MTAC Focus Group Session Notes
Wednesday, June 13, 2018

PRODUCT INNOVATION & EMERGING TECHNOLOGY
Gary Reblin, USPS VP-New Products and Innovation
Steve Colella, MTAC Industry Leader, Emerging Technology & Product Innovation

Session 1: PERIODICALS	(Stumbo, MTAC Industry Leader)

Gary welcomed all. Steve Colella was not here but Industry Class Leaders substituted for him for their respective mail classes. Gary showed videos (MAILNET and THE BIG FISH) which had been shown at the recent National Postal Forum and had been requested by Industry.

Periodicals Update

Gary reviewed Periodicals volume % variance vs. SPLY which showed a negative 9% for Q2 FY 18 - continuing an overall negative trend from FY10 at 1.8 B pcs to FY18 at 1.2 B pcs.

Informed Delivery (ID) Update

Gary reviewed the following current status for Informed Delivery:

10.32 M Registered Users (6% of HHs)
8.88 M Registered HHs
5.65 M Email-enabled users
2,673 Campaigns Created
574 Brands Represented
67% Average Email Open Rate

Gary said we are working with Tonda Rush's National Newspaper Association (NNA) community newspaper members. We want to drill down to where density is and the density map as of June 12, 2018 was shown. Bob Dixon commented that in areas where there have been recent disasters (Hawaii, Houston, parts of CA, etc.) there is a sharp uptick in ID signups. John Whittington asked if the map of density could be shared at some point. Bob Dixon said a report will be distributed in late June and if companies would provide their lists a match can be made (USPS will strip out the 11 digit data). Bob Dixon said you will be able to see of the total # of households the number of Informed Delivery participants.

Recent ID Campaign Results

Gary showed for April and May the top campaigns by click to open rate with retail trade showing a 69% email open rate and a campaign click to open rate of 11.05% which is a new high.

April: Top Campaigns by Click to Open Rate:

Industry	# of Mailpieces Sent to ID Users	Email Open Rate	Campaign Click To Open Rate
Retail Trade	1116	69%	11.05%
Accommodation & Food Services	957	69%	6.07%
Retail Trade	16,521	64%	5.46%

May: Top Campaigns by click to Open Rate:

Industry	# of Mailpieces Sent to ID Users	Email Open Rate	Campaign Click To Open Rate
Retail Trade	12,313	67%	8.45%
Retail Trade	15,255	67%	6.41%
Retail Trade	5,296	62%	4.95%

Gary said the 67% is indicative of people actively looking at the email. Bob said this is a 7 day window. We are starting to see a seasonality – if on vacation they are not looking – we are collecting data in 7 day chunks to analyze it. Half of people who open do so in the first hour of receipt. We are doing a lot to add capacity and Dennis Farley noted he is seeing receipt of the email for ID earlier every day on a consistent basis. Bob says for those who delay opening ID emails he is doing analysis on this to ascertain the reasons for this. Matt Morrone said it could be some folks have multiple emails.

Bob Dixon reported that for Tonda Rush and her community newspapers ID capability will be built for saturation mail and community newspapers. UG # 12 for ID is being asked to help us design this to enable us to go into production by January. Bob Dixon wants to ensure Tonda Rush is involved with us on this effort.

Randy Stumbo asked what is going on for flats regarding ID. Bob Dixon said we are making arrangements to get more data from Informed Visibility (IV). There is a bug in the equipment to get this data but that is being fixed. This work will be ongoing over the next quarter. We are seeing more data flowing in and Bob said he does not get this unless there is a campaign ongoing. Bob offered to look into individual campaigns using flats if you provide your MID. Randy asked by next quarter how far we will have progressed for flats and Bob Dixon said our target is 80%. Randy asked Dennis Farley if he is seeing any improvements for ESPN and he said "no" as his campaign volumes in test are relatively small.

Gary Reblin agreed to provide as an action items a checklist on mail types with visibility in Informed Delivery.

Product Management Update and Open Discussion

Tom Foti provided results of the recent HH Diary study which is based on what is coming into mailboxes of consumers. It is higher income and higher education related consumers who are getting the higher levels of mail. Niche publications are doing well with these groups. Regarding consumers with internet access as they get more access to broadband they receive fewer Periodicals. Overall for Periodicals the trend continues downward.

The subject of carrier timing came up with more of the new untrained carriers not making deliveries as timely as regular carriers. The fact that bundles are not scanned was discussed. The observation was made that teachers would love to be able to see via Informed Delivery where the magazine is in the mail if they plan to use it in their classroom. Tonda Rush of NNA asked about the HH Diary methodology and Elke Reuning-Elliott explained how respondents are chosen. Elke offered as an action item to look into this for Tonda. Elke will get together will John Mazzone who runs the HH Diary and will have him talk with Tonda.

Randy asked about anything new on pricing and Steve Phelps said "no." Tom Foti said we are working with User Group # 13 (Prep and Operational Optimization of Letters, Flats and Parcels) looking at optimization of letters, flats and parcels – and bundle prep – tubs vs. sacks. Tom encouraged industry to

provide input to this User Group. John Whittington said he is involved in this working with Elke and Susan Pinter.

Tom said PAG helps us to get the Periodicals input on the table and to evaluate recommendations for potential implementation (such as - use postal delivery of Periodicals to newsstands – eligible for Periodicals prices?, have a Periodicals price for single copies, allow more prospecting at the Periodicals rates, and increase weight limit for inserted product samples. Randy Stumbo said regarding product samples if anyone wants to work on this to let him or Laura Ambrogio know .

Tom Foti stressed that the PAG list is the main list for recommendations being considered for Periodicals but we still need to prioritize.

Informed Addressing

Gary said we want users to be able to get more mail concerning certain topics for which they want to know more - and Informed Addressing is in development for this purpose. For instance for sports ESPN The Magazine (and other Periodicals) might be able to use this. USPS would give you a "license plate" as a mailer - to enable you to get this information to the consumer without violating privacy laws. More to come on this topic.

ACTION ITEMS
- Gary Reblin agreed to provide a checklist on mail types with visibility in Informed Delivery

- Tonda Rush of National Newspaper Association (NNA) requested more information on the underlying methodology of the Household Diary Study and Elke Reuning-Elliott will follow up.

Session 2: PACKAGES	(Medeiros, MTAC Industry Leader)

Karen Key and Tom Foti welcomed all and showed the videos which were shown in Periodicals by Gary Reblin at the previous session. Karen reviewed the agenda.

Pulse of the Industry – John Medeios provided.

Updated: ___6/19/18_____

Karen reviewed innovations underway:

Adult signature 18 years or older – optional

Karen said we are working with Juliaann Hess's folks to provide for this. The carrier will not have to select this – it will be driven by the service code. One issue driving this is pharmaceuticals in the mail. The current offering is for 21 years +. The proposed enhancement will leverage the existing product offering and business rules, add adult signature 18 or over to expand the product offering, and update human readable text on IMpb.

Bulk Proof of Delivery Letters

Karen showed samples. The template has been changed so it is now standardized. The goal is to provide both consumer and commercial customers that request Proof of Delivery (POD) with the complete address of where mail was delivered.

IMD Full Acceptance

Karen said you now can get end to end visibility. Sites have scanners to enable full acceptance. This is a "win win" for all involved. "Full acceptance" basically captures mailpiece data to include postage, fees, class of mail, amount of insurance coverage, etc. at the time of mailing.

Mapping Group E PO Boxes (No-Fee Post Office Box/Renewal Notice / Annual Verification)

The big opportunity here is to reduce the number of undeliverables and improve customer satisfaction. There are currently 1.3 million Group E Post Office boxes (POBs) in use by USPS customers in lieu of street delivery. When Group E customers place orders that exclude delivery to POBs, packages shipped bear an undeliverable physical street address. Packages are often returned to the sender as UAA. Mapping the Group E POB to a street address will allow packages to be reassigned to their actual Group E POB and this should benefit all involved. Implementing on June 30, 2018.

Priority Mail Express Label 11-B/F

Updated: ___6/19/18_____

The goal is to update the existing label to improve the customer experience and ensure sender & recipient information is legible for accurate delivery. Karen Key showed the visual of the new label and reviewed the redesigned form changes.

Packaging Supplies Form Updates

Two Expedited packaging supplies forms updated and converted to LiveCycle:

PS form 4004-SP specialized packaging order form – for customers with $50k in new annualized revenue (16 box sizes and 5 envelopes)

PS Form 4004-C customized packaging business case – for customers with $250k in new annualized revenue (customized packaging sizes, co-branding available).

Refunds and Tracking Lookup for Customers

The objective is to expedite the process for determining tracking and refund status using the Retail Systems Software (RSS) at 17,880 offices. Benefits are to improve customer experience by reducing wait time in line, provide tracking information at the retail counter, provide refund status, and others.

Things that are coming:

Automate PS Form 3801 standing delivery order

Redeliver to Parcel lockers – will be up and running by 1st of year

Redelivery apps – we have three now and our goal is to get to just one with just one single source

QR Code – will have one on any form issued by USPS

> Return labels and applications (pickup)
> 30 Expedited Packaging Supplies (Pickup)
>
> Collection boxes (PO locator)

ID Verification thru scanning government issued photo ID

Informed Delivery Update (latest numbers for ID – Bob Dixon provided.

See Periodicals section for numbers.

Also we are publishing density data in a map showing all districts with color coding to show those with more than 10% penetration for ID. An observation is that with areas that suffered disasters (wildfires, hurricanes, etc.) there is an increased use of Informed Delivery.

Recent Campaign Results:

Bob said the 11.5% is the highest click through rate to date. We were seeing only 1% a year ago and now we are in double digits. Campaigns require a clear call to action. For ID for packages we are planning enhancements for Fall 2018 and Bob asked for candidates who want to participate in the pilot to let him know. He will take 5 – 6 participants for the pilot. Richard Porras thought Bob should use more than 6 test companies. We are not imaging the packages but rather we show the marketing content with a URL. John Medeiros said this should be a big opportunity for marketing.

Product Management Update for Packages - Jay Smith provided

PSLW Machinable Parcel – we are giving mailers an optional point of entry.

The USPS has implemented an optional SCF prep level that will allow mailers to presort and dropship machinable parcels to an eligible DSCF.

CSR-348 (DMM255.6.0) implemented in March 2018.

This will be allowed only after the mailer has completed a full 5 digit sortation to be dropped at the DDU so that only the "residual" pieces from that prep will be dropped at the nearby DSCF.

The current pricing & service standards for DNDC entry will remain in effect for the DSCF option.

It has been working well. Jay offered a follow up discussion opportunity for anyone who would like to do so after MTAC. This should provide relief to partners.

PRS (Parcel Return Service)

Updated: ___6/19/18_____

Corey Adams reviewed what we are doing with the master data tool. It helps us keep track of all our PRS partners.

We have 16,000 RDU /RSCF locations. We are using this and we can now share data with our PRS partners (Corey showed sample of the data report available for viewing by partners). Each of our facilities has a unique facility ID code. Richard Porras asked if this could be speeded up and Juliaann Hess said we can probably get this out in six months. Corey said we will keep User Group # 13 apprised of progress.

Jay said it was reported yesterday that WG # 180 was sunset and we now have the new User Group # 13 which covers all mail classes and has already had three meetings. He reviewed the objectives of this User Group and what the priorities will be. With a survey already conducted to determine specific fields to focus more deeply on improving the four targeted fields will be Performance Improvement Opportunities, Training for USPS Facility Personnel, Acceptance Scanning, and Surface Visibility / 99M Scanning Visibility (merged). Next steps will involve forming subgroups to cover the above four topics, identify details within each, and develop solutions.

John Medeiros requested components of today's slides to be provided if they are market dominant based and not competitive. Tom Foti said he will take this back to consider it (note: subsequently slides have been provided on PostalPro).

ACTION ITEMS
- Synchronize PRS master tool update (currently quarterly) with the mailer direction file which is updated monthly.

Session 3: USPS MARKETING MAIL	(Flanagan, MTAC Industry Leader)

Gary Reblin welcomed all. Gary showed the MAILNET and THE BIG FISH videos which were shown at the NPF.

Pulse of Industry – Rose Flanagan provided

Action Items Follow Up:

As a follow up on action items Steve Monteith reported USPS is working on a solution for stamp lists to be updated and available online.

Industry had asked that volume totals be added to the quarterly volume slides and that is now reflected.

Rose said regarding testing a First-Class Mail larger size postcard as proposed by UG # 8 (USPS promotions) what industry has right now is conceptual. Steve Monteith said if we could get some mailers to test then perhaps we could do this. Rose Flanagan said she will line up a few mail owners who are willing to test and will be able to help develop a business case. We then could test for a specific limited period of time. Gary said if we can demonstrate this represents a new market opportunity and generates new revenue this will be of interest.

Marketing Mail Update

Marketing Mail Volume – Gary reviewed volume changes for MM annual FY volume as well as % change vs. SPLY (Q2 FY18 down 1% vs. SPLY).

New Tech for 2018 – 2019

Gary gave the rationale behind looking at new technologies and innovations each year to tie into our promotions as we want to encourage growth through innovation and not be static. He reviewed for 2018 – 2019 a list of possibilities:

Augmented Reality – native AR and payment integration, VR / MR/ XR, Shoppable video, Payment QRs and new barcode formats, Addressable TV/ multichannel, Interactive Print, Chatbots, Integration with Voice/digital assistants, SMS Text Integration.

Gary described examples of shoppable video impact (Matches Fashion: worked with Cinematique on 120 shoppable videos) where users click/shop throughout video and review saved products later, 13% click-to-buy ratio, 9X the average - and others. User Group # 8 for promotions is evaluating options.

Informed Delivery Update

Informed Delivery by the numbers – see Periodicals section for this

Gary said we have 6% of US HHs in Informed Delivery with 10 million ID subscribers. What matters is match rate. Last week and this week we hit 200,000 new subscribers. We get a lot of these folks through our change of address (COA) system. Also this is a big season for people moving. Gary wants to get to 250,000 per week for new subscribers as this would be a million people per month. This month we will add 800,000 new subscribers and Gary predicts for July and August we should hit 900,000. We want 20 million by NPF 2019 and 40 million by 2020.

Gary showed Recent Campaign Results

See Recent ID Campaign Results in Periodicals section.

Again these are among our best numbers and are not average. They are for April and May 2018 showing top campaigns and their click to open rates. These high rates are a result of providing a compelling reason to take action (click).

Bob Dixon said there were six attempts for a one to one campaign and we do not have success so far with this as all the data was not provided as required. Bob asked that these folks contact him directly since he wants to shepherd them through individually. Robert Lindsey said he has companies who will participate using Mail.dat for this and he will get them in touch with Bob Dixon.   A suggestion was made that in presentations for ID that more time should be spent on how to apply vs. what ID is and it was decided to make this an action item.

For colleges and universities Bob said these type of customer groups offer unique challenges and he is ready to work with them now to enable them to participate in ID.

Nancy Cushman of Crate & Barrel said as Bob Dixon makes progress on this (for colleges & universities) she too wants to be kept informed about our progress.

Product Management Update

New HH Diary Study - Tom Foti reviewed

New one just came out and is available on the PRC website. The suggestion was made to put it on PostalPro and it was agreed to do this as an action item. We have been doing this study every year since 1987. The study is based on a two-stage survey conducted continuously, 52 weeks/year. Stage 1 is the recruitment questionnaire (8,500 respondents) and recruits 5,200 households to participate in a detailed, week-long diary survey. Stage 2 is a weekly mail diary (5,200 respondents) for which respondents report the quantity, content, and treatment of all mail sent and received over an entire week. Tom reviewed the charts showing marketing mail advertising by industry and by age of head of HH. Those 65+ are getting a lot of marketing mail whereas the younger people appear to be leveling off.

Product Marketing Strategy

Tom reviewed the following:

- Marketing Mail – hardcopy mail as integral to an omnichannel communications strategy

- Product & pricing structure
  - Incentive based pricing options
- Review and simplify product offerings
  - Flats opportunities
  - Postcard opportunities
  - Product Assessments – Picture Perfect & Simple Samples
  - User Group # 13 (Elke Reuning-Elliott heads this for USPS)
    - Optimization opportunities for letters and flats
  - Promote political and election mail in 2018 mid –term elections
  - Leverage Informed Delivery to increase engagement with mail and value of the mailbox

Rose Flanagan asked why not test Picture Permit and Tom Foti said he wants a way to measure it. Tiers were set up with some of the users. Steve Monteith said we need to cover our costs and Elke agreed. Rose suggested we don't call it a tier rate (which is a fee which makes people not want to try it) and call it instead something else - and use it in a way so as not to scare folks away. Steve Monteith said we can look at it and that we want everyone to use it.

ACTION ITEMS:

- Put Household Diary data on PostalPro

- Change the message on PCC presentations to how to use Informed Delivery – not just what it is (pivot to how small businesses can use it)

- Update on use of Informed Delivery for colleges & universities (and similar types of addreesses)

- For User Group # 8 on USPS Promotions static vs. variable data mail; offer survey promotion response

- For Industry, reach out to mail owners for feedback to USPS for business case for large First-Class Mail postcard

Session 4: FIRST CLASS MAIL	(Tate, MTAC Industry Leader)

(note: with Industry Leader Mike Tate on vacation Dave Marinelli substituted for Mike as First-Class Mail MTAC Industry Leader).

Gary welcomed all. He showed video (Mail Net / Big Fish) from the NPF as requested by industry. Gary reviewed agenda:

Pulse of Industry – Dave Marinelli provided

Promotions

Gary Reblin said we are in the same holding pattern until we get governors. Our next session of UG # 8 will be to share some of the promotions which will be considered for 2019. Dave Marinelli asked if Sept 2018 is the date by which we could not do promotions for 2018. Gary said once we get Governors we will provide them with inputs but he cannot say what we will do at that point as it is the decision of others first (PMG, Governors, etc.). Gary said if there is time and if approved we might be able to implement just the two end of year promotions (mobile shopping and First-Class Color Transpromo) for 2018. Then we would do the 2019 promotions. Dave Marinelli asked about the Earned Value promotion and also a MSP promotion for 2018. Gary said we are focused for the end of 2018 on just the two promotions just mentioned and Earned Value would not be one of these. Gary said he would propose an Earned Value promotion for the 2019 list and of course it would be up to the Governors.

Product Simplification

Steve Monteith said Drop ship for First-Class Mail is complex and would be more for consideration in 2020 than 2019 and we would want to work with industry to ascertain if there is value. Sharon Harrison said they cannot find anyone in the First-Class Mail industry who wants this and Steve Monteith said it originated with an industry proposal from one person who suggested it in the past for consideration for long term planning. We would have to work with industry to see if there is value for industry and Steve Krejcik said with worksharing being considered it would wind up costing us more. Dave Marinelli asked industry participants to gather feedback to report back and it was agreed to make this an action item.

First-Class Mail Update

Gary Reblin reviewed First-Class Mail Volume letters and cards.

Bentley University Study:

Gary then reviewed the study just concluded with Bentley University from a First-Class Mail view. The methodology involved eye movement and recall testing. The topics were First-Class Mail and Impact of color. How consumers engage with digital vs. hardcopy billing statements showed that First-Class Mail hits harder than digital.

Did digital or hardcopy billing statements increase recall and brand sentiment?

Updated: ___6/19/18_____

What we learned? Print has a 10% lift

New Tech for 2018-2019 – see Marketing Mail Update section

Informed Delivery By the Numbers – see Periodicals section

Bob Dixon said a new version of the ID campaign portal will be coming out June 22, 2018. This will enable you to use the portal more effectively. Bob said we are working to get more eligible HHs to be able to sign up and Jim Wilson is helping on this.

Product Management Update

Elke Reuning-Elliott provided comments on the following:

Industry Segment Performance & Product Trends:

- o Shown by industry
- o We see a drop of 4% in the finance and insurance sector and this is of concern and Elke asked industry if this is what they could confirm and they did. She will want to follow up with them further.
- o HH Diary Study just out and offers insights for all of us. Elke said the declines are concerning. The largest decline just took place last year for First-Class Mail (bills & statements (declining), correspondence (holding), advertising (holding). Diversion is underway and if USPS pricing goes up this will increase even more (BB&T and Capital One indicated this).
- o Dave Marinelli said these diversions are being pushed by uncertainly. This is a serious problem for all of us. He said there is growth and there is diversion and so some of the diversion is being masked by the growth. Tom Lloyd of Capital One said they are concerned about the possibility of new pricing at CPI + 3% and will budget this as it is the worse case scenario.
- o Sharon Harrison (AT&T) added they all have targets for going paperless. (Verizon also confirmed this). Sharon Harrison said there is disconnect between the marketing mail and the transaction mail. Dave Marinelli (Progressive Insurance) said his company is trying to provide its customers what they want whether electronic or hardcopy statements. Additional fees are being looked at for the paper. Dave Marinelli said if the PRC confirms the CPI + 3 even more volume will be leaving hardcopy First-Class Mail.

Updated: ___6/19/18_____

BRM Enhancements
- o Dale Kennedy covered BRM enhancements; if tests proves benefit, will be introduced by end of year.

ACTION ITEMS
- Follow up discussion on First-Class Mail drop shipment pricing