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MTAC Focus Group Session Notes

Wednesday, August 12, 2015

PRODUCT DEVELOPMENT

Gary Reblin, USPS VP-New Products and Innovation

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

Session 1: PERIODICALS

(John Stark, MTAC Industry Leader)

Gary Reblin welcomed all and reviewed the agenda. He invited introductions.

Gary pointed out Carrie Bornitz who will be the Postal leader for the new proposed MTAC work group on Real Mail Notification. He also pointed out that Dan Bentley will now take the lead on MTAC User Group # 8 on USPS Promotions. Finally he pointed out Steve Monteith will be joining these meetings to engage the industry on pricing considerations including discussing the possibility of new MTAC Work Groups.

Vicki Stephen thanked Danielle Young for her recent leadership of the MTAC User Group # 8 on USPS Promotions since she taking a new position with USPS Sales.

Pulse of the Industry-John Stark provided.

Condé Nast digital is up 20% in part due to Caitlin Jenner pictures on Vanity Fair. September Vogue is being packaged in special box and shipping via Amazon preorder in August.

Target also will have on sale on Thursday 8/13 which is a week before general market sales. Regular subscribers get magazine later in month.

Bon Appetite uses special cover that opened into refrigerator for Samsung.

Rumors Condé Nast may shut down titles or lay-off. Nothing announced on the 18 titles presently in portfolio.

Ed Mayhew asked if any problems with the Cover to Cover group that is protesting what they consider inappropriate covers on newsstands. Patty Hearst's sister is heading up group.

Jerry Faust reported Time Inc. had profit in second quarter - the first profit since spin off from Time Warner.

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Circulation is down 2% and Newsstand is down 1%. Total audience across all media is up 32%. Have invested in small digital companies-youth sports was one such company. Testing new paper stock from England to special selected subscribers about 300M.

Highlights for Children (Peter Moore) is offering magazine for various age groups-infant pre readers, young readers and others - so life cycle expanding 10-11 years. Additional benefit is children learn about getting something they like through the mail. Still have digital pads but also get to enjoy hardcopy mail.

Discussion generated requests for Periodicals to be able to participate in USPS promotions. Jim Cochrane pointed out that getting a percentage off the mailing won't work because class is at 80% cost coverage and PRC would not allow this. But perhaps there could be another way to provide an incentive. Maybe solution would be to offer an additional ounce of weight at a discounted rate. There also needs to be a way to measure.

Explore way to provide discount on giving more ad content. Maybe allow including an additional reply device that gets discount which generates more mail.

This ideas need to be discussed in MTAC User Group (UG) # 8 on USPS Promotions - no one in Periodicals group is part of this group. Dennis Farley and John Worthington volunteered to join UG # 8 to represent the Periodicals group's ideas for possible incentives.

Periodical Volume - Decline is slowing with QTR 3 only down 3%. USPS had 9% down in their plan.

Gary Reblin:

Currently Under Review:

- Postal Service is committed to cooperation on future pricing
- MTAC Workgroup (WG) # 168 FFS scheme Pallets
- Real Mail Notification MTAC WG to be formed
- Periodicals to be included in Real Mail Notification - flat sorters do not capture
- scan of piece so Periodical mailers will need to send images and also work with USPS to create automated way to do what needs to be done. For test -

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maybe as simple as sending email to USPS with images that will be used in Real Mail.

- Video/Audio/Electronic Inserts
- Adding value to the mail - How to create excitement in Periodicals is key

Vicki Stephen reported on the OIG study on Neuromarketing done at Temple University which evaluated how consumers respond differently to hard copy mail vs. digital.

Periodical Group didn't have time to discuss study in detail.

Methodology: Use of questionnaires, eye tracking, core biometrics, and neuro imaging to measure physiological and neural activity of participants viewing physical and digital ads.

Tools and their uses

- Eye Tracking - Tracks visual attention in reaction to predetermined areas of interest
- Core Biometrics - Gauges the depth of emotional engagement
- Functional MRI - Brain activity

Week later retested participants.

Results:

- Processed digital ad content quicker
- Had stronger emotional response to physical ads and remembered them better
- Spent more time with physical ads.

Attributes measured	Paper	Digital
• Attention		x
• Review Time	x	
• Engagement	x	x
• Stimulation	x	
• Memory Retrieval Accuracy	x	x
• Memory Speed and Confidence	x	
• Purchase and Willingness to Pay	x	x
• Desirability (subconscious desire for product)	x	x
• Valuation (perceived value of product)		x

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Next Steps:

- Waiting results from Canada Post and Royal Mail
- Other topics of interest
- Age and demographic impacts on response to media type
- Response to embedded technology in print
- Optimal use of digital and physical media

More information at: <https://www.uspsoig.gov/sites/default/files/document-library-files/2015/rarc-wp-15-012.pdf>

2015 Promotions:

Earned Value Credit:

BRM total pieces	36.6M	total credits	\$844K
CRM total pieces	<u>455.5M</u>	total credits	<u>\$10.2M</u>
Total	482.1M		\$11.04M

Saw that some companies with largest credits also had largest declines in volumes in both outbound volume and return mail. In the future USPS may include volume requirements since goal is to grow mail.

Mailers need to agree in program registration for credit release

86 companies agreed to their credits release of \$2.1 m in credit. Still have several companies that need to respond.

Color Transpomo:

- 348.7M mailpieces and \$136.2M in revenue (volume ahead of last year but still about same amount of participation)
- Over 2.8M in discounts received by participating customers

Emerging & Advanced Technology

- Open until November 30
- 1.2B mailpieces and \$256M in revenue
- Over \$5.2 million in discounts received by participating customers

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- 50% increase in registered participants vs. last year
- 200 samples(tactile) have been submitted and reviewed so far
- 40% samples include incorporation of Augmented Reality
- 57% for advances in paper, inks, and interactive mailpiece features
- Creative implementation include pop ups, textured surfaces, embossing, lenticular designs, scented pieces, foils and metallic inks and chalkboard

Mail Drives Mobile Engagement

- Open until December 31
- 628M mailpieces and \$158.6M in revenue
- Over \$3.2M in discounts received by participating customers

Claiming Multiple Discounts:

- Although some of the promotion dates overlap, customers cannot claim more than one discount per mailing. The exception is Earned Value-it can be claimed along with any of the other three

Post Promotion Surveys

- Must be completed as a requirement of participation in the promotions. Last year % ranged from 20-70% but never full compliance

Business Customer Gateway User Guide

- An updated version is posted on RIBBS

Emerging and Advanced Technology

- 48 hour turnaround on pre approval request sent to the email box
- Continue to send in hard copy mailpieces to qualify for the paper, ink and interactive categories

Note: Address to send physical samples to is a PO Box - so must be sure mailing shipping service can deliver to a PO Box (some of the USPS competitors cannot delivery to PO Box).

Discussion about impact of new rates:

Dennis Farley noted USPS announced overall increase is 2% but they actually saw 3.3%. Other Periodicals indicated a 7-8% increase

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Dennis stated their response is to drop one issue next year. Dale Miller of RR Donnelley (RRD) concurred saying other RRD clients are reacting the same way.

ACTION ITEMS

- **Add Dennis Farley and John Worthington to the member distribution list for MTAC User Group # 8 for USPS Promotions**
- **Explore promotion concepts from Periodicals “ecosystem”**

Session 2: STANDARD MAIL

(Wanda Senne, MTAC Industry Leader)

Gary Reblin welcomed all and invited introductions.

Pulse: Wanda Senne provided.

Promotion concept to consider including a MSP incentive. USPS is looking to provide .5% to go back to MSP who signs up a customer. This needs to be explored in MTAC User Group (UG) # 8 for USPS Promotions. There needs to be a way to measure to be able to provide. Plan is to go to USPS Board of Governors in September for approval.

Promotion for frequency and volume

Standard Mail Volume

QTR 3 down 2% vs. last year. Overall YTD volume is up 2%.

OIG study: See previous Periodicals section of Notes.

Review 2015 promotions-see previous Periodicals section of Notes.

2016 Promotions:

- Currently under review
- Plan to file for approval early Fall
- 2016 promotions will build on past successful promotions with some new applications and updates
- 2016 Promotions will continue to support the integrations of mail with technology

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- Earned Value
- Color Promo
- Emerging Technology (First-Class Mail and Standard Mail)
- Tactile only for Standard
- Mobile Buy it Now-only Standard Mail

USPS will be splitting the Emerging and Advanced Technology into two separate promotions, breaking out the tactile portion for Standard Mail.

Earned Value again however with volume restrictions that maintain or grow volume.

Wendy Smith asked if USPS would consider allowing mail owner to pick the 3 month period. Gary responded they didn't want seasonality to be driving force - wants program to encourage growth.

MTAC User Group # 8 for USPS Promotions tasked to flush out discount that would be made available to the MSP who signed up someone to participate in a program. USPS wants to encourage more participation especially small and medium businesses. Challenge is USPS must be able to measure.

Real Mail Notification Review:

Program will be linked to address system so if consumer provides COA then USPS will stop sending Real Mail to old address. Consumers must sign up and they go through same authorization vetting process that people currently go through when signing up for USPS.com services.

Consumer will not be charged. Mailer will not be charged in pilot. USPS will not charge mail owner for the image upload. In the future the USPS may charge for click through button-depends in part on what value can be added for the click through feature. No final decision has been made.

ACTION ITEMS

- **None**

Session 3: PACKAGE SERVICES

(John Medeiros, MTAC Industry Leader)

Gary Reblin welcomed all and invited introductions.

Gary said today will be different – we will tour the operations for our delivery initiatives here at HQ and also the New Products and Innovation Lab. Gary encouraged feedback for after the tour if this would be good for other groups. Gary said he will probably do this tour for the other groups during the November MTAC Focus Group meeting.

Tour

- Delivery Initiatives
- New Products and Innovation Lab

Pulse of Industry – John Medeiros provided.

- Revisit need for Product Managers. Gary stated USPS agrees as Jim Cochrane mentioned yesterday USPS plans to reestablish.
- Revisit promotions/incentives for package services. Gary replied USPS looked at mail needed to involve for just hard copy and bridge digital world. Promotions are not to be a sale but rather a way to create enhancements to keep the mail relevant. For Package Services if industry can present ideas that meet promotion criteria USPS would consider it. Goal is to maintain or drive new volume.

Tour well received. The two tours used entire Package Services meeting time.

Agenda Items not discussed due to time constraints:

Extra Services

- Status of Forms - Karen Key indicated all forms are posted on USPS.com
- Return Receipt
- Communication Improvements

Proposed Changes

Resources

Open Discussion

ACTION ITEMS

- None

Session 4: FIRST-CLASS MAIL

(Sharon Harrison, MTAC Industry Leader)

Gary Reblin welcomed all and invited introductions.

Gary introduced Dan Bentley who will become the new USPS User Group Leader for User Group # 8 for USPS Promotions. Gary also introduced Steve Monteith and Becky Dobbins since we are encouraging more interaction of pricing (may want new MTAC work groups, etc.).

Pulse of the Industry – Sharon Harrison provided.

Sharon Harrison reported that she had received many compliments on the USPS promotions. She also said the exigent pricing is expected to end by April 2016 and the Industry prefers for it to end earlier.

- First-Class Mail Volumes and Trends

2.9% increase as of June. Single piece mail is down 9.7%. Overall volume is down around 2%.

- Neuroscience Research on the Value of Mail - See previous Periodicals section of notes.
- 2015 Promotions-Update
- Enhancing the promotion sampling process

Action Item for MTAC User Group # 8 for USPS Promotions:

- Review acceptance and sample requirements for Color Transpromo (including BME acceptance procedures). This in response to Maury Salls comment that they could have had more companies participate but the sampling process was too complicated and discouraged participation.

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- Look into requirements for insurance companies to participate in Mobile promotion.
- For 2016 Mobile promotion determine if USPS can extend this to First-Class Mail (FCM)

Issues to discuss:

- How to include FCM without shrinking overall FCM volume
- How to define acceptance procedures for FCM that are not too onerous

- Secure Destruction: USPS Mailing Service Team/Marketing to work with Tom Day on effective marketing and outreach for this program

- 2016 Proposed Promotions
- What might and might not move forward
- Considerations around an MSP incentive

First-Class Mailers want the Mobile promotion to include First-Class Mail. Gary Reblin indicated USPS will have to work with industry on this to show retention and / or mail growth can be generated. Sharon Harrison provided an example - that if on their invoices they include advertisements for accessories that can be purchased. This was referred to MTAC WG # 8 on USPS promotions to explore.

More on 2016 Proposed Promotions - See previous Standard Mail section of Notes.

Real Mail Notification -see previous Periodicals section of Notes.

Lee Garvey told of the early test his company did for Real Mail Notification and results showed responses far exceeded the control.

Adam Collinson suggested Real Mail Notification be used for the recipient to provide feedback to USPS that mail piece is not theirs. This would be a tie in with MTAC Workgroup 171 which is evaluating UAA codes. Real Mail Notification may be a way to allow the consumer to provide feedback electronically instead of just throwing the piece away and not telling USPS the person the mail piece is addressed to does not live there. Jessica Lowrance, PostCom, warned that the mail owner paying postage will want the mail piece delivered and that Real Mail Notification should not be an option to circumvent the actual delivery of the mail as addressed.

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Leo Raymond asked assuming the USPS wanted to roll out the program what are the barriers to rolling out the program nationally. Gary Reblin responded that the USPS would need to upgrade bandwidth for the equipment needed.

What is the cost for Real Mail Notification if and when it becomes a real product?

Response was that the consumer will not be charged. Mailer will not be charged in pilot. USPS will not charge mail owner for the image upload. In the future the USPS may charge for click through button – it depends in part on what value can be added for the click through feature. No final decision has been made.

ACTION ITEMS

- **User Group # 8 USPS Promotions needs to review acceptance and sample requirements for Color Transpromo (including BME acceptance procedures)**
- **User Group # 8 needs to look into requirements for insurance companies to participate in Mobile promotion**
- **User Group # 8 - for 2016 Mobile promotion determines if USPS can also extend this to First-Class Mail. Issues to discuss:**
- **How to include First-Class Mail without shrinking overall First-Class Mail volume**
- **How to define acceptance procedures for First-Class Mail that is not too onerous**
- **User Group # 8 - Discuss Mail Service Provider Incentive**
- **Secure Destruction: USPS Mailing Service Team/Marketing to work with Tom Day on effective marketing and outreach on this program**