

California Presort Bureau Forges New Territory



Two years after establishing their presort company, Postage One was already making plans for the next phase of their business. They realized they didn't want to be just another letter presort bureau. Although a competitor had recently withdrawn from the market and created some short-term opportunities, company management was concerned about their vulnerability to new competitors that may enter the market in years to come. Relying solely upon letter mail for revenue didn't seem like the best strategy for growth. After careful analysis, Postage One identified parcel presort as an underserved market. They made the decision to take steps to enter the parcel business. As it turned out, the bet they made on their future back in 2006 has paid off.



Postage One building located in Valencia, CA

Today, in addition to their thriving letter-sorting business, Postage One of Valencia, California, is now saving money for their customers by collating, sorting, and shipping over 15,000 parcels per day. Parcel sorting is now a significant portion of their business, contributes greatly to revenues, and distinguishes them from other presort providers. Even better, Postage One's parcel presort business is growing rapidly even without an aggressive marketing campaign.

Selecting the Right Tools

There are several factors that are contributing to the continued success at Postage One. A key strategic move was made in 2008, when the company sought a technology solution that would help them save money for parcel shippers by co-mingling packages to achieve presort discounts, as they were doing for their letter-sorting customers. After researching products that could help them create this kind of business, Postage One contracted with ID Mail Systems to install their Max-M product. Max-M was chosen because the system provided high flexibility and reliable performance at an affordable price.

Postage One was taking a risk by building out their parcel-sorting capabilities without the luxury of an established book of business. Clearly, they needed to work with a company they felt would support them as they developed this new area of opportunity from the ground up. The expertise and experience at ID Mail Systems fulfilled that requirement.

The Max-M system is a complete hardware and software package that scans delivery addresses, assigns delivery point barcodes, and creates manifests for permit mailings. Postage One started with three Max-M systems and added more units as they needed them.

"One thing we liked about Max-M was the scalability that was built into the design" says Jeff DeVico, principal at Postage One, "When volumes increased we just added more workstations. The machines are all networked together, so we can create one large mailing from parcels scanned on multiple workstations. It's all pretty easy."



ID Mail System's Max-M system anchors the parcel-sorting business at Postage One

DeVico believes that another huge advantage his company enjoys is easy expansion into multiple classes of mail. Postage One started sorting First Class Flats and Priority Mail for their parcel customers and have now moved into other areas such as Bound Printed Matter and Standard Mail Flats. The Max-M systems come with the capability to process all mail classes without requiring

expensive upgrades or costly reconfiguration. There isn't any class of mail that Postage One cannot handle on the Max-M's.

Another valuable Max-M feature that Mr. DeVico points out is trial manifesting. With this function, Postage One can adjust entry points and drop-ship plans and instantly assess the financial and delivery performance ramifications of multiple scenarios. Postage One utilizes this feature every day to squeeze maximum profits from each job they run.

Folded Mail and Parcels Support Each Other

An unanticipated benefit stemming from Postage One's parcel-sorting capabilities is growth in the letter-sorting business. As it turns out, many customers anxious to take advantage of Postage One's unique capabilities to save them money on their parcel mail are happy to also turn over their letter mail at the same time. And letter-sorting customers are thrilled that Postage One will pick up their lower-volume parcel work along with pallets of folded mail, saving them time and money on all their mail.

Mailers that lack sufficient daily volume to meet the USPS requirements for Standard Mail Automation Flats generally mail their flats First Class. The postage difference between single-piece First Class rates

"We use Max-M's trial manifesting function every day"



*Jeff DeVico
Principal
Postage One*

and Automated Presort is enormous. Because of Postage One's special emphasis on co-mingling flats from all their customers, they are able to generate big savings for their clients and healthy margins for themselves. The manifesting capability of the Max-M system makes this highly-profitable business line possible.

Bound Printed Matter is another class of mail where the flexibility of the Max-M system helps Postage One serve their all their customer's mailing demands. BPM flats or parcels that would have been mailed at single-piece rates

are often re-classified and added to Automated Presort manifests. The postage savings can be substantial.

The combination of letter and parcel handling aids Postage One in customer retention as well. Developing deeper relationships with current customers by providing multiple services makes the customers more loyal and less likely to jump ship simply to save a few pennies per mail piece. A good portion of Postage One's customers use the company to process both their letter mail and their flats or parcels.

Postage One has even taken the unusual step of partnering with some former competitors in the letter mail business to pursue joint ventures. The partners take the high density letter mail that they want the most, and Postage One takes care of the rest. In these instances, all parties benefit.

Shipping is a Growth Business

Thus far, Postage One has been concentrating on parcels and flats that were typically generated by corporate or fulfillment operations. They have been quite successful processing items such as employee benefit packets, annual reports, or product literature. But DeVico recognizes that the growth of e-commerce is resulting in an explosion of product-shipping activity. The US Postal Service sees product shipments as an important component of their success as well. Postage One is again looking ahead and taking steps today to meet the needs of their future customers.

Cost is an important component when shipping products that are purchased online. Postage One is positioned perfectly to help shippers save money by presorting packages – they've been doing that for years. When it comes to e-commerce, speed of delivery is just as important. Buyers of products online want their purchases delivered quickly and consumer expectations in this regard have been rising. To meet the demanding turnaround times required by e-commerce shippers, Postage One will automate their parcel coding and sorting operation. Naturally, an ID Mail Systems solution is likely to be the top choice when Postage One decides they need to double their current productivity and pursue merchandise shippers as a new line of business.

ID Mail Systems and Postage One are working together on a solution that can leverage the existing investment in hardware, software, and training on the Max-M systems. Adding components and software to the existing fleet of equipment will enable Postage One to process more pieces in less time – without having to install and learn an entirely new system.

System Handles Jobs of All Sizes

Sorting First Class and Priority Mail parcels led to additional new and untapped sources of revenue – classes of mail such as Bound Printed Matter or Standard Mail. Most of Postage One's customers view this type of mail as a nuisance. They do not have the capability to handle this type of mail and so they are happy to turn it over – especially when Postage One can save them money.

Small quantities of parcels may be irritating, but large spikes in volume can be a problem. Postage One has processed projects as large as 30,000 packages weighing two pounds each. Just the space required to store, stage, and load all those parcels eliminates many vendors from taking on such work. Even more limiting, an operation using manual methods could never meet customer deadlines on a job of this size.

It takes an efficient and automated system such as the one based on the Max-M's to get large jobs done accurately and efficiently. Postage One's automation and capacity allows customers to award their work to a single vendor instead of segmenting the job all over the region.

What started out as a calculated risk is now a core part of Postage One's business. Their bold move to invest in technology that allowed them entry into a new market was the right thing to do. Because of the flexibility of the ID Mail Systems products and the ability to expand the solution when it was required to meet demand, Postage One is now a thriving presort business with a bright future.



ABOUT POSTAGE ONE: Postage One's team of industry professionals use state-of-the-art technology to minimize annual postage expenses, improve delivery times and boost organizational profitability for their customers. www.postageone.com



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