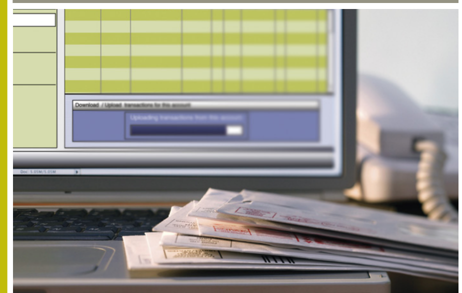
Financial services firm lowers mail costs, increases efficiency with volume based pricing

Client profile

Nearly two years ago in the Spring of 2008, a global financial services company with headquarters in New York City issued a Request for Proposal (RFP) to transition its mail services to a variable volume based pricing model. The RFP was part of a broader move by the company to switch all of its contracts over to this type of pricing model to cut costs and provide flexibility during a period of fluctuating mail volumes.

CASE STUDY



Challenge

- Provide pricing flexibility for fluctuating mail volumes

Solution

- A tiered pricing structure that varies with volume

Addressing inbound, outbound and interoffice mail

The customer requested that Pitney Bowes Management Services (PBMS) submit a pricing proposal for processing the following mail service categories:

- **Inbound Standard Mail Delivery** – This category includes all inbound mail from the United States Postal Service (USPS). Pricing would include end-to-end delivery: screening, sorting, van transport to the customer's multiple facilities, through final delivery of the mail to end users by a PBMS employee.
- **Inbound Premium Delivery** – This category would include all mail and packages that require a signature upon delivery, such as Federal Express® and some United Parcel Service® deliveries.
- **Outbound USPS® Standard Mail® and Outbound Premium Mail Delivery** – the same categories for inbound mail would apply to outbound mail as well.
- **Interoffice Mail** – This category would include the sending of mail from one client facility to another.

Since PBMS had been managing the client's mail processing needs for a number of years, it was at a clear advantage in terms of collecting data on the customer's mail processes, trends and costs—areas that were all necessary in responding successfully to the RFP.

PBMS was able to create a tiered pricing structure based on the years of volume data it had collected for each category in the RFP along with the customer's projected future mail and package volumes.

The pricing structure was based on mail volumes increasing or decreasing from a basic volume level. Overall, if the volume increases, the client pays less for each service; if the volume decreases, the client pays more. The net result is a pricing structure that varies with volume; the customer is not locked into a flat monthly fee that remains the same, regardless of volume fluctuations.

PBMS began implementing its transaction-based pricing model for the client in July 2009. Measuring the success of this new pricing model is easy to do, simply by determining whether or not SLA's are being met. In addition to service level attainment, the customer is experiencing benefits in several other areas.

A pricing model with numerous customer benefits

The volume based pricing model provides the customer with many advantages, including:

- **Process improvements at no additional cost** to the customer. Labor can be shifted from one process or location as needed to meet fluctuating demand.

- **Delivery of the best work efficiencies possible** based on the flexibility PBMS has to re-allocate workforce as needed.
- **Enabling the customer to focus on its core business** without the constant concern of price increases or contract amendments resulting from the need to change mail center staff to handle peak demands or overtime work.
- **More simplified billing**, which enables the client to allocate chargebacks to various departments within the company.
- **The customer pays only for the services used.**
- **Fees for mail services that vary in line with business volumes.**
- **Enhanced visibility to mail volume patterns.**

Notably, volume based pricing gives the customer an advantage in a challenging economic climate. It provides a natural way to manage the ebb and flow of business; one that benefits the customer.

Every connection is a new opportunity™

Pitney Bowes

World Headquarters
1 Elmcroft Road
Stamford, CT 06926-0700
888 245 PBMS
www.pbmanagementservices.com