

## **Managing Postage Costs with the use of Add-A-Name & Drop-A-Name Programs**

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Escalating postage costs have been a constant theme, with some big jumps in recent years. In addition to having to deal with an overall cost increase, marketers have also seen the number of postage tiers steadily increase, a method the USPS is using to give marketers the incentive to prepare their mail for more efficient handling.

The added cost of mailing pieces in very expensive rate tiers must be evaluated when determining the overall ROI of each campaign. In many instances, ROI is improved by keeping names in or adding names to the mail stream that receive the USPS maximum discount, and dropping names when postage costs make those records unprofitable to mail, thereby decreasing overall postage costs.

### Add-A-Name

Mailers will greatly help themselves from a postage perspective by creating mail file density. This may be accomplished via traditional Add-A-Name strategies or by co-mailing. The goal in implementing either (or both) of these strategies is to place as many books as possible in the highest postal rate tiers. Over the years, many mailers have taken advantage of Add-A-Name strategies and know that to fill one hole always is a winning proposition.

We must remember, however, to include paper and printing costs associated with each name that is added to the mail stream. Only by keeping all of these costs in mind can we determine the actual costs associated with filling holes. Before making a final decision regarding the number of holes to fill, the mailer must consider the incremental profit Add-A-Name records will generate. The bottom line here is that the stronger the names are, the more holes that can be filled. But where can the mailer find these names? Many mailers fill holes with older house file names that are relatively strong but not quite strong enough to mail on their own. The premise is that the postage savings provided by filling holes offsets the marginal performance of these names so that, in the end, they will be profitable to mail. Others draw on the purchase data of the cooperative databases, for example, to add more high-quality names with proven buying histories to each mailing. This added dimension improves the potential return from each mailing and helps lower marketing expenses.

### Drop-A-Name

Despite best efforts to qualify names in tiers with the lowest postage, there will still be some records that fall into more costly tiers. In some cases the postage penalties incurred on these names can be so great that they offset any potential contribution that may be generated by putting them in the mail. This is especially true for names that are anticipated to be marginal performers to begin with. In these situations, mailers **MUST** take a look at all of the names in the lower, more expensive tiers, and evaluate whether or not they are worth mailing.

The best solution in handling this problem is to provide your service bureau the anticipated sales per book for the segments that you are mailing. They can then determine which names should be dropped, based on a combination of performance and postal qualification.

Add to ROI, Drop Wasteful Mailing

By adding names from house file records or a database cooperative like Abacus and NextAction, then dropping names in costly postal rate tiers, marketers can make the best use of each mailing. As the unpredictability of rising fuel, production, and postal costs jeopardize the ROI of marketing campaigns, an Add-A-Name/Drop-A-Name approach offers marketers a way to significantly maximize the return on each campaign dollar they invest.

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