

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

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DSCF Standard Mail Load Leveling

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Docket No. N2014-1

INITIAL BRIEF  
OF  
AMERICAN CATALOG MAILERS ASSOCIATION

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February 20, 2014

This case began when “the Postal Service filed a request pursuant to 39 U.S.C. 3661 for an advisory opinion from the Commission regarding potential changes in the manner in which it processes and dispatches Standard Mail that qualifies for a Destination Sectional Center Facility (DSCF) discounted rate” (Order No. 1932, December 30, 2013, at 1, footnote omitted). By Order No. 1932, the Commission established Docket No. N2014-1 to consider the Postal Service Request, setting February 20 for initial comments. The American Catalog Mailers Association (ACMA) intervened as a full participant on January 17, 2014, and is pleased to file this brief.

ACMA supports a low-cost Postal Service, and is willing to work to help bring that about. But ACMA also supports low-cost mailer and mail-preparer operations. These two areas of cost obviously need to be considered together, in line with bringing about effectiveness in using the mail. The instant proposal is one possible solution to a peaking problem that definitely should be addressed. We have not fully assessed its costs to our members. Also, there may be other possible solutions. Therefore we urge some flexibility and ongoing assessment as this is rolled out.

The idea is simple that mailers and the Postal Service might cooperate in making changes that result in savings, and that associated (and affected) mailers might see some benefit from these savings. This benefit could take the form of lower preparation costs, which we don't see here, better service, which probably cannot really be said to be happening, or lower rates. This would immediately raise the question of whether the savings to the Postal Service are greater for flats than for letters, which we believe to be likely.

But, under a price cap, in a situation where the Postal Service is in need of improved finances, it seems unlikely that rate mitigation will occur at the level of the class. This leaves the question of whether rate increases for some categories should be tempered relative to the increases for others. ACMA believes this matter should be kept in mind as rate increases for flats are developed in the future.

In an appendix to this brief, ACMA provides its response to a *Federal Register* Notice on the same subject.

Appendix to  
Initial Brief of American Catalog Mailers Association  
filed in Docket No. N2014-1  
on February 20, 2014

The three pages following this one, constituting pages 5-7 of this Initial Brief, contain a copy of ACMA's response to *Federal Register* vol. 79, number 2, 39 CFR Part 121 (January 3, 2014).



AMERICAN CATALOG  
MAILERS ASSOCIATION

February 3, 2014

Manager  
Industry Engagement and Outreach  
United States Postal Service  
475 L'Enfant Plaza, SW, Room 4107  
Washington, DC 20260-4107

Re: *Federal Register* vol. 79, number 2,  
39 CFR Part 121 (January 3, 2014)  
Proposed rule: Service Standards for  
Destination Sectional Center Facility  
Rate Standard Mail

Dear Sir or Madam:

ACMA appreciates the opportunity to comment on Postal Service changes to regulations and policies. We are responding to the proposal published in the *Federal Register* on January 3, 2014, to change the Standard Mail service standards on mail dropped to the appropriate DSCF to reduce the peak unloads on Fridays, sometimes referred to as "load leveling."

While we have not seen any specific details, we understand there are substantial cost savings resulting from this change. Our operating experience informs us that whenever peak shaving and trough filling can be accomplished to level load work across assets and work centers, cost savings result. As you know, catalogs are highly sensitive to price in establishing circulation volumes and the industry has yet to recover fully from large postage increases effective in 2007. ACMA supports all reasonable efforts to reduce the cost of handling our types of mail that will moderate or reduce the actual price paid by catalog companies. Provided adequate notice is made to consider impact on mailing and production schedules, many ACMA members can make required adjustments if it results in lower costs for the Postal Service, higher reported cost coverages, and the opportunity to use the "savings" to moderate price increases and provide more promotional opportunities that stimulate catalog mailing.

Overall, transparency and predictability are of prime importance to catalog marketers. Catalog marketers synchronize their marketing efforts to be synergistically reinforcing;

all channels reinforce the marketing message(s) and call to action to make a purchase. The ability of mail to be predictable enhances the value of mail to the marketer. Catalog marketers who mail frequently also carefully plan the cadence and timing of the arrival of each successive mailpiece to maximum effect. Generally speaking, provided it is known in advance, many catalogers can adjust to virtually any reasonable schedule.

Following a member poll completed early 2013, ACMA determined that some catalogers do not want Monday delivery, *per se*, but are targeting a specific week. ACMA surveyed 40 separate catalog marketers, representing total annual circulation volume of 2.5 billion catalogs. Ten companies representing 1.1 billion books *did* indicate a preference for Monday delivery. Thirteen marketers representing volume of 500 million catalogs preferred Tuesday. Six firms generating 625 million catalogs variously preferred Wednesday, Thursday or Friday, while eleven companies with over 300 million in circulation said they had no specific preference. Upon follow up discussions, no marketer was aware of a systematic study tying day of week in-home with response rate. A majority indicated a preference for their catalogs to be delivered on a different day than their competitors. Virtually all catalog marketers indicated they do not want their entire mail drop to arrive in-home nationwide on the same exact day because it spikes call volume in call centers and order demand in fulfillment operations. All those surveyed indicated that being able to predict the timing of arrival is paramount for both the operations and marketing reasons described above.

ACMA feels more work is required to understand both the impact of load leveling across the entire supply chain, its impact on response rates and how response might be improved by more precisely managing the day of the catalog's arrival in homes and workplaces.

We understand that the high percentage of unloads occurring on Fridays are principally a result of the rapid growth in co-mail, co-palletization and shared transport to postal facilities. While we are still consulting with supply chain partners to understand the full impact across the entire catalog supply chain, we are concerned that catalogers not face additional costs due to any USPS change designed to level loads. ACMA seeks to make sure any additional costs are dwarfed by USPS savings and that a mechanism to transfer this additional cost to the Postal Service side of the equation be put in place so that total delivered cost improves, not worsens.

Since much of the impact depends on what individual mailers (catalog and others) decide to do with their schedules due to load leveling, it is hard to anticipate all the implications in advance. Certainly this has the potential to add additional complexity, but that should be manageable. To the extent mailers make decisions that bifurcate the mailstream from a given service provider, this may introduce costs, reduce scale economies or have other implications. For this reason, ACMA urges the USPS to roll out changes after additional testing has occurred in which the mailing industry is a full participant.

ACMA members are committed to continuous improvement in the lowest delivered cost for their catalogs. We seek changes that result in real gains to the total system-wide

cost of catalog mailings and not cost shifting from one party to another. We anticipate that incentives and other pricing signals may be required to capture no less than 100% of the additional cost so the lowest combined cost does not go up.

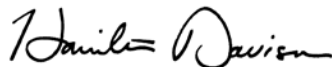
The actual impact may not be known fully in advance. For instance, if some proportion of mailers adjust their schedules to drop on a Thursday in an attempt to be in-home on Monday, this could result in bifurcating the mail flow with decreased efficiencies at plants and increased transport costs. These changes must be accounted for in planning load leveling; or the changes made by the Postal Service may represent additional price increases that are not compliant with the rate cap.

Accordingly, should we identify that the high volume of Friday unloads is an efficiency promoting tool at MSPs or that it enables a greater amount of comingled processing upstream of the Postal Service then the impact on total delivered cost must be assessed. It might be important to re-evaluate the total cost-benefit of this change and to provide appropriate incentives to offset the incremental mailer/MSP cost so as to *not* have this change represent a cost shift and *de facto* rate increase counterproductive to re-stimulating the vibrant catalog sector.

Another aspect of the present discussion deserves comment. There was a series of miscommunications and miscues that does not represent optimum communication and partnership between all parties involved. Due to the complex and tightly integrated supply chain operated by various parties, including the USPS, there are many benefits to a collaborative, collegial approach. We noted that postal managers felt they had done exactly this as the load leveling discussions unfolded over a period of several quarters. Some mailers, on the other hand, felt railroaded and were told this was a *fait accompli* after one test with little real sharing of results and not enough discussion of implications across the supply chain. This experience points to the need to improve communications and involvement in proposed changes in the future.

We appreciate the opportunity to offer our input on this matter and look forward to further developments to capture the cost savings without degrading the value or mail or imposing other costs elsewhere in the system.

Sincerely,



Hamilton Davison  
President & Executive Director  
American Catalog Mailers Association