

May 22, 2001

Some Findings from Individual Interviews: *USPS 5-Day Operation*

To date, we have completed 24 individual interviews. Respondent reactions to the recent rate increases or the threat of a new rate request has colored a few interviews, but most have been thoughtful and cordial. Most respondents did not seem overly concerned about the potential cuts in Saturday service by the Postal Service.

The great majority of respondents would prefer that service be cut on Saturday, rather than Tuesday. Some of this effect might arise from the fact that they have all been thinking about Saturday, but Tuesday is a new idea. All were thinking about the effects of discontinuing Saturday delivery before our conversation, but there were some who were unaware of the prospect of other Saturday cuts.

When asked what they might do differently in reaction to service cuts by the Postal Service, respondents were clear that they are already doing these things. These activities might increase or receive more emphasis.

The following synopses are intended to highlight unusual findings. They do not repeat the general findings noted above for each respondent.

The findings are grouped by subject matter:

First-Class Mail	Billing and Payments
Standard A	Direct Mail
Publications	Publications
Priority Mail and Standard B	Packages

First-Class Mail

Respondents were generally in finance and accounting functions in their organizations.

1. A public utility. The respondent was the manager of remittance processing. His function is open five days a week. Billing takes place across the month, with 21 billing cycles, 20,000 to 30,000 pieces per day. He has no knowledge of how customers go about paying their bills.

The elimination of Saturday delivery represented no special challenge to him. It would be business as usual. Tuesday would be another matter since he staffs for five working days per week and would need to be able to understand the impact of the mail flow on his staffing.

His concerns include possible delays in receipt of the mail because he knows that cash flow is important (but it is not in his area of concern).

2. A media company. Here, we overshot the mark and ended up with someone in corporate, well removed from billing and receiving funds, although he had identified himself as the appropriate respondent.

He reported that anyone who worked in remittances works a Monday to Friday week and that dropping services on Saturday would have little effect on the company's business. This is especially true since much of the organization's consumer revenue does not pass through the mail stream.

He did, however, spend a considerable amount of the available time assailing the recent rate increase.

3. A mailing list company. The respondent is the Controller. While she is responsible for their limited billing and remittance operations she could neither conceive of how the reported volume of First-Class Mail was generated nor identify anyone in the company who could help to discuss it. She did not complete a full interview.
4. A credit card manufacturer. We spoke with the VP Finance. He could not see his firm as a significant mailer.

The firm manufactures credit cards in response to orders from banks and credit card companies. Almost everything is on a same day basis and the principal selling point for the company's services is their quick turnaround. (Mailing is via First-Class Mail and is handled by a consolidator.)

Their regular services would not be affected by the potential cuts by the Postal Service. They run five days a week and would not notice a cessation of Saturday delivery. (When asked when the consolidator actually got the mail into the mail stream, the respondent was unsure of the answer.)

There is an expedited delivery product that is currently provided by next-day service by the Postal Service. This product would suffer if Saturday delivery were stopped. The respondent felt that they would have to go to other carriers to provide Saturday delivery for this

product. He implied that this would not involve a shift of all the expedited business, just the Saturday delivery portion. Much less than ten percent of his mail volume would be involved.

5. Newsletter publisher. This firm came out of our search for organizations sending out bills and receiving payments. But it is much more interesting in terms of publications. They have more than one newsletter that they mail monthly. There seems to be no expectation on the part of the subscriber that the publication will arrive on a given day. Day of delivery is virtually meaningless.

Much of this interview involved suggestions that the Postal Service “clean up its act” and reduce postage fees.

6. A credit union. The respondent is the Treasurer. The firm is open five days a week and he sees no real impact on his operations if Saturday service is dropped. He’s not thrilled by the prospect of staffing for five-day delivery if Tuesday is dropped.

When asked about his customers’ paying habits, he said, “They pay as late as they can.” This might reflect that such payments can be relatively high, involving various loans, including home mortgages.

7. Financial services firm. Respondent is Controller. His greatest concern is in meeting regulatory requirements for certain transactions. At the moment, the Federal government has more rules regarding when things must be mailed than it does regarding when the mail must arrive. So, without further regulations, he sees few difficulties.
8. A regional bank. Respondent is EVP Operations Services. They process outgoing mail six, sometimes seven, days a week and they “count on “ delivery on the sixth day. While they seem to have no formal estimates of when customers mail payments to them, they note that incoming volumes decline as the week progresses. The elimination of Saturday delivery “might affect the flow of incoming payments and lead to a need for staffing changes.” There may be a ripple effect through the week from the backup created on Monday if Saturday delivery is dropped.

The respondent feels strongly that mail should get to customers as quickly as possible; that an overdraft notice mailed on Friday should get to customers on Saturday. Beyond that, there was little indication that the elimination of Saturday delivery had been studied at this organization.

Standard A Mail

1. A credit card insurance company. The respondent is the Marketing Manager. They mail about twenty million pieces of direct mail per year and try to get into mailboxes early in the month. They see their competitors as the credit card companies, which have in-house insurance activities.

They are very happy with the service they receive from the Postal Service and do not see the cuts in service as affecting the relationship, probably because they do not see the cuts affecting their business in any meaningful way. However, they noted that cuts might change the pattern for replies to their mailing and that effect would have to be carefully evaluated.

2. A real estate firm. Respondents were the VP Advertising and the VP Corporate Marketing. They provide a consolidated direct mailing operation for the agents in the firm. And they are big fans of the Postal Service. They, for a change, are more concerned with the loss of delivery days. They mail to day windows, and a mailing piece that arrives one day past the window is of no value to them. They also expressed a concern that loss of a delivery day would lead to increased mailbox clutter on the remaining days. Their mailing pieces (mostly post cards) might easily get lost in a full mailbox.
3. A retailer. The respondent is Manager of Direct Mail. The firm has a large direct marketing component and a national array of stores. Mail accounts for about half of their media spending. Much of the mailing is in support of the stores. They have an unusual pattern in that sales at the stores are scheduled in a variety of ways. One sale might be on a Monday and Tuesday. The next might be over a weekend, etc.

The presence of a number of sales windows means that it is likely that any change in delivery patterns will necessitate reviewing the requirements to get mail to myriad places in a specified day window. This is a client who expressed intense frustration with dealing with the Postal Service for both First-Class and Standard A promotional materials.

When faced with a choice of raising rates or cutting Saturday service, the respondent was one of the few who labored over the decision. While she finally took the path of holding down rates, she did not see it as an easy decision.

4. A direct marketer and publisher of music and videos, sending out 50-60 million a year. Respondent is Director, Program Production. Direct mail is their third most important advertising medium, behind broadcast and magazines.

They have useful general ideas of the impact of a mailing. None of the models they use assume that the mailing arrives on a specific day. Dropping Saturday delivery and acceptance are not seen as having a major impact.

5. A newspaper that mails preprinted advertising insert material to non-subscribers. This permits them to offer much greater reach within their market than might be offered by inserts in newspapers that only reach people who buy newspapers. Respondent is Advertising Preprint Manager.

Volume is substantial, about 1.1 million pieces per week. Mailings are entered on Wednesday, with the expectation of delivery on Thursday or Friday. Entry is generally at the SCF level, but there are instances when they enter at delivery offices. The lack of Saturday as a fallback for Friday delivery will put greater pressure on the mail house and on the Postal Service.

In all, the elimination of Saturday delivery is seen as a problem, but not a great problem. The availability of preprinted material is tied to printing schedules for the weekend newspapers and may be difficult to juggle to meet new mailing schedules. (The materials are not printed by the newspapers and may come from multiple sources.)

6. A local bank. Respondent is VP Strategic Marketing. Direct mail is the advertising medium used to attract new checking account customers. They mail about four million pieces per year. Other mailings are for loan and deposit product offerings.

They mail three or four times a month. Each offer has an expiration date, but that date is six to eight weeks into the future and has no real relationship to when the mailings are delivered. However, the timing of the mailings is related to the staffing of the bank branches and call centers so that the business generated by the mailing can be handled efficiently. The effect on delivery and response of elimination of Saturday delivery might call for new staffing plans. Right now, they can estimate the effect of a mailing on a daily basis for up to three weeks.

7. A national weekly magazine. Respondent is SVP Consumer Marketing. While she is the appropriate respondent, she has been with this organization for only six weeks and her responses are more appropriate to the magazine business in general.

They mail millions of pieces of Standard A mail with the objective of attracting subscriptions. They also use inserts and electronic media. The new officer is working to refine the mailing schedule that has not been tested for seasonal effects. In time, they will be trying to hit smaller delivery windows.

The concept of stopping delivery and acceptance of mail on Saturday touches a nerve. While she cannot quantify the effects, she believes they will include unpredictable backups in mail and overcrowding of mailboxes. While they may find ways to cope, they are essentially faced with less service for increasing prices.

Publications

1. A national newspaper. Respondent is VP Circulation. Here is the first instance of a mailer who will not go quietly if a day of delivery is lost. Currently, she mails about 28,000 copies of her publication on a five-day per week basis. The copies are entered at mail facilities across the country.

A loss of a delivery day would be a real problem to the 28,000 recipients. The respondent was clear that she depends upon the Postal Service and believes that they do pretty well in most situations. However, every day she works to find out ways to either reduce postage fees or to use cheaper alternative carriers. Any significant change in service incites her to greater efforts to find more desirable options.

This was a respondent who could not choose between cutting service and raising prices, as she was clear to point out that both choices were matters that hurt her company directly and would require more analysis.

When asked if she would make changes that would move current volume from the Postal Service she said that she had already moved \$1.5 million from the Postal Service in the past twelve months and

would continue to seek ways to do so if service or prices could be improved by the use of alternative carriers.

2. A magazine and newsletter publisher. The respondent was the VP for Circulation. The magazine would not be an area of concern if the Postal Service goes to five day delivery or cuts additional services on Saturday. It is mailed monthly, and its subscribers expect delivery "before the tenth of the month."

However, there is one newsletter that raised real questions. It is written and sent to the printer on Friday. The printer enters the mail at an airport mail facility on "Friday night" and copies are drop shipped by Express Mail to mail facilities across the country with the object of guaranteeing Monday delivery.

It turns out that "Friday night" has a cutoff of 4:30 am on Saturday. The prospect of mail facilities not accepting mail on Saturday could result in a major change in the way this product is produced and distributed. Our respondent was quite concerned.

3. A publisher of bimonthly magazine and a monthly newsletter. Respondent is Manger for Production of Publications.

While no real problem is currently seen resulting from the elimination of Saturday delivery, they would carefully evaluate the effect of any changes, especially the availability of new services that might emerge to fill the gap left by the Postal Service.

4. Publisher of a wide range of newsletters. They have over 200 titles, including weeklies, monthlies, and bimonthlies. Respondent is Manager of Delivery Services.

This is an organization that has little reason to be concerned with the elimination of Saturday delivery, but the elimination of Saturday acceptance is another matter. Some of the their most important publications are entered on Saturday. The entry process comes at the end of a weekly editorial and production cycle. The respondent cannot conceive of how they would restructure the process so as to meet a Friday mailing. (He also, acknowledges that if Saturday acceptance were dropped, his organization would restructure its operation, but not without considerable pain, perhaps to the extent of going to alternative carriers. In the long run, it may be subscribers who determine if the volume stays with the Postal Service. If they want their newsletters early in the week, they may be willing to pay for that.

This is the respondent who replied with a polite epithet when asked whether he would choose between increased postal rates and the elimination of Saturday services. He said he'd go with increased rates, but only because it might mean that the Postal Service will price themselves out of the market and open opportunities for other carriers or electronic options. Almost eighty percent of his volume would be affected if he found a way to get his current delivery pattern without having to mail Friday.

5. A regional monthly magazine. Mailing takes place with the object of having delivery Thursday to Monday around the twentieth of the month. Customers do not expect the magazine to arrive on a given day.

They see no specific problems with the Postal Service cutting out acceptance and delivery of mail on Saturday, but they also expect that a variety of unseen problems will arise.

Priority Mail and Standard B Mail

1. A photo finishing company. Sends out "tens of thousands" of packages of finished prints each day. Also mails rolls of film. Respondent is Mailing Services Coordinator.

Virtually all of the current volume is sent via the Postal Service, using Standard B, Priority Mail and First-Class Mail. As many as ten to twenty percent of their customers request expedited delivery and pay an additional charge for it. (It accounts for the First-Class and Priority Mail.)

They operate seven days a week and are concerned with anything that slows down the mail they receive or send out, since their customers always have the option of using a local one-hour service for film processing. Elimination of Saturday delivery and acceptance creates two opportunities to slow down their turnaround time. It would provide an incentive to find alternative means of delivery.

They are not interested in the tradeoff between reduced service and higher rates. Neither alternative is acceptable. And they are very clear that if they find the right alternative means of delivery at the right price, the Postal Service stands to lose all their business.

Perhaps, it should be emphasized here that all large organizations with large postage expenses seem to be looking for ways to get better service at better prices. The elimination of Saturday

acceptance and delivery does not mean an automatic shift of business. But it does mean that the customers' calculations will change... and that it might change even more if other carriers decided to deliver on Saturday at a competitive price.

2. A package fulfillment house, which warehouses, packs and ships products for a variety of customers. The respondent is the Regional Warehouse Manager.

Their clients make most of the shipping decisions on carriers, rates, etc. All this adds up to an annual volume of about three million parcels. Use of expedited services is generally to be specified by recipients. Most of the volume is by UPS. There is little interest in Saturday delivery – an option that this firm offers its customers at extra cost.

There is little concern with loss of Saturday delivery or acceptance. The operation is not open on Saturday. The only concern voiced over the possible changes is that they would produce a backup in the mailstream, thereby affecting other days.

3. The direct marketing arm of a national association. Probably 100,000 pieces a year by Priority Mail, which is seen as reliable and cost efficient. They switched over from UPS Ground that they used because of the tracking capability when they discovered that hardly anyone requested tracking. Now they simply mail a replacement item.

They are concerned that cutting Saturday delivery will inconvenience their customers who might wish to pick larger items at a post office or arrange for delivery on Saturday when they would be at home to receive them.

He repeats others' concerns that stopping services on Saturday will drive backups into the following week. It will almost certainly require that they remodel their mailing schedules and fulfillment staffing. And he points out that backups can lead to shortages of equipment that is being used to hold mail rather than to move it. He is particularly concerned about trailer availability.

As an aside, this organization also mails about 75 million pieces of Standard A mail each year. They are especially concerned with delays in catalog delivery, quoting a 75% incidence of delivery past 14 days.

One comment at the end of the interview suggested that if the Postal Service no longer provides Saturday delivery and post offices are not

open on Saturday, they should then offer some services to compensate for those changes.

Finally, he wonders what private carriers will come up with to fill the gap.

4. Mail order books and records. Respondent is IS Manager. Highly dependent upon sales generated by a mailed catalog. Customers are both retail and wholesale, with wholesale customers accounting for as much shipping weight as retail, but far fewer shipments.

Customers have the option of choosing carriers and pay a flat rate for shipping charges. Overnight delivery is by FedEx and most wholesale shipments are by FedEx Ground.

The Postal Service gets much of the small parcel business, but UPS wins out for longer distances. (Book rate parcels to California can take a month.)

The catalog is not aimed at a specific day; it is timed to arrive before or on the weekend. The respondent feels that the nature of the catalog is such that one needs time to peruse it and the weekend provides that time. And she likes the idea that customers are at home on Saturdays to accept parcels.

This is a six-day operation, with Monday as a particularly busy day. She fears the waterfall effect of the Saturday backup affecting the rest of the week. Fifty percent of their orders come by mail.

This is firm that feels especially hard hit by the recent rate increase; they are already calculating how much they will need to cut their catalog mailing. That has to affect their orders and their parcel shipping. The Saturday action might require them to make substantial staffing adjustments, starting with cutting out their Saturday crew. It appears to lead to a potential reduction in productivity because the mail volume will have greater peaks and valleys.

In all, this was the respondent who seemed to have spent the most time thinking about the effect of potential changes by the Postal Service. She sees many repercussions and recognizes that she does not currently have enough information to determine what will need to be addressed first.

Structured Questions

Each individual depth interview ended with a series of structured questions that provide another means of summarizing findings. These provide another useful way of looking at things, but should not be taken as definitive. For one thing, this is not a true sample, it includes some significant mailers in one market. For another, each of these mailers is so focused as to not be a particularly good respondent for general questions.

The questions have been paraphrased and their results presented in frequencies (not percentages) so that one can keep in mind that only 23 people are involved. (One respondent did not complete the structured section.)

How important is it for your business to be able to:

Pick up mail or letters from a clerk at the counter at the post office on Saturday?

1	Not at all important	23
2		0
3		0
4		0
5	Very important	0

Collect mail from a post office box or caller service on Saturday?

1	Not at all important	14
2		4
3		1
4		1
5	Very important	2

Conduct other business at a post office on Saturday?

1	Not at all important	17
2		2
3		1
4		1
5	Very important	1

How important is it for your business that mail is delivered to households on Saturday?

1	Not at all important	3
2		5
3		3
4		1
5	Very important	10

How important is it for your business that mail is delivered to households on Tuesday?

1	Not at all important	2
2		1
3		3
4		5
5	Very important	11

How important is it for your business that mail is delivered to other businesses on Saturday?

1	Not at all important	11
2		3
3		6
4		1
5	Very important	2

How important is it for your business that mail is delivered to other businesses on Tuesday?

1	Not at all important	4
2		1
3		4
4		4
5	Very important	10

How important is it for your business that mail is delivered to your business on Saturday?

1	Not at all important	14
2		4
3		1
4		1
5	Very important	3

How important is it for your business that mail is delivered to your business on Tuesday?

1	Not at all important	0
2		1
3		2
4		7
5	Very important	13

Of the following steps the Postal Service might take on Saturdays, which two would you prefer that they take first?

1	Stop delivery to businesses	14
2	Stop delivery to households	6
3	Close retail counter	8
4	Close access to post office boxes	4
5	Close bulk mail deposit service	4
6	Discontinue pick up of mail	4

And which would you want them to take last?

1	Stop delivery to businesses	0
2	Stop delivery to households	11
3	Close retail counter	2
4	Close access to post office boxes	3
5	Close bulk mail deposit service	3
6	Discontinue pick up of mail	1

If the Postal Service had to stop delivery to households on either Tuesday or Saturday, which would you prefer?

1	Tuesday	3
2	Saturday	18
3	Makes no difference	0
4	Don't know	2

If the Postal Service had to stop delivery to businesses on either Tuesday or Saturday, which would you prefer?

1	Tuesday	1
2	Saturday	19
3	Makes no difference	1
4	Don't know	2

If the Postal Service had to stop delivery to households and businesses on either Tuesday or Saturday, which would you prefer?

1	Tuesday	3
2	Saturday	18
3	Makes no difference	0
4	Don't know	2

Should the Postal Service maintain its current prices for the next year by stopping mail delivery to all businesses and households, closing the retail counter service at post offices, closing the bulk mail service, closing the post office box section and discontinuing the pickup of mail from collection boxes or post offices, all on Saturday? Or should the Postal Service raise prices by 10% to 15% to keep services as they are now?

1	Cut services on Saturday	12
2	Raise prices	5
3	Don't know	3
4	Refused to answer	3

Virtually all respondents said that changes in Postal Service Saturday operations would result in changes by them.

We then asked --

Would any of these changes reduce your use of mail?

1	Yes	10
2	No	9
3	Don't know	2

And for those who said there would be a reduction, we asked how big that reduction might be.

1	No reduction	0
2	Less than 10%	4
3	At least 10%, but less than 25%	1
4	25-50%	1
5	More than 50%	1
6	Don't know	4