

Before the
POSTAL REGULATORY COMMISSION
Washington, DC 20268-0001

Periodic Reporting of Service Performance
Measurements and Customer Satisfaction

Docket No. RM2009-11

COMMENTS OF THE AMERICAN CATALOG MAILERS ASSOCIATION

The American Catalog Mailers Association (ACMA) appreciates the opportunity to comment pursuant to the Commission's Order No. 292 (September 2, 2009), the Notice of Proposed Rulemaking on Periodic Reporting of Service Performance Measurements and Customer Satisfaction.

Background

The ACMA is a trade association representing catalog mailers and their key suppliers. Catalog companies mail catalogs in Standard Mail flats and SM Carrier Route products in about equal proportions. Catalogers also utilize the US Postal Service (USPS) for sending Standard Mail letters and postcards (as other advertising mail), First-Class letters (such as shipment advisories, backorder notices, customer loyalty programs and other communications) and Package Services (generally as bound printed matter flats). In addition, catalog companies create package delivery volume, some of which is entered into the USPS system directly, and some of which uses USPS "last mile" delivery capabilities through arrangements with competitive package delivery services.

Several ACMA member companies participated in the discussions concerning service measurement and customer satisfaction in the decade long run-up to the Postal Accountability and Enhancement Act (PAEA). They recognize that many of the issues the Commission is attempting to navigate in this docket originate

from mailer requests during the PAEA debate, seeking that the USPS become more customer responsive and transparent in meeting customer needs. The USPS is a key supplier for most catalogers. Until recently, many catalogers believe the USPS did not fully consider the customer-supplier dynamic in managing its relationships with mailers, probably an historic vestige of its monopoly status in an era when catalogers had few alternatives and substitutes to the mail. During the PAEA debates, the objective was to compel the USPS to use many of the same approaches to customer satisfaction management that have become accepted “best practices” in industry. In making the request to Congress that the USPS employ and publish measures of customer service performance, as postal customers, mailers were attempting to insure that the USPS, as a supplier, utilize the very same best practice approaches to delivering customer satisfaction that mailers themselves use in managing their own businesses, and that they expect from other suppliers.

Since the passage of PAEA, for a variety of reasons, the USPS has become much more customer centric in its approach to managing relationships with mailers. This development is to be recognized, applauded and encouraged.

For a number of reasons (including changes brought by PAEA, the state of the economy generally and postal finances specifically, continued development of non-mail substitutes, the above noted change in how the USPS is currently managing mailer relations, the state of the catalog industry, as well as postal leadership’s drive towards accelerated change and innovation), defining customer satisfaction and the optimum amount of service performance measurement must necessarily continue to evolve. Optimal measurement will depend on a wide variety of factors. These include customer and postal management needs, technology and systems availability and cost, regulatory compliance demands, the competitive landscape and other factors. Nevertheless, ACMA believes some fundamental principles should be adopted to

help guide the process and the Commission's review of compliance under the law.

Measurement

ACMA supports continuous improvement in postal operations. It is well accepted that "one cannot manage what one does not measure" and that service measurement is a foundation to service improvement. In fact, ACMA member companies are highly quantitative and analytical, particularly on those drivers of revenue, customer retention, volume, order frequency and other measures of customer satisfaction. However, in assessing appropriate measurements, virtually all are (a) customer centric—that is, driven by customer noticeable measures and parameters, and (b) must pass a cost/benefit evaluation to insure the cost to gather and report the information yields decisions that create a return or payback in improved company performance or customer satisfaction. In other words, catalogers try to avoid "spending dollars chasing dimes." They also recognize that there is frequently a law of diminishing returns in measuring performance. Often times, this dynamic can be simply understood by asking "what will we do differently once we have the data on this parameter?" If the measure fails to generate action, or does not cause the company to employ a different approach, then the expense of gathering the data is often dubious. ACMA suggests this cost / benefit approach may be useful for the USPS as well.

Customer Satisfaction

As marketers, catalogers are highly sensitive to customer satisfaction. Catalog companies cannot exist without insuring consistently high levels of customer satisfaction. This must be measured on parameters customers find meaningful and according to a scale they value. For instance, it is useless to measure a parameter that is not "customer noticeable." If the customer is indifferent to a given performance measure, then it is not a driver of their satisfaction. Likewise, there is a wide range of results that are either above or below a threshold of importance for the customer. When service fails to meet minimum expectations, it is almost irrelevant how far below the expected threshold the specific

performance actually is. Simply not meeting minimum expectations is enough to stop using that service. Likewise, it is possible to perform at a level much higher than customer expectations, and the excellence of the performance is lost on the customer or the cost is higher than the customer appreciates and is willing to pay for. Customer satisfaction must consider the value portion of the equation too. Customer expectations vary relative to the price paid. In the postal world, we suspect this may translate into different measures and distinct cost / benefit calculations for different types of products and postal customers.

As the Commission recognizes, data reporting imposes costs on the postal system (Order 292 at 30). To state the obvious, ACMA acknowledges that this cost for new systems and capabilities at the USPS must necessarily be borne by postal ratepayers. We respectfully urge consideration to the cost / benefit of incremental measurement systems and the law of diminishing returns in requiring reporting requirements on service and satisfaction performance. Particularly in the present environment, catalog marketers are not in favor of any action that increases incremental mailer costs unless it has a rapid and clear payback to the rate payer. Mail has already become too expensive for catalogers to use it to communicate with a large number of marginal customers. Since postage cost often represents half of the total marketing and advertising expense and can be nearly a fifth of total company sales volume, catalogers are actively investing in non-mail media to reduce their dependence on the postal system to reach prospects and lower value customers, in large part due to the cost of sending mail.

As outlined in prior submissions, fostering a healthy catalog sector actually requires we find ways to lower costs. Thus, any incremental investment should be considered from the perspective of how it improves the cost efficiency of the Service or other customer critical parameters. The payback of USPS investments must be carefully weighed. Particularly in the present environment, we believe that strategic investments that have a high potential to lower the cost structure of

postal operations must be approved, while all other investments (other than for safety and environmental compliance) should be deferred. We request that the cost of compliance be given due consideration.

As ACMA has written elsewhere, except for those multi-channel retailers with brick and mortar installations, or marketers who coordinate across a variety of media channels for simultaneous and reinforcing impact, catalogers generally do not rank specific delivery service performance high on the list of factors that drive catalog satisfaction of the mail. Standard Mail has always been deferrable. Unlike most First Class interests, for whom total delivery time is important, predictable delivery is more valued than rapid delivery.

Summary

We appreciate a heightened focus on customer satisfaction, and measuring then improving customer noticeable attributes of the national mail service. We urge that the cost of this activity be carefully considered and that the needs and requirements of those who pay the cost of such work be factored in to the amount, type and frequency of any measurement required of the USPS.

Respectfully submitted,

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