SEIZING OPPORTUNITY

The Report of the 2001 Mailing Industry Task Force

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PREFACE

October 15, 2001

When the Mailing Industry Task Force began its work six months ago, none of us was certain of the outcome of this effort. Could we prove to ourselves – and to the consumer – that mail remains a viable communications channel in an era of profound technological change? Could we demonstrate a shared commitment to finding solutions to the obvious challenges that mail faces today – challenges of relevancy and of cost? Would we find opportunities to improve mailing industry business? Could we gather ourselves as a single, forward-looking industry, and pledge to make the investment of both resources and intellect necessary to bring these solutions to reality?

The answer, quite simply, is that we could. And we have. This report is a good first step toward bringing the mailing industry together and focusing on matters that face the entire industry. Now that these have been identified, the Task Force must carefully chart its course to address those matters within permissible confines.

In this report, the Task Force we have chaired maps a path that will lead to an enhanced mail channel able to deliver new and greater value to both consumers and commercial mailers. The strategies we have identified are rooted in industry studies that show that mail remains an important connection between customers and the businesses that matter to them, that it is perceived as both trusted and secure, and that its arrival endures as a significant moment in the daily life of most households. Building upon those facts, we are convinced that mail and the industry that supports it can thrive as a ubiquitous, forward-looking, technologically sophisticated and cost-effective means of moving messages, merchandise and money in the years ahead. Moreover, we are committed to making it a reality.

What is also significant about the work of this Task Force is the emerging understanding of the scope and economic importance of our industry. An efficient and innovative United States Postal Service, with $68 billion in revenues, remains at the forefront of our interests. Collectively, approximately $900 billion in commerce is generated by all the companies who depend upon the mail and who support the postal network. Taken as a whole, the mailing industry employs more than nine million, all of whom need to believe – and deserve to believe – in the future of the mail. In this report, we are building the foundation for that conviction. Mail is a significant medium, rich in opportunity. By taking initiative, we can fully realize its potential.

The areas of recommended activity of our Task Force are a beginning, not an end. The chief executives of our member companies – and others who will be invited to participate –will continue to meet to build momentum, to facilitate implementation of the recommendations, and to measure our progress in meeting the objectives underlying the recommendations. Holding ourselves accountable, we intend to report to the mailing community on a regular basis on the outcome of these efforts.

Finally, we want to express our personal gratitude for the diligence and extraordinary efforts contributed by our fellow Steering Committee members, by the delegates whom they assigned to this project, and by the Postal Service executives who worked closely with them. A particular note of thanks goes to the two co-chairmen of the Task Force's Working Committee – Chris Baker and John Ward. They kept our focus on what was important, and how it could be accomplished.

Michael J. Critelli
Co-Chairman

John M. Nolan
Co-Chairman

Executive Summary

The Mailing Industry Task Force, led by chief executives of 11 industry-leading companies and the Deputy Postmaster General of the United States Postal Service, worked for six months to assess the current state of mail as a communications channel, and to determine how mail could be enhanced to ensure its viability and to protect the $871 billion in commerce so dependent on an effective mail channel.

The Task Force stated that its recommendations would:

- *Respond to today's customer requirements*
- *Make the mail channel more competitive*
- *Unify the mailing industry so that it is able to leverage its economic impact*

The Task Force developed eight areas of recommended activity, each supported by one or more strategic initiatives. These eight areas are the Task Force's initial proposals where further activity would likely be fruitful.

The Mailing Industry Task Force Recommendations

Respond to Customer Needs

- *The industry promote development of the "intelligent" mail piece by collaborating with the United States Postal Service to implement standards and systems to make every mail piece – including packages – unique.*
- *The industry support the development of consumer "gateway" services – including merchandise returns, at-work mailing, and alternative points of access – so that Postal Service products and services become more user friendly for the consumer.*
- *The Postal Service work with the industry to increase use of the mail by exploring opportunities to foster deployment of more efficient, state-of-the-art payment systems and by facilitating alternative credit terms.*

Make the Mail Channel More Competitive

- *The industry and the Postal Service work together to standardize preparation, containerization and entry require-*

ments to drive greater end-to-end system efficiency across classes of mail.

- *The industry and the Postal Service develop a strategy to optimize the postal network so that customers receive the best value and pricing with the assurance of high security and reliability.*
- *The Postal Service adopt a pricing strategy based upon predictable increases at or below the rate of inflation, complemented by regulator-approved contract pricing initiatives.*
- *Undeliverable mail be reduced by improving address quality and providing a "feedback loop" that captures and reports addressing errors.*

Unify the Industry

- *The industry create and support a CEO-level advisory council whose mission will be to ensure the viability of the hard-copy mail delivery system by focusing on standards development, channel promotion and issues awareness.*

Phase Two – The End of the Beginning

With the presentation of the report and recommendations to the Postmaster General in October 2001, the first phase of the Mailing Industry Task Force's work comes to completion. The next six months will constitute the Task Force's second phase – a period in which Steering Committee members will:

- *Broaden industry participation in the Task Force*
- *Build support and manage activities associated with its eight recommendations*
- *Assess and develop additional recommendations.*

At the conclusion of Phase Two, the Task Force will present a status report on Phase One recommendations at the Spring 2002 National Postal Forum in San Diego and publish the new recommendations it develops in the coming months.

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The Task Force and The Mail Today

Buffeted by winds of change – economic uncertainty, technological alternatives, emerging competition – the mail and its industry faces a daunting challenge as the century's first decade unfolds. Mailers, customers, equipment manufacturers and postal service providers recognize the need for shared commitment and understanding, for leadership by which to create a climate of innovation and integration, and for mapping a path towards growth and profitability. Out of these concerns, in search of new opportunities, came the recognition of the need for a Mailing Industry Task Force.

The Mailing Industry Task Force, announced at the March 2001 National Postal Forum in Orlando, Florida, continues the effort to provide leadership and strategic direction. The Task Force mirrors the interests of the business segments along the mail channel value chain – mailers, preparers of mail, companies whose revenues rely on the customer connections maintained by the mail, and vendors and suppliers of the hardware, software and labor required to keep the mail channel operable and viable. The value chain structure shapes an industry that has been, as Pitney Bowes chief executive officer Michael Critelli observed, "fragmented." Now it has come together around a shared strategic vision.

The Task Force mission – to develop recommendations to enhance the industry's ability to compete and thrive in the future – was the element around which unification would begin. Sharing an understanding of both challenges and opportunities, Task Force members describe a path of innovation and improvement which, if taken now, will help ensure future growth and success along the entire mail value chain.

Working together with the United States Postal Service, and with the participation of Deputy Postmaster General John Nolan and other senior postal executives, the Task Force initiative was launched last spring. By May, eleven chief executives and leaders of the world's largest mail-focused corporations – manufacturers of mail processing equipment, commercial mailers, printers and publishers, greeting card manufacturers, advertising agencies, technology companies and financial services firms – had agreed to serve. Michael J. Critelli – the Chairman and CEO of Pitney Bowes, a global company of 81 years providing integrated mail and document management solutions which generated $3.9 billion in revenue in 2000 – co-chairs the group. He is joined in that capacity by the Deputy Postmaster General.

The other members of the Steering Committee are:

- Charles Morgan, Company Leader, Chief Executive Officer and Chairman of the Board of Directors of the Little Rock, Arkansas-based Acxiom Corporation, a $1.01 billion global leader in real-time, multi-channel customer data integration;
- Gary M. Mulloy, Chairman and Chief Executive Officer of ADVO Inc., the nation's largest full-service targeted direct mail marketing services company with annual revenues of more than $1.1 billion;
- Jonathan S. Linen, Vice Chairman of American Express, the global travel, financial and network services provider, with more than $22 billion in revenues in 2000;
- Nigel W. Morris, President of Capital One, the $35 billion global financial services provider;
- Michael P. Sherman, President of Fingerhut Companies, Inc., one of the largest consumer catalogers in the United States, mailing more than 480 million catalogs annually;
- Hamilton Davison, President and CEO of Paramount Cards, a leading manufacturer of greeting cards in the United States; and former president of the card industry trade group representing $7 billion of cards sold at retail.
- William L. Davis, Chairman, President and CEO of R.R. Donnelley, a provider of comprehensive and integrated communication services, including premedia, digital photography, content management, printing, Internet consulting and logistics, to publishers and merchandisers, as well as telecommunications, financial and healthcare companies with $5.8 billion in sales in 2000.
- Thomas M. Siebel, Chairman and Chief Executive Officer of Siebel Systems, the world's leading provider of e-business application software with $1.8 billion in revenue last year;
- Dr. Jerome Swartz, Chairman of the Board and Chief Scientist of Symbol Technologies, a global leader in mobile data transaction systems, providing innovative customer solutions based on wireless local area networking for data and voice, application-specific mobile computing and bar code data capture with revenues of $1.45 billion in 2000;
- David Sable, President and CEO of Wunderman, a division of Young & Rubicam that is the world's largest direct-to-customer marketing solutions company;

• And, as a consultant to the Steering Committee, Chris Brennan, Postal Industry Managing Partner with Accenture, a global provider of management and technology consulting services and solutions.

The Steering Committee, as a first order of business, ratified the Task Force charter. The group shared research to assess customer needs, to ascertain the current role of hard-copy mail in customer relationship management processes in its broadest sense and, finally, to understand the competitive environment affecting the future of the mailing industry. With that knowledge, the Task Force developed a recommended course of action necessary for the industry to compete effectively and thrive in the future.

As their mission, Steering Committee members agreed that they would work to:

• *Determine the best methods to meet evolving customer needs*
• *Enhance the capabilities of the mail 'product' to complement and compete effectively with other communications methods and,*
• *Identify new learnings and opportunities relevant to all aspects of the mailing industry*

As research was compiled, reviewed and analyzed, a compelling assessment of mail's enduring value emerged, pointing to opportunities – if acted upon – that could transform today's mail into a more cost-effective, technologically integrated channel better able to compete with any communications method. Equally important, the research quantified the size and scope of the industry whose future depended upon the mail – an economic engine substantially larger than the United States Postal Service, yet whose viability was inextricably linked to that independent organization.

The Mail Today

Defining the mailing industry and its marketplace, determining today's drivers of change and challenge, and describing and quantifying the opportunities that lie within this environment are the focus of this business environment assessment. It is based upon data and information gathered by Task Force member organizations and reflects work done by a range of experts, including Arthur D. Little, PricewaterhouseCoopers, National Analysts, Accenture, Peppers and Rodgers Group, the Institute for the Future, the International Post Corporation, Escher Labs, Direct Marketing Association, Envelope Manufacturers Association, JPM Associates and others.

The research addressed several questions. How to quantify what aspect of the national economic fabric might be in jeopardy? Using a value-chain perspective, how large is today's mailing industry? What are the prospects for customers' future use of mail? Is there long-term value in the mail channel? If surveys and studies demonstrate sustainable value, where do new opportunities lie? And how can they be seized?

What became clear is that mail has become a critical component of a value chain that links businesses to consumers, and businesses to other businesses (not to mention consumers to consumers). Taking into account 'associated stakeholders', or businesses that provide messaging, advertising, and distribution services to the mail channel's core businesses, the global value of the participants in that chain rises to nearly two trillion dollars.

At the center of mail's value chain is an industry whose annual commercial impact is approximately $900 billion. This industry has been challenged by powerful drivers of change – including the rise of 'disruptive' technologies such as the Internet, and the service needs of computer-literate, upwardly mobile professionals – affecting postal networks worldwide. The Task Force views technology as key to meeting those challenges. Studies also show that consumers value both receipt of mail pieces which are relevant to their lives and interests, and the household delivery of those pieces. The documented value perceived in the mail channel suggests opportunity that – if successfully seized – could offset future risk, and lead to sustained mail industry growth.

The mailing industry – built around mailing and postal service providers for whom mail support services are key components of their business models, or business mailers for whom the mail channel is a principal medium for their competitive business processes – is the sum of parts that intersect around mail-driven applications to move money, messages and mer-

1. Mail's Economic Impact: State-by-State Revenues

STATE	TOTAL ($ BILLIONS)	TOTAL %	STATE	TOTAL ($ BILLIONS)	TOTAL %
ALABAMA	$6.145	0.8%	MONTANA	$0.630	0.1%
ALASKA	$1.293	0.2%	NEBRASKA	$17.798	2.3%
ARIZONA	$8.378	1.1%	NEVADA	$5.798	0.7%
ARKANSAS	$3.439	0.4%	NEW HAMPSHIRE	$5.422	0.7%
CALIFORNIA	$62.558	8.0%	NEW JERSEY	$30.912	4.0%
COLORADO	$9.201	1.2%	NEW MEXICO	$1.376	0.2%
CONNECTICUT	$14.874	1.9%	NEW YORK	$64.685	8.3%
DELAWARE	$4.826	0.6%	NORTH CAROLINA	$10.489	1.3%
DISTRICT OF COLUMBIA	$2.287	0.3%	NORTH DAKOTA	$1.354	0.2%
FLORIDA	$28.899	3.7%	OHIO	$30.570	3.9%
GEORGIA	$22.951	2.9%	OKLAHOMA	$3.321	0.4%
HAWAII	$2.021	0.3%	OREGON	$5.872	0.8%
IDAHO	$1.315	0.2%	PENNSYLVANIA	$57.799	7.4%
ILLINOIS	$50.157	6.4%	RHODE ISLAND	$1.842	0.2%
INDIANA	$16.741	2.2%	SOUTH CAROLINA	$10.248	1.3%
IOWA	$9.974	1.3%	SOUTH DAKOTA	$2.161	0.3%
KANSAS	$5.987	0.8%	TENNESSEE	$14.273	1.8%
KENTUCKY	$9.732	1.3%	TEXAS	$37.874	4.9%
LOUISIANA	$2.851	0.4%	UTAH	$9.567	1.2%
MAINE	$5.214	0.7%	VERMONT	$6.931	0.9%
MARYLAND	$22.626	2.9%	VIRGINIA	$23.217	3.0%
MASSACHUSETTS	$13.773	1.8%	WASHINGTON	$7.289	0.9%
MICHIGAN	$14.476	1.9%	WEST VIRGINIA	$5.612	0.7%
MINNESOTA	$35.531	4.6%	WISCONSIN	$47.082	6.0%
MISSISSIPPI	$7.710	1.0%	WYOMING	$0.372	0.0%
MISSOURI	$12.808	1.6%			
			TOTAL	**$778.261**	**100.0%**

SOURCE: USPS

NOTE: THE STATE-BY-STATE ECONOMIC IMPACT IS AUGMENTED BY NEARLY $100 BILLION IN COMMERCE FROM INTERNATIONAL POSTS, TOTALLING $871 BILLION FOR THE GLOBAL INDUSTRY

chandise. At its core are the United States Postal Service, its business partners and direct competitors. But significant reliance on the mail channel extends beyond that core, encompassing direct marketers, non-profits, magazines, financial services, newspapers, remittance mailers and catalog companies. Finally, the industry includes the sectors which support corporate advertising, communications and distribution processes – advertising agencies, addressing software firms, financial transaction processors, and mail printing and preparation processors.

"The quantification of our industry, its size and scope, is a key first step in defining the importance of the Task Force's mission," observed Mailing Industry Task Force co-chairman Critelli. "Our research demonstrates that a nearly one trillion dollar industry of postal services and mailing service providers has been built around mail and its delivery. This underscores the role of the mail channel as an economic engine, and – as a matter of public policy – the need to ensure its good health."

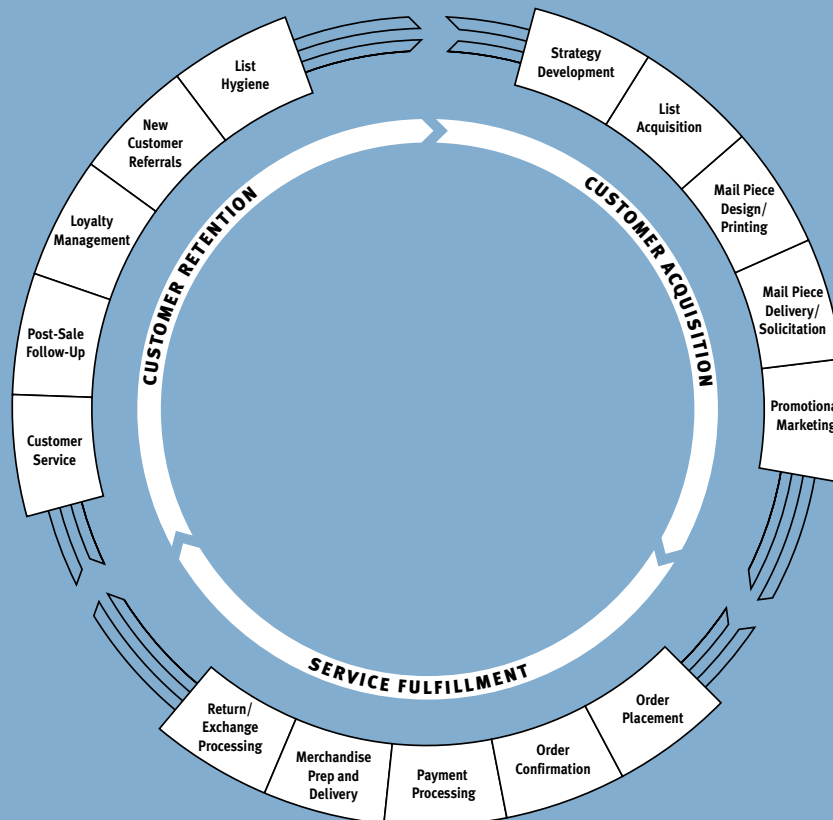Other key Mailing Industry Task Force research findings are that:

- *The mix of types of mail pieces carried by the mail channel is changing.*
- *Within this change, opportunities to grow mail volume and revenues exist.*
- *The "mail moment" matters to consumers, who put exceptional value on the delivery of mail to the mailbox and into the home, both in its regularity and in its intimacy.*
- *Hard-copy communications and distribution of merchandise, goods and publications will retain value and importance in business-to-consumer and business-to-business relationships, even as electronic communications usage grows more widespread.*
- *Technological innovation will permit greater, more complete integration of the mail channel with other communications channels, enhancing its value for users.*

The Economic Impact of the Mailing Industry

Research suggests that the mailing industry can best be defined in terms of a value chain. Business mailers' customer acquisition, service delivery and customer retention are activities supported by the mailing services industry chain. Mailing services participants – working on behalf of, say, a manufacturer or retailer – might include a creative design agency, an address manager, a service bureau responsible for processing a mail piece, a printer, a letter shop, a presort bureau and a shipper, all of whom play roles designed to get the mailing into a postal network. Supporting and sharing interests with these players are equipment manufacturers, software vendors, retail outlets and other stakeholders. And benefiting from the chain are key customer segments whose business models depend upon customer access through the mail channel.

This is today's global mailing industry: two tiers of stakeholders, aligned with each other through dependency on the postal network for revenues, customer relationship management and realization of business objectives. In the first tier are the postal and package stakeholders, including the providers of direct and indirect mailing services and the United States Postal Service, with total annual revenues estimated at $636 billion. A second tier – customer segments whose business models intensively depend on the mail for service fulfillment, customer acquisition, customer retention or a combination of all three – accounts for another $235 billion. Industry segments in this tier including catalog companies, printers and magazine publishers. This core mailing industry, generating an estimated $871 billion in commerce annually, employs nearly 9 million workers.

The Customer Value Chain diagram showing a circular process divided into four segments:

CUSTOMER ACQUISITION
- Strategy Development
- List Acquisition
- Mail Piece Design/Printing
- Mail Piece Delivery/Solicitation
- Promotional Marketing

SERVICE FULFILLMENT
- Order Placement
- Order Confirmation
- Payment Processing
- Merchandise Prep and Delivery
- Return/Exchange Processing

CUSTOMER RETENTION
- Customer Service
- Post-Sale Follow-Up
- Loyalty Management
- New Customer Referrals
- List Hygiene

Source: USPS

State-by-state, the mail's economic impact is substantial, ranging from $372 million in Wyoming to more than $62 billion in California. In only two states is the annual impact less than $1 billion. Consider this relative to the Fortune 500. The smallest Fortune 500 company has revenues of $3.2 billion. For most states, the mailing industry has delivered the equivalent of one or more Fortune 500 companies. The strength or weakness of the mail channel value chain could have a direct affect both on the viability of the trillion-dollar industry and this substantial workforce.

"With the research before us, we have a new sense of shared identity," said chairman Critelli. "Now we can use the strength that accompanies this industry identity to seek solutions that will bring long-term success for the mail channel."

The Changing "Mix" and Drivers of Change

Data submitted by the Postal Service confirm that commercial customers today create the vast majority of mail to both businesses and consumers. Volume trends indicate that the business-to-business market is increasing its use of mail most, while the consumer-to-consumer market, where historically a significant amount of correspondence has been generated, is not growing at all. The sender-receiver loop between businesses and consumers represents about one-half of all mail volume and

continues to grow moderately from businesses. However, mail sent by consumers to businesses is declining.

There have been shifts in the proportion of First-Class Mail to Standard A in terms of revenues generated and – more significantly – in the relationship between work-shared and non-work-shared mail. Since 1980, Standard A mail has nearly doubled in terms of its contribution to overall postal revenue, rising from 12.5 percent of the annual total to 2000's 23.5 percent. At the same time, First-Class Mail has increased from 52.7 percent to 54.9 percent in revenue contribution, but has experienced an interim decline over the past decade, dropping five points from 1990's 59.9 percent. Over the two decades, Standard A and First-Class have become entrenched as the mail stream's dominant classes. In 1980 they accounted together for 65.2 percent of postal revenues; last year, they combined to produce 78.4 percent of the revenue taken in.

The rise in work-shared mail is even more dramatic. Twenty years ago, work-shared mail generated 16.8 percent of postal revenues. Today it accounts for 43.9 percent. Its share of volume is even greater, amounting to 66.6 percent of all mail in 2000, a jump of more than 30 percent in the past two decades, and 11 percent over the last 10 years.

The transformation of the mailstream is driven by several factors: changing consumer behavior, technological integration with other channels (particularly the Internet), increasing emphasis on "one-to-one" marketing by businesses, and raised expectations on the part of both sender and receiver for richer information and higher levels of service. The Institute for the Future, in a study titled "Posts: Inside the New Web of Communications", recently concluded that fundamental mail volume shifts will occur over the next decade. Financial statements, direct mail sent to broad populations and general-purpose catalogs will either decrease or significantly slow in growth. Web-generated customer contact mail and merchandise, and individualized catalogs and one-to-one marketing-inspired mailings will rise, that research suggests.

From a revenue and contribution perspective, current data indicates that financial statements, bills and payments are the most valuable segment of mail channel volume, generating about $17 billion of the $34 billion in First-Class revenue, and that segment is at risk. Bank of America, one of the largest mailers of bills and statements, is positioning itself as an industry leader in electronic services by starting a two-year, $45 million campaign to promote online banking and electronic bill payment. The total dollar value of Bank of America customer payments processed

3. Mail Revenue by Industry Segment

Legend: ■ First-Class Mail ■ Standard Mail □ Periodicals
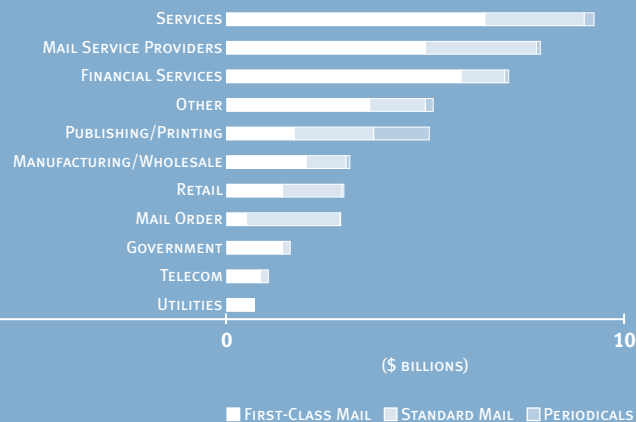
Source: USPS

electronically grew 36 percent last year. In March 2001, Bank of America reported 3.6 million electronic bill payments, totaling $1.2 billion. The bank recently polled its online customers and reported that 90 percent of those surveyed said that they knew about the service. The industry will be watching the Bank of America results closely to assess the effectiveness of these marketing efforts in changing consumer attitudes and behaviors. About 75 percent of banks are expected to provide online services by 2003, up from 61 percent in 2000.

4. The Mail Moment

	0%					100%
Total						
Magazines						
Catalogs						
Flyers						
Bills						

- ■ IN THE LIVING ROOM
- ■ IN THE KITCHEN
- ■ IN THE DEN/STUDY/HOME OFFICE
- ■ IN THE DINING ROOM
- ◻ IN A BEDROOM
- ◻ OTHER/NOT SPECIFIED

The Transformation of Expectation

In considering volume trends and future shifts, the Task Force studied Institute for the Future research on the "new consumer." Typically, new consumers will have two of the three following characteristics: information sophistication, discretionary income, and access to information technology. New consumers use some form of information technology at work and at home. In 1980, only 20 percent of adults 25 and older could be characterized as new consumers. Twenty years later, 45 percent fell into the category. The Institute for the Future projects that the percentage will be above 50 percent by 2010.

New consumer demands will lead to greater personalization, access and control of the mail channel by customers, the Institute concluded. Mail and the Internet will be integrated, and used for increased targeting and personalization. Already 61 percent of purchases made on the Web are in response to mailed ads.

"The customer must be the focus," notes the International Post Corporation's 2001-2003 global strategic assessment. "Customers are developing sophisticated techniques for assessing which supplier should win their business. In response, supply chain management and logistics service providers are implementing Customer Relationship Management (CRM) strategies."

One-to-one marketing is an integral part of this trend, and CRM investments generate a need for direct marketing tools that offer more effective targeting and improves the ability of companies to maintain relevant communications on an ongoing basis and across channels. An example is the use of follow-up post cards from sales associates. While challenging traditional direct mail by requiring lower volume mailings, one-to-one marketing is expected to generate new opportunities for the mailing industry. Nevertheless, the Task Force remains convinced of the future of saturation mail programs as well, citing the value they deliver to retailers ranging from Wal-Mart to the local grocery store.

Industry Transformation

The mail value chain's structure, and the services delivered through it, have also been transformed. Technologies ranging
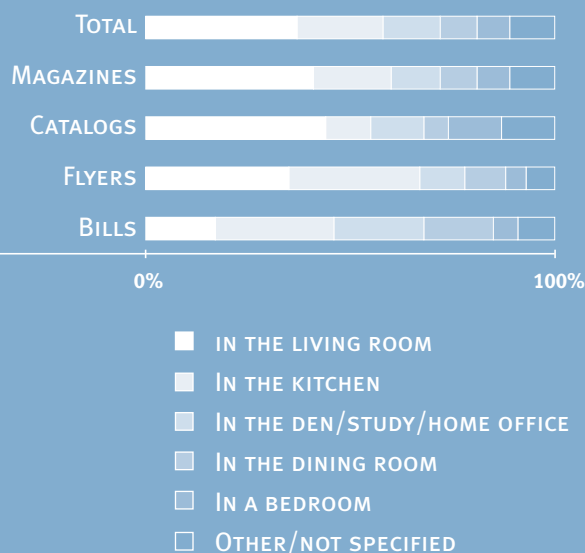
from affordable computers, to recognition and sorting technology, to automation, to printing and logistics are "blurring" the segment boundaries as intermediaries gain the ability to provide more services. Mail processing – made cheaper and more efficient by technology – is being brought in-house by some originators, and wholly outsourced by others.

Research conducted by Arthur D. Little indicates that large intermediaries grow postage revenues at a faster pace than the channel's overall growth. The major players now dominate a competitive landscape that five years ago was shared more or less equally by businesses of varying sizes.

Within the industry segments, there is also sweeping change. Non-traditional users of address data – the health care industry and Fortune 500 firms – are increasing expenditures on list company services, which in turn are major customers of the Postal Service for that information. The trend toward outsourcing fuels growth of data processing and service bureaus. Consolidation in the printing industry results in a handful of "mega-printers." Eighty percent of all lettershop volume now comes from 20 percent of the country's mailers. Half of the automated mail processed by the Postal Service is sorted by presort bureaus. And consolidators and third-party logistics companies are an emerging, rapidly-growing component of the shipping industry.

These shifts, the research suggests, mandate changes to the nature and operation of the postal network that would focus on where "customers place value", treating the industry as a whole rather than as the sum of its segments. Development of information-based services, integration of physical distribution skills with electronic capability, enhancement of core services, through possible alliances or partnerships with firms able to offer full-service, international logistics, and development of customer relationship management mindsets and linkages between sender and recipient are areas that current research points toward as deserving attention.

"The pioneering work of the Postal Service and mailers in paper-based communications create the model on which today's electronic data exchange systems and the Internet are founded," said Dr. Jerome Swartz, chairman of the board and chief scientist

5. Top 10 Reasons for Bringing in the Mail

I BROUGHT IN THE MAIL BECAUSE I WANTED TO...*

KEEP IN TOUCH/INFORMED ABOUT WHAT'S GOING ON AROUND ME

BRING MYSELF UP-TO-DATE

STICK TO A ROUTINE

RELAX, UNWIND

FEEL ON TOP OF THINGS

TAKE A TIME OUT

BE EFFICIENT WITH HOW I USED MY TIME

SAVE MONEY

MAKE GOOD USE OF MY TIME

CONNECT TO WHAT LIFE HAS TO OFFER

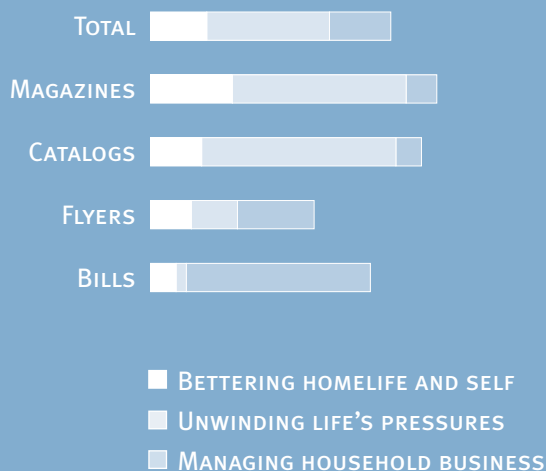0   100

SOURCE: USPS, GATEWAY TO THE HOUSEHOLD RESEARCH

of Symbol Technologies. "Advances in electronic communications now allow powerful applications that can help the industry to compete and thrive. Going forward, mobile commerce and real-time data collection will further extend and multiply these advantages."

The Value of the "Mail Moment"
Research conducted for the Postal Service confirms that the "mail moment" – the daily collection and review of household mail delivered to a mailbox – remains an important daily ritual

6. How Four Types of Mail Are Used

Total
Magazines
Catalogs
Flyers
Bills

- Bettering homelife and self
- Unwinding life's pressures
- Managing household business

for which consumers have positive attitudes toward mail. It is supported by additional studies, done on behalf of business mailers, that show mail delivers value through its affordability, its efficiency and its effectiveness. One Pitney Bowes-sponsored survey discovered that 34 percent of respondents said direct mail was most effective in establishing a relationship between the recipient and the sender. Trailing in effectiveness were print ads, television, radio and e-mail, in that order. The New York Times, in its August 6, 2001 reporting on the research observed, "As a result, a growing number of e-commerce companies are hedging their bets with...mail. Internet executives and analysts say that direct mail campaigns are gaining popularity among online companies, despite the fact that physical mailings cost far more than e-mail does."

Consumer-focused studies from several sources support the conclusion that the arrival of mail in a household is a meaningful, valued "moment." The mail, the data indicates, provides three major services – as a tool with which to manage household finances, as a provider of aspirational information with which to improve one's lifestyle, and as entertainment. Another Pitney Bowes-sponsored survey completed in the winter of 2001 concluded that "Americans prefer US mail to e-mail as a means of transmitting sensitive information, as US mail is viewed as more reliable, private and secure." A third study found that consumers said they trusted the mail channel and the "post office" more than any other institution, enjoyed sending and receiving mail, and tended to save what came to them through the channel.

The 2001 data found more than half of the people surveyed could access e-mail at home. This suggests that mail maintains its value in the face of e-mail's popularity and prevalence. Of those, almost 62 percent preferred regular mail to e-mail to receive documents, letters and messages.

Related research on consumer behavior concludes that consumers use their mail daily as a catalyst for household decisions. Mail is perceived relevant to managing household business, unwinding life's pressures and bettering self and home-life. Without mail, participants said they would not be able to keep in touch, stay up-to-date and stay on top of things. The research shows a strong emotional bond between consumers and mail.

Of concern, however, was data indicating dependence on mail eroded as the age of the consumer dropped. Sixty percent of consumers over 60 years of age found that they "really depend on mail and would be lost without it" compared with 41 percent of those under 40 years of age. This sentiment held regardless of whether the consumer expected a mailbox delivery to contain personal correspondence or not, surveyors found. In fact this study indicated that 57 percent said they did not expect person-

al correspondence in their next mail delivery, and nine in ten said they did anticipate bills and statements. Seventy-four percent expected flyers, circulars and ad mail. This research suggests that the mail channel – for many – is a media portal connecting consumers with businesses, and has relevance as long as it helps them with the business of living.

Consumer behavior research also suggests that mail "reaches real-life shoppers in places where consumer plans are made." Data showed that typically one person in the home is the "mail manager" who often is also the principal household shopper and financial manager. Being able to target such an individual by mail enhances the channel's value to business mailers, the research implies. Other study data suggests that mail's portability is an asset, with magazines and catalogs studied in comfortable surroundings, while bills and flyers were reviewed in household workspaces – a kitchen, for example, or a study.

Households receiving the most mail are more technologically adept (as are younger consumers), but that familiarity with the Internet did not – according to the research – affect how the mail was used in the household. Surveys suggest the Internet is raising expectations of what the mailing industry needs to do to thrive, particularly in terms of the integration of electronic and hard-copy media.

"The mailing industry, with the USPS, is uniquely positioned to create an enhanced business and systems environment, extending from the front door of the home…out to Postal retail counters, and onto the web via innovative internet strategies," said steering committee member Dr. Jerome Swartz of Symbol Technologies. "Through data sharing, the industry can better leverage the Postal Service's core assets and strengths: letter carriers, post offices, the motor fleet and the mail industry supply chain, brick, click, and motor – and the trust vested in the USPS family as a third party gateway touching every home and business in America."

Public Policy Challenges

Public policy challenges regarding reform of the Postal Service, use of consumer information and liberalization of the postal marketplace were considered by the Task Force.

The Task Force concluded reform was essential. A coalition of postal unions, consumers and mailers has proposed new legislation, as have others. The Task Force, while endorsing no specific initiative, views as critical the principle of postal reform as the means by which the Postal Service can align its pricing with

7. Three Jobs Consumers Use Mail for

Job
Bettering self and homelife

Experience Mail Provides
Happy images of what life could be

27%

32%

Job
Managing household business

Experience Mail Provides
A structure to commercial relationships

Job
Unwinding life's pressures

Experience Mail Provides
Something to take a timeout with

41%

Source: USPS, gateway to the Household Research

customer requirements, ensure achievement of its mission of universal and affordable service, and better manage its finances.

Of concern to the Task Force were recent developments regarding legislation that restricts use of consumer information. Research assembled by the Direct Marketing Association indicates that privacy and the sharing of consumer data remains both an opportunity for and obstacle to the growth of mail. "Ultimately, data restrictions, such as a general 'opt-in' model currently being debated in Congress and in the states," notes a July 2001 report released by the DMA's Information Services Executive Council, "would cause mail to become a less efficient

medium for marketing relative to competitive media." Direct marketers, suggests the DMA study, might shift a substantial portion of the $45 billion spent on direct mail advertising in 2000, to other media in response to the enactment of restrictive privacy legislation.

At the same time, another study confirms that Internet-based shopping is still being held back by a lack of trust and privacy concerns around that channel. The data suggests the Postal Service brand – as that of a trusted third party – can be leveraged by the mailing industry to enhance the integration of the "mail moment" and the Internet.

While the study reinforces the notion of the "mail moment" and its importance in daily life, a cautionary note was struck by research indicating that mail not requested or targeted to established customer preferences reduces the consumer response for mail. Those who see mail as mostly irrelevant are less likely to sort through the mail, browse through catalogs, or look at advertising material than those who find the mail interesting. Customers expect value from everything, even a bill, the research states. Retailer Nordstrom, for example, now provides consumer information on its bills.

The research indicates that mail becomes more efficient and relevant through the targeted and thoughtful and secure use of personal information. Studies show that consumers want communications to be more relevant and specific to their needs. The paradox lies in consumers voicing concerns about privacy, which research suggests have been heightened with the more visible, immediate interactivity of the Internet. Of specific concern are the collection, protection and use of personal information, particularly sensitive data relating to health, finances and family.

The need for privacy of personal information and its use to meet the needs of consumers, as they desire more personally relevant and useful communications, remains an issue. Personal information is the key component of effective targeting. Indeed, according to the Direct Marketing Association's Information Services Executive Council, annual aggregate revenues from

8. Major Shifts in the North Atlantic Mail Stream: Six Industry Totals
(Average annual rate of change)

	1990-1998	1999-2000
RISING		
LETTER MAIL: RELATIONSHIP	2.7	6.0
LETTER MAIL: RESPONSES AND CONFIRMATIONS	2.7	7.0
CATALOGS: TARGETED	5.0	5.0
PARCELS	1.0	7.0
FALLING		
FINANCIAL STATEMENTS	3.4	-1.5
DIRECT AD MAIL: MASS/SEGMENTED	3.8	2.0
CATALOGS: GENERAL PURPOSE	3.5	2.5

NOTE: THE SIX COMMUNICATIONS-INTENSIVE, HEAVY MAIL USING INDUSTRIES INCLUDE RETAIL, CATALOG/CONSUMER DIRECT, FINANCIAL SERVICES, PRINTING/PUBLISHING, TELECOMMUNICATIONS, AND UTILITIES.

SOURCE: IFTF; HISTORICAL NUMBERS FORM THE NATIONAL POSTS.

direct marketing postal campaigns have continually increased in the last 10-15 years, while expenditures associated with these campaigns have simultaneously leveled off. The result has been an appreciable growth in the ROI for postal direct marketers during this period. Given the data documenting privacy issues for both the commercial mailer and the consumer, achieving both personal information protections and benefits will be key to maintaining direct mail's valuable position within the competitive media set.

The Task Force concluded that privacy legislation and its potential impact on the future of mail was an issue around which the commercial mailing services industry should develop a shared point of view, on which to educate policy makers.

Where Opportunity Lies

Finally, the Task Force considered Institute for the Future and International Post Corporation studies analyzing future mail growth. That data suggested opportunities for enhancement and growth in the mail channel would fall into the following categories:

- *Relationship Mail* – Targeted mail – promotions, ads, rewards and reminders – is expected to be used to keep in touch with valued customers and will grow direct mail to households by about six percent each year.
- *Just-for-You Catalogs* – Individually-tailored catalogs could grow about five percent each year.
- *Follow-up Web Contact* – Activity on the Web by consumers may generate follow-up letters and requests for printed material from them, or their requests to have their names put on mailing lists.
- *Growth in E-Commerce* – E-business transactions is expected to result in letters containing either responses or confirmations regarding the transactions. Such correspondence is expected to grow by seven percent over the next decade.
- *Growth in E-Commerce-Driven Parcels* – Parcel deliveries could almost triple in number by 2010. When the parcel is delivered, an exchange of information and possibly services will occur.

9. Major Shifts in Shares of Mail: Six Industry Totals
(Percent of six industries' total volume)

	1990-1998	1999-2000
RISING		
LETTER MAIL: RESPONSES AND CONFIRMATIONS	10	16
LETTER MAIL: RELATIONSHIP	12	18
CATALOGS: TARGETED	4	5
PARCELS	2	3
FALLING		
FINANCIAL STATEMENTS	20	12
DIRECT AD MAIL: MASS/SEGMENTED	40	34
CATALOGS: GENERAL PURPOSE	12	12

NOTE: THE SIX COMMUNICATIONS-INTENSIVE, HEAVY MAIL USING INDUSTRIES INCLUDE RETAIL, CATALOG/CONSUMER DIRECT, FINANCIAL SERVICES, PRINTING/PUBLISHING, TELECOMMUNICATIONS, AND UTILITIES.

SOURCE: IFTF; HISTORICAL NUMBERS FORM THE NATIONAL POSTS.

As the International Post Corporation observed in its global strategic assessment, the mailing industry has "the physical infrastructures needed to serve a burgeoning e-commerce market." Package delivery services can be adapted to meet e-commerce business-to-business and business-to-consumer needs. Address and other postal databases can support one-to-one marketing. Full-service logistics and international reach are just an alliance or partnership away.

The Task Force Approach – Methodology and Process

When the members of the Mailing Industry Task Force began their deliberations, they could see from the collected research that the foundation for success had been laid. "We have arrived at a beginning," announced Task Force co-chairman John Nolan, the Deputy Postmaster General of the United States, concluding the research-gathering phase of the Task Force's efforts, "not an end."

After discussing whether or not to formulate recommendations for postal reform legislation, the Steering Committee decided instead that the Task Force should endorse the concept of reform, but not publish specific proposals. Task Force members agreed that short-term Postal Service financial challenges threaten the mailing industry and the consumer by forcing frequent rate increases. One root cause, concluded the Task Force, was that postal operating revenues covered operating expenses, but were insufficient to fund deferred pension expenses, interest expenses and government transfer costs. If only mail expenses and revenues are taken into consideration, the Postal Service revenues will meet or exceed its operating expenses in the current fiscal year. Government-imposed liabilities, including $1 billion in revenue forgone, are a root cause of its fiscal difficulties. These are addressable by the federal government, and should be. As the Postal Service continues to manage its transition to reform, the Task Force urged efforts on the part of the organization to work with its financial advisors and the Comptroller General to find ways to examine opportunities to reduce non-operational liabilities on its balance sheet.

Postal reform, stated the Task Force, as a minimum ought to incorporate the principles of pricing flexibility, investment freedoms and marketplace incentives while recognizing the distinct public service function of the USPS. "Reform is essential," stated Task Force co-chairman Critelli, "but our recommendations should focus on and reflect what is within our power to realize with current legislation. Above all, our recommendations will be focused on how best to add value to businesses' and consumers' use of the mail channel, and its products and services."

To facilitate its efforts and support its analysis, the Steering Committee appointed a Working Committee composed of senior executives from each Task Force member company. The Working Committee – co-chaired by Chris Baker, President of MailCode, a Pitney Bowes subsidiary based in Lafayette, Indiana and by John Ward, the Postal Service's Executive Director of Corporate Alliances and Business Development – included Jerry Jones, business development and legal leader for Acxiom, Vince Giuliano, ADVO's senior vice president for government relations, American Express vice president for government relations Laurel Kamen, Fingerhut postal affairs manager Peter Minear, R.R. Donnelley vice president for government relations Kevin C. Richardson, Seibel chief technology officer Bill Edwards, Symbol Technologies director of business development Allan Algazi, Wunderman executive vice president for enterprise strategy Len Ellis, Accenture senior manager David Allum, Paramount executive vice president Russell Snyder, and Capital One group manager Bob Shippee.

The Task Force agreed that customer relationship management and one-to-one marketing both held future promise for the mail, in light of the business environmental challenges and opportunities shown by current research. "Individual targeting," advised John Dowson, a PricewaterhouseCoopers partner and co-author of the book *Postal Performance*, "will be one of the key future strengths of the mailing industry and hard-copy mail."

In June, the Task Force began to consider specifics on how to enhance the mail channel. Greater use of technology – both to identify and track mail pieces and to better integrate mail with other channels – was discussed. Mail channel experts outside the Task Force were solicited for input. More than a dozen representatives of organizations including the Alliance of Non-Profit Mailers, the Direct Marketing Association, the Envelope Manufacturers Association, the Magazine Publishers of America, the Mailing & Fulfillment Service Association, the National Association of Presort Mailers, the National Postal Policy Council, the Parcel Shippers Association and others met with Task Force members during an Industry Day to consider the state of postal finances, to share con-

cerns and to offer thoughts on opportunity – particularly in terms of the privacy debate, service predictability and performance, ensuring mail's relevance, and potential growth of parcels.

Four broad themes emerged from the analysis and discussion:

- *How to maintain the competitiveness of mail in relationship to other communications channels and their supporting industries,*
- *How to respond to customer needs, including implementation of "new economics" models through partnerships and worksharing, and the development of new mail channel products and services,*
- *How the industry could be unified around shared concerns and issues, and*
- *How to protect and enhance the "mail moment" by preserving and building on the value of the USPS brand and Americans' love for mail.*

"As a channel, we're embracing technology," observed Deputy Postmaster General Nolan. "We work well in that world and we make it better."

The mail is key to enhancing consumer relationships, stated co-chairman Critelli. "People are trying to build relationships through mail with a wide variety of people."

"Hard mail's not going away," emphasized Dr. Jerome Swartz of Symbol Technologies. "People want the security of paper…being able to touch, hold, and store it. And physical goods will always need to be moved. But, in today's rapid-paced, e-commerce driven environment, ensuring mail's longevity will require new services that enhance its speed, reliability, and perceived value."

Consultation with Postal Service executives continued, as Task Force members sought to identify both the postal system's current capabilities and untapped potentials, and to better understand the strategic initiatives already undertaken by the organization. The inclusive process brought both postal officers and managers before the Task Force's Steering and Working Committees.

To formulate the specific recommendations and why their implementation would add value to consumers' mail and enhance the capabilities of the channel, the Steering Committee asked four of its members to serve as subcommittee chairmen. Charles Morgan of Acxiom would lead the subcommittee looking into ways to bring together the industry, including the exchange of privacy guarantees. ADVO's Gary Mulloy and William Davis of R.R. Donnelley would co-chair the subcommittee on making the mail channel more competitive. And Dr. Jerome Swartz of Symbol Technologies would lead the group on how respond to customer needs.

By July, the Task Force had begun outlining recommendations that ranged from creating standards for technology-enhanced "intelligent" mail to support of a mailing industry advisory council. Taken together, the recommendations would build upon the existing value of mail, and ensure its viability in the future.

SEIZING OPPORTUNITY – THREE STRATEGIC PATHS

Shaping the Future — The Vision of 21st Century Mail

No strategic journey succeeds without a clearly defined destination. Any recommendations – and the initiatives and programs they will come to represent – must serve as the underpinning of a comprehensive vision of a future mail channel, and the industry that supports it. The Task Force's vision of such a channel is one that must be able to meet customer needs, be overseen and managed by a thriving and responsive United States Postal Service, and be integrated with other communications channels.

The Task Force's vision embraces technology. Mail, in the foreseeable future, will use data and information embedded in envelopes, labels and correspondence to generate a rich stream of information for both individual consumers and commercial mailers. Catalog recipients would be able to use links published on the pages of the document to connect directly with the retailer and place an order. Other information lodged within the barcodes of catalog labels would be expected to allow the same consumers to tell mailers to remove them from the retailers' lists.

In the Task Force's vision, mail will have become the cornerstone of one-to-one connections between consumers and businesses, and between business partners. Web links in bills would permit payers to connect directly to a secure payment site. Sales forces, using distributed printing technologies, could arrange to have brochures and other documents delivered to target customers just prior to a visit by a sales representative. Catalogs and

business correspondence will be tailored to individual preferences, the consumer getting what he or she cares most about and, if desired, the opportunity and power to refuse all other advertising mail.

Under this vision, the entire delivery process would be expected to become more responsive to individual requirements, employing the same Web technologies, which will be built upon a platform of standards developed and implemented by the mailing industry, and accepted and enforced by the Postal Service. The Postal Service could arrange delivery times on request, within given timeframes, and the arrival of packages and other mail pieces could be proactively announced to consumers via an e-mail whose address corresponds to the physical address on the package label. The Postal Service – perhaps remaining a government service, perhaps restructured as a private corporation, or as a hybrid borrowing from both models – would continue as the channel's trusted third party, overseeing and maintaining the address databases that drive the mail's exponentially more effective targeting. The role of the Inspection Service would be to continue to enhance the security and integrity of the channel, protecting it against fraud.

According to the Task Force, remote shopping, more and more popular as the Internet gains acceptance, trust and familiarity, will be made easier by a streamlined merchandise return service, using "smart" labels which, when scanned by a Web appliance, tell the shipper in advance that an item is on its way back and immediately credit the purchaser. Similarly, a restruc-

tured postal network – reshaped as a combination of regional centers and franchised retail outlets – will invite package drop-off around-the-clock, seven days a week. Carriers could be on call, via wireless communications, to revisit an address.

As part of the Task Force's vision, the Postal Service itself – expected to be leaner, more market-flexible, performance-driven through incentive-weighted outsourcing and partnering – would be winning new customers, and growing volume by providing end-to-end tracking and tracing of virtually every mail piece. Through software analysis of the Postal Service database created by the data collected through its "information platform", commercial mailers would be able to assess, refine and continually improve mailing strategies in real-time.

Finally, according to the vision, the mail will be competitive with all other communications channels in both cost and ease of use, ensuring that, a decade or more out, its most significant users – the advertising industry, publishers, financial services companies, retailers, government agencies, manufacturers, as well as individual citizens – will be taking advantage of the value it provides by mailing more, and by being convinced that the service they're receiving is well worth the price being paid.

To realize this vision, the Task Force defined three overarching strategic principles that needed to be achieved: to make the mail channel more competitive, to bring together the mailing industry and to respond to business mailers' and consumer mailers' needs. In the text that follows, the recommendations supporting each principle are described, and the context for the recommendations explained.

Recommendations — Respond to Customer Needs

To ensure that the mail channel is responsive to changing customer needs, the Task Force recommends that:

- *The industry promote development of the "intelligent mail" piece by collaborating with the United States Postal Service to implement standards and systems to make every mail piece – including packages – unique.*

- *The industry support the development of "consumer gateway" services – including merchandise returns, at-work mailing, and 24-hour-per-day, seven-days-per-week alternative points of access – so that Postal Service products and services become more user-friendly for the consumer.*

- *The Postal Service work with the industry to increase use of the mail by exploring opportunities to foster deployment of more efficient, state-of-the-art payment systems and by facilitating alternative credit terms.*

Customers and businesses have communications options barely imaginable a decade ago. Some, like e-commerce and individually tailored catalogs, could drive growth. Others, like electronic bill payment, could spur decline in First-Class mail volume and revenue. In either case, change demands action. Last year alone, more than 207 billion pieces of mail were delivered to households and businesses around the country. However, this delivery occurred in much the same way as it did several years ago. Just as banks rely heavily on ATMs rather than tellers to reach their customers in a secure, convenient, tech-savvy manner, so, too, will mailers need to use technology-enabled services and systems to respond to customer needs.

To help create that new environment, the Task Force concentrated its energies on three key areas to respond to the needs of the consumer: intelligent mail, consumer gateway services, and the extension of credit and alternative methods of payment.

Over the last 20 years, organizations in nearly every industry have moved away from cash transactions toward electronic payment methods using a variety of sophisticated payment systems and credit methods. The use of credit terms has become a common business practice used by nearly every company. These organizations have made significant investments to upgrade and modernize their payment transactions, making it easier for their customers to do business with them.

The Postal Service, due to a "prepayment" requirement in Domestic Mail Classification Schedule, still fundamentally operates as a cash business with payment made at the time of purchase. Although the Postal Service now accepts credit and debit

cards at its retail locations and for small volume stamp purchases over the web, credit and debit transactions are currently not available for large-volume mailers. In addition, a mailer using stamps, meters, permits and business reply mail does not have access to a consolidated account statement as a single source of information on how much it has spent on postal products and services. The Postal Service has seen its competitors implement several generations of new payment processing systems since it created the PERMIT payment system more than a decade ago.

Intelligent Mail

To support development of intelligent mail, the Task Force recommends that:

- *The industry and the Postal Service collaborate to create a real-time Web-based service measurement tool employing PLANET Code and two-dimensional "data-file" barcode technology for two-way access to service performance data and other value-added services.*
- *The Postal Service leverage data and service performance information through development of delivery predictability programs and tools that will support the promotion of mail as a measured medium.*
- *The USPS execute and upgrade existing PLANET/CON-FIRM recognition technology to read two-dimensional barcode-based digital indicia.*
- *The industry support a pilot program to enhance postal and mailer services using "print-to-Web" links in hard copy mail.*

Intelligent mail – the use of data-rich, machine-readable bar codes to make each mailing piece unique — will allow the mailing industry to compete by including data that "lives" with the mail piece or package. By linking mail with complementary information channels, intelligent mail creates value for the consumer, sender, and the processor.

Technology integration into the mail system via intelligent mail could greatly expand the mailing industry's business. In comparison with other mediums, mail can be a more targeted and cost effective means to advertise. However, the message

must be delivered at the right time – on Thursday or Friday before a big weekend sale, for example. If advertisers can be convinced that mail will arrive within a certain window of time, a two-percent shift in advertising spending could occur. That equates to a $4.8 billion opportunity, two-thirds of which would accrue to the mailing industry.

However, a consistent, open mailing industry standard that allows for paper and electronic interaction does not yet exist. There is a need to track mail from creation to delivery, make each piece of mail unique throughout the mail stream, and have data about the package available before the arrival of the physical piece. A closed-loop system, where data is sent back to the sender, is missing. Consequently, senders continue to conduct marketing campaigns without the feedback necessary to better target appropriate groups of people.

Properly enabled, complete tracking information would be widely available to senders and receivers; processors would be able to forecast resources and balance transportation load; and precious marketing data from the closed loop system would be available. Intelligent mail would also allow for the capture of accurate performance measurement data.

A major step toward intelligent mail is already underway, with the USPS' use of PLANET barcode technology. The implementation of PLANET code now allows USPS to uniquely identify each mail piece, extending Service Measurement across all classes of mail, with both individual and aggregate reporting, creating a transparent system with real-time data and a common interface for internal and external users. Through creation of an open architecture, the USPS can extend PLANET's benefits by encouraging industry to develop new value-added services.

Industries from logistics and material handling to retailing are extending their services by implementing the next generation of barcoding – through use of two–dimensional, high capacity barcodes. These codes allow tagging of each mail piece or parcel with an entire data file, not just a unique number. The postal system's two–dimensional barcode initiative can be rapidly implemented through a composite code that combines one–dimen-

sional and two–dimensional barcodes. Composite codes allow the continued use and evolution of existing one–dimensional postal codes, while enabling new applications that rely on added data capacity that resides on the mail piece. Composite and two–dimensional codes allow companies to access information about a mail item wherever and whenever the information is needed. The mailing industry can utilize this information prior to induction into the mailstream, and after delivery by the Postal Service, without needing to access an online database, or open each mail piece.

The Postal Service's existing CONFIRM program can be expanded to measure and rationalize days-to-delivery performance. Benchmarks, containing at least six months of data, would need to be created. Furthermore, successful delivery predictability depends upon the promotion of the mail channel as a measured medium. Once the measurement program has been implemented and targeted marketing has occurred, delivery performance data can then be used by mailers to successfully advertise across channels. There is a substantial opportunity to serve customers and consequently increase revenues for the industry when mailers are provided a predictable delivery schedule.

Mailers and the USPS can also utilize hard copy mail to gain support from the exponential growth and marketing power of the Internet via "print-to-Web" technology. Print-to-Web allows consumers to scan Web-enabled barcodes or text equivalents in direct mail pieces to "hot link" to targeted Web pages to obtain information or purchase goods. The technology provides a more intuitive and efficient mechanism to drive action on the part of the consumer. Unlike traditional direct mail, print-to-Web enables the sender to measure consumer interest, while providing a more consumer-friendly way to promote and sell products. "If the person is going to throw our mail out, we'd rather not send it to them," said Steering Committee member Michael Sherman, president of Fingerhut. "So how do you mail smarter? How do you put together individualized customer contact programs so that each customer gets a program tailored for her?"

Finally, David Sable of Wunderman pointed out, "The continuing use of mail will only grow as marketers begin to realize how powerful it is."

Consumer Gateway Services
To support the development of consumer "gateway" services, the Task Force recommends:

- *Creation of a merchandise returns service, utilizing technological advances.*
- *Development of at-work mailing services for workers who wish to both send and receive mail at their places of employment.*
- *Enhanced ease of access to postal products and services, by providing 24-hours-per-day, seven-days-a-week access through new approaches, including alternative locations and consumer self-service technologies.*
- *Better definition of consumers' needs on access to the mail stream so as to implement capabilities which allow continued participation by consumers in the "mail moment."*

Today's time-starved consumers, families, and business professionals want speed, convenience and value. To remain competitive and establish new revenue streams, the mailing industry and the USPS must accommodate customers' demanding schedules by delivering products and services when, where, and how they are needed.

New consumer gateway services will enable the mailing industry to build upon the Postal Service's unique third-party trust status and "brick, click, and motor" assets to improve customer service from the Postal Service to the consumer, out to the home, and onto the Web. Included are merchandise returns services, consumer self-service pick-up, and mailing options at work. These services will provide specific benefits to the consumer, small businesses and large customers of the mailing industry.

Merchandise return services make remote shopping easier and more convenient. By the close of 2001, an estimated 990 million parcels will be shipped to homes and businesses across the nation. Although that number is staggering, the growth in remote shop-

ping is expected to vastly expand parcel shipments. Consumer research shows that a principal reason for not making remote purchases is the customer's concern with difficulty in returning merchandise. Each year more than 10 percent of all residential parcels are returned. And, data suggests that the handling and processing costs of returning a parcel are greater than the costs of delivering it.

Working together, the mailing industry could drive down the cost and the difficulty associated with the return of merchandise. "Pre-printed, print-on-demand return labels would facilitate the process," explained Steering Committee member Dr. Jerome Swartz. "Smart labels (using Intelligent Mail standards) can contain all the data required to direct merchandise back through different systems to be inventoried, repaired, or returned to the manufacturer, and tracked." Merchants benefit from cost avoidances in handling, processing and disposition of returned merchandise.

Technology can also be used to better align postal services with changing behaviors around work and the workplace. Since work and home lives are blurring, mail activities at the workplace can be seen as the next step for USPS to continue as the gateway to the consumer. Such service could increase the convenience of sending and receiving mail. In addition, consumer self-service systems can provide customers with 24-hour-per-day, seven-days-a-week access to parcel pickup at convenient locations. This would further leverage existing package delivery assets, while providing more expediency to the customer.

Enhanced Payment Systems and Commercial Credit Options
To support development of enhanced payment systems and commercial credit options, the Task Force recommends:

- *Upgrading postage payment systems to offer one-source access and tracking of all financial transactions.*
- *Providing business mailers with flexible payment terms to enhance competitiveness.*
- *Exploring at-home payment options, and expanding alternate payment systems by tapping into Web capabilities and existing infrastructure for payment verification and acceptance. Home*

payment services could extend product and service offerings to the customer's door via "track, trace and payment."

The Task Force asserts that the Postal Service should modernize and upgrade its payment systems with a focus on creating a centralized source for all customer account information and financial transactions. Using efficient, state-of-the-art technology for payment processing will simplify the payment process and allow greater flexibility, making the mail channel more convenient for customers and allow it to compete more effectively with alternate communication channels which have already implemented these systems.

Using financial instruments such as surety bonds, letters of credit, or equalized billing, the Postal Service could offer customers greater payment flexibility while complying with its prepayment requirement. In addition, the Postal Service could look for opportunities to partner with third parties that could act as financing intermediaries. This would also provide more options for customers, while allowing the mail channel to compete more effectively with other channels which already allow this flexibility.

In addition to implementing these changes on behalf of its larger customers, the Postal Service can continue to improve payment convenience for individual consumers by exploring at-home payment options that extend offerings to the customer's door via "track, trace and payment." Once the recipient signs for the merchandise, delivery confirmation can be sent back to the merchant. The Postal Service can also expand upon its current infrastructure that supports Internet transactions and credit card payments, making it more convenient for the consumer to use the mail channel from their homes.

Recommendations – Make the Mail Channel More Competitive
To make the mail channel increasingly competitive with other communications media, the Task Force recommends that:

- *The industry and the Postal Service collaborate to standardize mail preparation, containerization and entry requirements to drive greater end-to-end system efficiency across classes of mail.*

- *The industry and the Postal Service develop a strategy to optimize the total postal network so that customers receive the best value and pricing with the assurance of security and reliability.*
- *The Postal Service develop and implement a pricing strategy based upon predictable increases at or below the rate of inflation, complemented by regulator-approved contract pricing initiatives.*
- *Undeliverable mail be reduced by improving address quality and providing a "feedback loop" that captures and reports addressing errors.*

Today's mail marketplace is constantly changing. New challenges – such as increased competition from other service providers – arise daily to impact the future vitality of the industry as a whole. Both new players and long-time industry giants such as UPS and Deutsche Post are expanding their role in the traditional postal playing field and are influencing the success of existing businesses. New products and value-added services – such as tracking and electronic signature confirmation – are being introduced. The mailing industry cannot stand by passively while these and other developments revolutionize both the mail and the overall marketplace. Instead, the industry and the Postal Service must make significant strides in improving the overall competitiveness of the mail channel including continuous advances in the areas of service and service standards, flexible payment methods, and the optimization of the combined USPS/private sector postal network.

What is meant by mail channel competitiveness? Simply put, competitiveness is the combination of quality, cost, and value that will encourage the growth of mail as a communications channel and help sustain the nation's long-standing commitment to universal mail service. Competitiveness is achieved through several factors, including a customer-focused, market-driven operating creed; service and product quality; ease of use; and, of course, competitive pricing. Until these factors are institutionalized within the entire mailing industry, the maximum competitiveness of the mail channel and the postal network will remain unrealized.

As discussed earlier in this report, members of the Task Force endorse postal reform – it will serve as a driver of long-term competitiveness – and call for its support within the industry. The recommendations stated here will complement legislative reform efforts by assuring that the USPS maximizes the benefits of current law to improve its present operations and drive cost out of its operations today. Consequently, many of the recommendations in this section are focused on steps that the Postal Service itself can take immediately in order to make the mail channel more competitive. However, close communication with industry partners in developing solutions is essential.

"The mailing industry has served its customers' communications needs effectively for many years," R.R. Donnelley Chairman and Chief Executive Bill Davis pointed out. "As industry leaders, it is our responsibility to be as efficient as possible to help our customers increase the effectiveness of their communications while driving greater value across the entire supply chain. The issues that matter most – and for which we have to provide solutions – are increased customization, faster response times, and enabling customers to know exactly when mail is going to be delivered. And, of course, continuously reducing cost."

The Task Force focused the competitiveness discussions on four areas: (1) optimize preparation and entry of mail, (2) network optimization, (3) pricing strategy, and (4) address quality. Working within these areas, Task Force members concluded that the improvement in the aforementioned areas would make both the entire industry and USPS more competitive and viable – both now and in the future.

Preparation and Entry Optimization
To facilitate preparation standardization, the Task Force supports:
- *An industry examination of how mail preparation, containerization and entry requirements across classes and subclasses can drive greater system efficiency.*

- *Acceleration of Postal Service implementation of existing Mailers' Technical Advisory Committee recommendations which concern shape-based preparation, entry and containerization strategies, and assessment of the impact of those recommendations upon service standards and rate concerns.*
- *Industry and the Postal Service collaboration on an integrated approach to evaluation of the entire value chain from the moment mail becomes physical to the moment it is delivered.*

The efficiency of the overall postal industry is limited by the array of differing and inconsistent preparation and entry standards that exist among and between classes and subclasses of mail. This is best seen in the area of flats mail, where two mail pieces that are the same shape and weight are processed and transported differently by the USPS. This differing processing gives rise to work redundancies and inefficient transportation and, ultimately, translates into significant costs for both the USPS and the private sector.

That said, the Task Force is fully informed and supportive of the long-standing policy considerations that have resulted in the historical difference between various flat mail rates. To this end, the Task Force supports continuing the differential between periodical and Standard mail *rates* so that the national policy of advancing the dissemination of educational, scientific, cultural, and informational content can be assured.

Similarly, the Task Force understands and supports the role that market-driven forces have played in contributing to the development of varying preparation, entry, and processing practices for flats mail. Customers spend considerable resources to assure their differentiation within the mailbox and this goal must not be overlooked in advancing overall postal system efficiency.

For these reasons, the Task Force concluded that a standardization initiative, sensitive to the policy and market issues noted above, could help substantially reduce the expense associated with redundant or duplicative preparation and entry requirements. Moreover, if processors and mailers can reach consensus on the most effective and efficient way to prepare mail

for entry into the channel, then the upside is a cost savings to the industry and the USPS.

Task Force member Bill Davis of R.R. Donnelley emphasized, "Many times, the Postal Service has to rework the mail that we provide them because the systems aren't balanced… All of us need to recognize that the entire postal system – private companies and the USPS – has a lot of work to do to maximize cost reduction opportunities."

Accordingly, the Task Force emphasized that this goal is an overall industry issue, not only a USPS issue. Moreover, this goal must reflect a consensus between all the relevant stakeholders so that meaningful shape-based preparation, containerization, and entry standards can be developed and implemented across the mail channel.

The Task Force acknowledged and endorsed the work already undertaken by the Mailers Technical Advisory Committee (MTAC) Flats Workgroup relative to these initiatives. The impact of these recommendations upon both service and postal rates must continue to be evaluated in an integrated manner that focuses on the overall competitiveness of the entire mailing industry, the Task Force stated.

Network Optimization

To optimize the combined USPS-private sector postal network, the Task Force suggests that:

- *Focusing any optimization strategy on the creation and capture of savings be associated with the industry's presentation of its mail products to the Postal Service at the most efficient point in the postal network, and in the most efficient manner and format.*
- *Customers, employee groups and industry associations evaluate capital spending and human resource strategies necessary to realize network enhancements and savings.*
- *A pricing system be developed to enable customers to realize a best-value solution for their shipping needs.*
- *Optimization initiatives reflect the findings of an analysis of the integrated postal value chain.*

- *That the Postal Service maintain a best-in-class, best-value approach to service in order to retain its customers.*

A key fact that must be acknowledged before the USPS-private sector postal network can be optimized is that these two networks are not, in fact, currently separate but rather interdependent parts of a partnership that constitutes the nation's complete end-to-end mail delivery stream. The goal that arises from this realization is that the combined USPS-private sector postal network should be configured in a way that provides incentives to the mailing industry – which originates the mail – to present mail at that point in the postal stream where the USPS *and* the industry operate in combination with maximum efficiency.

It is for this reason that the Task Force has determined that the mailing industry and the USPS must collaborate to build the highest-quality, lowest-cost network for mail. High system operating costs threaten both the current annual 208-billion-piece flow and potential new mail volumes.

This collaboration begins with an examination of the current operation of the network's component parts. To be sure, the Postal Service and many business mailers presently maintain duplicate capabilities that are not combined in a way to yield maximum end-to-end efficiency of the entire postal network. For example, mailers often sort and transport the mail to the end of the Postal Service's network, only to have the Postal Service break the mail apart and transport it back up the USPS processing chain for resortation and, ultimately, retransportation back to the local USPS delivery unit for final delivery. The USPS and the commercial mailing industry must work together to reconfigure and optimize their respective networks to create and capture the system-wide savings that can come from the industry presenting mail product at the most efficient point in the postal network and in the most efficient manner.

By combining efforts to lower the operating costs of the combined USPS-private sector network with savings that arise out of optimized preparation and entry, the USPS and the mailing industry will be able to create a pricing system that creates best value for the customer. Moreover, this initiative will help clearly focus the USPS on perhaps the most value-added portion of its operations – namely, the delivery of mail and continuous improvement of the USPS' role as the "Gateway to the Home and Office".

Ultimately, optimizing the combined USPS-private sector postal network will require change within the Postal Service and the private sector. How — and how many — people work in each part of the network what skills and tools they require to meet future market needs, and how key organizational issues arising out of the reconfiguration of the nation's combined postal network, will require thoughtful leadership. As a result, the Task Force believes and urges the involvement of employee groups, customers, and industry associations in evaluating the capital spending and human resources strategies that will be necessary to achieve the required modifications of both the USPS and private sector networks.

Pricing Strategy

To support a competitive pricing strategy, the Task Force urges that:
- *The Postal Service commit to predictable price increases that are at or below the rate of inflation.*
- *The rate-making process be streamlined to shorten the time frame.*
- *The Postal Service and industry work together with regulators to find a contract-pricing solution to marketplace challenges while protecting the all citizens' access to low-cost First–Class mail.*

As the marketplace changes and competition grows more aggressive, the Postal Service will find itself organizationally constrained and further at risk without flexible pricing. The rate-setting process, overseen by the independent Postal Rate Commission and created by the Postal Reorganization Act of 1970, remains virtually unchanged three decades after its inception. The rate "cases" are expensive and time-consuming, with even minor price changes requiring an extensive process, costing as much as $500,000 and demanding a six-month investment of highly-specialized resources. When a rate change is approved, it affects all mailers for a specified

mail class, regardless of volume, frequency of mailings or lifetime contribution to the Postal Service. The current pricing process has far-reaching adverse affects.

Flexible pricing would benefit the entire industry. It is more than a common business practice in competitive markets; it is a universal necessity. Wal-Mart, the retail giant, is successful in part due to the discipline it has instilled on the retail sector for predicting price. Michael Sherman, President of Fingerhut, stated "The impact of the unpredictability and the size of the increases is devastating to direct mailers." Stable, competitive and flexible pricing will draw businesses back to the mail channel for their advertising and correspondence needs. As the principal influence on industry wide costing, a predictable, responsive pricing strategy for the Postal Service could have a transformational impact.

For the time being, the Task Force concluded that pricing flexibility should be explored within the current laws until reform has been addressed. There is opportunity, Task Force members felt, for negotiated service agreements to be approved by the Postal Rate Commission.

In order to be competitive with other channels, the mailing industry and the Postal Service must both benchmark against competitors' pricing. Under consideration should be price increases that are predictable and below inflation, and price differentiation by volume and cost characteristics. Moreover, following standard practice in today's business world, the USPS should aggressively pursue removing the impediments to contract pricing. A negotiated service agreement process should preclude the exposure of proprietary and confidential business data to competitors. A process that makes public competitive business secrets will be a significant obstacle to mail's continuing to be a meaningful and cost-effective channel.

Improve Address Quality
To improve address quality, the Task Force recommends that:
- *Existing mailer requirements be revised to facilitate more frequent use of move update and address matching software.*

Mail, in the foreseeable future, will use data and information embedded in envelopes, labels and correspondence to generate a rich stream of information for both individual consumers and commercial mailers. Catalog recipients will be able to use links published on the pages of the document to connect directly with the retailer and place an order. Other information lodged within the barcodes of catalog labels will allow the same consumers to tell mailers to remove them from the retailers' lists.

- *PLANET or two-dimensional barcodes be scanned on undeliverable mail, and the captured data be sent back to mailers.*
- *Consideration be given to amendments to current privacy legislation to allow proper use of credit header and driver's license information for address quality – not marketing – improvement.*

Direct Mail response rates are declining in some industries as a result of mediocre target lists, insufficient creative design,

poor delivery execution, and mail box clutter. The credit card industry, for example, has seen a decline in responses to direct mail offers from 2.8 percent in 1992 to 0.6 percent in 2000.

Targeting relevant offers to the right prospects coupled with improving the overall response rate to the offers will allow businesses to lower the cost per response rate. Targeted one-to-one marketing – where address quality is paramount – is recognized as the future of business communication and cost-effective marketing. Industry members can unite to enable improved targeting of mail offers, enhancing one-to-one relationships between businesses and customers.

A key issue is the availability and production of valid mailable addresses. The Task Force members recognized that address quality affects both mailers and processors. The cost of undeliverable-as-addressed (UAA) mail to the Postal Service is $1.5 billion each year. As a result, the Postal Service grants automation rate discounts to mailers who submit high-quality mailing lists. Current policy provides mailers in all mail classes discount opportunities for addresses that have a delivery point barcode derived from a match to ZIP+4 range-based data. First-Class mailers must meet the defined Move Update requirement.

However, even after meeting these requirements, some mail pieces may still be undeliverable-as-addressed when delivery is attempted. And, despite USPS guidelines for mailers regarding the quality of their lists, the most significant reasons for UAA relate to address accuracy deficiencies and customer moves. During the last several years, the Postal Service has introduced new regulations to help further increase the quality of mailing lists. Yet, it has found that industry mailers often meet requirements in the letter, but not necessarily the spirit, of the law.

Mailers should realize that they receive the most benefit from optimally effective mailing lists. Only then will businesses and consumers be guaranteed that the messages that they want to communicate and hear will be delivered and received.

Examples of ways to raise the bar on address quality include:

- Reduce the automation rate discount eligibility period for certified address lists from 180 days to 90 days, requiring the quality of these lists to be certified more frequently
- Require directory updates of address matching software to be performed monthly rather than every two months to qualify for automation rate discounts
- Encourage mailers to use methods that correct addresses prior to mailing by eliminating discounts for mailing lists that rely on costly, manual address correction methods after the mail has been determined to be undeliverable as addressed.

Recommendations – Unify the Industry

To bring the mailing industry together, the Task Force recommends that:

- *The industry create and support a CEO-level advisory council whose mission will be to ensure the viability of the hard-copy mail delivery system by focusing on standards development, channel promotion and issues awareness.*

The value chain that serves as the mail channel comprises an $871 billion industry. Its key elements – postal services, mailing service providers, business mailers, direct marketers, and mail preparation processors – are natural allies. Businesses and marketers rely on processors and deliverers as their primary channel to deliver communication, products and services to consumers, while processors and deliverers depend on businesses – especially marketers – as their largest customers. The success of each is intimately linked. Despite the seemingly cohesive nature of these companies, the industry has been fragmented, lacking a shared vision and understanding of how to achieve it.

The previous section discussed the importance of heightening the competitiveness of the industry. In order to become more competitive, members of the industry must unite and focus on the enormous issues facing them. The debate surrounding information usage is intensifying, with the increasing importance and influence of the Internet shading its tenor and pushing its direction.

Inefficiencies within existing systems increase costs. Public misinformation threatens the trust that those within the industry have worked so hard to build. As members of the industry search for ways to combat these issues, it is obvious that a unified approach to eliminate misconceptions and exploit opportunities is the only way to ensure a healthy environment for mutual viability and long-term success.

Only through cooperation can the mailing industry continue to serve the American public as it has for the last several decades. Mail is an integral part of our country's heritage. From the days of the Pony Express to today's sophisticated network of automatic processors, planes and alternatively-fueled vehicles, mail continues to be an evolutionary thread through our nation's fabric. And this will not change if the industry unites and stands as one. "Clearly the Postal Service and the industry have a common ground of interest here," emphasized Acxiom Corporation leader Charles Morgan. "Both of us want relevant information to be delivered to consumers through the mail channel."

Implement an Industry Council

The Task Force recommends the proposed CEO-level Industry Council — with participation by the Postal Service that's consistent with its legal requirements — focus on four objectives:

- *First, that it develop and support a broad-based advertising and marketing program for mail, the mailing industry, and the challenges both face. In doing this, the Council and its marketing efforts would communicate the industry's economic impact, and help to unify its members around a shared commitment to industry objectives.*
- *Second, that the council lead the debate on major industry policy issues, such as consumer information collection and usage, and advocate differentiation between the mail and channels such as the Internet.*
- *Third, that it play a leadership role in the development of standards to enhance mail piece tagging and direct mail production.*

- *Fourth, that it regularly examine opportunities to continuously deepen the relevance, importance and America's love of the mail.*

Three forces – unfavorable publicity, privacy legislation, and the lack of standards – threaten industry vitality, if not viability. Any one has the potential to derail future growth if not countered by a unity of purpose and message. As Task Force member William Davis observed, "A CEO-level council charged with actions to solidify the future and vitality of the hard-mail system is necessary."

First, the Industry Council should create an advertising program to represent and promote the mailing industry. During the last several years, the mailing industry has received varying degrees of unfavorable publicity. Public misconception about the value of mail has led to misinformation on the channel's economic impact, social importance, and service to the public. Because the industry is fragmented, no vehicle exists to respond to misinformation about consumer targeting and ecological issues.

Most people are familiar with the successful advertising campaigns for milk, plastics, and beef. "Got Milk?" has become such a prevalent phrase that it is adapted for use in regular conversations. A similar type of generic advertising would be useful for the mailing industry. In addition to generic advertising for mail, the industry has a myriad of positive events and issues to promote. The mail moment, advancements in technology, and the American people's trust of the Postal Service are a few examples.

Considering the aforementioned industries as best practices, the Task Force concluded that uniting to promote the mail channel is a necessary component to ensure the survival of the industry. Industry promotion would include developing a comprehensive marketing strategy; educating consumers, policymakers, mailers, and marketers about issues surrounding mail; and, in some instances, aggressively responding to misinformation surrounding portions of the industry. Furthermore, since the opening section of this report pointed out that dependence on mail erodes as the age of the consumer drops, the Industry Council should appro-

priately focus efforts on new generations (Generations X and Y) to encourage and foster their affinity for mail.

Moreover, the council should collaborate with other groups such as the Small Business Administration to enlighten the public on the value of mail. The Council should join forces with business schools to ensure that the power of direct mail is emphasized in marketing curricula. Finally, the Industry Council should continue to quantify the employment and economic impact of the mailing industry and educate state and local governments on the value of mail.

An Industry Council would become the logical and seamless extension of the work already undertaken by the Task Force. The second major issue the council would address would be privacy legislation. Current and pending information usage law and regulation will significantly impact the mailing industry and consumers. Much of the debate surrounds information access to interested third parties. To date, proponents of restricting information access have carried the day, without adequately considering economic and social consequences as suggested by the mailing industry's quantifiable size and scope.

Of course, consumer protection and privacy are a paramount concern of the mailing industry. The privacy and security of mail have been enforced by Postal Inspectors, members of a dedicated federal law enforcement agency, an enhancement which no other channel can deliver to its users. That said, unyielding legislation that is not precisely crafted or excessive and restricts the availability of lists and information used to target mail will cause mail volumes to decline. As a direct result, businesses will be forced to invest more money in other channels of communication since targeted messages through the mail channel will no longer be feasible options for many advertisers. Conversely, the benefits of information sharing include reduced fraud, significant cost savings, less waste and the increase of relevant communications to consumers.

A partnership between the industry and the government is a necessity to ensure that consumers are protected and appropriate

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legislation is written. Partnering, however, requires that industry members collectively support an aggressive, collaborative and proactive council to engage in this debate. The Industry Council's first goal would be to help policy makers achieve a balanced solution to ensure consumer privacy, one that would enable value creation with information while avoiding information abuse. Accordingly, the council would be charged to define the categories

of personal information relevant to one-to-one marketing through the mail channel; develop an industry position on the collection, protection and use of the defined information; establish an industry self-regulatory framework and set of standards and guidelines; establish and implement a compliance monitoring program; define funding needs and potential sources; and cooperate and interact with other information organizations to determine best practices

Since much of the debate surrounds information use on the Internet, the council should work with government officials to separate the mail channel from other media in the debate. The Postal Service has responsibly protected consumer privacy within the mailing channel for decades. The existence, importance and meaning of mail protection statutes are generally understood by Americans. It is important to educate legislators and regulators about the advantages of free-flowing information, how businesses use it to provide benefits to consumers, and that it is essential to the economic health of the industry.

The third objective of the Industry Council would be to develop industry standards. In order for members of the industry to work jointly, standards of operation are required. Standards create an environment for growth and efficiency. The mailing industry – even though its members engage in nearly one trillion dollars of commerce – lacks a common set of standards for capturing data and sharing information electronically. Where would the computer industry be without standards? Users would not know to left-click to select text or where to find the numbers on a keyboard. So, too, must the mailing industry create standards for a reliable, stable business environment. Task Force member Nigel Morris stated, "There have to be standards and they have to be of the highest quality. But you have to see quality through the eyes of your customer, not through the eyes of your infrastructure and how you define quality."

The idea of standards in the mailing channel is not new – yet, a set of *unified* standards is a novel suggestion. The ability to adopt a new, more detailed set of standards would address fundamental functions and inefficiencies of the industry. For example, standards for "intelligent" mail pieces and for electronic submission to direct mail production centers must be established.

Successful intelligent mail pieces rely on a universal bar code or a standard ID. The Task Force suggests existing knowledgeable and experienced councils, such as the the Uniform Code Council, be recruited to assist in this process. In order to bridge the gap between software packages and fulfillment centers, a common interface must be designed. The Task Force recommends that XML (eXtensible Mark-up Language) standards be set in order to develop this interface. Although these recommendations deal with new products and services – intelligent mail and direct mail solutions – discussed in the *Respond to Customer Needs* recommendations, the new standards would address inefficiencies within the industry and serve as a catalyst for unification.

PHASE TWO – THE END OF THE BEGINNING

With the presentation of the report and recommendations to the Postmaster General in October 2001, the first phase of the Mailing Industry Task Force's work comes to completion. The next six months will constitute the Task Force's second phase – a period in which Steering Committee members will broaden industry participation in the Task Force, build support and manage implementation of its eight recommendations, and assess and develop additional recommendations. At the conclusion of Phase Two, the Task Force will present a status report on Phase One recommendations at the Spring 2002 National Postal Forum in San Diego and publish the new recommendations it develops in the coming months.

Broadening mailing industry participation in the Task Force and its work is the first priority of the second phase. The Task Force will continue to gather input from other organizations that use the mail channel: magazine publishers, non-profits, representatives of single-piece mailers and small businesses, among others. The feedback from the mailing industry will guide the direction of the Task Force during this period as it develops additional recommendations, and refines the existing ones. Task Force members will continue to gather research on mail volume, usage and value, and integrate that data and information into its deliberations. Throughout this second phase, the Task Force will inform the industry and other stakeholders of its progress. The communications program will include periodic published reports, and the development of a Web site dedicated to Task Force research, findings and recommendations. Initially, that material will appear as links off the home page of the United States Postal Service's public Web site (www.usps.com). Feedback on the Task Force report and recommendations will be solicited on that site, and considered as part of the group's ongoing efforts. Additionally, the Task Force will consider sponsoring a CEO summit meeting to engage participants.

The Task Force will also use Phase Two to focus on implementing the Phase One recommendations within the boundaries of applicable law and regulations. Task Force members will develop a detailed implementation plan that will propose a timeline for each recommendation, will assign industry resources to the effort, and will outline how funding will be obtained to support implementation. A monitoring program – the results of which will published in reports to the industry – will follow implementation that is already underway for several recommendations. The Postal Service, for example, has assigned sponsors to each recommendation, is pursuing implementation options where it has legal authority to do so, and is coordinating the recommendations with existing programs and its business plan.

Finally, the Task Force will assess and evaluate the potential of additional recommendations. Those found likely to support one of the Task Force's three strategic objectives – respond to customers, make mail more competitive or unify the industry – will be formally recommended. Already under consideration are full-service on-call parcel pick-up and delivery, on-demand printing of stamps and money orders using two-dimensional barcode technology, and the development of "card express" – an overnight delivery service for a single piece card or letter envelope utilizing existing delivery service at a price point competitive with alternative services to enhance the "mail moment", which would leverage a First-Class days-certain guarantee service.

The Task Force will present its Phase Two findings at the Spring 2002 National Postal Forum in San Diego. At that conference, Task Force members will review the status of the first-phase recommendations, publish its Phase Two recommendations and discuss how it expects to continue to provide high-level strategic direction for the industry and its stakeholders.

The Task Force believes that the mail channel has arrived at a transformational crossroads. Taking the path outlined by these recommendations, the industry will be strategically positioned for enhanced growth, innovation and efficiency. This first step is the end of the beginning of that journey.