

MTAC Focus Group Meetings
February 15, 2012

Product Development
Key Comments and Questions

Gary Reblin, VP, Domestic Products, USPS

Rose Flanagan, MTAC Industry Leader for Mail Piece Design/Prod Development

USPS Industry Engagement & Outreach Facilitator for Product Development: Jamie McHenry

FG 4: Package Services 12:20 pm – 1:15 pm

John Medeiros, MTAC Industry Leader for Package Services

USPS Industry Engagement & Outreach Facilitator: Ruth Southworth

Discussion notes:

1. Pulse of the industry:
 - a. E-commerce – showing growth of 11% in package segment – signs are good for growth.
 - b. 15% of total USPS business was packages in 2008 and now it is 17.5%. B2C is 30%.
 - c. 5% of retail sales is ecommerce and this is expected to minimally double in the next 5 years.
 - d. Tablets are easy platform from which to ship – will encourage more online shopping and increase e-commerce sales.
 - e. Mobile B2C will increase shipping.
 - f. USPS will continue to drive e-commerce and grow in this business.
2. Discussion around Bound Printed Matter Flats and Bound Printed Matter Parcels – BPM Flats would be discussed in the Standard mailers sessions and BPM Parcels in the Package Services sessions. Product Management will work with industry to keep Bound Printed Matter in Market Dominant rather than move to Competitive. Currently completing evaluations. Average cost coverage is only at 98%. Ongoing discussions to create separations regarding density to pay by cube. USPS is not currently allowed to cross-subsidize; perhaps some solutions under the law. NSAs may be another possibility. However, BPM will not be moved at this time.
3. Network Rationalization and how it will affect parcels. Parcels are not going to follow letter mail. The changes should improve and possibly increase to an overnight network for parcels.
4. Package discounts for QR codes are being explored.

Action Items:

- Industry: submit some best case scenarios to send out on the next agenda, allowing for participants to bring thoughts/ideas to next meeting

Agenda Items (for May):

- Pulse of the Industry
- International Return Service
- Package Discounts – what's new
- Signature Confirmation on Parcel Select Light Weight (industry believes this product would be beneficial and that USPS is losing this to other delivery methods because of lack of signature)
- How could a QR incentive for packages be developed?
- What's new? What is being talked about for the future that's different from the past?
- How can USPS get in the game to allow discounts or contracts for customers moving to "free shipping" offers?
- Across the border parcel lift and international team

FG 8: First-Class Mail 1:15 pm – 2:20 pm

Sharon Harrison, MTAC Industry Leader for First-Class Mail

USPS Industry Engagement & Outreach Facilitator for First-Class Mail: Lewis Johnson

Discussion notes:

1. Mailers will be invited to provide feedback in the early stages of product development.
2. Mailers need to know about promotions early on – at least six (6) months in advance – so they can determine the costs to participate.
3. Discussion of proposed 2012 Mobile Commerce and Personalization promotion, including program parameters and registration and mailing submission requirements. Some Meter Permit mailings may qualify. Promotion provides mailers with an upfront postage discount on qualifying Standard Mail and FCM letters, flats, and cards containing a mobile barcode that can be read or scanned by a mobile device.
4. Industry: First-Class Mailers are especially impacted by PO Box alternative addressing issues, because companies use addressing for reasons other than just mailing.
5. Any new product communication should use the new format communication tool developed by Task Team #8.
6. Two-ounce free is great for FCM mailers.

7. Find ways to promote FCM; negative perceptions of FCM need to be tempered.
8. The January focus group organized by OIG and the PMG was another opportunity to discuss the value of FCM. Purpose was to get a pulse of the marketplace; as the research comes back, results will be discussed. There were 4 sessions of the focus group. USPS will communicate information outside the group as appropriate.

Action Items:

- Share with mailers the 2013 calendar scheduled to be released in mid-March 2012.
- Schedule teleconference to discuss some products and service concepts (Social Media, FCM – Courtesy Reply Mail, QR Codes, IMb Full Service – vol. discounts based – and Seamless Acceptance with possible incentives, etc.).
- Share the results of TT #8 (New Product Information Process) and product development related case studies.
- The FCM group and Steve Monteith will meet on April 4 at 2012 NPF.
- Review proposal submitted to the MTAC leadership team to have a Task Team established to address the PO Box alternative addressing issues.
- Case studies would help USPS understand how companies are using the second ounce product – would help to inform future product discussions.

Agenda Items:

- Secured destruction
- Ease of doing business with USPS

Second ounce pieces that do not have the full 11-digit barcode cause many production issues – product is very difficult and costly for the industry to manage, and only 2% of the mail is in this category

FG 8: Periodicals 2:30 pm – 3:25 pm

John Stark, MTAC Industry Leader for Periodicals

USPS Industry Engagement & Outreach Facilitator: Ernie Harris

Discussion overview:

- Introductions
- Meeting Structure
- “Pulse of the Industry”
- USPS Update

Discussion notes:

1. Much discussion around success of the new QR codes as an “action code” helping to lead a digital trend - USPS recognizes the value of print and knows mobile commerce will help USPS and Periodicals over time.

3/21/2012

2. Importance of understanding the value of the periodical subscriber, as well as the periodical itself, as the “anchor in the mail” in order to really understand the value proposition. Need to change consumer behavior.
3. Industry asked why USPS doesn't spend its ad budget on Periodicals. Gary said USPS does and provided examples. Industry member clarified she wants USPS ad dollars going to community newspapers.
4. Positive feedback on recent Periodical product sample and supplement to regulations

Action Items:

- Why does QR promotion exclude Periodicals?
 - Industry mentioned the value of PAG and would like it to continue – POAC will come under the new MTAC structure but PAG should continue separate from MTAC. Ensure feedback gets back to Consumer and Industry Affairs.
 - Past test efforts to generate new magazine subscriptions in postal lobbies has been tried but unsuccessfully due to the postal clerk not being able to take money on site. Industry would like to redo the test with the clerk being able to take money. Could allow anyone to pay via smartphone with QR codes, so the test should be conducted again because payment may no longer be a problem. Need further discussions on expense, test facilities and with the retail group.
 - Industry had asked VP, Sales & Marketing about mailing to nonsubscribers to get them to subscribe; no response so far. Problems include expense of magazine samples, circulation issues, etc.
 - The desire to sell magazines on the USPS website was discussed – everyone agreed all that is needed is willing publishers and a willing Postal Service. Invite VP Channel Access to next meeting to further discuss.
 - Pricing and cost coverage should be part of this discussion. Cost coverage concerns include update on Cost Systems Assessment project; Cost Data Analysis results; potential presort rule and rate changes to incent proper mailer behavior.
 - Industry asked for more periodicals sessions at the NPF (used to be a “Periodicals Day” at NPF). An industry representative said many new periodicals go to the Forum; should offer more sessions to justify their attendance.
 - PAG update: ideas such as product sampling via the mail have been very successful, industry has more new ideas to offer. PAG gets into details that are important; it would be worthwhile for PAG to report out at future MTAC product development focus meetings.
 - How do we change the Periodicals discussion from cost to value?
 - How can we create handling efficiency for the USPS and the industry?
-

FG 16: Standard Mail 3:35 pm – 4:30 pm

Wanda Senne, MTAC Industry Leader for Standard Mail

USPS Industry Engagement & Outreach Facilitator: Kathy Kamen

Discussion overview:

- Product rollout
- EDDM
- PO Box Alternative Address initiative
- Promotions

Discussion notes:

1. Before rolling out products, USPS must think about potential implementation problems for the industry and collaborate with them beforehand to avoid negative impacts. Adopt model approach used for folded self-mailers.
2. EDDM – will be reaching out to printers to get partnerships. Received some negative feedback on EDDM. If entered at retail, there is a threshold; however, if entered at the BMEU, no threshold requirement.
3. PO Box Alternative Address initiative is still considered a huge issue. Product release was not fully discussed with industry prior to release. Concerns:
 - a. Data compilers and identification
 - b. Unknown address format not identified on the piece
 - c. Can orders be shipped
 - d. Package returns due to unknown format
 - e. Security and fraud issues
4. Promotions –
 - a. Summer sale was not intended as a long-term solution to increase use of Direct Mail.
 - b. Discount promotions using technology will be the focus; USPS trying to put something together with mobile shopping; target month is November 2012.
 - c. Would not promote long-term growth to add promotion just during election time for election mail.
 - d. USPS plans to go to the PRC once – at the beginning of the year – for approval on all programs for that year.
 - e. Some mailers mail 90% of their volume between Dec – Mar, so incentives in July won't benefit them. USPS tries new things during slack mail times, and has to consider summer months because they are “down time” – attempting to increase volume during this season.
5. Discussed concept of ‘Personalized Postal Portal’ to link US citizens with a piece of mail – i.e., personal portal on the internet where people could log in to see what is

3/21/2012

coming to their homes before it arrives. USPS developing a digital strategy and exploring possibilities.

6. QR Codes – looking at ways to link social media to augmented reality.
7. Marketing parcels - inconsistencies from one category to another
8. Picture Product Indicia – USPS is moving forward (Board of Governors in March). Looking at all classes and discussing eligibility.

Action Items:

- Escalate PO Box Alternative Address initiative issues to USPS executive management again, based on continuing industry concern.
- Newspapers getting into solo mail. USPS has not reached out to newspapers as printers. Follow up on upcoming promotions that may impact newspaper industry.
- Newsletter responses have to go back through email due to issues with Reply Mail. If Reply Mail responses could be simplified – similar to what was done with a greeting card company so the return piece is paid on the way back – it would increase the value of mail. Follow up.
- Feasibility of offering discounts on parcels shipping out from the promotion – good idea and working on it, but need to figure out how to do it within the current law/structure.
- Could USPS explore discounts on fulfillment products for items which have been purchased using the mobile barcode? Have to consider feasibility.
- Issue/concern: requiring submission of a sample for the Picture Indicia – however, can't hold a printing press for approval. Also, a mail piece out of TX did not appear to meet all current rules. Industry will forward a sample of the piece in question.

Agenda Items:

- Bring Cliff Rucker (USPS VP, Sales) to the next meeting to discuss Guaranteed Direct Mail program
- Potential return product (similar to that used by greeting card company)
- Post Office Box Street Address (if needed)