

Statement of Wendy Smith  
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Publishers Clearing House LLC

Before the Postal Regulatory Commission

Docket No. N2009-1

September 23, 2009

Madame Chairman and members of the Commission,

I'm Wendy Smith, Assistant Vice President of Fulfillment & Postal Affairs for Publishers Clearing House. I have been with Publishers Clearing House for 20 years. I began my tenure in Marketing, transitioned to manage Mailing Services, moved on to Director of Credit & Collections and then to AVP Fulfillment in 2000. My current responsibilities include merchandise and magazine fulfillment, inventory control, inbound freight logistics, fulfillment systems planning and vendor management, lockbox payment processing and for the last three years, postal affairs.

PCH was founded in 1953 by the Mertz family in Port Washington NY, who created mailings for consumers to choose from an array of discounted magazine subscriptions. PCH initiated the sweepstakes in 1967 to draw attention to magazine deals. In 1985, PCH began expansion into merchandise offerings. Growth has been steady with products now accounting for the majority of sales. A wide range of value based products are offered, ranging from popular household "As Seen on TV" items, health and personal care products, music, DVD's, books, jewelry, gift foods, horticulture, collectibles and more. Our website, pch.com, was launched in 1999 as a new source of growth. PCH mails hundreds of millions of Standard Mail letter promotions, tens of millions of Parcel Select, BPM and Standard Mail parcels, tens of millions First-Class bills to customers and we create even more inbound First-Class mail for sweeps entry,

order responses and customer payments. We are also an agent creating tens of thousands Periodical mail pieces.

As part of my responsibility for postal affairs, I am a Vice President of the Parcel Shippers Association and serve as its Mailers Technical Advisory Committee representative (MTAC). On MTAC, I am part of the Leadership Committee. PCH is also a member of the Direct Marketing Association, where I serve as Chair of the Postal Committee. I am also a board member of PostCom and am active in the Continuity Shippers Association and the Remittance Mail Advisory Committee.

I am here today as a result of an invitation to PSA to testify. PSA has intervened in this proceeding and indicated it generally supports the Postal Service initiative.

Before getting to the main question, I want to take advantage of this opportunity to thank the Commission for its work on service performance measurement and reporting. On behalf of PSA and others, I have been very involved in these issues. I know it is the subject of another proceeding, but thank you for your efforts. I think the recent Commission Order is a great step in the right direction.

### The Goal

On page 6 of its Request the Postal Service says the purpose of this initiative is to “realign the postal retail network with current and future postal customer service needs, to reduce inefficiency and redundancy, and to capture the resulting cost savings.” I trust most of us can agree that is a worthwhile overall goal.

It's my understanding that there are basically two aspects of this proceeding—determining whether the nature of changes in service proposed seem appropriate and determining whether the procedures followed provide appropriate transparency for us to evaluate whether they are appropriate, and if they are not so advise the Postal Service. As I understand it, at the end of the day the Postal Service is the one with the authority to finally decide whether these changes are made, although I know Congress often has a say in these things even after passing a postal reform bill designed to give the Service more flexibility. In any event, I think the nature of the changes proposed, optimizing its station and branch network are appropriate, particularly given the situation facing the postal community today. I also think it is important to bear in mind Alice VanGorder's expectation, on page 12 of her Statement, "that the resultant retail network will continue to provide ready access to adequate service and that efficiency gains will have the effect of mitigating the constant pressure to raise postal prices paid by all customers." Such appropriate reductions in operating expenses are critical to avoid accelerating the downward mail volume spiral that will persist if postage rates continue to increase in the near term. As such, I want to stress the need for the Postal Service to be able to make change of this nature, and the need for us to continue to work together to achieve changes we can all live with.

### The Need for Change

I think Alice VanGorder also has it right when she says on page 5 of her statement: "Things have changed, and the pace of change continues to accelerate. In the past decade, business and household mailers have increasingly turned to emerging

electronic media to transmit messages that were formerly sent through the hard copy postal system. Such alternate access channels and changes in customer mailing patterns require that the Postal Service reevaluate its retail network to make sure that facilities are indeed of a type and in such locations that customers have ready access to postal services consistent with reasonable economies of postal operations.”

Things have also changed for the business mailing industry. We all know the business climate resulting from the financial crisis and the economic downturn has been awful. Economies we may have previously thought unthinkable are now being employed. Similarly, changes in postal service, such as reduced delivery days, that just a few months ago were unimaginable, are now under serious consideration not just by the Postal Service, but also by mailers. We all, business mailers and citizen mailers, must accommodate change if we want to have a viable postal system in the future. As mail volumes and revenues decline, we all must pay greater attention to whether our limited resources are being used in a way that ensures that mail remains a useful and valuable product for business users and an affordable and convenient medium for citizen mailers.

So far, it seems changes for the citizen mailer or retail customer mostly have gone in the direction of increasing retail alternatives which in turn expand access and increase convenience. This is good for customer and good for the mailing community.

The Postal Service is revamping its website to better accommodate retail transactions. In addition to [www.usps.com](http://www.usps.com), there are more than 2500 Automated Postal Centers (APCs), 4000 contract postal units, and 50,000 supermarkets selling \$1 billion in stamps. A very welcome service for packages is Carrier Pickup that allows customers

to arrange for postal carriers to pickup outgoing packages including product returns, at their homes or businesses. Stamps and other postal products can be ordered by mail or phone. All of these services are welcome and usually “green” alternatives to trips to the local post office, station, or branch. That these are convenient is shown by their popularity. The Postal Service Request says, on page 4: “alternate retail access channels have proven increasingly popular with postal customers, now accounting for more than 30 percent of retail revenue and trending upward. Their convenience combined with increased use of electronic media for messages and commerce has contributed to the decline in customer visits to postal retail locations and to mail volume declines.” Also, as Ms VanGorder points point out on page 8 of her statement, “alternate access channels and the increased convenience they bring, are vital to the retention of mail volume in the long-run.”

I caution here that while visits to retail locations for some purposes may now be avoided by alternative access, customers still need a place to pick up packages on occasion. This may be even more important if days of delivery are reduced.

### A Hope

I hope we as a community can become less adversarial and more cooperative when it comes to working through change we all must certainly recognize is necessary. We need to allow the Postal Service to right-size its network in response to declining mail volume and as a means to right-size costs and mitigate postage increase which exacerbate that trend. I wish it did not have to be this complicated and expensive for the Postal Service to make operational changes. I have observed great progress when the

Postal Service, its customers, and its employees work together. I hope we can get to that point in this effort.

Thank you for inviting PCH. I will be pleased to answer any questions you may have.