

BEFORE THE  
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM  
SUBCOMMITTEE ON FEDERAL WORKFORCE, U.S. POSTAL SERVICE AND LABOR POLICY  
UNITED STATES HOUSE OF REPRESENTATIVES

“WHERE HAVE ALL THE LETTERS GONE?—THE MAILING INDUSTRY AND ITS FUTURE”

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TESTIMONY OF

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Good morning, Chairman Ross and members of the Subcommittee, I am Jerry Cerasale, Senior Vice President for Government Affairs of the Direct Marketing Association, and I thank you for the opportunity to appear today concerning technology and the future of the Mail.

The Direct Marketing Association (DMA) ([www.the-dma.org](http://www.the-dma.org)) is the leading global trade association of businesses and nonprofit organizations using and supporting multichannel direct marketing tools and techniques. DMA advocates standards for responsible marketing, promotes relevance as the key to reaching consumers with desirable offers, and provides cutting-edge research, education, and networking opportunities to improve results throughout the end-to-end direct marketing process. Founded in 1917, DMA today represents companies from dozens of vertical industries in the US and 48 other nations, including nearly half of the Fortune 100 companies, as well as nonprofit organizations.

In 2010, marketers—commercial and nonprofit—spent \$153.3 billion on direct marketing, which accounted for 54.2% of all advertising expenditures in the United States. Measured against total U.S. sales, these advertising expenditures generated approximately \$1.798 trillion in incremental sales. In 2010, direct marketing accounted for 8.3% of total U.S. gross domestic product. Also in 2010, the direct mail industry employed 9.8 million americans. For the mailing industry alone, the Envelope Manufacturers Association’s Mailing Industry Job Study found the economic impact on the U.S. economy to be \$1.139 trillion employing over 8.4 million Americans.

DMA members account for approximately 70% to 80% of mail volume in all classes of mail and contribute over 85% of the revenue of the U.S. Postal Service. The U.S. Mail is an important channel of communications for our members to reach customers and potential customers with relevant offers, notices on transactions and delivery of products.

Technology changes have affected the U. S. Mail and mailers since the inception of the U.S. Post Office in 1775—post roads, pony express, railroads, telegraph, telephone, automobile, air mail, radio, television, interstate highways, computers, Internet, wireless, social media, etc. Technology impacts the mailing industry in several

ways—internal Postal Service operations, internal mailer operations, disposal operations, and citizen preferences. In the final analysis, from the mail advertiser and marketer prospective, it is the cost per sale or return on investment (ROI) that drives marketing decisions, including whether or not to use the mail.

#### *Internal Postal Service Operations*

Technology and automation within the Postal Service improve worker productivity and reduce the costs of handling, sorting and delivering the mail. This reduces the need to increase postage costs and improves the ROI for mailers. Sadly, some implementation of new technology at the Postal Service has not gone smoothly. The Postal Service has placed new, and sometimes costly, preparation or IT requirements on mailers due to the new automation machinery. That has the same effect on mailers as a postage increase. Therefore, the ROI benefit from the technology sometimes is lost through new requirements.

One area where the Postal Service could implement technology that would assist mailers is in documentation for payment of postage and acceptance of mail at a postal facility. While the postal Service has made some progress in this area, there is too much paper required. The Service should move more quickly to accept computer manifests without the necessity of excess paperwork.

#### *Internal Mailer Operations*

Technology has offered marketers the ability to know their customers and donors better. Through a better understanding of customers and donors, and then applying that understanding to potential customers and donors, marketers have been able to send more relevant advertisements and offers, as well as appeals for donations, through the various channels of communications, including the mail, with the resulting improvement in ROI. Thus, the value of advertising *via* the mail has increased. This phenomenon will continue as the marketing industry shifts from broadcast to targeted advertisements provided Congress does not impose overly restrictive regulation of the collection and use of marketing data to send relevant ads, offers and appeals for donations which would dampen growth in this important segment of our economy.

Marrying these new data with the new improvements in printing technology, DMA members are able to print significantly different versions of a mail piece based upon the interests of the recipient within the same print run. This provides the ability to marketers to take advantage of the full range of presort postage discounts of the Postal Service while sending specific relevant offers to consumers—a double improvement to ROI.

Improved printing technology also provides marketers with the opportunity to complement electronic communications with print communications and *visa-versa*. DMA members can now send a catalog or a post card to a recent visitor to its web site featuring an item that the visitor had placed in the shopping cart and then had removed that item. Variable printing technology allows such a rapid response within a single print run. Virtually all DMA members using the mail include their web address on the mail piece. This drives traffic to the web site. In fact, members know when mail pieces are delivered to citizens by measuring the traffic going to their web sites. Some members send customers emails telling them that their catalog will be delivered in the next few days. They have found that this has increased customer response to the catalog. Others have reduced the size of their catalogs (and thus costs of producing and mailing) and urged recipients to go to their web site for even more products. Each marketer undertakes a detailed ROI analysis to determine the right mix of electronic and print communications.

Marketers have new options to reach customers/donors and potential customers/donors. Vendors are offering to send either an electronic or print offer to recipients based upon the recipient's communication channel preference. Thus, a DMA member may send to the vendor the recipients to whom the communication will be sent, and the vendor will send the communication *via* the channel preferred by the recipient. Thus, a single marketing campaign, by utilizing the consumer's preferred communications channel, exemplifies how U.S. Mail and electronic communications are complementary not exclusionary. This type of marketing helps eliminate the digital divide for marketing offers.

It is important to emphasize that marketers will use the channel or mix of channels that will produce the highest ROI. The U.S. Mail remains an important

communications channel for direct marketers. The use of that channel, however, will change. We do not expect mail volume to increase to 2006 levels, and, in fact, envision a slight decline in overall mail volume from today to the end of this decade. Moreover, the mix of mail volume, as noted above, will continue to change.

### *Disposal Options*

Environmental concerns over the use of paper in the mail are discussed constantly. Technology has helped reduce the environmental footprint of mail. Paper production pollution is being reduced. Forest management is protecting old growth forests and improving the sustainability of forests used to produce paper. Paper creation from recycled fibers is improving. Printers are creating mail pieces that are 100% recyclable. Finally, mail is being recycled. The EPA recently issued its Municipal Solid Waste Report for 2009 that indicates 63.4% of Standard Mail is recycled up from 40% in 2008. DMA, the Envelope Manufacturers Association and the Magazine Publishers began a program to have their members include a recycle notice on all mail pieces. Municipalities throughout the United States are using new technology for single stream recycling which is increasing the rate of recycling. We pledge to continue to urge Americans to recycle as nearly all communities offer a recycling program. This will improve the perception of the Mail as an environmentally sound product—using a renewable source, and a recyclable product that is recycled. This increases the value of the Mail to some Americans and, thus, response rates and ROI.

### *Citizen Preferences*

How I interact with the electronic information age pales to how my children use the online world. It is difficult to imagine how my grandchildren will interact. Marketers and nonprofits must react and adapt to the changing communication environment in order to survive. Transaction mail is one example. Many consumers prefer to receive and pay bills online. For DMA members that is a windfall. Online payment and on line bill presentment reduce costs for marketers. Since it also responds to consumer preferences, online bill presentment and payment is a win-win for marketers. That is evident in the inducements businesses offer consumers to convert to receiving bills online. Transaction

mail, whether business to business or business to consumer, is leaving the mail and converting to electronic. That mail likely is gone forever.

But, mail is important to online citizens. Banks have found that they retain online customers longer if they have sent a mail piece to the customer. Catalogers have found that over one-half of purchases made online are made by consumers who have the print catalog in front of them. Even for the electronic citizen mail increases response and ROI. Of course, ecommerce sales require delivery of product, unless the product is digitized. So the parcel delivery network of the Postal Service is very important to ecommerce consumers, particularly since both FedEx and United Parcel Service use Postal Service delivery to many residential addresses.

DMA applauds the Postal Service for its latest filing at the Postal Regulatory Commission to have a summer sale for mailers who include a QR code in their mail piece. This is an experimental product to merger print and mobile. A mobile phone app will be used to take a picture of the QR code, and the consumer will be sent to a web site for more information or purchase information. We do not know whether the product will be a success, but even if it is not, we implore the Postal Service to continue to strive to find products that directly complement electronic communication and commerce.

Businesses are offering consumers electronic mail boxes for consumers to review and then choose whether to receive the communication electronically, physically or not at all. Foreign posts are looking to establish similar products. DMA believes that the Postal Service should begin a dialogue with the private sector to look at joint efforts to provide consumers with electronic mail boxes and, possibly, addresses. The Service should leave no stone unturned in looking to joint efforts in the electronic field. However, since the Service's expertise is not in electronic communication, it should look to joint efforts with the private sector.

DMA members have found that the mail provides the most viable channel to reach out to prospective customers. All DMA members are working with email and social networks to reach non customers, but mail is a primary channel for that outreach.

### *Postage*

As explained before the choice of communication channel depends upon the ROI. Postage is a major factor in any ROI analysis for use of the U.S. Mail. As you know, DMA believes that mailers have overpaid for postal pensions as found by the Postal Service Inspector General and the Postal Regulatory Commission, and asks that the overpayment be credited to the Postal Service obligation for retiree health benefits. This issue must be settled. Regardless of the pension and retiree health benefit outcome, the Postal Service has excess capacity that DMA members and other mailers cannot afford. The Postal Service must be afforded the latitude and must use that latitude to shrink its capacity to transport, sort and deliver 150 billion pieces of mail per year. If the Postal Service is unable to control postage rates to the rate of inflation, the ROI for mail communications will lag when compared with other communications channels.

In conclusion, the Postal Service remains, and will continue for the foreseeable future, an important channel of communication for marketers and nonprofits to reach customers and potential customers and donors. Mailers are using new technologies to merge electronic and paper communication. It is important for the Postal Service to continue to offer products that allow mailers to leverage mail and electronic communications. Congress must resolve the issue of the overpayment of pension benefits and postal retiree health benefits, and the Postal Service must right size itself. Failure will harm the ROI of mail communications and incent the shift toward electronic communications.

I thank you and look forward to any questions you may have.