## WHY YOUR MAIL TIME MEASUREMENT CAN BE DIFFERENT FROM PHOENIX-HECHT® DATA

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 (seven or more days) which are observed on a few remittances. These delayed items are likely not the norm, and, in the context of a carefully controlled survey, would be considered outliers. In the Phoenix-Hecht Postal Survey™, any individual item falling outside of the norm of delivery is considered a statistical aberration and eliminated from the calculations. The relative differences in performance between lockbox providers is considered more important within the Postal Survey 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 standard size envelopes. 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 that 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 or return address information which is near the field the Postal Services tries to scan.

Envelope size can also be a factor in mail delays. Large size envelopes, commonly referred to as "flats" are used by a corporation's customers when a single check covering multiple invoices is remitted and the remittance documents are bulky. Although the Postal Service is improving the automation associated with flats, even USPS data indicates poorer delivery performance than for standard envelopes.

It is important to recognize that when an envelope is mis-directed in the automated processing stream, it is likely to cycle through a number of deliveries before the error is properly acknowledged and corrected. As a result, the delay is usually magnified by several days.
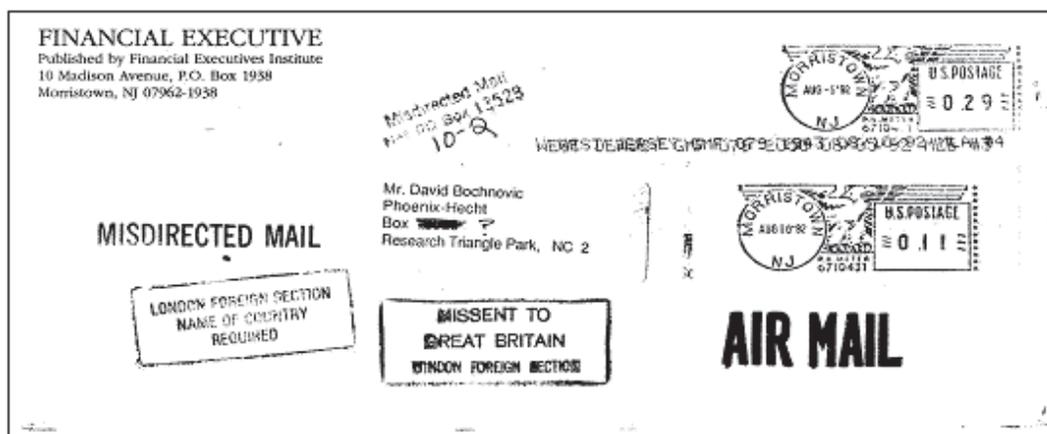
Not all mis-directed items are as easy to identify as this example

The Difference Between Observed and Schedule Mail Times

There are many factors which contribute to differences in observed mail times versus Postal Survey measurements. Differences between mail time 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. Envelopes are stamped and thus carry cancellation dates provided by the Postal Service. USPS origination processing scans are available for each survey envelope. Postal Survey software can produce control statistics for each mailing day and mailing location to highlight any problems with mailing dates. These characteristics result in 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 ready, but the date may not be the actual date of mailing. Indeed, although the Postal Service does randomly monitor the accuracy of the meter date on enveloped, stale-dated meter marks will appear with some regularity in most remittance samples. The Postal Service's internal statistics confirm that metered mail 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 mailings agent's log sheets, and the origination processing data from the USPS 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 gathers these items and either re-mails them to a lockbox location or remotely deposits them. 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 envelope 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.

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 times when envelopes were received. 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.

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 those 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 then assumed in Postal Survey calculations. A good example of this occurs when a corporation requests a final cutoff for reporting of deposit totals or transmission of remittance detail, earlier than the bank's potential last deposit time.

Factor 7 – Methodological Differences

The Collection Model™ calculates an observed system mail float based on the remittance sample with a methodology that is as close to that of the Postal Survey 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% - 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 rejections 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.

The presence of these factors makes 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 0.60 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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