

USPS-T-4

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

EXPERIMENTAL PARCEL RETURN SERVICES

Docket No. MC2003-2

DIRECT TESTIMONY
OF
JONATHAN E. WITTNEBEL
ON BEHALF OF
UNITED STATES POSTAL SERVICE

CONTENTS

Page

Autobiographical Sketch.....ii

I. Purpose and Scope of Testimony1

II. Current Merchandise Return Process1

III. Parcel Return Services.....3

IV Parcel Return Market Size and Characteristics3

V. Conclusion5

1 **Autobiographical Sketch**

2 My name is Jonathan Wittnebel and I am the Vice President for Postal Affairs for
3 Newgistics Inc. Newgistics provides the technology and logistics solutions to manage
4 product returns from millions of consumers back to original direct retailers. My
5 responsibilities include development of a program that uses the Postal Service for
6 handling returns that are taken out of the Postal Service stream at the Bulk Mail Center,
7 then consolidated and shipped to the original direct retailer. I have also worked for RR
8 Donnelley Logistics (CTC Distribution Direct) in developing its destination bulk mail
9 center (DBMC) and destination delivery unit (DDU) entry programs for parcels.

10 I have over thirty years experience in direct marketing. I hold a Bachelor of Arts
11 degree in Economics from the University of Minnesota. In addition, I am Newgistics'
12 representative for the Parcel Shippers Association and the Association of Priority Mail
13 Users. I have also been active in the Mailers Technical Advisory Committee and served
14 on the USPS Blue Ribbon Committee.

1 **I. Purpose and Scope of Testimony**

2 The purpose of my testimony is to support the efforts of the Postal Service to
3 establish experimental Parcel Return Services products. In this testimony, I will discuss
4 generally how returns are processed and how the proposed experiment would make the
5 return of merchandise more consumer friendly and operationally efficient. My testimony
6 will focus especially on the Return Bulk Mail Center model of the proposed Parcel
7 Return Services offering.

8 **II. Current Parcel Return Process**

9 The current returns process begins soon after a consumer receives merchandise
10 ordered from a catalog, online, TV or other multi-channel direct retailer and the
11 consumer determines that the merchandise does not meet expectations. Typical return
12 reasons are wrong size, color variations, etc. The consumer must determine how to
13 return merchandise to the retailer. Since many direct retailers do not have stores
14 available to accept returns, consumers often return items through the mail.

15 Some direct retailers require consumers call their customer service line to obtain a
16 return authorization number or call tag. After receiving an authorization number,
17 consumers are instructed to package the item, address the package, apply postage or
18 pay shipping charges, and return it to the retailer's operations center. Consumers often
19 must take the package to a Post Office to determine the exact amount of postage due.
20 While the Postal Service offers many retail outlets, some consumers turn to commercial
21 mailing companies to avoid the perceived waits in line at the local Post Office counter.
22 This prolonged process can be a disincentive for consumers to patronize direct retailers.

1 This traditional method of returning merchandise does not allow retailers to track
2 the returned packages until arrival at the returns center. In addition, consumers
3 typically call the retailer's customer service representatives one or more times to
4 confirm the status of returned packages and the anticipated merchandise credit -- often
5 before a customer service representative is able to confirm the packages' arrival.
6 Handling these multiple customer calls is expensive.

7 In some merchandise categories, return rates can approach 30% of sales. Across
8 all direct-to-consumer categories, this figure equates to hundreds of millions of
9 packages annually. In order to reduce the perceived inconvenience of returns and
10 encourage mail order shopping, retailers are highly motivated to develop solutions that
11 will increase consumer satisfaction.

12 Newgistics' objective is to solve the problems of returns for both consumers and
13 retailers. Newgistics' SmartLabel™ is a convenient pre-addressed, postage-due label,
14 sent as part of the retailer's order summary, which consumers can use to return
15 merchandise. Consumers simply apply the SmartLabel™ to their return package and
16 enter it into the Postal System by a number of methods, including taking it to a Post
17 Office, giving it to the letter carrier, or using the mailroom at work. Newgistics then
18 receives the parcels, scans the barcodes to capture customer information and then
19 processes the returned items as directed by the retailer (e.g., return-to-vendor, return-
20 to-stock or any other return sites defined by the retailer).

21 Newgistics' SmartLabel™ provides the consumer convenience and simplifies the
22 return process. Simultaneously, Newgistics provides consolidation and tracking
23 efficiencies for retailers to monitor and provide additional customer service data.

1 **III. Parcel Return Services**

2 I believe that Parcel Return Services would be a beneficial addition to the Postal
3 Service's current offerings. Return services could be expected to provide the Postal
4 Service with additional parcel volume and lower operational costs.

5 My experience in the parcel returns industry tells me that improving the consumer's
6 returns experience will increase the proportion of returns mailed vs. those returned
7 directly to stores (e.g., at the local mall) given the convenience of the SmartLabel™ and
8 the easy accessibility of the Postal Service's thousands of drop-off locations.

9 Removing packages from the Postal Service stream at the origin BMC creates
10 efficiencies and cost savings for the Postal Service, as handling costs after the package
11 sort at the origin BMC are eliminated. Aggregation and transportation efficiencies are
12 gained, while processing improvements through the use of SmartLabel's™ intelligent
13 barcode technology are realized.

14 The Postal Service will also be able to reduce consumer wait time at the local Post
15 Office with the Parcel Return Services program and significantly improve consumer
16 satisfaction with an easier Postal Service transaction.

17 **IV. Parcel Return Market Size and Characteristics**

18 Newgistics believes that an appropriately priced Postal Service product line, like
19 Parcel Return Services as proposed by the Postal Service (aggregating returns at Bulk
20 Mail Centers or delivery units for pickup), would be attractive both to the retailer and the
21 returns provider. In my view, Witness Kiefer's assumed market share of 4% represents
22 a reasonable, if not conservative, estimate of the near-term potential for Parcel Return
23 Services.

- 1 To help understand certain aspects of this proposal, Newgistics has provided
- 2 certain weight and zone data for packages delivered through the Bulk Mail Centers. See
- 3 Exhibit A.

1

Exhibit A	
Estimated Characteristics of Parcel Returns Delivered From Origin BMCs ¹	
Average Weight per Parcel: 2.65 lbs.	
Zone	Percent of Volume
1 & 2	79%
3	18%
4	3%
5	0%

2

3 **V. Conclusion**

4 Newgistics supports the Postal Service’s request for the experimental Parcel
5 Return Services products because all involved parties benefit. The proposed services
6 will improve the consumer’s return experience, which should have the effect of
7 bolstering the direct marketing industry overall. It would also provide the opportunity for
8 the Postal Service to increase parcel volume, while reducing operational costs, and
9 improve direct retailers’ efficiencies.

¹ Source: Newgistics, Inc.