

MTAC Focus Group Sessions
Wednesday, November 20, 2013

PRODUCT DEVELOPMENT

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Notes for each Focus Group Session for Product Development:

Package Services.....p. 1 - 3
First-Class Mail.....p. 4 - 5
Periodicals.....p. 6 - 7
Standard Mail... ..p. 8 - 9

Session 1: PACKAGE SERVICES (John Medeiros, MTAC Industry Leader)

OPENING COMMENTS:

Gary Reblin welcomed all and invited John Medeiros to make opening comments.

- John Medeiros congratulated Jim Cochrane on his promotion to USPS EVP and CIO on behalf of the parcel shipping industry and said the industry thanks him for all he has done for the industry.
- Concern was expressed about destination entry validation. Mailer can be assessed parcels at the “zone” rate simply if the header record has an error. The exception file for authorizations (PostalOne!) is inconsistent; you can find a ZIP that you will be assessed for in both the exception file and the waver file. An assessment can occur if the destination ZIP does not match the parent ZIP when downstreaming.
- In January the USPS is combining the networks of Priority Mail and parcels. The HAZMAT issue is to make sure these pieces always stay on the ground, For the most part zones 1-4 will be on the ground (some Priority will fly in specific areas).
- Industry stressed that many software changes must be made for all of the IMPb changes. These changes are good but pricing needs to understand the industry investment costs and price accordingly.

DISCUSSION TOPIC – Sunday / Same Day Delivery

- Gary Reblin said he has been receiving a lot of questions on the recent announcement of the USPS doing Sunday delivery. This is an NSA with Amazon.com. Gary provided information about how this will work and discussion followed.
- Gary said other companies besides Amazon.com can get involved and we would like to have another participant by the holidays. The USPS is looking for a minimum of 25 pieces to be dropped each time.
- Gary stressed this is still in a test phase and we are offering it in a limited area (are in San Francisco now and will expand in New York next – and then on to other large urban areas). John Campo said in San Francisco there is not only delivery from business to consumer but also business to business.

- Richard Porras congratulated the USPS on the excellent marketing of the Amazon.com Sunday delivery announcement as it stresses that the Postal Service is delivering packages seven days a week.
- In response to question how we will measure success Gary said it will be done like any business would in terms of revenue and cost metrics.

DISCUSSION TOPIC – Parcel Select

- Gary discussed Parcel Select and noted the trend where there is more shipping from the retail store.
- Gary said end objective will be to have the item ordered for example on Saturday for delivery on Sunday. Eventually will do this for all seven days of week. The key is that this must be profitable for us to do. We will “take it one step at a time.”

DISCUSSION TOPIC - Returns

- Karen Key covered returns and discussed changes being made to provide a fresh look going forward.
- Karen said USPS is doing market research for returns for new ideas to grow revenue and to control costs. The research has shown 14 % of consumers are not aware of USPS returns service and 7% do not consider USPS as reliable.
- Karen stated that FAST appointments will be required in July 2014 and the question was asked if the pulse has been taken for the other classes of mail since problems have been reported with FAST by the other classes of mail. Gary said this topic should also be discussed in Dave Williams Operations MTAC focus group since FAST is of concern to them too. Karen clarified that all returns will be required to contain an IMpb barcode by January 2015.

DISCUSSION TOPIC – Registered Mail

- Karen Key reviewed how she is redesigning this service to make it more secure. Karen showed a list of recommended improvements and asked for industry input. Karen stressed that only one barcode should be used with this product. If you use two barcodes this will put any claim in jeopardy.

DISCUSSION TOPIC – Pricing

- Becky Dobbins clarified for Richard Porras questions he had around pricing sensitivities for packages in the recent rate filing.
- John Medeiros questioned about the pricing in the filing for Priority Mail. Gary responded that the thinking was that we wanted a more market based pricing instead of cost based pricing. John Medeiros mentioned parcels which have been hit hard by past price increases and Gary said we are still required to consider costs – and with fewer letters in the mailstream additional costs do get added for other mail such as parcels.

ACTION ITEMS

- For ALL sessions going forward Include 15 minutes for pricing discussions.
- Packages to be required to make FAST appointments in July 2014 – need MTAC task team to discuss concerns, processes, etc.

Gary welcomed all and had all introduce themselves.

DISCUSSION TOPIC – Lawsuit on QR Codes Being Used on Mail

- Gary Reblin said he has been getting a lot of questions on this so he explained the claims being made and that the USPS is reviewing this to defend our position. Tom Foti said if anyone in the industry has input on this he would welcome receiving this and he would share it with our USPS lawyers. We want the industry to benefit from using these QR codes as part of our promotions. It was asked if the MTAC Product Development Focus Group is the right place to discuss this and he said yes. We can ask the lawyers to join us next time.

DISCUSSION TOPIC – Pulse of the Industry

- Sharon Harrison said that the exigent price increase is the one pulse item of great concern for the Industry and that First-Class Mailers are looking at going digital more and more because of this. Gary Reblin said this input has been heard and is of concern to all of us.
- Sharon Harrison asked for the business rules for the 2014 USPS promotions and Tom Foti said these will be posted on RIBBS next week. Gary covered the color promotion and the rationale for it. The objective is to have the company view the statement as a profit center and to raise the ROI to fuel further growth.

DISCUSSION TOPIC – Commercial Single Piece

- Gary Reblin introduced Steve Monteith who is now the Manager of Pricing – formerly the Manager for Correspondence and Transactions Mail. Steve covered the residual mail rate for January 2014. MTAC Task Team #21 headed up by Lance Bell is working with the Industry on this and communication on how to comply will be made available very soon. We expect a ruling from the PRC on the structural changes by or before November 26.
- Steve Monteith reviewed Meter Rate. Sharon Harrison said she is concerned that for permit imprint mailings the minimum piece requirement of at least 200 pieces will remain. She does not understand why. Tom Foti said we will look at this. Sharon asked for the USPS to consider how all this can be simplified and Gary Reblin said *we will consider further how best to do this*. Steve Monteith said for the January 2015 price filing he hopes to have this thought out by June 2014. Sharon Harrison said she will want to engage all First-Class Mail associations on this issue so we can do better next time. Sharon and Gary agreed it will be best to have the industry provide input by January 2014. Becky Dobbins recommended that the industry should be meeting on this even earlier during the fall and to get that input to the Postal Service even before January.

DISCUSSION TOPIC- Alternate Postage Update

- Tom Foti suggested industry give this serious consideration as a new opportunity for the mail. Gary Reblin stressed that this is not a niche product but should be thought of as a wider opportunity as an easy convenient way to send single-piece First-Class Mail letters and cards.

DISCUSSION TOPIC – Proposed 2014 Promotions

- Gary covered the calendar for 2014 promotions. Tom Foti said there will be a webinar for all 2014 promotions during December 2013 and there will be separate webinars for each individual promotion as well. eDoc is a requirement for each of these promotions except for Earned Value. Tom Foti mentioned there is a new User Group (UG) # 8 on USPS Promotions with Rose Flanagan / Sush Parikh and Krista Becker / Roy Gordon as the UG leaders for the Industry and Postal Service respectively. The first meeting for this group will be in December 2013. Gary agreed to look at the overlap between the Premium Advertising Promotion and the Mail and Digital Personalization Promotion which might prevent a mailer from participating in both. Steve Krejcek asked that CRIDs be identified for MSPs as part of the registration process.
- Sharon Harrison asked that the mail intercept concept (a possible new product which could be tested within a promotion) be included for 2015 consideration. Gary said this involves a lot of expense for the USPS so we still need to determine ROI and this can be included for UG # 8 to consider.
- Sharon Harrison said USPS addressing tools (AEC was mentioned) might have potential business applications as a new product. Adam Collinson said he will also consider this for his User Group # 5 on Addressing.
- Sharon Harrison asked for the USPS to keep First-Class Mailers in mind to encourage their participation in all future promotions.

ACTION ITEMS

- Add 15 minutes to all future agendas for pricing discussions
- User Group # 8 USPS Promotions – Develop validation tool for MSPs to validate customer supplied CRIDs for promotions.

Gary Reblin welcomed all and had everyone introduce themselves.

DISCUSSION TOPIC – Pulse of Industry

- John Stark provided the pulse of the industry. Discussion followed including:
 - Trend with more digital including mobile applications.
 - Tom Foti discussed examples of click to action for all with a hardcopy mail base platform.
 - Print is best for acquisition and retention and the additional of digital offers new opportunities for growth of hardcopy mail.
 - John Stark said advertising for Periodicals is down somewhat (under two percent) but this is a positive trend vs. prior year (the latter was down approximately 5%).
 - Hearst included perfume bound in their magazines recently.
 - Gary said we want to promote sampling in the mail – especially with mail pieces like magazines. Tom Foti said he thinks there are samples in the mail now but we do not capture it. Peter Moore said documenting results will be helpful.
 - Conde Nast will hold its publication frequency for now.
 - Dennis Farley said if the exigent rate case goes through this will have a negative impact on periodicals (New York Magazine has said they will go digital if that happens, others will cut their publication frequency, etc.).

DISCUSSION TOPIC – National Postal Forum Update

- Tom Foti provided an update on plans for the NPF 2014 highlighting that there will be a special track of publishing and print sessions.

DISCUSSION TOPIC – 2013 Promotions

- Gary Reblin provided results.

DISCUSSION TOPIC – 2014 Promotions

- Gary Reblin reviewed the Earned Value Reply Mail promotion which is the same as 2013 but adds for those who participated in 2013 that they will get 3 cents per piece vs. 2 cents per piece they got in 2013 – if they exceed their target. Tom Foti said this should build loyalty and attract more participants.
- Randy Stumbo asked how he can obtain his target and Tom said that data is available (CDS will have this for Randy).

- Tom Foti said the 2014 promotion calendar should be approved by the PRC by next week and we will get all of them posted on RIBBS in terms of requirements by the end of the year. There will be a webinar in December 2013 regarding all the promotions and individual webinars for each promotion prior to each promotion period.
- Tom Foti announced there is a new User Group # 8 for USPS Promotions. Gary suggested there may be new ideas for promotions for Periodicals and he invited all to participate.. He said there was an idea in the address management area (AEC) which was suggested earlier

DISCUSSION TOPIC – PAG

- John Stark provided an update.

ACTION ITEMS

- Add 15 minutes to all future agendas for pricing discussions.

Gary Reblin welcomed all and invited introductions.

DISCUSSION TOPIC – Lawsuit on QR code

- Gary has received many questions and he wanted all to know this is happening and we all need to pull together as an industry to protect our position.
- MailPro going digital has also created questions and we have heard you. Gary said there will be some MailPro going forward remaining in print. A policy will be announced soon.
- Wanda Senne brought attention to a recent NPF mailer which was not in compliance with USPS regulations.

DISCUSSION TOPIC – Pulse of Industry

- Gary reviewed trends with Standard Mail volume changes.
 - Charley Howard asked what we think the exigency rate case will do for us. Gary said the financial models show there will be a drop in volume but an increase in revenue. Charley said there is industry consensus that the exigency rate filing will accelerate the trend to digital away from mail if it is implemented.
 - Doug Galaszewski of Kohl's said the exigency filing is also leading to a loss in confidence with the Postal Service ability to provide predictability.
 - Hamilton Davison added that for catalogs, their budgets are already set and the exigency will definitely hurt 2014 mail volumes if it goes through.
 - Wanda Senne said regarding pricing as an example the FSS pricing is not clear, the incentive is not enough, and it is much too complicated. Sharon Owens said we have as an action item that Cathy Moon will provide another webinar on this asap.

DISCUSSION TOPIC – 2013 Promotions

- Gary Reblin reviewed these promotion results.
 - Regarding product samples promotion we are looking on how to better identify samples sent through the mail (by shape, category, etc.). Tom Foti asked the industry to help us identify in letters and flats how we can get insight on how to increase the visibility of samples today in the mail. Paul Giampolo said the old rules encouraged samples but we drove this away when we changed the rules. Valassis per Paul Giampolo is willing to go to P & G, etc. to look at this.
 - Gary said for Picture Permit promotion 2013 we recognize it took too long to register customers so we are trying to speed up this process.

- Tom Foti mentioned the new User Group # 8 on USPS Promotions will have its first meeting via webinar on December 3, 2013 at 11 am Eastern Time. Rose Flanagan / Sush Parikh and Krista Becker / Roy Gordon are the co-leaders of the Industry and Postal Service respectively.

DISCUSSION TOPIC - 2014 Promotions

- Gary covered what is coming for 2014 promotions assuming the PRC provides approval which is expected very soon. For the Premium Advertising Product promotion eligible mail is First-Class Mail presort and automation letters (IMb full-service mailings). Those eligible for participation are those who mailed \$6 million or more in Standard Mail letter postage in FY 2013. These folks will be contacted by USPS by December 20, 2013. Once PRC approval is received the rules for these promotions will be posted on RIBBS by the end of the year.

DISCUSSION TOPIC – 2014 Saturation & High Density Incentive

- Tom Foti covered this. The target is to achieve 2% more than what was done in CY 2013 and the mailer must meet the requirements.

ACTION ITEMS

- Add 15 minutes to all future agendas for pricing discussions
- Review FSS pricing.
- User Group # 8 USPS Promotions – need to explain how CRM/BRM credit works with CAPS account.