

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

**Notice of Price Adjustment
Standard Mail Incentive Pricing Program**

Docket No. R2010-3

**Comments of the American Catalog Mailers Association In Support of
the 2010 “Summer Sale”**

The American Catalog Mailers Association (ACMA) hereby submits Initial Comments to Docket No. R2010-3, the US Postal Service (USPS) Notice of Pricing Adjustment in the Standard Mail Incentive Pricing Program for 2010, known as the “Summer Sale”:

1. ACMA applauds continuing USPS work to understand the price levers that generate or retain catalog mail volume. ACMA supports the continued development of customer-specific pricing schemes that retain and grow mail volumes of all types. While we have communicated to the USPS some reservations with the current program as submitted before the Postal Regulatory Commission (PRC), we appreciate that developing accurate price incentives is a complex area. Progress necessarily demands time and continued experimentation. An optimum and sophisticated approach can only be devised through a deep customer understanding and trial and error experimentation. The USPS is progressing to develop this knowledge and is engaging with industry to devise incentive approaches that retain and grow volume. This latest incentive builds on the highly successful program offered last year.
2. Particular to catalogs, we note this year’s program volume threshold has been set at 105% of the same period last year (SPLY) under the assumption that the (reportedly) improving economy will generate a volume increase without any incentive. We respectfully disagree with this

- conclusion. First, given recent economic history, many catalog marketers are faced with restricted cash flows and depleted cash reserves. Second, the basic economics of catalog mail use since 2007 continue to incent migration to mail substitutes (particularly Internet- based means) for soliciting orders from customers. Third, for most of those mailers who took advantage of the first Summer Sale incentive in 2009, and who now must anniversary this year's volumes against the last year's mail volumes, the 105% threshold puts participation out of reach. As ACMA has submitted previously, circulation decision-making uses the incremental contribution of the additional name or mail recipient. As our catalog mailing members remind us, it is the last ten and twenty percent of the possible circulation volumes that are hardest to justify economically. Any plan that recognizes this reality would start to incent incremental volume before 100% of last year's actual is reached. Requiring a threshold above 100% goes the other way and puts participation out of reach for those mailers not already experiencing strong comparative growth.
3. We agree with and support the USPS conclusions concerning the interdependency between Standard Mail flats and Carrier Route for catalogers,¹ the value of catalogs to the recipient, and the downstream impact catalog mailers have across many types of postal products.² Programs such as this effectively "prime the pump" for additional mail volumes over what the USPS would realize otherwise.
 4. USPS work to publicize and promote the Summer Sale with additional notice³ and lead-time is positive.
 5. In justifying a qualification threshold for incentive participation, the USPS cites prohibitive administrative costs.⁴ Being that ACMA represents catalog marketers of all sizes and types, we encourage the USPS to find ways to include every (or at the very least, close to every) catalog

¹ See USPS Notice of Market-Dominant Price Adjustment, Docket R2010-3 at 7

² Id at 8

³ Id at 5-6

⁴ Id at 9

- marketer in incentive programs. We note the law of diminishing returns and the need to generate significant mail quantities. But disadvantaging smaller mailers by providing opportunities to their larger competitors must be avoided. Large mailers today, of course, started as small mailers in the past. Providing an environment where all marketers can flourish using the mail is obviously desired. We encourage any future incentives to address this. Since each new incentive program necessarily has a certain amount of administrative cost associated with it to create, approve and make operational its provisions, a permanent or longer-term incentive structure would allow automating the administration, reducing the additional labor costs of manual handling, while amortizing technology development costs over greater units and longer time frames. This also has like benefits on the customer side of the equation while providing additional time for mailers to adjust and take advantage of the incentive to generate additional mail volumes. ACMA will continue its work with the USPS and PRC to have this precise outcome and create a “win-win-win” for catalogers, the USPS and all postal stakeholders / customers.
6. We are troubled by the discussion of “anyhow” mail as it completely neglects to consider the current operating reality in cataloging. Despite the “market dominant” mantle hung on most of the mail catalogers originate, today’s reality is that the USPS is competing with substitute media channels for the marketing dollar, especially the incremental marketing dollar. Anything that improves the cost or effectiveness of mail, especially mail at the margin, *will* result in additional volume over and above that otherwise realized. At least as it relates to catalog mail use, we concur with the DMA’s suggestion that it is now appropriate to banish this term from postal lexicon and eliminate it from consideration in policy making⁵. ACMA will also continue to provide detail on the catalog business, particularly how incremental circulation volume decisions are made, so

⁵ Comments of the Direct Marketing Association and the DMA Nonprofit Federation in support of the United States Postal Service 2010 “Summer Sale”, Docket R2010-3 at 2.

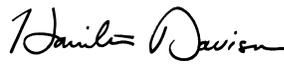
policymakers can have confidence that historical assumptions about catalog elasticity must be challenged and updated. Even though the program construct submitted under R2010-3 makes it difficult to maximize catalog mail during the sale period, catalogers applaud the evolution of new approaches and are appreciative that policymakers recognize the strategic value of this sector of mail.

CONCLUSION

While the Summer Sale envisioned in the R2010-3 filing necessarily contains some opportunities for improvement that we hope will be addressed in future incentive programs, we support this latest plan. We expect that the learnings from this proposal, along with continued work to understand those factors that will generate additional mail volumes, will lead to a robust and longer-lasting incentive plan that provides benefits to both the USPS and its customers. As always, we would be happy to provide the Commission with any additional details it may need in evaluating this program's impact to the catalog mail segment.

Respectfully submitted,

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Dated: March 18, 2010