



**AMERICAN CATALOG
MAILERS ASSOCIATION**

March 9, 2009

Manager, Mailing Standards
U.S. Postal Service
475 L'Enfant Plaza SW, Rm 3436
Washington, DC 20260-3436

**Re: Comments on New Standards for
Domestic Mailing Services, Revised
Proposal**

Dear Sir:

Introduction:

The American Catalog Mailers Association (ACMA) submits these comments on behalf of its members to the February 6, 2009, *Federal Register* Notice requesting input on the proposal to impose new standards to accompany pricing changes in 2009 and 2010. ACMA appreciates the opportunity to comment in advance of their implementation. However, this proposal contains a large set of complex changes and we are not able to cover adequately all the concerns or implications at this time. While we are sensitive to the need to operate equipment efficiently and process mail expediently, when set in the larger context of the current environment, we hope that the US Postal Service considers seriously the negative impact these rules may have on the catalog industry and mail volume, especially when the implications are not well understood in advance of their adoption.

ACMA, in previously submitted comments on Proposed Changes for self-mailers and booklets, commended the USPS for engaging with mailers and testing changes to regulations in advance of their adoption. Here, as then, we encourage working with customers to revise mailing standards so that there is adequate evidence available to substantiate changes and their impact for both mailers and the USPS. The issues involved are complex. That said, the deadline requested compels us to submit comments at this time. ACMA will continue to gather feedback on this proposal and forward these as they become known to us. Without adequately understanding the full implications ahead of adoption, new standards covering mailpiece design can have unintended consequences in restricting creativity, reducing response rates, degrading marketing effectiveness or increasing costs, each of which inevitably forces mailers to seek other media thereby reducing mail volume.

The catalog sector is complex, diverse and distinctly different from other mailer groups. Ideally, the USPS has a customer-facing structure organized around mailer segments that provides a mechanism to tap diverse views of catalogers. An internal “voice of the customer” with a deep knowledge of the catalog sector serves as a resource for USPS managers to assess potential changes in advance of their formal publication. Given the variability of mail plans, mailpiece formats and business models in the catalog industry today, when proposed changes are at a detailed or technical level, it is difficult for a trade organization to adequately survey its membership and report the full spectrum of potential issues. With a keen understanding of its customers’ needs by market segment and an organizational structure that can review proposed changes like these with mail owners and mail preparers in advance, we expect the USPS will gather much more useful real time feedback than is possible using the current approach to publishing changes via the *Federal Register*. After this direct dialog occurs, near final regulations can then be published which should reach any mailers not already active on a particular proposal. We believe this change will reduce confusion, complexity and allow for identifying ways to make mail even more valuable to customers in the future.

Background:

The ACMA is a trade association of catalog companies and their key suppliers that use the mail to solicit orders or to gather new customers. ACMA members are multi-channel merchants that may also operate retail stores, advertise in a variety of other media, operate extensive websites or aggressively pursue eCommerce activities. Despite the wide use of various media in their operations, catalogs sent through the mail have historically been a mainstay of cataloger marketing contact. The choice of media is directly related to (a) the cost of that media and (b) the effectiveness of the media, typically measured by response rate and order volume.

For catalog mailers, the effects of R2006-1 implemented in May 2007 were profound. It fundamentally altered business economics. The impact significantly weakened the catalog industry, impairing its ability to invest further in changes to make processing of catalog mail more efficient for the USPS.

When catalogers expect postage costs to increase or broad changes to mailpiece design and format to be adopted, they respond by testing to minimize the negative impacts on cost or response. Using known controls, catalogers painstakingly measure the efficacy of a new approach, isolating one variable at a time. In using this trial and error method, catalogers seek to reduce the downside of wholesale changes to their mail plan and market offer from the additional risks endured when untested changes are made to an entire mail drop without extensive testing. To our knowledge, no such testing on the impact of these changes has been completed with ACMA members.

History with required format changes:

The Postal Service must look at redesigning catalogs not only from the USPS’ operational perspective, but also from the perspective of catalog industry

operations. Some changes, as proposed, cause significant concern and are expected to hit some companies more deeply than others. What is more, it is difficult for catalog companies to consider these changes independent of the overall postal environment and rate regime under which they now must operate. This sector of the mailing industry is in peril; downsizing, mail volume reduction and migration to other media were all well underway before the recession began to take its toll. Catalogers are currently ill-equipped to deal with further changes or requirements that increase cost, change response rates, lower marketing effectiveness, or demand additional investment.

Prior increases in costs associated with redesign and preparation of mailpieces have already caused many catalogers to redeploy their marketing resources to de-emphasize mail in favor of other media substitutes, leading to decreased flat-shaped mail volume. This effort to reduce dependence on mail by catalogers is ongoing. Based on feedback ACMA has received from our members, our primary concern is that the proposed changes will further increase catalog production costs or reduce effectiveness, effectively moving more mail out of the system.

Difficulty of measuring adherence to proposed regulations:

As ACMA respectfully urged in our Comments on New Standards for Letter-Size Booklets and Folded Self-Mailers, we continue to recommend that the USPS adopt standards that catalog mailers can easily measure and manage. Where specifications cover the technical properties of substrates used, or require sophisticated testing, we recommend the USPS work upstream in the supply chain with industry suppliers to insure materials and configurations meet USPS processing requirements. ACMA opposes any requirements on catalogers that are impossible to measure by catalogers.

Impact of changing physical attributes of inserts:

The USPS proposes that, effective May 2010, "loose inserts less than 75% of the size of a mailpiece be limited to single-ply unfolded cards, when not enclosed in polywrap, an envelope, or other wrapper." Catalogers now use folded cards as inserts in some mail pieces. Restricting the creativity of inserts in catalogs may depress response rates, hurting the capability of catalogers to use mail to sell their products and services. Without adequate prior testing on cost and effectiveness, it is difficult to know in advance the effect of this limitation. ACMA respectfully urges the US Postal Service to work with the catalog industry to resolve this issue.

Impact of extending deflection standards to all flats:

The USPS proposes that, effective May 2009, it will extend the deflection standards that currently apply only to automation flats, to all flat-size mailpieces, except those mailed at saturation carrier route prices. Few ACMA members mail under saturation carrier route prices so this deflection standard can be considered to apply to nearly all catalogs. It also proposes changing the existing standards to allow one inch less of vertical deflection (droop) than currently allowed. ACMA understands that the "broader application and revision of deflection standards will

improve processing efficiencies within the USPS systems, assuring better machinability of flat-size mailpieces.” However, ACMA respectfully asks the US Postal Service to understand that the impact of redesigning a catalog, especially now, will only create an exodus of catalogers from the mailstream. The USPS also proposes elimination of the current exception to the deflection standards for oblong flats (those with bound edge on the shorter side). This is a format in current use by some catalog mailers. ACMA urges the US Postal Service to reevaluate the decision to eliminate this exception and to work with catalog mailers further to address whatever issues are being encountered.

Impact of changes to polywrap requirements:

Redefining the height and length measurement to include polywrap selvage in maximum dimensions effectively reduces the maximum catalog size for those catalogs that are to be wrapped, forcing a redesign for some catalogers and a reformatting of paper and press equipment for their suppliers. Requiring automatable poly, which is more expensive than non-automatable polywrap, will obviously also increase costs. ACMA asks that these changes be examined to make sure they lower USPS cost more than they increase mailer cost, and so, have a favorable net benefit on total system cost. This estimate should also include a calculation of the contribution now provided by the lost volume that results.

Conclusion:

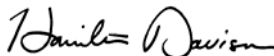
In summary, the new standards as described in the Proposed Rule are not conducive to adding volume to the mailstream. If these standards are implemented as published, ACMA forecasts a continued reduction in catalog-generated mail volume will result. As noted in our Comments on New Standards for Letter-Size Booklets and Folded Self-Mailers, the FY2008 RPW reports for service categories dominated by catalogs are down nearly 25% on a full year basis and this before the impact of a major recession. At a time of great turmoil and difficulty in industry generally, and for catalogers particularly, adding additional barriers on companies struggling to mail is to be avoided wherever possible.

Finally, we note that the costs associated with these proposed changes would be less onerous had the damaging impact of the R2006-1 rate changes been addressed prior to their adoption. Mail must remain economic for catalogers. Satisfactory means to improve mail’s marketing effectiveness need to be discovered so that mail is again more generally cost-effective for catalogers. In view of the state of the catalog industry and the competitive landscape of increasing substitutes to mail, adding additional requirements and changes is difficult. Clearly the responsibility to improve the processing efficiency of flat shaped mail falls primarily on the USPS as a supplier of a service, not on catalogers as customers of the service. This is particularly true when the customer is intent on reducing use of the service, as is the case today. We remain very concerned of the impact on both USPS volumes and catalog industry health if the issues presented here are not addressed quickly.

Without this seeming to become a mantra of ACMA, we reiterate that today, mail-based alternatives are reducing, while non-mail media are all becoming ever more attractive. The USPS presently enjoys an edge. Mail respondents still demonstrate a higher quality in lifetime customer value (LCV) for catalogers. Mail still exhibits better Recency, Frequency and Monetary Value (RFM) than non-mail alternatives. However, this edge is fleeting. A tremendous amount of effort is underway within the catalog industry to improve the efficacy of non-mail media. Just as it took catalogers a period of years to discover optimum methods to utilize the Internet, one can assume it is only a period of time before catalogers unlock the practices that make other (non-mail) channels as productive as mail. Given that a marketing effectiveness calculation accounts for both cost and revenue, the hurdle for "mostly free" media such as email is low. It may be that the best strategic interest of the USPS is to remove any powerful stimulus for the development of non-mail alternatives by adjusting immediately those factors driving long-term demand elsewhere. If the USPS determines to move forward with the Proposed Changes as published, we hope an immediate and intense effort is also made to resolve the basic barriers of mail use by catalogers that result in tangible changes from a customer perspective. Catalogers have been loyal users of postal services with a high LCV for the USPS. Catalogers have deployed business processes developed over decades to optimize mail's RFM and generate significant mail volumes while measurably adding to the consumer experience of receiving mail. Given the need for both volume and recipient-desired content, it is a shame to lose an entire sector of mailers who until recently had no other burning motivation to migrate away from mail.

Thank you for the opportunity to provide input. We would be happy to help address the issues raised here to find solutions that work for both the USPS and catalogers, or to answer any questions this material raises.

Sincerely,



Hamilton Davison
Executive Director