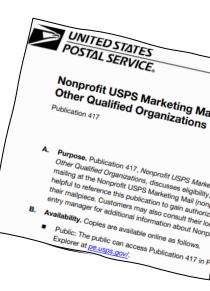
- Postal Service offers lower prices for bulk mailings because we do some of the work for them.
- Everyone benefits from this "work-sharing." Mailers make an investment in time and technology, the Postal Service's costs are reduced and the Mailers realize lower postage expenses.





Nonprofit Mailers

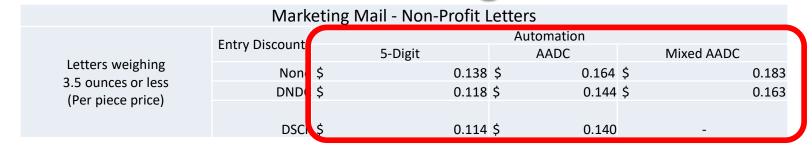
- Special nonprofit prices are available for some Periodicals and USPS Marketing Mail mailers. Nonprofit postage is lower than regular prices, but not everyone can qualify.
- Organizations wishing to mail at Nonprofit USPS Marketing Mail prices first must be authorized by the Postal Service as eligible.
- A nonprofit status from the IRS does not automatically qualify you to mail at nonprofit prices. Mailers still need to ensure that the material being mailed complies with strict requirements for nonprofit prices.
- Nonprofit postage prices are available only for domestic mail, not for international mail.
- Publication 417, Nonprofit USPS Marketing Mail Eligibility, or get advice from the Business Mail Entry Unit personnel while you are designing your nonprofit material, especially if your mailpiece contains any advertising.

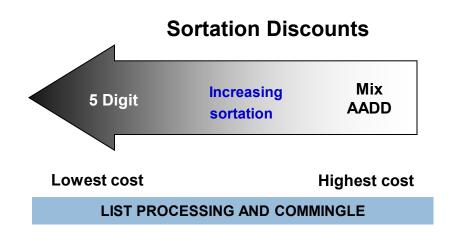






Understanding Tiers





5-Digit – 5-digit zip code on mailpiece matches 5-digit zip code at local post office level (150 pieces required)

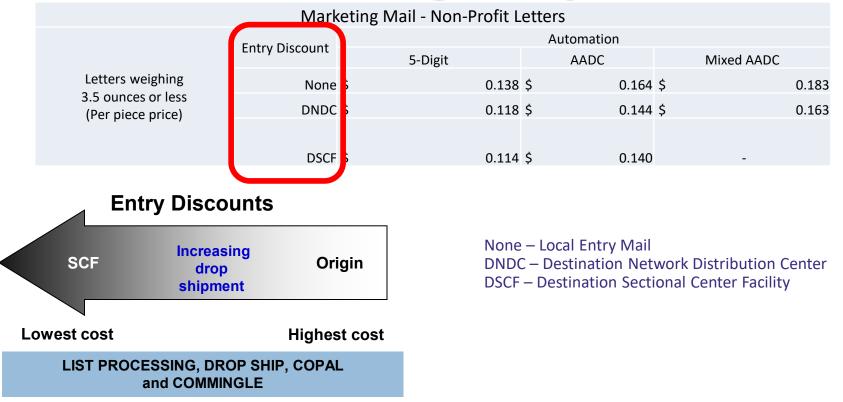
AADC – 3-digit zip code on mailpiece matches 3-digit zip code at NDC Level (150 pieces required)

Mixed AADC – Remaining balance that that doesn't fit into the 3 levels above





Understanding Entry Points



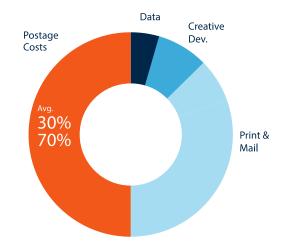




Postal Logistics Strategies

- 1. Local Entry Point
- 2. Drop Shipping
- 3. Co-Palletization or Co-Mailing
- 4. Commingle
- 5. Hybrid





"Did you know that postage accounts for such a significant part of a campaign budget?"





Local Entry Point

Mail is sorted for the post office closest to the mailshop. After induction the Post Office then begins to route the mail through the balance of the USPS Network Facilities.

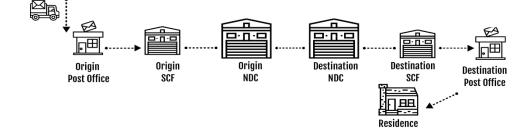
Pros: Consider for small mailings and highly concentrated local delivery. Requires tittle prep



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- Most expensive method
- Longest in-home (12-18 days average)
- Least controlled in-home window
- More machine touches which can cause potential integrity issues







Drop Shipping

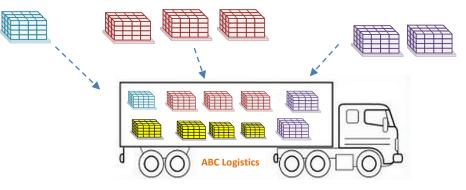
Mail is sorted for NDC or SCF entry (some mail will still fall into Local Entry, as there isn't enough mail saturation to qualify for NDC/SCF Entry rates). The mail is then loaded on 3rd party trucks to be shipped to the appropriate NDCs or SCFs. USPS will then route the mail the rest of the way through the USPS Network Facilities. fees and freight/fuel costs

Pros:

- Obtain NDC or SCF Entry Postage Rates
- Shorter in-Home (8-12 days average)
- More controlled in-home window
- Less machine touches; which will reduce potential damage

Cons:

- Must pay for 3rd party freight and fuel
- Typically a mailshop prep fee is required
- Requires high package quantities to meet USPS requirements for NDC/SCF Entry Discounts as well as to offset mailshop prep fees and freight/fuel costs







Co-Palletization

Mail is sorted for NDC or SCF entry

3rd Party Co-Palletization Facility combines mail trays that are re-palletized to share pallets with other mailings; and sent to SCFs (and a few NDC's)

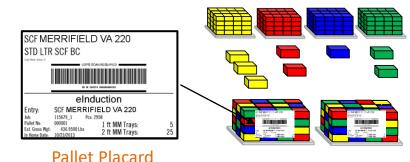
Pros:

- Obtain NDC or SCF Entry Postage Rates
- Share freight costs with other mailers
- Shorter in-Home (8-12 days average)
- More controlled in-home window
- Less machine touches; which will reduce potential damage

Cons:

- Must pay for 3rd party freight and fuel (Shared)
- Typically a mailshop prep fee is required
- Still requires fairly high package quantities to meet USPS requirements for NDC/SCF Entry Discounts as well as to offset mailshop prep fees and freight/fuel costs

Trays & pallets from multiple mailings are re-palletized onto new pallets based on NDC/SCF destination points









Commingle Equipment







Commingle

Mail is sorted in zip order (low to high) by the mailshop. The mail is then loaded on 3rd party trucks and shipped to the 3rd Party Commingle Facility (some mailshops offer commingle service onsite).

The mail is then removed from trays and the physical mailpieces from all mailers are combined and sorted together to create NDC and SCF entry level trays/pallets. The onsite postal clerk will verify and accept payment for the mail.

The mail is then loaded on 3rd party trucks to be shipped to the appropriate NDCs or SCFs. Those destinations will then route the mail the rest of the way through the USPS Network Facilities.

Pros:

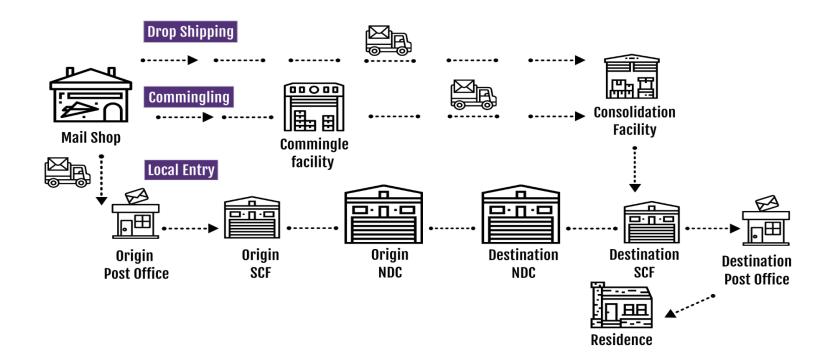
Cons:

- Allows for mailings that don't normally qualify for NDC/SCF entry
 rates or high quantity 5-Digit/3-Digit tier rates the ability to take advantage of a larger pool, thus drastically reducing postage
 costs. However, this is a workshare opportunity, so the commingler is absorbing some of the savings to cover the cost of labor, processing, revenue, freight & fuel
- Shorter in-Home (8-12 days average)
- More controlled in-home window
- Mailshop prep fee not required for 2 pass

- Versus local entry and dropship, mail pools may only be processed 2-3 times weekly
- More machine touches versus Drop ship or Co-Pal











What Postal Logistics Service is Right for My Mailing?

In many cases commingling will be your best option but it's worth periodically reviewing.

Variables to consider;

- 1. Mailshop Prep Fees (drop ship, co-pal, single pass commingling)
- 2. Freight & Fuel Surcharge Costs (drop ship & co-pal)
- 3. Postage Costs / Commingle Rate Focus on Landed Cost

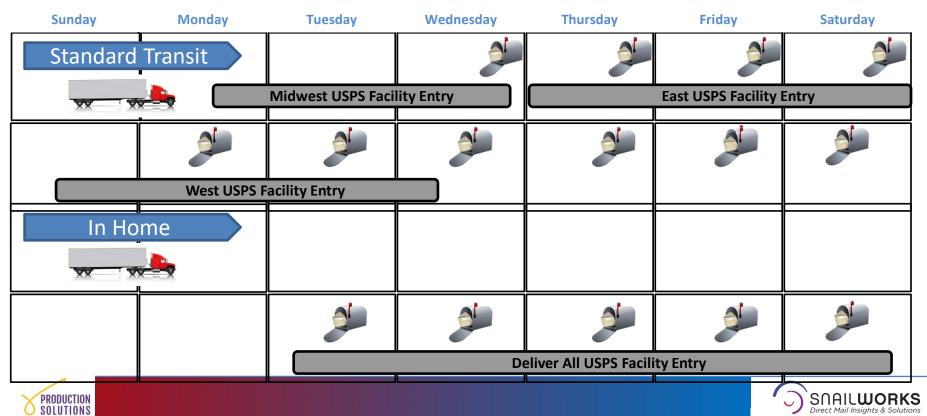
Commingle	Cost	Drop Ship	Cost
All In	\$.155	Mailshop Prep	\$.003
-	-	Freight & Fuel Surcharge	\$.021
-	-	Postage	\$.125
Total	\$.155	Total	\$.149





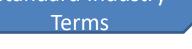
In Home Planning

In Home Vs Standard Transit Model – Midwest Origin (Assume Mailer to USPS or Commingle Post Pool)



What's a Mail Date?





- 1. Ship Date –
- 2. Commingle Start Date –
- 3. Commingle Finish Date –
- 4. Commingle Postage Payment date Day postage is paid for pool
- 5. Postage Payment Date -
- 6. Deliver to USPS Date -
- 7. In Home Date –

When mail physically leaves the Origin Day Commingle pool starts

- Day Commingle pool finishes
- Day USPS receives money for mail Day mail is tendered to a USPS facility Day USPS delivers mail to the mail box





Mail Tracking

Intell	igent	t Ma	il	BAF	RCC	DE	(for	let	ters	s an	d fl	lats	;):	: 6-0	Digit													
1 2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
Barcode ID (2N)		vice Ty ID (2N	-		N	/ailer	ID (6N	1)					Serial	Numb	er (9N)					;	ZIP Co	de (0,	, 5, 9, c	or 11N)			



Unique IMb assigned to mail piece



USPS generates tracking information as a mail piece moves across automated sorting equipment

				Informed Visibility
Scan Date	FCLT ID	Facility	Event Code	Description
2/6/2021 11:44:02 AM	21233	BALTIMORE	874	Container Accepted
2/13/2021 4:51:28 PM	21233	BALTIMORE	918	Sequenced for Delivery - 1st Pass
2/15/2021 4:25:10 PM	21233	BALTIMORE	919	Final Sequencing for Delivery
2/16/2021 1:53:45 PM	21740	HAGERSTOWN	517	Delivered

Scan Events available in Informed Visibility

Date	Scan Count	Cumulative Total	Cumulative %	Elapsed Days
2021/03/23 - Tue	1	1	0.00	7
2021/03/24 - Wed	4	5	0.01	8
2021/03/25 - The	2,356	2,361	6.58	9
2021/03/26 - Fri	8,913	11,274	31.44	10
2021/03/27 - Set	10,989	22,263	62.08	11
2021/03/29 - Mon	3,530	25,793	71.92	13
2021/03/30 - Tue	7,147	32,940	91.85	14
2021/00/31 - Wed	1,803	34,743	96.87	15
2021/04/01 - Thu	260	35,003	97.60	16
2021/04/02 - Fri	15	35,018	97.64	17
2021/04/03 - Set	1	35.019	97.64	18
2021/04/05 - Mon	19	35,038	97.70	20
2021/04/06 - Tue	103	35,141	97.98	21
2021/04/09 - Fri	1	35,142	97.99	24
		Weighted Aver	age Elapsed Days:	11.70

Scan Date used in Mail Tracking Reports

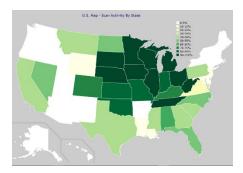




Mail Intelligence Best Practices

- 1. Full Service IMb on every outbound mail piece
- 2. Monitor and review tracking
- 3. Add IMbs to Response Mail Envelopes both Unique and Non-Unique available.

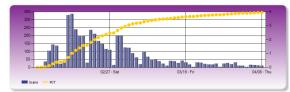
On-Time Performance By NDC



20.55-Carty Carther Carter

					0n-	Time Perform	ance By NDC						
NDC	Mailed	Scanned	% Scanned	Target Date Start	Target Date End	*Delivered	% Delivered	Early	% Early	On-Time	% On-Time	Late	% Late
ATLANTA	2,907	2,897	99.66	03/08	03/15	2,844	97.83	2,249	77.36	594	20.43	64	2.7
CHICAGO	686	681	99.27	03/08	03/15	666	97.08	415	60.50	251	36.59		2.9
CINCINN	1,115	1,112	99.73	03/08	03/15	1,094	98.12	1,075	96.41	18	1.61		
DALLAS	1,839	1,836	99.84	03/08	03/15	1,783	96.95	538	29.26	1,227	66.72		
DENVER	2,191	2,166	98.86	03/08	03/15	2,065	94.25	1,360	62.07	704	32.13		5.8
DES MOINES	493	492	99.80	03/08	03/15	483	97.97	465	94.32	18	3.65		
DETROIT	1,709	1,707	99.88	03/08	03/15	1,670	97.72	1,617	94.62	51	2.98		2.4
GREENSBORO	1,552	1,534	98.84	03/08	03/15	1,499	96.59	1,423	91.69	76	4.90		3.4
JAXVILLE	3,339	3,329	99.70	03/08	03/15	3,256	97.51	2,287	68.49	957	28.66		2.8
KANS CITY	453	452	99.78	03/08	03/15	444	98.01	408	90.07	36	7.95		
LOS ANGELES	4,172	4,123	98.83	03/08	03/15	4,032	96.64	951	22.79	3,075	73.71		
MEMPHIS	996	996	100.00	03/08	03/15	971	97.49	598	60.04	338	33.94		
MPLS/STP	649	648	99.85	03/08	03/15	613	94.45	337	51.93	276	42.53		
NEW JERSEY	1,206	1,204	99.83	03/08	03/15	1,165	96.60	1,158	96.02	6	0.50		3.4
PHILA	899	897	99.78	03/08	03/15	884	98.33	803	89.32	81	9.01		1.6
PITTSBURGH	648	645	99.54	03/08	03/15	631	97.38	545	84.10	86	13.27		2.6
SAN FRAN	3,299	3,217	97.51	03/08	03/15	3,071	93.09	237	7.18	2,804	85.00		
SAN JUAN	114	113	99.12	03/08	03/15	112	98.25		0.00	111	97.37		2.6
SEATTLE	4,366	3,882	88.91	03/08	03/15	3,740	85.66	996	22.81	2,742	62.80		14.3
SPFLD	1,059	1,058	99.91	03/08	03/15	1,004	94.81	636	60.06	368	34.75		5.1
ST LOUIS	292	291	99.66	03/08	03/15	287	98.29	266	91.10	20	6.85		2.0
WASHINGTON	2,404	2,397	99.71	03/08	03/15	2,342	97.42	2,161	89.89	179	7.45		2.6
Totals:	36,388	35.677	98.05	03/08	03/15	34.656	95.24	20,525	56.41	14.018	38,52	1.845	5.0

Unique Piece Id Counts by First Scan Date



Date	Scan Count	Cumulative Total	Cumulative %	Elapsed Days		
2021/02/08 - Mon	4	4	0.00	0		
2021/02/09 - Tue	6	10	0.01	0		
2021/02/10 - Wed	36	46	0.04	0		
2021/02/11 - Thu	104	150	0.13	0		
2021/02/12 - Frl	144	294	0.26	0		
2021/02/13 - Sat	135	429	0.38	1		
2021/02/14 - Sun	22	451	0.40	2		
2021/02/15 - Mon	42	493	0.43	3		
2021/02/16 - Tue	328	821	0.72	4		
2021/02/17 - Wed	336	1,157	1.02	5		
2021/02/18 - Thu	238	1,395	1.23	6		
2021/02/19 - Fri	195	1,590	1.40	7		
2021/02/20 - Sat	200	1,790	1.58	8		
2021/02/21 - Sun	30	1,820	1.60	9		
2021/02/22 - Mon	235	2,055	1.81	10		
2021/02/23 - Tue	210	2,265	2.00	11		
2021/02/24 - Wed	165	2,430	2.14	12		
2021/02/25 - Thu	147	2,577	2.27	13		
2021/02/26 - Fri	115	2,692	2.37	14		
2021/02/27 - Sat	110	2,802	2.47	15		
2021/02/28 - Sun	15	2,817	2.48	16		
2021/03/01 - Mon	198	3,015	2.66	17		
2021/03/02 - Tue	197	3,212	2.83	18		
2021/03/03 - Wed	125	3,337	2.94	19		
2024/02/04 This	400	0.460	0.06	20		





A Postal Grab Bag

- PCCs
- BSN
- EPS
- Seamless Acceptance
- Informed Delivery
- USPS Promotions





Great Resources

PostalPro.usps.com Ask your suppliers!

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