



**AMERICAN CATALOG
MAILERS ASSOCIATION**

January 28, 2009

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

**Re: Request for Comments on New Standards
for Letter-Size Booklets and Folded Self-Mailers**

Dear Sharon,

Introduction:

The American Catalog Mailers Association (ACMA) submits these comments on behalf of its members to the December 29, 2008, Federal Register Notice published from the U.S. Postal Service (USPS) requesting input on the proposal to establish new standards for Letter-Size Booklets and Folded Self-Mailers. While we are sensitive to the need to operate automated letter sorting equipment efficiently; when set in the larger context of the current environment, we do have a number of fundamental concerns with the Proposed Rule as published. ACMA appreciates the opportunity to comment in advance of their implementation.

The American Catalog Mailers Association commends the US Postal Service for its efforts to test mailpieces in the eighteen months prior to issuing its proposed changes. We encourage the US Postal Service to continue requesting test materials from the industry and thoroughly testing these mailpieces so that when new requirements are proposed, there is adequate evidence available to substantiate those changes and their impact.

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 remain currently the 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 R 2006-1 that were implemented in May 2007 were profound and fundamentally altered business economics. Because catalogers are mainly Standard Mail users and their predominant shape has been the flat, the rate increases instituted by the R2006-1 case impacted their budgets severely. At that time, the suggestion was made that catalogers redesign their mailpieces to fall within the shape and weight of letters to mitigate the significant price increases for flats and mail marketing material at automation and machinable letter prices.

When catalogers expect postage costs to increase, they respond by testing mailpiece designs, marketing offers, and their merchandise assortment. The goal is to find a factor, or combination of factors, that will improve marketing effectiveness for a more expensive mailpiece without cutting mail volume as “books in the mail equals sales” today for catalog mailers. 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 risk 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.

History with the format:

Redesigning catalog flats to letter-size mail is not a new concept for catalogers. Prior to May 2008, several ACMA members had already tested reformatting but returned to flats because the letter-sized piece did not perform as well as the traditional catalog. While some viewed letter-sized booklets as not viable, others determined the rate increases of mid-2007 would be financially crippling. These mailers followed published advice and redesigned their catalogs to letter-size mailpieces. The USPS then signaled that there would be changes to regulations for letter-size booklets. The changes, as proposed, have caused great concern. 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 are all well underway—even 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.

Increases in costs associated with the implementation of R2006-1 have already caused many catalogers to redeploy their marketing resources to de-emphasize mail in favor of other media substitutes, leading to a sharply decreased mail volume. This effort 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 and effectively move more mail out of the USPS system.

Difficulty of measuring adherence to proposed regulations:

ACMA opposes any requirements on paper characteristics that are impossible to measure or enforce. Catalog mailers do not have ways to measure paper tear

strength, static charge, or coefficient of friction. We respectfully urge the USPS to work with paper suppliers to identify those characteristics from current paper stocks distributed commercially that meet USPS guidelines, or to help develop standards that are fully acceptable to the USPS without placing the requirement on catalogers to do so, as they are typically less equipped to make this judgment than the USPS. The same argument can be made for a mail clerk. It is difficult or impossible for the clerk to measure adherence to paper standards. We believe these determinations are best made upstream with paper mills supplying the industry so that catalog purchasing departments can specify USPS-compliant grades when originating production orders.

Impact of changing physical attributes:

Marketing effectiveness for catalogers is typically defined as the total cost of producing and delivering an offer compared to the dollars it generates in sales (response rate and average order volume). The cost per page or cost per item featured are often important metrics. Catalogers perform “square inch analysis” to identify the combination of factors that generates the best response and order volume. Increasing required paper weights has two impacts. First, these paper grades are more expensive, increasing the total cost of the mailpiece. Second, when heavier weight grades are used, fewer pages per mailpiece are available to showcase product while still staying below maximum weight restrictions. Increasing paper weights is counterproductive to stimulating maximum use of the mail for advertising for all, other than those whose brand attributes or merchandise mix require more expensive paper to achieve a desired quality impression.

The Proposed Rule states, “Booklet covers generally must be made with a minimum paper basis weight of 60-pounds or equivalent. Minimum basis weights are higher for some designs.” Later in the Notice, there is an illustration of a booklet with the final fold on the bottom (longer) edge, with the folded spine on the leading or trailing (shorter) edge that indicates a 40-pound cover stock is required. ACMA recommends changing the sentences cited above to the single sentence, “Booklet covers must be made with a minimum paper basis weight of 40-pounds or equivalent.” ACMA realizes that using heavier covers with a paper basis weight of 60-pounds results in fewer cosmetic damages; however, ACMA prefers that the mailer determine the aesthetic requirements of its mailpieces and that the US Postal Service base its eligibility rules for Standard Mail discounts on operational processing and deliverability. Given the great diversity of business models, brand attributes and merchandise of marketers, providing this flexibility allows each mailer to determine the optimum combination of weight, quality, impact and design for their particular market strategy.

The proposed changes will also restrict creative design. Changing the dimensions of Standard Mail machinable and automation letters and Standard Mail Enhanced Carrier Route (ECR) letter-size mailpieces further limits the cataloger’s ability to present its products and services in a size and format that enhance their particular promotion. The Proposed Rule reduces the physical dimensions of letter-size

booklets from the existing maximum for automation letters of 6-1/8 inches high by 11-1/2 inches long. Reducing the overall area by over 10% will degrade the cost-effectiveness of this format. ACMA strongly urges the US Postal Service to retain the existing automation letter standards for maximum dimensions and weights of letter-size booklets.

The purpose of Standard Mail is advertising. In order to sell products or services, a cataloger has to be assured that the recipient will open the mailpiece. After testing millions of tabbed mailpieces, catalogers have found that the use of as few as two one-inch tabs reduces response by up to 20%. Securing the letter-size catalog with three 1.5" non-perforated tabs, in effect, seals the catalog against accidental opening by USPS processing equipment and by the customer. While we acknowledge that additional tabs are required to rectify machine-processing problems, we suggest further testing be done to determine an optimum combination of machinability, total cost to mail and recipient response rate. There has been some discussion that feeding problems with this format could be eliminated by enclosing them in envelopes. Catalogers have experimented with mailing within envelopes. This added cost but did not increase response, a decrease to marketing effectiveness.

"Openability" of tabs must be considered, especially since older consumers who may lack hand-strength are a large portion of mail order buyers. Until the US Postal Service has run sufficient tests of perforated paper tabs, there is no reason to eliminate this type of wafer seal. Further, our experience is that postal clerks refer to the Domestic Mail Manual (DMM) as the definitive guideline for regulations, and when using the DMM today, do not differentiate between "hard and fast rules" and "USPS preferred recommendations." We suggest that either the DMM be restricted to absolute standards that cannot be deviated from at all with a separate informational piece that contains USPS preferences or that the DMM be redesigned to make it perfectly clear what is a regulation and what is a preferred USPS approach. For instance, the Proposed Rule changes reference minimum tab size of 1.5 inches but then go on to state two-inch opaque tabs are preferred on booklets over 2.5 ounces. We are concerned the existing language may create confusion.

Conclusion:

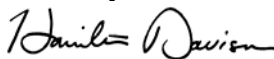
In summary, the new standards as described in the Proposed Rule are not conducive to adding volume to the mailstream. If these standards are implemented as proposed, ACMA forecasts a continued reduction in catalog-generated mail volume will result. We note that the FY2008 RPW reports for service categories dominated by catalogs are down nearly 25% on a full year basis and this before the impact of a major recession. This is a time of great turmoil and difficulty in industry, generally, and for catalogers, particularly. Adding additional barriers to companies struggling to mail is to be avoided wherever possible. Finally, we note that intense cataloger interest in new standards for letter-size booklets will dissipate if the damaging impact of the R2006-1 rate changes are addressed so

that mail again is economical for catalogers. Alternatively, satisfactory means to improve marketing effectiveness must be discovered so that mail is again cost-effective at a higher rate. We must also note that in a competitive landscape with increasing substitutes to mail the responsibility to accomplish this falls primarily on the USPS as a supplier of a service, not on catalogers as customers of the service. Absent one of these solutions, we remain very concerned of the impact on both USPS volumes and catalog industry health if the issues presented here are not addressed.

Today, mail-based alternatives are few, while non-mail media is becoming ever more attractive. The USPS presently enjoys an edge. Mail respondents still demonstrate a higher quality lifetime customer value (LCV) and exhibit better Recency, Frequency and Monetary Value (RFM) for catalogers than non-mail alternatives. However, this edge is fleeting. A tremendous amount of effort is underway within the catalog industry to improve further 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 secrets that make non-mail respondents as productive as mail-borne responses. 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 a powerful stimulus for the development of non-mail alternatives by adjusting immediately those factors driving long-term demand elsewhere. Removing a format that is a partial solution for some catalog marketers, especially in the context of this economic environment and given the long term dynamics at play, is not a positive development. If the USPS determines to move forward with the Proposed Rule as published, we hope that immediate and intense effort is also made to resolve the basic barriers of mail use by catalogers, as they represent a very high LCV for the USPS and a loyal consumer of its services with deployed business processes developed over decades to generate significant volumes of mail while adding measurably to the consumer experience of receiving mail.

Thank you for the opportunity to provide input. We would be happy to address questions and arrange meetings with our members to provide further information.

Sincerely,



Hamilton Davison
Executive Director