

USPS sees strength in standard mail

More and more of the flats we put into our customers' mailboxes these days are standard mail—coupons, catalogs, direct-mail appeals, restaurant menus and other advertising and marketing pieces. Standard mail is a reliable segment of Postal Service business even in these changing times, and it is likely to become an even more important part of the future of mail.

Standard mail accounts for about a quarter of the Postal Service's revenue each year. It brought in \$16.4 billion on 79 million pieces in Fiscal Year 2012. Standard mail revenue grew by 3 percent in FY 2013, and USPS projects another 4.6 percent increase in revenue this year.

As with the volume of letters, postcards and bills (somewhat down) and

packages (way up, thanks to e-commerce), the Internet has profoundly affected the advertising business. At first, many advertisers eagerly migrated to relatively cheap e-mail and website ads, but now advertisers are realizing that the Internet can't replace mail the way it does for other communications.

"Standard mail is going to remain an important part of the mix for the Postal Service," NALC President Fredric Rolando said. "Advertising by mail has many competitive advantages over the Internet, and smart advertisers know it."

Standard mail: still competitive

Compared to postal mail, e-mail is very inexpensive—so inexpensive that our inboxes are flooded with "spam."

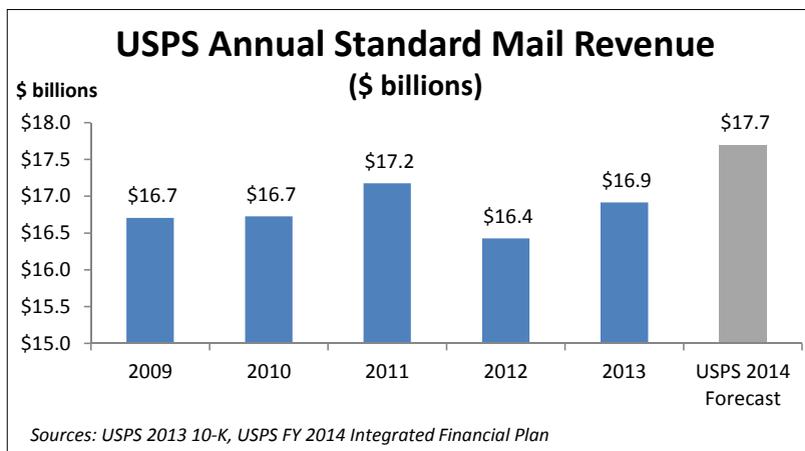
Thanks to spam filters, most unsolicited ads go straight into the trash automatically without readers even seeing them, let alone trusting them enough to respond. Ads on websites, in newspapers and magazines or on TV and radio are more easily seen, but the number of customers who respond may not be worth the cost for many advertisers.

Response rates to promotions and appeals sent by mail, though, consistently rank high among advertising options: 4.4 percent, according to recent research by the Direct Marketing Association. That percentage may look small, but it's a good result in the marketing world. (By contrast, the response rate to e-mail is 0.12 percent, and display ads in newspapers or magazines didn't rate much better.)

Half of all Americans say they prefer marketing appeals by postal mail over e-mail, according to a study by market research firm Epsilon. Research also says consumers have an emotional connection to receiving tangible mail in their postal mailboxes that e-mail can't match. A survey by JWTIntelligence, an advertising research group, found that three-quarters of consumers find receiving mail more satisfying and meaningful than Internet communications—even among young people raised on e-mail and social media.

Consumers also say they trust the U.S. mail more than e-mail. Perhaps that's because of frequent news reports about Internet scams and stolen data. Perhaps it's the feeling that something on paper that you can hold in your hand is easier to trust. Or perhaps it's the fact that postal mail is delivered by uniformed employees, backed by postal inspectors working for the Postal Service, which is consistently





The Postal Service estimates that revenue from standard mail will reach \$17.7 billion in 2014 (at right), a steady improvement from the previous two years. Standard mail likely will account for more than a quarter of USPS revenue in 2014 (below).

ranked as the most trusted government agency. Whatever the reason, trust and security are big advantages for mail advertising.

Then there's the problem of geography. There are no reliable, complete lists of e-mail addresses or of people living in certain neighborhoods or towns. Not many websites have a large group of readers living or working in a single area, either. For a business that wants to reach certain neighborhoods, such as a local restaurant or shop, the only good way to put a message in the hands of every person living in a given place, and have a fighting chance that some will read and respond to it, is through the mail.

That's one reason why letter carriers are well-positioned to promote advertising by mail. Local small businesses usually focus on their own area, and advertising by mail often is a very cost-effective option for them. Letter carriers can remind small businesses that they visit their potential customers in the area six days a week, and can show them examples of standard mail pieces from other businesses.

It's why NALC would like to see the Customer Connect program expanded so that letter carriers can promote advertising by mail, not just shipping parcels.

"We've talked to the Postal Service about a bigger role for letter carriers in promoting its advertising products," Rolando said, "and we'll keep having that conversation."

The tools for promoting standard mail are already in place. The Postal Service offers ideas and advice for advertising by mail, along with research showing that it works and with links to vendors, on its website (usps.com/business/send-mail-for-business.htm).

For small businesses that want the simplicity and low cost of mailing ads to all addresses in a certain area without address labels, instead of hiring someone to take flyers or menus door-to-door, they can use Every Door Direct Mail (EDDM). Customers can set up their EDMM job, including selecting the delivery area, directly through the EDMM section of the USPS website (eddm.usps.com).

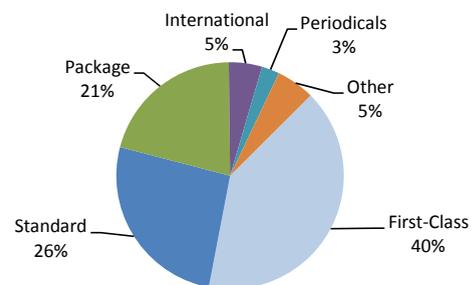
"Letter carriers have proven themselves to be an effective sales force for postal products through Customer Connect," Rolando said, "and we'd like to harness that potential to grow the postal marketing business as well."

Challenges

While the Postal Service is slowly but surely increasing its advertising revenue, another industry that is struggling to compete with the Internet—newspapers—has cried foul. Last year, the Newspaper Association of America (NAA) filed a formal complaint with the Postal Regulatory Commission (PRC) about a discount deal USPS made with Valassis, mailer of the ValPak coupon package and one of the newspaper industry's largest competitors for ad business. NAA argued that USPS was required to consider the impact on newspapers when negotiating the deal.

The PRC rejected the complaint, and federal courts also dismissed a

USPS 2014 Revenue Forecast (percent of total revenue by product)



Source: USPS FY 2014 Integrated Financial Plan

lawsuit NAA filed to appeal the decision, but the incident demonstrates the high stakes competition for ad dollars and the lengths to which some competitors will go as the advertising landscape shifts.

Standard mail also faces occasional pressure over environmental concerns. When opposition to standard mail based on environmental issues pops up, the Postal Service, the mailing industry and NALC have stressed that, when you look at all the factors, such as energy use and recycling, and compare them to other forms, advertising by mail has a much smaller environmental impact than expected.

The growth in cluster boxes could also threaten the value of standard mail. A trash or recycling bin is often placed next to cluster boxes, and patrons might simply toss ads before even taking them to their residences, rather than opening and reading them alongside the other mail.

"Standard mail is an important part of the Postal Service's future," Rolando said. "We need to protect it and keep open this vital connection between businesses and customers." **PR**