



AMERICAN CATALOG
MAILERS ASSOCIATION

April 29, 2009

To the Commissioners of
The US Postal Regulatory Commission
901 New York Avenue, NW, Suite 200
Washington, DC 20268-0001

Dear Commissioners:

We expect the USPS will file a special seasonal incentive program with you shortly. Given the need to move with intense speed to take advantage of a perishable opportunity, we are writing to express our support for the "Summer Sale" in advance of its filing. The American Catalog Mailers Association (ACMA) encourages the use of a range of pricing levers to manage volume. The idea of stimulating demand with price is well established and thus so needs no comment. Mailer support for the USPS "Summer Sale" on the other hand must be explicit. ACMA fully supports the idea and respectfully urges your swift approval of the Summer Sale concept should a formal proposal be submitted.

Unlike the high fixed cost base of the USPS, cataloging is a highly variable cost model with different business rules and decision-making logic. Simplifying this logic greatly, circulation decisions consider total cost of mailing, compared to expected gross profit from each discrete mailing, to determine total circulation volume. To determine house file circulation for a given mailing, marketers continue down their rank-ordered house file until marginal cost equals marginal gross profit contribution. In other words, lower the cost and catalogers mail more. Raise the costs and catalogers mail fewer pieces less often. This is particularly true for prospect mailings, an investment in future growth that is even more price sensitive because the costs are not expected to be recovered in a single drop. Since a dramatic change in catalog postage cost in 2007, these forces have become apparent in declining flat-shaped mail volumes. Prior submissions have dimensioned the problem more fully. The Summer Sale idea is part of a solution moving in a different direction. Even acknowledging the limitations, we support it fully.

Given the circumstances, ACMA is concerned that the postal community have reasonable expectations for success. The USPS is the first to note the Summer Sale concept is not now a perfect one. However, sending a powerful signal to postal customers that the USPS intends to be more creative in its marketing management is a huge success. In this environment, changing the slope of the volume decline curve in *any* amount is a tremendous victory. Moving quickly is another one. Business decision makers continue to evaluate their strategic investments under the time-based dimension of a competitive landscape in light of an Internet age. Accelerating policy decision-making some observers have historically characterized as "slow and ossified" is very productive for all concerned. PRC actions since passage of PAEA shows you understand this. We appreciate and encourage your continued acceleration of important deliberations consistent with the other objectives you must balance.

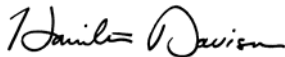
The quick roll out also has a downside: given their supply lead-times, some postal customers are not able to respond or respond fully to this particular incentive program. In addition, consumers are not currently reacting to marketing offers as they have historically. A protracted recession and disruption in cataloging means cash is tight for many companies yet commercial lenders are still not active so debt financing is not an alternative. The sale's time period is adjacent to, but not in, a productive response period for most catalogers and the design of the program prevents load shifting from October. It necessarily applies to only the biggest mailers, not every advertising mailer. These limitations must not be used to stifle initiative.

With challenge comes innovation if we are willing to take some risk. While trying any new idea has issues, ACMA believes accelerating the pace of change is a highly positive development. Some constituency can always find grounds to criticize every attempt at innovation with the benefit of hindsight and the postal community has a history of repressing change. The safest course is often to do nothing. In this environment it leads to disaster. ACMA believes that leaders in postal policy must communicate a theme originating from our new Administration that this is the time for change and we must all do our part.

ACMA is sensitive to the need for the PRC to meet its statutory obligations but we urge all expedient means to act on this quickly. Until your intentions are clear, mailers will plan but not take action that results in additional costs or inventory should a sale not occur. If you determine you must follow an established schedule, it would be helpful to signal your intentions in advance. This is the time for all of us to experiment and innovate, initiatives ACMA feels all do well to encourage. We appreciate any support the PRC provides as we work together to solve the crisis in our national postal system that impacts us all.

To summarize, the American Catalog Mailers Association urges the Commissioners of the Postal Regulatory Commission to approve the forthcoming proposal from the US Postal Service to conduct a special seasonal incentive program, a "Summer Sale." We also ask that prior to the official ruling, the initial intentions of the Commissioners be shared with the postal community.

Respectfully Submitted,
The American Catalog Mailers Association



Hamilton Davison
Executive Director

cc: President, Shipping and Mailing Services, US Postal Service