

MTAC FOCUS GROUP SESSIONS
PRODUCT DEVELOPMENT TRACK
November 28, 2012

FIRST-CLASS MAIL GROUP
9:00 AM-10:30 AM

Leaders: Gary Reblin -- VP Domestic Products, USPS
Rose Flanagan – MTAC Industry Leader, Mail Piece Design/Prod Development
Sharon Harrison – MTAC Industry Leader for First-Class
Facilitator: Lewis Johnson – USPS Industry Engagement & Outreach
Scribe: Margaret Pepe – USPS Industry Engagement & Outreach

1. Pulse of the Industry Summary (Sharon Harrison)

- First Class Mail (FCM) revenue is down 3.5% compared to SPLY
- 65% volume is pre-sort 35% is single piece
- Single piece declines greater than presort volumes
- Studies indicate consumers still prefer bills/statements via mail
- \$507M in political mail revenue and 2.8 billion pieces in 2012 election cycle (First-Class was 10% of revenue and 5% of volume) - over ½ volume mailed in October

2. 2013 Price Changes (Jeff Williamson, VP Pricing, USPS)

Price increases based on CPI Cap of 2.7%
Postal Regulatory Commission (PRC) approved all price changes (Except Standard Flats)
Significant increase in prices on International First Class Mail (FCM)

Industry raised three areas of concern regarding pricing:

- **Commercial Single Piece**
- **AADC**
- **Flats**

Commercial Single Piece: Industry asked USPS for the separate single piece rate. Industry expressed confusion, frustration and lack of understanding regarding the drivers for the new rate. USPS indicated intent of the change was to carry forth the 2nd ounce rate to single pieces that are tendered as residual volumes and to reduce the burden of sorting those into 1 and 2 oz groups – as the industry requested after the 2nd Ounce Free price was launched in January 2012. Federal Register, DMM all written with the intent for the 1st and 2nd ounce rate to be \$0.48. Industry indicated they are being incited to do the wrong thing, creating more separations when manifesting since pieces are identified by weight. Technical issues regarding *PostalOne!* were tabled for discussion in Pritha Mehra's Focus Group session. **A Task Team was formed to address these issues.**

AADC 3 Digit: Industry asked where the USPS is going with AADC. As USPS moves forward with network consolidation the difference between operations of 3 digits versus AADC will become minimal. USPS is working with operations and networks to examine all 3 digit and AADC sort plans to optimize efficiencies and hope to eliminate AADC completely in the future.

Flats: Industry said when USPS changed the additional ounce rate – cumulative impact equates to 15% increase. USPS explained that the last rate change for the Flat class and cell level was in 2006. USPS realized an adjustment needed to be made now or next year the cumulative impact would be greater.

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3. 2013 Promotional Calendar (Gary Reblin, VP Domestic Products, USPS; Steve Monteith, Mgr. Transactions & Correspondence Mail, USPS)

Postal Regulatory Commission (PRC) approved all promotions.

There is a programming change set for PostalOne! in July to allow mailers to apply rewards or credits from multiple promotions where appropriate.

Mobile Commerce and Personalization Promotion

- 3% increase in the program
- 7% overall revenue from FC Mail

Summer Promotion Results

- 1,100 customers participated
- 42,000 mailings
- 3 % FC presort FCM

Survey Results

- 266 Responses
- 28% respondents changed website
- 16% changes prompted by promo
- 7% accelerated their plans
- Increased Direct Mail
- 38% perceive USPS has innovative
- 50% measured results

Holiday Mobile Shopping Promotion

- Will be our most successful promotion yet because of the high participation.
- We are looking to see how it changed the tone.

Preliminary Results

- 330 customers participated
- \$1B pieces participating – 3 wk period
- \$4.6 M in discounts
- Few customers registered for the 1% PM Fulfillment

Future Promotions

- Definitions and Promotion high level requirements released and posted on RIBBS site. Details on the first promotion: Direct Mail Mobile Coupon and Click to Call are also on RIBBS.

Direct Mail Mobile Coupon and Click to Call

Registration Jan15-April 30

Promotion Period – March 1-April 30

- Click to Call promotion
- Direct Mail Mobile Coupon
- You can participate in both the Click to Call and the Earned Value CRM/BRM promotions
- Rebates will be at the end of the promotion

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Earned Value Promotion

Registration Jan15 - March 31

Promotion Period – April 1 – June 30

- Mailers who registered their MIDs for the promotion, receive \$0.02 per scanned piece of BRM and CRM
- Pieces must have IMb, MID, and BRM/CRM STID
- Using the ALT-P system to identify and count those reply pieces

Testing

- Two large mailers have been testing to validate Alt-P System

Results

- 500 pieces tested with IMB to one POB = 100% of test pieces scanned and counted
- 500 pieces to two lock box = +/- 20% between actual and machine counts. Changes were made to the system
- Sept CRM Live = +/- 6% variance
- Nov CRM live = +/- 3% variance

Plan to expand test in December to additional locations and include two additional mailers.

4. 2014 Promotion Ideas

Color Promotion

- Supports First Class Mail (FCM) – billing, financials
- Only for Onserts: Inserts not eligible
- Discount applied at time of mailing
- 3-4 month program

Industry would like to have advance notice to plan accordingly for these promotions.

ACTION ITEMS

- **2nd ounce:** *Jeff Williamson will work with Pritha Mehra's group to review the intent and preparation requirements (Task Team formed)*
- **Manifest Issue:** *Needs to be resolved with Pritha Mehra's group (Task Team formed)*
- **Software Concerns:** *Timing to comply needs to be examined by Pritha Mehra's group (Task Team formed)*
- **Future Session:** *Industry would like to see a session at MTAC on future rates*
- **3Digit/AADC:** *Industry would like this discussed in the network operations steering committee to keep discussion going. (Dave Williams)*
- **MTAC Quasi Task Team:** *Industry agreed to form a quick team to provide input to Steve Monteith on CRM/BRM (Laine Ropson; Steve Krejcik; Craig Bjork; Jessica Hawley; Dan O'Brien; Sharon Harrison; Roger Mancilla; Rose Flanagan; Steve Monteith)*
- **Promotion User Group:** *Agreed to establish a user group to review upcoming promotions and details with the Industry (Gary Reblin)*

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PERIODICALS GROUP
10:45 AM - 12:00 PM

Leaders: Gary Reblin -- VP Domestic Products, USPS
Rose Flanagan – MTAC Industry Leader, Mail Piece Design/Prod Development
John Stark – MTAC Industry Leader for Periodicals
Facilitator: Ernie Harris – USPS Industry Engagement & Outreach
Scribe: Margaret Pepe – USPS Industry Engagement & Outreach

1. **Pulse of the Industry Summary (John Stark, MTAC Industry Leader, Periodicals)**
 - Periodical YTD down 8%
 - Creative advertising beginning to emerge in publications
 - Advertising is down
 - Circulations is down, however titles have increased in some areas
 - Periodicals and other mailers will follow early adopters using mobile apps, QR codes, etc. to enhance hardcopy print and open new opportunities to grow their businesses.
 - Newsstand magazine sales are down and Industry stressed importance of USPS getting to advertisers to promote innovative use of mail.

2. **NPF Program for Periodicals (Ernie Harris, Industry Engagement & Outreach staff, USPS)**
 - Periodical Program for NPF 2013 March 17-20th
 - Committee developed a strong program
 - Sunday Area Focus Meeting – (Red Tag Meeting) FYI: it was asked not to refer to this as Red Tag
 - Workshops through out the week
 - Key Industry leaders hand selected to promote latest innovations
 - It is now up to the Periodical industry to get word out and have people attend the forum and these sessions – get the seats filled.

3. **Magazines on USPS.com & Retail Update (Gary Reblin, VP Domestic Products, USPS)**

USPS.COM

 - Examine potential to utilize agent to offer wide array titles
 - Leverage offer to get valued survey information
 - Progressing next step is legal review

USPS Retail Stores

 - Limited interest due to implementation and economics
 - Examining new potential solutions

4. **PAG Update (John Stark & Howard Schwartz, Industry)**
 - Update on the proposed Federal Register Notice (FRN) changing endorsements on wrappers
 - Supplement to changes
 - eSubs qualifying for paid circulation
 - Potential inclusion of alternative electronic media
 - Ability to include sealed envelopes

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5. Promotions Calendar Update (Gary Reblin)

Earned Value CRM/BRM Promotion

- o Registration: Jan15 - March 31
- o Promotion Starts: April 1- Jun 30
- o Conducting test to validate pieces from Alternate Postage System
- o Expanding to include additional mailers/ locations in December

6. Open Discussion (Gary Reblin)

- Advertising and integration of augmented reality
- Regulations and Restrictions
- Electronic Diversion
- Postal Platform – Paul Vogel’s group consider partnership to allow digital periodicals on the new platform with increased advertising.

ACTION ITEMS

- **Increase Titles:** *Can we get the number of new titles from PCSC prior to National Postal Forum (Ernie Harris)*
- **Suggestion:** *Consider Periodical Promotion period to increase the percent of advertising (Gary Reblin)*
- **MTAC Task Team:** *Examine the obstacles and restrictions that impact periodical mailers from using the mail (Sheila Marano)*
- **Periodical Regulations:** *Examine the electronic diversion restrictions of 10% subscriptions eligibility requirement (Gary Reblin - Becky Dobbins)*
- **Samples:** *Can the sample rule be changed to allow an actual product? (Gary Reblin - Becky Dobbins - Krista Finazzo)*
- **Advertising in Periodicals:** *Industry asked that USPS consider teaming up with Paul Vogels Digital group with the hybrid platform to see if a digital magazine could be a candidate and allow increased advertising. (Gary Reblin - Paul Vogel - Becky Dobbins)*
- **Communication:** *Industry is asking if USPS can “push out” instructions and information regarding promotions. Rose Flannigan shared that a user group is being created. (Gary Reblin, Rose Flanagan, Sheila Marano)*
- **CDs and DVDS:** *Industry indicated that language was developed concerning CDs and DVDs at last NPF and would like a status update. (Becky Dobbins)*

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STANDARD MAIL GROUP
1:30 PM - 3:00 PM

Leaders: Gary Reblin -- VP Domestic Products, USPS
Rose Flanagan – MTAC Industry Leader, Mail Piece Design/Prod Development
Wanda Senne – MTAC Industry Leader for Standard Mail
Facilitator: Tonya Dodson – USPS Industry Engagement & Outreach
Scribe: Margaret Pepe – USPS Industry Engagement & Outreach

1. Pulse of the Industry Summary (Wanda Senne, MTAC Industry Leader, Standard Mail)

- FY 2012, Qtr 1 is up \$1.6 Billion for last year
- USPS anticipates Standard Mail stabilizing – projected break even
- Industry appreciated 2013 Promotions
- Folded Self Mailer - education needed on the requirements for mail piece design
- Industry asked USPS to reconsider tabbing requirement; First Class Mail only needs one tab, same piece Standard Mail needs two tabs

2. 2013 Price Changes (Jeff Williamson, VP Pricing, USPS)

- Industry can comment on Standard Flats at Postal Regulatory Commission (PRC) until December 4th
- USPS hopes to have final approval by December 10th
- All promotions for 2013 were approved

3. 2013 Promotions Calendar Update (Gary Reblin, VP Domestic Products, USPS)

- Postal Regulatory Commission (PRC) approved all promotions
- Promotion Survey for Holiday Promotion – look for around December 7th
- Definitions and Promotion high-level requirements released and posted on RIBBS site. Details on the first promotion: Direct Mail Mobile Coupon and Click to Call are also on RIBBS
- Task Team being organized to communicate promotions to industry

Summer Promotion

- Over 42,000 mailings qualified for the discount
- 1,100 customers
- 24% of Standard mailer – 3.2b pieces
- 3% FC – 3% NP
- \$14.2 M in discounts

Survey Results

- 266 responses
- 28% changed website
- 16% changed website prompted by promotion
- 7% accelerated their plans
- 38% perceived USPS as innovative

Holiday Mobile Shopping Promotion– Nov 7-Nov 21

- 2% upfront postage discount
- 1% PM Fulfillment rebate

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Preliminary Results

- 330 customers participated
- 1B pieces participated
- \$4.6M in discounts
- Few registered for the additional 1% PM fulfillment (Register by Dec 1)

Direct Mail Mobile Coupon and Click to Call Promotion

- Registration Jan 15- April 30
- Promotion March 1- April 30
- Webinar Dec 5th at 12:00 EST

Earned Value Promotion

Registration Jan15- March 31st

Promotion Period – April 1- June 30

- Mailers who registered their MIDs for the promotion, receive \$0.02 per scanned piece of BRM and CRM
- Pieces must have IMb, MID, and BRM/CRM STID
- Using the ALT-P system to identify and count those reply pieces
- Can participate in the Direct Mail Mobile Coupon and Click to Call Promotion along with Earned Value Promotion

Testing

Two large mailers have been testing to validate Alt-P System

- Results
 - 500 pieces tested with IMB to one POB = 100% of test pieces scanned and counted
 - 500 pieces to two lock box = +/- 20% between actual and machine counts. Changes were made to the system
 - Sept CRM Live = +/- 6% variance
 - Nov CRM live = +/- 3% variance

Plan to expand test in December to additional locations and include two additional mailers.

4. EDDM Update (Gary Reblin)

- Updates in September and November 28, 2012
- 30 Day Mailing Calendar
- Expanded payment options
- EDDM new enhancements are now on usps.com
- EDDM price change differs in retail from BMEU and will be reflected in price structure

5. Open Discussion (Gary Reblin)

2014 Promotion idea:

- Shared the Color Promotion for First Class Mail to begin open discussion to open dialogue for idea's for 2014
- Ability to opt in to various promotions when it's convenient for the industry.
- Discussion around Mail Works Guaranteed pilot program - low response, lessons learned
- Discussion around advertising mail and plans to invigorate others to use the mail and increase direct mail

ACTION ITEMS

- **Direct Mail:** *Industry would like an update on direct mail symposiums for next year. (Tom Foti)*

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PACKAGE SERVICES GROUP

3:15 PM – 4:45 PM

Leaders: Gary Reblin -- VP Domestic Products, USPS
Rose Flanagan – MTAC Industry Leader, Mail Piece Design/Prod Development
John Medeiros – MTAC Industry Leader for Packages
Facilitator: Neena Dhuria – USPS Industry Engagement & Outreach
Scribe: Margaret Pepe – USPS Industry Engagement & Outreach

1. Pulse of the Industry Summary (John Medeiros, MTAC Industry Leader, Packages)

- Industry recognized Frank Neri for his support and leadership
- Updates on Network Optimization on RIBBS
- Concerns regarding the Price Increase surrounding Parcel Return Service and Parcel Select
- Proposed test on Parcel Select Lightweight with Signature Confirmation – delayed. Karen Key is now the contact for the test.
- BPM Parcels Density Requirement Federal Register Notice Proposed Rule – Industry is interested in re-engaging in discussions around this – need to ascertain how industry can capture cubic feet in a cost-effective manner

2. 2013 Price Changes (Gary Reblin, VP Domestic Products, USPS)

Overall Average Increase

- Express Mail -5.8%
- Priority Mail - 6.3%
- Parcel Select – 9.0%
- Parcel Return Service – 4.8%
- First Class Package Service – 3.0%
- Parcel Post – 21.0%

Specialty Shipping

- Express Mail – average retail increase of 6.5%; commercial base prices lower at 1-2%
- Critical Mail – **will include a service offering that includes Signature**
- Parcel Select Lightweight - price increases 9.8%
- First-Class Package Service – cost coverage is now closer to 109%
- New! Simple Samples – two ways to reach customers:
 - Sample to Targeted households
 - Sample sent to targeted customers
 - A detached marketing label (which provides customer address) is required but there is no additional cost
- Sample to Every household
 - Every Door Direct Mail concept
 - Simplified address must be on the piece
 - No DAL required (optional for a minimal fee)

Shipping Products

- Priority Mail
 - Average retail increase – 9.0%
 - Free USPS Tracking **at Retail**
 - Domestic – average 6.3% increase

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- Parcel Select – average 9.0% increase
- New! Standard Post (formerly Parcel Post)
 - Overall average increase 21.0%
 - Retail only product moving forward **and now moved to competitive listing**
- “Delcon” now termed “USPS Tracking”
 - **Free USPS Tracking at Retail**
- Extra Services / Value Added Services
 - 2.850% overall increase
 - **Certificate of Bulk Mailing**
 - Proof of delivery changes
 - Competitive offerings
 - Online claims **for COD and Registered Mail**
- Package Intercept – NSA pricing activated for program registration and PostalOne!
- Visibility Improvement
 - Working to improve current 88% of packages that have barcode
 - Free USPS Tracking for Priority Mail and Standard Post
 - Introducing new, **USPS Tracking label 400**

Returns

- Parcel Return Service – overall average increase 4.8%
- PRS – New! PRS Full Network option
 - Full network returns offering from USPS for high volume shippers (50,000 pieces per year)
 - Must participate in Scan Based Payment and use CAPS
 - Must pay PRS permit and account maintenance fees

3. Open Discussion (Gary Reblin)

- Sales & Marketing reorganization – Gary Reblin’s group solely responsible for product development, initial pricing of new products and innovation; Jeff Williamson’s group responsible for all pricing; Sales in charge of NSAs
- Overview of 2013 Promotions Calendar
- Metro Post launch – will launch test in San Francisco with 10 mailers in December

ACTION ITEMS

- **API:** *Can the USPS reexamine the two API’s and how they interface? (Gary Reblin) Which APIs*
- **Parcel Select Light Weight test:** *Industry would like someone from USPS to revisit. Karen Key will take the lead with John Medeiros (Karen Key and John Medeiros)*
- **Inventory Sheet:** *Industry would like USPS to produce a comparison sheet with different ways to handle package returns (Dan Barrett)*
- **Parcel Select Product:** *Industry would like a parcel select cost coverage sheet (Gary Reblin)*
- **Contact Sheet:** *Industry would like USPS to provide a contact list of who does what in each functional area (Gary Reblin)*
- **Promotion Calendar:** *Can USPS highlight link on RIBBS so it can be located? (Tom Foti)*
- **Carbon Calculator:** *Request to invite Tom Day to future MTAC meeting to discuss Carbon Calculator (Gary Reblin)*