
BUSINESS MAILERS REVIEW

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Newspapers Protest Postal Service Discounts to Colossus Valassis

In a move to be appealed by the Newspaper Association of America (NAA), the Postal Service will discount postage for Valassis Communications Inc. direct mail on behalf of certain national retailers, such as ailing JCPenney, by 34%. Valassis has promised to up its annual volume by one million pieces in the next year with a new mailing featuring major retail advertisers with physical retail outlets in exchange for the price break on such mailings. The discount will apply to this program and Valassis must maintain its prior volume and not move advertisers from other campaigns to this new one.

“NAA believes this decision is contrary to law, and will challenge it immediately and vigorously in the U.S. Court of Appeals for the District of Columbia Circuit,” said NAA Chairman James M. Moroney III, CEO and publisher of *The Dallas Morning News*.

Newspapers, which, like the Postal Service, have faced substantial market pressure from Internet competitors, rely heavily on revenue from Sunday circular advertisers. In May, NAA filed comments with the Postal Regulatory Commission (PRC) protesting strenuously the Postal Service’s proposal. It argued that the substantial discount offered to Valassis could undermine newspapers’ advertising services. Smaller newspapers, many of which deliver their own subscription advertisements and papers via the Postal Service, expect losses to be immediate and potentially devastating. To give an idea of the market power that a 34% discount can represent in one direct mailer’s hands,

Valassis already offers its 100 million target audience a mid-week direct mailing called “RedPlum,” redplum.com, and save.com. It estimates that it sent three billion pieces of mail in the last year. Its ability to deliver this new and targeted message at such a substantial discount will divert advertising dollars to it and away from other advertising channels.

The Postal Service responded that the Valassis discount means \$15 million of additional revenue for it over a three-year period. Newspapers estimate their losses could exceed \$1 billion annually due to reduced inclusion of weekend circulars in their papers or reductions in their prices. Valassis responds that it is behaving competitively, benefiting its customers and the economy at large. However, for many newspapers, mail delivery is their preferred alternative to direct delivery and the Valassis discount means that they may have even fewer options for reducing their costs or raising their revenues. An editorial by *The Toledo Blade* pegs newspapers’ business with the Postal Service at \$500 million annually. If the newspapers shift delivery to other companies, then both organizations will suffer. The PRC concluded that NAA estimates of lost business were speculative rather than solidly supported.

NAA also argues that the Valassis discount represents a government entity’s direct and intentional disruption of market forces by tipping the scale in favor of direct mail and against newspapers. The Postal Service describes the negotiated service agreement (NSA) as innovation. This bid

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Robust Delivery Services Market Maximizes Synergies

The United States Postal Service is not the only segment of the international postal industry that has been undergoing reform and reorganization. International restructuring is underway.

Private Sector Acquisitions

La Poste’s GeoPost group acquired an equity interest in UK-based cross-border ecommerce logistics company Worldnet Direct. GeoPost is the international parcel delivery subsidiary of La Poste. In 2012 Worldnet Shipping spun off Worldnet Direct to permit it to focus on shipping solutions for ecommerce businesses. Worldnet is an owner operated business that

already serves fashion company ASOS. It has shipped to three million customers in twenty-four countries, including Australia. Among its chief benefits to GeoPost are product return solutions and a paperless customs service. It now will use GeoPost’s two UK brands: DPD UK and Interlink Express as well as the Worldnet name. Following the investment, Worldnet will continue as a standalone business, with access to GeoPost’s global resources, including its sales teams. Plans call for the Worldnet Direct model to extend its reach across Europe.

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Short Takes

Y Combinator has introduced a new service for people who buy online and are not home to sign for their packages. A BufferBox is a conveniently located locker that will take delivery of your packages from USPS, UPS, FedEx, and Amazon. When you sign up you receive an address that you can use for all deliveries. When a package arrives you receive by email a unique PIN number that you can use to open the BufferBox and remove your package. BufferBox collects a fee for each package received. Customers who sign up for the service pay \$3 per package. “Integrated retailers” may offer BufferBox delivery from their ecommerce sites and absorb the fee for deliveries with the fee based on shipping volume. The BufferBox will compete with Amazon Locker, a proprietary service. Mike McCauley, Y Combinator’s founder, recognizes Amazon’s role in establishing the market, but estimates that 70% of the commerce volume is spread across so many retailers that it would be impractical for them to establish their own networks. Roll-out began at Union Station in Toronto, Canada. One hundred more kiosks are planned. New York City appears to be a next logical expansion. <http://www.bufferbox.com>.

The United Kingdom’s Royal Mail recently notified its customers of a plan that will allow its mail carriers to deliver packages to neighbors, provided that the customer has authorized “Delivery to a Neighbour.” The Royal Mail distributed leaflets last week while the plan remained under review by Ofcom. The plan would go into effect in late September. The Royal Mail has been unable to offer alternative delivery arrangements for packages too large to fit in customers’ mailboxes even though its competitors do so. Assuming the plan is approved, it will exclude Special Delivery and international items for which a signature is required. Prior to its August announcement, Royal Mail tested its new service with only 1% of households opting out of the neighbor service. Consumer representatives supported the plan, but have asked that Royal Mail more proactively notify customers of the opt-out procedure.

Mailing overseas sometimes requires a lesson in cultural differences. In the United States we address letters beginning with the addressee’s name, most specific direction (street) and ending with the most

general direction (state and zip code). In contrast, according to Guy Mucklow, founder of Postcode Anywhere, Japan lists an address starting with the largest geographic division (seven digit postal code and region), city, subarea, lot, and building if addressed in Japanese characters. The order is the same as in the United States if an address is in English. Regardless of which language is used, if the mail will travel internationally, then the country appears at the bottom of the address. One ordinarily prints a return address on the back, right side of an envelope. It is the postal code that directs the mail carrier to a particular residence or business. When people give directions to others they generally do so by identifying points of reference such as shops or mass transit stations. Street names are not commonly used even if available. For a fifteen-step lesson in addressing a letter to Japan, see <http://www.wikihow.com/Address-Envelopes-to-Japan>. Albania, China, Costa Rica, and India reportedly use similar formats. As an example, India might use plot, block, sector, and location name. In rural New Zealand, an address might begin with the town, followed by the distance from town down the main road. To find more information about addressing international mail, see <http://bitboost.com/ref/international-address-formats/>.

As the Postal Service explores options for adapting its business model, many commentators speculate that congressional inaction will make unavoidable privatization of the Postal Service. In Australia, where the postal service remains a public function, but the public postal service may compete in the digital mail service market, Australia Post suffered a disappointing loss in its lawsuit against private competitor Digital Post Australia (DPA). Australia Post claimed that DPA’s brand name was confusingly similar to the public entity’s established name. The Federal Court of Australia dismissed the trademark challenge and ruled that the addition of the prefix and rearrangement of the remaining two names sufficed to prevent confusion of customers. The court relied in part on the fact that Australia Post had yet to establish itself as a digital service provider. Both businesses announced their plans to offer digital mail services within weeks of each other. While Australia Post made its public announcement after its privately held rival, it argued that it commenced development of its “Digital Mail” service in 2005. Imagine the result if the USPS were to expand its business line only to have its proprietary names closely imitated by competitors.

Newspapers Protest Postal Service... (cont. from page 1)

to bolster the Postal Service at the expense of private sector businesses might pass muster if it could be accomplished through market efficiency or a new product, but this discount does not reflect efficiency or creativity. The Postal Service, which operates independently of tax dollars, has covered recent deficits in operating revenues with a loan from the Treasury. Last month the Postmaster General announced that the Postal Service would default on its statutorily mandated employee benefit obligation. It expects to do that again in late September.

The PRC approved the NSA to improve the Postal Service's finances, enhance its operations, and because it maintains that the proposal will not unreasonably harm the marketplace. The attitude of the PRC appears to be that newspapers' demise is unavoidable. "The use of newspapers has been in decline since the genesis of the digital era," the PRC said on its website. "The commission is not able to identify how this NSA may or may not alter this

Robust Delivery Services Market... (cont. from page 1)

Meanwhile, the European Union (EU) Commission reinstated its antitrust review of Atlanta-based UPS's offer to acquire TNT Express for five billion Euros. Discussions terminated in early August while the EU Commission awaited additional information from the parties. The parties have stated that they hope the EU Commission will conclude its review of the transaction in late 2012. UPS will extend the deadline on its offer to acquire TNT Express to accommodate the commission's phase II review of the acquisition. The parties appear to remain optimistic that their plans will be approved. In the past, TNT Express shareholders have said acquisitions often go to a second-stage of EU Commission review with 90% of them thereafter approved. The two companies, currently rivals, expect their combined operations to continue to center on the United States. UPS intends to establish itself as the market leader in international shipping. UPS hopes to expand its international shipping activities from 26% to 36% of its activities and to recognize 400 to 550 million Euros in synergy-related cuts through combination of the two parties' current networks.

Public Sector Restructuring

Canada Post, like the United States Postal Service, faces substantial losses in the current fiscal year. Crown Corporation's president and CEO, Deepak Chopra, has stated that the business must reposition itself in an increasingly online industry if it wants to reverse its losses.

Canada Post has recently answered harsh criticism brought by its unionized workforce, a \$150 million lawsuit over pay equity, a billion piece decline in mail volume over

trend." Absent some proof that this *addition* to mail volume will cause the Postal Service to reach its breakeven volume, it appears unlikely that the discount will reduce the Postal Service's projected FY 2011 deficit of \$14.1 billion. Indeed, other negotiated service agreements (most with financial services mailers) have produced losses exceeding \$20 million over the last four years. If Valassis fails to meet its promised increase in volume, it would pay only a one-time fee of \$100,000. Failure for the Postal Service could be much more costly. The Postal Service's profit margin on the discounted mailings is estimated to drop close to 70% from nine to three cents per piece.

Only one of the four PRC Commissioners, Tony Hammond, voted against the NSA. He stated there was "too much evidence . . . presented to the Commission by the many opponents of the NSA for me to conclude that it will not cause unreasonable harm in the marketplace."

the last six years, and growth of a substantial pension deficit. Sixteen consecutive years of profitability have ended with the corporation's recording of a \$253 million loss in 2011. In the first six months of the current year the business has estimated its losses at \$13 million.

The business plans to modernize its delivery operations to reflect the reduction in letter volume and rapid rise in parcel volume. In some cases, this means replacing mail delivery by bicycle with the purchase of trucks. As in the US and UK, Canada has participated in a surge of ecommerce market development. "We have to realign our investment to focus on parcel capacity," said Chopra. "Taking advantage of our network, the ability to pick up at a post office or manage returns, or enable Canadians to shop across the border—since 40% of Canadian online shopping is non-domestic."

The Canada Post president also said he believed his company had a role to play in encouraging Canadian ecommerce itself, since only around 4% of Canadian retail is currently online, compared to 9% in the US and 15% in the UK.

Electronic billing, once rejected as a cannibalization of the corporation's core mail business, has grown to the point at which Canada Post must react or continue to sustain losses. Its ePost will offer customers a single website at which they may log in to handle digital billing for multiple service companies.

Mobile communications trends have offered opportunities for new synergies as well. Canada Post recently launched a mobile app that 600,000 people

downloaded within a matter of weeks.

The UK's Royal Mail has faced the same challenges in recent months. The website *postandparcel.info* recently quoted marketing expert Peter Frings, who described the conflict in words dramatically similar to those being expressed by Mr. Chopra in Canada and Postmaster General Patrick A. Donahoe in the US. Mr Frings attributed the business' declining economic performance to: "the arrival of new digital channels, poor staff relations, an antediluvian union, lack of investment and incompetent management over decades, and a massive pension timebomb."

In contrast, PostNord, the Swedish-Danish postal service, invested in restructuring of its operations and saw an improvement in financial performance. Adjusting for the restructuring costs, PostNord said its operating margin improved in the first quarter of 2012, up more than a point compared to the same quarter last year, to 6.4%. Moreover, underlying operating profit improved for the quarter, up 25% to approximately \$92.5 million. As in other countries, PostNord (owned 60% by the Swedish state and 40% by the Danish state) has faced and continues to face declining mail volume due to increased digital communication. Restructuring efforts focused on first quarter acquisitions of private logistics companies. PostNord announced two major acquisitions during the first quarter in the logistics business, Sweden's largest third party logistics firm Green Cargo Logistics, and the operations of Swedish newspaper distribution firm Svensk Morgondistribution.

Need for Innovation

Private and public sector players in the postal industry share a need for new ideas. Digital communica-

tion and electronic transmission of bills and payments have produced substantial reductions in letter volume. Nevertheless, magazines, newspapers, direct mail, greeting card, and similar communications continue to depend on postal service to reach their targets. Additionally, expansions in ecommerce markets require efficient parcel delivery service.

Postal services have to design new and more efficient ways to maintain fast delivery without carrying the weight of burdensome labor costs from a time when letter mail was common. If, as described below, rural post offices must reduce service to two hours a day, then the industry can no longer offer a living wage and a comfortable retirement. (See *BMR 09/03/2012*, p. 7). The postal services should explore additional vendor contracting opportunities with their business customers. If customers can buy stamps in grocery lines and ship packages from printing shops and office supply stores, then why not offer additional customer services like locked post boxes to individuals using business customers as rural outposts?

Instead of dissipating profits by holding on to the least efficient aspects of their systems and watching private sector businesses pick off pieces of their most profitable market lines, the major postal systems should utilize their modernized and streamlined network hubs to maximize the profitability of parcel delivery by ecommerce businesses. Privatization does not have to be the goal of restructuring, but public sector postal services can learn from private sector systems' synergies.

“Mugged” Gallery

The Soli Brug Gallery in Greaker, Norway (near Oslo) recently purchased an etching by Rembrandt from a British art dealer for about \$8,600. To save money, it agreed to take delivery by mail rather than by a special courier. The gallery received notice that the etching could be picked up at its local post office. When its representative arrived at PostNord's office to collect the etching, the etching could not be found. The website *globalpost.com* reports that the package may have been returned to its sender. Failing that, the Norwegian postal authority has offered to compensate the gallery in an amount far less than the etching's value—less than \$200. The BBC reports that the Norwegian postal authority was apologetic but suggested in comments to *Reuters* that the gallery use a more secure form of mail delivery with appropriate insurance. <http://www.bbc.co.uk/news/entertainment-arts-19366266>.

Missing Rembrandts already have been the subject of movies and news stories. In June of this year police in the UK recovered a Rembrandt oil painting that

might be valued in the millions of dollars. At the time, it was thought to be one of about 200 missing Rembrandts. In August of 2011, an Episcopal cleric found a previously missing Rembrandt in his office in Encino, California after he stepped away briefly on business, leaving his office unattended. The painting had been stolen earlier in the week from the Ritz-Carlton Marina del Rey. Indeed, some speculate that Rembrandt is the most stolen artist of all. Others point to Picasso as the leader.

Sweden's National Museum lost a Rembrandt and two works by Renoir in a bold theft by three masked and armed robbers in 2000. In 2001, the museum recovered one Renoir following the arrest of eight individuals. The Rembrandt turned up in 2005 when authorities arrested four individuals in a Copenhagen hotel. The remaining Renoir has yet to be recovered.

A Sherlock Holmes movie involving a missing Rembrandt was made in the early 1930's.

GOP Platform Aims at Federal Workers

The GOP platform being sketched out at the party's convention in Tampa has yet to lay out a plan for a smaller federal workforce, but preliminary reports about it call for at least a 10% reduction in the federal payroll through attrition and adjustment of pay scales to match those in the private sector. At this stage, it is too early to identify the affected agencies or the extent to which they might be downsized.

Proposed cuts for the Postal Service workforce are not the only platform points likely to produce objections from its more than 500,000 employees. *Constitution Daily* reports that the platform states, "In light of the Postal Service's seriously underfunded pension system, Congress should explore a greater role for private enterprise in appropriate aspects of the mail processing system." What the platform does not appear to account for is the fact that legislation to reform the Postal Service has languished in a House committee for the month of August while GOP leaders have avoided acting on it and many of the benefit funding issues relate to retiree health obligations imposed by Congress in 2006 and dissimilar to obligations imposed on private sector employers. Darrell Issa (R-CA), head of the House committee in question

would support a refund to the Postal Service of \$11 billion in pension contributions.

Moreover, in a platform that frequently refers to the U.S. Constitution, the GOP does not explain why privatization efforts would satisfy the Constitution's inclusion of operation of the Postal Service among Congress's enumerated powers.

What is unclear is who might "buy" a Postal Service that carries with it a legacy of responsibilities imposed by a Congress that is not responsible for making up the cost overruns that it causes. For example, some argue that the Postal Service's workforce is overpaid. A recent editorial written by a UPS retiree for the *Register-Guard* contrasts the labor costs of the Postal Service, UPS, and FedEx and finds federal employees' compensation to be 80% of the total budget. Labor makes up 63% and 43%, respectively, of the total budgets of its private sector competitors. He points out that Postal Service vehicles do not have license plates and do not meet California's strict emissions or Federal Highway Safety Administration safety standards. The Postal Service also does not pay property taxes on its real property.

Early Retirement Window Opens

The Postal Service has invited 3,300 of its managers to retire by year's end. Qualified managers have until November 19 to accept the offer. Terms of the offer have not been communicated; however, they are expected to lower age and service requirements for retirement. No buyout is planned.

Qualified managers are employees on the Executive and Administrative Schedule working in district offices,

network distribution centers, some post offices, and some plants. Excluded are senior managers whose work is critical to continuity of operations.

Past efforts to encourage retirements included a \$20,000 buyout. Approximately 1,800 administrators and supervisors left or retired after taking the buyout. In 2012, nearly 3,800 postmasters accepted a similar offer.

Colleges and Retailers Get Back to the Books

Colleges and retailers sent postcards and more to college-bound students during the summer of 2012.

Colleges Testing Well

Colleges spent their summer vacation planning how to attract more students while Congress debated whether to prevent a doubling of the interest rate on subsidized Stafford student loans and student debt in the US passed \$1 trillion for the first time. Many schools have opted for more direct mail to prospective students.

More than a hundred colleges have launched direct mail campaigns. Several have spent up to \$1 million on a single campaign. Common offerings include waivers of application fees. With application fees averaging about \$40 per school, waivers can result in broadening of an individual

student's net to include an extra "safety" or "dream" school. Some colleges have waived essay requirements. For those students and parents who have spent evenings working on these all important descriptions of a student's history of studies and service, this is a significant incentive to apply early. Iowa University mailed a piece that invited students to its website to sign up for a guide to paying for college. Students who responded provided information that could be used to track not only their demographics, but their interests in planned campus activities. This permits targeted follow-up.

Colleges that have increased outreach through direct mailings point to some schools' reports of success. For example, the blog www.top-colleges.com reported

in 2010 that The College of Saint Rose in New York increased its freshman male enrollment to 35% using direct mail. It improved diversity as well by bringing in 10% more students from outside of the Albany region and raising the number of Asian, African-American, and Hispanic students by eleven percentage points.

With as many as 30% of college students reporting that they chose a college without attending a college fair, colleges view direct mail as a critical tool for bringing in more applications and more enrollees.

The key determinant for many undecided students appears to be whether they made a campus visit prior to accepting an application. The University of Dayton undertook a direct mail campaign with the assistance of DHL in 2010. One of the ways in which the school measured the campaign's success was the number of campus visits.

One university that overextended itself in the effort to raise enrollment was University of Louisville's Brandeis School of Law. The September issue of *The National Jurist* magazine reports that the school made offers of more than a million dollars of financial aid to first-year students when its budget was only \$550,000. When acceptances outstripped the law school's budget it agreed to honor its commitments, but could face a shortfall of nearly \$2.4 million over the affected students' three-year education. "The law school's assistant dean of admissions, Brandon Hamilton, resigned."

Target Made the Grade

Savvy retailers must have watched the same trends. The National Retail Federation reports that it costs a college student and his or her family an average of \$907.22 for back-to-college furnishings, supplies, and

personal care items. *The Wall Street Journal* predicted that the price tag for 2012 would be 12% higher than it was a year ago. That tallies to more than \$53.5 billion. Only Christmas spending surpasses the back-to-school budget for most families.

Jean Gianfagna, founder and President of Gianfagna Strategic Marketing, graded the direct mail campaign of national retailer Target an A on her website. That score might have been an A+ if the retailer's brand identification on its 40-page color catalog had been better. <http://www.gianfagnamarketing.com/blog/2012/08/09/target-gets-an-%E2%80%9Ca%E2%80%9D-on-back-to-college-direct-mail/>. Gianfagna says, "The bullseye logo is only ½" wide on the cover and it's set within a complicated 'Bullseye University' logo on a pennant; I missed it at first. On the mail panel, the logo is larger and it's located in a familiar place: Around the eye of the Target mascot. But it's still a bit hard to tell at a glance that this mailing is from Target."

National Retail Federation reports that Target scored high with TV viewers with its commercials as well. Pam Goodfellow, consumer insights director at BIGinsight, notes that more shoppers looked to a variety of media outlets to learn about products and merchandise. "The back-to-school shopper this year is hyper-aware of the deals and promotions retailers are offering, and technology has only enhanced the shopping experience. As parents and students start to wrap up their shopping lists, many will make sure to not only search online for the best deals, but they will also scour their local papers and review the direct mail and email offers they receive."

USPS Extension of Time to File

An U.S. Federal Claims Court judge recently extended until October 9 the Postal Service's deadline for answering the claim of Northrop Grumman Corp. (Grumman) involving a contract dispute. This is the second such extension approved this summer. The court already extended the deadline from July 3 to September 9.

Grumman has alleged that the Postal Service owes it approximately \$180 million for a 2007 auto-

mated mail processing contract. The Postal Service has responded that Grumman owes it about \$341 million for late delivery and other reasons. The contract in question amounted to about \$900 million. Grumman maintains that the dispute relates to Postal Service changes in technical specifications and insistence upon wasteful meetings to discuss other changes the Postal Service wanted to make to its contract after the fact.

Happy Trails for B-2-B Mailings

Direct mail businesses want marketing plans with an itinerary. The best plans utilize mail, email, mobile, web, and other channels to influence the targeted

audience. Dave Lewis, President at Snailworks, discussed five indicators that your plan is viable.

Start with a strong call to action. Lewis pens a

newsletter in which he offers constructive critiques of others' failed mailings. Lewis notes that business-to-consumer mailings usually hit the mark, but business-to-business mailings falter. As an example, a postcard advertising parking lot paving services that did not urge purchase of blacktop services. "I'm the person in my business who decides whether to purchase such a service, but how do I know when it's time to seal or resurface?" Lewis asked. His suggestion was that the mailer state nine ways to know when you need to seal.

Greet customers at landing. Many business mailers use QR codes and personalized URLs (PURLs) to "rev" up outreach. The customer scans the code and is taken to a personalized landing page without requiring use of a computer. What the customer finds on landing can turn a prospect into a customer. As an example, Lewis points to a solar panel installer that offered business owners a solar phone charger when they "landed." The strong relationship between the nature of the item and the target's motivation for purchasing the mailer's service made the offer a winner. But the real test was whether prospects became customers. One of the advantages of using PURLs is that this helps the prospect buy with less effort.

Upgrade the business "traveler's" experience. Customized URLs that customers find easy to recall and that carry messages offer one method for bringing social

media "followers" to the right page. The conversion rates of prospects to customers are always higher for these than on non-personalized landing pages. Return business also is facilitated. This is particularly true when the customer is a business and the product or service is sophisticated. The QR code takes the responder from impulse to action.

"E-tickets" ease the passage. Lewis's last tip is to use a direct mailer to host a web or mobile page that tracks and counts responses. Snailworks offers such services to its customers that lack the capacity to do that from their own websites. For example, one of its clients sent out a direct mail piece with a QR code for a conference. The conference wanted to take reservations for the conference online. The client's site also would take credit card payments. Snailworks inserted a hosted landing page between the customer and its clients. The "landing" in this case was barely perceptible but offered the customer the convenience of having certain basic information inserted into the reservation form. Its chief benefit to the client was that it captured the page's information, which measured the success of the direct mail plan. As Lewis noted, "When you're planning a multi-channel campaign, the web is where response lives." To make the most of your marketing dollars you need a consultant who eases the way toward tracking that response.

Reactions to Key USPS Restructuring Efforts

The Postal Service implemented additional elements of its restructuring plan to mixed reviews during the summer months. While plans to reduce hours at rural post offices were preferred to plans to close them, streamlined operations at Postal Service hubs proved less successful.

Part-Time Hours More Popular

The Postal Service's recent announcement that it would "master" its labor costs and operating losses with a part-time schedule continues to draw raves from some hoping to delay office closures. The Postal Regulatory Commission (PRC) reacted to the Postal Service's plan to reduce 1,300 rural post offices' hours from eight to six and from four to two, saying it was a "significant improvement" over plans to close such offices. PRC Chairman Ruth Goldway expressed some concern over whether the reduced hours would appeal to employees, but not enough to outweigh satisfaction with the deferral of closings. Labor costs represented 72% of Postal Service operating expenses in 2011. Its private competitors spent considerably less. United Parcel Service spent 57% and FedEx spent 42% in roughly the same time periods. The Postal Service has reduced to 460 the number of mail processing centers

and plans another nearly 30% reduction within the next year. This downsizing of the Postal Service has helped reduce labor costs. The Postal Service cut its workforce from 882,000 in 2000 to 638,000 in 2011. The Postal Service paid an average hourly rate of \$41.60 in 2011 for wages and benefits. The Postal Service delivers 55% of First-Class Mail overnight and the remainder arrives within two or three days. Part-time workers under the new plans for reforming the Postal Service will not find their revised positions preferable to early retirement or other buyout offers.

Hub Flubs

The Postal Service's Atlanta Distribution Center is under review for employees' inefficient and mistaken handling of mail. The primary focus of this review appears to relate to the man hours attributable to loading and unloading packages at the facility. The Postal Service recently constructed the network hub and organized its 24/7 operations to improve sufficiency. More than 8,000 worker hours and nearly \$500,000 have been wasted, the investigation found. Reports suggest that drivers were found to be waiting in their vehicles instead of bringing them directly to bays for unloading and loading. Approximately 600 people work at the Atlanta hub.

Briefs

Associated Press (AP) reports that Republican presidential candidate Mitt Romney owes credit to Tom Buxton, CEO of Buxton Co., for data-mining of mailing lists for wealthy donors. A confidential source admitted that Mr. Buxton influenced fundraising efforts using intuitively manipulated analytics derived from databases lawfully rented by corporations and generated from credit card records, voter registration, charitable donor records, property tax records, and other “psychographic” information. AP attributes Romney’s success in eliciting contributions averaging \$400 per household from residents in traditionally Democratic neighborhoods in California to this more sophisticated mining of such data. Mr. Buxton’s name does not appear as a vendor in Federal Election Commission records, suggesting that his services may be volunteered or not as yet invoiced. President Obama’s campaign also has earned a reputation for savvy fundraising, but does so with far less mystery. President Obama’s campaign identifies “bundlers” who amass contributions for the candidate. Romney’s campaign does not. <http://online.wsj.com/article/SB10000872396390444270404577608813169529878.html>.

While the debate over the health of rail thin models on the runways continues, fashion mavens continue to pack on the pounds at the press. The September issue of *Vogue* tipped the scale at 4.5 pounds—the size and weight of many laptops—and had an all time high of 658 ad pages. *Elle* and *InStyle* magazines each included over 400 pages. With *Vogue* circulation of 1,246,121 and approximately one million subscribers, the heavier magazines may not fit in individuals’ mailboxes. In that event, the Postal

Service will leave package notices and hold items for customer pick-up. Get ready for tricep crunches as mail carriers and readers cart the new issues to a neighborhood near you.

Homer Simpson’s catch phrase “D’oh!” seems apropos. The Postal Service reports having wasted \$1.2 million printing forty-four cent stamps featuring TV’s *The Simpsons* prior to the rise in the price of a First-Class postage stamp to forty-five cents. The Postal Service printed 1 billion of the stamps and sold only 318 million. The stamps are now slated for destruction. The postal inspector general reported overproduction of more than 2 billion commemorative stamps in 2009 and 2010. Collectors and ordinary customers buy commemorative stamps. Production of “forever” stamps is expected to reduce the Postal Service’s overproduction. The Postal Service also has the option of making more limited runs of such stamps and re-printing if demand outstrips supply. It printed 21 billion stamps in the FY 2011, down from 29.7 billion stamps in FY 2009.

We recently reported that the Postal Service’s new definitions of part-time Post Offices and remotely managed Post Offices might signal plans to phase out post offices without the fanfare commonly associated with office closure. In the last couple of weeks the Postal Service closed its Revere, MN post office. The Postal Service reported that the building it was housed in needed major repairs, and the owners were not willing to invest in repairing the building. Breakdowns in lease negotiations might be on the rise as a strategy for speeding up the shutdown of more offices. (See *BMR* 08/20/2012, p. 6.)

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