Pitney Bowes
Business Insight

The Future of Address Validation

Going Beyond Move Update to Cut Costs and Connect with Customers

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ABSTRACT

ORGANIZATIONS ARE UNDER PRESSURE TO DELIVER EXCEPTIONAL CUSTOMER SERVICE, INCREASE REVENUE AND MAINTAIN COMPLIANCE — ALL AT REDUCED BUDGET LEVELS. TODAY, THE NEED TO CONNECT WITH CUSTOMERS EFFICIENTLY AND EFFECTIVELY IS MORE IMPORTANT THAN EVER. THE FOUNDATION OF THESE COMMUNICATIONS, INCLUDING BILLS, DOCUMENTS, NOTICES, ETC., IS A COMPLETE AND ACCURATE CUSTOMER RECORD, WHICH INCLUDES A DELIVERABLE US POSTAL SERVICE (USPS) ADDRESS.

THE CHALLENGES IN PRODUCING COMMUNICATIONS THAT ACTUALLY REACH CUSTOMERS INCLUDE:

- ENSURING THAT ADDRESSES ARE COMPLETE, CORRECT, AND CURRENT WITH ALL USPS COMPLIANCE STANDARDS, INCLUDING SECONDARY ADDRESS ELEMENTS SUCH AS APARTMENTS, SUITES AND ZIP CODES

- DEALING WITH HIGH CUSTOMER MOBILITY, LOCATION VACANCY AND OPPORTUNITY FOR MIS-DELIVERY IF ADDRESSES ARE NOT CURRENT

- THE HIGH COSTS AND RESTRICTIONS ASSOCIATED WITH CHANGING INCORRECT CUSTOMER DATA

- LIMITED ACCESS TO REAL-TIME CUSTOMER DATA COLLECTION POINTS ACROSS THE ENTERPRISE

- LACK OF A REPEATABLE AND AUDITABLE CHANGE PROCESS WHEN NEW DATA IS AVAILABLE

- INCREASING LEGAL EXPOSURE FOR NON-COMPLIANT PROCESSES

THIS PAPER DESCRIBES THE VALIDATION REQUIREMENTS, OPPORTUNITIES AND BEST PRACTICES TO INCREASE ORGANIZATIONAL EFFICIENCIES RELATIVE TO ENTERPRISE ADDRESS VALIDATION.

THE FOUNDATION OF ACCURATE CUSTOMER COMMUNICATIONS AND SERVICES INCLUDES A DELIVERABLE USPS-COMPLIANT ADDRESS

Validating the Customer

Depending on the business function and application, a key identifier indexes the customer.

> Joe Riley
> Account # = 44-4-120-022-1773

> Michael Price
> Driver's License # = C530-1006-2034

This identifier insures that payments are posted to the correct account, notices have the highest chance of reaching the customer, and that legal exposure is minimized due to mis-delivery and customer privacy breaches.

As a critical channel for these communications, the USPS insists on an "index" – or unique "delivery point" in order to deliver the communication quickly and accurately.

> John Nichols
> USPS Delivery Point = 60543234512

In the above example, the ZIP Code™ is 60543, the +4 or "block face" is coded to 2345, and the last 2 digits of the primary address (512) are 12.

The USPS maintains over 147 million delivery points in its system and the communication success of an organization is based on the accurate and current assignment of delivery points and the validation process. To that end, the USPS provides Pitney Bowes Business Insight extensive data sets that enable our data quality platform to validate customer addresses.

As with critical agency account indexes, an incomplete or old address incurs higher postage costs, lower delivery rates, and increased rates of returned mail.

Challenges Without Address Validation

Figure 1 depicts some examples of customer validation failures. For each type of address failure there is an assigned statistical probability of UAA rate (Undeliverable As Addressed rate) as attributable by the USPS. Mail pieces sent to these locations risk mis-delivery exposure, higher postage costs, fines, and/or return mail costs.
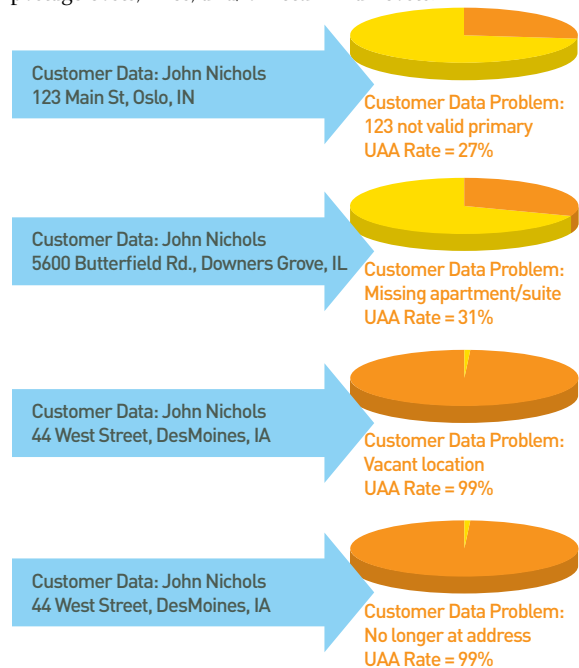
> Customer Data: John Nichols
> 123 Main St, Oslo, IN
>
> Customer Data Problem:
> 123 not valid primary
> UAA Rate = 27%

> Customer Data: John Nichols
> 5600 Butterfield Rd., Downers Grove, IL
>
> Customer Data Problem:
> Missing apartment/suite
> UAA Rate = 31%

> Customer Data: John Nichols
> 44 West Street, DesMoines, IA
>
> Customer Data Problem:
> Vacant location
> UAA Rate = 99%

> Customer Data: John Nichols
> 44 West Street, DesMoines, IA
>
> Customer Data Problem:
> No longer at address
> UAA Rate = 99%

Figure 1 – Examples of Constituent Validation Failures

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Based on customer studies and benchmarks, Pitney Bowes has identified that the top communication challenges stem from:

- **Non-confirmed addresses:** addresses not assigned to delivery points cause the mailer to pay $.05 – $.25 more per mail piece. According to the USPS, 27% of non-confirmed addresses are returned to the sender.

- **Address missing secondary elements:** according to the USPS, 31% of mail pieces with addresses missing secondary elements, such as apartment and suite numbers, are returned to the sender, or worse yet, mis-delivered to other units in the same building.

- **Vacant locations:** valid delivery points where the USPS is no longer accepting mail. Mailings to these locations can also represent a high potential for fraud, as criminals may be attempting to divert checks or other sensitive information to un-served locations.

- **Old addresses:** over 80% of UAA for First-Class Mail® occurs when mailers fail to follow the approved USPS Move Update process. These addresses are at risk for mis-delivery and penalties up to seven cents per piece. Repeated offenses may expose an organization to postal compliance issues, including a loss of postal discounts and fines.

Mitigating the Challenges

Consider these two examples:

> Secondary address collection (apartment/suite)

> Move Update and new address management

Secondary Address Collection

- After primary address validation, also known as Delivery Point Validation or DPV®, secondary address failures are the next largest issue in *address* related delivery failures and a primry contributor to higher costs.

- USPS studies that show a 31% return mail rate for mail with "missing" secondary address information. With returned mail costing the Post Office over $.50 per piece, the USPS may propose secondary address mandates on mailers as a requirement to garner the deepest postal discounts.

- Benchmarking studies of enterprise address records show that between 3 – 10% of these records are associated with locations where USPS secondary address elements are present. While 3 – 10% is seemingly small, the loss of even some future postal discounts, combined with an immediate reduction in UAA mail, represents a significant challenge.

- The USPS has developed SuiteLink™, a dataset that can append suite information based on the company name of an address record. SuiteLink will be mandated for postal discounts beginning in August 2011.

- Many organizations estimate the cost of a returned mail piece at $3 – 7. The significant costs of returned mail support a strong business case to address the root cause of related Undeliverable As Addressed (UAA) mail.

Address cleansing solutions from Pitney Bowes Business Insight return a "DPV=S" when an address has a valid primary address but is missing or has an invalid secondary address. The USPS has already begun to identify high rise locations where secondary addresses are required in the DPV data. *(See Figure 2 on page 5.)*

These return codes, however, are just "indicators" to identify the existence or non-existence of secondary address information. They do not provide *correction* or *creation* of secondary address information, so it is critical to leverage these indicators "upfront" or in real-time (at the point of entry) when a customer address is being collected or changed.

ORGANIZATIONS CAN LEVERAGE NEXT GENERATION ADDRESS VALIDATION PLATFORMS TO INCREASE CUSTOMER COMMUNICATION EFICIENCY

Example	Original Address Record	Corrected Address Record	Return Code
Confirmed	150 LYNNWAY #505 LYNN, MA	150 LYNNWAY APT 505, LYNN,,MA 01902-3457	DPC=Y*
Confirmed – Apt/Suite invalid	12 C. Austin Ct. Saugus, MA	12 AUSTIN CT # C SAUGUS, MA 01906-3561	DPV=S***
Confirmed – Missing Apt/Suite	296 North Main Street East Longmeadow, MA	296 N MAIN ST EAST LONGMEADOW, MA 01028-1878	DPV=D***
Not Confirmed	50 LANE AVENUE WARWICK, RI	50 LANE E WARWICK, RI 02888	DPV=N**

Figure 2 – Examples of Cleansed Address Records

*   *11 digit delivery point assigned gets highest postal discount – presort discount*

**   *9 digit delivery point assigned get automation discount (10 – 20% more expensive than presort discount)*

*** *11 digit delivery point assigned under current CASS rules-gets highest postal discount, however mail piece is at risk to be returned and future rules could mandate less discount for DPV S,D addresses*

These opportunities may present themselves under the following conditions:

- When new customers apply for services

- When customers update or change their address

- When customers renew their service

A typical sequence of secondary address collection can be seen in Figure 3 on page 6.

Move Update – New Address Management

- Over 80% of UAA mail for First-Class Mail is due to "old" customer addresses. It is the number one cause of UAA.

- Approximately 15% of US residents move every year and 18% of businesses.

- There are over 44 million change of addresses on file with the USPS. These addresses are validated by USPS through a negative consent process. Organizations leverage this data to maintain contact with their customers.

- USPS Move Update compliance is a requirement for postal discounts, with **no** exceptions.

- The USPS incurs costs in excess of $1.6 billion for UAA mail every year.

- Organizations not in compliance with Move Update requirements risk the loss of postal discounts and may face fines. The USPS has systems to monitor compliance and as of January 2010, can assess a penalty of up to 7 cents per piece if certain thresholds are not met.

Permanent change of address records are compiled and securely distributed via the NCOALink® product. This product can only be used with NCOALink-certified applications such as those provided by Pitney Bowes Business Insight. Pitney Bowes Business Insight's solution is evoked as a batch service and runs against existing name and address files and "matches" and appends new customer addresses or other return codes such as "moved left no forwarding address".

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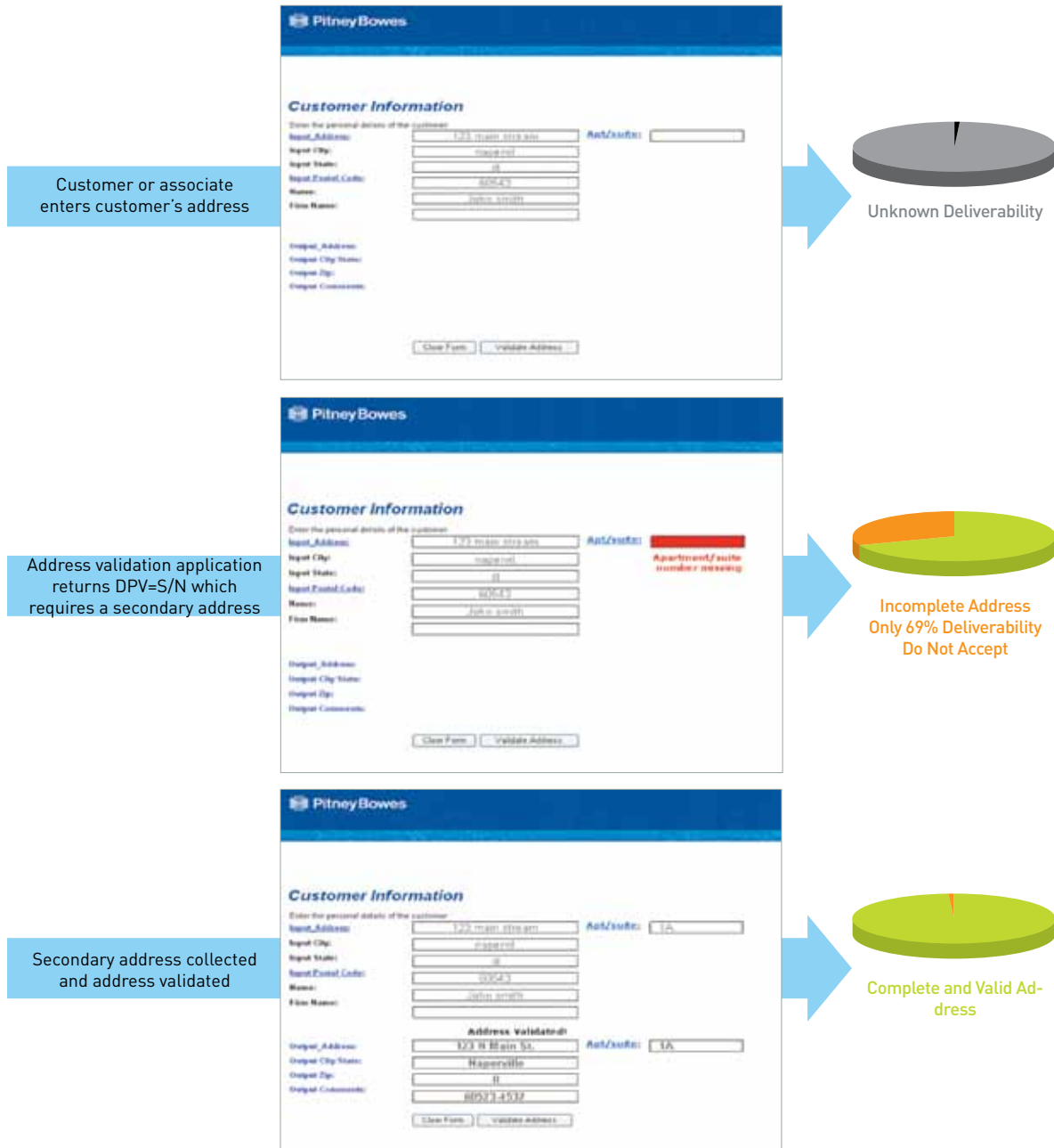Going Beyond Move Update to Cut Costs and Connect with Customers

6

Customer or associate enters customer's address

Unknown Deliverability

Address validation application returns DPV=S/N which requires a secondary address

Incomplete Address
Only 69% Deliverability
Do Not Accept

Secondary address collected and address validated

Complete and Valid Address

Figure 3 – A Typical Sequence of Secondary Address Collection

ADDRESS VALIDATION CAN ENHANCE CUSTOMER DATA QUALITY AND INCREASE AGENCY PROCESS EFFICIENCY
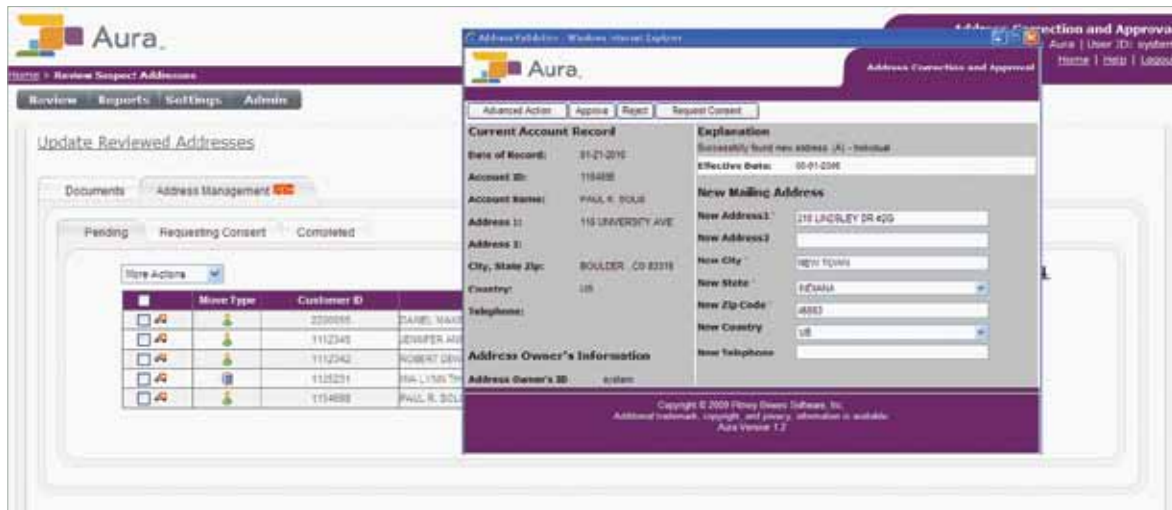

Figure 4 – Aura allows Address Owners to easily view all data anomalies and take action. New addresses are presented via web application to customer for approval or other actions and approved addresses are sent for update and an "audit log" is stored.

Organizations concerned with maintaining current address and customer records often:

• Run change of address applications every 30 days, to identify new addresses.

• Run change of address applications at time of mail preparation, to reduce returned mail.

• Verify changes with customer via mail or email when a new address is detected, and direct customer to a secure web portal for approval of the new address *(see Figure 4 above)*.

• Attempt to contact customer via email, web-portal, or other method to obtain a current mail-able address when other return codes are found (e.g. moved left no forwarding address).

• Create change/update processes that are repeatable and auditable for USPS and privacy compliance.

Improving Process: Value Model of Address Validation

Organizations can save millions of dollars by making address validation and Move Update a standard process for their customer records. The chart in Figure 5 on page 8 identifies the correlation between address quality and potential savings under the following assumptions:

• Average cost of failed customer communication: $3.55, which includes print, postage, return mail handling and organizational service costs.

• 5 mailings per customer per year.

• 5% of customers report new/change of addresses per year.

• 3.5% improvement in upfront address validation (DPV confirm, vacant detection) with a 27% improvement in delivery for every correct address.

• 4.5% improvement in secondary address collection, with a 31% improvement in delivery for every correct address.

The Future of Address Validation

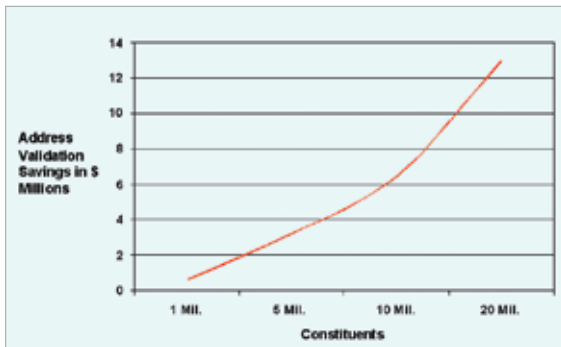Going Beyond Move Update to Cut Costs and Connect with Customers

Figure 5 – Potential Address Validation Savings.

- 3.5% improvement in batch processing validation including NCOALink, SuiteLink, new vacancy detection.

Solution Best Practices

Leading organizations have developed an address validation framework to enhance customer data quality. Key components of this best-in-class, cloud-based reference model are:

- Service Oriented Architecture (SOA) that provides access to all services required by the organization.

- Utilization of a cloud-based offering provides the benefit of the latest technology and enhancements – for a fraction of the cost associated with traditional hardware and software ownership.

- Consumption based pricing model allows organizations to only pay for their current usage, which allows for better alignment of revenue and cost.

- Focus on the business problem you are solving, not the operational aspects of the underlying technology used.

Conclusion

We have seen how organizations can leverage next generation address validation platforms to:

- Increase customer communication efficiency.

- Increase business process efficiency.

- Increase compliance and reduce exposure.

Specific examples have demonstrated how these platforms can be used to collect better customer data upfront and maintain current address information for their customers in ways that balance their need for change restrictions.

Finally we have explored cost efficiency models or opportunities and supporting technology reference models.

Recommendations:

- Examine new address collection process and determine all points of possible collection.

- Deploy client, web, application access for complete validation at these points.

- Use all current USPS products via a user interface that encourages collection of all required customer elements.

- Discourage "over-rides" of address validation that undermine this collection.

- Deploy an ongoing monthly batch validation processes against customer data.

- Develop repeatable and auditable business processes for these batch validation outcomes – "what do I do if I detect a new address, vacant location, or address conversion?"

- Ensure that you have taken every reasonable step to communicate with your customer – and document this fact.

- Deploy a centralized address validation service to ensure that current data and services are available to all organizational users.

COLLECT BETTER CUSTOMER DATA UPFRONT AND MAINTAIN CURRENT ADDRESS INFORMATION FOR CUSTOMERS VIA CLIENT, WEB AND APPLICATION ACCESS
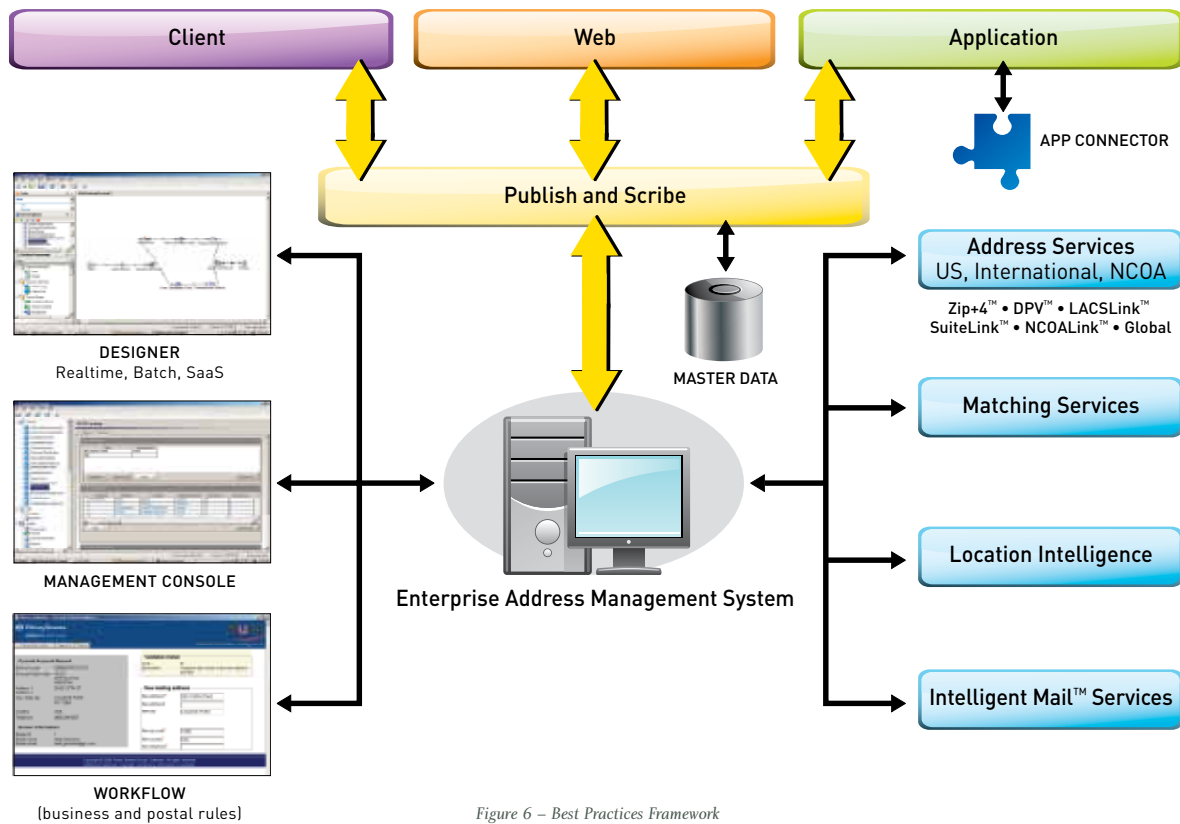
Figure 6 – Best Practices Framework

The Future of Address Validation

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Achieve More with Pitney Bowes Business Insight

Pitney Bowes Business Insight helps organizations locate, connect and communicate with customers. Our software and services make it easier to:

- Visualize new markets, pinpoint opportunities and create the accurate, data-driven communications needed to acquire customers and sell more effectively.

- Integrate more complete customer information into business processes to streamline decisions, create relevant experiences and serve customers more efficiently.

- Evaluate trends, identify at-risk relationships and respond to changing customer needs with the speed and agility essential for profitable growth.

Over the past 25 years, corporations and government entities have relied on Pitney Bowes Business Insight to acquire accounts, serve customers and grow relationships. Today we provide a broad range of solutions that integrate data quality, geocoding, location intelligence, predictive analytics, communication management and mailing efficiency into every-day workflows and business systems. The combination of enterprise platforms, SaaS solutions and on-demand applications provide for more intelligent business decisions and consistent, accurate customer experiences across all channels, including emerging media.

Increase Efficiency and Improve Communication

Our best-of-breed, end-to-end solutions provide a unique way for organizations to maximize control, flexibility and cost efficiency.

Mailing Efficiency

Maximize postal discounts by standardizing addresses, validating postal codes and presorting – reducing return mail costs for significant savings. With Pitney Bowes Business Insight solutions, organizations can ensure the integrity of duplicate addresses and deliver accurate, on-time communications.

Customer Data Quality

Ensure data quality and integrity with data quality solutions that integrate data streams from disparate data sources, standardize and validate customer addresses and enrich data with valuable location, demographic and business-oriented intelligence. Pitney Bowes Business Insight solutions identify and consolidate duplicate records to obtain a more accurate view of information.

Document Composition

Create personalized communications for multi-channel delivery and personalize letters, notices, reports, tax bills, applications and contracts for on-demand printing and distribution. Pitney Bowes Business Insight provides a centralized, single source solution so you can automate document creation and speak to the unique needs of customers.

PITNEY BOWES BUSINESS INSIGHT: YOUR SOURCE FOR ANSWERS AND SOLUTIONS

Document Archiving

Support customer self-service and enhanced multi-channel communications. Pitney Bowes Business Insight offers online account management, e-billing and customer care solutions that make it easy to communicate consistently across all channels. Our interactive document vault solutions integrate e-presentment, e-payment and collaborative e-services.

Location Intelligence

Visualize new markets, pockets of opportunity and competitive threats. 70% of all business data contains a location component; and Pitney Bowes Business Insight solutions combine geocoding, mapping and predictive analytics so you can identify trends, segment customers and create more relevant communications.

To learn more visit www.pbinsight.com.

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