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United States Postal Service

Presorted First-Class Mail Dropship Discount

Interview Summaries

Draft

Confidential Internal Draft for Discussion Purposes Only

INTERVIEW SUMMARY #1 *FCM Dropship Discount*

Background Information

Customer Type – The company provides its own workshared mailings at times and uses a third party at other times (less than 10% of mail). The interviewee answered questions regarding approximately 80% of the organization's workshared First-Class Mail. Of this 80%, 80% is created at one site (billing), 10% at a second, and the remaining 10% at a third.

Hybrid Mail – The company has been using hybrid mail for a few years.

Percentage breakdown of FCM –

- 0% Nonautomation presort letters, flats, and parcels
- 100% Automation letters and flats
- 0% Cards

Method of Deposit – The Postal Service picks up 50% of the company's mail; 45% is transported by a third party; and the company transports the remaining 5%.

Reaction to Concept

Overall Reaction – Overall the mailer reacted with interest to the concept, although it ultimately depends on the level of discount. Advantages include a potential to reduce mailing costs, an opportunity to increase delivery timeliness, and an ability track the mail to the SCF. Disadvantages or weaknesses include the additional cost and work associated with dropshipping, including additional documentation, shipping arrangements, staffing, and sorting space. A concern expressed was what happens if the required entry time is not met. What happens to the mail?

Price Point Level of Interest – The 0.3-cent discount generated LOW interest. The 1-cent discount generated MEDIUM to HIGH interest, but the interviewee indicated that it is difficult to judge without knowing the true costs. The interviewee further commented that it depends on how much the mailer can actually save, not just what the discount is.

Entry Time –

- Nonautomation – No nonautomation mail
- Automation – The interview could not answer this question. It depends on location. For example, while same-day entry times at DSCFs located within a few hours of the bill-fabrication site might be able to be met, DSCFs located across the country could not.

Volume Impact – The interviewee commented that 50% of the company's FCM would be dropshipped as a result of the discount.

The discount would not result in an increased use of FCM.

Single-Piece Impact – The time of day when single-piece mail is entered would not be altered by the discount.

Hybrid Mail – The discount would likely change the company's use of hybrid mail. According to the interviewee, there could be a shift in volume based on the location of printing facilities.

Mail Production – Production of the mail would be moved closer to the destination as a result of the discount.

Interview Summary #1

- continued -

Electronic Bill Presentment/Payment – The discount likely would have no impact on plans related to electronic bill presentment/payment. According to the interviewee, a natural migration towards electronic bill presentment is occurring on its own.

Benefit to Customers – Getting customers their bills sooner was the only potential benefit identified. The interviewee thought one day potentially could be shaved off mail time.

Billing Customers – Billing customers is the company's primary use of First-Class Mail. The interviewee indicated that getting customers their bills one day sooner would make a difference to the company in that float dollars would be gained. According to the interviewee, some people pay their bills upon receipt.

Although the discount could impact the billing cycle, the interviewee indicated that the discount would not be a significant driver.

FCM Advertising – The company does use FCM for advertising, but the interviewee was not responsible for this area.

Close Out

Competitor Reaction – Reaction among many competitors would be similar to that of the company. Competitors with many sites, however, those that do regional mailing, could take better advantage of the discount. According to the interviewee, local mailers would love the discount.

Recommendations/Comments -

- Regional players would benefit at the expense of national mailers; the interviewee was concerned that someone else would have to “pay” for the discount.
- If the discount is for 3-digit sorting, and a company currently does 5-digit sorting, what is the motivation for the company to continue with 5-digit sorting?
- How will the USPS account for revenue; local ports will no longer know all volume?
- While relationships (between mailers and local Postal Service) are in place at the local level, relationships with DSCFs are not; the interviewee placed importance on relationships at the entry point.
- The interviewee indicated that discount participants would need to know service commitments for all DSCFs.
- What happens if the required entry time is missed?

INTERVIEW SUMMARY #2

FCM Dropship Discount

Background Information

Customer Type – The company provides its own workshared mailings at times and uses a third party at other times. The interviewee answered questions for all of the organization’s workshared First-Class Mail.

Hybrid Mail – The company makes very little use of hybrid mail – “Not even in a pilot, yet.” The interviewee indicated that hybrid mail will be used more in the future.

Percentage breakdown of FCM –

- 7% Nonautomation presort letters, flats, and parcels
- 92% Automation letters and flats
- 1% Cards

Method of Deposit – Mail is deposited via all three options: USPS pick-up, company transport, and third-party transport. While not certain, the interviewee suspects that mail picked up from the company’s printing facilities is dropped off at the nearest SCF.

Reaction to Concept

Overall Reaction – “Lukewarm.” To participate in the proposed discount, the company would have to transport the mail for less than USPS, while assuming the hassles that accompany scheduling and tracking. 0.3 cents is not worth it. The interviewee also pointed out that regulations regarding when the mail is postmarked would hinder participation. If transportation and infrastructure issues are overcome, however, the discount could allow one to gain more information regarding final delivery time.

The interviewee indicated that to be profitable, the company would have to net 3/10 of a cent.

Price Point Level of Interest – The 0.3-cent discount generated LOW interest, while the 1-cent discount produced MEDIUM interest.

Entry Time –

- Nonautomation – The interviewee indicated that his company could not meet mail entry times on the day the mail is produced. According to the interviewee, they barely make it now.
- Automation – Same as above.

Volume Impact – The interviewee did not answer how much would be dropshipped or what the breakdown would be. The interviewee did indicate the discount would not result in an increased use of FCM, and mail would not be transferred from other classes.

Single-Piece Impact – The time of day when single-piece mail is entered would not be altered by the discount.

Hybrid Mail – The discount would have a positive impact on the adoption of hybrid mail.

Mail Production – Production would be moved.

Electronic Bill Presentment/Payment – The discount would have no impact on plans related to electronic bill presentment/payment.

Interview Summary #2

- continued -

Benefit to Customers – Because the company would be controlling transportation, it would have more information regarding delays and would be able to provide better information to customers.

Billing Customers – Billing customers is not the company's primary use of First-Class Mail, although it is tied for first. Getting bills to customers one day sooner might have a negative effect in that the company would realize less revenue. The interviewee doubts the discount would permit a change in the billing cycle, indicating that it wouldn't be a driver.

FCM Advertising – The company primarily uses bill inserts to advertise. FCM is used for some targeted advertising. The interviewee, however, indicated that the discount would not help in the use of FCM for advertising.

Close Out

Competitor Reaction – The interviewee could not speak for competitors.

Recommendations/Comments -

- Interviewee doubts it can be financially attractive if all of the implications and costs associated with transportation and infrastructure are considered.

INTERVIEW SUMMARY #3
FCM Dropship Discount

Background Information

Customer Type – The company provides its own workshared mailings to the USPS all of the time. The interviewee answered questions regarding a “large” portion of the organization’s workshared First-Class Mail.

Hybrid Mail – The organization does not use hybrid mail, and the interviewee was unaware of future plans to do so.

Percentage breakdown of FCM –

- 1% Nonautomation presort letters, flats, and parcels
- 99% Automation letters and flats
- 0% Cards

Method of Deposit – The organization does extensive sorting. USPS picks up 100% of the organization’s FCM throughout the day. A very small percentage of workshared FCM is deposited at the SCF nearest the business for delivery to the 3-digit ZIPs served by that SCF. None is deposited at other SCFs.

Reaction to Concept

Overall Reaction – While the idea of getting cheaper rates was attractive, the respondent indicated that having to assume responsibility for dropshipping the mail was not. Shipping the mail themselves or having to use a third party was not appealing to the respondent. According to the respondent, the organization currently performs extensive sortations, and a move to dropshipping would require a complete re-working of current practices. The interviewee stated that much has been invested in current processes. Perceived advantages included reduction in mailing costs and improved cash flow resulting from getting customers their bills sooner. The respondent commented that the savings associated with the discount would have to be significant because more than likely, someone else would be handling the mail.

Price Point Level of Interest – The 0.3-cent discount garnered LOW interest; the 1-cent discount generated MEDIUM interest.

Entry Time – Only 1% is nonautomation mail. Respondent indicated that if the organization decided to take advantage a FCM dropship discount, the organization would be able to meet any critical entry time.

Volume Impact – The respondent was unsure whether FCM volumes would increase as a result of the discount, and he could not comment regarding how much would be dropshipped.

Single-Piece Impact – Respondent indicated that the time of day when single-piece mail is entered would not change.

Hybrid Mail – The discount would not change the company’s use of hybrid mail.

Mail Production – The discount would not cause production of the mail to be moved closer to the destination.

Electronic Bill Presentment/Payment – The discount would not impact plans for using EBPP.

Benefit to Customers – The respondent did not identify any benefits for customers.

Interview Summary #3
- continued -

Billing Customers – Mailing bills is the company's primary use of First-Class Mail. The interviewee indicated that getting customers their bills sooner would result in improved cash flow.

FCM Advertising – Although the organization uses bill inserts, the respondent indicated that the discount would not help advertising efforts.

Close Out

Competitor Reaction – The respondent thought that the discount would be attractive to other large mailers, including the organization's competitors.

Recommendations/Comments –

- Offer additional discount for organizations performing extremely fine sorts.
- Make the discount at least 1 cent.

INTERVIEW SUMMARY #4
FCM Dropship Discount

Background Information

Customer Type – The company provides its own workshared mailings at times and uses a third party at other times (less than 10% of mail). The interviewee answered questions regarding 100% of the organization's workshared First-Class Mail.

Hybrid Mail – The company does not use hybrid mail and has no plans to do so in the immediate future. EBPP sounds more interesting to the company.

Percentage breakdown of FCM –

- 15-20% Nonautomation presort letters, flats, and parcels
- 80-85% Automation letters and flats
- 0% Cards

Method of Deposit – The Postal Service picks up approximately 20% of the company's mail; 20%-30% is transported by a third party; and the company transports the remaining 50%-60%. The interviewee estimated that 50%-60% of the company's workshared FCM is deposited at the SCF nearest the business for delivery to the 3-digit ZIPS served by that SCF.

The company's mail is entered into the USPS at several locations. The interviewee indicated that the company's mail always goes to the SCF closest to its business. The company does not dropship mail to other SCFs.

Reaction to Concept

Overall Reaction – Although the interviewee stressed that serious consideration of the discount would require detailed analysis, the interviewee indicated "excitement" regarding the concept. The interviewee explained that the company is moving toward more consolidated processing – going from seven sites to two or three. The company suspects that this consolidation could result in mail requiring an extra day to deliver. The interviewee views the discount as an opportunity to gain that day back since mail will be delivered quicker. Advantages identified include quicker delivery and cost savings. No weaknesses were identified. The interviewee indicated that preparation for participation in the discount would require some lead-time.

Price Point Level of Interest – The 0.3-cent discount generated LOW interest. The 1-cent discount generated HIGH interest.

Entry Time –

- Nonautomation – 6:00 p.m. or 7:00 p.m.
- Automation – 9:00 p.m. or 10:00 p.m.

Volume Impact – The interviewee estimated that between 70% and 80% of the company's FCM would be dropshipped as a result of the discount and once the organization moves to consolidated processing. The breakdown of mail (nonautomation vs. automation vs. cards) would not change as a result of the discount.

The interviewee could not answer whether the discount would result in an increased use of FCM. According to the interviewee, some Standard (A) mail could move to FCM (the degree to which would depend on their respective discounts).

Single-Piece Impact – The time of day when single-piece mail is entered would not be altered by the discount.

Interview Summary #4
- continued -

Hybrid Mail – The discount would not change the company’s use of hybrid mail.

Mail Production – Production of the mail would not be moved closer to the destination as a result of the discount.

Electronic Bill Presentment/Payment – The discount likely would have no impact on plans related to electronic bill presentment/payment. According to the interviewee, the migration towards EBPP might be slowed as a result of the discount.

Benefit to Customers – Getting customers their bills sooner and improving customer service were identified as benefits.

Billing Customers – Bills and statements are the company’s primary use of First-Class Mail. The interviewee indicated that getting customers their bills one day sooner would make a difference to the company in that float dollars would be gained.

The interviewee was not sure whether the discount would impact the billing cycle.

FCM Advertising – The company does not use FCM for advertising; it uses Standard (A). The interviewee predicted that there would be some migration from Standard (A) to FCM.

Close Out

Competitor Reaction – Reaction among competitors would be similar to that of the company. Processing decisions would be impacted by the discount.

Recommendations/Comments -

- Hopes the discount is large enough.
- Keep rules and regulations simple, not complex.
- Need to resolve where actual acceptance of the mail occurs from the Postal Service’s standpoint.

INTERVIEW SUMMARY #5
FCM Dropship Discount

Background Information

Customer Type – The company provides its own workshared mailings at times and uses a third party at other times (the third party is used for residual mail, less than 1% of total mail). The company also provides billing services to other companies. The interviewee answered questions regarding approximately 95% of the organization's workshared First-Class Mail.

Hybrid Mail – The company does not use hybrid mail, and the interviewee does not perceive much interest in it.

Percentage breakdown of FCM –

- 3% Nonautomation presort letters, flats, and parcels
- 97% Automation letters and flats
- 0% Cards

Method of Deposit – All of the organization's FCM is picked up by the Postal Service. The interviewee described a plant-load process in which the Postal Service transports some of the company's mail directly to the destination area.

Reaction to Concept

Overall Reaction – The interviewee indicated that a discount of between 0.3 cents and 1 cent is not sufficient. The interviewee indicated that discount would need to cover transportation costs. In addition, the company would have to feel comfortable with someone other than the Postal Service transporting the mail. The issue of secure transportation of the mail was raised more than once.

A potential advantage identified by the interviewee was that customers would receive their bills sooner. A potential weakness identified was that the security of the mail could be jeopardized since the Postal Service would no longer be transporting it.

Price Point Level of Interest – Both the 0.3- and 1-cent discounts generated LOW interest. To be interested in this product, the interviewee indicated that the company would require a discount of at least two cents per piece.

Entry Time –

- Nonautomation – The interviewee indicated that distance is a major factor. The company could make an 8:00 p.m. or 9:00 p.m. entry time.
- Automation – 6:00 p.m. or 7:00 p.m.

Volume Impact – The interviewee estimated that if the company were to take advantage of the discount, it probably would assume responsibility for dropshipping between 33% and 50% of the volume currently picked up by the USPS. The interviewee indicated that the company would focus on automation mail destined for urban areas. The company would not dropship nonautomation mail.

The discount would not result in an increased use of FCM.

Single-Piece Impact – The time of day when single-piece mail is entered would not be altered by the discount.

Hybrid Mail – The discount would not impact the adoption of hybrid mail.

Interview Summary #5
- continued -

Mail Production – Production of the mail would not be moved closer to the destination.

Electronic Bill Presentment/Payment – The discount would have no impact on plans related to electronic bill presentment/payment.

Benefit to Customers – Getting customers their bills sooner was the only potential benefit identified.

Billing Customers – Billing customers is the company's primary use of First-Class Mail. The interviewee indicated that getting bills to customers one day sooner would make only a "small" difference to the company.

Although the discount could impact the billing cycle, the interviewee indicated that the discount would not be a significant driver.

FCM Advertising – For the 95% of the company's mail that the interviewee was speaking to, bill inserts are sometimes used to advertise. The discount would not help in the use of FCM for advertising. FCM is used for some advertising by other parts of the company.

Close Out

Competitor Reaction – Reaction among competitors would be similar to that of the company.

Recommendations/Comments -

- Nonautomation mail should be excluded from the discount – the result being more flexibility for automation mail entry times.
- Interviewee appreciates the Postal Service's looking into FCM discounts.

INTERVIEW SUMMARY #6
FCM Dropship Discount

Background Information

Customer Type – The company provides its own workshared mailings at times and uses a third party at other times (10% of mail). The interviewee answered questions regarding 100% of the organization's workshared First-Class Mail.

Hybrid Mail – The company does not use hybrid mail and has no plans to do so in the immediate future - have not even spoken about.

Percentage breakdown of FCM –

- 5% Nonautomation presort letters, flats, and parcels
- 95% Automation letters and flats
- 0% Cards

Method of Deposit – The Postal Service picks up 100% of the company's workshared FCM mail. The interviewee indicated that none of the company's workshared FCM is deposited at the SCF nearest the business for delivery to the 3-digit ZIPS served by that SCF.

The interviewee indicated that the company's mail always goes to the SCF closest to its business. The company does not dropship mail to other SCFs, and the company operates one print facility.

Reaction to Concept

Overall Reaction – The interviewee expressed excitement regarding the concept. According to the interviewee, the discount will allow for a reduction in costs and better control of the mail. Perceived weaknesses for this company would be the loss of a day or two in mail time because the mail would be transported over road.

While the respondent considers the FCM dropship discount to be a good idea, he believed the referenced discount levels were ridiculously low.

Price Point Level of Interest – Both the 0.3-cent and 1-cent discounts generated LOW interest. "Both price points are totally ludicrous." The interviewee believes the discount should be at least 150% of the Standard (A) discount.

The respondent indicated that to generate any interest, the discount needs to be at least two cents.

Entry Time – Entry times would not be factors for this organization. According to the respondent, the company dropships all of its Standard (A) mail to more than 20 DSCFs. The FCM would go in the same trucks, hence the likelihood that a day or two would be lost. The same process/system would be employed to take advantage of both discounts.

Volume Impact – The breakdown of mail (nonautomation vs. automation vs. cards) would not change as a result of the discount. The amount of FCM dropshipped under the discount would depend on the amount of money saved. Transporting the mail long distances might not make sense. At two cents, the organization might dropship 100%.

The interviewee stated that the discount would not result in an increased use of FCM. According to the interviewee, Standard (A) mail would not move to FCM.

Single-Piece Impact – The time of day when single-piece mail is entered could be altered.

Interview Summary #6
- continued -

Hybrid Mail – The discount would not change the company’s use of hybrid mail.

Mail Production – Production of the mail would not be moved closer to the destination as a result of the discount.

Electronic Bill Presentment/Payment – The discount would have no impact on plans related to electronic bill presentment/payment.

Benefit to Customers – The interviewee did not identify any benefit to customers that would result from the discount. In fact, as mentioned, the discount would add a day or two to delivery time.

Billing Customers – Mailing bills is the company’s primary use of First-Class Mail. The interviewee indicated that getting customers their bills one day sooner would not make a difference to the company in terms of float dollars.

FCM Advertising – The company does not use FCM for advertising; it uses Standard (A). The interviewee predicted there would no migration from Standard (A) to FCM.

Close Out

Competitor Reaction – Interviewee was unsure as to how competitors would react.

Recommendations/Comments -

- Immediately convene task force of mailers to further explore the discount concept.
- Discount should be at least two cents.
- The deposit of FCM at DSCFs would have to be via the same process used for depositing Standard (A).

INTERVIEW SUMMARY #7

FCM Dropship Discount

Background Information

Customer Type – The company, which is a large, regional mailer, provides its own workshared mailings at times and uses a third party at other times.

Hybrid Mail – For its normal volume of mail, the company does not use hybrid mail. A very small amount of hybrid is used by a subsidiary. They are looking at hybrid mail now, but they do not anticipate using it before five years. They do not seem very interested in it and indicated that, as of now, hybrid costs them more than paper mail.

Percentage breakdown of FCM –

- 2% Nonautomation presort letters, flats, and parcels
- 98% Automation letters and flats
- 0% Cards

Method of Deposit – The Postal Service picks up 75% of the company's mail. The company also transports some itself and uses a third party. Everything goes to the SCF nearest their business.

Reaction to Concept

Overall Reaction – The company expressed interest in the concept, but they indicated that many issues would need to be considered. The savings would have to offset the HR and transportation costs associated with dropshipping the mail to several SCFs, as opposed to one. The issue of outsourcing was brought up.

They had completed some rudimentary estimates of savings at various price points, but these estimates did not seem to produce much excitement on their part. Potential advantages identified include speeding up of delivery and having more time to prepare the mail. Weaknesses include the potential for extra work and an increase in errors. The issue of indicia was raised and the problems that could result from having to switch meter heads.

Price Point Level of Interest – As mentioned, the interviewees performed some quick estimates. The 0.3-cent per piece discount garnered LOW interest. The 1-cent discount generated MEDIUM interest. The interviewees again indicated that they would have to perform a more detailed analysis.

Entry Time –

- Nonautomation - 6:00 p.m.
- Automation - 8:00 p.m.

Volume Impact – They could not answer how much volume would switch to dropshipping as a result of this discount without doing more analysis. The breakdown of volume (nonautomation vs. automation vs. cards) would not change. In addition, the discount would not result in increased use of FCM, and as 100% of the company's mail currently is FCM, they would not shift mail from another class.

Single-Piece Impact – The time of day when single-piece mail is entered would not be altered by the discount.

Hybrid Mail – The discount would not change their use of hybrid mail. They do not seem interested in hybrid mail.

Interview Summary #7
- continued -

Mail Production – Production would not be moved.

Electronic Bill Presentment/Payment – The discount would have no impact on plans related to electronic bill presentment/payment.

Benefit to Customers – Getting bills sooner to customers was identified, but more as a benefit to the company.

Billing Customers – Billing customers is the company's primary use of First-Class Mail. Getting bills to customers one day sooner would make a difference (company would get payment quicker). Not sure if the billing cycle could be changed.

FCM Advertising – The company uses bill inserts to advertise. It does not perform mailings that are exclusively for advertising. The discount would not help in the use of FCM for advertising.

Close Out

Competitor Reaction – They could not answer how competitors would react. The competitors would have to address the various cost and logistic issues that this company would face.

Recommendations/Comments -

- Come up with a universal indicia.
- Could drops be made at one location?
- Should be voluntary.
- Issue of if a company switches to the discount and then decides to go back to the old way of doing things, would there be penalty?

INTERVIEW SUMMARY #8
FCM Dropship Discount

Background Information

Customer Type – The company is a presort bureau that presorts and barcodes mail on behalf of others and then provides it to the USPS.

Hybrid Mail – The company does not use hybrid mail.

Percentage breakdown of FCM –

- 5% Nonautomation presort letters, flats, and parcels
- 95% Automation letters and flats
- 0% Cards

Method of Deposit – The Postal Service picks up all of their mail from their location.

Reaction to Concept

Overall Reaction - They are not interested in the concept unless the discount is 1-cent or more.

Price Point Level of Interest – The 0.3-cent per piece discount garnered LOW interest. The 1-cent discount generated MEDIUM interest. At 2 cents, they would begin to change their mailing behavior to take advantage of the discount.

Entry Time –

- Nonautomation – 7:00 p.m.
- Automation – 10:00 p.m.

Volume Impact – They felt that there would be an increase in volume. This would provide more incentive to move to presort. No impact on advertising mail.

Single-Piece Impact – The time of day when single-piece mail is entered would not be altered by the discount.

Hybrid Mail – They are not interested in hybrid mail.

Mail Production – Production would not be moved.

Electronic Bill Presentment/Payment – This may have an impact on slowing diversion to electronic bill presentment/payment. Anything that improves quality of service and reduces costs should have an impact on keeping mailers sending paper-based mail.

Benefit to Customers – Could increase the speed with which customers get bills. Could change from a two-day delivery standard to one, by shipping mail to a destination SCF that will get the mail there the next day.

Billing Customers – Most of this company's volume is bills.

Close Out

Competitor Reaction – Competitors would react the same way that they are.

Recommendations/Comments -

Interview Summary #8
- continued -

- Discount should be deeper
- Concern that the comparable discounts with Standard (A) are much higher than for FCM

INTERVIEW SUMMARY #9
FCM Dropship Discount

Background Information

Customer Type – The company provides its own workshared mailings to the USPS all of the time. The interviewee answered questions for all of the organization’s workshared First-Class Mail.

Hybrid Mail – The company uses hybrid mail extensively.

Percentage breakdown of FCM –

- 0% Nonautomation presort letters, flats, and parcels
- 100% Automation letters and flats
- 0% Cards

Method of Deposit – The company transports all mail to the postal facility nearest its business. It has a network of mail production sites. 20% of mail deposited at the facility nearest their business is for delivery to 3-digit ZIPs served by that SCF. All mail goes to the facility nearest the business.

Reaction to Concept

Overall Reaction – “Not needed.” According to the interviewee, the postal service would be better off stabilizing rates. The discount would deprive the Postal Service of needed revenue. The respondent did not perceive any advantages and thought that the discount concept was two or three years premature. “Companies are not far enough along.” The interviewee indicated that the discount would have no impact on the company’s operation – positive or negative. She does not see any value.

The company plans on expanding its number of print sites in the future. The respondent indicated that regardless of the discount, and regardless of the fact that increased print sites would allow the company to take advantage of the discount, the company does not think it is a good idea.

Price Point Level of Interest – Both the 0.3-cent and 1-cent discounts generated LOW interest. The respondent mentioned that 5 cents might generate some interest.

Entry Time –

- Nonautomation – Company does not produce nonautomated mail.
- Automation – 6:00 p.m. or 7:00 p.m.

Volume Impact – The discount would have no impact on any aspect of the company’s operations. The company would not increase the amount of mail it dropships, and it would not encourage increased use of FCM.

Single-Piece Impact – The time of day when single-piece mail is entered would not be altered by the discount.

Hybrid Mail – The discount would not impact how hybrid mail currently is used.

Mail Production – Production would not be moved as a result of the discount. As mentioned, the organization already is increasing the number of production sites.

Electronic Bill Presentment/Payment – The discount would have no impact on plans related to electronic bill presentment/payment.

Interview Summary #9
- continued-

Benefit to Customers – The interviewee does not see any benefit to customers. The company's current operations already allow mail to be delivered one day sooner.

Billing Customers – Transaction mail is the company's primary use of First-Class Mail.

FCM Advertising – The company does not use FCM to advertise. The interviewee indicated that the discount would not help in the use of FCM for advertising.

Close Out

Competitor Reaction – The interviewee commented that competitors likely would react in similar fashion.

Recommendations/Comments -

- Put the discount concept on the "back burner" for three or four years.

INTERVIEW SUMMARY #10
FCM Dropship Discount

Background Information

Customer Type – The company provides its own workshared mailings at times and uses a third party at other times. The interviewee is responsible for his organization's statement rendering process (billing), so answers pertain only to this area.

Hybrid Mail – The company uses hybrid mail. The interviewee sends files to two locations for printing and has been doing this for about 10 years. The volumes are split between the two locations. They do it for back-up/redundancy purposes.

Percentage breakdown of FCM –

- 0% Nonautomation presort letters, flats, and parcels
- 100% Automation letters and flats
- 0% Cards

Method of Deposit – A third-party provider (pre-sort house) picks up the company's mail. The interviewee did not know at which SCF the mail was deposited.

Reaction to Concept

Overall Reaction – The company would not take advantage of the dropship discount. According to the interviewee, while the concept might be good for other types of companies, such as a utility (regional), the concept is not good for a national company with daily, national distribution. The company does not segment customers geographically. The interviewee indicated that due to time sensitivity created by regulations, the company could not bag and hold onto the mail until he got enough volume to realize the discount. More sorts would be required to realize any benefit.

The interviewee indicated the concept might offer advantages for advertising and other non time-sensitive mailings. Pre-sort houses also might realize some benefit.

Price Point Level of Interest – The interviewee has LOW interest in the concept at both discount levels. According to the interviewee, the company cannot recoup the investment at the 0.3- or 1-cent thresholds.

Because the respondent professed LOW interest in the concept, additional questions were skipped, including questions pertaining to entry time, impact on volume, hybrid mail, mail production, electronic bill presentment, and advertising.

Close Out

Competitor Reaction – The interviewee indicated that competitor reaction would depend on how competitors produce their mail. Companies that segment their mailings regionally would like the concept.

Recommendations/Comments -

- Great concept – just not for his company
- Would need discount of five or six cents for it to be considered
- The concept might be more attractive to them in the future, as technologies and printing processes advance

INTERVIEW SUMMARY #11
FCM Dropship Discount

Background Information

Customer Type – The company provides its own workshared mailings all of the time. The interviewee answered questions regarding 100% of the organization’s workshared First-Class Mail.

Hybrid Mail – The organization operates two print facilities, and all information is forwarded to the sites via electronic means. The respondent, however, does not consider this to be hybrid mail, since most similar organizations are set up this way.

Percentage breakdown of FCM –

- 5% Nonautomation presort letters, flats, and parcels
- 95% Automation letters and flats
- 0% Cards

Method of Deposit – The Postal Service picks up 100% of the company’s workshared FCM mail. The interviewee indicated that 10% of the company’s workshared FCM is deposited at the SCF nearest the business for delivery to the 3-digit ZIPS served by that SCF. The interviewee indicated that the company’s mail always goes to the SCF closest to its print facility. The company does not dropship mail to other SCFs, and the company operates one print facility.

Reaction to Concept

Overall Reaction – Although interested, the interviewee questioned why the Postal Service was not considering a palletization discount or cage-based discount. According to the interviewee, this type of discount would expedite processing. The organization is not set up to transport the mail itself. “We’re not in the transportation business.” The respondent pointed out that consolidation of print sites has occurred in the industry, making DSCF dropshipping more problematic. They’ve gone from several print sites to 2. “This idea is 10 years too late.”

They would not save a day because they aren’t equipped to transport their own mail, and they wouldn’t use a third party to produce their mail.

Price Point Level of Interest – The 0.3-cent discount garnered LOW interest; the 1-cent discount generated HIGH interest. According to the interviewee, the discount needs to be at least 1 cent.

Entry Time – Since so little of the organization’s mail is nonautomation, the interviewee felt that this wasn’t an issue. For automation mail, 11:00 p.m. would be manageable for the company.

Volume Impact – According to the respondent, the organization probably would not dropship more than the 10% that goes to ZIPs already served by the SCFs. The company is not equipped to transport the mail themselves, and they would not consider using a third party to produce their mail. The interviewee stated that the discount would not result in an increased use of FCM. All of the organization’s mail is FCM.

Single-Piece Impact – The time of day when single-piece mail is entered would not be altered.

Hybrid Mail – The discount would not change the company’s use of hybrid mail.

Mail Production – The discount would be a factor to consider when deciding where to locate a future print site.

Electronic Bill Presentment/Payment – No answer.

Interview Summary #11
- continued -

Benefit to Customers – The respondent did not identify any benefits for customers.

Billing Customers – Mailing bills is the company's primary use of First-Class Mail. The interviewee indicated that they would not be able to get customers their bills one day sooner, and even if they could, she's not convinced it would have any impact on float.

FCM Advertising – The company does not use FCM for advertising.

Close Out

Competitor Reaction – The interviewee believes the discount would impact were competitors locate print facilities.

Recommendations/Comments -

- Discount should be at least one cent.
- Prefer to see cage-based discount – more opportunity for industry to help the Postal Service expedite mail.
- Questioned how much volume would be required to take advantage of the discount.

INTERVIEW SUMMARY #12
FCM Dropship Discount

Background Information

Customer Type – The company is a presort bureau that presorts and barcodes mail on behalf of others and then provides it to the USPS.

Hybrid Mail – The company does not use hybrid mail. They are not interested in it in the future as they have not seen that anyone has had any success in it on a national scale.

Percentage breakdown of FCM –

- 3% Nonautomation presort letters, flats, and parcels
- 97% Automation letters and flats
- 0% Cards

Method of Deposit – The company transports mail to the Postal Service through a mix of courtesy pick ups from the Postal Service and through their own transportation. 20-40 percent is currently being entered into the destinating SCF.

Reaction to Concept

Overall Reaction - They are very interested in the concept.

Price Point Level of Interest – The 0.3-cent per piece discount garnered LOW interest. The 1-cent discount generated HIGH interest. Further analysis would have to be done to give more specific answers.

Entry Time –

- Nonautomation – They felt that there should be no discount for this mail.
- Automation – 5:00 p.m.

Volume Impact – They felt that there would be an increase in volume, but were uncertain how much, as customers have final say.

Single-Piece Impact – The time of day when single-piece mail is entered would not be altered by the discount.

Hybrid Mail – They are uncertain how this discount would impact their hybrid mail.

Mail Production – Production would not be moved.

Electronic Bill Presentment/Payment – Uncertain, again it would depend upon the mailers.

Benefit to Customers – Could increase the speed with which customers get bills. Turn around time with bills is critical and even 1 to 2 hours off turn around time is significant. Float issues and cash flow were both cited as benefits.

Billing Customers – Most of this company's volume is bills.

Interview Summary #12
- continued -

Close Out

Competitor Reaction – Competitors would react the same way that they are.

Recommendations/Comments -

- Universal indicia.
- Make mailers who are quality-certified eligible for the discount.

INTERVIEW SUMMARY #13
FCM Dropship Discount

Background Information

Customer Type – Billing service or proxy service company preparing mail on behalf of others and then providing it to USPS. The interviewee answered questions regarding all of the organization’s workshared FCM. 100% of the organization’s mail is FCM.

Hybrid Mail – The company started using hybrid mail within the last year and uses it in conjunction with its two print facilities. The company plans on significantly increasing the number of print facilities in the future, and as such, expects to increase its use of hybrid mail.

Percentage breakdown of FCM –

- 1% Nonautomation presort letters, flats, and parcels
- 94% Automation letters and flats
- 5% Cards

Method of Deposit – The Postal Service picks up approximately 10% of the company’s mail; the company transports the remaining 90%. Approximately 10% of the organization’s mail is deposited at the SCF nearest the business for delivery to the three-digit ZIPs served by that SCF. Mail is not deposited at SCFs other than the one nearest the print facility.

Reaction to Concept

Overall Reaction – Respondent is “tremendously in favor” of the discount and thinks it would provide a great service to the organization’s customers. Mail costs would be reduced and getting customers their bills one day sooner would benefit the respondent’s customers from a float standpoint. In addition, an enhanced ability to track the mail would allow better information to be provided to customers. No perceived disadvantages or barriers were identified.

Price Point Level of Interest – The 0.3-cent discount generated LOW interest. The 1-cent discount generated HIGH interest. The respondent commented - the greater discount, the greater the interest.

Entry Time –

- Nonautomation – 7:00 p.m., manageable once system is set up to accommodate
- Automation – Manageable

Volume Impact – The interviewee commented that if print sites are in place and if the discount comes into being, the organization’s goal would be to handle 100% of the company’s FCM in accordance with the discount. The breakdown (automation vs. nonautomation vs. cards) would not change as a result of the discount.

The interviewee believed the discount could result in an increased use of FCM. For example, the reduced delivery time (and accompanying increase in cash flow) could make it worthwhile for billers to send second notices sooner, thereby increasing mail volume.

Single-Piece Impact – Single-piece mail could potentially be entered earlier.

Hybrid Mail – The discount would accelerate the organization’s use of hybrid mail, which, according to the interviewee, would allow the organization to bring on additional customers. The discount would encourage the development of additional print facilities.

Interview Summary #13

- continued -

Mail Production – Production of the mail would be moved closer to the destination as a result of the discount. Additional print sites would be developed.

Electronic Bill Presentment/Payment – According to the respondent, the discount would delay the migration towards EBPP. The discount would compete with EBPP.

Benefit to Customers – Getting end-customers their bills sooner improves cash flow. In addition, tracking capabilities are enhanced, so more information could be provided to customers.

Billing Customers – Billing, renewals, compliance, listings, and notifications are the company's primary use of FCM. As mentioned, getting customers their bills one day sooner would make a difference in that float dollars would be gained. The respondent also commented that the discount could impact compliance mailings.

The respondent commented that the discount could shorten the billing cycle because customers would get their bills sooner.

FCM Advertising – Bill inserts are sometimes used. The respondent indicated that the discount would help advertisers because they would have more precise knowledge as to when mail would be delivered and because delivery time would be reduced. Advertisers could be confident that mail promoting a date-specific event would be received at the desired time.

Close Out

Competitor Reaction – According to the interviewee, competitors will have to adapt because it's a good model.

Recommendations/Comments -

- “Great idea; if the discount is high enough, the impact could be very significant”.
- As the level of discount increases, so does the likelihood of participation.
- As the discount frees up space in USPS trucks, more profitable e-commerce products and packages could fill the void.
- USPS should consider an additional discount for mailers who electronically notify USPS of incoming volumes.
- Respondent has received very positive feedback regarding the concept.
- Concept should be embraced because the requisite technologies exist to support its advancement.

INTERVIEW SUMMARY #14
FCM Dropship Discount

Background Information

Customer Type – The company provides its own workshared mailings at times, and uses a third party at other times. The interviewee answered questions regarding 20% of the organization’s workshared First-Class Mail. This 20% is used for marketing and communications (letters, checks, and bill credits). The organization uses a fulfillment house for all of its marketing and communications-related FCM.

Hybrid Mail – The organization does not use hybrid mail for its marketing and communications FCM.

Percentage breakdown of FCM –

- 10% Nonautomation presort letters, flats, and parcels
- 85% Automation letters and flats
- 5% Cards

Method of Deposit – A third party is used. Only a very small percentage of marketing and communications workshared FCM is deposited at the SCF nearest the business for delivery to the 3-digit ZIPs served by that SCF. None is deposited at other SCFs.

Reaction to Concept

Overall Reaction – The respondent commented that if the company can “save money without the discount becoming too complicated, then great”. Perceived advantages include saving money, ability to time delivery of mail better, enhanced tracking, and more control over the mail. Taking advantage of the discount would not require the organization to do anything, since it uses a fulfillment house.

Price Point Level of Interest – The 0.3-cent discount garnered LOW interest; the 1-cent discount generated HIGH interest.

Entry Time – Not relevant for the organization’s marketing and communications FCM.

Volume Impact – The respondent indicated that because the fulfillment house handles all of the organization’s FCM, it could not comment regarding how much would be dropshipped. The interviewee stated that the discount likely would result in an increased use of FCM – not sure how much.

Single-Piece Impact –

Hybrid Mail – The discount would not change the company’s use of hybrid mail.

Mail Production – As the organization uses a fulfillment house, this issue is not relevant.

Electronic Bill Presentment/Payment – Not applicable since respondent was only responsible for marketing and communications mail.

Benefit to Customers – The respondent did not identify any benefits for customers.

Billing Customers – Mailing bills is the company’s primary use of First-Class Mail. The interviewee indicated that getting customers their bills sooner would result in improved cash flow.

FCM Advertising – The respondent indicated that the discount would help advertising efforts and provide a cost savings.

Interview Summary #14
- continued -

Close Out

Competitor Reaction – No answer.

Recommendations/Comments - No comments.

INTERVIEW SUMMARY #15
FCM Dropship Discount

Background Information

Customer Type – The company is a presort bureau that presorts and barcodes mail on behalf of others and then provides it to the USPS.

Hybrid Mail – The company does not use hybrid mail. They are looking into the possibility of using it in the future.

Percentage breakdown of FCM –

- 33% Nonautomation presort letters, flats, and parcels
- 66.5% Automation letters and flats
- 0.5% Cards

Method of Deposit – The company transports 100% of their mail to the Postal Service. 1% of the mail is entered into SCFs that are not the closest. This results from the permit system and having to enter mail into the facility where the postage was purchased. 8% of the mail currently goes to the local SCF.

Reaction to Concept

Overall Reaction – The company indicated interest, as they will receive some savings without changing any operations. They are uncertain if they will change their behavior as a result of the discount program. They are a regional player and feel that it is an advantage for them vs. national mailers.

Price Point Level of Interest – The 0.3-cent per piece discount garnered HIGH interest. The 1-cent discount generated HIGH interest. They had high interest on both because they would realize savings for not changing their behavior under each. The discount would have to be at least 0.5 to 1 cent for them to consider changing their mailing behavior.

Entry Time –

- Nonautomation - 9:00 p.m.
- Automation - 9:00 p.m.

Volume Impact – They were unsure what volume would switch to dropshipping as a result of the discount.

Single-Piece Impact – The time of day when single-piece mail is entered would not be altered by the discount.

Hybrid Mail – The discount would not change their use of hybrid mail. They did, however, seem somewhat interested in hybrid mail for the future. They also thought that they may be able to receive others' hybrid mail for their processing and delivery.

Mail Production – Production would not be moved.

Electronic Bill Presentment/Payment – The discount would have no impact on mailer (customer) plans related to electronic bill presentment/payment.

Benefit to Customers – Uncertain.

Billing Customers – Most of this company's volume is bills.

Interview Summary #15
- continued -

FCM Advertising – Less than one percent of their volume is FCM advertising. Would see no change in that as a result of the discount.

Close Out

Competitor Reaction – Competitors would react the same way that they are.

Recommendations/Comments -

- Focus the discount on automation mail to provide further incentive for companies to automate.

INTERVIEW SUMMARY #16
FCM Dropship Discount

Background Information

Customer Type – The company is a presort bureau that presorts and barcodes mail on behalf of others and then provides it to the USPS.

Hybrid Mail – The company does not use hybrid mail.

Percentage breakdown of FCM –

- 20% Nonautomation presort letters, flats, and parcels
- 80% Automation letters and flats
- 0% Cards

Method of Deposit – The company transports mail to the Postal Service through two methods, depending on the location. They have the Postal Service pick up some mail, and they truck their own mail also. 25% of their mail is currently being deposited to the local destinating SCF.

Reaction to Concept

Overall Reaction – They reacted to the concept very favorably, as they would be receiving discounts without having to change their operations.

Price Point Level of Interest – The 0.3-cent per piece discount garnered LOW interest. The 1-cent discount generated MEDIUM interest.

Entry Time –

- Nonautomation - 9:00 p.m.
- Automation - 11:00 p.m. They felt that the Postal Service wouldn't touch this mail before 1:00 a.m.

Volume Impact – They felt that no mail would switch to dropshipping as a result of this discount. No additional volume would be created. There may be a small impact on moving Standard (A) to FCM.

Single-Piece Impact – The time of day when single-piece mail is entered would not be altered by the discount.

Hybrid Mail – They are uncertain how this discount would impact their hybrid mail.

Mail Production – Production would not be moved.

Electronic Bill Presentment/Payment – Uncertain.

Benefit to Customers – Uncertain.

Billing Customers – Most of this company's volume is bills.

Close Out

Competitor Reaction – Competitors would react the same way that they are.

Interview Summary #16
- continued -

Recommendations/Comments -

- They felt that as the result of this, there would be alliances among presort houses to help each other get enough volume to qualify for the discount. He imagined that networks would spring up around the country to serve these needs.

INTERVIEW SUMMARY #17
FCM Dropship Discount

Background Information

Customer Type – The respondent categorized the organization as a billing service or proxy service company. The organization currently has seven print sites, but primarily uses two.

Hybrid Mail – The company uses hybrid mail heavily. The organization receives information from clients and determines how to split it geographically, distribute it to those sites, print it, and ship it, or the organization prints it at their main site and process the mail there.

Percentage breakdown of FCM –

- 2% Nonautomation presort letters, flats, and parcels
- 98% Automation letters and flats
- 0% Cards

Method of Deposit – 30% is picked up by the Postal Service, 30% is transported by the company to USPS, and 40% is transported by a third party. All of the mail is deposited at the one local SCF, but only 10% is destined for 3-digit zips served by that SCF. This is due to the presort rate structure for FCM.

Reaction to Concept

Overall Reaction – The company indicated they felt it was a “great idea”. Perceived advantages are that USPS touches the mail less, which results in increased service performance and quality and lower cost. The respondent commented that USPS’ strength is in delivery and that it works best with fully prepared mail. Weaknesses cited were that the discount could effect the overall balance of the USPS transportation infrastructure. USPS trucks may run less than full, which may result in the cancellation of runs or increased transportation costs. The discount also might result in fewer service options. The interviewee does not see any barriers to the company participating in the program but does anticipate that other mailers may have issues switching over, such as billers that have centralized processing.

Price Point Level of Interest – The 0.3-cent per piece discount garnered LOW interest. The 1-cent discount generated MEDIUM interest. A 1 cent discount does make a significant difference in light of their overall volume. The interviewee stated that the discount really needs to be more and made the comparison to Standard (A) discounts of 1.5 cents at the BMC level.

Entry Time –

- Nonautomation - 5:00 p.m.
- Automation - 9:00 p.m.

Volume Impact – The respondent restated that currently 100% of workshared FCM volume is dropshipped to local SCF. Interviewee believes that a volume increase of about 40% would occur if the discount was put in place. Distribution of type of mail would stay the same. The organization would see no increase in FCM volume and would not move any other classes of mail to FCM. The discount for Standard (A) is much more attractive.

Single-Piece Impact – The time of day when single-piece mail is entered would not be altered by the discount. They currently turn it over to the local P.O., so that would not change. The organization would not increase efforts to barcode nonautomated mail since they attempt to barcode anything they can.

Interview Summary #17
- continued -

Hybrid Mail – The respondent indicated that the discount would greatly increase the organization's use of hybrid mail - possible increase could be as much to 30-40%.

Mail Production – Production would be moved closer to SCFs.

Electronic Bill Presentment/Payment – Interviewee feels that this program could possibly delay the movement of some mailers to EBPP but in the long run, would not stop the trend towards EBPP. The mailers that it would slow down the most would be the smaller billers that are extremely sensitive to cost and can not afford EBPP. But, in the future as the technology becomes less expensive, they would be more likely to switch.

Benefit to Customers – The interviewee cited improved service and quality performance and lower cost.

Billing Customers – Billing customers is the organization's primary use of FCM. Getting the bills to customers would be an incentive because 10-20% of customers pay bills the day they receive them. Also, the float issue for the banks is important as well as customer service issues. When customers do not receive their bills on the day they are supposed to, they call the company - this may cut down on delayed bills. This program would not effect the billing cycle. The organization does billing on behalf of other companies that would make that decision.

FCM Advertising – The company currently uses less than 3% of FCM for advertising. Advertising mail that is FCM is mostly mailings for the sole purpose of advertising. This product would not increase their use of FCM for advertising since they do limited advertising and the discounts for Standard (A) are more enticing anyway.

Close Out

Competitor Reaction – Interviewee believes that the institution of this discount would spur the growth of more hybrid mail companies and thus create more competition among similar companies.

Recommendations/Comments -

- Offer a larger discount.
- Add a BMC-level equivalent, like the incentives for Standard (A) at the BMC level.
- Set up a Standard (A) distribution hub to send to the SCFs, like a BMC for FCM.

INTERVIEW SUMMARY #18
FCM Dropship Discount

Background Information

Customer Type – The company provides its own workshared mailing at times, and uses a third party at other times. Interviewee was responding for only part of the organization. The company originally had more than 10 sites but consolidated their operations to two. The company has two facilities that process their mail and interviewee is in charge of and speaking on behalf of one of the facilities.

Hybrid Mail – The organization does not use hybrid mail. Interviewee felt this area did not apply to them at their location.

Percentage breakdown of FCM –

- 10% Nonautomation presort letters, flats, and parcels
- 90% Automation letters and flats
- 0% Cards

Method of Deposit – Postal Service picks up all of the bulk entered mail except for residuals or rejects that can not be processed. The rejects and residuals are sent to a third party vendor. The USPS picks up at their facility at 10 a.m. and 6 p.m., daily. The company transports single-piece full rate FCM to USPS. Depending on what trays, if they are not including mixed AADC mail, less than 1% is going to the delivery area served by the DSCF; if mixed AADC is included, about 2%. The organization does not deposit FCM at any other SCFs, but rejects and residuals, which total about 8%, go to a third party.

Reaction to Concept

Overall Reaction - Respondent indicated concept was a good idea. Biggest perceived advantage identified was improved speed of delivery. Weaknesses are possible problems with scheduling and meeting critical entry times. Interviewee does see some barriers to implementing the product including internal processing and meeting critical entry times.

Price Point Level of Interest – The 0.3-cent per piece discount garnered MEDIUM interest. The 1-cent discount generated HIGH interest.

Entry Time – Overall, the company does not see meeting critical entry times as a problem since most of the organization's automation mail is picked up at 10 a.m. For nonautomation mail, the mail is getting there at 7 p.m. now, so that is not a problem.

Volume Impact – Could not estimate potential impact on volume if product was instituted. Interviewee could not predict how the make-up of mail volume would change. Overall, the respondent would not expect an increase in FCM, and since they solely process FCM, they would not move any other classes of mail to FCM.

Single-Piece Impact – The time of day when single-piece mail is entered would not be altered by the discount.

Hybrid Mail – Respondent indicated that the discount would not increase the use of hybrid mail; the organization is not using it now and does not plan to do so in the near future.

Mail Production – Mail production would not be moved closer to DSCFs. They just consolidated their printing sites from more than 10 to 2.

Interview Summary #18

- continued -

Electronic Bill Presentment/Payment – Interviewee is not looking at using EBPP, and thus the product would have no effect on the organization's plans to use EBPP.

Benefit to Customers – Same as what interviewee sees as being strengths of the program - improved service and speed of delivery.

Billing Customers – Billing customers is a primary use of FCM in the organization. The company primarily does billing and check disbursement. Getting bills to their customers would be an incentive because the float issue for the banks. This product could impact the company's customers billing cycles, but it would be determined by the results of the product.

FCM Advertising – The company does not use FCM for advertising.

Close Out

Competitor Reaction – No comment.

Recommendations/Comments -

- Would offer no suggestions for changes in concept - stated that they would voice any concerns/comments through one of their affiliated organizations.
- No further comments.

INTERVIEW SUMMARY #19
FCM Dropship Discount

Background Information

Customer Type – The respondent categorized the organization as a consolidator, but it only consolidates its own mail. Respondent indicated that the organization is not a presort bureau. The organization is a logistics company that manages the dropshipment of mail - it does not perform any sortation. The company primarily handles Standard (A) mail and periodicals, including business delivery of mail for the company's customers and third party customers. For example, retail catalogs: a retailer pays the postage and the company picks it up and delivers it to USPS. Interviewee was responding for mail that was mailed out of their facilities.

Hybrid Mail – They do not use hybrid mail and felt this area did not apply.

Percentage breakdown of FCM – They could not provide a breakdown by percentages of what type of FCM they had but stated that it was primarily automation letters with a high level of presort.

Method of Deposit – The organization transports 100% of its mail to the USPS - local entry. The mail does not go to any other SCFs other than the local ones at which mail currently is deposited. They currently go to 255 SCFs and the 21 BMCs.

Reaction to Concept

Overall Reaction - Respondent thinks it is an "excellent idea" and stated the organization would implement it now. The organization's customers are very excited about the idea, and the organization would benefit from its customers using the product more. Respondent also stated that the current value of FCM would be greater with improved delivery performance. Interviewee felt that some Standard (A) would move up to FCM and lower costs. Biggest perceived weakness identified by interviewee was the level of the discount. The interviewee indicated that the SCF discount for Standard (A) is 2.1 cents, but the interviewee assumes the downstream costs for FCM are larger. Thus the discount should be higher. The respondent also noted the lack of a DDU discount.

Price Point Level of Interest – The 0.3-cent per piece discount garnered LOW interest. The 1-cent discount generated LOW to MEDIUM interest. The interviewee noted that while at 1 cent a company might break even, it would not generate any cost savings.

Entry Time – Overall, the company felt it needed entry times that would allow it to drop off all their types of mail at the same time. The process needs to be able to be integrated into their current dropmail process for parcels, Standard (A), periodicals, etc. The respondent stated that it could meet an automated entry time of 5 p.m., but felt that it should not be required.

Volume Impact – Interviewee stated that currently the organization does not truly dropship FCM, so if the product was instituted and its customers wanted them to move their FCM, the company would dropship the majority of FCM mail. Today, the company manages the transportation of Standard (A) for its customers. Interviewee could envision some customers moving from Standard (A) to FCM. The respondent's organization could then manage the dropshipment of that FCM volume. The interviewee could not comment on how the distribution of mail would change, but estimated that it would still be primarily automation letters and flats. The company could not estimate what potential volume increase there would be and how much would switch from other classes but said that about 10% of current Standard (A) would be eligible to move to FCM. If there were an increase in FCM, the organization would not change where it deposits the mail since currently going to the 255 SCFs covers 91% of the organization's volume.

Interview Summary #19
- continued -

Single-Piece Impact – The interviewee did not comment on whether or not product would change when and how they drop their single-piece mail. The respondent felt that the question related to increasing efforts to transform mail that is currently mailed at single-piece rate to bulk entered and did not apply to them.

Hybrid Mail – Organization does not use hybrid mail.

Mail Production – This question does not apply to this company since it does not produce mail itself, per se. The organization is more like a transport company.

Electronic Bill Presentment/Payment – Respondent felt this question did not apply.

Benefit to Customers – Same as what they see as strengths of the program - improved service and lower costs. Also noted that they have a tracking system and with entering the mail closer to the recipient with a better promise of one-day delivery, they would be able to track mail better and have a better sense of where the problems were in the chain.

Billing Customers – This question does not apply.

FCM Advertising – Some of the company's customers use FCM for advertising because they want better service.

Close Out

Competitor Reaction – The respondent felt that all of the organization's competitors would be excited but probably not to the degree the respondent's organization is, since it is one of the larger shippers in the category.

Recommendations/Comments -

- Institute zone pricing like that for periodicals versus SCF pricing that would be more reflective of transportation costs.
- Greater discount.
- Can not stress enough how interested they are in concept and are willing to offer any help to USPS that it might need.

INTERVIEW SUMMARY #20
FCM Dropship Discount

Background Information

Customer Type – The company is a billing/proxy service company and secondarily a presort/consolidator. The respondent views presorting as another service offered under the organization's list of services. The company does provide presorting for a few customers who are not their typical billing customers.

Hybrid Mail – The organization uses hybrid mail. One part of the organization uses more than the other. They have mail that is data processed in one place and printed in another place. Currently, they have 10 sites across the country that they print to. One part of the organization used to work on a hub and spoke method where they would distribute the information either to their own sites or a third party to print. They are attempting to bring some of the third party work back in-house.

Percentage breakdown of FCM –

- .5% Nonautomation presort letters, flats, and parcels
- 99.5% Automation letters and flats
- 0% Cards

Method of Deposit – Postal Service picks up 98% of the company's workshared FCM, and the organization does not transport any mail to the USPS. The only other transportation may be to a presort house, which would be about 2%. A small percentage of their FCM mail is destined for ZIPs served by the local SCF, maybe less than 5%. The bulk of their mail, 85%, goes directly to AMFs, bypassing the local SCF. No mail is being deposited at SCFs other than the local one, if mail goes there at all.

Reaction to Concept

Overall Reaction – The respondent reacted positively to the concept. Perceived advantages identified include cost savings and improved speed of delivery. Weakness is that the discount is not enough in and of itself to change current business practices. If the discount were large enough, it would be considered as part of the business decision as to where to place new sites and transportation routes. The interviewee does see some barriers to implementing the product, including how to build the new process into the factory and how to identify necessary sortation. The respondent would like to see the discount include a smaller number of applicable SCFs and a larger discount.

Price Point Level of Interest – The 0.3-cent per piece discount generated LOW interest. The 1-cent discount generated MEDIUM interest. The interviewee stated that the discount really needs to be more and suggested a 5-cent discount. The interviewee did say that any discount that was instituted would make them look at it - the higher the discount, the higher the interest level.

Entry Time – The company produces mail 24 hours a day so critical entry times do not really matter to them. Some of their products are automated and may require a later critical entry time, but overall, entry times would not be an issue. The organization tries to balance the workload.

Volume Impact – Restated that currently 98% of workshared FCM volume is dropshipped to local SCF. Interviewee believes that any increase in volume would be directly proportional to amount of discount. Percentage of mail distribution would stay the same. Interviewee would not determine whether or not to switch mail from one class to another but said that their customers may switch some volume from Standard (A) to FCM. It would be proportional to discount and additional services that FCM would provide.

Single-Piece Impact – The time of day when single-piece mail is entered would not be altered by the discount. Single-piece is currently turned over at the same time that bulk mail is. Also, it would not

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- continued -

increase efforts to transform single-piece into bulk-entered mail. However, it may minimally effect efforts to barcode nonautomation mail, more so in the long run.

Hybrid Mail – The discount would result in an increased use of hybrid mail, and the increase probably would be directly proportional to the discount.

Mail Production – Mail production would probably move closer to DSCFs based on the level of discount.

Electronic Bill Presentment/Payment – Interviewee feels that this program could possibly delay the movement of some mailers to EBPP but feels that their customers still prefer hardcopy. The increased service performance that may result from this program would help keep mailers using FCM.

Benefit to Customers – Same as what they see as strengths of the program - improved service and speed of delivery.

Billing Customers – The company primarily does billing or account statements for financial services companies, month-to-month repetition. Getting the bills to customers a day sooner would be an incentive because the float issue for the banks is important, as are customer service issues. This product may impact the company's customers' billing cycles because greater files would mean greater discounts, but their processing capabilities would need to be able to handle peaks in remittances.

FCM Advertising – The company sends a certain amount of advertising mail along with its statements and billings that go as FCM. Interviewee believes the discount would increase customers' use of FCM for advertising.

Close Out

Competitor Reaction – Overall, the respondent feels that the competition would have the same reaction to the concept. The interviewee believes that the companies that have more sophisticated processes may have a harder time changing their processes to adapt to the concept but on the other hand, these same companies may be the ones who could determine the best sortation levels.

Recommendations/Comments -

- Offer a larger discount at less sites.
- Wanted to thank the USPS for allowing them to provide their input.