CHAPTER 8

The Re-emergence of Hybrid Mail

Jacob Johnsen

Jacob Johnsen has worked in the postal and the telecommunication industries for more than 25 years, focusing on hybrid mail and electronic services.

Developments in digital media and printing technology have enabled postal operators to find new ways to connect their customers in the messaging and communications markets. A variety of such options come under the generic of ‘hybrid mail’ which incorporates the integration or convergence of physical and electronic solutions and leads to new strategic opportunities being explored by innovative postal operators, some of which are described here.
The concept of hybrid mail has often been discussed as a strategic topic when planning postal activities. However only recently and only in some postal businesses, has hybrid mail become a central part of postal delivery strategy. Some operators are offering hybrid mail as an additional service for volume mailers, while others have either not acquired hybrid mail yet, or have evaluated the need and decided against it. This position however may be about to change.

**Hybrid Mail is changing**

For several decades hybrid mail was a service whereby the post would receive data from the sender and perform some actions on it (such as validation, sorting, transportation) before printing and delivering the letter. The general benefit was that part of the postal handling could be done electronically and the letter could be produced (printed and enveloped) close to the recipient, sorted and in a high, uniform printed quality.

Hybrid mail has also given additional benefits for senders and postal operators. Senders have always had their focus on delivery assurance, delivery speed and cost. In most cases posts can offer improvements on all these aspects through hybrid mail, as well as the clear benefits from outsourcing print production (externalization of purchase of materials, warehousing, staffing, investment and maintenance). The fact that letters are produced inside the postal operator can give an additional competitive edge over private print shops.

For the post the additional strategic benefits are the potential for a closer interface and relationship with major senders, the opportunity to stimulate an increase in mailing volumes and the option to provide numerous additional services. Value added services that may be offered by hybrid mail are address control (including reject of errors or automatic change of addresses), insertion of additional messages on the printed pages or with inserts, track & tracing (as far as the postal logistic may permit) and more. These services can also be offered by competing print shops. On top of this postal hybrid mail services may be able to handle registered mail automatically, reduce delivery time or scan return mail (mail that has not been able to be delivered) and provide senders with information improving their data.

This basic hybrid mail offering has both great value and potential for many posts. However the arrival - and general acceptance by many receivers - of electronic delivery has dramatically changed the landscape in the last few years. An
increasing number of documents are transmitted electronically to the recipient, and senders are very aware of the possible saving in using electronic delivery.

Arrival of the electronic delivery
Many predicted the end of physical mail with the emergence of e-mail. The same was said when the fax appeared in the 70’s. And none have proven to be true. Instead communication has increased dramatically. Even 4 billion SMS sent every day in the US1 (and 15 billion globally) have not directly affected postal volumes. But the winds of change are picking up.

The broad adoption of electronic messaging has started a change in the minds of the mail recipients. They are increasingly accepting electronic delivery of much information, which previously was only thinkable on paper: account statements, tax bills, invoices and even insurance policies. Moreover, an increasing number of recipients prefer electronic delivery to printed paper, and are pushing senders to offer the electronic alternative.

This development is also being pushed by government and municipalities who are always under financial pressure. In many developed countries they have embraced electronic communication internally in their organisations and in their interface with their citizens. Developing countries are also increasingly using hybrid mail as a way to leapfrog development and achieve both improved postal quality (especially regarding their delivery obligations) and offering the combination of physical and electronic delivery to its customers.

The e-choice facing posts
With the arrival of electronic delivery most posts are standing at a crossroads. Either they chose to embrace alternatives to the physical letter, and integrate various electronic services in their postal portfolio or they focus on their existing business with an emphasis on logistics and last mile delivery. Business as usual is no longer an option as it seems likely that the physical letter market will slowly but surely diminish over the coming decade.

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1 740 billion SMS sent in the first half of 2009 by 276 million wireless users (1.5 messages/user/day). Source: Verisign
2 5.5 trillion SMS per year at the end-2009 level. Source: Portio Research
Looking at the alternatives to the physical letter, posts have a strong edge over any competitor. Even if e-service competitors may have numerous electronic services, an offer that includes a physical letter will need the post, either to bring a letter to the service or to deliver a letter from the service. The post is the only player that has the ability to mix physical and electronic services at its will, and be in charge of the entire delivery chain.

Figure 1: Whereas electronic operators are limited to provide electronic services, the post can offer a combination of physical and electronic delivery.

This means that posts – better than anyone – can offer a combination of physical and electronic delivery. For this, the posts have some unique advantages:

- Being a Hybrid Mail provider means **active access** to all outgoing letters from the sender, including candidates for a migration to electronic delivery;
- **Close interface** to the sender, thereby knowing (and maybe influencing) their delivery strategy;
- The **drivers for outsourcing** that are pushing the use of hybrid mail are also true for electronic delivery offerings, however margins are lower;
- **Reverse Hybrid Mail**, where incoming letters are scanned and delivered electronically, may be proposed as an additional service;
- **Offering electronic delivery** requires **trust** from both senders and recipients. Posts traditionally have a **highly trusted position** in almost any country;
• Even for senders not using Hybrid Mail, posts have the possibility to monitor level and development in mail volumes per major sender based on stamp revenues.

However hybrid mail is not all about offering a mix of physical letter production combined with alternative electronic delivery. Hybrid mail in its basic form can simply be making it easy, efficient and cheap for mailers to produce letters and have them delivered and is still a strong and valid offer to sustain mail volumes and thereby the role of posts in the future.

The future of Hybrid Mail

There may still be a question mark over the sustainability of current levels of mail volumes but there seems to be little doubt that hybrid mail volumes will be growing in coming years. The market share of hybrid mail is simply growing faster than the erosion in mail volumes. The pressure on companies to perform, are pushing them to outsource this type of operation. At the same time the service offering is continuously improving quality, security and pricing.

The up-to-date hybrid mail service offering can now offer bespoke colour printing at low prices (0.02 €/page), printed envelopes (colour or black/white), inserts of any kind (including embossed credit cards, train or plane tickets, etc.) and numerous editing and composition services. The traceability gives assurance of entirety and integrity, and senders are given feedback step by step of the process. Electronic archives may be provided with web access to find archive copies. Web may also be used for secure uploading of documents, they can be transferred directly from any desktop PC or you can compose letters on a web page. The list goes on and on.

If we look at the various posts’ way of conducting their hybrid mail business, we see some who have been successful and some who have not. The majority of successful posts have embraced hybrid mail into the heart of their postal business. The offer is fully integrated into the postal portfolio, letters are produced in the major sorting centres, and the hybrid mail production planning is optimised for optimum performance, as well for delivery as for other business indicators. Some have tried to mount hybrid mail as a separate business, and missed out on many of the advantages. The lesson learned is that hybrid mail is not to be taken lightly when introducing it into a postal business strategy.
This may very well be a decisive time for posts globally: is the post going to define itself as a messaging provider regardless of the media, or is the post watching the erosion of the letter volumes and instead focusing on the increased volumes of parcels through ecommerce?
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Summary
The concept of hybrid mail is not a new one. The ideas behind it have been discussed and patchily implemented over the last 20-plus years. However, recent developments in digital media and printing technology have enabled postal operators to find new and cheaper ways to connect their customers in the messaging and communications markets.

In view of these developments, Jacob Johnsen clearly identifies new and potential strategic opportunities available to companies in the postal sector, particularly in the context of converging media and the way in which physical and electronic media can combine in a complimentary way to provide some very flexible and cost-effective solutions for customers.

One such innovation is the area of electronic delivery which starts to transform the concept of delivery for recipients but also for postal operators. The topic is of wider interest to many stakeholders including traditionally big senders of mail such as banks or utilities, but also to governments in the context of e-government.

The author highlights the strategic space available and hence the choices which need to be made by postal operators. They are, he argues, in the best place to exploit the new opportunities. The question is whether they will do so, and if so, how will they integrate these hybrid options with more traditional products and services?

Questions for thought and discussion

1. Does the term ‘hybrid mail’ simply describe a set of product solutions that have evolved with the arrival of new digital and printing technology or, as the author suggests, does it represent a significant strategic development that is transforming a very traditional business model?

2. Traditionally, postal companies described their market as the ‘letter market’ or the ‘parcel market’. Clearly those descriptions are no longer sustainable, but by stepping into electronic services for input and/or delivery as described in this contribution, what would be an accurate description of the market or markets that postal businesses are now engaged in through expansion or diversification into ‘hybrid mail’? Does this, in turn, alter the strategic space in which they operate and the options they should consider?