

# Leak proofing

ALL POSTAL OPERATORS LOSE REVENUE THROUGH UNFRANKED OR UNDERFRANKED MAIL. POSTNL HAS REALLY GOT TO GRIPS WITH THE PROBLEM, AS **HENK HOGEWONING** DISCOVERS

**They are the** bane of every postal company: items of mail for which insufficient postage has been paid but that are still delivered normally. In the Netherlands, PostNL has been using an automatic system since 2008 to charge for the delivery of such items. As well as improving the company's bottom line, the system also has a preventive effect: customers realise that unfranked or underfranked items will be intercepted, so next time they'll check what they actually need to pay.

From the end of this year 18 new culler-facer-canceller (CFC) machines will enable PostNL to intercept underfranked mail items. "Cautious estimates suggest that from 2013 we will be able to trace at least twice as much underfranked mail and then impose the necessary charges," says Karin Vierwind, PostNL's manager responsible for the collection of the relevant sums.

The arrival of the new CFCs – which now also allow items to be weighed – will mean

improvements in the collection of unpaid postage. It will be possible not just to intercept unfranked items but also items with insufficient postage on the envelope or postcard. Tests with the new machines – which will gradually replace the existing ones – will start this summer and the intention is for them to be fully operational by the beginning of 2013. From that point on, checks on underfranked mail will be much tighter.

**Fully automatic processing** The process of collecting unpaid postage has been fully automatic since 2008, when a new machine was installed at the Nieuwegein sorting centre, where underfranked or unfranked mail is processed. This means that the tens of thousands of postal workers no longer need to search for unfranked items, and it removes the time-consuming necessity of writing out postage-due cards. This improvement in efficiency means a major annual saving for PostNL.





PostNL's Karin Vierwind:  
responsible for the collection  
of unpaid postage

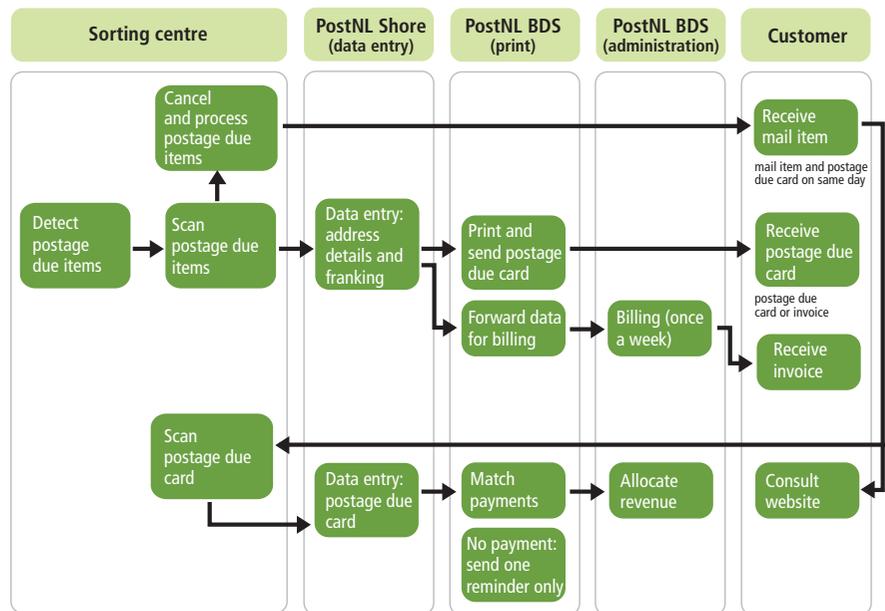


PostNL's Nieuwegein sorting centre

How does it work? Unfranked items are detected by the CFCs at PostNL's six sorting centres. They are then sent to a single central location, where a special machine photographs them. PostNL then uses the systems and data lines of PostNL Shore (see box) to send the scanned images to the Philippines, where workers enter the address details and the amount of underfranking. The data then speeds back to PostNL's Billing and Document Solutions department in the Netherlands, which ensures, in the case of commercial customers, that the necessary charge is added to the invoice. For private senders, postage-due cards are produced and sent out.

Sending out postage-due cards leads to 70 percent of unfranked or underfranked mail being paid for. One interesting phenomenon is that the senders often attach more stamps to the postage-due card than actually necessary.

**Privacy of correspondence** While the postage-due cards and invoices are being produced, the item is sent on its way to the addressee. Quick, automatic production of the postage-due card means that the mail item and the card are generally delivered the same day. "We don't want the customer – whether sender or recipient – to be disadvantaged because the item has been unfranked or underfranked," says Vierwind. "That's why we always convey



Internal postal processes

## “The mail item and the card are generally delivered the same day”

the item anyway, even if the sender has paid insufficient postage. Moreover we usually don't know who the sender actually is, for example in the case of postcards. Theoretically we could open letters but privacy regulations prohibit us from doing so. So we recover the costs from the addressee. It's different with items franked using a franking machine because then we do know the identity of the sender.”

The process is therefore an innovative one, but the postage-due card itself is also innovative. PostNL uses the 'easy response cards' that were originally introduced for commercial customers that send out a lot of direct mail. The card has an address sticker,

## Who does what?

Collecting unpaid postage involves a number of parties, ranging from the workers at the sorting centres who operate the CFCs and the unpaid postage collection machine, to commercial employees who deal with the customers. They are supported by PostNL Shore and PostNL Billing and Document Solutions. PostNL Shore is responsible for scanning underfranked items and inputting the data on the items and also deals with data entry in the Philippines. PostNL Billing and Document Solutions prints out the invoices and postage due cards that the company uses to collect unpaid postage.

In January 2012 a team of 10 PostNL employees began work on further improving the processes involved in collecting unpaid postage. That work will take until early 2013 but efficiency improvements will still continue after that date. Ultimately the aim is for the CFCs to take over the work of the unpaid postage collection machine in Nieuwegein entirely.

## More than just post

PostNL is the market leader in the Netherlands and has a strong market position in the UK, Germany and Italy. The company processes 3.7 billion items of addressed mail annually in the Netherlands and almost five billion items in the UK, Germany and Italy. But the market for letter mail is shrinking, so PostNL is looking for new products and services, often along the dividing line between digital and physical mail.

### Growth ambitions for parcels and e-commerce

PostNL's focus is on the market for mail parcels, and e-commerce. These three markets are a logical choice. More goods are being ordered online, which is greatly increasing the need for parcel deliveries. PostNL is therefore focusing increasingly on e-commerce activities, including handy parcel delivery services and ready-made web shops, plus provision of full-scale logistics for online retailers.

### Some examples of innovative digitisation and e-commerce services are:

- CheckPay: for extra security and to prevent fraud, the consumer doesn't need to pay until they receive the order.
- Since mid-2011 PostNL has assisted businesses to set up their own web shop quickly and efficiently. PostNL can also take over the logistics side of things.
- BillPost: PostNL takes over the work of printing and folding invoices and preparing them for dispatch. Reminders and demands can be dealt with in the same way. Invoices can also be sent as PDF attachments with e-mails.

### Digitised mail

PostNL also aims to be the market leader for large-scale data processing, for example for logistics businesses such as postal companies and publishers. This work is dealt with by PostNL Shore, which presents itself as a digital processing partner. Digitising all kinds of documents enables businesses to cut down on the cost of logistics and administration. It also helps them provide customers with products and services at short notice.

Shore's work involves:

- Postal automation: support for postal activities. The best-known example is video coding – the real-time processing of address details on items of mail. Another is the processing of postage due cards.
- Scanning and data entry: scanning documents and entering data, for example invoices, reply cards, questionnaires, application forms, orders, and vouchers from magazines.
- Document management: organising and managing the information chain. PostNL can also process and manage information that arrives by phone or email or from a website. PostNL manages information flows, from data capture to archiving.

which the addressee can simply remove, revealing the response address. After ticking the desired option on the card – generally a request for more information about a product – the addressee returns the card.

The same kind of card is used to collect the unpaid postage. Anyone who receives an item for which insufficient postage has been paid receives a postage-due card at the same time. They then stick stamps on the card to cover the shortage plus an administration charge and send the card back to PostNL. It is also possible to pay by means of a once-only direct debit via a special PostNL payment website. As proof, the website displays a picture of the underfranked item.

### A critical look at the process

The introduction of the new CFCs has been seized on as an opportunity to take a critical look at the whole process of collecting unpaid postage. One of the planned changes is to make the payment website more user friendly, for example by improving the quality of the images of the postal items concerned. Efforts have also been made to prevent postage-due cards from reaching the wrong recipient. Consideration has therefore been given to having the data-entry workers in the Philippines enter the data twice, with invoices and postage-due cards only being sent out if the two sets of data match.

The biggest improvement, however, is in the increase in the number of payments. "That means we can recoup part of our investment in the new machines," says Vierwind. "We also hope to reduce the number of queries and complaints from customers about invoices and postage-due cards."

This is also necessary because the increased number of invoices and postage-due cards means that more customers are contacting PostNL. The company has to find the right balance between additional income and additional costs due to the expected increase in phone calls and emails to call centres.

Once it has altered the whole process of collecting unpaid postage in 2013, PostNL will be the world leader in this field. It is striking that a number of European postal companies do not collect unpaid postage at all, quite apart from doing so automatically. "It means they are missing out on income," says Vierwind, "and it also gives customers the idea that it's worth underfranking mail or indeed not franking it at all. That's definitely unacceptable." ■

