

# POSTAL NEWS

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## Postal Service Expects Steeper Declines

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The U.S. Postal Service has cut 25,000 jobs this year and mail volume will continue to drop into 2010 as it struggles to break even and return to profitability, Postmaster General John E. Potter warned today. The bleak outlook comes as the agency expects a \$6.5 billion loss this year. It still expects a cash shortfall in excess of \$1.5 billion. "Unfortunately, I wish I could say we've hit bottom, but we haven't yet," Potter told reporters at the start of this week's National Postal Forum, a mailing industry convention.

USPS anticipates delivering 180 billion pieces of mail this year, far below the record 213 billion delivered in 2006. Worse, Potter says mail volume will likely bottom out at closer to 170 billion pieces per year.

"Folks are looking at alternatives and there are some that simply will not return," he said. The agency has commissioned a survey of its largest customers in hopes of anticipating future workloads.

As if the migration to e-mail and e-commerce wasn't bad enough, the collapse of the housing and financial sectors have made the Postal Service fall faster and farther. Fewer housing starts mean fewer new addresses created each year. Potter said new addresses will drop from an average of 1.9 million per year to 1.1 million. The financial sector, which has long relied on the mail to transact and communicate with its customers, has also cut back on mail significantly. Last week's 2-cent increase for the price of first-class postage might also make it difficult for some customers, and Potter said the bump will not be enough to offset losses.

"What we really need to be talking about is how to do we find a path back to break even and then beyond break event to profitability," Potter said. He's seeking permission from Congress and the Obama administration to delay the prefunding of payments to an employee retiree health benefits fund, money that could help offset current losses. The service has also cut more than 10,000 city carrier routes in the last several years, saving about \$100,000 per route and the eliminating the need for some vehicles.

Then there's the possibility of trimming a day of service, a suggestion Potter threatened earlier this year might be necessary someday soon. Lawmakers have all-but killed the cutback for now, but Potter discussed it as a realistic solution during today's conversation with reporters.

"With some minor exceptions, people have told me that if they have to adjust their operations, they can," he said.

Still, "Until people hear from us...they should count on getting the same great service that they've always got."

## Direct mail done right

Sharon Goldman

May 18 2009

When it comes to direct mail, success can be measured in a variety of ways besides straight ROI — although raising response is, of course, the bottom line. For instance, did the piece grab attention? Did its design help it get past the gatekeepers? Or, was the mailing particularly cost-efficient? Did it help increase customer loyalty? These are the factors that came into play for the following three successful direct mail campaigns. A b-to-b campaign, a campaign touting an education nonprofit and a mailing strictly for high-end luxury auto enthusiasts may not initially seem to have much in common. But they are all efforts that effectively used direct mail in creative and thoughtful ways. □

## Cost-savings savvy □

As an education nonprofit that relies on federal and state funding to survive, the National Board for Professional Teaching Standards (NBPTS) was looking to cut down on direct mail campaign costs, which — while mail remains an essential marketing channel for the organization — can be prohibitively expensive. □

For a mailing promoting a conference that targeted 74,000 national board certified teachers, director of marketing Elizabeth Arritt had an idea of how to cut down on the number of mailers sent out: "We were already planning e-mails and mailings and I thought, why am I e-mailing all these people and then mailing something when I can tell exactly who opened the e-mail?" □

The NBPTS had about 61,000 of the targeted group's e-mail addresses, so each one received an HTML preview e-mail for the conference twice during the span of one month. Arritt then tracked the addresses that opened the e-mail - about 11,000 - and removed those from the mailing, then targeted the mailing to states near the conference or where the organization had a strong presence, so only about 45,000 of the mailed pieces were sent out. □

"It saves us anywhere from \$5,000 to \$10,000 per mailing, between print and mailing costs," says Arritt. This type of cost savings effort is becoming part of the organization's standard marketing procedure now, she adds. "We haven't bought any lists," she says. "Instead, we've gotten information from those who follow us on Twitter and Facebook as well as sign-ups on the Web site." □

## Lead with loyalty □

To mark the debut of the new Porsche 911, Porsche Cars North America's agency, Cramer-Krasselt Chicago, sent unique direct mail kits to a curated list of 10,000 Porsche enthusiasts, including current and former 911 owners. Each package included an exclusive, limited-edition Porsche badge that was personalized with a unique code, in some cases hand-selected for a specific recipient. □

"Our drivers are as important in developing the brand over time as the brand itself," says Michael Baer, group account director for Porsche at Cramer-Krasselt Chicago. "We always want to stay in contact with them, give them insider information and, when and where, it's appropriate, reward them for their passionate loyalty to the brand." □

The effort was part of a large marketing push that included print and online ads as well as a microsite. But the response to the direct mail piece and badge was particularly positive, says Baer. Some recipients even took the time to write Porsche and personally thank them for the gift. □

The creative challenge for the direct mail piece, he says, was the fact that the new Porsche 911 doesn't look that much different than the prior generation — so the company had to work carefully to get to the sweet spot of Porsche insiders who have owned multiple Porsches through the years and explain the differences in the new model. "The outside looks unchanged, but on the inside it's a completely new car," he says. □

Still, the main driver (no pun intended) for the direct mail piece was loyalty — offering top customers something they could put on their desk as a keepsake about their cars. "Anecdotally, we know it drove sales, but it wasn't designed for that," says Baer. "It was a reward for loyalty, longevity and interest with the brand. There was no ROI on this piece." □

Dimensional dynamo □

When it comes to dimensional direct mail for business-to-business companies, agency Mindspace knows its stuff. After all, it has completed more than 250 dimensional mail campaigns for enterprise software company Oracle. □

"Especially when the piece goes to a C-suite executive, where it's hard to get through the doorkeeper — that is, the receptionist — we find if it's in a dimensional box that stands out it gets pushed through pretty quickly," says Brent Shetler, principal and creative director at Mindspace. "We've seen 20% response rates with mailers when we either send it in a box that's interesting or just by FedEx so that it has a sense of importance to it." □

Last summer, the agency created a direct mail campaign for Oracle distributor Avnet, which wanted to get its value-added reseller (VAR) clients — who sell Oracle products to end users — to sign up for a lead-generation campaign to sell Oracle's new line of business intelligence products. Twenty-five VARs received a unique, Get Smart-themed spy kit piece which included a brochure and video PDF about the program, explaining everything the reseller needed to know to make a decision about participating in the campaign. □

Mindspace hoped to sign up 10 of the VARs, but it actually got 16 — a more than 64% response rate. While it was a small target base, the subsequent lead generation campaign was sent out by the VARs to about 1,400 prospects and included a similar spy briefcase 3-D mailing driving recipients to a personalized landing page. The 3.5% response rate generated 50 leads for the VARs - offering potential sales of more than \$5 million. "With price points for the solutions starting at around \$100,000, you can justify significant spend [for a mailer]," says Shetler.

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Greening your mail cuts costs as well

Adam Collinson, mailstream consulting manager, Pitney Bowes Management Services

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Direct mailers looking to cut costs while increasing effectiveness need look no further than cleansing and qualifying customer and prospect addresses. The solution goes further than simply utilizing address cleansing software, though. Instead, consider employing managed address services to avoid wasted costs and lower response rates resulting from undeliverable-as-addressed (UAA) mail. □

Organizations who distribute a significant amount of direct mail are often unaware of UAA mail's cost impact. Approximately 3.4% of US Postal Service First-Class Mail

is undeliverable because it is UAA. For USPS Standard Mail, which includes marketing and promotional offers for business retention and new business generation, that figure jumps to 6.4 percent. In fact, Standard Mail accounts for 63% of all UAA mail and, unlike First-Class Mail, UAA Standard Mail is destroyed without any notification to the mailer, unless the mailer pays extra fees to the USPS. □

For large mailers, UAA mail represents significant waste, both from a cost and business opportunity perspective. Improving address quality and selection is actually a process that can have long-term benefits. Using a quality managed address services vendor with extensive expertise in understanding this process and in-depth knowledge of postal regulations can help direct mailers understand their current address environment - for example, how did an organization build their address database and what issues are inherent in the design? Who is accessing it and why? □

It's also important for mailers to measure the quality of their addresses — how many addresses are bad, to what degree, and for what reasons? What are the returns on investment of the various services to address the root issues? □

Additionally, mailers need to fix the process by determining the proper combination of one time (get it clean) and recurring (keep it clean) operational changes to significantly reduce UAA mail, often by more than 50%. This includes the use of automated tools and services in conjunction with manual operations, all performed by addressing experts. □

By following a "Get it clean, keep it clean" mantra, mailers can reap the benefits of clean addresses for years. □

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Potter likes USPS' chances despite recession: NPF

Lauren Bell

May 18 2009

Service was the key word at the National Postal Forum's opening general session this morning. Throughout his introduction and three short panel discussions, Postmaster General John Potter remained adamant that the USPS would maintain and even improve its service levels, in spite of economic difficulties.

"This is not a time for us to panic as an industry," Potter said. "We have to stay focused on those things that are our foundations, and the most important thing is service."

He then went on to outline a broad, three-pronged approach for the postal service, which includes "keeping service high, keeping costs low, and looking ahead to build a future for the mail, modernizing as we go."

Structural changes for the USPS are imminent, as it faces a projected \$12 billion loss in revenue. However, the organization also has kept its focus on growth, introducing a new priority flat rate box — the campaign for which launches today — and gearing up for the Intelligent Mail barcode (IMB), which goes into effect this year.

"We can't just hunker down and wait for the storm to pass," Potter explained. "We will not simply bounce back. We have to work and reconfigure what we are to match what we're getting as far as the demand that's out there, so we have to pick up the pace."

Susan Plonkey, VP of sales for USPS, also outlined a reorganization of the USPS sales team that provides a more "one-stop" shopping experience for mailers, and a

panel discussion further explained the USPS's summer sale initiative, which is currently being reviewed by the Postal Regulatory Commission and should launch in July.

"We can't cut our way to success," Potter added, referencing the major job cuts that the USPS has implemented over the past two years. The organization also is looking to cut the cost of its retiree health benefits. Potter said the USPS would be going to Congress to ask for help in paying the \$7 billion tab on those benefits. It's also working with unions to cut operational costs and is planning to borrow the maximum amount allowed — \$3 billion — to meet its financial needs this year.

It won't be all changes all the time for the 2009 USPS, though. Stephen Kearney, SVP of customer relations for the agency, announced during the session that the USPS has declared a moratorium on proposing new mail standards for the next 6 1/2 months.

The announcement received enthusiastic applause from the packed house.

"We know you all have a lot on your plates," he told the crowd. "We need to get through this recession, and we need to implement intelligent mail," he said of plans for the upcoming months.

Potter concluded the session with these words: "We are going to stay true to who we are: a service organization. It's paramount that we continue to provide the best service with Intelligent Mail barcode and expanded measurement systems. We will continue to make investments in our future and keep looking ahead to modernize the postal service."