

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

MARKET TEST OF EXPERIMENTAL PRODUCT – )  
EXTENDED MAIL FORWARDING ) Docket No. MT2020-2

**COMMENTS OF THE ASSOCIATION FOR POSTAL COMMERCE**

**(June 30, 2020)**

Pursuant to Order No. 5539, the Association for Postal Commerce (“PostCom”) submits these comments on the Postal Service’s Notice of a market test of experimental product – Extended Mail Forwarding. The experiment noticed by the Postal Service complies with applicable statutory requirements, and the Commission should approve it as proposed. PostCom congratulates the Postal Service on its increased efforts to experiment with new products. In this particular instance, PostCom offers suggestions on how this, or future, experiments might provide more useful information to guide future product and pricing decisions. We present those suggestions as follows.

**I. THE POSTAL SERVICE’S PROPOSED TEST OVERLOOKS OPPORTUNITIES TO UNDERSTAND CUSTOMER PREFERENCES**

According to the USPS request, “Customers will be able to request a maximum of three 6-month extensions, equating to up to two and a half years of mail forwarding. Initial pricing for the service will be as follows: \$19.95 for one 6-month extension; \$29.95 for two 6-month extensions; and, \$39.95 for three 6-month extensions. Any customer who initially signs up for one or two extensions at the \$19.95 or \$29.95 price will be able to request additional extensions (up to a total of three 6-month extensions) but the fee will be \$19.95 per additional 6-month

extension.” Notice at 2. The proposed test also includes provisions by which customers can extend use of the service. Beyond the assurance that revenues will be sufficient to cover costs – which PostCom does not contest - the Notice does not provide any information regarding how the proposed rates were developed.

The Postal Service has historically made limited use of market tests. Consequently, PostCom suggests that any test proposed by the Postal Service ought to capitalize on the inherent advantages of experimentation in understanding the behavior of its customers. We do not believe the Postal Service has done so in this case. For example, the Postal Service wants to allow customers to “exercise greater control over their mail forwarding expiration date to better fit their needs.” Notice at 3. This is a laudable goal that PostCom fully supports, but it raises the question: why are the test options in this case so severely limited? The Postal Service could presumably have offered extensions of differing length, or in greater number, or indefinitely and automatically renewable. In choosing to limit the range of its offers in this experiment, the Postal Service loses an opportunity to better understand customer preferences and in fact may suppress demand during the experiment if it has chosen poorly in selecting these specific parameters.

Likewise, in proposing very specific rates to obtain in all locations for the duration of the experiment, the Postal Service forecloses an opportunity to directly measure customer price sensitivity. The Postal Service will operate the test online and in nine distinct physical locations. Notice at 3. This would have been an ideal opportunity to see if different prices would work better in different markets. Furthermore, online transactions provide an ideal laboratory for measuring price responsiveness, with the number of variables limited only by the imagination of those conducting the test. The Postal Service could hypothetically randomize prices to measure price sensitivity at the zip code level, or to determine whether frequent movers might be willing

to pay more, or whether summer movers are more price averse than those who move in winter. Are households moving to more affluent zip codes – arguably indicative of improving prosperity - willing to pay more than households moving around the block? Are fledgling adults – identifiable via data mining - moving out for the first time particularly price sensitive, or sufficiently eager to ensure they get everything that they’ll pay more?

This is not intended to be an exhaustive list of things the Postal Service might have been able to learn. Rather, these examples illustrate lost opportunities for understanding customer behavior that should not be squandered. In future experiments, PostCom suggests that the Postal Service consider proposing price ranges that would allow variation during the duration of the market test to increase the availability and utility of data collected. Similarly, we propose that the Postal Service ought to structure experiments with more flexible parameters to gain better insights into customer preferences.

## **II. THE POSTAL SERVICE’S NOTICE INDICATES AN OPPORTUNITY TO IMPROVE FIRST-CLASS MAIL FOR ALL CUSTOMERS**

As the Postal Service notes, “the cost of forwarding is less than the cost of handling UAA mailpieces.” Notice at 4. The fact that the Postal Service is proposing this specific test indicates their belief that recipients of mail prefer to have it forwarded rather than have it returned to sender. Similarly, we assume that senders of mail would prefer that pieces reach their intended recipient even if forwarding is required. It appears then that the Postal Service, in returning undeliverable mail, is handling forwardable mail pieces in a way that

- Degrades the experience for the sender and the recipient
- Increases postal costs

There may be countervailing considerations or outer limits on retention of forwarding information, but this suggests an opportunity for the Postal Service to reduce costs and improve

its customers' experiences by forwarding mail indefinitely. This observation notwithstanding, the Postal Service's proposed market test meets all relevant statutory criteria and should be approved.

Respectfully submitted,

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