

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Market Test of Experimental Product— )  
Marketing Mail Made Easy )

Docket No. MT2011-3

**VALPAK DIRECT MARKETING SYSTEMS, INC. AND  
VALPAK DEALERS' ASSOCIATION, INC.  
INITIAL COMMENTS REGARDING MARKET TEST OF  
EXPERIMENTAL PRODUCT — MARKETING MAIL MADE EASY  
(February 4, 2011)**

On January 12, 2011, the Postal Service filed a notice initiating a market test of an experimental product under 39 U.S.C. section 3641 — “Notice of United States Postal Service of Market Test of Experimental Product — Marketing Mail Made Easy.” On January 13, 2011, the Commission issued Order No. 649, Notice and Order Concerning the Market Test of an Experimental Product — Marketing Mail Made Easy, setting February 4, 2011 as the deadline for initial comments and setting February 15, 2011 as the deadline for reply comments. The market test is planned to be implemented by the Postal Service beginning February 27, 2011.

The experimental product to be tested is called “Marketing Mail Made Easy” — proposed to be defined as a “new product [that] will reduce barriers to entry, encouraging small and medium-sized businesses to utilize the mail to promote and market their businesses to current and prospective customers simply and at an affordable price.” Postal Service Notice, p. 1.

Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc. (hereafter “Valpak”) submit these joint comments in response to Order No. 649.

Valpak is filing a motion for issuance of a Commission information request concurrently with these Initial Comments.

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**INITIAL COMMENTS**

Section 3641 requires the Postal Service to notify both the Commission and the public of market tests, but it implicitly requires the Commission to use the period after it receives notice before implementation to conduct a pre-implementation review to ensure compliance with each of the requirements of 39 U.S.C. section 3641(b), (d), and (e):

(b) Conditions. — A product may **not** be tested under this section unless it satisfies each of the following:

(1) Significantly different product. — The product is, from the viewpoint of the mail users, **significantly different** from all products offered by the Postal Service within the 2-year period preceding the start of the test.

(2) Market disruption. — The introduction or continued offering of the product will **not create an unfair or otherwise inappropriate competitive advantage** for the Postal Service or any mailer, particularly in regard to small business concerns (as defined under subsection (h)).

(3) Correct categorization. — The Postal Service **identifies** the product, for the purpose of a test under this section, as either market-dominant or competitive, **consistent with the criteria**

**under section 3642(b)(1).** Costs and revenues attributable to a product identified as competitive shall be included in any determination under section 3633(3) (relating to provisions applicable to competitive products collectively). Any test that solely affects products currently classified as competitive, or which provides services ancillary to only competitive products, shall be presumed to be in the competitive product category without regard to whether a similar ancillary product exists for market-dominant products.

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(d) Duration. —

(1) In general. — A market test of a product under this section may be conducted over a period of not to exceed 24 months.

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(e) Dollar-amount limitation. —

(1) In general. — A **product may only be tested** under this section if the **total revenues** that are anticipated, or in fact received, by the Postal Service from such product do **not exceed \$10,000,000** in any year, subject to paragraph (2) and subsection (g). [Emphasis added.]

Additionally, the Commission is vested with the authority to cancel a market test if it determines that the market test is not consistent with the requirements of section 3641. *See* 39 U.S.C. § 3641(f). Derivative of the power to cancel the experiment for failing to meet any of the statutory requirements is the authority to obtain information about details of the market test and to evaluate that information according to such Postal Accountability and Enhancement Act (“PAEA”) requirements.

**I. The Proposed MMME Market Test Fails to Meet the Conditions Precedent Under 39 U.S.C. § 3641.**

**A. The Postal Service Has Failed to Satisfy the Requirement That MMME Is a “Significantly Different Product.”**

Section 3641 requires that an experimental product may not be tested **unless** it constitutes a significantly different product, as follows:

(1) Significantly different product. — The product is, from the **viewpoint of the mail users, significantly different** from all products offered by the Postal Service within the 2-year period preceding the start of the test. [39 U.S.C. 3641(b)(1) (emphasis added).]

The Postal Service purports to satisfy this condition by asserting:

Marketing Mail Made Easy is differentiated from existing Postal Service products by both its characteristics and the market segment it is intended to serve. MMME is significantly restricted in terms of weight, entry, and payment options, compared to current postal products, since it is **limited to local entry** and payment, in addition to having both a Saturation Mail density requirement and a low **volume limit**. Further, MMME is intended to serve small and medium-sized businesses **that do not use current Postal Service products**. [Notice, p. 5 (emphasis added).]

No further justification is provided.

The product that the Postal Service is seeking to test is Saturation Flats with reduced “barriers to entry” — a product that in no way can be said to be “significantly different” from the current Saturation Flats component of the Standard Mail High Density/Saturation Flats and Parcels product. Moreover, DDU entry does not make it new. In the most recent fiscal year, 61 percent of all commercial Saturation Flats (over 5.5 billion pieces) were entered at DDUs. Docket No. ACR2010, USPS-FY2010-4, tab ECR flats, G2-2.

The relaxation or removal of some mail entry requirements for certain mailers does not create a new product. Businesses being targeted by MMME experimental product can currently enter qualifying pieces as Saturation Flats (or even High Density Flats if they so choose) at DDUs. Simplified address flats are not a new product.

The addition of some limitations on volume, addressing, and physical characteristics does not create a new product.<sup>1</sup> Pieces that would be entered by mailers targeted by MMME must still meet general mail requirements to be a Saturation Flat.

Currently, businesses targeted by MMME can use the services of a mail service provider, thus allowing those businesses to bypass many of the barriers to entry. Although MMME facilitates a business to deal directly with the Postal Service, it does not create a “substantially different” product in the process. Any new marketing approach being considered by the Postal Service to sell MMME, whatever that approach may be, does not make MMME a new product.

The proposed experimental product in this docket is not like the other market tests under PAEA in that the products in the other market tests were clearly “significantly different” from other products being offered by the Postal Service, and the Postal Service therefore did not need to make much of a showing to meet this condition. However, in this market test, the

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<sup>1</sup> One distinguishing characteristic not pointed out by the Postal Service is that the Postal Service has not proposed a nonprofit rate for Saturation Flats that meet all the requirements for commercial mailers. Valpak takes no position on whether the Postal Service must make such an offering. But that lack should not be a distinguishing qualification entitling a product to be considered “new.”

proposed experimental product is not significantly different from the Standard Mail products currently being offered.

Therefore, the different “characteristics and the market segment it is intended to serve” do not satisfy the condition of a “significantly different product.”

**B. The Postal Service Has Failed to Satisfy the Requirement That MMME “Will Not Create an Unfair or Otherwise Inappropriate Competitive Advantage.”**

The second condition that must be satisfied **before** the Postal Service may conduct its market test is as follows:

(2) Market disruption. — The introduction or continued offering of the product will not create an **unfair** or otherwise inappropriate **competitive advantage** for the Postal Service or any mailer, particularly in regard to small business concerns (as defined under subsection (h)). [39 U.S.C. § 3641(b)(2) (emphasis added).]

The Postal Service seeks to meet this test by an unsupported statement saying this will not affect mail users:

As noted above, MMME is intended to generate additional volume from **potential customers who do not currently use the mail**. The new product will not eliminate or increase the cost to small or medium-sized businesses that already use, or have the option to use, the services of mail service providers (MSPs), or that use shared mail to establish a presence in the mail. Non-mail options for advertising also will remain competitive. There is no reason to believe that the total cost, including design and printing, of creating and mailing an advertising piece using MMME will be significantly less expensive than currently available options. The attraction of MME lies in its convenience. The Postal Service expects, therefore, that MME will enhance the role of mail as one among many options, **rather than a replacement** for existing marketing channels, for small business to get their message to their audience. [Notice, pp. 5-6 (emphasis added).]

In view of the seemingly unanimous opposition the MMME has received from other comments previously filed with the Commission, and the discussion in sections II and III, *infra*, it appears that the Postal Service's assurances are unfounded. The market test should be rejected for failure to comply with 39 U.S.C. section 3641.

## **II. Additional Problems Exist With the Proposed MMME Market Test.**

### **A. Reducing or Removing Unnecessary Barriers to Entry is Almost Always a Good Idea, But the Postal Service Fails to Keep the Playing Field Level.**

The Postal Service's Notice says that "[t]he new product will reduce **barriers to entry.**" Notice, p. 1. Permits, permit fees, and annual accounting fees are thus identified as among the barriers to entry for small or medium-size business that do not themselves enter permit mail. "No permit, permit fee, or annual accounting fee will be required to qualify." Notice, p. 1. Not surprisingly, these barriers are of the Postal Service's own making.

The Postal Service emphasizes the application process and fixed costs barriers for a non-mailer of any kind of bulk permit mail: "The **permit and mailing fees**, which can amount to \$370 for a new mailer, may discourage some [potential?] customers from trying a Simplified

Address Mailing.” *Id.*, p. 2 (emphasis added).<sup>2</sup> **Mail preparation requirements** are identified as another “barrier” to entry, the Notice states:

Many of these businesses are potential mailers, who see current **mail preparation requirements** as too complex and too expensive for the relatively small trading areas they want to target. [*Id.*, p. 2 (emphasis added).]

Of course, “mail preparation requirements” are also all of the Postal Service’s own making.

If under certain conditions these “barriers” can be dispensed with for small or medium-size businesses, presumably with small potential volume, why can’t they also be dispensed with for large-volume mailers (to be sure, under the same or similar conditions)?<sup>3</sup> Why not keep the playing field level for all mailers, regardless of how small or large they may be, and regardless of what business they are in? Valpak would strongly oppose making permanent any program that discriminates among mailers according solely to size.

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<sup>2</sup> Confusingly, the Notice discusses barriers to **current customers** (*i.e.*, businesses, presumably small businesses, that are **already using** one of the **Standard Mail** products — otherwise, they would not be “customers” of the Postal Service) — **from “trying” simplified address**. These current customers not using simplified address could either be (i) currently be saturation mailers or (ii) less than saturation mailers. To the extent the Postal Service is targeting small or medium-size businesses that now enter their own with density somewhat **less than saturation**, the Postal Service is aiming, seemingly, at getting them to move to saturation flats (with simplified addressing). To the extent the Postal Service is targeting small or medium-sized businesses that **now use saturation** flats or letters, the Postal Service is urging them to move to saturation flats with simplified addressing.

<sup>3</sup> Under terms of the MMME Notice, the line between small and large volume mailers is 5,000 pieces per day **per office**. Thus businesses in metropolitan areas with more than one DDU presumably can enter more than 5,000 pieces per day, *i.e.*, 5,000 pieces at each DDU selected by the mailer. Moreover, any single office mailers presumably could enter 5,000 pieces on one day at a DDU, and another 5,000 pieces on each successive day at the same DDU, until they have covered all carrier routes operating from that office.

**B. MMME Threatens to Draw Revenues Away from Existing Mailers, Jeopardizing Their Operations.**

The existing volume of High Density and Saturation mail comes from a variety of sources. One obvious source is mailers with shared packages, such as Valpak, Valassis, or Harte-Hanks. The total mail coverage (“TMC”) programs of newspapers is a second source. Yet a third source is Mail Service Providers (“MSPs”). Players in these three groups compete vigorously to get retail businesses to advertise through the mail, and to use their services when so doing. MMME urges users of these services to pull their pieces from these existing mail channels, potentially jeopardizing existing mail. The Postal Service needs to consider that the success of new programs like MMME may come from cannibalization of existing mail.

The Postal Service has a successful, highly profitable product in High Density/Saturation Flats and Parcels. The coverage of Standard Mail High Density and Saturation Flats and Parcels is 223.8 percent. As a business proposition, it may be understandable that the Postal Service would seek ways to expand usage and sales of that product, but it should do so without doing anything to undercut net contribution derived from their existing customer base, *e.g.*, the three sources just described. The MMME proposal advanced in this docket undermines the level playing field among all saturation mailers.

**C. Identification of MMME’s Target Customers, and Plans for Marketing MMME Are Poorly Defined**

The Postal Service’s Notice states that it wants to encourage “**small and medium-sized businesses** to utilize the mail to promote and market their businesses to current and prospective customers ...” *Id.*, p. 1. It cites as potential customers “dry cleaners, local restaurant owners

and franchisees, and small retailers [who] often see their natural markets as being households within a certain radius of the businesses' locations." *Id.*, p. 2.

On the premise that the preceding list of potential targets represents the extent of the Postal Service thinking, the Postal Service would seem to be focusing on the same sort of businesses to which Valpak franchisees have been selling for many years. In that event, the only "new" aspect of the proposed market test is that the Postal Service would like those small and medium-sized businesses to forgo, for example, the cost of a coupon in a Valpak shared mailing, and step up to the cost of a single-piece MMME saturation mailing.

The Notice also says that:

Small and medium-sized business marketers with limited budgets are currently engaging with customers and prospective customers via **various advertising media and electronic channels**.... These businesses use various marketing channels, including **local radio and television advertising, newspaper ads, various kinds of display advertising, and internet banners and e-mail**, to deliver their advertising messages. [*Id.*, p. 2 (emphasis added).]

Interestingly, this list of "various advertising media" omits any mention of shared mail. The implication is that those small and medium-size businesses, which often require extensive persuasion to pay a comparatively small fee to include a coupon in a Valpak envelope, are now spending much larger sums to advertise extensively using other expensive media. From this statement, on that score, it is unclear how much market research the Postal Service has done.

Small and medium-size businesses do not, as a rule, have any sizeable advertising agency. In fact, advertising may not even be a regular part of the budget for many small or medium-size businesses, especially those with an established presence in their community. Marketing, which includes advertising, is an integral part of any large consumer retail

business. But advertising generally needs to be explained, marketed, and sold to small and medium size businesses — often a challenging endeavor, at least until the mailer tries the product and finds it successful.

The discussion in the Notice says nothing about those potential customers that the Postal Service plans to target, or about how it plans to induce them to use MMME. Presumably, the Postal Service will put out notices through the mail — *i.e.*, practice what they preach. Beyond that, how much time of its marketing force will be spent calling on businesses that do not currently use the mail for marketing purposes?<sup>4</sup> Without some kind of selling effort, MMME may not get very far.

Let us suppose, though, that Postal Service marketing personnel do call on some small and medium-sized businesses not currently using Postal Service products, and manage to unearth some potential customers who become intrigued and interested in the possibility. If those potential customers are doing little or no hard copy advertising — *i.e.*, they are using TV, radio, or e-mail, as hypothesized in the Notice — they may need some kind of professional help creating effective hard copy material for the mail. The Postal Service itself clearly is not involved in providing such professional creative assistance. That is beyond the products it offers. But will the Postal Service be prepared to recommend professional creative talent? If so, has it thought through how it will include and exclude advertising firms from such a list? Has it considered the liability it assumes by making such recommendations? If

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<sup>4</sup> The MMME market test limits saturation mailings to 5,000 pieces per day at a single facility. At \$0.142 per piece, the postage for such a single mailing amounts to \$710. How much time can Postal Service marketing representatives spend trying to make such sales? Will the true cost of such sales efforts be captured and attributed to the new MMME product?

not, how much easier has MMME made things for a small or medium-sized business? A business that does not have a presence in the mail, or use any other form of hard copy advertising, may face significant start-up barriers other than those described in the Postal Service's Notice. (Valpak's proposed Commission Information Request ("CIR") questions address this issue.)

To sum up, the Postal Service marketing plan for the MMME market test — to the extent it exists — does not appear to be well thought out, is unfair, threatens existing mailers, and may not be well designed to achieve its objective (*see* the section on Evaluation, *infra*, for further discussion of "success.").

### **III. Plans for Evaluating Results of the MMME Market Test Are Inadequate.**

The Postal Service's announced goal is to increase its operating profits. In terms of the MMME market test proposed in this docket, that means revenues from any marginal increase in the volume of Saturation Flats need to be compared with the marginal increase in costs caused by that volume increase (as well as lost revenues from current competing products such as shared mail). Although the **average** profitability of Saturation Flats is quite high, it is not a foregone conclusion that **marginal** profitability will be so high.

Further, as discussed in section C, *infra*, evaluating success of the two-year test needs to include, but go beyond, operating profits.

**A. Saturation Mail Generated by the MMME Test May Drive Up Marginal In-Office Costs in Ways Not Easily Measured.**

The Postal Service Notice gives no details on how it intends to handle MMME flats, but that is easily inferred. The mail must be saturation density with simplified addresses, and entered at DDUs. Obviously, such mail will not be processed at any upstream facility, which means it will not be sorted on an flats sequencing system (“FSS”) machine.<sup>5</sup> Nor would city carriers be expected to case such mail before leaving the DDU.

The Postal Service obviously intends that all MMME mail be taken directly to the street, either as an independent “extra” bundle, or as part of a collated “extra” bundle. That raises an obvious question about the capacity of carriers to handle extra bundles. In DDUs where carriers receive letters presorted by delivery point sequence (“DPS”) and flats presorted by FSS, there are two bundles of presorted mail. DPS’d and FSS’d mail contain First-Class Mail, so deferral of those two “bundles” is not in the realm of possibility. In addition, carriers typically will have a third bundle of cased “residual” mail that, for whatever reason, was not DPS’d or FSS’d. Residual mail also may contain First-Class pieces, so it too is not deferrable. At least previously, three bundles was the maximum for foot routes. (Valpak has drafted a proposed CIR question to obtain additional information on this issue.)

Clearly, though, as a practical matter, carriers have some limit on how many extra bundles they can handle on any given day. Saturation mailings are for businesses that want to concentrate their advertising in certain neighborhoods or geographic areas, as the Notice points

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<sup>5</sup> This means there is no requirement as to binding, enveloping, etc., in order to be machinable.

out. *Id.*, p. 2. It has been said that “mail goes where the money is.” That means saturation mailings will not be uniformly distributed over the entire postal network. Instead, they predictably will be concentrated in geographic areas where households have greater buying power.

Within specified time limits, all Standard Mail is deferrable, which helps solve the problem of limitations on daily capacity. Before carriers leave the DDU, collating (interleaving) two saturation mailings into one “bundle” also is possible, but that takes time at the DDU and it drives up marginal in-office costs well above the average cost of taking one extra bundle directly to the street. Thus, if the MMME market test succeeds at increasing the volume of saturation mail at already-congested offices, marginal in-office costs could rise disproportionately, in a manner not easily isolated in the Postal Service’s in-office costing system. (Valpak has proposed a CIR question on this issue as well.)

Another operational problem arises when carriers have more saturation mail than they can handle on any given day. Which saturation mail will receive priority treatment can become an issue. The Postal Service Notice does not discuss this potential problem, but it has been discussed extensively in comments already submitted by Experian and others.<sup>6</sup>

**B. Form of MMME Mail Could Drive Up City Carrier Street Costs in Ways Difficult to Measure.**

The product description in the Postal Service Notice simply says “Each mail piece must be a Standard Mail flat and weigh less than 3.3 ounces.” *Id.*, p. 3. The data collection plan

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<sup>6</sup> See Experian’s comments, p. 2, item 1 (filed Jan. 19, 2011); Globe Direct’s comments (filed January 27, 2011); NAAD’s comments (filed Jan. 26, 2011); and World Marketing Inc.’s comments (filed Jan. 26, 2011).

states that the Postal Service intends to collect data on “shape of mail being entered.” *Id.*, p. 7. The Postal Service indicates its awareness that shape of mail submitted under the MMME market test could be a potential problem. The discussion that follows dwells strictly on worst-case scenarios. Nevertheless, it is worth considering, because in any “live” experiment the sponsor should ask: “What can go wrong?” Costly-to-handle flats clearly is one such possibility.

A flat could be a large sheet of paper, either not folded, or folded only once – *i.e.*, a “flimsy.” On the street, a flimsy could be more difficult and time-consuming (*i.e.*, costly) for carriers to handle. Yet another possibility would be a piece in an envelope that is letter-height (*i.e.*, 4" to 5" high), but too long to be classified as a letter (*i.e.*, more than 11.5 inches long and less than 15.0 inches long). Such odd-shaped pieces in an extra bundle also could be awkward, difficult, and costly for carriers to handle on the street. They clearly would drive up costs far more than an “ordinary” flat, but the carrier costing system used to attribute street time likely would have difficulty capturing the increase in marginal cost. (Valpak drafted proposed CIR questions on this topic.)

**C. Determining Whether Results of the Two-Year Market Test Are a “Success” Must Include, but Look Beyond, Operating Profits**

The Commission needs to anticipate the day when the market test will be evaluated and, possibly, a determination made concerning whether to authorize MMME as a permanent offering. In that regard, the Postal Service’s Notice states that “Depending on the results of the test, the Postal Service may file with the Commission to make Marketing Mail Made Easy permanent.” *Id.*, p. 8. Mindful that in the future the Postal Service may want to file to make

MMME permanent, this section will focus on the “plan“ for evaluating results of the market test (including the data collection plan). Such evaluation would be expected to occur about two years following initiation of the market test.

It would be useful to examine what might constitute a successful outcome. The Notice does not explicitly define what minimal outcome would be considered necessary to constitute “success.” In a section titled “Benefits,” however, it does say that “[t]he Postal Service expects to **expand its customer base and generate additional, highly profitable volume.**” *Id.*, p. 4, emphasis added. Elsewhere, it also states that “[b]ased on institutional knowledge, the Postal Service estimates the test will **generate 10 to 20 million pieces per year in new volume.**”<sup>7</sup> *Id.*, p. 7, emphasis added. These would appear to be the only criteria indicating “expected outcomes” or “success” mentioned in the Notice.

To facilitate analysis, assume a particular outcome of the full two-year test. Assume also that over two years the volume of qualifying MMME mail amounts to 50 million pieces, or about 25 million pieces per year, which comfortably exceeds the Postal Service’s “maximum” estimate of 20 million pieces per year.<sup>8</sup> The limit on a qualifying MMME mailing is 5,000 pieces per day at any one facility. If each qualifying MMME mailing were 5,000 pieces, 10,000 such mailings would generate a total of 50 million pieces. Those could

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<sup>7</sup> If a new MMME customer mailed 10,000 pieces per year during the test period, a total annual volume of 10 to 20 million pieces would equate with between 1,000 and 2,000 customers.

<sup>8</sup> At \$0.142 per piece, 50 million pieces would generate additional revenue of \$7.1 million over two years, which is still under the \$10 million per year statutory limit on market tests. It is unclear if the market test would terminate prematurely if the \$10 million threshold were reached.

be one mailing from each of 10,000 customers, or four mailings from each of 2,500 customers — or some other combination. This hypothetical scenario assumes an outcome that exceeds by a fair margin the few parameters specified by the Postal Service in its Notice.<sup>9</sup> Some of the difficulties in tracking the cost of this program have been discussed above. But even if those problems are satisfactorily resolved, and the two-year revenues from mail submitted under the program comfortably exceed costs, more is required before the test results can be considered a success.

Based on the brief criteria provided in the Postal Service’s Notice, the hypothetical outcome would appear to indicate that the MMME market test could be judged a “success.” One needs to dig deeper, though, and pertinent questions would need to be answered. In what follows we pose such necessary questions, and inquire whether data and information gathered under the Postal Service’s collection plan are likely to be capable of answering them.

The Postal Service’s Notice also states that it wants to encourage “**small and medium-sized businesses** to utilize the mail to promote and market their businesses to current and prospective customers ...” *Id.*, p. 1 (emphasis added). The Notice subsequently states that:

Small and medium-sized business marketers with limited budgets are currently engaging with customers and prospective customers via **various advertising media and electronic channels....** These businesses use various marketing channels, including **local radio and television advertising, newspaper ads, various kinds of display advertising, and internet banners and e-mail**, to deliver their advertising messages. [*Id.*, p. 2 (emphasis added).]

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<sup>9</sup> After-the-fact evaluation of results will be easy only if the program clearly is a failure — *e.g.*, very few business try it, and of those few that do, the volume mailed is small. Positing such a hypothetical scenario not only would be unfair, but also would be unhelpful as regards the data and information needed for a meaningful evaluation.

Interestingly, the preceding list of “various advertising media” includes newspaper ads, but omits any mention of shared mail or other forms of hard copy, such as TMC, shoppers, flyers, etc. From the above-quoted discussion, it would appear that a major thrust of the market test is to divert advertising expenditures by small and medium-sized businesses from other media, especially electronic media, to the mail. If that is a correct interpretation of what the market test aims to do, then one important question is from whence expenditures on the MMME mail came.

- Did they represent diversion from **other forms of advertising**, such as TV, radio, or e-mail?
- Or did the MMME mail represent a diversion from **other mail**, such as (i) shared mail, or (ii) TMC mail, or (iii) mailings previously entered via an independent mail service provider (MSP), or (iv) mailings previously entered in a different format (such as saturation letters or addressed flats)?

If the qualifying MMME volume consists of diversion from other mail, one would assume the market test would be deemed much less successful than if expenditures for MMME mail were diverted from advertising budgets for electronic media — or even local flyers and shoppers that do not use the mail.

If the first question is “from whence did the MMME mail come?” the second question is “to what extent will any of the items specified in the Postal Service’s data collection plan provide an answer, or at least some insight, regarding the first question?”

According to the Notice, “The Postal Service intends to collect data during the market test to better understand the **characteristics** of the mail of the experiment as it relates to:

- Number of customers
- Total volume sent

- Average size of mailing
- Volume of mail entered by location
- Proportion of mail entered by day of the week
- Shape of Mail being entered.” *Id.*, p. 7 (emphasis added)

These appear to constitute the totality of data and information gathering now planned or contemplated at this time by the Postal Service. And as to whether any of the six “characteristics” would appear to address the question of whether MMME diverted advertising expenditures from other media, especially electronic media, the answer is negative. None of those mail characteristics provides much insight, if any. An honest, in-depth evaluation needs to go far beyond the six data points proposed above. Some kind of customer survey, if well designed, might provide useful insight, but no such survey (or other information gathering) seems to be planned.

The Postal Service should also be required to evaluate the harm done to existing shared mailers in lost business. The lost business could come both for current users of saturation flats but also current users of saturation letters where letter-shaped pieces are converted to unaddressed flats, and **users of addressed flats** are converted to unaddressed flats.

As a second goal, the Notice states that “[t]he Postal Service expects to expand its customer base.” The term “customer base” is not defined, but one inference might be that the Postal Service seeks not “one-time” customers, but those who find their mailing experience useful and either repeat it (during the two-year test), or plan to repeat it in the not-too-distant future. In terms of what outcome might be regarded as a “success,” it is one thing if mailers with no prior mail presence try MMME, like the results, and submit, or plan to submit, subsequent mailings. It is quite another if those businesses with no prior presence in the mail

try MMME, are disappointed with the results, and in light of their one-shot (or two-shot) experience plan not to submit any more mailings, or use the mail again for marketing their goods and services.

The Postal Service needs to go beyond simple data gathering on characteristics of the mail and obtain information about and from those mailers who use the MMME product. In other words, evaluation vis-a-vis “success” involves more than just the number of customers that try MMME during the test period and the volume which they submit. If the Postal Service keeps tabs on mailings by individual customers, then it might be able to determine how many repeat their initial experience. Otherwise, neither the Postal Service nor the Commission will have any idea as to how many initial users are likely to stay with mail as a marketing medium, and how many will already have abandoned it by the end of the two-year test period.

Before embarking on an experimental market test such as that proposed here, the Postal Service (and the Commission) need to have a well thought-out evaluation plan in place. Otherwise, should the time comes to decide whether it should become a permanent offering, what is already a somewhat contentious experiment, rather than putting doubts to rest, will be just as contentious, if not more so.

### **CONCLUSION**

Valpak’s critique of the MMME proposal is designed to demonstrate that it is not well thought through and could have unintended and undesired consequences. However, the threshold question is whether the Postal Service has clearly demonstrated compliance with the preconditions of 39 U.S.C. section 3641. It has not. Valpak urges that the Commission use its power to disapprove and terminate this noncompliant market test.

Respectfully submitted,

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