



How to Save Money with Presort Services

We just finished helping one of the largest mailers in the US reduce their presort service fees by over \$2,000,000 per year and we want to share some strategies you can use to help you lower your costs. In this article, we will go through the details of how these services work, how they make money, and what items you need to consider, making sure that you have the most leverage when negotiating rates. I have no affiliation with any presort service, but prior to starting Postal Advocate Inc, I did run the largest presort program in the US that had over 4,000 users.

How do these services work?

If you are looking for the easiest way to save money on postage, look no further. Presort Services will pick up your mail daily, weekly, or as needed, and commingle it with other clients on their sorting systems to get you lower postage rates. They will make sure your mail meets all postal regulations and there should be no work involved except scheduling the pickups. These services will save you 2-58% based on your volumes, densities, weights, and types of mail submitted.

Presort service providers have one or several sorters that are similar to what the USPS™ uses in their facilities. These sorters read the address on the mail piece and spray the barcode on the bottom right. They can then sort the mail into bins to where it is going throughout the country. Presort providers work on a revenue split arrangement with the customer and the USPS. Here is the most common arrangement for First-Class Mail® Letters:

- First-Class Mail® Single Piece Postage Rate (Metered) \$.46
- Rate the Customer Meters the Mail \$.423 (\$0.037 savings)
- Rate the Presort Service Pays \$.37-.423
- Presort Service Revenue (Refund by the USPS) Up to \$.053 (Difference of \$.423 and \$.37)

The presort service sorts the mail as deep as possible. Hopefully, most will be to the highest sort levels the USPS offers at rates of \$.403-.373 (See chart below). The USPS pays the presorter the difference in a Value-Added Rebate (VAR). This payment by the USPS covers their transportation, operations, and profit.

Mail Piece Examples	First-Class Mail® Metered Single Piece	First-Class Mail® - Presorted	First-Class Mail® - Mixed AADC	First-Class Mail® - AADC	First-Class Mail® - 3 Digit	First-Class Mail® - 5 Digit	Additional IMB Discounts
1 Ounce #10 Envelope	\$0.46	\$0.453	\$0.423	\$0.403		\$0.373	\$0.003
3 Ounce Envelope (6X9)	\$0.88	\$0.453	\$0.423	\$0.403		\$0.373	\$0.003
1 Ounce Flat (9X12)	\$0.98	\$0.798	\$0.750	\$0.670	\$0.630	\$0.446	\$0.003
8 Ounce Flat (9X12)	\$2.45	\$2.268	\$2.220	\$2.140	\$2.100	\$1.916	\$0.003
Post Card	\$0.34	\$0.284	\$0.274	\$0.266		\$0.253	\$0.003





If you are a low volume mailer, the presort service may charge you a fee on top of the metered rate or a high-volume customer may get a refund. The USPS requires that the mail is metered at one of the rates above and fees or rebates will vary by customer. Items that determine your rate are volumes, frequency, zip code densities, machine read rates for your mail and how competitive your local market is with other presort providers.

What Mail Qualifies?

- First-Class Mail® Letters** – Most presort services are looking for non-handwritten letter mail up to the maximum weight of 3.5 ounces. There are services that will pick up as little as 400 pieces per day or single pickups of 1000 pieces or more. This year the USPS came out with a program called “Third Ounce Rides Free” to get people adding more content to their mail. This savings only applies at the discounted rates listed on the chart above and creates extra incentive to use a presort service with discounts up to 58%.
- First-Class Mail® Flats** – Many presort services will have flat sorting machines and can process non-handwritten pieces as large as 7-12 ounces. The client savings and presort service profit is much greater for flats and typically they can have lower thresholds for pickup. It is best to combine your letter and flat volumes when negotiating rates and determining eligibility. It is important to note that the USPS does not offer a Value-Added Rebate (VAR) for flats like they do for letters. This means is that you will need to meter your mail at the lower rates (3 and 5-digit) and the presort service will send you an invoice for the difference of your negotiated rate minus the metered price.
- Marketing Mail (Formerly called Standard Mail)** – This is the fastest growth area in this space because Marketing Mail volumes are remaining constant where First-Class Mail® is declining. The model is different because the rate is not based on the sort levels, but on destination entry discounts earned by moving mail closer to its final destination. Most Marketing Mail given to presort services will already be barcoded and trayed by the client. All the presort service is doing is getting it to the right Destination Network Distribution Center (DNDC) or Destination Sectional Center Facility (DSCF) where the mail is going. In exchange, the USPS offers additional discounts shown below that the presort service will share in for doing the work.

USPS Entry Discount Savings	Automation Letters	Automation Flats
DNDC	\$0.026	\$0.040
DSCF	\$0.034	\$0.052

How to Negotiation the Best Rates

I do not have the exact numbers, but I am going to guess that there are about 100-200 independent presort services throughout the US. Most of these will have 1-5 locations located in a specific geographic area. Pitney Bowes created the largest presort network in the US with its acquisition on PSI. They have 30 plus facilities and process over 15 billion pieces each year. Because of their footprint, they can move mail between facilities easily that can speed delivery, as well as pick up mail in areas where they do not have a location, furthering their reach.





In many markets, you may not have a choice of vendors because there is only one presort provider covering your area. ***Regardless, there are still ways to get better rates if you follow a detailed procedure to create leverage as described below.***

1. **Analyze your current agreements** – How are you being charged today? What are the terms and fees associated? We often find that many of our clients presort agreements have expired and all that is being updated is an annual rate card. Does the original agreement still reflect the current state and is there anything that can help give you power in future negotiations?
2. **Validate past invoices** – I recommend that you look at your invoices over the past 6-12 months to make sure that you are getting the correct rates, to understand the fees that are being charged and to calculate a total cost per piece for the service being provided.
3. **Know your mail** – This sounds obvious, but there is more to it than you would think. You want to understand how your mail impacts the presort service to give you the most leverage in contract negotiations. Here are some items to consider:
 - a. **Mail Quality** – How clean is the mail that is being provided based on the sorters being able to read the addresses and assign barcodes. If the rates are low, the presort service needs to upgrade the mail to full rate which adds extra costs on both sides. It is important to know your current scores and ask for ideas for improvement.
 - b. **Pick Up Times** – Presort Services are typically looking for the earliest pick up times so they have more opportunity to commingle your mail with others for higher discounts. Can you be flexible with your times that can lead to better rates?
 - c. **Same Day/Next Day Dating** – Presort services are typically willing to give better rates for next day dated mail because it gives them more flexibility in their workflows.
 - d. **IMB Discounts** – Is the presort service adding the IMB barcode to your mail pieces? If so, they are getting an additional \$.003 per piece discount on First Class Mail® and \$.001 on Marketing Mail.
 - e. **Mail Volume Impact** – If you are a large volume mailer, you have more leverage than you think because if your volume was to go away, it impacts the commingling of all the other mail.
 - f. **In-House Presorting** – Could the mail be automated inside your operation with software reducing or eliminating the need to use a presort service?
4. **Expand the Scope** – Are you seeing your entire mail spend when negotiating presort agreements? The more services that can be considered, the greater the opportunity for rate concessions.
 - a. Am I contracted for all mail classes? Presort services will want to take any letters, flats, marketing mail and international.
 - b. Do I have other locations that can use presort? If there are multiple locations that could be added to the scope, it can create larger quantities that can help get better discounts. There may also be an opportunity to move mail volumes to a central facility for better rates.





- c. Can I count mail outsourced to Mail Houses? We work with many clients that outsource mail production but still use their own presort agreement (Vs. the Mail House). These can be large mail streams and can help you get better discounts on all of your mail.
5. **USPS Rate Change Impacts** – Each year the USPS changes rates which may be altering the profitability of your mail. Small percentage shifts between the rate categories above can lead to huge profits for presort service providers. When rates are not in their favor, they are typically passed onto the client through their annual rate addendums. Understanding these changes can add to your leverage in negotiating new rates.
6. **Outside Expertise** – Third party consultants may be able to help you get better rates because they can bring their industry expertise in to help negotiate your new agreements. Not only can they help you analyze the items above, but they can develop a strategy to give you greater leverage with new contracts. They can then organize a bid with a defined scope that makes the spends and fees more visible and puts you in more control to make the best future financial agreement.

Conclusion

With the right understanding of your mail and agreements, it puts you in control to get better rates for the future. Many organizations calculate their savings compared to the single piece non-discounted rates. You need to change this thinking to what revenue and profit the presort service is making on your mail and what control do you have to change it.

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