

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

MARKET TEST OF EXPERIMENTAL PRODUCT—  
MAIL WORKS GUARANTEE

Docket No. MT2011-4

**REPLY COMMENTS OF THE  
THE NEWSPAPER ASSOCIATION OF AMERICA**  
(May 6, 2011)

The Newspaper Association of America (“NAA”)<sup>1</sup> submits these reply comments on the Postal Service’s proposed market test of an experimental product called “Mail Works Guarantee”<sup>2</sup>. The Public Representative has identified certain issues that the Commission should consider carefully.

**I. THE PUBLIC REPRESENTATIVE HAS IDENTIFIED SERIOUS QUESTIONS REGARDING POSSIBLE DISCRIMINATION**

As the Public Representative notes, the Postal Service proposes to offer to 16 businesses an opportunity to conduct new direct mail marketing campaigns with a money-back guarantee if the campaign fails to achieve certain metrics to be negotiated between the business and the Postal Service.

NAA has serious reservations regarding the appropriateness of the federal government seeking to participate so directly in the advertising marketplace,

---

<sup>1</sup> NAA represents the interests of nearly 2,000 newspapers in the United States and Canada. Its members account for nearly 90 percent of the daily newspaper circulation in the United States and a wide range of non-daily U.S. newspapers.

<sup>2</sup> Order No. 717, *noticing* Notice of the United States Postal Service of Market Test of Experimental Product – Mail Works Guarantee, Docket No. MT2011-4 (filed April 15, 2011) (“USPS Notice”).

especially if the net result is simply to shift advertising from one mailer to another “new” mailer. NAA also has reservations regarding the selection process by which businesses would be chosen to participate in this test, and with whether the selection would occur in a transparent and non-preferential manner.

To this end, NAA notes that the Public Representative commented that the Postal Service has failed to provide “significant details for determining eligibility” to participate in the program and potentially obtain refunds. Public Representative Comments at 2. The Public Representative observes that the opportunity to participate in a money-back guarantee is itself preferential over current mailers (*id.* at 3) and that the Postal Service has not provided sufficient information to determine whether the product will create an unfair or inappropriate competitive advantage for any mailer. *Id.*

Many mailers, of course, would appreciate the opportunity to increase their advertising, prospecting, or sampling if they had the assurance of a money-back guarantee on the postage. But the Postal Service would select only a few to participate in this proposal. Thus, it would discriminate in favor of the selected participants because current mailers do not get (and historically did not receive) a similar “risk free” test – they took the business risk of launching direct mail efforts, including shared mailings.

The Public Representative also identifies interesting issues regarding the non-public process by which the 16 participants would be selected. Indeed, the very precision of the proposed eligibility threshold – a business must spend less than 0.36 percent of its marketing budget on postage – suggests that the Postal

Service has already identified who will have the opportunity to participate.

The Public Representative also notes that enabling participating mailers to expand their direct mail marketing risk-free is likely to harm at least some existing mailers with which they compete. *Id.* at 5. NAA shares its doubts regarding whether the Postal Service has the expertise to negotiate the most favorable metrics against very experienced marketers (*id.*). In addition, NAA has reservations regarding the appropriateness of the Postal Service in working with a private business to shape “success” metrics for an advertising campaign.

## **II. THE DATA COLLECTION PLAN SHOULD REPORT ON CANNIBALIZATION OF EXISTING MAIL**

The Postal Service claims that the 16 beneficiaries of this market test currently spend less than 0.36 percent of their advertising budget on postage. That number alone, however, says nothing about how much those businesses use direct mail advertising.

Businesses may use the mail in various ways without it being charged as a “postage” line item in their advertising budgets. For example, businesses that include advertising inserts within billing and statement letter mail may not account for the postage on those items as part of their “advertising” budgets.

In addition, many businesses today choose to advertise in shared mailings, for which another entity, such as a local newspaper Total Market Coverage program, pays the postage. From our industry’s experience in distributing advertising inserts through the nation’s postal system to households that do not subscribe to newspapers, many national businesses use the mail for advertising through shared mailings, and thus may have large “mail” advertising

budgets but pay little postage themselves. To the extent that the Market Test provides the selected 16 businesses a risk-free mailing option, they may remove at least some of their advertisements from shared mail programs.

In order to learn how frequently either of these scenarios would occur under the proposed market test, if approved, the Postal Service should be required to collect and present data that would indicate the extent of such “cannibalization” of existing advertising mail. That would provide data – none of which the Postal Service has provided to date -- regarding whether this concept may actually present a risk of harm to existing advertising mailers which may have the selected 16 businesses as current advertisers.

### **III. CONCLUSION**

For the foregoing reasons, the Newspaper Association of America is very interested in learning more about the proposed “Mail Works Guarantee” market test and urges the Commission to give serious attention to the valid concerns expressed by the Public Representative regarding the proposal.

Respectfully submitted,

Newspaper Association of America

Paul J. Boyle  
Senior Vice President/Public Policy  
NEWSPAPER ASSOCIATION OF  
AMERICA  
4401 Wilson Boulevard  
Suite 900  
Arlington, Virginia 22203  
(571) 366-1150

By: /s/ William B. Baker  
William B. Baker  
WILEY REIN LLP  
1776 K Street, N.W.  
Washington, DC 20006-2304  
(202) 719-7255