



AMERICAN CATALOG
MAILERS ASSOCIATION

Your Catalog Advocate!

Special Edition Industry E-Newsletter:
USPS Summer Sale

April 21, 2008

Dear Members and Friends:

I think it is a virtual certainty that the USPS will offer a "Summer Sale" as its version of a stimulus plan, an idea quite popular in Washington these days. The plan has *not* been approved by the USPS Board of Governors nor has it passed Regulatory muster. However at this point, if I were a betting person, I would give it a high probability to occur. Given the aggressive timing and pace, we wanted to get you the *latest* information on the program via this special edition of ACMA's e-newsletter so that you can consider what your reaction will be.

But before I continue, a brief word from your sponsor. Mark your calendars for the National Catalog Advocacy & Strategy Forum in Washington, May 20-21, 2009. Join with catalogers, industry representatives and key USPS Management to consider the upside opportunities and downside risks. It is important that you understand these and develop a response. More information is available on our website (www.catalogmailers.org) You can easily register on-line or, if you wish, simply email us (info@catalogmailers.org) and we will be happy to take care of things for you. This is a time of great change. Please be part of it. Our shared future demands it.

Why I am writing you today. For months, ACMA has been working with the USPS to do things differently that impact positively the catalog industry. The USPS response has been terrific with an accelerating the pace of change and innovation. As an industry, it is in catalog interests to support these initiatives. We want to continue to benefit from them in the future.

The USPS is the first to acknowledge that this Summer Sale program is not perfect. The complexity of the system, the diversity of the interests, and the political and other pressures at play preclude achieving perfection *and* moving quickly. Nevertheless, it is progress. And progress is good.

How the process will work? The Summer Sale will run from July 1 to September 30, 2009. It will offer a 30% reduction to your average per piece cost for all volume mailed in this period over your "adjusted threshold" or the current trend in your mail volume. To determine the trend, compare your actual mail from October 1, 2008, to March 31, 2009, to the volume of the same period in the previous year. Let's say you are down 10%. If you send more than 90% of what you mailed during July 1 to September 30, 2008, during the same months this year, you will earn a 30% credit to your postage account for all volume over the adjusted threshold. The credit will be applied by December 31, 2009;

however, the USPS will consider your mail volume in the entire month of October to prevent “gaming the system” by shifting an intended mail load simply into an earlier period. To qualify for the incentive, you must have mailed at least one million pieces from October 1, 2007, to March 31, 2008. This means about 3250 customers representing 75% of the potential volume will participate. In early May, each qualifying USPS customer will get a letter stating eligibility and providing a specific calculation of the adjusted threshold that applies. All group companies and divisions under common ownership will be aggregated in this calculation. When considering if a company you own qualifies, I suspect you will need to control 51% of a company to roll up its volume into your minimum qualification amount. The discount will apply to all Standard Mail flats and letters entered between July 1 and September 30, 2009.

When you get your letter, you will be directed to a special USPS website to enroll in the program. The expected program enrollment period will be May 4 to July 1, 2009, (with a possible extension a little later). You must agree with the USPS threshold calculation and indicate your willingness to participate so that the USPS can do some financial planning. If you do not agree with the USPS figures, there will be a process to supply documentation and reconcile the threshold. The expected volumes will be agreed upon up front. For example, it may be that you own permits of which the USPS is not aware perhaps because the operating company has a different name or you purchased it recently.

Eligible mail owners (those who meet the minimum volume threshold) and who use a Mail Service Provider(s) will be allowed to participate provided they have their own permit(s) or have “ghost permits” that allow specific identification of their volumes. If the owner cannot be identified by the USPS, then the mail owner will have to provide documentation (yet to be defined) to determine that the minimum volumes are met and to establish the trend threshold. MSPs cannot aggregate customer volume from multiple mail owners to meet the minimum volume or earn discounts.

The October adjustment will review your prior adjusted October 2008 volume (i.e., the volume adjusted for any change in your mailing trend) against your actual October 2009 mail volume to pay a credit on the net amount. Let’s say you increased your volume above the adjusted threshold by 1000 pieces by September 30 but then for October you mailed 100 pieces fewer than your trend would have predicted. You will only receive a credit on 900 pieces as a result.

The USPS wants an answer to the question, “Is there interest on the part of customers?” Without the support of the mailing industry, there is no need for the USPS to put forth time and effort when their revenues are shrinking. They are taking a concept well known in the private sector and working quickly to put in place incentives, rules, and guidelines to prevent “bad faith” agreements. If a company plans on “gaming” the incentive, which would create benefit for the “gamer” but no benefit for the USPS, the stimulus package is all for naught. If we want to encourage the USPS to look at market-based factors and use price incentives as a lever in the marketing mix (and I think we do) then we should do everything consistent with good business practices to get behind this so that the USPS will continue to innovate to create customer benefits at an accelerating pace.

These are the details as we know them now. It is possible the Governors or Postal Regulatory Commission may modify them, but I doubt they will kill this initiative

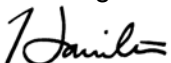
altogether. No one wants to keep the USPS from using its new-found pricing powers. Plus, with the removal of 120 million work hours from the Postal Service workforce, in the short term, the cost structure of the USPS is essentially fixed: costs accrue whether mail enters the system or not. In addition to generating mail volume and filling excess capacity, the Summer Sale is indicative of the USPS' willingness to invest in the health of the mailing industry, to learn from the market reaction (in action, not words), and to test the USPS' ability to execute quickly and deliver customer specific incentives in a new way. They clearly may catch heat from some corners. We want the USPS to have a good experience with this so they have the confidence to do more of it.

Some mailers may ask, "Why not make this open to all?" I asked that very question. It is not the USPS' intent (as I understand it) to exclude any customer group but when moving this quickly, practical considerations apply. The USPS is specifically calculating the adjusted threshold for every participating customer on a discrete basis. It becomes too complicated to try to attempt to do this across the entire mailing industry with over a hundred thousand customers.

If the program is a success, look for wider applicability and more lead-time next year. That presumes data is available and the administration of the initiative doesn't prove to be a nightmare of widespread dispute or abuse.

More details will be available in the coming weeks, but I wanted the entire catalog industry to have a sense of where this is heading so that you can do some planning and determine how your specific company will react if it qualifies. As an industry, we will also need to write the PRC in support of this program, specifically, and the idea of using pricing incentives, generally. Contact us if you are willing to write the PRC and would like help. ACMA will be submitting formal comments. I invite you to provide us with your thoughts and input as we put our statement together. ACMA is providing a catalyst for systematic exploration of what changes can be made in the best short and long term interests of both catalogers and the US Postal Service. To those who might say "you cannot fight City Hall," here is tangible proof to the contrary. The real question remains, "What will the catalog industry do?" It is now your turn.

Best regards,



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