



Results of a Research Study with Large U.S. Mailers that Explores Mail Volume Impact Anticipated as a Result of PRC's Proposed Rate Structure

Introduction

The Postal Regulatory Commission's (PRC) rate proposal, if approved, would permit the United States Postal Service (USPS) to raise rates beyond the current economic CPI index by an additional 2% per calendar year for each of the first five full calendar years following the effective date. In addition, the proposal would allow the USPS to raise rates by another 1% (so CPI plus 2% plus 1%), contingent on the Postal Service meeting or exceeding an operational efficiency-based standard and adhering to service standard quality criteria.

Due to the potential impact of the PRC's recommendation on mail volume, and also the mailing industry, EMA engaged InfoTrends, a division of Keypoint Intelligence LLC, to conduct an independent, nationally based, and statistically valid (with a 95% confidence level) primary research study with very large mailers to understand their reaction to PRC's proposed rate structure. This research studied the mailers' response and the potential corresponding impact on mail volume to the following proposed rate increases: CPI, CPI plus 2%, and CPI plus 3%.

Mailers' Current Concerns

The study found that for 2017, the print and mail communication channel accounted for an estimated 35% of total communication volumes sent through a range of channels, inclusive of email, mobile, social media and company webpages. Due to budgets, both enterprises and public sector entities are pushing aggressively to drive communication strategies towards digital channels. Not only does this trend drive email volume, it also fuels significant investments in mobile, social media and web platforms. When asked what the top barriers to sending communications to prospects and customers via the U.S. Postal Service, factors most frequently selected included: 1) high total end-to-end costs, 37%, 2) time-consuming to execute a mail campaign, 32%, and 3) concerns about future rate increases, 31%.

Mailers' Responses to the PRC Recommendations

Study participants were provided a succinct description of the PRC's Notice of Proposed Rulemaking, and were then asked a series of questions to measure their level of concern and likely reactions.

1. How concerned their institutions would be for each of the three levels of postal rate increase options: CPI inflation rate, CPI plus 2%, and CPI plus 3%?
2. What would be the impact of the volume of mail going through the U.S. Postal Service?

What becomes evident is that the percentage of companies that become very concerned goes up significantly with the level of the rate increase. Whereas 15% of companies were very concerned with a postal rate increase tied to only the CPI inflation rate, the percentage jumps to 28% when the potential rate increase is the CPI inflation rate plus an additional 3%.

In addition, when asked about the likely impact on *mail volumes* if the various ranges of postal rate increases were to be implemented, the percentage of companies indicating a *significant decrease* in mail volume jumps from 13% (CPI) to 20% (CPI + 2%) to finally 28% (CPI + 3%). This provides a clear indication that if the postal rate increases were to go into effect, the push from print and mail budgets to

digital channels will increase. As a result, a significant number of mailers are likely to reduce mail volumes being sent through the Postal Service.

Loss of Mail Volumes Due to PRC Proposal

As the rate increase rises, so does the percentage of the mailers that project an actual decline (slight or significant) in their mail volumes as a direct result.

- With a 2% increase in the postal rate, 34% of mailers expect to reduce mail volumes.
- With CPI plus 2% increase in the postal rate, 41% of mailers expect to reduce mail volumes.
- With CPI plus 3% increase in the postal rate, 45% of mailers expect to reduce mail volumes.

Furthermore, for the mailers that project an additional mail volume reduction, ***expected average decline in mail volume will more than double from 2.1% to 3.2% to 4.3% with the highest rate increase.***

Loss of U.S. Jobs and Sales Revenue

Another ripple effect of the proposed postal rate increases is related job losses and revenue among mailers.

- 26% of enterprises state that their organization would experience layoffs at their company. Applying these statistics to the U.S. Census data that provides the number of firms with 500 or more employees within Finance and Insurance, Healthcare and Social Assistance, Retail Trade, Wholesale Trade, Telecommunications and Utilities, highlights that over 3,000 firms could be impacted by layoffs, with a potential of over 36,000 mailing-related positions being terminated.
- 28% of enterprises also reported that they expect their company would experience a decline in revenues.

It should also be noted that the USPS impacts many workers, since more than 73% of mail industry jobs depend on a USPS-centered delivery infrastructure. The USPS really is the core of the U.S. mailing industry. The U.S. mailing industry consists of 7.5 million mailing industry jobs – 6% of the nation’s total jobs – and contributes to the economy with \$1.4 trillion in sales revenue and 4.6% of the U.S. total output.

Methodology

InfoTrends wrote and fielded a web-based survey of enterprise, government, and education respondents to examine the potential impact of the PRC’s recommendations, if they were to be implemented. The sample size was 380 respondents, which provides for a 95% confidence level, with a confidence interval of +/- 5%.

In order to qualify for, and screen into the survey, respondents had to be from mid-size to large organizations. They also had to have the following qualifications:

- Responsibilities that influence customer communications (i.e. marketing, billing, customer care and/or regulatory communications), and
- Responsibilities that oversee print and mail volumes, and be knowledgeable/very knowledgeable of their company’s use of the U.S. Postal Service, inclusive of mail volumes and likely impact of postal rate increases, and be part of organizations that send a minimum of 500,000 mail pieces annually through the U.S. Postal Service.

For total respondents, the mean number of mail pieces sent annually is 12.3 million, reflecting the fact that the sample is comprised of high-volume mailers.

Sources:

- 1) InfoTrends, a division of Keypoint Intelligence LLC, Assessing the Future of the U.S. Mailing Industry, 2018
- 2) EMA Foundation’s 2015 U.S. Mailing Industry Jobs and Revenue Study