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MTAC Focus Group Session Notes

Wednesday, August 20, 2014

PRODUCT DEVELOPMENT

Gary Reblin, USPS VP-New Products and Innovation

Steve Colella, MTAC Industry Leader, Mailpiece Design/Product Development

Session 1: FIRST-CLASS MAIL

(Sharon Harrison, MTAC Industry Leader)

Gary Reblin welcomed all and invited introductions.

Sharon Harrison provided a handout of First-Class Mail Focus Agendas and Topics for today.

Pulse of Industry:

Sharon Harrison suggested the Pulse topic be removed from today's agenda and future meetings since the pulse report is distributed before each meeting and all agreed.

Secure Destruction

Tom Day, Chief Sustainability Officer provided an update:

New mail program (to be launched November 18, 2014 nationally) will allow mailers to opt to have mail that would otherwise be returned to sender disposed of in a secure manner.

This means UAA mail will be shredded by USPS employees at USPS facilities (1.3 billion pieces return to sender mail).

For First-Class Mail letters only - to start in September.

Savings to mailers by reducing costs of receiving, handling and destroying return to sender mail with Privacy Protected Information (PPI).

Savings to USPS by reducing the amount of return to sender mail that needs to be processed, transported and delivered to mailers. Cost reductions pay for the program instead of charging the customer. The Postal Service also generates revenue from selling the shredded material at the end.

Mail follows normal mail processing flow until identified as Undeliverable as Addressed (UAA).

First-Class Mail UAA letter mail is isolated when processing through PARS.

Notification of treatment is sent to mailer via ACS fulfillment.

Mail sorted to special bin for verification.

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Verification Procedures

- Processing clerk manually scans all mail sorted to secure disposal bin to validate proper sortation.
- Existing internal security measures, as is true with all mail.
- Until shredded, it is still mail.

Each plant receives two shredders - a primary and a backup. Shredders are only for secure destruction.

Shred Standards

NAID auditing criteria.

USPS will use industrial shredders.

Electronic Notification-2 part program.

Notification of treatment is sent to mailer via ACS.

Destruction associated with the IMb as well as event data. Secure Destruction Data will be provided in a second report, not linked to ACS-data (will be “pull” not “pushed”).

Mailer must participate in traditional ACS-One Code ACS or FS ACS-have new STID to use.

Leading up to the national Launch planned for November 18, there will be staggered deliveries of the Secure Destruction (SD) equipment to all planned SD plants. Wherever a PARS machine is there will be secured destruction.

During question period there was discussion about plastics and coins in mail being shredded. Machine is capable of shredding cards and shredding a coin will not hurt the machine (unless trays of coins are put through the machine). A bigger concern for USPS is a lot of cards or metal will contaminant the recycled product as this is sold. USPS will need to train local offices about how to handle this type of mail.

Information on the Secure Destruction program will be posted on RIBBS by September 30, 2014.

First Class Volumes:

USPS is seeing stabilization of volume although down about 3% per quarter. First-Class Mail is ahead of 2014 plan.

Trends:

- Bills and Statements: down 27% from 2007 but from 2012 to 2013 only down 2%
- Correspondence from 2007 down 22% - only down .1% from 2012 to 2013
- Payments down 43% from 2007 - down 12% from 2012 to 2013

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- First-Class Mail Advertising down 54% from 2007 - down 14% from 2012 to 2013
 - Sharon Harrison said 2nd ounce free is having a positive impact on First-Class Mail volumes

First-Class Mail Billing Study

John Huffman provided an overview and requested those interested in participating to contact him at John.P.Huffman@usps.gov .

Study is based on one done in Denmark with a utility that mailed hard copy statements to half of a group of customers and emailed an electronic statement to the other half. Study showed the cost to handle those customers that received hard copy bill resulted in lower costs than those that received bill by email when including call center and other customer service costs.

Current Segmentation/A&U-results will help inform direction of study design.

Possible Designs:

- Past behavior approach –current/new customers
- Future behavior approach-new customers

Timing:

- September-enroll mailing partners to conduct research (using existing data as well as potentially running a controlled test)
- Late September-complete internal segmentation
- October-report out results

USPS to provide a list of what testing criteria USPS will be utilizing in study. This preliminary list should be reviewed and modified by industry. John to send this to Sharon Harrison within 2 weeks. Sharon will distribute to industry for feedback.

The Demark Study will be included in this package of information. This information will be used to get industry input into the study.

2014 Promotions Update – Gary Reblin provided.

- Color in First-Class Mail Transactions Promotion
- Emerging Technology Promotion

2015 Incentives:

First Class Mail Color/Transpromo Promotion

- Continue to grow the value of First-Class Mail and encourage mailers to invest in color print technology for bills/statements

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Mail Drives Mobile Engagement Promotion

- Demonstrate how direct mail, combined with mobile technology, continues to be a convenient method for marketers to connect with their customers and facilitate more ways to do their shopping

2015 Earned Value Reply Mail

- Slow the decline of First-Class Mail (BRM and CRM) pieces through a postage credit for each returned mailpiece

Advanced or Emerging Technologies Promotion

- Encourage the use of “enhanced” augmented reality or standard NFC technology in mailing campaigns.

Gary agreed to address how quickly earned value credits can be given with the goal of accelerating the process.

ACTION ITEMS

- **USPS to provide copy of Denmark billing study and testing criteria USPS plans to use to Sharon Harrison within 2 weeks. Sharon to distribute to the industry for feedback. Goal: encourage industry participation in study and agreement of testing criteria**
- **Gary Reblin to check into the possibility of shortening the time frame of the Earned Value Credit refund**

Session 2: PERIODICALS

(John Stark, MTAC Industry Leader)

Gary Reblin welcomed all and invited introductions.

Secure Destruction

Gary said Tom Day had presented the Secured Destruction Program to the First-Class Mail MTAC Focus Session earlier this morning and Tom had requested Gary to let the other Mail Classes know that this program will launch nationally on November 18, 2014. This is for letter mail only and Gary offered to connect any of the Periodicals folks who have an interest to learn more and possibly participate. Gary also said Tom has offered to make presentations to associations if requested. Information on the Secure Destruction Program will be posted on RIBBS by September 30, 2014.

Pulse of the Industry

John Stark provided.

Digital/Web/Video/Technology and other News

- Generally good news - more companies reporting increases in ad pages with Vogue doing exceptional well and Time Inc meeting expectations
- September biggest month lately with Hearst and others reporting positive results
- Martha Steward reported first profit
- Forbes family sold majority interest to Asian interests
- Conde Nast moving to World Trade Center and Time Inc moving into same area
 - Meredith is expanding to target the Latino market
 - Conde Nast is selling Fairchild publications to Penske
 - ESPN The Magazine has moved up to # 21 in total circulation rankings
 - Classroom publications are using technology to use print to help kids learn English and/or Spanish with tie in to web

National Geographic announced they are going to use 5% recycled paper.

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It was agreed the USPS will explore the possibility of USPS delivering bundles to newsstands (Direct to Retail). There was a program years ago based on space available and this led to inconsistencies. Gary agreed to have his staff explore this and then will want industry feedback.

Volume continues to decline with 11 straight months of decline. Quarter 3 declined about 5% and Quarter 2 was largest decline around 8%.

PAG Initiatives

Meeting held in NY on June 12, 2014.

Marked Copies

- USPS to allow option to request from a publisher at any time a marked copy if and when they deem necessary-hope to see regulation by end of year.

Periodicals Product Sample Inserts/Onserts Matrix

- Industry agreed to submit data for USPS review

Carrier Route Bundles/5D Pallet Pricing

- USPS will summarize information and consult with pricing

Update on internet Subscriptions

- CSR updated; industry submitted revisions, revised CSR to be published later this year

DM204- being reviewed as sourer Document

- USPS to revised

ID Statement in Foreign Language Publication

- Must be in English

User Group # 8 – USPS Promotions

Last meeting July 29, 2014

- Discussed status and updates for 2014 promotions
- Discussed proposed 2015 promotions
- Received live demonstration of the Incentive Promotions Pre-Production Environment
- Provided template for submission of 2016 promotion ideas

Next meeting-August 26, 2014

2014 Earned Value Promotion Recap

- Promotion ended June 30
 - 574 customers
 - Almost 500 million mailpieces counted
 - Credit review and adjustments for meeting thresholds now in progress
 - Credits to be released after August 25 and will be available for use immediately
 - Remaining 2013 promotion credits will be used before applying 2014 credits
 - 2014 promotion credits expire January 31, 2015
- Overall Gary said we are very pleased that overall the promotions are working well. We see there is positive volume growth coming from these promotions and also that the new technologies being used are being retained so this is good.
 - Elke Reuning-Elliott thinks promotion may have helped slow the decline of First-Class Mail (BRM and CRM). She also discussed the intricacies of calculating how many customers participated, etc.

20 fewer MIDs enrolled over last year but not sure if this actually means fewer customers last year.

Volume is down about 60 million pieces vs. last year.

Review of 2015 Promotions

(Proposed – still requires PRC Approval)

First Class Mail Color/Transpromo Promotion

- Continue to grow the value of First-Class Mail and encourage mailers to invest in color print technology for bills/statements

Mail Drives Mobile Engagement Promotion

- Demonstrate how direct mail, combined with mobile technology, continues to be a convenient method for marketers to connect with their customers and facilitate more ways to do their shopping

2015 Earned Value Reply Mail

- Slow the decline of First- Class Mail (BRM and CRM) pieces through a postage credit for each returned mailpiece

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- Advanced or Emerging Technologies Promotion
 - Encourage the use of “enhanced” augmented reality or standard NFC technology in mailing campaigns.

ACTION ITEMS

- **Gary Reblin to request Jonathan Leon to investigate possibility of USPS delivering newsstand/direct to Retail bundles using existing USPS transportation. Industry to provide feedback/needs to Gary**

Session 3: STANDARD MAIL

(Wanda Senne, MTAC Industry Leader)

Gary Reblin welcomed all and invited introductions.

Secure Destruction

Gary mentioned Tom Day reviewed with the First-Class Mail folks this morning the new Secured Destruction program which will be only for letter mail and will launch nationally this coming Nov 18, 2014. Gary said if anyone wants to participate to please contact Gary and he will forward the request to Tom. Tom will also make himself available if someone wants to invite him to speak to their association. Gary provided a description of the service and added that it is free (although Wendy Smith mentioned that one must be on ACS to participate and there is a fee for that). Information on the Secure Destruction program will be posted on RIBBS by September 30, 2014.

Pulse of Industry - No report this time.

Standard Volume Trend:

With exception of Q1 FY14 Standard trend is small increase each quarter (approximately 1-3%). Q1 FY14 had loss of about 3%. Overall all volume is up since Q1 FY13 reversing 5 straight quarters of negative growth.

Flat mail continues to decline. In Q3 FY14 flat mail was down 8.3%. All other categories - letters, CR, HD and Saturation Letters and HD and Saturation Flats and Parcels are up. HD Saturation Flats and Parcels are only up .4%

Rose Flanagan requested a breakout between HD and Saturation Mail and Gary agreed to provide this.

EDDM Updates:

- EDDM coupon will go live September 7-USPS to provide coupon to business owner providing a \$50 discount on first mailing
- EDDM tool tablet optimization

2014 Incentives:

- 2014 Saturation and High Density Incentive - Gary reviewed

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- In response to question whether this will be offered in 2015 or not Gary said this has been turned over to Sales and they will make this determination.

MTAC User Group # 8 for Promotions

- Last meeting was July 29, 2014; next meeting will be August 26, 2014
 - There is a website where you can submit ideas for USPS promotions.
- Earned Value Promotion – Gary provided an update
- Mail and Digital Personalization Promotion – Gary provided an update
- Premium Advertising Promotion – Gary provided an update
 - Encourages marketers and advertisers to use more First-Class Mail as a marketing vehicle.
 - Promotion ended June 30, 2014
 - 37 customers involved and mailed over 32 M pieces
 - Total discounts amount was approximately \$2 M
 - Post promotion survey sent out on August 8th.
 - Will get feedback and then decide whether to run again (we want to know there is value in this)

Color in First Class Transactions Promotion

- Continue to grow the value of First-Class Mail and encourage mailers to invest in color print technology for bills/statements
- Registration started June 15 - 70 mailers enrolled
- Promotion runs August 1 through December 31, 2014
- To Date 24 customers have mail of 36 million pieces; total discount to date is over \$285K

Emerging Technology Promotion

- Encourage use of “enhanced” augmented reality or standard NFC technology in standard mail campaigns
- 100 mailers enrolled since June 15 registration start - promotion runs from August 1 through September 30, 2014
- 140 million pieces mailed to date with 43 customers
- Total discount to date is over \$578K

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2015 Promotions (being considered for PRC filing)

First Class Mail Color/Transpromo Promotion

- Continue to grow the value of First-Class Mail and encourage mailers to invest in color print technology for bills/statements

Mail Drives Mobile Engagement Promotion

- Demonstrate how direct mail, combined with mobile technology, continues to be a convenient method for marketers to connect with their customers and facilitate more ways to do their shopping

2015 Earned Value Reply Mail

- Slow the decline of First-Class Mail (BRM and CRM) pieces through a postage credit for each returned mailpiece

Advanced or Emerging Technologies Promotion

- Encourage the use of “enhanced” augmented reality or standard NFC technology in mailing campaigns.

Gary said we need to wait until the rate case decision is made before we can move forward with a PRC filing for the 2015 promotions.

Gary provided contact and website links for information for follow up as needed.

Gary also invited all who have suggestions for 2016 promotions be submitted to MailingInnovations@usps.gov. User Group # 8 is another place to make recommendations of new ideas for possible 2016 promotions.

Open Discussion

Questions were asked about the status of Alternative Postage and Elke Reuning-Elliott provided an update. Initially run as a pilot this was approved in January 2014 to be a regular “permanent” product. There are two business payment options-one pay at time of mailing; the second is to pay when the product is actually mailed.

USPS to give more formal presentation on Alternative Postage at our next MTAC meeting in November 2014.

In view of the volume of HD/Saturation having gone up, the question was asked if this increase is due to the new HD plus category and Gary agreed to investigate.

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ACTION ITEMS

- **Volume for High Density/Saturation had large % of growth. Question was asked if this increase is attributed to the new HD Plus rate. Gary Reblin to investigate**
- **Elke Reuning-Elliot to provide a presentation on the Alternate Postage program at the next MTAC meeting**

Session 4: PACKAGE SERVICES

(John Medeiros, MTAC Industry Leader)

Gary welcomed all and invited introductions.

John Medeiros stated that he is encouraged by many of the positive developments underway now with package services within the Postal Service.

Pulse of the Industry

John Medeiros indicated there is no report this time.

Gary let folks know that Tom Day had presented the new Secure Destruction program this morning to the First-Class Mail folks and that all should be aware that this program will be available November 18, 2014 for a national launch. Tom Day has offered to answer any questions and also to make presentations to any associations which would like him to do so. This is for letters only and information will be posted on RIBBS by September 30, 2014. Ellie Alexander suggested that the Industry would appreciate Tom Day doing a PCC webinar on this program.

ACTION ITEMS

- **Gary to contact Tom Day and ask him on behalf of the industry to do a PCC webinar on the Secure Destruction program**
- **USPS to provide an update on the Return-On-Your-Own (ROYO) service at the next MTAC meeting**
- **Industry members requested copies of the USPS Returns video**
- **Karen Key will present a MyPO demo at the next MTAC meeting**
- **Karen Key will confirm if shipments that have not been accepted can qualify for Package Intercept**