USPS Sender Interview Compendium
Sanitized

18 December 2009

THE BOSTON CONSULTING GROUP

Context of this document

Between October and December of 2009, the Boston Consulting Group investigated trends affecting future mail volumes in the US, with the objective of projecting US mail volumes through 2020

The projection was presented to the Board of Governors at their January 2010 meeting

To support the projection analysis, the BCG team conducted 1-hour interviews with many major Senders across a range of industry verticals to gather their perspectives on future use of mail and its alternatives

- The interviewees were selected by the USPS Sales Organization
- The sample represents a range of key mail-sending industry verticals: finance, telecommunications, publishing, etc
- The interviews were conducted with the understanding that the results would be sanitized

This document contains sanitized summaries of interview learnings, hence names, contact info, and other detail have been omitted from this document

Interview summaries included in this deck (I)

Click company name hyperlink to go directly to summary (presentation mode only)

Company	Industry segment	Mail segment[1]	USPS rev ($M)	Interview quality[2]
• AA	Mail Service Provider	Standard, First Class	[redacted]	7
• AB	Casino	Standard, First Class		5
• AC	Wholesaler	Standard, First Class		8
• AD	Pharmaceutical Benefits Manager	Standard, First Class		6
• AE	Retailer	Standard, First Class		7
• AF	Financial Services–Documentation	Standard, First Class		8
• AG	Financial Services–Credit Card	Standard, First Class		9
• AH	Mail Services Provider	Standard, First Class		8
• AI	Financial Services	Standard, First Class		5
• AJ	Government–Medical	Standard - Parcels		3
• AK	Check Printer	Standard - Parcels		6
• AL	Magazine Publisher/Shared Mailer	Standard - Letter/Flats		6
• AM	Mail Order Catalog	Standard - Letter/Flats		9
• AN	Shared Mailer	Standard - Letter/Flats		6
• AO	Retailer	Standard - Catalogs		8
• AP	Retailer	Standard - Catalogs		8
• AQ	Mail Order, E-Tailor	Standard - Catalogs		7
• AR	Retailer	Standard - Catalogs		7
• AS	Mail Order Retailer	Standard - Catalogs		6
• AT	Mail Services Provider	Standard		9
• AU	Newsletter Publisher	Standard		7
• AV	Mail-order Retail	Standard		6
• AW	Retailer	Standard		7
• AX	Media Rental	Standard		6
• AY	Shared Mailer	Standard		6
• AZ	Printer/Mail Service Provider	Standard		7
• BA	Marketing Agency	Standard		8
• BB	Association	Standard		7

1. Per USPS internal tracking; 2. 1–10 scale with 10 being the highest quality
Source: USPS 2009 Revenues, by customer

Interview summaries included in this deck (II)

Click company name hyperlink to go directly to summary (presentation mode only)

Company	Industry segment	Mail segment[1]	USPS rev ($M)	Interview quality[2]
• BC	Advertising Agency	Standard	[redacted]	9
• BD	Magazine Publisher	Periodicals, Standard, First Class	[redacted]	9
• BE	Magazine Publisher	Periodicals, Standard	[redacted]	8
• BF	Mail Service Provider	Periodicals - Magazines	[redacted]	9
• BG	Magazine Publisher	Periodicals - Magazines	[redacted]	6
• BH	Non-Profit Membership Org.	Periodicals - Magazines	[redacted]	5
• BI	Industry Association	n/a	[redacted]	8
• BJ	Mail Service Provider	First Class, Standard	[redacted]	6
• BK	Mail Service Provider	First Class, Standard	[redacted]	9
• BL	Payment Processor	First Class, Standard	[redacted]	7
• BM	Financial Services–Credit Card	First Class, Standard	[redacted]	7
• BN	Financial Services–Credit Card	First Class, Standard	[redacted]	7
• BO	Mail Services Provider	First Class - Presort	[redacted]	8
• BP	Mail Service Provider	First Class - Presort	[redacted]	7
• BQ	Telecommunications	First Class - Presort	[redacted]	5
• BR	Mail Service Provider	First Class - Presort	[redacted]	7
• BS	Telecom	First Class	[redacted]	7
• BT	Telecom	First Class	[redacted]	8
• BU	Media Rental	First Class	[redacted]	8
• BV	Check Printer	First Class	[redacted]	7
• BW	Mail Service Provider	First Class	[redacted]	6
GLG Expert				
• CA	Mail Services Provider–SME	Direct Mail	[redacted]	6
• CB	Financial Services–SME	E-Commerce	[redacted]	8
• CC	Financial Services–SME	Financial Services	[redacted]	4
• CD	Financial Services–SME	Payments	[redacted]	9

1. Per USPS internal tracking; 2. 1–10 scale with 10 being the highest quality
Source: USPS 2009 Revenues, by customer

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Industry segment: MSP
Mail segment: Standard, First Class
Interview quality: 7

AA (I)

VP-postal products and services

Interview detail				
	Name:		**Interviewed by:**	Jonathan Weekley, John Cartwright, Aravind Elango
	Title:	VP—Postal Products and Services	**Date and time:**	11/6/09, 11.00–12.00pm
	Contact info:		**USPS revenue:**	[redacted]
	Additional info:		**Account Manager:**	

Learnings

AA is a MSP serving several industry verticals
- Revenue for USPS in 2009 was [redacted]
- Capable of providing all services along the MSP value chain in First Class and Standard Mail

AA is struggling to survive in the downturn
- Standard mail volumes are down 40%
- Let go of 40% of the workforce [redacted] earlier this year
- "Standard mail volumes down 40% this year, we think we've hit bottom, but we lost a lot of people"

Mail volumes likely to rebound after recession, but will not be back to 2006/07 levels, with flats volume and First-Class Ads likely to be permanently affected
- "Mail volumes will rebound in 2–3 years but not to pre-2008 levels, financial services is first to bounce back"
- "Direct mail will recover. But catalogs and periodicals are not coming back"
- "Companies have had a chance to experiment with Standard Mail and they are satisfied. We help them by improving Standard Mail service levels. Many of them will not switch back"
- "We could get back 80% of the flyer volumes we lost in 2-3 years"

Recession has created new trends in direct mail advertising, making targeting even more important
- Companies are using smarter targeting techniques to reduce volumes and this is causing scale issues
  - Smaller orders leading to more complexity in sorting and distribution

Industry segment: MSP
Mail segment: Standard, First Class
Interview quality: 7

AA (II)

VP-postal products and services

Learnings (cont'd)

- "It's one thing to print and ship 2M copies, now companies want 10 different 200k copies, we are not able to leverage our existing resources efficiently, only big companies that can make these tech. investments will survive"

Transpromo is unlikely to cannibalize direct mail because it serves a different purpose
- Transpromo is viewed as something that could potentially offset the cost of mailing a paper statement
- "The USPS keeps telling us that periodicals don't make money for them … they should remember that every periodical is responsible for so much more First class and standard mail"
- "Transpromo is seen as being able to make some money out of mailing statements to baby boomers. Won't change standard mail volumes"

Several alternatives could replace periodical mail in the future
- Kindle and similar technologies are among the biggest threats 5–10 years out
- "The periodical industry always comes back strong. But I don't know about it this time. There are so many good, cheap alternatives, that I think volumes will keep going down in the future"

Misc
- "Instead of being sent as letters, 25% of First-Class and Standard ads will be distributed online by 2020"
- Strong consolidation in industry. There is also forward and backward integration. Smaller players are being forced out

Implications for USPS

USPS seen as having the power to prevent reduction in mail volumes
- "We really want to work hand in hand with USPS. We have to work together to survive. Should be a win-win situation. USPS should offer unaddressed mail option to cut prices and improve volumes. They should not let engineers control what material is acceptable for mailing. This is plaguing innovation. USPS needs more people who understand the mailing industry and latest marketing trends. If I need to send (special) paper to attract GenY, let me do it. Don't let some engineer tell me that the machine is getting stuck"

"Companies hold much of the decision making power in direct mail; MSPs are playing a passive assisting role"

"Standard mail volumes are down 40% in the recession. We will get some bounce back, but will never be back to 2006/07 levels"

"Transpromo will not affect standard mail volumes"

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Industry segment: Casino
Mail segment: Standard, First Class
Interview quality: 5 (good content, but highly specialized business)

AB (I)

Direct Mail Manager

Interview detail

Name:		**Interviewed by:**	Jonathan Weekley, Aravind Elango, Andy Kamons
Title:	Direct Mail Manager	**Date and time:**	11/13/09, 2:30–3:30pm
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	

Learnings

AB is a small scale mailer that is highly dependent on USPS for its business
- [redacted]
- Mail is used to drive customers to casinos through offers and coupons (95%) and event invitations (5%)
  - Response rate is 30% on mailings
  - "Need for the USPS is crucial for us to keep business where it is"

Timing of mailings far more significant than cost of postage, and first class often used when standard rate could apply
- "One time mail was one week late for one location, and revenue dropped 20%"
- "Customers look for the mail like they look for social security checks"

Electronic diversion unlikely over next 10 years, mail is considered the primary communication channel
- Cost of postage [redacted] negligible compared to liability of coupons [redacted]
  - "If postage was dropped by 50%, it would not change volumes. Our exposure is our offers, not the cost of mailings"
- Emails provide complimentary messaging, but mail is primary channel

Volume changes will be driven primarily by legislation changes or growth in overall size of business
- Gaming commissions restrict direct mail, >90% of mailings are to registered customers

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Industry segment: Casino
Mail segment: Standard, First Class
Interview quality: 5 (good content, but highly specialized business)

AB (II)

Direct Mail Manager

Implications for USPS	**Gaming industry is insensitive to postage costs but highly sensitive to timing of delivery** • Volume changes in mail will be driven primarily by change in USPS policies, in legislation or policies of gaming commissions, or growth in overall size of business **Intelligent mail tracking is highly attractive to the gaming industry**

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Industry segment: Wholesaler
Mail segment: Standard, First Class
Interview quality: 8

AC (I)

Circulation Manager for Publication

Interview detail				
	Name:		**Interviewed by:**	Aravind Elango, Andy Kamons
	Title:	Circulation Manager for Publication	**Date and time:**	11/16/09, 2:00–3:00
	Contact info:		**USPS revenue:**	[redacted]
	Additional info:		**Account Manager:**	

Learnings

AC makes extensive use of Std mail for marketing (magazines and coupons), uses FC mail for renewals, rebates, and recalls

- ~10% FC mail for renewal notices [redacted] and any items that legally have to be sent FC (rebates, recalls), mostly presort
- ~90% Std for marketing, 1/3 magazines (flats), 2/3 multivendor mailers (letters)

Multivendor mailing volume has grown steeply for past five years, to 520M/year, expected to grow 5–10%/year

- Sent to membership base to boost sales
- Growing by ~2M members per year, and will increase from 10 to 12 issues

Direct mail provides primarily channel to consumers, but online expected to take 20% share by 2020

- Two email blasts per week, to 9M addresses, offering online discounts, but mail is channel to the warehouse
  - "Expect emails to hit 25% of customer base by 2015, and by 2020 hope to be up to 50%"
  - "To be sure that my customers get the message, I'll send them email and a mail piece"
- Some testing of search engine ads ("don't see us getting away from direct mail, but we may shift more online")
  - We will be increasing online ad spend ~30% by 2012

Smarter targeting to reduce direct mail expected to reduce acquisition mail 30–40% in five years

- Mail is primary acquisition channel, no email used
  - "70% of acquisition efforts are done through direct mail. Direct mail is the no. 1 avenue right now"
- Plan to narrow range of acquisition, without investing the savings into more targeting

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Industry segment: Wholesaler
Mail segment: Standard, First Class
Interview quality: 8

AC (II)

Circulation Manager for Publication

Learnings (cont'd)	• "We know a lot about our customers. How many kids they have, what work they do, what they eat, etc. Going forward we can cut 30-40% of direct mail by targeting better" **Magazine and coupon distribution likely to remain mail based for foreseeable future** • No interest in Kindle or related technology for at least next three years • Some experiments with in-store coupons, but mailings considered better for drawing people into the building **FC mail for renewal notices expected to decrease 50–100% over next 10 years, with shift to auto renewal** • "Auto renew currently at 26%, expect it to reach 40–50% by 2015, and potentially 100% by 2020" – Saves two mailings, along with the labor to process
Implications for USPS	**Standard mail volumes may increase in near term, but expected to decline >20% over next 10 years** • Multivendor mailings expected to grow ~10%/year in near-term • 20% of direct mail to move into electronic channels by 2020 • Customer acquisition will decline 30–40% by 2015 due to smarter targeting **First class mail is expected to decrease by >50% over next 10 years, with shift to auto renewal**

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Industry segment: Pharmaceutical Benefits Manager
Mail segment: Standard, First Class
Interview quality: 6

AD (I)

Director - Logistics

Interview detail	**Name:**		**Interviewed by:**	Andy Kamons, Aravind Elango, |Jonathan Weekley
	Title:	Director - Logistics	**Date and time:**	11/16/09, 9:00–10:00pm
	Contact info:		**USPS revenue:**	[redacted]
	Additional info:		**Account Manager:**	

Learnings

AD is PBM (Pharmaceutical Benefits Manager) using USPS Standard and First Class mail primarily for their mail order business and individual account management

- 90% of mail are meds delivered standard presort to 3/5 digit label)
  - Also use priority to get presorted bags to the distribution center where it is split up
  - Also use first class flats for expedited sending
- Majority of mail is transaction based and is with the locked in customer base who orders drugs
- [redacted]
  - High volumes of flat welcome kit for new customers
- Patient base using the mail order pharmacy averages 55–65

Welcome kits could be first mail volume to go electronic, likely email and online

- While welcome kits could be the first thing to go they are something that is used to enhance the brand
- "With regards to the welcome pack it's just something people are accustomed to and that they share with family members"
- "There could be little impact over the next couple years then a moderate decrease thereafter"

AD does anticipates increasing volumes by 2015 in packages for drugs sent to customers

- "Mail order business is forecast to increase and this should increase the package volumes we send"
  - "It makes more sense and is easier to have your prescriptions mailed to you"
  - "Many products coming off patent and people are getting more personalized therapies"

Industry segment: Pharmaceutical Benefits Manager
Mail segment: Standard, First Class
Interview quality: 6

AD (II)

Director - Logistics

Learnings (cont'd)

AD does anticipates increasing volumes by 2015 in packages for drugs sent to customers (cont'd)

- The ordering could go online but the infrastructure on now mature enough yet" (currently most order forms are sent into AD via first class mail as the written prescription must be included)
- "We offer people to pay by credit card or check—for some people that's all they use—but for the most part we don't see that shift going very fast—it's all tied to checks"
- Currently less than 10% do remittance online

AD foresees slow decline in correspondence letter to customers as a % of total but overall increase as the company grows and adds more customers

- "The is not much of a regulatory barrier—you are talking about an IT, training, infrastructure issue as it's money out of the Drs pocket"
- Correspondence with Dr. and customers likely slow to move online as the industry is slow to move to an electronic standardized process
  - "Dr is not apt to move onto a new costly technology unless there is an industry standard and shift"
- By 2015 there may not be much change, by 2020 volumes could reduce by 50%—lost to online channels
  - "It would be a slow decline and then a ramp up out to 2020 where there is a 50% decline"

The prescription benefits card is a big reason why the mail volumes will be slow to go electronic

- "There will be slower degradation of mail volumes due to the prescription benefits card and we are a long way off before that goes away
- "If it's all online then customers would not seem willing to print themselves—over the long term it's possible that they could follow the FS proxy model

Intelligent Mail Barcode will be used on all their packages but will not increase volumes

- "To have the true tracking and the final delivery point makes a ton of sense—from a track and traceability it's very important in our space
- "It won't increase our volumes, most Americans expect it and now it has become a need"

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Industry segment: Pharmaceutical Benefits Manager
Mail segment: Standard, First Class
Interview quality: 6

AD (III)

Director - Logistics

Implications for USPS	**Increases in mail order delivery pharmaceuticals likely to increase standard and first class parcel delivery over the next decade** **Non-package correspondence with customers is currently mail based (ordering, invoicing, payment) and will move online once the medical industry moves online (all about electronic scrips)** **Customers ordering process is paper based as scrips are paper based and the customers are in an older demographic** **Little shift from paper expected by 2015 but 2015–20 there could be a significant shift as the industry moves electronic (potential to mimic the FS move online)**

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Industry segment: Retailer
Mail segment: Standard, First Class
Interview quality: 7

AE (I)

SVP Marketing, Production Director

Interview detail

Name:		**Interviewed by:**	Aravind Elango, Andy Kamons
Title:	SVP Marketing, Production Director	**Date and time:**	11/20/09, 2:00–3:00pm
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	

Learnings

AE is a [redacted] retailer that uses mail primarily for marketing purposes
- 80% of mail is standard
  - 15–20% of Standard mail is for seasonal catalogs
  - 80–85% of Standard mail is for specific sales events, a mix of products, including flyers, postcards, envelopes, and self-mailers
- First-Class Mail primarily for credit card statements, and some supplemental flyers before major sales

Direct mail continues to grow in importance, with volumes increasing 4–5% over the past 3–4 years, including through recession
- Direct mail has picked up share due to newspaper decline and because of high ROI

Industry-wide, a full rebound from the recession is probable, but marketers are actively seeking comparable ROI's in other channels
- "We expect that volume will return as market returns, as long as marketers haven't found a better ROI"

Of all delivery methods, USPS mail considered the most reliable and best investment, however economics may shift as postage rates increase
- Common carriers, inserts, and using the newspaper bin do not perform as well as USPS
  - "Being in the mailbox is still substantially more important than being outside the mailbox"
- Sure - response rate of PCD is doubtful, but if the cost is 50% of DM, ROI is great

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Industry segment: Retailer
Mail segment: Standard, First Class
Interview quality: 7

AE (II)

SVP Marketing, Production Director

Learnings (cont'd)

Of all delivery methods, USPS mail considered the most reliable and best investment, however economics may shift as postage rates increase (cont'd)

- PCD appears more attractive, but ROI still too uncertain despite 15–20% discount over USPS
  - "It wouldn't surprise me to see 30–40% of direct mail shifting to PCD over next 4–5 years if postage trends continue as is. There's a lot of volume that would be willing to move if confidence in readership and return were to increase."

Overall, email is not considered effective for customer retention or acquisition

- "Email is not a more cost effect way to retain customers. For us, It takes hundreds of contacts to retain a single customer"
- "We adopt a multi-channel approach and will advertise to consumers using multiple channels unless they opt out"

Website advertisement is a key component of AE multichannel strategy, but will not substitute for mail until ROI is proven to outperform

- Web is more likely to take away from newspapers than from mail
- "If the customer is going to buy online, then we will advertise online. We are experimenting with new acquisition strategies and we will follow the customer"
- "Online is every bit as geotargeted as print. I can target down to the local level through any of the major search engines. Online is actually more targeted than mail in most cases"
- "We can see 10-15% of flyer ads moving online"
- "In ~2 years, many other retailers can measure ROI at the address level and this will reduce waste"
- "If we see a comparable and strong enough return, we will divert online. If we find any new product that beats mail on the ROI, you can bet that dollars will shift to that channel. If we see something's working, it only takes 3–4 months to start moving things toward it"

Mobile expected to grow rapidly, and to divert 10–15% of direct mail by 2014

- "It may take three years to catch on, but it'll be a hockey stick. Mobile will explode like email did in the 1990's. It's 2–4 years away and will move in a 24–36 month timeframe once it catches on.
- "It's probably a leapfrog technology that'll go right past email and everything else"
- "Companies can hope to reach only 10-15% of customers. This will be the limiting factor"

Online billpay is the biggest threat to advertising mail, since it devalues the mailbox

- "I know that customers have to sort mail because there are important things in the mailbox. The more important mail shifts away from the mailbox, the more likely the mailbox will become unproductive for the marketer."
- Other threats include rising postage costs, increased ROI for PCD's, and Mobile

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Industry segment: Retailer
Mail segment: Standard, First Class
Interview quality: 7

AE (III)

SVP Marketing, Production Director

Implications for USPS	
	Direct mail continues to grow in importance, with volumes increasing 4–5% over the past 3–4 years
	Industry-wide, a full rebound from the recession is probable, but marketers are actively seeking comparable ROI's in other channels
	With postage increases and improved reliability of PCD's, DM volume may begin to divert from USPS
	Any channel that offers a comparable ROI to mail will be pursued aggressively, over 10 year horizon web and mobile are both likely to take over a significant volume of direct mail (up to 20% for mobile by 2014)
	Online will erode 30% of direct mail acquisition letter volumes and 15% of flyer volumes by 2020

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Industry segment: Financial Services–[redacted]
Mail segment: Standard, First Class
Interview quality: 8

AF (I)

Corporate Vice President, Global Procurement and Facilities

Interview detail

Name:		**Interviewed by:**	John Cartwright, Jonathan Weekley, Andy Kamons
Title:	Corporate Vice President, Global Procurement and Facilities	**Date and time:**	11/20/09, 2:00–3:00pm
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	

Learnings

AF mails [redacted] pieces annually as an intermediary for banks, brokerage firms, and mutual funds that represent corporate issuers; they also run a growing practice in electronic B2C presentment

[redacted]

While AF continues to grow, volume across industry is down with significant shift toward electronic

- "In the last three years, 30% of proxy work has gone to a method other than a flat envelope"

Companies have aggressively shifted volume out of B2C over past several years, are blocked from cutting more volume by regulatory constraints and customer concerns

- "Everything that can be shifted has already been out."
- Primary barriers are regulatory and consumer security concerns
  - "If there are widespread regulatory changes, then I think we'll lose 50% of volume. I think that there's a very high likelihood that the barriers to going online will be eliminated over the next 10 years as people bow to the convenience. SEC has said that the only thing that is holding back are legal barriers."
  - "Companies are hellbent on getting this barriers lowered, but they're being held back by consumer preferences and legal barriers. I think it'll happen, but the timing is still unclear"

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Industry segment: Financial Services–[redacted]
Mail segment: Standard, First Class
Interview quality: 8

AF (II)

Corporate Vice President, Global Procurement and Facilities

Learnings (cont'd)

Companies have aggressively shifted volume out of B2C over past several years, are blocked from cutting more volume by regulatory constraints and customer concerns (cont'd)

- Customer security concerns have also blocked further divergence to electronic
  - "The number one thing we hear from potential customers when we are trying to convert them to online is data security. It's the fear of losing confidentiality or having personal information divulged and it's a important focus of ours"

Recent regulatory changes now allow companies to send URLs instead of full paper proxies; 45% have already shifted to electronic notices, despite public resistance

- Primarily non-consumer products without strong brand name
- [redacted] customers have already opted out of electronic communication, expected to grow to [redacted] by 2012, but with [redacted] customers, most volume will end up in electronic
  - "People were definitely not happy about having a transfer of costs, but opt-in for paper only about 1% higher than opt-in for electronic had been before rule change"
- SEC has expressed concern about decline in retail voting, may reverse electronic option

[redacted] likely to lose 10% more volume by 2012 and 50% by 2020

- "Between now and 2012, cost pressure will win out against consumer sentiment. It'll probably drop another 10% on the [redacted] side. The proxy side is the least likely to drop significantly. But as go out to 2020, think that [redacted] will drop 50% further."
- "By 2012 we expect a 5-10% decrease, and by 2020 volume will decline at least 15-20%"

Similar legislation for [redacted] less likely to pass, but would have same volume eroding potential for B2C mail

- "Access equal delivery" would allow companies to choose an electronic delivery channel
- If legislation passed, paper-only customers would likely rise as high as 50%, but rest of volume would disappear

Substantial volume of mail has already diverted from [redacted] only 5–10% additional decline expected through 2012 and 15–20% through 2020

- Economic rebound will not affect steady decline
- Demographics of customers blocks more aggressive shift
  - "Brokerage firms are more sensitive than banks about pushing people, especially to the high net worth clients"

Industry segment: Financial Services–[redacted]
Mail segment: Standard, First Class
Interview quality: 8

AF (III)

Corporate Vice President, Global Procurement and Facilities

Learnings (cont'd)	[redacted] **have not penetrated the financial transactions market, due largely to investor security concerns** • [redacted] have been very slow on the uptake; investors are very wary of using these things but the companies know this are working to improve things"
Implications for USPS	**Companies have aggressively shifted volume out of B2C over past several years, are blocked from cutting more volume by regulatory constraints and customer concerns** • As barriers are lowered, volume will exit quickly (e.g., 45% of proxies now are sent via websites) [redacted] **likely to lose 10% more volume by 2012 and 50% by 2020** **Substantial volume of mail has already diverted from securities transactions, only 5–10% additional decline expected through 2012 and 15–20% through 2020** [redacted] **have not penetrated the financial transactions market, due largely to investor security concerns**

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Industry segment: Financial Services – [redacted]
Mail segment: First Class, Standard
Interview quality: 9

AG (I)

Vice President, Marketing Operations

Interview detail	**Name:**		**Interviewed by:**	John Cartwright, Andy Kamons
	Title:	Vice President, Marketing Operations	**Date and time:**	11/18/09, 1:30–2:30pm
	Contact info:		**USPS revenue:**	[redacted]
	Additional info:		**Account Manager:**	

Learnings

AG sends [redacted] pieces of mail annually, [redacted] first class and [redacted] standard

- FC mail is [redacted]
- Standard mail is primarily for marketing
  - Over last 18mo have exited all FC marketing
  - "Everything that we can mail standard we do, the only marketing mail we don't mail standard is what is required by law"

In recent years, AG has been more stable than other companies

- Less aggressive with marketing mail during peak, less cutbacks over last two years

Over next three years, marketing volume expected to rise, but [redacted] and new channels will prevent it from returning to 2006 peak

- [redacted] places restrictions on [redacted] mail
  - "Once the [redacted] you will never see the level of mail return to where it was in 2006"
  - "You just can't do acquisition the same way you had done before. [redacted]
- With new marketing channels, mail will decline to a new equilibrium
  - "I don't think mail volumes will ever recover to 2006 levels, due to business model and also 'disruptive technologies'"
  - "We send First-Class Mail because it has address forwarding. It gives us better ROI"
  - "Even if the economy recovers, we might get 50% of all marketing mail back. The rest is gone"

Industry segment: Financial Services
Mail segment: First Class, Standard
Interview quality: 9

[redacted]

AG (II)

Vice President, Marketing Operations

Learnings (cont'd)

While solicitation occurs primarily by mail, responses have shifted toward online channel

- "Our use of direct mail during the boom was excessive. We mailed to everyone we could. Even if economy recovers, we might get 50% of lost volumes back"
- "70% of total responses to solicitation come online. That's not how they're solicited, but that's how we receive them. On a piececount basis, we now get more 'white mail' than responses"
- (White mail—Correspondence received from customers in their own envelope rather than in an envelope provided by the marketer)

60% of payments already come electronically, a level than may grow to 95% by 2020

- "The tipping point has already been crossed. Part of it's a push, but a lot of it has just happened. There won't be a sea change, just a steady march downward"
- "Our payment processing has already been outsourced, there's no reason to be in that business"
- "In 10 years, payments could be as high as 90–95% electronic"

AG expects 15% fewer paper statements by 2012, would prefer all customers to go electronic over long-term

- Benefit from transpromo or added late fees do not offset cost of mailings; AG prefers more online and more autopay, and does not expect online customers to be more responsible about payments
  - "The savings from stopping paper outweighs anything that the postal service could offer"
  - Not sure if we're as reliant on late fees as much as some of our competitors
  - "Email reminders don't actually help people to pay on time."
- Trying to drive down statements by ~15% over next three years, 100% over long-term
  - "In a perfect world we'd have the vast majority of people in some electronic form of mail. In reality, that may level off at 50%, but we won't stop our efforts as long as we feel that there are savings"
  - No plans for the "stick" now; but the "carrot" continues to get bigger, as you look at the cost of postage and the added requirements of the card act

B2C is a soft target for mail reduction, especially when online channels become more robust

Internet will grow in importance, but will not replace direct mail as a marketing channel

- ROI for marketing channels needs to take broad view of overall profitability, not just short-term view
  - "On the surface while the internet looks like a very inexpensive channel, you need to take these secondary things into consideration, which may make mail more competitive."

Table of contents

Industry segment: Financial Services – [redacted]
Mail segment: First Class, Standard
Interview quality: 9

AG (III)

Vice President, Marketing Operations

Learnings (cont'd)	**Internet will grow in importance, but will not replace direct mail as a marketing channel (cont'd)** • Internet is the only direct competitor to marketing mail (paid search, banner advertising, etc.) and not expected to replace mail as a marketing channel – Other threats: broad media (newspaper inserts), and take ones, insertions in other media besides newspapers, – "Naïve to expect that online in and of itself can fully disintermediate direct mail. Postal service is largest expense line vendor, and it's not going to move to number two anytime soon" **[redacted] are not perceived as a threat to the use of AG's portal** [redacted] are stealing share from banking sites, not from credit card sites [redacted] – "The real value adds that our site provides won't show up [redacted] As people get more savvy about how they manage payments they will want to make the payments [redacted] – "5-10% of payments come [redacted]. As sites grow, some will transition to them entirely" – [redacted] already provide 30% of online payments, and will grow at the same rate as the rest of online"
Implications for USPS	**Over next three years, marketing volume expected to rise, but [redacted] and new channels will prevent it from returning to 2006 peak** **60% of payments already come electronically, a level than may grow to 95% by 2020** **15% fewer paper statements expected by 2012, all customers may shift to electronic over long-term** **Internet will grow in importance, but will not replace direct mail as a marketing channel** **[redacted] are not perceived as a threat to the use of AG's portal**

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Industry segment: Mail Service Provider
Mail segment: Standard, First Class
Interview quality: 8

AH (I)

VP of Production

Interview detail				
	Name:		**Interviewed by:**	Aravind Elango
	Title:	VP of Production	**Date and time:**	20/11/09, 10:00–10:30am
	Contact info:		**USPS revenue:**	N/A
	Additional info:	Referred by	**Account Manager:**	

Learnings

[redacted]

- AH uses both First-Class and Standard Mail for it's direct mail campaigns. Product use is
  - 5% in First-Class advertising
  - 70% Standard mail letters
  - 25% Flyers

First class advertising is predominantly used by [redacted] with a focus on acquisition

- [redacted] of First-Class Mail is from [redacted] and [redacted] is from [redacted]
- [redacted] of all First-Class Ads is used for acquisition and remainder is retention mail

Email, shift to Standard expected to be the biggest threat for First-Class retention mail

- "Companies can get email addresses for ~50% of all customers. Companies will send mail and email to two-thirds of their customers. Only one third of customers won't get any mail"
- National players likely to transition to email earlier than local companies
- Both local and national players are expected to make use of loyalty programs and MSPs to get email information of customers

Migration to Standard Mail is likely to be biggest threat to First-Class mail

- ~30-40% of First-Class acquisition Ads from [redacted] will move to Standard Mail
- ~10% of all retention mail is likely to move to Standard
- "Why pay for First-Class when you get the same service with Standard Mail?"

Table of contents

AH (II)

VP of Production

Industry segment: Mail Service Provider
Mail segment: Standard, First Class
Interview quality: 8

Learnings (cont'd)	**~30% of First Class ads will move to Standard Mail by 2020**
	• "Many [redacted] companies were using First-Class advertisements to announce a sale or time critical information. Those mailings are now going in Standard Mail"
	• "The financial services companies and some high end retailers use First-Class Mail for prestige. Many of the rest are experimenting with Standard Mail"
	• "Companies are moving one-third of their direct mail acquisition spend online"
	
	Standard Mail letter volume to benefit from smarter targeting
	• 10–15% of all standard letters are likely to be lost to better targeting
	  – "We are seeing a trend now where companies are using more data and analytics to reduce the number of mailings they send. 15–20% of Standard Mail we send now is useless and better targeting will eliminate 75% of these mails"
	  – "Most companies feel that smarter targeting will help them to better evaluate a prospect. Based on our past experiences, we see a 15% increase in volume if ROI improves 10%"
	
	Online channel expected to erode ~15% of flyer volumes by 2020
	• "We lost 10% of our volumes in the recession. We are starting to see those volumes return already"
	• "The number of people printing coupons from website like coupons.com is doubling each year and we expect 15% of flyers to be sent online by 2020"
	
	Misc
	• "75% of First-Class ads will rebound. Industries like financial services and mail order will not return"
	• "Many [redacted] players feel that smarter targeting will help them to better evaluate a prospect. We will see a 5% increase in First Class Ads because of this trend. The [redacted] are likely to do the same but after 4–5 years"
	• USPS could gain more business by establishing processes to let MSPs buy pre-cancelled stamps through CAPS accounts
	• Letters volumes will recover, but will be no where close to the 2007 highs

Implications for USPS	**AH, a direct marketing strategy and solutions provider predicts** • 10% of all retention mail in First Class moving to Standard • 35–40% of all First Class acquisition advertising mail moving to Standard • Smarter targeting could result in 15% cut in standard mail volumes and ~10% increase in First-Class volume

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Industry segment: Financial Services
Mail segment: First class, Standard
Interview quality: 5

AI (I)

Production Director, Ad Mail

Interview detail	**Name:**		**Interviewed by:**	Jonathan Weekley, Andy Kamons
	Title:	Production Director, Ad Mail	**Date and time:**	12/02/09, 11:00am–12:00pm
	Contact info:		**USPS revenue:**	[redacted]
	Additional info:		**Account Manager:**	

Learnings

Company AI is [redacted]

- Majority of advertising mail sent in letter format
- Used for balance transfer, new customer acquisition, relationship management
- Small portion of First-Class Mail ads and checks

Volumes have declined 50% since 2008, from [redacted] but may return to previous levels with an economic recovery

- "The mail has been curtailed, and the targeting for new card members will be very specific"
- "When the economy turns a bit more, I think that we'll see acquisition numbers within the industry go up"

Recession has driven ad dollars to the web, but given an uncertain ROI, that money may return to mail

- "The recession has had a large impact on amount of marketing volume pushed to the web, but the numbers still have to pay out"

Smarter targeting means finding the most appropriate channel for ad dollars, whether mail, online or other

- Companies are getting smarter at targeting customers and their preferences, based on customer demographics, credit-worthiness
  - "The marketers have to identify who customers are, what their preferences are, and use those to determine the appropriate channel
- E-Channel only attractive for certain customer profiles
  - "If the e-channel is an existing customer preference, then the card companies will follow that approach and stop using mail each channel is most appropriate for a different type of customer demographic"

Table of contents

Industry segment: Financial Services
Mail segment: First class, Standard
Interview quality: 5

AI (II)

Production Director, Ad Mail

Learnings

Future ad spend through the mail dependent on economic recovery and on success of other channels

- Marketing budget is a single bucket, and any increase in one channel leads to a decrease in another
  - "Marketing is all one budget, and diversion to electronic will take away from marketing mail"
- Success of internet and email requires more effective approach for making message stand out to consumers
  - "Going forward, we need to determine how [redacted] companies can separate their messages on the web and get it read, compared to all the other marketers out there. It's impossible to say in 5 years whether we plan to shift mail to the web until we figure out that answer"

Mail can still compete with online channels, especially for local advertising

- "When you see things in the mail that are useful, especially if it's targeted for businesses within a few miles of the home, that is extremely effective, even if you do most of your shopping online"

Online payments more likely for recurring bills

- "You're far more likely to see a shift to online where there is a regular frequency of payments, a monthly credit card or a cable bill vs. a yearly insurance payment"

Implications for USPS

Company AI expects lost ad volume may return with an economic recovery

Mail that has shifted to other channels in the short term may return as well, if ROI for mail is superior

However, it is too early to tell these trends with certainty

Table of contents

Industry segment: Government - Medical
Mail segment: Standard - Parcels
Interview quality: 3

AJ (I)

XX

Interview detail	**Name:**		**Interviewed by:**	Jonathan Weekley, Andy Kamons
	Title:	Executive Liaison for Postal Affairs	**Date and time:**	11/19/09, 3:00–4:00pm
	Contact info:		**USPS revenue:**	[redacted]
	Additional info:		**Account Manager:**	

Learnings

AI fills [redacted] of prescriptions, mailing drugs directly to patients
- [redacted] n 2008 [redacted] sent standard parcel, remainder sent FC due to location (e.g., Alaska)
- Mail Consolidators fill majority of orders, but XX tracks ships, works closely with USPS when pain points identified

AI expects 2–4% annual growth over next 10 years, regardless of postal rates
- Primary drivers of growth are demographics of population, as well as funding level from federal government
  - Expects administration to provide robust funding for AI, which may raise growth rate slightly
- Cost does not affect overall volume of shipments

No expectation to divert any mail volume over next 10 years, but will consider alternative providers or service levels if warranted
- "Every time there's a postage increase, we look to see if there's any class compression to see whether it makes sense to switch classes of mail"
- We track service level, diversion rate, in order to determine whether we are satisfied with USPS approach

Although private sector affected by different drivers, AI expects private sector to follow similar shift to mail-order pharmacy
- AI uses XX to reduce strain on local hospitals, while Pharmaceutical Benefit Managers are primarily driving customers to mail-order prescriptions due to cost

Table of contents

Industry segment: Government - Medical
Mail segment: Standard - Parcels
Interview quality: 3

AJ (II)

XX

Learnings (cont'd)

Mail consolidators performance and prices are very consistent, considered interchangeable
- [redacted]
- Consolidators are first line in verifying and eliminating bottlenecks

Although AI is dependent on USPS relationship, they have several points of concern
- USPS preferences for those trying to exit mail may impact service of those in it for long-term
  - "Post office continues to focus on letters, flats, and postcards. We [redacted] in rev last year. We're not the biggest customer, but their future is not in letters, and they need to understand who it is that provides them long-term value"
- USPS cannot keep up with data, and often the AI must diagnose pain points in shipping routes
  - Intelligent barcodes will not help if USPS cannot interpret the data

Implications for USPS

AI expects 2–4% annual growth over next 10 years, regardless of postal rates
- Private sector also likely to shift patients to mail-order pharmacy, although they will be price sensitive

Mail consolidators performance and prices are very consistent, considered interchangeable

Table of contents

Industry segment: [redacted]
Mail segment: Standard - Parcel
Interview quality: 6

AK (I)

Director, distribution and logistics

Interview detail

Name:		**Interviewed by:**	Aravind Elango, Jonathan Weekley
Title:	Director, Distribution and Logistics	**Date and time:**	11/10/2009, 3.00–4.00pm
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	

Learnings

AJ is [redacted]
- Product mix of 85% Standard mail volume; 15% is First class mail
- Has subsidiaries who are primarily focused on creating marketing mail for financial services company (Comment: Interviewee not familiar with subsidiaries producing marketing mail)

AJ predicts ~70% bounce back in lost mail volumes due to economic recovery
- [redacted] volumes down 7% due to economic recession
- Demand for [redacted] highly correlated with life changing events e.g., divorce, new house, etc.
- Economic recession forcing postponement of many life events
  - "Recession is reducing the number of life events that create need for [redacted]. Many people don't have the money to get divorced or buy a new home"
- [redacted] volumes will not return to past highs as some customers switched to online [redacted] during recession

Despite bounce back, AJ predicts 50% of mailed checks will be replaced by online [redacted] in 2020
- Average [redacted]
- Downward trend [redacted] volumes will continue and onlin [redacted] will be major threat
- AJ is expanding into the online [redacted] market to grow future revenues

Table of contents

Industry segment: [redacted]
Mail segment: Standard - Parcel
Interview quality: 6

AK (II)

Director, distribution and logistics

Learnings (cont'd)	**AJ migrating ~60% of first class mailings to standard within thee years** • Currently 15% of mailings use First class mail • Customers insist on first class mailing only in 5% of cases – Only brokerage companies view standard mailing as damaging to their brand image • Rest of first class mail volumes (10% of total volume) will be migrated to standard mail in three years
Implications for USPS	**AJ predicts that online** [redacted] **will eliminate 50% of** [redacted] **volumes by 2020** **Economic recovery will help recover 70% of lost volumes but will not step longer term decline**

Table of contents

Industry segment: [redacted]
Mail segment: Standard—Letter/Flats
Interview quality: 6

AL (I)

Director of Logistics

Interview detail

Name:		**Interviewed by:**	Andy Kamons, Jonathan Weekley
Title:	Director of Logistics	**Date and time:**	11/12/09, 2:00–3:00pm
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	

Learnings

AK runs [redacted]
- Shared mail (800M annual volume) primarily grocery coupons, similar to newspaper inserts
- Direct mail (400M annual volume) 80%+ retail customers focused on local markets

[redacted] **volumes predicted to remain stable over next 10 years, with electronic diversion presenting only a limited threat**
- [redacted] is competitive, and mail drives consumers to the shops
  - "There are still things that drive a consumer to shop; consumers want to hold and feel [redacted]
- Changes to [redacted] have not affected volumes
  - "[redacted]

However, AK considering use of non-mail options to handle these volumes due to USPS price
- Saturday only mailing accounts for 30% of volume
- Piloting "paper-free" delivery of [redacted]

AK has partnered with AX in several major cities, and more consolidation within markets is likely
- Enables [redacted] to increase [redacted] for same price of mailing

Table of contents

Industry segment: [redacted]
Mail segment: Standard - Letter/Flats
Interview quality: 6

AL (II)

Director of Logistics

Learnings (cont'd)	**Cost of mail is biggest driver of volume [redacted] conomy and legislation have limited impact**
	• Customers value [redacted] regardless of economic conditions
	• Mailers compete primarily on price
	• Legislation could have a big impact, but consider a strong bill very unlikely
	
	<u>Direct Mail</u>
	
	Direct mail volumes are down 20% since 2007, rebound will not return volumes to historic highs
	• Over next five years predict stable to single digit increase
	  – "We'd like standard class mail to be stable, if we saw growth that'd be great, but we don't expect it"
	  – "Is it ever going to come back, I'd like it to but I don't think so"
	• "I don't think DM is going to come back to the high levels that it used to be, will be focused on CRMs
	
	Retail customers actively seeking alternative channels, but no clear substitute for DM
	• Customers are spending money on new technology, esp electronic
	• Internet and electronic diversion are biggest threats

Implications for USPS	[redacted] **volumes predicted to remain stable over next 10 years, with electronic diversion presenting only a limited threat** • USPS prices and delivery timing are drivers with greatest potential to shift volumes away from mail **Direct mail volumes are down 20% since 2007, rebound will not return volumes to historic highs** • Over next five years predict stable to single digit increase • Retail customers actively seeking alternative channels, but no clear substitute for DM

Table of contents

Industry segment: Mail Order Catalog
Mail segment: Standard - Letter/Flats
Interview quality: 9

AM (I)

Chief Operating Officer

Interview detail				
	Name:		**Interviewed by:**	Andy Kamons, Jonathan Weekley, John Cartwright, Aravind Elango
	Title:	Chief Operating Officer	**Date and time:**	11/11/09, 12:00–1:00pm
	Contact info:		**USPS revenue:**	[redacted]
	Additional info:		**Account Manager:**	

Learnings

AL is [redacted]
- [redacted]
- [redacted] all standard class saturation mailings
- Company support clients in developing complete channel strategies that go beyond the envelope with mobile, email etc. focused on acquisition and retention
- "We are trying to extend coupon reach online where coupon use is at an all-time high"

Direct Mail is complementary to all other channels (mobile, email, online)
- "Customer will not ever abandon direct mail—it far exceeds the volume online—behavior of consumers is much more responsive to direct mail than email"
- "We acquire customers with direct mail then trigger additional purchase with email/mobile—email is a retention/loyalty channel, it's not for acquisition"
- Mobile is a complimentary channel to direct mail; it's about extending reach
  - Mobile is used to increase traffic at a certain time and date of the week
- "There is no threat to DM for acquisition, customers want more and more DM"

Industry segment: Mail Order Catalog
Mail segment: Standard - Letter/Flats
Interview quality: 9

AM (II)

Chief Operating Officer

Learnings (cont'd)

The economic downturn has negatively impacted AL

- Volumes have decreased over the last two years—roughly 10/15% reduction YoY
  - Largest decline from national sales—down 20%—seen decline over the past five years, and more aggressive decline over past two years
- [redacted]

AL is seeing a rebound and anticipates business will rise with GDP

- Currently seeing advertisers coming back, piececount improvements since May and expect 10% growth in ads in 2010 (does not directly correspond to volume)
  - [redacted]—increase recently, discretionary spend +7%
  - [redacted] 3–5%+
  - [redacted]—hit especially hard -30%
  - [redacted]—flat
- Plan [redacted] 9 to 12 mailings per year depending on location
- "AM and others in the industry should experience a similar lift"
- Believe consumers will always appreciate the value in a print coupon and that DM will grow significantly
- Ad spend is tied to GDP—there is an absolute tie to GDP
- "As consumer spending increases our advertisers increase their spend"

AL anticipates significant growth as economy turns and improved analytics (tracking/targeting) enable ROI proof for customers who increase volumes

- 30% growth target (envelopes) for 2010 (not necessarily indicative of industry)
- For many customers data drives the strategy and is the underlying foundation for everything they do—we can show them exactly how their DM is paying off
- "DM is advantaged in this future world and it's the catalyst for the acquisition, for starting the dialogue between customers and businesses"
- Biggest trend is "hyperlocal"—says multi-channel strategy at the local level is the only approach that can be used (mail, mobile, online, email)
- IPTV—internet protocol television—is a potential threat in 5–7 years

Table of contents

Industry segment: Mail Order Catalog
Mail segment: Standard - Letter/Flats
Interview quality: 9

AM (III)

Chief Operating Officer

Implications for USPS	
	"Customer will not ever abandon direct mail—it far exceeds the volume online—behavior of consumers is much more responsive to direct mail than email" **"There is no threat to DM for acquisition, customers want more and more DM"** **Currently seeing advertisers coming back, piececount improvements since May and expect 10% growth in ads in 2010 (does not directly correspond to volume)** **Planning to increase from 9 to 12 mailings per year depending on location** **30% growth target (envelopes) for 2010 (not necessarily indicative of industry)**

Table of contents

Industry segment: Direct Mail
Mail segment: Standard - Letters
Interview quality: 6

AN (I)

Director of Postal Affairs and Distribution

Interview detail	**Name:**		**Interviewed by**	Jonathan Weekley, Andrew Kamons
	Title:	Director of Postal Affairs and Distribution	**Date and time**	12/01/09, 10:00–11:00am
	Contact info:		**USPS revenue**	[redacted]
	Additional info:		**Account Manager**	

Learnings

AM is [redacted]

- Individuals owners sell ads, headquarters print and mail
- Advertisements are [redacted] a mix that has been trending more local over last several years
  - "Some of the [redacted] advertisers have left, due to the economy, especially in the construction industry. The economy has had a much stronger effect at the national than at the local level"
- Ability to target down to the 10K recipient level make it most attractive channel for local senders
  - Much more focused than magazines and newspapers

2009 volumes down 5-7%, even after price incentives, but 5% annual growth expected through 2012 through regional expansion and increased mailing frequency

- Goal is to grow from [redacted] volume in 2009 to [redacted] by 2012 (vs. [redacted] in 2006-2007)
- However, have been conservative about [redacted] over past year out of worry that it growth would not be sustainable
- Nearing the limit of growth [redacted], and considering an increase in the frequency of mailings to continue growth

Table of contents

Industry segment: Direct Mail
Mail segment: Standard - Letters
Interview quality: 6

AN (II)

Director of Postal Affairs and Distribution

Learnings (cont'd)

AM expects mail to continue decline over long term, with Standard Mail declining by 10-15% through 2020, but mail will continue to be a good value

- Overall volumes not expected to rebound to previous highs
  - "The post-office is not going to have 220B pieces again, they're just not. I expect overall mail volumes to hit 160B over the next 10 years"
  - "The industry has a lifespan, what people send and where they send it has changed considerably over the several years"
- Direct mail industry shakeout will lead to fewer overall mailers competing with AM
  - "The industry is changing, many people have closed their doors, and I don't know that we're done with that"
- However as long as the USPS maintains its monopoly over the mailbox, customers will continue to value the mail over all other channels

AM has built sophisticated online capabilities in anticipation of changing consumer preferences, but is solidly dependent on paper mail for the foreseeable future

- Mail remains the primary channel for marketing to consumers
  - "The transition from printed products to digital will be entirely dependent on the evolving behavior of small businesses, it is outside of our control"
  - "When it comes to ROI, a lot of the businesses still want to stand there and count the number of paper coupons in their registers"
  - "When people get something in the mail, it's a reminder of when to go to the store"
- However, there is a recognized need to be ready with digital technologies
  - "We believe in the mail, but we also understand the need to keep up with the times and the new technologies"
- Online strategy currently tied to mail, but has capabilities to act more independently
  - "Right now, online is tied to the mail. The only way to get the online coupon is if you already get the package for mail as well. That could change going forward, but not yet"
  - "Online tracking is very sophisticated, but not independent from envelopes"

Private carrier delivery is not expected to divert any AM volume from the mail

Implications for USPS

While AM expects its own volume of mail to grow, overall trends in Standard Mail are expected to decline 10-15% through 2020

AM has built online delivery capabilities, but does not expect diversion away from paper channel over foreseeable future

Table of contents

Industry segment: Retailer
Mail segment: Standard - Catalog
Interview quality: 8

AO (I)

CMO

Interview detail

Name:		**Interviewed by:**	Aravind Elango, Jonathan Weekley
Title:	Chief Marketing Officer	**Date and time:**	11/06/2009, 2.00–3.00pm
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	

Learnings

AN sells [redacted] products through retail/catalog/online channels
- 90% flat mail (of [redacted] total), remaining is package delivery with FedEx
- Analytical with strong belief in multichannel marketing approach
- 50/50 of sales from catalogs are acquisition and retention
- 75% of new buyers come from the web
- TV is 43% of non-catalog ad-spend

Catalog has user value that can't be currently duplicated, one of many required channels
- Catalog role has changed from being the primary source to a reinforcement or trigger role in drawing customers to the store/online
- Catalog has duration benefits, is highly mobile, and has many repeat views
- "Catalogs drive sales across all channels and we have done many tests"
- Lifetime value of catalog user is much higher than web based customer
- Kindle, apple tablet could have major implications 5–10 years out

Strong pressures to minimize costs of catalog without jeopardizing revenues
- Reduction of page counts while maintaining frequency is effective
- Send full catalog and then follow-up with targeted slim one after purchase
- Moving towards significant reduction in page counts of all but primary catalogs
- Cost directly corresponds to volumes—postage is 54% of the cost of the catalog

Table of contents

Industry segment: Retailer
Mail segment: Standard - Catalog
Interview quality: 8

AO (II)

CMO

Learnings (cont'd)	**Catalog mail volumes will continue to fall through 2020** • "Economic downturn is just accelerating the inevitable reductions in volume" • "No way that there will be a return to previous volume, there will be a bounce back and then a slower decline" • Websites and search are significant growth drivers for us • "We learn to target customers better every year. We can reduce 20% of the catalogs we send and still maintain sales" **USPS needs to provide more predictable delivery timing for catalog companies as they have significant associate call center costs** • IM is ultimately a good thing because it improves tracking ROI but will not necessarily improve predictable timing • USPS is overly concerned about the green initiative—much less of a factor from a customer perspective
Implications for USPS	**AN, [redacted] sender predicts** • Catalog volumes will have modest increase post-recession and then have a slower longer term decline • Online channels will not replace the intimacy of catalog among receivers in the near future • Predicts further reduction in catalog volumes to due to cost increases in paper and postage **Online spending is a major threat to Catalogs** • More than 75% of our new customers acquired through targeted online search ads • "I know the ROI of online is questionable—The analysts like it!"

Table of contents

Industry segment: Retailer
Mail segment: Standard - Catalogs
Interview quality: 8

AP (I)

Director, Postal and Government Affairs

Interview detail

Name:		**Interviewed by:**	Jonathan Weekley, Aravind Elango
Title:	Director, Postal and Government Affairs	**Date and time:**	11/12/09, 2:00–3:00pm
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	

Learnings

AO has [redacted] stores and a strong online presence that is rapidly growing as a percentage of revenue

- AO spends [redacted] of their marketing on catalogs and the rest on their online sites (no other print, TV, outdoor space advertising)
- "Catalogs are the billboards for our stores—they enter the customers home"
- "Our catalogs depicts product in a home so when a customer reads the catalog in their home it helps them visualize the products in their living room, kitchen, etc."
- Catalogs sent once a month for each brand and call centers are staffed accordingly
- Biggest concern is catalog production and quality (not postage)

"Catalogs are the billboard for our stores"—Strong effort in recent years to align marketing message between store and catalog

- Consistent merchandising message to consumer through all channels is essential
- 95% of customers for catalog are for retention driving online and retail sales
- Regency of purchase, time of year of purchase and products purchased are the keys to determining what and when we mail our catalogs to specific customers
- Very little prospecting [redacted]

Table of contents

Industry segment: Retailer
Mail segment: Standard - Catalogs
Interview quality: 8

AP (II)

Director, Postal and Government Affairs

Learnings (cont'd)	**"Catalog volume has dropped off precipitously like the rest of the industry"** • Mostly due to the economic downturn but catalogs volumes already falling • "There has been an increase in environmental concerns with customers being very vocal which has been a factor in us making fewer/smaller catalogs" • "Overall direct mail will recover. But the catalog volumes are gone. It's not coming back. We'll be lucky to get 40% back" • Unlike the website, email is not an alternative to catalogs, email is used for driving traffic with specific product offers or stores events (online or retail) **"Catalogs volume will be down 25% by 2015 and maybe 50% by 2020"** • Rebound will be tiny, 2–5%+ next year, no return to volumes from two years ago • Catalog economics are difficult, customers increasingly use the website to browse • Online advertising is 20% of total marketing spend and could be 50% by 2020 • Online spending could increase 50% in the next couple years which would be a shift of the revenues from the catalog channel and not organic growth • Versioning has worked very well in targeting specific profile of customers and they are investing in and expediting efforts to improve these capabilities • Smarter targeting could reduce volumes by 50% over the next decade **Catalogs will never die as there is no direct substitute, even among new technologies** • Devices like Kindle could provide an alternative channel but would not replace catalogs because customers would have to proactively choose to view • "Catalogs are a tactile representation of the depth and bread of our product line and there is no way, even online to replicate the catalog experience—there is just no other way to convey the same total marketing, merchandising message"
Implications for USPS	**"Catalogs volume will be down 25% by 2015 and maybe 50% by 2020"** **Rebound will be tiny, 2–5%+ next year, no return to volumes from two years ago** **Smarter targeting could reduce volumes by 50% over the next decade** **Catalogs will never die as there is no direct substitute, even among new technologies**

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Industry segment: Mail Order/E-Tail
Mail segment: Standard - Catalogs
Interview quality: 7

AQ (I)

Director of Paper and Purchasing; Senior Manager for Print Production

Interview detail

Name:		**Interviewed by:**	Jonathan Weekley, Aravind Elango, Andy Kamons
Title:	Director of Paper and Purchasing, Senior Manager for Print Production	**Date and time:**	11/13/09, 11:00–12:00
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	

Learnings

Background

- [redacted]
- Nearly all [redacted] sales are triggered by catalog, and occur via phone or web
- No direct mail, all catalog based; basic courier route, not high saturation
- Volume of mailing is tied closely to value of customers, with top 10–15% receiving up to 50 catalogs a year, and prospects receiving <5 catalogs per year

Industry-wide, catalog volumes expected to decline 20% in 2009, and to level off below historic highs

- A lot of catalog companies are in bad financial shape
- Catalog volumes are likely to be down 20% this year, then to level off
- "The catalog industry is in pretty bad shape. I know many companies who have gone bankrupt. I don't think new companies will replace how much we have lost. To get back more than 30% of drop in volume is optimistic"

AP open to experimenting with newer channels, but feels paper catalogs will still be key

- "We cater to a niche segment and know exactly what our customers like. If we can target them through TV, we will spend more"

Table of contents

Industry segment: Mail Order/E-Tail
Mail segment: Standard - Catalogs
Interview quality: 7

AQ (II)

Director of Paper and Purchasing; Senior Manager for Print Production

Learnings (cont'd)

Customer acquisition, via cold mailing of catalog, declined slightly during 1H2009, but has already returned to previous levels

- 20–25% of all mailings are for prospecting new customers
- ~2% response rate, no view on whether this is increasing or decreasing

AP currently testing smaller sized catalogs, but plans to reinvest any postage savings into more mailings

- Have tried reducing number of pages but not number of contacts, <3% reduction in volume max
- Won't reduce overall volumes, will reinvest money in customers that are lower in the segmentation

Over next 10 years, AP is unlikely to divert large volumes away from catalogs

- "Lower mail volumes equals lower sales volumes, period"
- "We are experimenting with mobile, online and lots of other media. But end of the day, we rely on catalogs and that isn't going to change in 2020"
- "We will use new media for advertising. But at the end of the day, we will still send two-thirds of those customers paper catalogs"
- Computer-based technologies are considered inferior, regardless of technology
  - "Market analysis has shown that customers receiving catalogs will spend more than through any other marketing contact"
  - "Driving people to the web doesn't work, only the catalog gets them to buy"

Catalog volumes will not decline as a result of smarter targeting or new printing technology

- Print on demand is a non-starter; printing trends have been toward more centralization
  - "For me it's a gimmick, I don't think it will affect anything"
- Limits of smarter targeting have already been reached, printing costs prohibit further customization

Plans to reduce dependence on USPS have been unsuccessful, unlikely to change looking out 10 years

- The biggest perceived business threat is an increase in postage
  - "Our concern is having our costs under control, and by far the largest cost is USPS."
- Cost cuts due to previous rate hikes have been elsewhere in value chain, not a reduction in mail volume
- "Our critical problems over the last five years have all been due to USPS, and any problems we foresee over the next five years will also be with USPS, nothing else in our business model suggests reducing the volume of mailing."

Table of contents

Industry segment: Mail Order/E-Tail
Mail segment: Standard - Catalogs
Interview quality: 7

AQ (III)

Director of Paper and Purchasing; Senior Manager for Print Production

Implications for USPS	**Industry-wide, catalog volumes expected to decline 20% in 2009, and to level off below historic highs** • Catalog volumes are likely to be down 20% this year, then to level off – "To get back more than 50% of drop in volume is optimistic" • However, Redcat customer acquisition via cold mailing has already returned to previous levels **Over next 10 years, AP is unlikely to divert large volumes away from catalogs** • The biggest perceived business threat is an increase in postage • However, resultant cost cuts are likely to be elsewhere in the value chain, not a reduction in mail volume **AP has further concerns that USPS is an unreliable partner** • "We feel that USPS is managed by engineers, who are very concerned about machines and distribution networks, not the customers." • "What would we like from USPS? to partner with us, to forecast rate changes at least one year out instead of three months like we've seen, to give us alternatives that are long-term--Slim Jim catalogs lasted two years until legislation made them impossible to use, to promote themselves to public and make sure that people understand that mail is not unsustainable for the environment"

Table of contents

Industry segment: Retailer
Mail segment: Standard - Catalog
Interview quality: 7

AR (I)

Director—Direct Marketing

Interview detail	**Name:**		**Interviewed by:**	Aravind Elango, Jonathan Weekley
	Title:	Director—Direct Marketing	**Date and time:**	11/17/09, 12:00–1:00pm
	Contact info:		**USPS revenue:**	[redacted]
	Additional info:		**Account Manager:**	

Learnings

AQ is [redacted] retailer with retail, online and catalog channels
- Traditionally [redacted] retailer with heavy catalog use (75% rev from retail)
- Branching out heavily int[redacted]
- Over the past five years, heavy investment in complementary online channel
- Catalog has significant more product that retail and online has even more

AQ spends ~65% of marketing budget on catalogs and has not been reducing DM/catalogs as a percentage of total advertising spend
- *2009 marketing budget split*
  - *70% is spent on direct mail (90% of that is catalog)*
  - *18% is online (paid search, email, affiliate programs)*
  - *7% is offline (outdoor, print, instore)*
  - *5% is partnership with* [redacted]
- *2007 marketing budget split*
  - *70% direct mail*
  - *9% online*
  - *14% offline*
  - *7% partnership*

Table of contents

Industry segment: Retailer
Mail segment: Standard - Catalog
Interview quality: 7

AR (II)

Director—Direct Marketing

Learnings (cont'd)

"Our catalogs volumes are declining—but the catalog is highly effective and not replaceable with online channels"
- "Our marketing budget is getting smaller—growth in online is not coming at the expense of direct marketing"
- I can only attribute 50% of my revenue to a catalog. But I spend 80% of my marketing budget on it. We're planning to shift out spend from catalog to online spend
- "As a company we strongly believe in the catalog, it's very hard to replace marketing gap of catalog with online spend"
- "In sum, we will increase our catalog mailing looking out to 2015 because we will grow our footprint as a company and there are more people we can reach"
- "We have seen a large decrease in average order value—40% plus company sales is [redacted]—the big book is mostly [redacted] and expensive and we would send more if the economy turns"

Move towards diverse/targeted mailing strategy in the past 2/3 years to save money
- [redacted] Main types of catalog mailings based on frequency, type and size of purchase (95% acquisition)

[redacted]

- Addition of thin catalogs and clearance sale postcards allows them to more cost effectively target customers who they otherwise would not have contacted
  - "Versioning is among out top priorities so we can increase ROI"
- "Increasing frequency can also be very important, especially when customers have fallen off the purchase wheel and we can now start sending them the thin/smaller size catalogs now because they cost less"
- "Extensive internal data tracking revealed that for the large majority of customers, the bigger books don't make a difference, it saves us lots of money"

95% of mailings are focused on retention; company has increased promotions to increase retention
- Housefile is majority of mailing although targeted prospecting purchases account for 5% of mailing each year and have special offers
- Postcard [redacted] now being sent twice a year, free shipping coupons being sent year-round, occasionally replacing catalog mailings
- Continue to focus on driving customers to the stores as much as possible

Table of contents

Industry segment: Retailer
Mail segment: Standard - Catalog
Interview quality: 7

AR (III)

Director—Direct Marketing

Learnings (cont'd)

Catalog is considered the least effective channel for new acquisitions

- "Our retail stores remain our top priority and the key focus of our customer experience"
- Prioritized source of new acquisitions:
  - Retail locations
  - Gift registry business
  - Paid online search
  - Catalog/mailings

There are several industry/USPS activities that could lead them to increase/decrease their volumes in the next several years

- Experimenting with a widget (i-Catalog) and other applications that you can use on your Facebook page or mobile device
  - [redacted]
- "Mobile devices are a potential substitute and we recently relaunched our site with mobile format added"
- "[redacted] has been very effective—when you communicate [redacted] you can check a box to have specific catalogs [redacted] the timing is key for us"

Implications for USPS

Online channel is not taking away budget from the direct marketing catalog channel

Growth is anticipated from increased footprint but not from increase catalog activity

Versioning is key to the company and will increase but this does not mean that volumes will decrease as they could increase due to new customers being mailed where it previously was not cost effective

Table of contents

Industry segment: Mail Order Retailer
Mail segment: Standard
Interview quality: 6

AS (I)

Executive Liaison for Postal Affairs

Interview detail

Name:		**Interviewed by:**	Jonathan Weekley, Andy Kamons
Title:	Executive Liaison for Postal Affairs	**Date and time:**	11/17/09, 4:00–5:00pm
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	

Learnings

AR is a catalog retailer [redacted]
- Standard mail comprises 96% of mail; FC only used when required by law
  - 80% flats (16 titles)
  - 20% letter mail (two products market coupon packets, similar to AM)
- Orders are received by phone (70%), internet (25%), and mail (5%)
  - Shifting around 3% a year from phone to internet; mail stable

Impact of recession was mitigated by summer sale, but slow recovery expected
- Mail volume is down 10% down for year (was trending 16% down until summer sale)
  - Prospecting was cut first, with retention the priority
- It will take at least 24 months to rebuild prospect file regardless of how fast economy improves
  - "It's still harder now than it was two years ago to find people to mail that second catalog to. Number one quality of being a new catalog buyer is that you were previously a catalog buyer. So renting names from lists is the way to do it"

Mail usage is based strictly on ROI, which varies with consumer demand, cost of postage and materials
- Circulation is based on a FY payback model
  - "We mail up until the point that we can create a positive contribution from users on a per year basis"
- Postage price determines the amount of mailings
  - "Catalog volumes will be completely related to what the postal service does. In 2007, the catalog industry was devastated by the 20% rate increase"
- "There's a market perversion based on the fact that postage has grown to be such a part of the cost of mailing"
- Cost of postage has forced companies to experiment and come up with innovative strategies
  - "We can alternate mailing catalogs and flyers and still get same sales"

Table of contents

Industry segment: Mail Order Retailer
Mail segment: Standard
Interview quality: 6

AS (II)

Executive Liaison for Postal Affairs

Learnings (cont'd)	**Even absent price increases, catalog volumes are expected to decline 3–5% per year through 2020** • "If prices were to just increase by CPI, I expect catalog volumes to decline between 3–5% per year through 2020, but catalog volumes will be completely related to what the postal service does" **B2B correspondence has already been cut to bone, further declines will be based on payment technologies** • B2B correspondence between vendors is almost gone, the only thing only that's being mailed is checks • "I'd be shocked if check payments disappeared in the three year horizon but not in the 2020 horizon
Implications for USPS	**Impact of recession was mitigated by summer sale, but slow recovery expected** • Mail volume is down 10% down for year (was trending 16% down until summer sale) • It will take at least 24 months to rebuild prospect file regardless of how fast economy improves **Catalog volumes are largely dependent on cost of postage** **Event absent price increases, catalog volumes are expected to decline 3–5% per year through 2020**

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Industry segment: MSP
Mail segment: Standard
Interview quality: 9

AT (I)
CEO

Interview detail

Name:		**Interviewed by:**	Aravind Elango, Jonathan Weekley
Title:	CEO	**Date and time:**	11/17/09, 12:00–1:00pm
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	

Learnings

AS is an MSP focused on local ECR coupon mailings for local advertisers
- Distribute standard flat envelopes (no letters) using different types of ECR (claims ~350M units, $65M rev)
- Touch 20M unique HH with very similar model to [redacted] but targeting suburbs and smaller markets
- 4000 unique customer accounts (vast majority are local advertisers, 200/300 are national)
  - Sampling of customers include quick serve restaurant, auto retailers, rug cleaning, home repair, Kmart. Lowes, grocers, etc.)
  - Revenue split is 50/50 between local and national retailers despite count differential
- [redacted]

Customers are increasing focused on ROI and are shifting to PCD as a more cost effective alternative
- "25–30% of volumes could move to PCD by 2015 if prices go up by CPI (continued deterioration)"
- "Customers are only interested in ROI and private carrier delivery networks (filled by newspaper groups) can be a cost effective substitute that can be difficult to compete with for the USPS based on price"
- "Over the last 18th months many regional and national customers have moved to PCD, at a fixed cost no matter the weight it is really tough to compete with them"
- "PCDs are mostly saturation, they create economic zones of high density where they carve out the best target audience—the best cost effective areas will go to PCD"
- [redacted] some PCD and is exploring doing more"

Table of contents

Industry segment: MSP
Mail segment: Standard
Interview quality: 9

AT (II)

CEO

Learnings (cont'd)	**ECR customers are becoming increasing sophisticated in tracking ROI and managing costs** • "Some people will not be even slightly underweight—we will see a trend of the customers getting every last insert into the envelope as shared mail becomes increasingly important" • "Mail and print in particular are so easy to track and accurate to determine ROI so in a time like now it's even more valuable for customers" **Online channel is strong and growing, it will become an important channel by 2015 with roughly 15% of the total coupon market** • "Some customers love that coupons such as the grocery circular arrive earlier via email, redplum, coupon.com, etc. and this is only going to continue to grow" • "There will be a balance struck between mobile and the printed coupons—print is a complement that drives people to other channels including online and mobile" • "There will be little erosion between now and 2012 but by 2015 you will have established patterns and these other channels may provide more cost effective ways to achieving results" **Mobile expected to be established channel by 2015 with roughly 5–10% of the total coupon market—although largely targeted and complementary to print/online** • "Mobile will be big, it's all about customer location, demographic profile and the time of day" • "In the mobile arena the local advertiser has a leg up on the national customers—we believe a customer will only accept a certain number of messages and they will only accept very location/local specific offers" • "The coupon aggregators of the world are designing protocols that will enable mobile promotions to become mainstream. It's the holy grail for us to be able to advertise just in time and entice the customer to buy" • "A standard for mobile coupons will be in place within three years and could be a highly effective channel" • "Mobile will be successful because they will know where you are and can send you offers while you stand in front of the store—that blue sky is coming fairly soon and could be common in four to five years" • "We think we can get mobile phone numbers for 10-15% of our customers in the long term"
Implications for USPS	**"25–30% of volumes could move to PCD by 2015 if prices go up by CPI (continued deterioration)"** **Online channel will become an important channel by 2015 with roughly 15% of the total coupon market** **Mobile expected to be established channel by 2015 with roughly 5–10% of the total coupon market**

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Industry segment: Newsletter Publisher
Mail segment: Standard
Interview quality: 7

AU (I)

Director - Postal Operations

Interview detail	**Name:**		**Interviewed by:**	Aravind Elango, Jonathan Weekley
	Title:	Director - Postal Operations	**Date and time:**	11/18/09, 5:00–6:00PM
	Contact info:		**USPS revenue:**	[redacted]
	Additional info:		**Account Manager:**	

Learnings

AT is [redacted]

- [redacted]

AT has experienced a decline of ~20% in ad revenues but expects there to be a rebound

- "We expect to get back all of the advertising volumes, just not sure when but things are getting better"
- Lost advertisers went to shared mail or to radio/TV (e.g., auto dealerships)
- Timing of rebound is the biggest uncertainty, not clear we are in the midst of a rebound now
- "We could get back 80% of the flyer volumes we lost in 2-3 years"

Recently exploring options other than USPS because postage expense if hurting bottom line

- "Our search is largely ue to the increasing postage costs—we have found the alternatives are less expensive that the USPS"
- "We have also had so many service problems with USPS, basically the [redacted] editions are not arriving on [redacted] which upsets both the readers and out advertisers"
- Many can switch

Table of contents

Industry segment: Newsletter Publisher
Mail segment: Standard
Interview quality: 7

AU (II)

Director—Postal Operations

Learnings (cont'd)

PCD has been determined to be the best alternative to the USPS and they will shift volumes in Q1 '10

- "Our current plan is to shift delivery of one [redacted] PCD in 2010 which will effectively cut our USPS volumes in half and depending how that goes we may move it all to PCD"
- "With PCD we can track the delivery people and determine very easily what has been delivered and what has not—there on-time delivery is much better than USPS from what we have found"
- [redacted] strong in offering full saturation products which include PCD and USPS

By 2015 online and mobile expected to 10–15% of coupon market pushing down print volumes/ad spend

- "Recession will have a longer lasting impact and the demand for promotional mail will increase"
- "Most customers don't want to have to save the coupons they receive in the mail until they have the opportunity to use it—they want it when they want to use it which online and mobile can offer"
- "Advertisers will add online/mobile to supplement their print mail, they will be slow to drop print as they want to stick with what customers are familiar with"
- "Use of the mobile device will reduce mailed coupons by 5% by 2015 because people still like print coupons"
- "More advertisers are shifting from email strategies to mobile couponing than they are from print"
- "More than 50% of my customers have expressed interest in delivering their message quickly through mobile/email"

AT helping SMBs move advertising spend to digital

- "We have a large email database where consumers [redacted] have opted in. Our customers who send to these emails have had very good yield"

Implications for USPS

[redacted] volume has not declined but their advertising revenues have—while they expect a bounceback the timing is uncertain

PCDs are a cost effective alternative to the USPS for [redacted] currently sent as standard flat

Online and mobile well slowly erode the marketing spend used on for flyers/coupon but this will remain complementary for years as advertisers will be slow to drop print and take the risk of losing customers

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Industry segment: Mail-order Retail
Mail segment: Standard
Interview quality: 6

AV (I)
Merchandise Fulfillment and Postal Affairs

Interview detail

Name:		**Interviewed by:**	Aravind Elango, Andy Kamons
Title:	Merchandise Fulfillment and Postal Affairs	**Date and time:**	11/23/09, 11:00–12:00
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	

Learnings

AU is a mail-order retailer [redacted]
- Direct mail marketer, [redacted]
- Marketing is primarily standard letters, with some inserts and online marketing
  - [redacted] promotional pieces mailed annually (std letter) [redacted] to existing customers and [redacted] to prospects
    - Promotions mailed 2–3 times/week in batches [redacted]
  - No FC ads, no plans to add FC volume
- Merchandise is shipped by standard or parcel select
  - [redacted]

Mail volumes have grown significantly since 2007--from 108M to 230M pieces per year—and are expected to remain above 200M in 2010
- Prospects come from rented lists, and have declined in value as other catalogers have lost volume
  - "2010 volumes will be lower, because prospecting volume just won't be there. Our rented lists have shrunk"
- 2006—100M promotional pieces, 2007—108M, 2008—220M, 2009—230M (note, this jump seems too large, but captures interviewee comments correctly)
- "Companies felt the recession and reduced our catalog mail volumes. I think we might recover ~30% of the lost catalog volumes"

Although prospecting will grow, AU expects magazine sales industry-wide to remain in steady decline
- "Magazine subscriptions have been declining over the past three years, and we expect that to continue at a steady rate through 2020"

Table of contents

Industry segment: Mail-order Retail
Mail segment: Standard
Interview quality: 6

AV (II)

Merchandise Fulfillment and Postal Affairs

Learnings (cont'd)

AU has no electronic payment capabilities, does not expect significant electronic diversion
- "Our demographic still places a lot of value on the mailbox. Not only is [redacted] and the mailbox is very important"

Despite full reliance on mail for transactions, for 2010 AU plans to increase online marketing (+50%) at expense of direct mail (-10%); investment in online will continue to grow aggressively
- Ad spend decision driven by ROI and desire to balance multichannel
- Emails sent [redacted] per week to push traffic to AU website and for mail purchases
  - "For 2010, our email campaign is increasing by 50% and offline direct mail is decreasing by 10%"
- No goals on mix established beyond 2010
  - "Both the online and the offline are important and help each other, so we wouldn't want to fully abandon either. It comes down to where you invest, and you get the higher ROI from online. We won't abandon the offline base, but we will make sure to optimize both channels"
  - "I think online could replace 30% of acquisition mail budgets in the long term"

Online channel and weak prospect lists are only serious threats to continued use of direct mail; "Do not mail legislation" and PCD networks unlikely to have strong impact
- "Prospect sources continuing to shrink. If we can't get volume into the pipeline, we can't mail"
- Do not mail legislation very unlikely to pass, but does encourage a multichannel approach to manage risk
- Private Carrier Delivery unlikely to be a threat to USPS
  - "We would try it if someone offered it, but it's unlikely to be competitive with standard mail value"

Implications for USPS

For 2010, AU plans to increase online marketing (+50%) at expense of direct mail (-10%); investment in online will continue to grow aggressively

AU has [redacted] does not expect significant electronic diversion

Magazine sales industry-wide to remain in steady decline

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Industry segment: Retailer
Mail segment: Standard
Interview quality: 7

AW (I)

Postal Strategic Relations Manager

Interview detail				
	Name:		**Interviewed by:**	Aravind Elango, Jonathan Weekley
	Title:	Postal Strategic Relations Manager	**Date and time:**	18/11/09, 9.00–10.00am
	Contact info:		**USPS revenue:**	[redacted]
	Additional info:		**Account Manager:**	

Learnings

AV [redacted]

Economic rebound unlikely to produce big bounce back in catalog volumes
- Acquisition catalogs (~20% of all catalogs sent) were cut 20–30% during the recession
- 40% of all international catalogs were cut
- Rebound expected to bring back only ~30–40% of lost catalog volumes

Mobile marketing expected to replace ~10% of catalogs by 2020
- Limited is currently experiment with several data phone applications to target younger consumers
- "The younger generation is all about the mobile phone. They carry it with them all the time and will use to shop for products. We definitely see it coming"
- "It so convenient to flip through a mobile catalog when you're in a cab or flight"

Table of contents

Industry segment: Retailer
Mail segment: Standard
Interview quality: 7

AW (II)

Postal Strategic Relations Manager

Learnings (cont'd)

Catalogs seen as a mechanism to drive online sales
- "We use inserts and coupons with the catalog that encourage consumer to give us their email address of buy products online. We however don't see online spend and catalog spend being at odds with one another in the short term"
- [redacted]

Green concerns are unlikely to reduce volumes
- "Customers don't care about green. There are social groups that bring those to our attention. We show how we recycle paper and how we use with environmentally friendly substances and they are satisfied. I don't predict volumes decreasing noticeably due to the green movement"

Flyer volumes likely to decrease 12–20% due to online ads by 2020
- Flyers are used to spur sales for specific products and during the holiday season
- "We have made some improvements in tracking our customers online and displaying ads to them. I can expect us to do more of this in the next 3–5 years"

Misc
- [redacted]
- The USPS now feels that they want to be involved in our marketing decision instead of just being a logistics player. This is a good move and they need to include more marketing talent in house
- "15 - 20% of catalog budgets will go online in 10 years. People still believe in the catalog and we know that it promotes sales but the online channel is making great leaps"

Implications for USPS

AV, [redacted] predicts that
- 12–20% of Flyer volumes will be replaced by online ads by 2020
- Mobile marketing will eliminate 10% of catalogs by 2020
- Economic rebound will bring back only 30–40% of lost catalog volumes
- Green concerns are unlikely to reduce mail volumes

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Industry segment: [redacted]
Mail segment: First class
Interview quality: 6

AX (I)

General Manager, Transportation and Distribution

Interview detail	**Name:**		**Interviewed by:**	Aravind Elango, Andy Kamons
	Title:	GM, Transportation and Distribution	**Date and time:**	17/11/09, 11.00–12.00pm
	Contact info:		**USPS revenue:**	[redacted]
	Additional info:	Account Rep:	**Account Manager:**	

Learnings

AW [redacted]

AW predominantly uses First-Class Mail and volumes are down 50% since 2007
- "Our first class volumes are down 50% in the recession due to membership drop. We don't expect any immediate bounce back. We do expect to see a slow steady increase once we start advertising again"
- [redacted]

AW mails ~8–10K packages every week as a substitute First-Class Mail
- AW has [redacted] retail stores and on average each store sends/receives [redacted]/week

Table of contents

Industry segment: [redacted]
Mail segment: First class
Interview quality: 6

AX (II)

General Manager, Transportation and Distribution

Learnings (cont'd)

AW predicts [redacted]
- "Americans like instant gratification, and that means online, not mail. [redacted]
-
-
- By 2020, movie rentals will be distributed 40% over the internet, 30% by mail and 30% through stores

AW predicts UPS/Fedex to be steal share from USPS in the packages segment
- Fedex and UPS are serious competitors because of their technology sophistication
  - "Fedex and UPS are light years ahead of USPS when it comes to package tracking and the ability to deliver at the promised time. The technology they have is very advanced"
- AW predicts 40% of packages moving away from USPS if Fedex/UPS provide cost effective service
  - "If Fedex/UPS provide us with a cost effective solution, we will take it. They will probably not serve rural areas initially but will in the long term"

Implications for USPS

AW, [redacted] **predicts migration from First-Class Mail to digital** [redacted]
- 25% of First-Class Mail will be replaced by digital distribution in 2015
- Only 30% of all movie rentals will be mailed in 2020
- "Americans like instant gratification. [redacted]

Cost effective package services offered by Fedex/UPS will take 40% share away from USPS by 2015
- Fedex/UPS likely to first focus on urban areas until 2015

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Industry segment: [redacted]
Mail segment: Standard
Interview quality: 6

AY (I)

Director of Postal Relations

Interview detail	**Name:**		**Interviewed by:**	Aravind Elango, Andy Kamons
	Title:	Director of Postal Relations	**Date and time:**	20/11/09, 12:00–1:00pm
	Contact info:		**USPS revenue:**	[redacted]
	Additional info:	Account Rep:	**Account Manager:**	

Learnings

AX is [redacted] that has survived the recession without major impact
- AX primarily uses Standard letters and Flats [redacted]
- AX has added millions of small business customers during the recession
  - "In our customer list, we now have companies that spend [redacted] mail advertising. This is our largest growth segment"
- AX has experimented with cost effective solutions and channels to provide best value to consumers [redacted]
- [redacted]

AX predicts Standard Mail gaining 5–10% of advertisements leaving newspapers by 2012
- 80% of lost newspaper advertisements will move to Private Carrier Delivery networks
- Direct mail will deliver 5–10% of lost newspaper advertisements to areas where PCDs have not expanded
  - "We have moved advertisements from DM to newspapers and vice versa where it makes sense. 80% of all the ads that are leaving newspapers are picked up by PCDs. Only a fraction is coming to DM"
- Direct mail unlikely to hold on to gains from newspapers past 2012
  - "Ads previously made in newspapers are delivered by standard mail only because PCDs are not available in many areas. Once there is a PCD in the area, they will take up share from Standard Mail"

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Industry segment: [redacted]
Mail segment: Standard
Interview quality: 6

AY (II)

Director of Postal Relations

Learnings (cont'd)

More advertisers considering PCDs as alternative delivery channel in recent years

- PCDs have been in existence for a long time but did not gain much attention because Standard Mail was cheaper and newspaper circulation was strong
- Newspapers and PCDs are more willing to discount prices drastically now than in previous years
  - "Newspapers have turned to PCDs to substitute for eyeballs lost due to poor circulation"
  - "PCDs becoming more popular now because their prices have been tending downwards. The Standard Mail prices have been going the other way"
  - [redacted]
  - "Last week my customer wanted a 25% price cut. I said no and they moved to a PCD"
- Cable companies, telecom and retailers are likely to be first movers to PCDs

USPS could lose 40–45% of all discounted Standard Mail to PCDs in 2020

- Advertisers see PCDs having several advantages over Standard Mail
  - "PCD is a real threat to USPS"
  - PCDs are 30–40% more cost effective than Standard Mail for delivering advertisements
  - PCD restrictions on size and weight are more lenient than the restrictions imposed by USPS
  - "They let me send any format I want and charge me the same even if I send a heavier package"
  - "PCDs are 30–40% cheaper than Standard Mail and for all practical purposes, they charge me the same if I send a heavier package. USPS will lose 40–45% of heavy saturation route mail to PCDs by 2020"

PCDs have some barriers that they are likely to overcome

- The ROI of PCDs is still unproven. Initial results suggest that PCD delivered ads get less attention when compared to Standard Mail delivered Ads
  - "I am sure PCDs will figure out a way to make the content more interesting to readers. Lots of people are trying because they know that a lot of senders will switch over once they find a solution"
- PCDs are most cost effective in urban high density areas and not as cost competitive in rural areas
  - [redacted]

Table of contents

Industry segment: [redacted]
Mail segment: Standard
Interview quality: 6

AY (III)

Director of Postal Relations

Implications for USPS	**AX a [redacted] predicts** • 40–45% of all heavy carrier route Standard Mail could be lost to PCDs by 2020 • "PCDs are a real threat to the USPS. USPS will lose 40–45% of carrier route mail to PCDs by 2020" • Standard Mail gaining 5–10% of advertisements that move way from Newspapers • Only 5–10% of advertising volume leaving newspapers will go to Standard Mail as PCDs are considered a better alternate channel • PCDs limitations including lack of rural distribution and unproven ROI are likely to be remedied in the next 3–5 years • 50% of Standard retention mail will move to email by 2020 **PCDs becoming more attractive in recent years because PCD price points are declining while Standard Mail price points have been rising**

Table of contents

Industry segment: [redacted]
Mail segment: Standard
Interview quality: 7

AZ (I)
VP, Postal Logistics

Interview detail

Name		**Interviewed by**	Jonathan Weekley, Aravind Elango
Title	VP, Postal Logistics	**Date and time**	24/11/09, 10.00–11.00am
Contact info		**USPS revenue**	[redacted]
Additional info	Interviewee seemed uncomfortable with making predictions. Treat nos. with caution	**Account Manager**	

Learnings

AY [redacted]

Economic rebound to bring back mail volumes in Direct Mail
- AY saw a reduction of 30% during the economic recession
- Lost direct mail volumes will likely come back when the economy recovers
  - "Most of my consumers are in survival mode and peeking from a bunker. Once the economy recovers, they will start thinking rationally and spend. It will take 2–3 years"
- Mail from some industries like CC companies, real estate and mortgage are unlikely to return
  - "Overall 30% of the direct mail volumes we saw in the boom were excessive. Those mail volumes are never going to return"

Table of contents

Industry segment: [redacted]
Mail segment: Standard
Interview quality: 7

AZ (II)

VP, Postal Logistics

Learnings (cont'd)

Economic rebound to bring back mail volumes in Direct Mail (cont'd)

- Catalog senders could increase volumes by 2012 if prices are stable
  - "The catalog industry is struggling and many companies are bankrupt. The ones who are still alive will increases volumes by 2012 if prices are stable until then"

Kindle and tablet technologies could be a bigger threat to catalogs than online

- Customers experimenting with newer technologies to substitute the paper catalog
  - [redacted] experimental applications that could display catalogs in a Kindle or a Tablet. Once the Kindle has a color display and better resolution, we could see it being a threat"
- Online not considered a threat to catalogs
  - [redacted]

Magazines will recover only 25% of lost volumes due to economic rebound

- Economic rebound is likely to bring back ~25% of lost magazine volumes
  - "Many subscribers have experimented with online during this recession and they are not coming back. We would be lucky to get 25% of what we lost back. Many have switched to online and mobile"

Smarter targeting will get additional boost from latest digital printing technologies

- Latest digital printing technologies can create a customized flyers at very lost costs
  - [redacted]
  - "Many companies replacing catalogs with a 12 page flyers. This will become more of a trend in the future"

Misc

- Email is not a great medium to make a sale.
  - "Retailers have a model that says email works and they keep pummeling the consumer. At some points the consumer become numb"
- Catalogs are the most expensive promotional material to send and the prices go up every year. The companies that have other marketing channels have reduced catalogs by 40%
- PCDs will take up lost newspaper ads but are unlikely to be a threat to direct mail
  - "Some PCDs are sophisticated and can do microzoning. But newspapers are not as operationally efficient as the USPS"

Table of contents

Industry segment: [redacted]
Mail segment: Standard
Interview quality: 7

AZ (III)

VP, Postal Logistics

Implications for USPS	**AY, [redacted] predicts** • Senders are irrational in cutting back direct volumes and direct mail will recover in the long run – Most of the lost direct mail volumes in letters and flyers returning when economy rebounds – Only 25% of lost magazine volumes to return – Only 30–35% of lost catalog volumes returning due to overall health of the industry • Smarter targeting will reduce catalog volumes in the future • PCDs are likely to take up lost newspaper advertisements but are not a threat to direct mail • Latest digital printing technologies will provide marketers with the ability to customize communications at very low cost

Table of contents

Industry segment: Marketing Agency
Mail segment: Standard
Interview quality: 7

BA (I)

SVP of Strategic Services

Interview detail				
	Name:		**Interviewed by:**	Aravind Elango
	Title:	SVP of Strategic Services	**Date and time:**	24/11/09, 1:00–1:30pm
	Contact info:		**USPS revenue:**	N/A
	Additional info:	Referred by	**Account Manager:**	

Learnings

AZ [redacted]

Economic rebound is likely to bring back direct mail volumes for letters and flyers

- Most of direct mail volumes lost are due to budget cuts and will rebound
  - Mail from financial services, real estate and some retail will not recover
- Lack of consumer spending has decreased direct mail effectiveness by 20–30%. Similar results observed in other advertising channels
- Companies are taking a closer look at direct mail spending but haven't diverted $ to other channels
  - "Sure email is more cost effective and more companies will invest in it. Move from direct mail to email might have been accelerated by the economic crises, but email/online are a different trend. We might even see some senders coming back to direct mail after testing email's ROI"

Multichannel marketing is likely to limit direct mail volume reductions

- Companies are likely to target customers with multiple modes of communications instead of just one
  - "Even if companies have email addresses, they will still send mail to 60% of their customers. The goal is to reach your profitable customers using several routes rather than just reduce costs"
  - "We are adopting a multi-channel approach and we will advertise to consumers using multiple channels unless they opt out"

Table of contents

Industry segment: Mail Service Provider
Mail segment: Standard
Interview quality: 8

BA (II)

SVP of Strategic Services

Learnings (cont'd)

Higher ROI in direct mail will lead to an increasing in mail volumes
- Companies will likely increase mail volumes when ROI for direct mail improves
  - "Most companies feel that improved targeting will help them to better evaluate a prospect"
  - "We have used smarter targeting to improve ROI in the past. In this economy we see no increase. Under normal circumstances, we would see mail volumes increasing 5–10%
  - "We are closely watching how customers treat their mailbox when they get less bills or statements. If customers stop looking through ads, we might have to change our strategy"

Sophisticated senders are moving more acquisition dollars online while using direct mail more for retention (Comment: Have not heard this information from other senders)
- Currently national players using direct mail 80% for acquisition and 20% for retention
- "Online ads can be just as targeted as direct mail can and it is so much more measurable"
- "Online has made great leaps in customer acquisition and we will invest more online"

Direct mail can gain ~30% of ads migrating from newspapers
- Retailers can move advertisements from newspapers to Standard Mail due to poor circulation
- For other segments are unlikely to move because newspapers advertisements are cheaper that direct mail and the turnaround time for newspaper ads is quicker

Implications for USPS

AZ, a [redacted] predicts
- Economic rebound will help bring back majority of lost direct mail volumes
  - Mail from financial service companies and real estate industry will not recover
- Demand elasticity of direct mail is ~15% (i.e., 1% reduction in price will cause 1.5% increase in volumes)
- National companies will change their mail usage from 80% acquisition to 65% acquisition by 2015
- Multichannel marketing approached will limit erosion of direct mail volumes as companies will send email and direct mail to 60% of their consumers

Table of contents

Industry segment: Association
Mail segment: Standard
Interview quality: 7

BB (I)
President

Interview detail

Name:		**Interviewed by:**	Jonathan Weekley Aravind Elango
Title:	SVP of Strategic Services	**Date and time:**	24/11/09, 1:00–1:30pm
Contact info:		**USPS revenue:**	N/A
Additional info:		**Account Manager:**	

Learnings

Private delivery industry has always been an adjunct of the circulation arm of the newspaper companies
- 95% of PCD have a paper where they deliver (daily papers, community newspapers, free paper/shopper) and which they oftentimes print
- Preprint inserts are added to the papers as most retailers want to control their own printing
- In terms of the law—the newspaper can deliver to subscribers and non-subscribers
- "PCD is a threat to standard mail, especially for the newspapers sent through the mail"

Historically, USPS has not been welcoming of direct mailers especially flyers
- USPS troubles have led them to embrace the direct mailers, smaller newspapers and shared mail bundlers
- "Now the postal service says oh crap if I want to survive I need to embrace and be welcoming of the advertisers and pretty much any other form of mail"
- "If we need to we will create our own river—depends on how the USPS decides to work with us"

TMC (Total Market Coverage) is a mix of mail PCD and USPS to economically hit every door
- "They use their own privacy carrier force to deliver the newspaper with the ads and also offer their advertisers who want full penetrations the option of mailing those not covered"
- PCD coverage is better in urban areas—2/3 urban and 1/3 rural split with the rural areas having lower piececount and fewer saturation mailings

Table of contents

Industry segment: Association
Mail segment: Standard
Interview quality: 7

BB (II)

President

Learnings (cont'd)	**USPS delivers 40% of all saturation mailings and that is forecast to decline over the next decade** • Total market size of saturation mailings is a 65M HH weekly circulation • "That 40% is going to fall—ever since they changed the labeling and required labels in cities they have seen the volumes drop significantly" • "They (USPS) are deluded to think that if they tinker with the numbers they will capture or even retain these big advertisers—those advertisers want something in the home week in and week out" • "Once you make the commitment to take your mailing through PCD you don't come back" **"Flyers do not fly solo, if you look at the saturation market the majority go PCD"** • As prices go up the volumes are increasingly shifting to PCD networks • Technology is making PCD less expensive and companies are willing to take this on **UPSP saturation mail is light weight as the heavier your mailing the more economical PCD becomes** • "PCDs are 40% cheaper and have less restrictions. PCDs will take share from Direct Mail in some high density areas" • "PCD networks are typically more built out in the MW because they are more heavy weight" • "Anyone mailing 4 or 5 ounces will definitely switch to a PCD in the next 2-3 years"
Implications for USPS	**USPS delivers 40% of all saturation mailings and that is forecast to decline over the next decade** **"They (USPS) are deluded to think that if they tinker with the numbers they will capture or even retain these big advertisers—those advertisers want something in the home week in and week out"** **USPS saturation mail is light weight as the heavier your mailing the more economical PCD becomes**

Table of contents

Industry segment: Expert
Mail segment: Standard Mail
Interview quality: 8

BC (I)
President

Interview detail	**Name:**		**Interviewed by:**	Aravind Elango
	Title:	President, Global Clients and Business Development	**Date and time:**	12/03/09, 5:45–6:45pm
	Contact info:		**USPS revenue:**	N/A
	Additional info:		**Account Manager:**	

Learnings

XX is an advertising expert [redacted]
- Previously Head of Advertising, XX
- Over [redacted] years of advertising experience working with companies including [redacted]
- Has expertise in media strategy, design, budget allocation and buying

Historical correlation between advertising spend and nominal GDP appears to be weakening
- Advertising spend 96% correlated with nominal GDP with a 5-month lag
- The weakening correlation between ad spend and nominal GDP is due to increased ad spend on lesser tracked channels
  - "Companies are advertising in new channels like mobile and the advertising monitors don't track these channels"
- Overall advertising costs trending cheaper and companies moving savings to the bottom line

Direct Mail losing attractiveness mainly due to structural reasons
- Postage increases have reduced the attractiveness of the direct mail channel
  - "ROI of direct mail has fallen by a third in the past 5 years due to postage rate increases"
- Direct mail channel has become more expensive while other advertising channels are becoming cheaper
  - "The proliferation of media and technology since 90's have drastically reduced the cost of advertising – except in direct mail"
- Direct mail volumes to partially recover with economic rebound, but unlikely to track GDP in the future
  - "Digital alternatives are maturing and there are several promising technologies in the pipeline. From 2006, we have had excellent alternatives to mail and direct mail's share of advertising will reduce going forward"

Table of contents

Industry segment: Expert
Mail segment: Standard Mail
Interview quality: 8

BC (II)
President

Learnings (cont'd)

Online to sustain double digit growth only until 2015
- "We have 50% more headroom to grow online. Growth will slow from 15% now to 6-7% after 2015"
- "We expected bidding for ad words to become inflated. But there is so much of head room that people bid on related words and prices are stable"
- "Even small enterprises are moving their advertising spend online. I expect local senders to shift 30-40% of their spend online"
- "50% of our customers would like to use email. It's very cost effective, can be constructed quickly and your existing customers will probably read it"

Direct mail to benefit from 30-50% of print ads leaving newspapers
- Retail newspaper advertisements (e.g. ads from auto dealers, consumer products) expected to fall 15-20% over the next decade
- Many alternate channels exist to ads leaving newspapers including online advertising, cable TV advertising, direct mail and Radio
- Direct mail better suited for ads from local stores, small services and discount stores
- Professional and non-professional services to move more into free newspapers, private carrier delivery and online.
- Auto dealers and similar sized business are more likely to move to cable TV or online advertising
- Overall direct mail to gain 30-50% of print ads
  - "I foresee 30-50% of lost retail newspaper advertising moving to saturation type direct mail"

40% of newspaper Free Standing Inserts (FSI) to go into shared direct mail
- 30% of FSIs to be completely eliminated due to budget pressures and lower attractiveness of channel
- 40% of remaining FSIs to move into direct mail
- FSI to transition to shared mail due to similar response rates, reach and costs; Could be a new product opportunity for USPS
  - "I see 40% of FSI's moving to direct mail. Most will move into shared mail unless the USPS comes out with a different product. AX is already offering this service"

Content addressable TV could be a threat to direct mail after 2015
- Cable companies have created a joint venture (XX) to create the technology for content addressable ads
- "80% of US households expected to have information gathering digital box that can aid content addressable TV by 2020"
- However, there are several technology and privacy challenges to be overcome
  - "Content addressable TV advertising is a great concept. But there are plenty of barriers. There are strong privacy concerns, and the technology barriers seem bigger than previously estimated"
- Content addressable TV is more likely to steal share from TV advertising than from direct mail due to multichannel approach.
- Senders targeting niche segments (~5% of all direct mail) may move to content addressable TV
  - "Companies that have a clear line of sight about which channels their customers watch will benefit from addressable TV"

Table of contents

Industry segment: Expert
Mail segment: Standard Mail
Interview quality: 8

BC (III)

President

Implications for USPS	**Direct mail volumes to rebound with economy but historical correlation with GDP will weaken due to** • Structural factors affecting direct mail volumes (Postage costs, lower response rates, decline of print advertising) • Availability of several viable alternatives including online, mobile and Cable TV **Online advertising to grow at 10-15% CAGR until 2015. Post 2015, growth will slow to ~7%** **Direct mail volumes to benefit from lost newspaper advertisements** • 30-50% of print ads from retail sector will move into direct mail • 40% of newspaper FSI to move into Shared mail products like those offered by AX **Content addressable TV could be a threat to direct mail; However, several barriers (technology, privacy concerns) need to be overcome**

Table of contents

Industry segment: Magazine Publisher
Mail segment: Periodicals, Standard, First Class
Interview quality: 9

BD (I)

Director of Distribution and Postal Affairs

Interview detail

Name:		**Interviewed by:**	John Cartwright, Jonathan Weekley, Aravind Elango, Andy Kamons
Title:	Director of Distribution and Postal Affairs	**Date and time:**	11/11/09, 4:00–5:00pm
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	

Learnings

Magazine subscriptions generate [redacted] pieces of mail per year
- Magazine list rentals account for [redacted] mailings per customer annually
- [redacted] renewal notices (standard mail) an [redacted] statements (first class)
- [redacted]

BC relies on direct mail to acquire new customers [redacted] pieces in 2008); volume tied closely to cost of postage
- Direct mail is primary tool, followed by agents, internet, and insert cards (all non-mail based)
- Postage is the primary driver that affects balance
  - "If postage drives up the cost/order of direct mail, and agent business becomes cheaper, we'll turn on the spigot more for the agent than for DM"
- Email is a non-starter
  - "Email is getting smarter, but spam filters are also getting smarter, and people less tolerant"

Direct mail campaigns yield ~3% [redacted] mailings per new subscription)

BC use of direct mail is targeted, seeking only to maintain stable customer base
- Advertisers sensitive to out-of-pocket cost, which grows with the size of circulation
  - "Way to sell selves is to acquire the best readers, not to grow base"
  - "We're already direct mailing to the best customers and the people most likely to subscribe, not carpet bombing the country. When we need more direct subscribers, we reach out to agents"

Industry segment: Magazine Publisher
Mail segment: Periodicals, Standard, First Class
Interview quality: 9

BD (II)

Director of Distribution and Postal Affairs

Learnings (cont'd)

Changes in mailing technology unlikely to affect volume of direct mail for acquisition

- Direct mail already utilizes smart targeting
  - "We have this game well wired, I don't think improvements in targeting will help us much"

Overall magazine sales have not declined noticeably during recession, unlikely to see a rebound

Future mail volumes will decrease due to ~10% fewer first class mailings, standard mail to remain flat

- Renewal and billing mail will decline slightly
  - Overall, first class mail to decline ~10% over next 10 years
- Acquisitions will stay flat
- Premiums will stay small

Digitalization remains unknown for content delivery and acquisitions, likely to increase substantially for billing and payment

- Billing and payment will shift to online as quickly as possible
  - "I'm very worried about volumes over the next 10 years for the postal service. I see our business pursuing digital and credit card payment, and I don't think this is a pretty picture going forward"
  - "As people give more credit card numbers, we will push hard for automatic renewals"
- Content delivery remains uncertain, but hardcopy unlikely to disappear
  - "looking out into the future, I don't see magazines going away, but teenagers are pretty cozy with a screen in front of them and the next generation may be more inclined to not have a hard copy"
  - Hardcopy allows for a multiplier effect, e.g., "[redacted] goes to 3M subscribers, but has 19M readers"
- Acquisition likely to be mail driven, but BC will follow what market demands
  - "We don't have an answer for the future of acquisition, we'll experiment and they'll tell us"

Table of contents

Industry segment: Magazine Publisher
Mail segment: Periodicals, Standard, First Class
Interview quality: 9

BD (III)

Director of Distribution and Postal Affairs

Implications for USPS

Magazine subscriptions generate [redacted] pieces of mail per year

BC relies on direct mail to acquire new customers [redacted] pieces in 2008); volume tied closely to cost of postage
- BC use of direct mail is targeted, seeking only to maintain stable customer base
- Changes in mailing technology unlikely to affect volume of direct mail for acquisition

Future mail volumes will decrease due to ~10% fewer first class mailings, standard mail to remain flat
- Renewal and billing mail will decline slightly
  - Overall, first class mail to decline ~10% over next 10 years
- Standard mail to remain flat

Digitalization remains unknown for content delivery and acquisitions, likely to increase substantially for billing and payment
- Billing and payment will shift to online as quickly as possible
- Content delivery remains uncertain, but hardcopy unlikely to disappear

Table of contents

Industry segment: Magazine Publisher
Mail segment: Periodical, Standard
Interview quality: 8

BE (I)

Executive Director Distribution Sourcing and Postal Affairs

Interview detail

Name:		**Interviewed by:**	Jonathan Weekley, Aravind Elango, Andy Kamons
Title:	Executive Director Distribution Sourcing and Postal Affairs	**Date and time:**	11/13/09, 1:30–2:30
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	

Learnings

BD [redacted]

BD currently spends [redacted] annually in postage, 68% periodical, 25% magazines, 7% first class
- [redacted] Periodical postage
- [redacted] standard mail, prospecting for new subscribers
- [redacted] first class, for billing and renewals only (no ads)
  – Volume is half as many standard versus periodicals pieces

Periodical and standard mail volume has declined ~15% since 2007, further reductions are expected
- Cold mailing via standard mail has declined from [redacted] pieces since 2007
- Shutdown [redacted] cut an additional [redacted] from USPS spend

Decline in magazine sales has multiplier effect in other classes of mail, but difficult to quantify
- Mail is generated by direct mail and by selling lists for others to advertise
- "Mail begets mail. For every subscriber, the postal service winds up with a multitude of other mail in other classes"

Table of contents

Industry segment: Magazine Publisher
Mail segment: Periodical, Standard
Interview quality: 8

BE (II)

Executive Director Distribution Sourcing and Postal Affairs

Learnings (cont'd)

Advertisers have permanently fled to other channels, and further decline in magazine volume is likely
- Economy has driven some drop in ad volume, and a slow recovery is expected
  - "Advertising is normally the first thing to go and the last thing to come back in a recession"
- However, alternative channels are also accountable for decreased sales
  - "We'll never return to historic levels, advertisers have found other ways to deliver ads. They were devoting more and more of revenues away to begin with, and now won't be back"
  - "We haven't seen the bounce the yet, but all of the budgeting is based on 0 growth."

Overall, industry is shifting from newsstand to subscriber focus, but direct mail for customer acquisition is still expected to decline over next 10 years
- Newsstand sales steadily declining over past several years, subscriber base has been boosted to maintain ad rates
- Direct mail for customer acquisition is being replaced by other channels
  - "I definitely see a lessening in the use of standard mail in the years to come, no matter what happens"

[redacted] growth of internet is not expected to affect periodical volume
- "I think online channel could replace 30% of acquisition mail budgets by 2020"
- "The only thing that would cause volumes to go down would be unprofitable magazines getting pruned, I don't see sea change in how we do business. Overall periodical industry volumes could drop 15-20% by 2020"
- Plans for an e-reader suitable for magazines are still nascent

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Implications for USPS

Periodical and standard mail volume has declined ~15% since 2007, further reductions are expected
- Cold mailing via standard mail has declined from [redacted] pieces since 2007
- "I think online could replace 30% of acquisition mail budgets by 2020"

Growth of internet is not expected to have direct affect on periodical volume, but advertisers are permanently shifting away from print, with long term loss in periodical volume likely
- Periodical volumes expected to fall 15-20% by 2020
- We haven't seen the bounce the yet, but all of the budgeting is based on 0 growth

Industry segment: MSP
Mail segment: Periodicals
Interview quality: 9

BF (I)
Mail director

Interview detail

Name:		**Interviewed by:**	Jonathan Weekley, John Cartwright
Title:	Mail Director	**Date and time:**	11/09/09, 1.00–2.00pm
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	

Learnings

BE[redacted]
- Product mix includes First class, Standard, Periodicals and Bounded matter

Periodicals industry uses several types of mail, "for each subscriptions, there is large multiplier effect"
- Each subscription has [redacted] mailings associated with it.
  - The periodical itself
  - Promotional direct mail to acquire new customers (Standard mail)
    - [redacted] standard mail sent to acquire one customer (2% yield)
  - Billing notices to remind subscribers about upcoming dues (First Class mail)
    - [redacted] notices (First class) sent out annually—If needed
  - Retention notices to subscribers (Standard mail)
    - [redacted] notices (Standard mail) sent out annually per subscription
  - Occas[redacted]ts or samples (Bound matter)

Periodicals industry unlikely to see big rebound during economic recovery
- Mailing volumes constant during recession due to longer term contracts and resilient subscriber base
- Advertising income to rebound with economic recovery, but not translate into mailing volume increases
  - "We can expect a moderate rebound in the next year or two. But since we didn't drop by that much, it won't be huge"

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Industry segment: MSP
Mail segment: Periodicals
Interview quality: 9

BF (II)
Mail director

Learnings (cont'd)	**Publishers will reduce billing by 25%, retention mail by 30% and acquisition mail by 25% in 2020** • Publishers using better customer analytics to predict optimal mailing volumes – "Better consumer data will reduce retention notices by more than 50% and billing notices by 30%" • Standard mail spending last to be cut due to limited intelligence available to understand new prospects **Several cost efficient existing alternatives could replace periodical mail in the future** • Kindle and similar technologies are among the biggest threats 5–10 years out • The periodical industry always comes back strong. But I don't know about it this time. There are so many good, cheap alternatives, that I think volumes will keep going down in the future
Implications for USPS	**There is a significant multiplier effect for each subscriber of periodicals** • To acquire a new customer, publishers send out [redacted] standard mail • Usually, magazines send ou[redacted] notices (Standard mail) and [redacted] notices (First class) • "The USPS keeps telling us that periodicals don't make money for them … but they should remember that every periodical is responsible for so much more First class and standard mail" **Online bill presentment, smarter targeting and online ads are expected to be the biggest threats to publishing industry's mail** • Smarter targeting will reduce direct acquisition mail by 25% • Online bill presented will reduce billing volume by 25% and retention mail by 30% • Newer technologies like Kindle and other tablets could accelerate this change. Mailing volumes could fall by 50% (FC and standard) at most

Table of contents

Industry segment: Magazine Publisher
Mail segment: Periodicals - Magazines
Interview quality: 6

BG (I)
Director of Logistics

Interview detail				
	Name:		**Interviewed by:**	Jonathan Weekley, Aravind Elango, Andy Kamons
	Title:	Director of Logistics	**Date and time:**	11/12/09, 4:00–5:00pm
	Contact info:		**USPS revenue:**	[redacted]
	Additional info:		**Account Manager:**	

Learnings

BF [redacted]
-
  - Periodicals—large majority are magazines
  - First class—subscriber bills
  - Standard—solicitation/renewal notices

BF website is the key channel for new subscriptions not direct marketing mail
- Website is for acquisitions with teaser content intended to sell subscriptions
  - Requires free account which triggers email/DM subscription offers
  - Anticipate 50% of new subscribers through website by 2020 resulting in 50% reduction of prospecting mail
- "The future looks more electronic all the time, we are selling tons of subscriptions through our websites and it's only going to increase"
- "The multiplier effect is continually getting smaller as electronic channels grow"
  - In the old days we talked about generating 4–5 pieces per subscription

Cost of postage has been the biggest trigger to moving online for new acquisitions
- "If rates skyrocket 10–20% we will stop mailing—that would be a baaaaad thing"
- "Could live with 5% increase but double digit is not acceptable, hopefully we get back to CPI and we could live with that"

Table of contents

Industry segment: Magazine Publisher
Mail segment: Periodicals - Magazines
Interview quality: 6

BG (II)

Director of Logistics

Learnings (cont'd)

Magazine volumes may decline 15–20% out by 2020, DM may decline much more

- Subscriptions have been flat through the economic downturn but print volume could be down 10–40% by 2020 as a result of technology
- Significant transition to electronic billing and communication with subscribers
- Standard DM is declining—focused on acquiring new subscribers through online channels (50% '10 target)
- Targeting is becoming increasingly better as they track over 100 pieces of information on each household

BF has a team dedicated to developing a plan to compete 5–10 years out

- "The future print magazine audience might be more heavily comprised of women—women relax and enjoy the experience, it fulfills a part of their day
- "Men want to get something out of a magazine fast, it's a tool"
- "We want to be part of the new tablet technology, it will happen but we just are not sure what form it will be right now"
- Minor green concerns from customers regarding magazines, newspapers are the big issue for most people

Implications for USPS

Anticipate 50% of new subscribers through website by 2020

"The multiplier effect is continually getting smaller as electronic channels grow"

"If rates skyrocket 10–20% we will stop mailing—that would be a baaaaad thing"

Magazine volumes may decline 15–20% out by 2020, DM may decline much more

Table of contents

Industry segment: Non-Profit Membership Org.
Mail segment: Standard
Interview quality: 5

BH (I)

VP, Publication Operations

Interview detail	**Name:**		**Interviewed by:**	Aravind Elango, Jonathan Weekley
	Title:	VP, Publication Operations	**Date and time:**	11/17/09, 5.00–6.00pm
	Contact info:		**USPS revenue:**	[redacted]
	Additional info:		**Account Manager:**	

Learnings

BG [redacted]

BG uses Standard mail to communicate with it's existing members and to acquire new members
- BG mails two publications as a membership privilege to a existing members
  - BG magazine is mailed to all members [redacted] a year
  - BG bulletin is mailed to all members [redacted] a year
  - [redacted] publication is mailed based on member preferences

BG has set a strategic goal to move from paper to digital and predicts 25% less standard mail by 2020 (Comment: Interviewee unfamiliar with BG's First Class mail usage)
- Even digital bulletins, considered most likely for adaption have low subscription rates
- Only [redacted] invited members enrolled to receive the BG bulletin digitally
- Plans to have 'Green' membership option by 2010 where all communications will be digital
- By 2015, plan is to have digital as only option for new members

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Industry segment: Non-Profit Membership Org.
Mail segment: Standard
Interview quality: 5

BH (II)

VP, Publication Operations

Learnings (cont'd)	**Cost pressure is primary reason pushing BG into the digital domain** • Mailing expenses to existing customers considered prime target for cost cutting • Mail budgets slashed during recession are unlikely to rebound in the future • Within the mailing value chain, postage rate increases considered the biggest threat – "There are different levers to offset paper and printing costs but postage is totally out of our control" • "We have [redacted] customers and we send them each [redacted] a year. Email is the ideal way for us to speak with our members. The [redacted] mail expense will be cut"
Implications for USPS	**BG, a large membership organization has made a strategic decision to move online** • Standard mail volumes likely to reduce 25% by 2020 (Comment: Moderate confidence. Interviewee did not have a clear sense about targets) • Aims to provide 'online-only' option for members starting in 2010

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Industry segment: Industry Association
Mail segment: N/A
Interview quality: 8

BI (I)

CEO/President

Interview detail	**Name:**		**Interviewed by:**	John Cartwright, Aravind Elango, Andy Kamons
	Title:	CEO/President	**Date and time:**	11/16/09, 5:00–6:00
	Contact info:		**USPS revenue:**	N/A
	Additional info:		**Account Manager:**	

Learnings

BH [redacted] ma [redacted]

"Mail rebound from recession expected to be modest and not to return volumes to 2007 levels"

- "It'll never return to 2006 volumes. We see postal volumes staying where they are or continuing to decline through 2010, and rebound will be more moderate, about 1–2% a year
- "Market we are dealing with today is likely what we'll see for 12–24 months. Low volume, cost stress, no ability to move price"

Volume will decline to [redacted] by 2015 [redacted] by 2020, and [redacted] by 2024

- Through 2015 mail [redacted] ill be [redacted] units
- "Looking out 10 years, we can be d [redacted] ar as [redacted] we see a real shift in elasticities of demand"
- "If look at mail volume in 2006 and look in 2024, it'll be 50% of what it was"

Mail has permanently decoupled from GDP and will soon cease to function as a tool for household business

- Customer preferences are shifting away from mail
  - "Used to think it was just GDP moving mail around, but it also has to do with customer preferences."
  - "For future generations mail as a tool for ordinary household business will cease to exist"

Table of contents

Industry segment: Industry Association
Mail segment: N/A
Interview quality: 8

BI (II)

CEO/President

Learnings (cont'd)

First Class mail will remain under price pressure to encourage electronic diversion, but need crisis to promote shift, not pressure from individual businesses

- Ultimately driver of change will be a major event not 'gee whiz' technology
- Haven't hit on approach to divert people voluntarily
  - "They've been trying greenwashing, but customers are too savvy for that"

USPS should be more aggressive at tapping into new technologies to increase volumes

- Looser transpromo regulations would delay FC volume decline
  - "USPS is very conservative about innovation. It is a 'yes but' institution, hiding behind regulations."
- Potential for a middle tier between Std and FC, with guaranteed delivery timing
  - "Put the higher volume, more custom mail in it. Allow for tighter timeframes, give people a reason to want to seek out the higher charges"

Standard and periodical mail volume expected to be stable or slightly down over next 10 years, with increase in smart targeting

- Periodicals, flyers and catalogs will remain stable or up
  - "Print on demand won't replace catalogs. Those need to be in the home. However, if you can get a physical display that is paper-like, then that would be a game-changing technology."
- Standard mail letters will get more creative and targeted, will remain strong but not grow
  - "Expect that letters will be down by 2% over next 10 years, but pending a global meltdown, I don't see any significant decline in ad letters"
  - Newspapers will decline 35–40% over next 15 years, and direct mail will capture the majority of that
- Transition after implementing smarter targeting would be at least five years
  - "I think the era of the mass mailing is over. It'll be targeted, regional, and timely"

IM unlikely to increase overall mail volumes by more than 1%

- I think it'll be 3–4 years before the value of the system is realized
- It may add 1% to overall mail volume over 10 years, but it's a drop in the bucket

Table of contents

Industry segment: Industry Association
Mail segment: N/A
Interview quality: 8

BI (III)

CEO/President

Implications for USPS

Rebound from recession expected to be modest and not to return volumes to 2007 levels

- It'll never return to 2006 volumes. We see postal volumes staying where they are or continuing to decline through 2010, and rebound will be more moderate, about 1–2% a year
- "Market we are dealing with today is likely what we'll see for 12–24 months. Low volume, cost stress, no ability to move price"

Volume will decline to [redacted] by 2015, [redacted] by 2020, and [redacted] by 2024

- Mail has permanently decoupled from GDP
- Standard and periodical mail volume expected to be stable or slightly down over next 10 years, with increase in smart targeting
- FC will decrease substantially, as electronic diversion increases

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Industry segment: Mail Service Provider
Mail segment: First Class, Standard
Interview quality: 6

BJ (I)

VP Postal Relations

Interview detail				
	Name:		**Interviewed by:**	John Cartwright, Jonathan Weekley, Andy Kamons
	Title:	VP Postal Relations/Support Services	**Date and time:**	11/16/09, 11:30–12:30
	Contact info:		**USPS revenue:**	[redacted]
	Additional info:		**Account Manager:**	

Learnings

BI [redacted]
- XX manages transportation services, postal regulations, and training functions within BI
- BI manages [redacted] to provide comingled presort services, primarily in FC mail
- Top clients in both FC and Std are: 1) Financial Services, 2) Brokerage Services (declining) 3) Insurance

Volumes through 2009 have held steady YoY pieces
- Volumes from existing customers have declined, but newly added customers compensate for loss

Overall volumes are expected to decline slightly over next 10 years, with unclear rebound from recession; increased bundling likely
- Recession rebound remains uncertain
  - "Normally customers would share things that were positive, and we're not hearing that right now."
- Bundling appears to be increasing
  - "Haven't seen much change that pieces are getting heavier that would indicate multiple pieces in mail, but volumes are declining that could indicate bundling"
- Overall volumes expected to decrease moderately over next 10 years, due to electronic diversion

Table of contents

Industry segment: Mail Service Provider
Mail segment: First Class, Standard
Interview quality: 6

BJ (II)

VP Postal Relations

Learnings (cont'd)	**Customer willingness to go paper-free is generational; companies likely to grow more aggressive** • Financial services are at forefront of electronic diversion, in particular with statements – "A lot of the financial services customers are encouraging customers to go with electronic statements emphasizing the security, brokerages that have been mailing flats have been encouraging customers to go electronic" • "The Credit card industry isn't afraid to charge anyone for anything, but don't know of companies initiating actions, but those are all foreseeable things. May not be incentives as much as disincentives" • Primary drivers of FC mail usage are costs and regulations; customer preferences play little role **Presort likely to increase over next 10 years, as customer seek to make use of new technologies** • Many small companies can't handle the investment needed for IM or to meet rules requirements – "USPS rules are scaring people into seeking third party provider" **Still, IM benefits to customers are unclear, and overall mail volume will not increase from it** • Customers are intrigued by IM, but not sure what to do with all the data – e.g., [redacted] M requirements were too rigid • IM is a tool for the USPS to verify that customers deserve their discounts, not a benefit to those using it **Standard mail is likely to reduce volumes over next 10 years due to decreased efforts for customer acquisitions and more targeted mailing** • Targeted mail likely to increase, with fewer national campaigns – "Targeted mailing is the trend, splitting out based on customer preferences is what we've been seeing" • Credit card solicitations will remain at current lows for foreseeable future – "We've crossed the line in terms of CC solicitation volumes, and it's not going to change during this administration" **Additional USPS inspection activities are also driving away volume** • Lowers the appetite for using USPS and increases costs – "Their moves are scaring the hell out of people, and there are rumors through the industry about these"
Implications for USPS	**Overall volumes are expected to decline slightly over next 10 years, with unclear rebound from recession** • Increased FC bundling likely, and some evidence it's already occurring more • Presort likely to increase as customer seek to make use of new technologies • Standard mail is likely to reduce in volume due to decreased efforts for customer acquisitions and more targeted mailing

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Industry segment: Mail Service Provider
Mail segment: First Class, Standard
Interview quality: 9

BK (I)

Vice President, Postal Relations

Interview detail

Name:		**Interviewed by:**	John Cartwright, Jonathan Weekley, Andy Kamons
Title:	Vice President, Postal Relations	**Date and time:**	11/16/09, 4:00–5:00pm
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	

Learnings

BJ [redacted]

FS is largest customer—after reducing volumes they are now seeing increases
- FS is ~50% of volume with clients such as [redacted]
- 75% of FS volume are statement and invoices (also includes required govt notifications, interest rate changes under UDEP law, collection notices, etc.)
- "Banks pulled back fairly dramatically as they stopped extending credit, they are now increasing a little but doing much more targeted and selective mailing"
- Banks use size 10 white standard 20 lb paper

Insurance is the second largest customer—overall mailings have remained constant
- There are two types of insurance companies
  - Property and Casualty [redacted]
  - Health Care [redacted]—more regulated

Table of contents

Industry segment: Mail Service Provider
Mail segment: First Class, Standard
Interview quality: 9

BK (II)

Vice President, Postal Relations

Learnings (cont'd)

Insurance is the second largest customer—overall mailings have remained constant (cont'd)

- "Insurance is much more impacted by life events with regards to how much they need to mail—all it takes is a birth, death, wedding, etc. and that changes the relationship with the client—whereas for a bank it makes no difference"
- "Insurance companies will lose their brand if they go completely go online and will therefore likely move more slowly now"
- "First Class is pretty sanctified—insurance privacy laws alone lead to two or three notices per year"
- Insurance uses thicker and larger, flat envelopes with color (versus FS)

Companies are trying many different things to shift customers online

- Environmental angle is somewhat effective but customers are smart and pull is lukewarm as they know the paper is recycled and the cost is being pushed on you
- "It's tricky to push customers online—[redacted] required $3 to get your bill and that did not go over well"
- "If you have the guts, there are many opportunities for companies to use a carrot or a stick to shift customers online"
- Advertising mail has been down but general B2C communication has been up
- "Advertising mail has taken the greatest dip in recent years, on the flip side for our business, banks had to communicate with their less than desirable customers and regulations have increase volumes so this has been an offsetting factor"
- "USPS definitely wants consumers to pay bills via the mail as the bills go out for 35c and return for 44c in envelopes that are already preaddressed and have the barcode—its' great deal for USPS"

"Going forward we will not return to the volumes achieved before the recession"

- Total mail will stabilize around [redacted] pieces despite increases in population
- Housekeeping mail decline of 10–15% in 5–7 years
- Invoices (Fortune 1000) could have a 2% annual decline out to 2020
- There could be a 3/4% uptick as people become more confident and the belt gets loose, which is then offset by the generational shift and generational conversion
- Transaction side is the first place where there will be decline due to the loss of "recurring mailing relationships"
- C2B reduction will be 2% per year over a 10 year slide
- "I don't see a hockey stick, what I do see is generations view on acceptance of personal data transmitted over the web will change as internet security and usability grows"
- "The recession accelerated a dramatic decline in the acquisition mail"
- "A little more than half of the 2006 levels will come back, companies have to grow"

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Industry segment: Mail Service Provider
Mail segment: First Class, Standard
Interview quality: 9

BK (III)

Vice President, Postal Relations

Learnings (cont'd)

"Going forward, companies are going to be and need to be and awful lot more focused on getting the right message to the right people"

- "The targeting and focus need to be much more granular"
- "I keep coming back to less volume and more value"
- "I am not a glass half-full type person and I see what happened over the last 24 months is so germane to the core of spending—if people are worried about their job this will inhibit them from spending—will that come back, yes it will, there is a lot of pent up demand—it will come back but in a thoughtful way
- "Portability, profitability, predictability—tactile sensation of having something targeted for you is much more valuable than competing with all the clutter"

"Statements could be the one weak link in the chain that could significantly decline"

- Reduction would come from a clawing back current accounts and adding new non-paper accounts
- "There a plenty of people who are easy to electronic statements but who won't pay their bills online"
- "Another segment generationally won't even think about getting a paper statement or checking account"

"Small businesses could be the growth engine that the USPS needs"

- They don't have the mastery of web (lawn mowers, gutter cleaners, pizza shops, home security)–they will be among the brighter spots
- We are seeing more and more small clients, [redacted]
- They are on their own trajectory with potential to even rise over the next 10 years (they are not sophisticated oftentimes to go online)

Security will always be a concern and a big incident could halt the shift online

- 2004/05 Citibank was hacked by a Russian kid—could have been far more detrimental to the shift online if not commercially controlled (flew under radar)

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Industry segment: Mail Service Provider
Mail segment: First Class, Standard
Interview quality: 9

BK (IV)

Vice President, Postal Relations

Implications for USPS	
	Total mail will stabilize around [redacted] pieces despite increases in population
	Invoices (Fortune 1000) could have a 2% annual decline out to 2020
	There could be a 3/4% uptick as people become more confident and the belt gets loose"
	Transaction side is the first place where there will be decline due to loss of "recurring mailing relationships"
	"I keep coming back to less volume and more value"
	"Statements could be the one weak link in the chain that could significantly decline"
	"Small businesses could be the growth engine that the USPS needs"

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Industry segment: Payment Processor
Mail segment: First Class, Standard
Interview quality: 7

BL (I)

Director of Postal Relations

Interview detail

Name		**Interviewed by**	Aravind Elango, Andy Kamons
Title	Director of Postal Relations	**Date and time**	24/11/09, 9:00–10:00am
Contact info		**USPS revenue**	[redacted]
Additional info		**Account Manager**	

Learnings

BK[redacted]

Economic rebound is unlikely to see improvement in First-Class mail volumes

- BK has gained several new customers during the recession due to companies cost cutting and outsourcing non-core operations
- Companies are likely to see outsourced mail operations as costs even if economy recovers and will find ways to move customers online
  – "Companies are in cost-cutting mode and have outsourced their mail operations. When the economy recovers that function will still remain outsourced and they'll aim to make the outsourced expenses smaller and smaller every year"

Table of contents

Industry segment: Payment Processor
Mail segment: First Class, Standard
Interview quality: 7

BL (II)

Director of Postal Relations

Learnings (cont'd)

Banks, CC companies will not be successful in making drastic cuts to mail volumes

- Banks and Credit Card companies trying to move customers online because of postage costs and notification restrictions imposed by the card act
  - "Companies have a quest to move consumers online"
- However, customer reluctance to let go of paper statements will delay progress
  - "Many consumers still like getting paper statements and paying by checks. They will not move over to electronic soon. Paper statements are free for them … why should they give it up?"

Transaction mail will fall ~10% by 2015 and volumes losses will accelerate after 2015

- Corporate card holders and corporate accounts are the first ones likely to transition away from paper
  - "Last summer one of our customers forced all its corporate customers to move to online. Easier to do that with companies rather than with end consumers"
- Younger customers to transition to electronic sooner than older people. Trend will accelerate in 2015
  - For younger new customers, banks and CC companies are not offering paper options
  - "Banks discourage new younger consumers from getting mail by providing them with electronic-only options"
- One time notices (15–20% of all transaction mail) will move to new sub-class being created between First-Class and Standard Mail

Payments to lose volumes faster than statements or invoices

- Electronic payments have hit a pleatue in the last 6–8 months but trend will continue
  - Motivators for non-check payments: Ease of use and quickness
  - Motivators for check payments: Lack of broadband connectivity and old perceptions

Misc

- Threats to First Class Mail include postage costs and regulatory fears like card act
- Mail volumes could increase due of the introduction to new sub-class between First-Class and Standard Mail and better tracking features in intelligent mail
- New print technology is likely to enhance Transpromo. However, this is unlikely to affect mail volumes
- Remittances will decline further and faster than statements
  - "To get mail people have to do nothing and they will keep asking for it. But paying by internet is easier and more customers will move to that after 2015"

Table of contents

Industry segment: Payment Processor
Mail segment: First Class, Standard
Interview quality: 7

BL (III)

Director of Postal Relations

Implications for USPS	**BK, [redacted] predicts** • 10% decrease in transaction mail volumes by 2015 • Loss of transaction mail volumes will accelerate beyond 2015 due to demographic factors • Remittances will decline further and faster than statements because paying online provides consumers with some benefits while paper statements are seen as a free entitlement • Banks and CC companies unlikely to make huge cuts in mail volumes due to consumer preferences to still receive paper • Largest threats to First-Class mail are likely to come from regulatory changes like the card act • 15–20% of all transaction mail are notices are will move to new sub-class between First Class and Standard Mail

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Industry segment: Financial Services [redacted]
Mail segment: First Class, Standard
Interview quality: 7

BM (I)

Vice President, Federal Government Affairs

Interview detail

Name:		**Interviewed by:**	John Cartwright, Jonathan Weekley, Andy Kamons, Aravind Elango
Title:	Vice President, Federal Government Affairs	**Date and time:**	20/11/09, 4:00–5:00pm
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	

Learnings

BL, [redacted]redicts mail volumes trending down even in the short term

- Current reduction in transactional mail volumes are due to structural changes
  - Economic recession has forced a rethink of consumer spending
  - Number of cards/person is decreasing
  - [redacted]members adopting paperless statements and bill pay
  - Green concerns
- Economic rebound will slow the decline in mail volumes but is unlikely to bring back lost volumes
  - Banks will still be selective in prospecting customers[redacted]
  - Regulations[redacted] will reduce target base. Page counts will increase because of legislation and mail volumes will go down

Several factors can accelerate the reduction of mail volumes in the short term

- A L-shaped recession without a quick rebound
- Postage increases

Table of contents

Industry segment: Financial Services [redacted]
Mail segment: First Class, Standard
Interview quality: 7

BM (II)

Vice President, Federal Government Affairs

Learnings (cont'd)

Several factors threaten the long term health of mail volumes
- 10% of transactional mail volumes could be lost in the short term to electronic delivery
- Changing demographics is likely to impact mail volumes
  - "Mail's biggest long term threat is the younger generation. My son has never opened his paper statements. We are preparing mobile and peer to peer solutions for this age group"

Migration away from mail could be stymied by several factors
- Customers are still concerned about security
  - "I hear so many of our customer express concern about security online an we are continually making security improvements and promoting them"
  - Some segments could migrate back to mail if some newer channels fail
  - "We are trying applications for social media, peer to peer, etc. If some of those channels fail, consumers might end up thinking that mail is more reliable and move back. Only a small chance this could happen"

BL[redacted]

Acquisition mail to partially rebound with economic recovery and online, mobile are biggest threats
- Economic recovery will bring back 30–40% of acquisition mail depending on product, but full recovery will not happen
- Online is expected to be the biggest short term threat
  - "Longer term, we see direct mail losing share to online. Everything is online, why not advertising? Even if we use mail, the message there is to move the customer to online"
- Mobile is expected to be the biggest longer term threat
  - "We have invested [redacted]obile solutions can reach everyone. It is where the future of advertising will be"

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Industry segment: Financial Services
Mail segment: First Class, Standard
Interview quality: 7

[redacted]

BM (III)

Vice President, Federal Government Affairs

Implications for USPS	**BL predicts** • Transaction mail from the financial services industry to fall for several reasons – Slow recovery, postage increase, and regulation are short term threats – Demographics, online channel and mobile channel longer term threats • 10% of all transaction mail could be lost to online in short term (Comment: Assume 2012) • Aggregators despite being useful, will not be a major threat to transaction mail • Direct mail volumes recovering 30–40% of lost volumes if economy recovers • Online and mobile to be largest shorter and longer term threats respectively

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Industry segment: Financial Services
Mail segment: First Class, Standard
Interview quality: 7

BN (I)

Vice President, Marketing

Interview detail

Name:		**Interviewed by:**	John Cartwright, Aravind Elango
Title:	VP, Marketing and USPS Liaison	**Date and time:**	09/12/09, 2:00–3:00pm
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	

Learnings

Credit card companies will increase marketing spend heavily when economy recovers

- 270 of 320M credit cards accounts are active and number of accounts expected to grow only at 2% in the short term
- CC industry has average churn of 25% per year and large marketing budgets needed to replenish lost customer base
- Direct mail is a crucial channel in customer acquisition due to availability of pre-screened customers address lists
- CC companies hoping that ecommerce will increase $/account leading to a more profitable future

BM, [redacted] predicts First-Class Mail volumes declining and Direct Mail volumes rebounding in the short term

- Reduction in transactional mail largely due to electronic bill pay
  - Consumers like the ease of use of electronic channels
  - Consumers prefer to be contacted via multiple channels and appreciate the variety in channel choices
  - No major barriers exists for consumers moving online; Security is no longer a big barrier
  - "Customers feel electronic bill pay is so much easier. Once they move to online bill pay, there is no going back to paper"
- Statement volumes to remain stable in short term and erode slowly over the long term
  - "Statements will not disappear. Majority of customers still like getting paper statements. It reminds them to pay their bill"
  - "We have created mobile and email alerts that consumers can choose to receive. Most early adapters are pre-existing online banking customers and effect on mail volume is minimal"
- Direct mail to regain lost volumes due to several of it's strengths
  - Reduction is direct mail volumes not due to channel shift but due to advertising budget cuts
  - "The recession has not changed the perceived value of mail vs. online. Direct mail is still an excellent channel "

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Industry segment: Financial Services
Mail segment: First Class, Standard
Interview quality: 7

BN (II)

Vice president, Marketing

Learnings (cont'd)

- "The recent loss in volumes is temporary. We will mail as much as we can once the economy recovers""
- Direct Mail's measurability, scalability and low fixed cost are a big attraction for advertisers
- "Direct mail is surgically scalable and can target someone exactly using their credit score and address. Online can't do that"

Several factors can accelerate the reduction of mail volumes in the short term

- 5-day delivery with service uncertainties
- Postage increases

BM has made a strategic commitment to multichannel communication and transactional mail has a part in it

- BM will not overtly push customers to the online channel
  - "We will not reward or punish consumers for using mail. We will use whatever channel the customer wants to use [redacted]
- Prior bad experience [redacted] shaped current multichannel strategy
  - [redacted]
- BM trying to increase customer awareness about choice of channels
  - "There is plenty more headroom for online adoption and online customers tend to have higher satisfaction levels. We make channel choices available to the consumer, but won't give them $ to shift"
- When consumers don't express a clear choice, BM will prefer using online channel

Adaption of paperless marketing strategy stymied by several factors

- Inability to screen online users using their credit history is a major barrier to shifting ad spend online
- Email is only useful for retention and BM uses a multichannel approach to communicate with current customers
  - "We are never going to harvest email accounts and do a blast. It annoys people and there is bad response rate"
- We expect Standard volumes from the service industry to bounce back There are down 30-40% now. We will get most of it back

BM supportive of online presentment sites but prefers to keep bill-pay in house

- "Aggregators cost effective and useful to consumers. We will be happy to partner with any website. We will however keep bill pay in house. It keeps us in touch with the consumer and is more profitable for us"

BM supports address forwarding capabilities in the new subclass being created

- Believes that address forwarding will improve ROI and is willing to pay a premium if Hybrid mail has forwarding
- Is more concerned about forwarding capability than about speed of delivery

Table of contents

Industry segment: Financial Services
Mail segment: First Class, Standard
Interview quality: 7

BN (III)

Vice president, Marketing

Implications for USPS	**BM predicts**
	• Transaction mail from the financial services industry to fall for several reasons
	  – Postage increases and move to 5-day delivery are short term threats
	  – Adoption of electronic bill pay and increased consumers awareness of digital alternatives are longer term threats
	• Direct mail volumes will recover during an economic rebound
	• Multichannel approach to become more common and mail channel being an important part of the mix
	• Email will not be a good channel for acquisition in the foreseeable future
	• Online ad spend increasing when online ads can be pre-screened

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Industry segment: MSP
Mail segment: First Class - Presort
Interview quality: 8

BO (I)

COO

Interview detail				
	Name:		**Interviewed by:**	John Cartwright, Jonathan Weekley, Aravind Elango
	Title:	COO, Mail Division	**Date and time:**	11/09/09, 1:00–2:00pm
	Contact info:		**USPS revenue:**	[redacted]
	Additional info:		**Account Manager:**	

Learnings

BN [redacted]

- 99% of volumes are First Class mail
- Customers [redacted]
  - *Financial services (bank, insurance, cc)*
  - *Telecom*
  - *Auto*
  - *Utilities*
- Recently diversifying into electronic presentment, statement archival services and software for back office processing to mitigate paper risks
- "Anticipate aggressively growth doubling volumes in five years from winning accounts as more companies outsource despite decreasing volumes per account"

First class mail volumes likely to drop due to three reasons

- Consumers adopting electronic channels
- Recession has forced companies to reexamine their direct mail spend
  - Companies trying to reduce mail that is not acquisition related or required by legislation
- Pending USPS regulations are a cause concern to mail senders (starting in January, USPS and SEC will have conflicting views about address persistence)

Industry segment: MSP
Mail segment: First Class - Presort
Interview quality: 8

BO (II)

COO

Learnings (cont'd)

Investment firms will reduce account statements by 30% and invoices by 50% by 2020
- Pending legislation will potentially allow institutions to direct consumers to web for updates, T&Cs, etc. rather than providing these communication by mail
- "You no longer have to mail a book. Just send a card over asking the customers to go online!"
- Each investment account generates 8–10 pieces of mail on average annually
  - "50% of the mail from investing accounts will disappear within five years [going online]"

Telecom FC volumes will drop 25% by 2020, transpromo/late fees benefit companies
- Telecom companies send 13–14 pieces of first class mail per account annually
  - 12 monthly statements and service change confirmations, etc.
- 80% of cost of a mailing is the postage and these mailings do nothing to acquire more customer $
- "Pre-paid section which is 10% of the market is completely going away in five years"
- "Companies are also moving people into group plans. For several lines there is only one bill"
- Companies also sending thinner communications—e.g., Call lists no longer being sent
- Mobile presentment is the trend in telecom world. Overall, 25% of FC volume will disappear by 2020

Banks FC volumes will drop 50% by 2020, all but statements likely to go online
- Roughly 50% of bank customers will move fully online
- Roughly 50% not online (20 pieces to 12 pieces by 2020)
  - Currently 12 monthly statements and eight notices (e.g., Overdraft, annual)
  - Future 12 monthly statements and no notices (combining of materials, mobile solutions)
- Transpromo provides subsidy to offset cost of monthly statements

Credit card companies FC volumes will drop 15% by 2020, transpromo/late fees benefit companies
- CC companies send ~16 pieces of first class mail per account annually
  - 12 monthly statements and four quarterly
- CC companies consider Transpromo in mailings as a revenue generator
- Want customers to pay late fees, therefore not incentivized to push customers online
- "There is some rebound already in CC mail … but over the next decade(2020) they will lose 10% to online. Regulation is also likely to mitigate the reduction in mail. Overall, should be down by ~5%
- Companies see Transpromo in statements as a revenue generator and this is likely to stem erosion of mail volume

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Industry segment: MSP
Mail segment: First Class - Presort
Interview quality: 8

BO (III)

COO

Learnings (cont'd)	**Utilities FC volumes will decrease by 50%, no incentive not to move customers online** • There is little to no transpromo as the cross-sell opportunities are minimal and almost no fee penalties • "Utilities see no value in sending bills to customers and are offering to average the bill out over 12 months to attract consumers to sign up for recurring payments" • "One utility is offering $50 to get customers to move online. Once they move online, no coming back" **Insurance companies FC volumes will increase by 25% by 2020** • Insurance companies on average mail 3–4 peices of first class mail per account. Some accounts receive monthly statements and others receive annual statements • "Due to administration policies, there will be larger number of accounts (+40M) and mail per account will also increase. Mail increase is counteracted by employer pushing employees to get certain types of communication online" • Insurance companies like Transpromo (even sell unrelated verticals) and local regulations prevent them from reducing mail volumes
Implications for USPS	**First-Class Mail volumes to be affected by Shift to Standard Mail** • "Why send in First-Class when Standard Mail service is just as good?" • "We initially thought we would see a difference, but Standard Mail has been working just as well as First-Class" **25% bounce back in lost standard mail volumes** • "Standard mail tends to rise and fall with ad spend. We might get 25% of it back" **2020 Forecasts** • B2X Volume Reductions – Investment firms -40% (statements -30%, invoices -50%) – Banks -40% (statements -30%, invoices -50%) – Telecom -25% – Utilities -50% – Credit Card -10% • B2X Volume Increases – Insurance +25% (Insurance, cross-selling, regulation) • C2B First Class -50% (due to online billpay)

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Industry segment: MSP
Mail segment: First Class
Interview quality: 7

BP (I)

Postal strategy manager

Interview detail

Name:		**Interviewed by:**	Aravind Elango, Jonathan Weekley
Title:	Postal Strategy Manager	**Date and time:**	11/10/09, 10:00–11:00am
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	

Learnings

BO [redacted]
- Product mix of 90% First Class mail volume; 10% is combination of standard mail, full metered and parcels
- [redacted]

BO predicts 25% of invoice volume in Telco/Cable verticals to be replaced by mobile in 2020
- Predicts that telecom & cable companies will be early adapters of mobile solutions to replace mail
- Witnessed prior attempts of telecom companies to push people to mobile—these failed because of customer pushback
- However, believes that future efforts will differ in that younger consumers more mobile-friendly
  - "My son, a teenager doesn't want paper statements … Why wouldn't he want it on his IPhone?"

Industry segment: MSP
Mail segment: First Class
Interview quality: 7

BP (II)

Postal strategy manager

Learnings (cont'd)

Telecom/Cable companies aim to reduce 15% of mailed correspondence by 2020
- Telecom/Cable companies send 14–15 pieces of first class mail per account annually
  - 12 monthly statements and 2–3 privacy notices, etc.
- Telecom/Cable companies providing online portals to eliminate the 2–3 additional mailings by
  - Reducing/eliminating these notices
  - Or, combining notices with statements
- Transpromo appears to lessen ambition to eliminate paper statements entirely—thus 12 statements per year may persist due to subsidy from transpromo

Utilities may have different perspective on elimination of statements due to lower use of tranpromo
- Utility companies send 14–15 pieces of first class mail per account annually
  - 12 monthly statements and 2–3 privacy notices, etc.
- Utility companies do not capitalize on Transpromo due to minimal cross sell opportunities
  - "Utility companies don't use Transpromo as much as Telco or insurance. Transpromo is not a factor for utilities to retain paper mail"

Economic rebound will not bring back first class mail volumes but may restore some standard mail
- Standard mail volumes will rebound to 2006/07 levels (Comment: Low confidence in standard mail estimate. Interviewee mentioned he is not expert in Standard mail)
- "Companies have used the recession to move people online. When the economy improves, more people will get statements online, but not in paper"

BO will migrate to Intelligent Mail in Jan 2010 despite concerns about pricing
- Plans to go live with Intelligent Mail in Jan, 2010 and transition 97% of mail to Intelligent mail's full service option due to USPS discount
- "We feel obligated to offer Intelligent Mail services because customers are demanding it … not because it will increase volumes"
- Feels that the discounts offered are not adequate to recover capital expenditures in short term

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Industry segment: MSP
Mail segment: First Class
Interview quality: 7

BP (III)

Postal strategy manager

Implications for USPS

BO [redacted] n the First Class space predicts

- 25% of mail invoices from telecom and cable companies will be lost to mobile solutions (Comment: Will regulation permit invoices to be sent by mobile?)
- Cable and Telecom companies will eliminate ~15% of all volumes mailed by 2020 by eliminating notices
  - However, statements may persist due to transpromo subsidy

BO does not predict First Class mail volumes rebounding with the economy—

- "Volume of First Class Maill will be flat at best coming out of recession"

BO sees direct mail rebounding to 2006 levels

- Comment: This aggressive projection is at variance with more conservative projections heard elsewhere

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Industry segment: Telecom
Mail segment: First Class
Interview quality: 5

BQ (I)

Bill Print & Distribution/Operations Staff Manager

Interview detail

Name:		**Interviewed by:**	Aravind Elango, Jonathan Weekley, Andy Kamons, John Cartwright
Title:	Bill Print and Distribution/Operations Staff Manager	**Date and time:**	11/11/09, 12.00–1.00pm
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	

Learnings

BP's divisions [redacted] use USPS mailing products independently

[redacted]

BP plans to suppress 100% of First Class transaction mail by 2020

- Paper suppression rates at end of 2009 will be 14%
- Has set target to reduce 50% of mail to non-paperless customers by 2015 (Comment: Interviewee mentioned that 25% is more realistic)
- Is promoting mobile/online presentment for wireless customers and online presentment for wireline customers as replacement for paper mail
- Rest of industry is setting similar targets to suppress paper
  - "We are planning to suppress 100% of First-Class Mail transaction mail by 2020, and are sure that other telecom companies are moving in the same direction"

BP has clear line of sight to suppressing paper

- Is implementing several touch points for customers to try paperless mediums (mobile, online, etc.)
- Customers penalized for switching back to paper from online/mobile
- Consumers who have online accounts but still receive paper are first targets to be migrated to paperless
  - "We don't see any threats to moving customers online. The entire industry is heading that way"

Table of contents

Industry segment: Telecom
Mail segment: First Class
Interview quality: 5

BQ (II)

Bill Print & Distribution/Operations Staff Manager

Learnings (cont'd)	**Busi[redacted]es more likely to use online presentment but less likely to go paperless**
	• [redacted] of First Class BP mailing volumes are mailed to businesses
	• Companies see moving to online as cost savings opportunity
	• BP using highly successful Incentives to get BP employees and relationship managers to push business customers online
	
	Several mechanisms designed to push customers away from paper
	• Employees incented to get friends and family to move online
	  – "The employee incentive program is very successful. Word of mouth moves people online"
	• "Green" marketing
	  – [redacted]
	• Paper statements advertise online portal advantages
	• Targeted web advertisements
	• "We introduced a [redacted] campaign for customers who choose to go online"
	
	Misc
	• BP wireline department mailed [redacted] statements every month in First Class mail. 2009
	• Telecom companies send 15–16 pieces of first class mail per account annually
	  – 12 monthly statements and 3–4 notices and statements in CD (Only for select B2B customers)
	• Wireline transaction mail volumes have remained flat in the recession and are not expected to bounce back
	• On average, monthly statements have 4–6 pages
	• "First Class ads rise and fall with the GDP. We can expect to get all but 25% of it back"
	• Advertising mail will regain 60-80% of losses with rebound in economy
	• "We uses First-Class Mail ads either to reacquire a lost customer or as a competitive marketing tool. We want to show the customer that they are special"

Implications for USPS	**BP, a large telecom company aims for** • 100% reduction in First Class transaction mail volumes by 2020 (Comment: Regulation change might be needed to move wire line customers to paperless) • 50% reduction is volumes for customers who choose to get paper mail (Comment: Interviewee said 25% is more realistic) **BP's transaction mail will be replaced by** • Online presentment for wire line division and • Online/mobile presentment in wireless division

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Industry segment: MSP
Mail segment: First Class
Interview quality: 7

BR (I)

Mail Relations Manager

Interview detail

Name:		**Interviewed by:**	Aravind Elango, Jonathan Weekley, Andy Kamons, John Cartwright
Title:	Mail Relations Manager	**Date and time:**	12/11/09, 10.00–11.00pm
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	

Learnings

BQ [redacted]

- Industries served [redacted]
  - *Financial services (mortgage, student loans, cc)*
  - *Utilities*
  - *Insurance*
  - *Telecom*

Companies have several concerns about transaction mail

- Rising postage rates
- Overall cost increases in print/paper industry
  - "Cost of postage is on of the biggest things that could drive consumer online"
- Process changes that don't benefit consumers
  - "The intelligent barcode fiasco is a good example. We are spending a ton of money and getting nothing back for it. The USPS gets better tracking. What do I get?"

Table of contents

Industry segment: MSP
Mail segment: First Class
Interview quality: 7

BR (II)

Mail Relations Manger

Learnings (cont'd)	**BQ predicts 40–50% reduction in C2B remittances by 2015 and 60% drop by 2020** • Single piece remittance mail to reduce 5–8% each year. Reductions will be even faster in the future • Companies have created several mechanisms for customers to pay (mobile, online, automated debit) • More customers becoming comfortable with paying online provided they have paper copy of statements **BQ predicts ~15% industry reduction in statement by 2015 and ~25% reduction in 2020** • Customers requiring digital solutions from MSPs – "Companies will only partner with MSPs that have digital options even if they never use it" • Change in local regulations accelerate statement reductions (e.g., Permitting companies to cleanse addresses based on USPS information) – "Now utility companies have to send a bill even if they know the customer has moved. They will keep sending mail until the customer sends them a notice" **Transpromo is good marketing vehicle, but will not save paper statements** **Misc** • Recession causing more customers to outsource • Standard mail printers with excess capacity are causing price pressures in industry • "Companies want to focus on core business. They have enough trouble doing what they know well … they don't want mail to bother them" • "Customers talking about migrating consumers through incentive rather than punishment"
Implications for USPS	**BQ, a large MSP in the transaction mail space predicts** • 40–50% reduction in C2B remittances by 2015 and 60% drop by 2020 • ~15% industry reduction in statement by 2015 and ~25% reduction in 2020 **BQ believes economic recovery will not provide substantial rebound of lost transaction mail**

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Industry segment: Telecom
Mail segment: First Class, Standard
Interview quality: 7

BS (A-I)

Director of Postal Strategy

Interview detail	**Name:**		**Interviewed by:**	Aravind Elango, Jonathan Weekley, Andy Kamons, John Cartwright
	Title:	Director of Postal Strategy	**Date and time:**	11/13/09, 9:30–10:30pm
	Contact info:		**USPS revenue:**	[redacted]
	Additional info:		**Account Manager:**	

Learnings

USPS has been responsible for some of it's own troubles

- Stringent enforcement of rules requiring dependence on unstable address validation platform led to postage increases for many companies in 2007
- USPS unwillingness to heed customer's legitimate concerns made companies look for other alternatives
  - "USPS requirement made BR initiate a program to leave mail. This forced BR to set e-bill target for every President"
- Recession has accelerated the flight away from mail
  - "We have hired a new director level position to focus on reducing mail"

Consumers willing to consider more alternatives to mail

- Several recent examples suggest that even older consumers can migrate online
  - "My 80 yr old mom is online now and has 100 friends in Facebook. She has online account and does everything online"
- Mail is no longer seen as the most secure medium
  - "The anthrax scare made people rethink mail security. A lot of customers asked me not to let the USPS handle BR mail"

BR estimates 50% reduction in wireline statement volumes and 60% reduction in wireless statement volumes by 2020

- Online presentiment/bill pay is the preferred channel to replace paper mail
- [redacted]
- Currently 10% wireline customers and 20% of wireless customers are paperless
- 40–50% of customers currently pay online or through the phone
- "Once customers start paying online, we remove the return envelopes from the mail, making the move online irreversible"

Table of contents

Industry segment: Telecom
Mail segment: First Class, Standard
Interview quality: 7

BS (A-II)

Director of Postal Strategy

Learnings (cont'd)	**BR estimates 50% reduction in wireline statement volumes and 60% reduction in wireless statement volumes by 2020 (cont'd)** • BR also aspiring to consolidate customer accounts and send single statement every month (Comment: Interviewee did not have information about average First class mail sent per customer) • Customers who want to get online presentiment also have to sign up for online bill pay • As customers move online, marketing spend shifts from direct mail to online **Marketing mail volumes to remain constant till 2020 but 50% of First Class marketing mail will be moved to Standard** • Direct mail channel has proven very successful to acquire customers • "When the economy recovers, we will get all our marketing mail volumes back" • New initiatives are underway to better manage addresses that will reduce mail by 5% • However, savings will be reinvested into direct mail • Marketing mail will not see gains from shrinking TV or newspaper's budgets • Current notices such as follow up to product purchases and marketing mail will move to standard • "We initially thought we would see a difference, but Standard Mail has been working just as well. The consumer views quality of paper and print being more important than the postage" **Economic recovery unlikely to revive First Class mail volumes** • "Customers who moved online during this recession are not coming back" • Economic recovery will increase customer base in wireless more than wireline and these customers migrate to online/mobile solutions more quickly • Reduction in late notices sent out post recession will likely cancel any mail increases due to larger customer base
Implications for USPS	**BR, [redacted] predicts** • 50% reduction in wireline statement volumes and 60% reduction in wireless statement volumes by 2020 • That almost all customers to using online remittance at 2020 **50% of BR's First Class marketing mail will be moved to Standard** **Standard direct mail volumes likely to remain constant until 2020**

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Industry segment: Telecom
Mail segment: First Class, Standard
Interview quality: 8

BT (B-I)

Director of Post Sale Communications

Interview detail

Name:		**Interviewed by:**	Andy Kamons, Aravind Elango
Title:	Director, Post sale communications	**Date and time:**	11/16/09, 10.00–11.00am
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	n/a

Learnings

Wireline division mails 60% of all First Class mail from BS
(Comment: Interviewee expert on wireline division and First Class)

- [redacted] First Class pieces are mailed annually for the wireline post sale division
- 50% of mailings are order confirmations/customer service notices and remainder are notices legally required

BS predicts First Class order confirmation decreasing 5% YOY due to degradation of customer base

- Customer base is shrinking because BS unable to replace lost wireline subscribers [redacted]
  – "We have been slow [redacted] and on net, the customer base is becoming smaller"
- BS predicts mail volumes [redacted] o be lower than mail volumes per existing customer
  – "We used to mail out welcome notices and confirmations to new customers. Now, we just hand it over to a installation rep and he drops it at the customers place when installing [redacted]
- "Order confirmations will decrease at best by 10% in 2020. Something drastic has to happen for us to lose more than 10%" (Comment: This number does not foot with the 5% YOY degradation)

BS sees notices in First Class mail increasing 10% due to mail being backup mechanism to communicate with consumers during technology transitions

- Mail notices are required to be sent out in case of security lapses, service lapses or changes in T&C
  – "With the introduction of the new technologies like cloud computing, we will probably send a lot of notices about lapses, transition or T&C changes"
- Efforts to couple notices with statements have not been very successful due to BS's disparate IT systems

Table of contents

Industry segment: Telecom
Mail segment: First Class, Standard
Interview quality: 8

BT (B-II)

Director of Post Sale Communications

Learnings (cont'd)

Email and regulations unlikely to cause reduction in BS's First Class mail volumes

- BS does not expect to see any change in regulation permitting move away from paper for notices
  - "We have tried to change regulations and it hasn't worked. We don't foresee regulation change that will let us stop mailing paper"
- Upfront costs to establish email database of customers is a barrier to sending email notices
  - "Sales team needs to get the email addresses. Only one out of every two customers will share their address and it is very expensive to do this"
- Email marketing has not been successfu[redacted]
  - "People like getting coupons by email & click on it. The Yield is very low for service companies like us"

Transaction mail volumes to decrease 10–20% by 2020 and marketing mail volumes to remain constant

- Transaction mail volumes will decrease in the future
  - Most likely view: 10–20% decline
  - Pessimistic view: 20–30% decline
- Marketing mail like to remain constant in 2020

Transpromo not consequential in deciding First Class mail volumes

- Transpromo mainly useful to build brand awareness
- Legal departments prescribe content for 50% of mailings and these mailings cannot have Transpromo
- Transpromo is counter productive in many communications because it confuses the customers
- "If we send transpromo in an order confirmation, the customer thinks we've got the order wrong and calls up the sales department. This is a waste of time"

Misc

- All First Class mail is pre-sorted. Composition of mail is
  - Letters 80% (6x9 size or 10 size)
  - Postcasds 20%
- Consumers are more suspect of mail security because confidential information in mailbox could be stolen
- Economic recession hasn't affected volumes noticeably and First Class volumes will not rise during rebound
- "The Standard letter volumes increase and decrease with GDP. We will get most of the volumes back"
- First class advertisement mail will increase with GDP and will be used for getting back lost customers
- Other mass media unlikely to cannibalize direct mail marketing spend

Table of contents

Industry segment: Telecom
Mail segment: First Class, Standard
Interview quality: 8

BT (B-III)

Director of Post Sale Communications

Implications for USPS	**BS, [redacted] predicts** • 10–25% reduction in transaction mail volumes in 2020 • No reduction in marketing mail volumes in 2020 **BS's 30M order confirmation volumes likely to decrease 5% YOY due to weakening customer base** **BS's 30M notices likely to increase 10% by 2020**

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Industry segment: [redacted]
Mail segment: First Class, Standard
Interview quality: 8

BU (I)

VP Postal Operations

Interview detail	**Name:**		**Interviewed by:**	Andy Kamons, Aravind Elango, Jonathan Weekley
	Title:	VP Postal Operations	**Date and time:**	11/123/09, 2:00–3:00pm
	Contact info:		**USPS revenue:**	[redacted]
	Additional info:		**Account Manager:**	

Learnings

BT [redacted]

Success [redacted] **will be a large determinant in how much and how long BT continues to mail**
- Considered the last piece of physical [redacted] everything will be soft [redacted]
- Currently only 6% of total [redacted] expected to grow significantly to 50/60%
- Costs twice as much [redacted]
  – [redacted]

Recession has potentially helped BT, looking out to 2015 they expect significant growth
- "The recession has probably helped us—we offer a low cost [redacted]
- "The recession may make us even stronger because there are now even more people who have experienced BT and there is no reason for them to leave us—it's about the value"

Table of contents

Industry segment: [redacted]
Mail segment: First Class, Standard
Interview quality: 8

BU (II)

VP Postal Operations

Learnings (cont'd)

Recession has potentially helped BT, looking out to 2015 they expect significant growth (cont'd)

- "We have significant growth opportunity—[redacted]

"We anticipate five years of growth before things level off, our peak will be [redacted] per year as customers migrate to the online channel"

- "After 5–7 years the mail volumes will definitely decline and we expect online to become the dominant channel"
- "Looking out to 2020 I see a steady decline and erosion of the mail volume after 2015"
- Starting to offer a hybrid [redacted] offering—currently must do both as a subscriber
  - [redacted]
  - Maybe 30% over the next five years will be over the internet—but there will be 70% using mail
  - "Our crystal ball says we will be mailing [redacted]he next 25 years"

Majority of marketing is newspaper inserts, internet banner ads and words of mouth

- "Our targeting for new acquisitions has improved over the years—[redacted] recommendations are really our biggest marketing tool"
- "We have shifted out marketing to only 25/30% mail and the rest online—[redacted] lend itself well to online advertising and print DM will decrease"

Speed of delivery [redacted] processing is the key to success—fewer delivery days could lead to reduced volumes

- "We need to deliver one day, we tested otherwise and it did not work with customers
  - "Many customers [redacted] over the weekend—currently [redacted] planned around the weekend"
- [redacted]

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Industry segment: [redacted]
Mail segment: First Class, Standard
Interview quality: 8

BU (III)

VP Postal Operations

Learnings (cont'd)	**USPS needs to find a new way of doing business to survive in the long run** • "They have not been doing much to change things up until this point—what they could do is seriously reinvent themselves—a huge amount of money that could be saved if they integrated all the different types of delivery out there (mailbox, driveway, doorstep) • "Is giving exclusive access to the mailbox away that bad—is universal service still necessary? I don't think those things will ever change or that congress or the mass majority could bring about that type of change" • "No matter what the postal service does I don't think they can do enough to save themselves without some sort of bailout or appropriations—there is just so much there between the labor and infrastructure that would need to be torn down and rebuilt entirely to be efficient"
Implications for USPS	**[redacted] will be a large determinant in how much and how long BT continues to mail** **Recession has potentially helped BT, looking out to 2015 they expect significant growth** **We anticipate five years of growth before things level off, our peak will be [redacted] per year** **No matter what the postal service does I don't think they can do enough to save themselves**

Industry segment: [redacted]
Mail segment: First Class
Interview quality: 6

BV (I)

Senior Logistics Manager

Interview detail

Name:		**Interviewed by:**	Andy Kamons, Aravind Elango, Jonathan Weekley
Title:	Senior Logistics Manager	**Date and time:**	11/23/09, 3:30–4:30pm
Contact info:		**USPS revenue:**	[redacted]
Additional info:		**Account Manager:**	

Learnings

BU [redacted]

BU has experienced a 3–5% annual decline over the past five years and does not anticipate an industry rebound [redacted]

- "We do not see a rebound next year, this is a declining business, customers are shifting online"
  - "Customer preference [redacted] is the driving factor followed by [redacted] online"
  - "Online aggregators are definitely a threat [redacted]
- "We do not see a Mail Rebound, we expect annual declines out to 2020 of 5-7% per year"
  "The impact of the recession has not really been noticed"

Potential for increase in company volumes as a result of business shifting from competitor

- Competitor has more expensive parcels, potential for customers to shift to BU for flat check delivery
- "Financial institutions are the big ones to shift—they make the decisions and they look at the bottom line so this should become increasingly important to them"
- "When we shifted to flats in 2007 all of our customers were happy and none of them left"

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Industry segment: [redacted]
Mail segment: First Class
Interview quality: 6

BV (II)

Senior Logistics Manager

Learnings (cont'd)	**B2B SME [redacted] s growing in the low single digits** • "Shift for SME to online is going to be slower, they have less infrastructure [redacted] • Expectation is that this will remain flat for the next few years **Intelligent Mail Barcode is welcome addition but will not lead to increased volumes** • "We will be using the intelligent mail barcode and look forward to it" • "It will provide additional service information with regards to time in transit which helps us address any delivery concerns and to work closer with the USPS • We are very supportive of being a partner with the USPS and expect that they will keep the flat rates low
Implications for USPS	**BU has experienced a 3–5% annual decline over the past five years and does not anticipate an industry rebound [redacted]** **"We expect annual declines out to 2020 of 5–7% per year"** **B2B SME [redacted] is growing in the low single digits** **Intelligent Mail Barcode is welcome addition but will not lead to increased volumes**

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Industry segment: Mail Service Provider
Mail segment: First Class
Interview quality: 6

BW (I)

Director of Postal Relations

Interview detail

Name:		**Interviewed by:**	Aravind Elango, Andy Kamons
Title:	Director of Postal Relations	**Date and time:**	18/11/09, 2:00–3:00pm
Contact info:		**USPS revenue:**	[redacted]
Additional info:	Account Rep:	**Account Manager:**	

Learnings

BV [redacted]

Transaction Mail volumes need to hit tipping point before strong acceleration away from mail is seen

- Currently several pieces of mails sent to customers
  - One welcome pack
  - One credit card
  - 12 billing statements
  - Several notices as and when needed
- Companies have started to reduce the notice mailing and welcome packs by using email or mobile solutions
  - "Currently companies taking the approach of 'reduce what mailings you can'. But once significant mail reduction has occurred, individual mailing will become more expensive due to lack of scale and companies will push harder to get paperless accounts"
- Mobile companies are likely to be first ones to go completely paperless

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Industry segment: Mail Service Provider
Mail segment: First Class
Interview quality: 6

BW (II)

Director of Postal Relations

Learnings (cont'd)

Statement volumes will reduce ~20% by 2010

- BV predicts the invoices are more likely to move online/phone due to a combination of easy to use and technology development
- Companies trying to eliminate remittances and statements together have met with customer opposition
  - "Customers are willing to live with not getting remittance envelopes. However, they see the paper statements as a free service and still want them"
- Companies are already charging customers for paper statements under different line items
  - "Of course companies charge customer for mail statements. They just call them misc charges"

Misc

- CC companies trying several mechanisms like messages in statements and prints on envelopes to move consumers online
- "Mobile solutions are being tested in several verticals to replace paper"
- "The goal shifted from how well I can use the mail to how much mail can I push out of the system"

Implications for USPS

BV, [redacted] predicts

- 20% of statement volumes being lost by 2020
- Payment remittance mailing volumes to decrease more than statements
- Online and mobile solutions are likely to be the two biggest threats to transaction mail volumes
- That when companies have lost scale advantage due to mailing volume losses, they will start explicitly pressuring consumers to go paperless and this will accelerate mail volume decrease

Companies are already charging customers for paper statements under different line items

Direct mail volumes will fall 50% and then remain stable (Comment: Unsure about interviewee's knowledge about direct mail. Treat number with caution)

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Appendix—GLG Interviews

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Industry segment: MSP – SME
Mail segment: Standard Mail
Interview quality: 6

CA (I)
President

Interview detail

Name:		**Interviewed by:**	John Cartwright, Andy Kamons
Title:	President	**Date and time:**	11/05/09, 1:00–2:00pm
Contact info:		**USPS revenue:**	N/A
Additional info:	Data sources: PIA Forecasts, Direct Magazine detailed segment by segment forecasts for 2009 and 2010 vols	**Account Manager:**	

Learnings

BW is an industry expert in Direct Mail advertising, with 20 yrs experience
- Previously held senior executive position [redacted] etail direct marketing company
- [redacted]
- Consults on direct marketing, print, advertising, promotion, information/document processing and database industries

Direct mail volumes will take at least five years to rebound, may never return to historical levels
- DM in a slow decay since 2001–06 peak
  - "The high water mark for DM came in 2001, prior to dot com bust, through 2005 or 2006, since then it's been in a decaying orbit"
  - "Current trends, including the likelihood that mail volumes will drop 10–15% in 2009, reinforce the notions that volumes are not going to return to historical volumes for at least the next five years"
- Direct Mail affected by recession, but will not track economy for recovery
  - "Direct Mail will lag the economy in coming out of the recession, and it'll never achieve the same percentage increase overall; raw material will more expensive, advertising more cost efficient, it will be a declining curve in the long-term"

Over next 10 years, strongest mail segments likely to be fundraising, compliance, and transaction mail
- Fundraising—low postage rates
- Compliance mail—forms required by law
- Transaction based mail—will persist despite push for diversion to online, with transpromo also helping

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CA (II)

President

Industry segment: MSP – SME
Mail segment: Standard Mail
Interview quality: 6

Learnings (cont'd)

Direct mail volume to show (-1%) CAGR for next several years, 10–18% decrease through 2020
- Internet will account for 25% of diversion, primarily generational shift
- Non-mail products (e.g., inserts, point of sale, etc.) 10%
- Mobile 3–5%, with fast uptake in the long-term
  - "Mobile won't be a significant player for next three years. It is in the same place that Internet was 10–15 years ago. It'll be huge, but not in the near-term"
- Transpromo 3–5%
- Newspapers, "green" will not be significant

By industry, direct mail will lose in loans and investments, remain strong in telecom and insurance
- Loans to remain almost entirely gone, unless 0 down programs return
- Investments and banking will come back, but won't be positive for a number of years
- Telecom volumes will remain strong due to a likely industry shake-out that results in competition
  - "We'll get back 50% of lost volumes from financial services at best"
- Insurance likely to increase as population ages

Direct mail is shifting toward further personalization, with unclear effect on volumes
- Personalized URL's (PURLs) to specific websites; opt-in to mailing lists
  - "The way of the future is to have clients opt in to the way they want to interact, be it mail or otherwise"

Advertisers are reducing costs by dropping down in class and using workshare
- e.g., One sheet envelope mail pieces are converting to postcards, first class ads to standard ads
- USPS is ignoring some boundary "stretching"

Standard mail for retail will see continued diversion through 2020, to newspapers for local retailers and to email for national retailers
- National retailers look for efficient, broad distributions
- Local retailers favor distribution channel that targets specific neighborhoods and achieve high density
  - For newspapers versus flyers, the ROMI is very tight, and dependent on weight of mailing

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Industry segment: MSP – SME
Mail segment: Standard Mail
Interview quality: 6

CA (III)
President

Implications for USPS	

Implications for USPS

Direct mail volumes will take at least five years to rebound, may never return to historical levels
- "Current trends, including the likelihood that mail volumes will drop 10–15% in 2009, reinforce the notions that volumes are not going to return to historical volumes for at least the next five years"
- "Direct Mail will lag the economy in coming out of the recession, and it'll never achieve the same percentage increase overall"

Direct mail volume to show (-1%) CAGR for next several years, 10–18% decrease through 2020
- Diversion due to
  - Internet 25%
  - Non-mail products (e.g., inserts, point of sale, etc.) 10%
  - Mobile 3–5%, with fast uptake in the long-term
    - "Mobile won't be a significant player for next three years. It is in the same place that Internet was 10–15 years ago. It'll be huge, but not in the near-term"
  - Transpromo 3–5%

Advertisers are reducing costs by dropping down in class and using workshare

Standard mail for retail will see continued diversion through 2020, to newspapers for local retailers and to email for national retailers

Industry segment: Financial Services – SME
Mail segment: First class
Interview quality: 8

CB (I)

Former SVP, ecommerce strategy

Interview detail

Name:		**Interviewed by:**	John Cartwright, Aravind Elango
Title:	Former SVP, eCommerce Strategy and Channel Development Mgr	**Date and time:**	11/05/09, 11:30–12:30pm
Contact info:		**USPS revenue:**	[redacted]
Additional info:	Format: Telecon, Interview setup through GLG, Some bias against paper	**Account Manager:**	None

Learnings

Consumer segment is the leading source of mail from banks

- Mail volume from banks fall into the following categories
  - Consumer 95%
    - Checking/Savings 50%
    - Credit card 33%
    - Student loans, mortgage, etc. 17%
- Corporate 5%
- Commercial 5%

Banks intend to reduce paper mail by 60% in five years

- "50% of bank customers currently use online banking and 25% more customers are expected to go online by 2015"
- "Some banks are aiming to convert 90% of online banking customers to paperless" (Comment: Change is regulation might be needed)
- "Banks plan to eliminate all mail notices [20% of First class mail volume] by providing online/mobile notices or by combining notices with paper statements"

Banks planning to provide several access points for all consumers

- Mobile phones are attractive option for less savvy computer users
  - "You can reach everyone through a mobile phone and not a PC"
- Touch screen ATMs located in public venues are ideal to get customers to try
  - "Touch screen ATM's can do most of the banking operations within 60 seconds. Many people try it and migrate away from paper"

Table of contents

Industry segment: Financial Services – SME
Mail segment: First class
Interview quality: 8

CB (II)

Former SVP, ecommerce strategy

Learnings (cont'd)

Banks looking to PC, mobile as short and long term alternatives to paper mail respectively

- In 2015, lost paper mail volumes will be replaced
  - 65% by PC
  - 20% by Touch screen ATMs
  - 15% by Mobile
- In 2020, lost paper mail volumes will be replaced
  - 25% by PC
  - 25% by Touch screen ATMs
  - 50% by Mobile
  - "By 2020, most lost paper volume will be diverted to mobile and ATM"

Regulation, not technology is the main barrier for transition from paper mail

- Most technology needed for transition from paper is already existing. Security improvements still needed
  - "If you lose your mobile phone, you need security features that will prevent someone from fiddling with your online account"
- Transition from paper due to mobile or online likely to be linear transition and not S shaped
  - "I don't think that there's a single thing that will take the industry by storm. I think you'll see a steady decline, with a linear slope over time"
- Regulation change likely needed in some cases
- However, banks hopeful to changing regulations very soon
  - "Banks are using recession and green concerns as rallying cry for changing regulation and moving customers away from mail"

Mail volumes will decrease because paper statements will become irrelevant

- "Paper statements will become irrelevant by 2015. Customers want to know what happens to their account every day, not every month"

Implications for USPS

Expert with many years of experience in the financial services sector predicts

- 60% reduction in statement volumes by 2015 (Comment: Interviewee seemed a little pessimistic about value of paper)
- PC, mobile expected to be short and longer term alternatives respectively

Recession and Green concerns have provided banks the cover needed to transition customers online and cut postage costs

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Industry segment: Financial Services – SME
Mail segment: First class
Interview quality: 4

CC (I)

Independent Consultant

Interview detail	**Name:**		**Interviewed by**	John Cartwright, Aravind Elango, Jonathan Weekley
	Title:	Independent Consultant	**Date and time**	11/07/09, 4:00–5:00pm
	Contact info:		**USPS revenue**	[redacted]
	Additional info:	Low confidence in interviewee's estimates, Interview setup through GLG	**Account Manager**	None

Learnings

Economic rebound will revive 100% of lost direct mail volumes
- Recession has reduced direct mail volumes by 30%
- Financial services and credit card companies are main reason for decline
- Financial services and credit card companies will revive spending once the economy rebounds

Expert predicts direct mail volume to reduce 20% in 2020 mainly due to email marketing
- Acquisition cost of a customer by email is between $20–30. Direct mail acquisition cost is ~$400–600 (Comment: Numbers seem too biased toward electronic mail)
- Banks currently have email information for only 15% of customers are aggressively working to improve that percentage

Triggers and threats for electronic diversion
- Online security is biggest threat for electronic diversion. Major security breach will revive paper mail
- The more computer savvy younger generation is likely to trigger more online adaption
- Despite email being a cost effective medium, email marketing damages brand image over the longer term. This will likely stem the use of email marketing

Industry segment: Financial Services – SME
Mail segment: First class
Interview quality: 4

CC (II)

Independent Consultant

Learnings (cont'd)

Banks plan to transition 50% of all accounts to paperless by 2020
- Banks can transition 70% of communications from mail to electronic without any change in regulation
- Consumers who transition to online unlikely to return to paper
  - "In my 20 years, I have not seen anyone more back from online/email to paper. So, banks are pretty confident about retaining customers on the online channel"
- Loyalty program enrollees are first target and banks planning to use one time credit offer to encourage transition to online

Banks also targeting advanced ATMs at public venues to reduce paper
- 25% of credit card transactions can be done online in the future via ATMs
- 15% bank transactions that currently need paper can also happen via ATMs

Implications for USPS

First class mail volume from financial services will fall by 50% by 2020
- 50% of accounts to be moved to paperless
- 25% of credit card communications to happen via ATMs
- 15% bank transactions to happen via ATMs

Direct mail volumes will fall 20% by 2020 due to uptick in email marketing

Email marketing, next generation ATM's and online platforms are expected to be biggest threats

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Industry segment: Financial Services
Mail segment: First-Class Mail
Interview quality: 9

CD (I)

[redacted] Research

Interview detail	**Name:**		**Interviewed by:**	Aravind Elango, Andy Kamons
	Title:	[redacted] Research	**Date and time:**	12/03/09, 9:00–10:00am
	Contact info:		**USPS revenue:**	n/a
	Additional info:		**Account Manager:**	n/a

Learnings

XX is an analyst for the financial payments industry, in both paper based and electronic formats

Business have been slower to adopt electronic payments than consumers, a trend likely to continue due to:

- Greater account restrictions and internal controls
- Security concerns about revealing information to trading partners
  - [redacted]
- Placing a higher value on paper
  - [redacted]

Despite barriers, check writing will continue to decline, for consumers and businesses, at 5-6% per year

- Currently around 70-75% of business transactions are made by check but alternative channels, such as C-Cards are gaining share, and there is gathering momentum for an acceleration in diversion
  - [redacted]

Trade groups and industry associations are working to lower barriers to B2B conversion to electronic

- eg, outsourcing organizations that enable conversion of paper to electronic to work with paperfree trading partners

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Industry segment: Financial Services
Mail segment: First-Class Mail
Interview quality: 9

CD (II)

[redacted] Research

Learnings

Majority of online transactions occur through banks instead of billers, and trends favor growing role for bank sites
- 50% of online consumers now pay at bank sites (multiple bills) and 50% of online consumers pay at biller sites
- In terms of total payments, the majority of transactions come through consolidators
  - [redacted]
  - By 2020 the volume of payments through consolidators should reach 75-85%

Banks have been less successful at capturing share from billers for bill and invoice presentment
- E-Bill presentment is less attractive than payment processing, and banks have not invested the same level of resources
  - [redacted]
- Bank sites cannot present full bill details for most vendors, and customers must reference a paper copy or biller site for details before making payments
  - Bank aggregators have a problem in that they can't show all your information. You might have to go to the biller site to see all the minor details

Banks have interest in growing share of bill presentment and payment market, and will continue to invest in order to attract customers
- Online customers are attractive customers for cross selling, and banks are enacting changes to keep customers on their sites
  - [redacted]

Consolidator software often provided by 3rd parties, who are steadily standardizing the C2B payments market
- 3rd parties have not competed against banks effectively, but have been successful at partnering with them
  - eg, [redacted] has low traffic, but back-end software quickly becoming an industry standard for large banks
  - Standalone sites do not have same access to information as billers
  - [redacted]
- These providers also enable small and mid-sized banks to provide online presence comparable to the larger banks

Table of contents

Industry segment: Financial Services
Mail segment: First-Class Mail
Interview quality: 9

CD (III)

[redacted] Research

Learnings

Given current trends, 50% of bill presentment and a greater amount of bill payment will shift out of paper by 2020

Mobile provides an alternative channel, leading to additional diversion from the mail
- Mobile will be stronger in bill pay rather than bill-presentment
  - [redacted]
- Mobile does not replace online, it supplements it
  - [redacted]

Implications for USPS

Despite barriers, check writing will continue to decline, for consumers and businesses, at 5-6% per year

Given current trends, 50% of bill presentment and a greater amount of bill payment will shift out of paper by 2020

Majority of online transactions occur through banks instead of billers, and trends favor growing role for bank sites

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- Mobile will be stronger in bill pay rather than bill-presentment