

# Proposed Market Dominant Price Case Recommendations

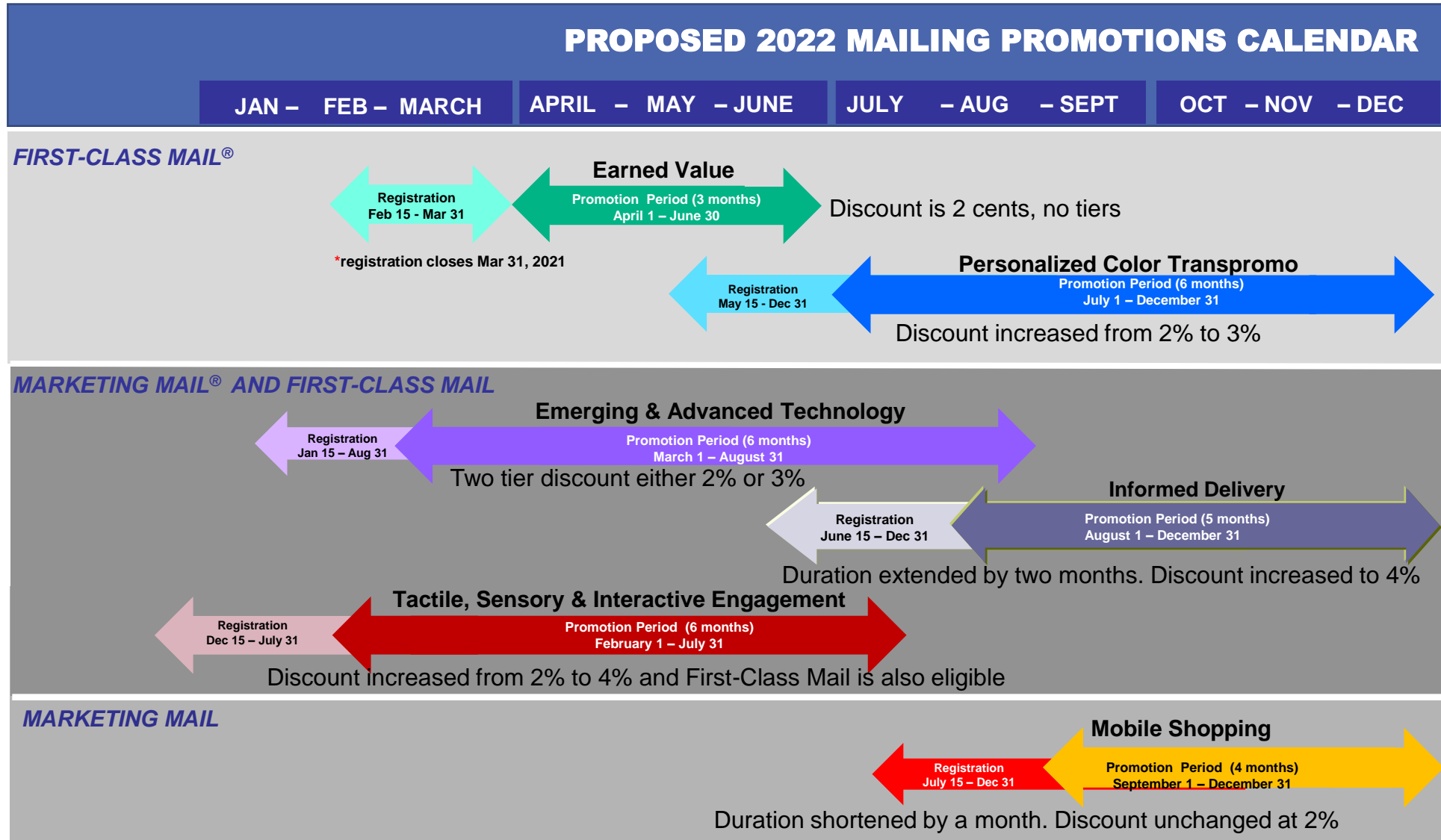
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# New rules add Density-Based and Retirement-Based Rate Authorities to CPI

- Starts with change in Consumer Price Index – Urban (CPI-U) 1.24%
- Density Authority Accounts for declining volumes 4.5%
- Retirement Authority must be used for payment of liabilities and if not taken each year will not be available for future price changes 1.1%
- Total Authority for First-Class Mail, Marketing Mail, and Special Services 6.8%
- Periodicals and Package Services allowed additional 2% since currently underwater
- Market Dominant price increases are capped at CLASS LEVEL
- Greater Pricing Authority but restricted Pricing Flexibility from Stringent Regulations

# Promotions, Incentives, and Permit Fees

# Promotions



# Full-Service and Seamless Incentives and Permit Fees

- Full-Service incentives is maintained at the current levels for qualified First-Class Mail and Marketing Mail at \$0.003 and Periodicals and Package Services at \$0.001 per piece
- Seamless incentive is available to all eDoc submitters with a Seamless Acceptance CRID and an Enterprise Payment account who register in PostalOne! and is maintained at its current level \$0.001 per piece
- First-Class Mail Presort Permit Fee price increased from \$245.00 to \$265.00
- USPS Marketing Mail Bulk Permit Fee increased from \$245.00 to \$265.00
- Bound Printed Matter Flats Permit Fee increased from \$245.00 to \$265.00
- Permit Imprint Fee increased from \$245.00 to \$265.00

# Proposed Price Change

## First-Class Mail

# First-Class Mail Products - Revenue \$24.2B

## Single-Piece Letters (Stamp)



- Payments and correspondence
- Forever stamp covers first ounce
- Additional weight requires additional postage
- Typically used by consumers

## Flats



- Large rectangular envelopes
- Documents, Photographs
- Single-Piece and commercial prices available

## Metered Letters



- Postage applied by meter or PC Postage (avoids Retail)
- Currently 4 cent difference between Stamp & Meter prices
- Used by small businesses

## International Outbound



- Letters, flats, and postcards
- Available to over 180 countries
- Forever stamp covers first ounce
- Additional weight requires additional postage
- Typically used by consumers

## Cards



- Rectangular cardstock mailpiece not contained in an envelope
- Single-Piece and commercial prices available

## Presort Letters



- Commercial mail – bills and statements
- Up to 3.5 ounce for one price
- Discounts available for barcoding and presorting

# First-Class Mail Pricing Rationale

Pricing strategy considers rate relationships across pricing categories and shapes

## Letters

Price increase 6.3%

- 58¢ stamp price
- Increase meter mail price by 2 cents to 53¢
- Additional ounce price not changed
- New prices created for Nonauto Machinable and Nonmachinable letters
- Workshared letters price increase 7.2% from 40¢ to 43¢ average revenue per piece

## Cards

Price increase 13.2%

- Cards prices increased to reflect market value and future Marketing initiatives
  - Single-Piece cards price increase 11.1% from 36¢ to 40¢
  - Presort cards price increase 14.1% increasing average revenue from 27¢ to 31¢

## Flats

Price increase 10.3%

- Single-Piece Flats price increase 16 cents per piece from \$1.00 to \$1.16 to improve cost coverage.
- Workshared Flats price increased 10.9% from \$0.97 to \$1.08 average revenue per piece



# First-Class Mail

Product	Current Price	Proposed Price	Percent Change
Rate Authority			6.8%
Stamp Price	55¢	58¢	5.5%
Meter Price	51¢	53¢	3.9%
Single-Piece Cards	36¢	40¢	11.1%
Single-Piece Flats - 1 ounce	\$1.00	\$1.16	16.0%
Additional ounce rate Letters & Flats	20¢	20¢	0%
Nonmachinable surcharge - letters	20¢	30¢	50%
Presorted Letters	40¢*	43¢*	7.2%
Presorted Cards	27¢*	31¢*	14.1%
Presorted Flats	\$0.97*	\$1.08*	10.9%
First-Class Mail International Outbound	\$1.57*	\$1.70*	8.4%



\* Average revenue per piece  
Inbound prices set by UPU, expected increase 6.6%.

# Proposed Nonautomation letters Rates

	Price Current	Price Proposed	Percent Change In Rates
Automation Mixed AADC	\$0.450	\$0.485	7.8%
Automation AADC	\$0.428	\$0.461	7.7%
Nonauto Presort Letters	\$0.460		
Nonauto Mach Mixed AADC	\$0.460	\$0.494	7.4%
Nonauto Mach AADC	\$0.460	\$0.461	0.2%
Nonauto Nonmach Mixed ADC	\$0.660	\$0.794	20.3%
Nonauto Nonmach 3-Digit	\$0.660	\$0.684	3.6%
Nonauto Nonmach 5-Digit	\$0.660	\$0.586	-11.2%

Nonmachinable surcharge is removed for nonmachinable letters

# First-Class Mail – 2021 Proposed Price Change

	Current Price	New Price	\$ Difference	% Difference
1 oz. SP Letters	\$0.55	\$0.58	\$0.03	5.5%
1 oz. SP Metered	\$0.51	\$0.53	\$0.02	3.9%
SP Cards	\$0.36	\$0.40	\$0.04	11.1%
1 oz. Auto Mixed AADC Letters	\$0.450	\$0.485	\$0.035	7.8%
1 oz. Auto AADC Letters	\$0.428	\$0.461	\$0.033	7.7%
1 oz. Auto 5-Digit Letters	\$0.398	\$0.426	\$0.028	7.0%
1 oz. SP Flats	\$1.00	\$1.16	\$0.16	16.0%
SP Additional Ounce (Letters only)	\$0.20	\$0.20	\$0.00	0.0%
Shared Mail Letters	\$0.51	\$0.58	\$0.07	13.7%

\$0.060      \$0.045

\$0.030      \$0.035

# Proposed Price Change

## Marketing Mail

# Marketing Mail Products – Revenue \$14.0B

## Letters



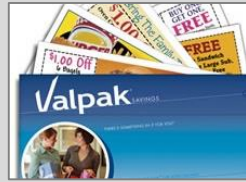
- Enveloped, printed matter, mostly containing advertising
- Any material not required to go First-Class
- Discover & Capital One

## Carrier Route



- Pieces sorted to individual carrier routes
- Used by large catalog mailers
- Potpourri, Macy's & Dr. Leonard's Healthcare

## High Density/Saturation Letters



- Direct mail letters for high percentage of addresses on carrier route
- Valpak & Geico

## Flats



- Large envelopes or niche catalog with lower volume for individual carrier routes
- Broadridge Financial Solutions

## High Density/Saturation Flats



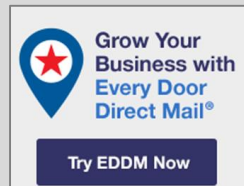
- Direct mail flats for high percentage of addresses on carrier route
- save. (formerly known as Red Plum)

## Parcels



- Non-fulfillment commercial parcels mostly used for samples
- Nonprofit organizations may use for fulfillment

## EDDM



- Easy to use solution for local mailers
- Targeted marketing by postal ZIP Code and carrier route

# Marketing Mail Pricing Rationale

Pricing strategy considers rate relationships across pricing categories and shapes

## Letter-shaped Price increase 6.5%

- Lower price elasticity
- Above average increase for High Density Letters 9.6% to reduce incentive for industry to aggregate letters to qualify for lower price
- Below average increase for High Density Plus and Saturation Letters to align with flats prices
- Nonprofit 6.0% change lower than Commercial 6.5% increase

## Flat-shaped Price increase 6.4%

- Higher price elasticity
- Flats, whether sorted to carrier route or not, 8.9% improves cost coverage of underwater products
- High Density 12.3% reduces incentive for industry to aggregate flats to qualify for lower price
- Below average increase for High Density Plus and Saturation Flats
- Nonprofit 12.1% change higher than Commercial 6.8%

## Parcels Price increase 9.4%

- Higher-than-average price increase to reflect market value of parcels and improve cost coverage of the underwater product

# Structural Change: Proposed New Discount – Encourage High Density Flats on Direct Pallets

- Direct Pallets – Pallets that can be cross docked directly to the destination Delivery Unit without having to do bundle sorting at the Plant freeing up the capacity for more parcel-shaped pieces.
- Currently there is an incentive for Carrier Route flat-shaped pieces to be on Direct Pallets. Incentive worked in moving Carrier Route flat-shaped piece to Direct Pallets (Increased from ~1% in FY2015 to ~14% in FY2020)
- Proposed discount applies to High Density flat-shaped pieces to be placed on Direct Pallets.

# Marketing Mail

Product	Current Price	Proposed Price	Percent Change
Available CAP			6.8%
Letters	\$0.214*	\$0.228*	6.6%
High Density & Saturation Letters	\$0.171*	\$0.181*	6.0%
<i>High Density Letters</i>	\$0.188*	\$0.206*	9.6%
<i>High Density Plus &amp; Saturation Letters</i>	\$0.164*	\$0.169*	3.3%
Flats	\$0.436*	\$0.475*	8.8%
Carrier Route	\$0.269*	\$0.293*	8.9%
High Density & Saturation Flats & Parcels	\$0.178*	\$0.187*	5.5%
<i>High Density Flats</i>	\$0.206*	\$0.232*	12.1%
<i>High Density Plus, Saturation &amp; EDDM Flats</i>	\$0.170*	\$0.176*	3.4%
EDDM-Retail	\$0.192	\$0.202	5.2%
DAL	5.5¢	6.5¢	18.2%
DML	6.0¢	7.0¢	16.7%
Parcels	\$1.605*	\$1.755*	9.4%
Nonprofit Ratio			60.15%

\* Average revenue per piece



# Marketing Mail Automation Commercial Letters Prices

## Letters Product get below average price increase

Marketing Mail Auto Letters	Current Price	New Price	\$ Difference	% Difference
5-Digit Origin	\$0.259	\$0.277	\$0.018	6.95%
5-Digit DNDC	\$0.239	\$0.256	\$0.017	7.11%
5-Digit DSCF	\$0.235	\$0.250	\$0.015	6.38%
HD DSCF	\$0.196	\$0.214	\$0.018	9.18%
Saturation Origin	\$0.191	\$0.197	\$0.006	3.14%
Saturation DNDC	\$0.172	\$0.176	\$0.004	2.33%
Saturation DSCF	\$0.168	\$0.172	\$0.004	2.38%

# Marketing Mail Piece-Rate Commercial Flats Prices

Marketing Mail Auto Flats	Current Price	New Price	\$ Difference	% Difference
5-Digit Origin	\$0.450	\$0.482	\$0.032	7.11%
5-Digit DSCF	\$0.372	\$0.403	\$0.031	8.33%
C-R Basic DSCF	\$0.274	\$0.297	\$0.023	8.39%
Pure C-R DSCF	\$0.253	\$0.276	\$0.023	9.09%
HD DSCF (125 pieces)	\$0.213	\$0.243	\$0.030	14.08%
HD DSCF on Direct Pallet	\$0.213	\$0.233	\$0.020	9.39%
HD+ DSCF (300 pieces)	\$0.187	\$0.195	\$0.008	4.28%
Saturation DSCF (90%)	\$0.179	\$0.188	\$0.009	5.03%
Saturation DDU (90%)	\$0.163	\$0.167	\$0.004	2.45%

# Proposed Price Change

## Periodicals

# Periodicals – Revenue \$1.2B

## Inside County



- Small newspapers, local publications
- Entered within the county in which entry locations is located
- Less than 10,000 subscribers

## National Newspapers



- USA Today, Wall Street Journal, New York Times

## Outside County



- Magazines and newspapers with greater geographic circulation
- Majority of volume and revenue

## Local Newspapers



- The Kentucky Enquirer
- The Martin County Sun

## Weeklies



- Time, Entertainment Weekly

## Nonprofit Publishers



- AARP The Magazine, AARP Bulletin, Consumer Reports

## Monthlies



- Better Homes and Gardens, Vogue, Good Housekeeping

# Periodicals Pricing Rationale

2% additional cap for non-compensatory class. Pricing strategy designed to increase average

## Piece/Pound Price increase 10.1%

- Piece Prices (13.3%)  
Most cap is used to increase piece prices to maximize revenue and to meet PRC requirements
- Pound Prices (-0.8%) All zones now have the same price. Increase in Advertising Pound price for Zones 1-4 and decrease for Zones 5-9

## Pallets Price Increase 2.1% Tray & Sack Price increase 4.7%

- Continue increasing container prices to maintain cost coverage
- Tray prices are lower at DSCF and DDU entry as compared to Sacks

## Bundle Price increase 2.4%

- Bundle prices continue to increase in order improve cost coverages

# Periodicals Mail

PRC provides extra 2% for non-compensatory class

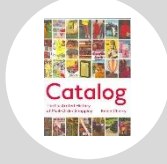
Product	Current Price	Proposed Price	Percent Changes
Available CAP			8.8%
Outside County	\$0.27*	\$0.30*	8.8%
Inside County	\$0.11*	\$0.12*	8.3%

\* Average revenue per piece

# Proposed Price Change Package Service

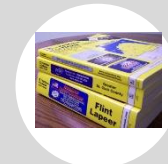
# Package Services – Revenue \$0.8B

## Bound Printed Matter Flats



- Advertising and promotional material such as catalogs
- Weights up to 15 pounds
- Discounts for destination entry

## Bound Printed Matter Parcels



- Larger catalogs and journals, including books
- Weights up to 15 pounds
- Discounts for destination entry

## Media Mail



- Books, manuscripts, and sound recordings
- Cannot contain advertising
- Single-piece and presorted rates

## Alaska Bypass



- Shipments on pallets mailed within Alaska
- Price determined by weight within Zone 1

## Library Mail



- Museum and library materials mailed to and from eligible institutions
- Single-piece and presorted rates



# Package Services Pricing Rationale

2% additional cap for non-compensatory class. Higher price increase for Media/Library Mail

**BPM Parcels**  
Price increase 6.7%

- Transfer to Competitive products pending
- BPM Parcel price increased to cover costs as PRC is not likely to issue its decision before filing this case

**BPM Flats**  
Price increase 7.5%

- Below-average price increase is expected to provide additional revenue while maintaining healthy cost coverage
- All zones now have the same price

**Media/Library Mail**  
Price increase 10.9%

- Above-average increase to improve cost coverage
- Alaska Bypass price increase 7.0%

# Package Services Mail – FY2020 Revenue \$0.8B

PRC provides extra 2% for non-compensatory class

Product	Current Price	Proposed Price	Percent Change
Available CAP			8.8%
Alaska Bypass Service	\$26.30*	\$28.13*	7.0%
BPM Flats	\$0.76*	\$0.82*	7.5%
BPM Parcels	\$1.11*	\$1.19*	6.7%
Total Media / Library Mail	\$3.70*	\$4.11*	10.9%

\* Average revenue per piece

# Proposed Price Change

## Special Services

# Special Services – Revenue \$1.8B

## Certified Mail



- Provides mailing receipt and electronic verification of delivery
- Use with First-Class Mail, Priority Mail, and First-Class Package Service

## Post Office Boxes



- Five box sizes
- Market Dominant and Competitive pricing
- Free boxes for customers ineligible for carrier delivery

## Return Receipt



- Provides evidence of delivery by mail or electronically
- Use with most mail classes

## Money Orders



- Purchase at Post Offices/branches or from a rural carrier
- Maximum amount is \$1,000

## Address Services

- Magazines and newspapers with greater geographic circulation
- Majority of volume and revenue

## Caller Services

- Magazines and newspapers with greater geographic circulation
- Majority of volume and revenue

# Special Services Pricing Rationale

Pricing strategy considers pricing higher volume services with consideration of competitive alternatives

## Certified Mail / Return Receipt / Money Order

- Certified Mail prices increase 4.2%
- Return Receipt price increase 6.6%
- Money Order price increase 11.5% to improve cost coverage

## Address Management Services

- Apply larger-than-average increases to better capture the value these services offer to mailers

## PO Box & Other Services

- PO Box 9.3% price increase to reflect value to PO Box holders
- Any remaining cap would be spread across the other Special Services

# Resources

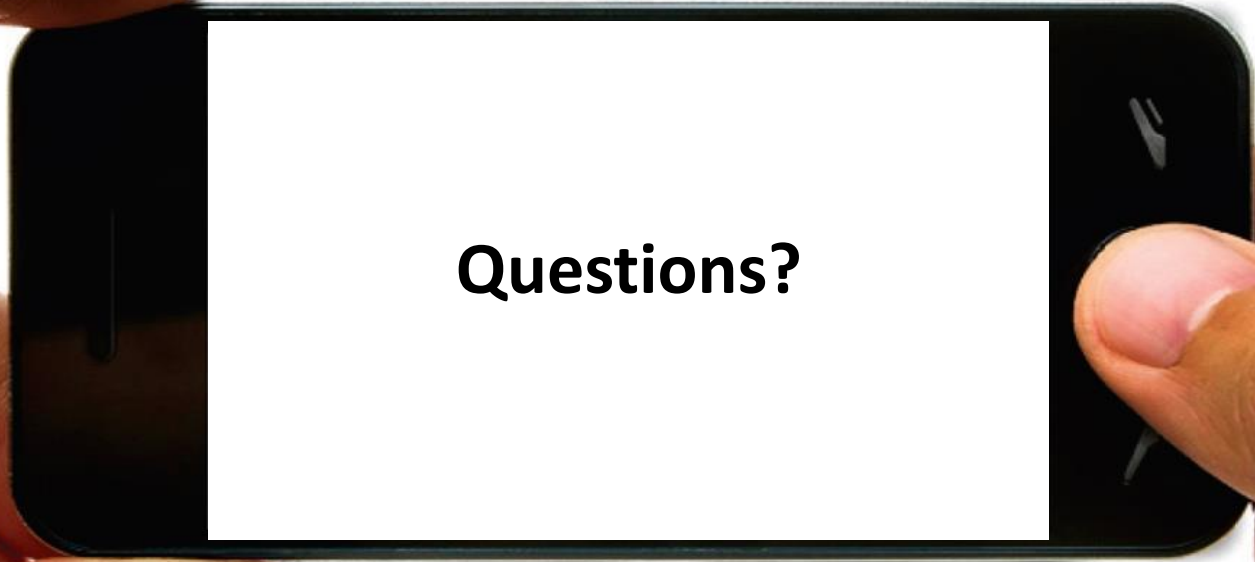
# Resources

## Online

Postal Explorer® — [pe.usps.com](https://pe.usps.com)

- Current and new prices, in Excel and CSV formats, and draft Notice 123 (Pricelist)
- *Federal Register* notices detailing the price and classification changes
- *Domestic Mail Manual & International Mail Manual*

*DMM*® *Advisory* — on Postal Explorer, also special e-mail updates



**Questions?**