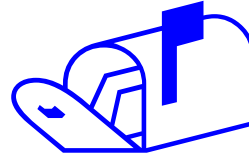


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## Why your mail time measurement can be different from Phoenix-Hecht data

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In any lockbox processing environment there will be differences in mail times as measured by Phoenix-Hecht and what an individual corporate customer might observe in a random sample of envelopes. Quite frequently, a lockbox customer may complain to their provider of abnormally long mail times (five or more days) which are observed on a few remittances. These delayed items are not necessarily the norm and in the context of a carefully controlled survey would be considered outliers. In a controlled survey like the Postal Survey, the relative differences in performance between lockbox providers is more important to measure correctly than the absolute mail time measurement.

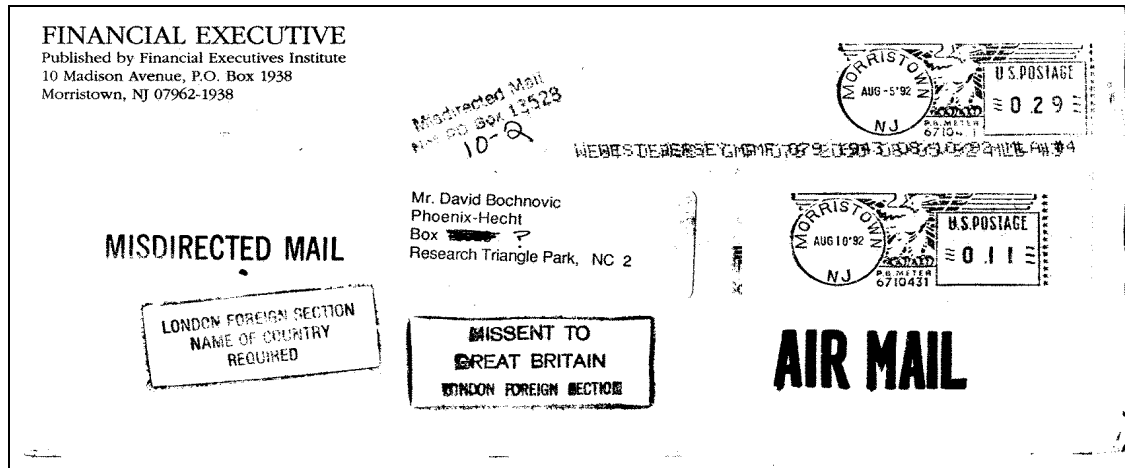
Abnormally long mail times can frequently be traced to envelope "hygiene". The Postal Service tries to run a highly automated processing environment for number ten envelopes which make up the bulk of wholesale remittance mail. OCR equipment reads the mailing address and directs the envelope to a transportation network which ultimately terminates at the receiving location. Any discrepancies in the remit to address will cause the envelope to be mis-routed and delayed. Common occurrences of poor hygiene include a poor quality of ink used to

address the envelope, printing the remit to address slightly outside of the required print field, having the address contents shift in a window envelope and the use of advertising or return address information which is near a field the Postal Service tries to scan.

Envelope size can also be a factor in mail delays. Larger size envelopes (bigger than a number ten) commonly referred to as "flats" are used by a corporation's customers when a single check covering multiple invoices is remitted. Flats currently cannot be processed with the same level of automation that business size envelopes can be today. The Postal Service is improving the automation associated with flats partly because of the longer mail times routinely associated with this type of mail and their importance to some remittance processors.

It is important to recognize that when a mailed envelope is mis-directed in the automated processing stream it is likely to cycle through a number of locations before the error is noticed and corrected by human intervention. As a result the delay is usually magnified by more than one day.

In a controlled survey environment like the Postal Survey, any individual item falling outside of the norm would be considered a statistical aberration and eliminated from the calculations for mail times since the purpose of the Postal Survey measurement is to represent the relative difference in lockbox locations.



Not all mis-directed items are as easy to identify as this example

### The difference between Observed and Scheduled Mail Times

There are many factors which contribute to differences in observed mail times and what is reported by Phoenix-Hecht measures. Differences between mail times from a carefully constructed sample of a lockbox (observed mail times) and measured mail times from Phoenix-Hecht (scheduled mail times) are somewhat difficult to reconcile. The important factors to consider are:

#### Factor 1 - Origination Day Errors

The Phoenix-Hecht Postal Survey has several key controls built in to monitor the actual mailing day of an item. These controls cannot be duplicated within a remittance sample. Each envelope in the survey bears a code line indicating the intended mailing day, mailing location, and destination. The mailing agents of the survey complete daily logs indicating the time and place of mailing. Control envelopes are mailed each day to Phoenix-Hecht to monitor origination date and place. Envelopes are stamped

and thus carry cancellation dates provided by the Postal Service. Postal Survey software produces control statistics for each mailing day and mailing location to further monitor the accuracy of the mailing dates. The results are a survey with mailing day accuracy very tightly controlled.

Contrast this with the gathering of a remittance sample. Wholesale lockbox mail generally bears a meter mark. As many as 20% of the envelopes in the sample may carry illegible marks. Some envelopes will be lost or destroyed during lockbox processing. The check issuance date, or some derivative of that date, is most often used when the meter mark cannot be read, but that date may not be the actual date of mailing. Indeed, although the Postal Service does randomly monitor the accuracy of the meter date on envelopes, stale-dated meter marks will appear with some regularity in most remittance samples. The Postal Service's internal statistics (ODIS system) confirm that metered mail

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times are longer than stamped mail times even though one less processing step is involved. The difference is due to stale meter dates.

▪ **Factor 2 - Origination Location Errors**

The Postal Survey has tight control over the actual mailing locations (three-digit zip code). A code line on the envelope, the cancellation mark on the envelope, the mailing agent's log sheets, and the control mailings to Phoenix-Hecht all serve to monitor the correctness of mailing location.

In a company's remittance sample, the meter mark again is the primary source of mail origination data. It may be illegible, it may not contain an actual zip code, or it may be inaccurate because of a drop-shipment agreement. A return address as listed on the envelope or corporate address provided on the check stock serve as substitute sources of mail origination points, but these may not be the point of mail origin. To the extent that mail origination errors misstate the actual path of mail travel, observed mail times as compared to scheduled mail times may be distorted.

▪ **Factor 3 - Re-mails**

Items routed to the receiving corporation's office location (rather than lockbox location) represent a particular comparison problem. Usually the receiving corporation bundles these items and re-mails them to a lockbox location. If the origination point is correctly obtained (using the original mailing envelope), then the mail path depicted is inaccurate (the intermediate trip to the corporate location and delay of reprocessing is not indicated). If the origination point (i.e. the original envelope) is lost or discarded in re-mail processing, it is simply reflected as originating from either the corporate receiving location, or the address

provided on the check stock. The inaccuracy of the observed mail time is readily apparent.

▪ **Factor 4 - Type of Mail**

The Phoenix-Hecht Postal Survey simulates the mailing of business size envelopes with OCR-readable print. Window envelopes used by corporations have variability in the OCR read rates. The clear cover can interfere with the OCR equipment or the contents of the envelope can shift causing the address line to be misread. More problematic is the presence of larger size "flats" which may contain large volumes of remittance advice to accompany a single check covering many invoices. Today flats and business size envelopes cannot be processed with the same level of automation. The Postal Service is improving the automation associated with flats partly because of the longer mail times routinely associated with this type of mail and their importance to some remittance processors .

▪ **Factor 5 - Encoding Errors**

The Postal Survey has controls built in to validate both the sending and receiving data. Controls for sending data have been discussed previously. Phoenix-Hecht receives a mail processing schedule from each bank prior to each study. The bank places the date and time of receipt on each envelope and prepares a log sheet detailing the number of envelopes received each hour of each day of the survey. The log sheet, processing schedule, and date and time stamp of envelopes are cross-checked to ensure data validity. These controls on both sending and receiving data greatly minimize data encoding errors. A remittance sample, no matter how carefully prepared, will contain a higher frequency of encoding errors.

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▪ **Factor 6 - Bank Processing  
Differential**

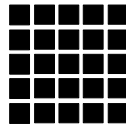
Phoenix-Hecht Postal Survey envelopes do not contain a remittance item for processing. The bank simply stamps the date and time of receipt in the lockbox area. Postal Survey calculations assume that the bank will deposit on behalf of the corporation three times daily and on weekends, and that items will be deposited if received four hours or more prior to a deposit deadline. If the remittance sample gathered was not actually processed in this manner, observed mail times can be impacted by being deposited a business day later than assumed in Postal Survey calculations. A good example of this occurs when a corporation requests, for reporting of deposit totals or transmission of remittance detail, a final cutoff earlier than the bank's last deposit assumed by Phoenix-Hecht. Mail received after this cutoff will be deposited on the next business day by the bank.

▪ **Factor 7 - Methodological  
Differences**

The Collection Model calculates an observed system mail float based on a remittance sample with a methodology that is as close to that of the Postal Survey printed results as possible. There are some subtle differences that cannot be avoided however. To the extent that the remittance sample's day of week distribution differs from an assumed 19% - 17% - 17% -17% -30% Monday through Friday distribution, observed and scheduled mail times will differ. Because each sending point to each receiving location within the company's sample cannot be guaranteed to have appropriate density over each day of the week as occurs within the Postal Survey, the Postal Survey's methodology cannot be perfectly employed. Outlier rejection within the Postal Survey is more sophisticated because the survey is

repeated at six-month intervals, and thus historic data can provide meaningful criteria for outlier detection. Since the receiving hour is known, outlier rejection in the Postal Survey can be performed on an elapsed hours, rather than days, basis. Within the model, outlier rejection for an individual remittance sample will closely approximate the Postal Survey. However, the model can never exactly duplicate the outlier methodology of the Postal Survey printed report.

The presence of these factors make hard-and-fast comparison guidelines difficult to formulate. In general, Phoenix-Hecht believes that observed mail times from a representative remittance sample that are **within .60 days of scheduled** mail times indicate **good** agreement between the two measurements. Differences **in excess of one day** indicate that one or more of the factors listed above are present in a **significant** proportion. Determining which of the factors are culpable remains an extremely difficult task.



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