

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

**Notice of Price Adjustment**

**Docket No. R2009-2**

**DECLARATION OF MARK MANDELL**

1. My name is Mark Mandell. I am Chief Information Officer and Director of Strategic Planning at Data Mail, Inc., with offices at 240 Hartford Avenue, Newington, CT, and principal of CompuData, LLC, (trade name: intelisent) also with offices at 240 Hartford Avenue, Newington, CT.

2. I am submitting this declaration in support of the comments of the Platinum Coalition, and in opposition to the Postal Service's proposal to increase the annual price of Confirm Platinum subscription for "mail agents" from \$23,500 to \$250,000, an increase of 964 percent.

3. The statements herein are made to the best of my knowledge, information and belief.

**I. DESCRIPTION OF DATA-MAIL AND INTELISENT**

4. Data-Mail is a recognized leader in the direct mail industry. Founded in 1971 by Andrew and Joyce Mandell, Data-Mail has grown to be one of the nation's largest direct mail processing and computer service companies. Today we employ a

workforce of 950 people in a three-shift production environment. Our facilities produce 4,000,000 to 6,000,000 pieces of finished mail per day.

5. Our mailing mix is predominantly letters. We are an optional procedure mailer that dropships 98% of our mail to Bulk Mail Centers (“BMCs”) and Sectional Facility Centers (“SCFs”). We truck the mail ourselves and via third party consolidators. Since 2002 we have provided Confirm mail tracking services. More recently, in April, 2008, we began offering OneCode Confirm and OneCode Address Correction Services (ACS) services for our customers, and for other letter shops and mail owners, via WebTrack, our internally developed PLANET code tracking service offering. In 2008, we PLANET coded and tracked approximately eight hundred million pieces of mail.

6. To develop our PLANET code and ACS tracking service offerings, Data Mail has helped to form intelisent, a division of CompuData, LLC. Together, Data Mail and intelisent are making significant investments in the technical infrastructure, product features and functionality, and technical, sales, marketing and customer support personnel. The investments were made on the assumption of reasonable and predictable price increases by the USPS for its Confirm services.

## **II. EFFECT OF THE PROPOSED CONFIRM PRICE CHANGES ON DATA-MAIL’S CUSTOMERS**

7. For the past six years, Data-Mail has provided Confirm services to its customers both for a specific line item fee, and as part of a package pricing. Because Data-Mail owns the Confirm subscription, our customers incur no significant start up costs or delays in using our Confirm tracking services. This flexibility enables our customers to use Confirm to track their mail on short notice and in any production

manner they chose—i.e., ad hoc special campaigns, seasonal testing and tracking, and in tests of our customers’ response and level-loading models. Our customers are pleased with the current pay-as-you-go model, and are not interested in interfacing with the Confirm program directly or having us purchase subscriptions on their behalf.

8. In fact, no customer of our Confirm tracking system has owned its own Confirm subscription. We have never been requested to help a customer buy a Confirm subscription from the USPS. Given our customers’ consistent lack of interest in dealing with Confirm directly, we do not believe that any of our current customers would purchase Confirm subscriptions directly from the Postal Service if we stopped offering Confirm.

9. We expect the price increase in Confirm pricing to have an impact on Data-Mail’s pricing of confirm services to its customers. We have been providing Confirm services for enough years to have a good understanding of the price sensitivity of our customers to Confirm-related services. Our customers are already extremely sensitive to price changes for Confirm. For most mail owners, Confirm is a non-essential service, with an uncertain and difficult-to-quantify return on investment (“ROI”). We have already seen that when our customers are under pressure to reduce their budgets, Confirm is among the first service to be cut.

10. Based on Data Mail's existing business Data-Mail would not purchase a \$250,000 license. The likelihood of earning an acceptable return on such an expensive asset would be far too uncertain, especially if it could only be supported on Data-Mail’s customers alone. In fact, even the existing cost of a Platinum subscription, and the investment required to continue to add features and functionality to our existing Confirm

tracking platform, is already making it harder for a lettershop like Data-Mail to support offering Confirm services solely for its own customers.

11. It should be noted, that mail owners benefit from Confirm directly and indirectly. Backend reporting and analysis can help with level-loading and monitoring mailer and mail delivery performance. In addition, many letter shops use Confirm data to have near-real time visibility to better understand and track mail movement, get ahead of issues and resolve delivery issues by interacting with logistics companies and the USPS in ways that are not possible without Confirm data. In many instances, we can take action to avert or deal with problems as they arise.

12. That is why we are concerned that the USPS is proposing not only to increase the price of a Platinum subscription by 964 percent, but also to diminish value of the Confirm service by eliminating pre-shipment notifications (a.k.a. Electronic Mailing Data or “EMD”).

13. EMDs are used by many mailers to add value by identifying whether or not a shipment has arrived at a BMC or SCF. Without an EMD scan, mailers cannot differentiate between three very different scenarios: (a) the mail has arrived on time and is being worked, (b) the mail has not yet arrived (i.e., the trucking company is late) or (c) the mail has arrived but has not started to be processed (i.e., the BMC or SCF needs to start working the mail). It is this kind of visibility that allows mail service providers to extend their services beyond their mail docks, into the logistics and USPS processing network on behalf of their customers.

14. It is in no one's interest to send mail service providers back to the dark ages. Yet, this will be the practical impact of the pricing changes being contemplated on Data-Mail and our customers.

### **III. EFFECT OF PLATINUM PRICE INCREASE ON BUSINESS PLANNING**

15. Data Mail and intelisent have invested heavily in product development and the technical and personnel infrastructure required to support our business model. These investments have occurred in a time of severe economic turmoil in our industry. In fact, we have created new mail-related jobs during a period of diminishing mail volumes. Our business plans assumed reasonable Confirm pricing increases. Our business model is built on the value-added services—data processing, storage and access—that we provide to our customers to make Confirm data usable. The Confirm scans we receive from the Postal Service need to be processed in multiple times, alone and in combination with other data, stored, rendered and made available in numerous formats.

16. A \$250,000 license for unlimited scans would have a chilling effect on our business plans. An increase of this magnitude would call into question our ability to rely on the USPS as a partner, and to build business plans that depend on the USPS. Investors fear the unpredictability in input pricing that the USPS has now introduced to this nascent market.

17. This proposed price increase would also change our operating plans even if the investment went forward. We could not have anticipated such a dramatic (964%) price increase when we were developing and executing our business plans, including contracting with suppliers, purchasing equipment, hiring employees, developing the

platform and the like. The increase, if actually implemented, would significantly diminish expected cash flow and force us to cut back on all expenses.

18. The proposed increase would also have an impact on our existing and potential customers. An increase of this magnitude in our cost of goods sold would leave us with only two options: (a) Raise our prices, which would drive marginal customers away, or (b) Leave prices unchanged, which would drive down our margins, put pressure on profits and growth, and make reinvestment in the business difficult if not impossible. In any event, the proposed price increase will predictably lead to a rapid contraction of both customers and services providers in this nascent industry.

19. In sum, we encourage the Commission to consider our comments, and limit the price of a Confirm Platinum level subscription to \$25,000 for mail owners and mail agents alike.

## **VERIFICATION**

I declare under penalty of perjury that the foregoing is true and correct.

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Executed on March 2, 2009.