

# A HARTE-HANKS WHITE PAPER

## The Commingle Question

What to Consider Before Implementing  
Mail Commingling Technology



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*There are major cost savings, along with a few concerns, to consider before implementing mail commingling technology.*

Savvy direct mail marketers continually look to gain cost savings wherever possible – especially in a downturn economy. Because postage typically is among the highest expense of any direct mail campaign – with some mailings postage can account anywhere from 30 percent to 75 percent of the total project cost – marketers have become vigilant about finding ways to reduce overall marketing costs and contain postage costs in particular. Commingling technology provides a favored approach to postage optimization and is gaining in popularity, especially in light of recent postal increases.

Before commingling, typically only large-volume marketers were able to achieve significant cost savings and delivery speeds through postal automation and optimization. But now small-to mid-size campaigns can be intermixed with large mailings and gain unprecedented savings in both time and money. For commingling to perform in a way that serves the objectives of mailers, however, several issues must be considered.

## **How Commingling Cuts the Costs**

Commingling blends multiple mailings and/or multiple versions within the same ZIP code, ultimately increasing postal qualifications and improving discount tier qualifications – thereby reducing postal costs. When combined with discounts gained through drop shipping directly to Bulk Mail Centers (BMCs, which are regional USPS sorting facilities), direct marketers can achieve even greater cost savings while also benefiting from faster delivery to target audiences. To make commingling attractive, the USPS provided further incentive to process mail to the BMS/SCF (Sectional Center Facility) levels by increasing work-sharing discounts. For example, the USPS has offered an incremental \$9 million in postage savings for delivery to the SCF in lieu of the BMC, representing a 55 percent increase in savings over previous rates.

Technological advancements in variable laser text and imaging has set a new trend for direct marketers, who can now move away from mass, or “shotgun,” mailings into more highly targeted “rifle” mailings. However, the ability to do these more targeted mailings has also reduced the percentage of mail that qualifies for five-digit postal discounts. In effect, smarter, more targeted mail carries a trade-off effect: a smaller likelihood of qualifying for generous, earned work-sharing discounts. The USPS requires a minimum of 150 pieces per ZIP code to achieve five-digit postal rates.

Enter commingling. This process improves the chances of more ZIP codes attaining this threshold and gaining faster delivery through higher SCF penetration. Thus, with commingled mail, it is now affordable for marketers to segment mailings into different versions or “cells” for increased personalization, which in turn deliver higher response rates.

While the savings realized through commingling appeals to virtually any marketer regardless of industry, it is especially appealing to financial services companies and non-profit organizations, which both seek not only to reduce production costs, but also delivery times.



## **Commingling of Flats Offers Challenges**

The 2007 postal rate case was particularly hard on flat-shaped mail. There has been significant financial pressure to either convert mail pieces to letter rates (subject to response testing) or obtain postage discounts from a combination of different mailings into one mailing to achieve better presort qualifications and drop-ship entry. For those mailers that stick with flats, several printers have developed co-palletized products that combine bundles of Standard mail flats from different clients onto the same pallet in order to get better drop-ship entry discounts. This basically moves mail from destination BMC entry to destination SCF entry.

Another option is to commingle different flat mailings together into one mailing. This is what presort service bureaus do mainly with letter mail, and it's akin to selective binding operations where multiple versions of a mailing are created and addressed in-line. There are those service providers that offer this today for flats, but they are few and far between. However, money can talk, so there should be an upsurge of this service as flats postage escalates.

So why isn't commingling for flats the latest rage? Principally, there are other factors besides cost to consider. The attractiveness of commingling depends in large part on how time-sensitive the mailing is, as well as its own geographic density/penetration. Advertising mail tends to be very time-sensitive with a very small shelf life. Commingling requires some time while mail volumes from different mail sources accumulate. In addition, over the years the lead time from print to mail has drastically shrunk to just a few days.

Currently every effort is made by service providers to meet each client's requested in-home dates. This often entails making containers as small as they need to be to be able to drop-ship enter mail that otherwise would be "origin" mail. Mail is able to enter as deep into the USPS as it needs to be to circumvent postal processing issues.

Typically there is just enough time to perform this service today, absent the commingling option. Combining different clients' mailings takes time and coordination. It also requires a lot of space and a degree of mass among mailers and quantities to make commingling work. This need for centralization easily can add three or four days to the production process. For many mailers, this is three or four days that are simply not there.

It has been said that the extra time required is made up within postal processing – that is, days saved by not being processed through a BMC first. On average, however, this may save one to two days, so mailers are still faced with a deficit that translates to missing a desired in-home delivery date.

The number of mailers willing to accept that situation is rare to none, especially those in retail sectors and those with time-sensitive promotions. Many retail mailings already are very heavily drop-ship entered to the SCF so the benefits would be minimal – and the risk far greater.

If a single mailer would become the carrier mailing to which others would be added for their benefit, would such a mailer really be willing to run the risk? What about parties that are late supplying their materials? Time-sensitive mailers of any shape need to ask their service providers if their commingling options deliver critical mass; this is especially true for less-common flat-shaped pieces.

For mailings that are not time-critical, commingling solutions offer real monetary benefits for both flats



and letter mailers alike. If one can add similar but less geographically dense mailings into the mix, then there are overall gains for everyone. It is mainly a matter of matching the right mix of mailings together with the coincidence of time playing into it.

## **The Commingle Question: Is the Approach Right for You?**

Mail commingling provides yet another way to save money on postage, but the approach may not be right for every mailer – or every mail effort. Time sensitivity and geography are two important considerations. Today, smart marketers consult with mail experts to review the pros and the cons of using commingling for each mailing in determining whether the strategy will deliver maximum benefit.

For More Information Contact:

Harte-Hanks, Inc  
(800) 456-9748  
[contactus@harte-hanks.com](mailto:contactus@harte-hanks.com)  
[www.harte-hanks.com](http://www.harte-hanks.com)

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