

## **PV2020 PANELS PEEL BACK THE PLATFORM LAYERS**

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In keeping with last week's PostalVision2020/2.0 conference theme of "Platform Possibilities," the agenda included interactive panel discussions with postal and digital industry experts, each panel looking at a different aspect of the platform concept, peeling back the "layers" or "planks" of the platform. Highlights are provided below.

**Platform Perspectives.** The panel discussed a "platform approach" to envisioning the future postal ecosystem in America. Panel moderator Jeff Jarvis, keynote speaker at the 2011 PostalVision2020 conference and author of "Public Parts," "Gutenberg the Geek," and "What Would Google Do?" said the basic question is what is the starting point of discussion for a USPS platform – is it as USPS exists today and how can we develop it, or is it the opposite? "If the USPS disappeared tomorrow," he asked, "what would we be missing and what do we need?"

Panelists included Marshall Van Alstyne, associate professor at Boston University and visiting professor at MIT Center for Digital Business; Syed Hoda, General Manager, Emerging Solutions Group, Cisco Systems; Phil Simon, author, "The Age of the Platform;" Larry Weber, author of "Marketing to the Social Web: How Digital Customer Communities Build Your Business, Sticks & Stones, How Digital Business Reputations are Created Over Time...And Lost in a Click, Everywhere: Comprehensive Digital Business Strategy for the Social Media Era, and chairman of the W2 Group.

Jarvis told PV2020 attendees that "you know a platform is successful when users take it over." He noted that Craig's List would be one example. Simon cautioned that "building a platform guarantees nothing, but increases the chances you will continue to be relevant."

The panel said that when looking at the USPS, it is like any other business in that you look at what attributes make it successful in the first place, such as things already identified with the USPS like locality, brand, trust, logistics expertise. "What was not mentioned," he said, "is sophistication of software systems – if the USPS is going to do anything, it has to engage with software visionaries to create a software platform to support applications."

Simon cautioned that it is unknown whether in the future there will be as great a need for shipping things because of the industrial revolution and things like 3d printers. He said five years ago people thought shipping would always be needed but now there are bookstores that can print any book in any language, and other technologies are making it possible to produce things on demand and locally. Jarvis reiterated his position that if it can be digital, it will be, so delivery is an unknown.

Van Alstyne said the USPS may not have a choice, it may need to be a platform. "Even a great product can be beat by a mediocre platform every time," he told the PV2020 group. He said the USPS needs to be thinking about platforms, but just building it doesn't mean they will come. He said there are stepping stones the USPS must follow, such as to start articulating the feature set which developers can play with to start creating an ecosystem. The panel agreed that if the USPS were to be a platform, it needed to be open and offer some basic services for free, then charge for other services, like a Skype model, or Google in terms of free email, etc.

The USPS should build on the strengths of what it is good at, the panel agreed. One panelist noted that the New York subway has built a platform based on its strengths of navigating New York City, but open to third parties. The subway system owns the physical space that no one else owns, so their strength is physical and adding digital and other layers together.

Van Alstyne noted that Walmart also has used its physical space like a platform, and suggested there are opportunities for the USPS to build an ecosystem based on its physical space and have retailers come into that space and bid. Simon said there are similar discussions going on in the library/museum industry in terms of what they can do with that physical space and opportunity for in person contact, which is a great potential asset.

Another asset the USPS has, the panel said, is its logistics infrastructure and people on the street. How else could those people be used, perhaps with different training/knowledge to deliver other services. The USPS also has a great deal of data, some panelists suggested, so perhaps it could sell information to advertisers in digital form much like it does in the traditional form. There may be some privacy issues, but there could be opportunities.

In terms of the USPS' trusted brand, which Van Alstyne said largely comes from the fact that First-Class Mail is sealed against inspection, whereas messages on Facebook or Google are not. The panel discussed what is feasible in terms of the USPS' extending its trusted brand into the digital arena. Should that notion of trust extend to email? Hoda noted that Amazon also has a very trusted reputation because consumers can buy there with confidence. HE said trust can be earned quickly in this age if the business can back it up. Weber noted that Amazon includes many other things besides the purchase, such as ability to post and read reviews, look at videos of authors, and other non-commerce experiences, which increase the digital attraction and environment.

Val Alstyne said the USPS needs to be allowed to function like a business. "That has to happen," he told the PV2020 audience, noting that "other healthy posts today own their own industries like banks, telecomm, and others." Hoda said the reason other posts are successful is that they have a great physical presence they are expanding. "Think about great physical networks and the future," he said, "it's not about what we want, it's what our kids and grandkids will want."

**Physical Layer.** The panel examined the attributes of the Postal Service's physical infrastructure, its scale, scope and the items that are delivered upon it, with a vision for the future. The panel was moderated by PostalVision2020 organizer John Callan, Ursa Major, and panelists included: Jody Berenblatt, senior advisor, GrayHair Advisors; Pierre Kacha, decision analysis partners; Matthew Kammerait, project manager, Image/Media Solutions Group, Quad/Graphics; David Loonam, vice president of product marketing, DHL Global Mail; and Mark Schoeman, president Colography Group.

Kacha set the stage for the discussion by laying out the USPS' foundation in terms of a description of its physical network, which he noted is vast and immense with openness and ingenuity behind it, which can become a foundation for future opportunities. He said the USPS' physical infrastructure already has served as a platform for growth of the postal industry, reach and diversification of mail, and cost efficiencies that have sustained hardcopy communications and commerce.

"The USPS has a deep reach to consumers," Kacha told the PV2020 audience, but noted that the USPS is facing increasing economical and financial challenges as its reach translates into a growing number of deliveries but decreasing number of pieces per route. The more dense the mail, the higher the volume per delivery, the more profitable. He said the USPS today delivers about 7 pieces of mail per route every minute. The USPS' retail side is another aspect of its business and reach, Kacha noted, with annual revenues of about \$12 billion and about 3.3 billion consumer visits every day across multiple channels.

"The network is a lot more than just the physical," Kacha said, "it is also hardware operating systems and software applications." He said the USPS' network ecosystem has five key "layers" – information/intelligence, operations & networks, people and skills, equipment and fleet, and real-estate.

Kacha noted that every day, there are 37,000 trips back and forth between local post offices and plants, which could provide another opportunity for connectivity. He noted the existing openness of the USPS transportation network which today includes an active collaboration with the private sector. In 2011, 70% of the USPS' spend was in transportation, he noted, and FedEx and USPS are one another's largest customer.

Looking deeper into the USPS' network, there is an array of equipment which has lowered the USPS' cost of operations. But with one billion handlings a day on automated/mechanized USPS equipment, Kacha said, there is value from the imaging and data management capacity that equipment has in terms of capturing images or providing data. He said that information facilitates integration of business processes, noting that "the net effect is visibility across the supply chain through initiatives like Intelligent Mail barcode offerings."

Berenblatt said that "2020 is not that far away, and it is evident we still need a healthy hardcopy distribution network." She suggested that both the USPS and the internet face similar issues. "Both physical and digital delivery points are growing," she said, "and they change a lot." Berenblatt said that getting the address correct, complete and current is critical to delivery. She suggested that future opportunities around addressing such as address as an identity (vanity addresses) or mailing to a future self or future generations.

"We look at interactive print as being a growth opportunity," Kammerait said, "taking all the disparate pieces and putting them together in a meaningful way." He said that includes looking at mediums like augmented reality, putting digital on top of physical to bring the power of data on top of a discovery mechanism like the printed mail piece. The role of "connector" is one for the USPS today and in 2020, he told the PV2020 audience. In response to the question of where printed matter is headed and what people may want in 2020, Kammerait said Quad is seeing shifts in formats and entry points. He said when page counts are reduced, companies are pairing up a plethora of ancillary services with the printed piece to create vitality around print as the primary discovery point.

Loonam noted that every single piece of mail shipped today by DHL gets delivered by the USPS. About 80% of DHL's business is domestic U.S., he noted, with about 75% of its domestic volume business-to-business parcels and about 25% flats. In response to questions about the USPS' Priority Mail growth as a branded product that is fully executed by the USPS in terms of delivery, Loonam said the product is unique and the USPS offers flat rate boxes with unlimited weights which are not offered by its competition, which has a well-understood value to customers. He said that the USPS already has opened a platform through Parcel Select, even though it is not digital. "It is interesting to see how that has evolved," he said, "and how it has been received by the community."

In response to what society may want in 2020 and beyond for social mail, direct mail and transaction mail, Berenblatt said businesses hope to see a First-Class Mail drop ship offering before 2020 so they can grow business mail that needs to be hardcopy. For advertising mail, she said there previously had been projections about social mail which originally was sent digital starting to cross over and become hardcopy.

**Digital Layer.** The panel focused on exploration of digital influences, trends and products operating on postal platforms and their places meeting the needs of society in the future. The panel was moderated by Matt Swain, Associate Director, Document Outsourcing, InfoTrends, and panelists included: Farah Abdallah, E-business expert, Universal Postal Union (UPU); VA Shiva Ayyadural, founder and chairman, EchoMail Inc.; and Bernard Gracy, vice president business development, Pitney Bowes.

Swain gave an update on customer communication trends (see above article), while Abdallah presented an overview of the UPU's .post initiative. She said the .post initiative provides a way for customers to manage all digital and physical mail receipt by receiver preferences.

Ayyadural said that the USPS provides a mail system which may be print or electronic. "It behooves us to have two separate discussions," he told the PV2020 audience, "but at the connective layer is a system of input, output and process."

Gracy said the needs of consumers are evolving and fracturing. We are moving away from who-pays-the-bill-driven solutions into mutually managed experiences. It used to be a case of all audiences in one preferred communication, he said, but the real question businesses are now asking is how to optimize the customer/channel mix when the number of channels is increasing but the audiences are shrinking and costs are going up. Gracy said there are at least two entities in the mix – the sender and receiver, and the common thread across any is the need for a trusted third party to validate the identity of one or more of the parties. He said the USPS can be a trusted third party for purposes of identity.

Abdallah said the postal sector can be an enabler of the digital economy, citing initiatives being pursued by other posts such as electronic identity by Switzerland, electronic mail box services in Tunisia, post offices acting as access points to trade in Brazil, and more. Multiple posts are providing e-commerce portals, she said, for rural areas or under-served communities to buy/sell products through email.

In response to the question of whether the USPS should enter the digital mailbox services market, Ayyadural said there are different ways the USPS can be involved, including a tightly coupled model where the USPS itself offers services to a model where the USPS supports a platform with its trusted brand to support transactions in support of revenue. Gracy said the key question is the USPS' strategy and identifying opportunities, whether it be to defend its core, invest in digital to grow e-commerce and parcels, or take a global view. Abdallah said the post being involved in the process is advantageous, and that the government is a common factor for those posts doing it well. She said the CEOs of the top postal operators understand the internet.

Syed Hoda, general manager, Emerging Solutions Group, Cisco Systems, gave a brief presentation on the network infrastructure concept, telling the PV2020 audience that "It's not just about people and devices, it is about devices and devices – machine to machine communications." For example, he said, the iPhone that talks to the door to unlock it. "That is where the growth really is," he said, "because chips empower us, machine to machine." He said there are about 50 billion things attached to the world network, and the U.S. "is not ready for it." Hoda says that by 2020 about 1 zettabyte of content will flow through the network, and our infrastructure is not ready for that.

"By 2015," Hoda said, "we will sell 320 million tablets, bringing more access to more and richer content, wherever you are." He said that video will quadruple all IP traffic by 2014. By 2015, we will send 1 million minutes of video every second of the day, he noted. "It's here to stay and we are not ready because no one predicted this growth," he told the PV2020 audience.

Enterprise-class cloud technology will be used by 70% of enterprises by 2012, Hoda said, with 78% of enterprises pursuing a private cloud strategy by 2014. He said there is much activity in the area of interconnecting clouds together. He told the PV2020 crowd that 56% of organizations want desktop virtualization, not big PCs – computing in the cloud and that's where the information stays. He said virtualization and the use of tablets is where things are going, and screen quality and battery life are key components. "The network needs to be ready for that," he said, "otherwise it will strain." He said that while the U.S. is not ready, some other countries are. In terms of takeaways, Hoda said, "think about enabling mobility."

**Values Layer.** The panel focused on discussing the uniquely representative inherent values of the USPS that congeal to meet the needs of all of American society, serving out its mission to bind the nation together. The panel was moderated by Mohammad Adra, USPS OIG's office, and panelists included: Jim Campbell, legal consultant on postal regulatory issues; Gene Del Polito, president, PostCom; Charles Prescott, executive director, Global Address Data Association (GADA); and Frederick Rolando, president of the National Association of Letter Carriers (NALC).

Prescott told the PV2020 audience that postal platforms have physical layers in business, which is an area he said is in turmoil; a digital layer which he said is in the competitive process of discovery; and an intrinsic value layer which is in discovery mode. He said that the assets of posts in the value layer include such things as trust and reputation, networks, physical customer contact locations, address assets, logistics sophistication, and (not in the U.S.) financial products. Within the posts, there generally are different networks, such as for letters, parcels, logistics, data collection/manipulation. He noted that half the world does not have an address, yet an address in many posts provides legal identity. He said that the Global Address Data Association (GADA) has articulated and developed address location and management tools which are unparalleled, and builds on and shares that information with the rest of the world.

Prescott touched on different initiatives being pursued by other posts, including parcel return services (Cycleon); shopping mall for small businesses to sell goods with parcel shipping through the post on Saudi Arabia; email business and online shopping in Brazil; selling of ancillary services, warehouse space and kiosk services in Hong Kong; e-commerce web sites tied to shipping with the post in France; parcel lockers and other e-services in Poland; government services in Lebanon; government partnering on exporting in Brazil; Canada's CentrSource; lottery ticket and seasonal sales in Slovenia; and gigantic postbank institutions in other countries.

"There are three customers in international post transactions," Prescott told the audience, "the sender, the receiver and the other post, and it needs to be easy for all three to do business." He said that the USPS is the cornerstone for the \$1.3 trillion postal industry with an amazing delivery network and reach, but he is "frustrated with the lack of innovative thinking from the USPS leadership in the past few years." He said the reason the USPS is "trusted" is partly because it has a unique opportunity to be in every neighborhood nearly every day and be part of the community. "That opens up all kinds of opportunities," he said, "for partnering with pharmacies or retail stores."

"While there are challenges," Prescott said, "there are amazing opportunities that come from the internet." "Someone has to get products to people's homes and the USPS is set up to do just that," he said. Prescott said the possibilities are endless, including warehousing of products the USPS could deliver, or using retail outlets for internet hot spots, getting into digital authentication, ideas of using postal vehicles, and more.

Campbell said there seems to be too much emphasis on the dichotomy between the public and private sector, but in reality it is not that simple. He said in reality there can't be a completely private sector infrastructure for distribution of mail, parcels or digital. "Even parcel companies provide private services using roads, airways and conditions from the government," he said. "Think about how the public/private interface works in the parcel or digital message business today," Campbell noted, "in both cases the private sector does the bits it can do best, and transmission across the common space is either government provided or controlled." "The government is not simply protecting the common space," he said, "but using its regulation over that space to ensure the security, quality, honesty of the end-to-end service being provided."

Del Polito said the USPS needs to “evidence the confidence, courage, and wisdom to partner with others,” because historically it “does not play well in that sandbox.” He said the USPS seems to have no interest in wanting to pursue ideas that it does not own, control or direct, and that attitude has to change.

Campbell said that many good ideas have been raised about how the USPS can improve its services or adapt better in the future and make more money, but the issue is not how the USPS can do its job better, the problem is governance. “How can the charter of the USPS be re-conceptualized so it has the freedom, expertise and motivation to search out new services and adapt to the future,” he said.

Del Polito said there are not enormous structural changes in the law needed because the USPS already has flexibility to pursue ideas. “The USPS comes from a history where it had great business,” he said, “with no compelling reason to do anything differently.” He said there is much the USPS can do today if it “musters the courage to test the limits.”

In a presentation about intellectual property and the USPS, John Cronin, managing director and chairman of ipCapital Group, said that there are four models the USPS could develop: an open model with a government mechanism to prevent suing the USPS; a free enterprise model; a government use model; or a hybrid model. Cronin said in looking at the patents in the postal arena, there are not a lot compared to most other industries. The USPS has 758, UPS has 1491, FedEx has 113, and DHL has 870, he reported. He predicted the number of patents will go way up, and broke out the patents by stages in the postal supply chain, noting that the majority of patents in the postal industry are related to the postage phase and sorting phase of the supply chain.

Cronin discussed the pros and cons of each of the potential intellectual property models the USPS could pursue, as well as potential IP (intellectual property) disruptions to the postal value chain at each part of the supply chain. He concluded that IP and innovation will become more relevant to the USPS in the future. Cronin told the PV2020 group that the postal value chain needs to be ready for a federal government future IP model, and the USPS must know how to leverage its IP in that model. “IP is trending up in the postal industry,” he said, “and is distributed across the postal value chain.”

**Possibilities.** The panel provided an imaginative conversation about the possibilities for meeting postal needs in the future. The panel was moderated by Jeff Jarvis, keynote speaker at the 2011 PostalVision2020 conference and author of “Public Parts,” “Gutenberg the Geek,” and “What Would Google Do?” and panelists included: Ron Bloom, senior advisor, Lazard; Daryl Jackson, postal industry segment leader, Deloitte Services; Elmar Toime, director E. Toime Consulting and international postal industry expert; and Gene Del Polito, president, PostCom.

Is the USPS in danger of becoming Greece? The panelists discussed the comparison, which Postmaster General Pat Donahoe had suggested in his remarks the previous day of the conference. Fundamentally, the USPS is living beyond its means. How can innovation be brought to USPS? The first thing is the USPS has to decide it wants to grow, Del Polito said, noting that until then, the discussion is academic.

Toime suggested there is an entire spectrum of possibilities in terms of postal reform, but there is no “quick fix” in terms of a revenue option or new product. “The future world is mobile,” Toime said, “what smart phones will do in a few years and how the USPS will link to that.” He also said e-commerce as a savior for posts is a myth if the cost structure is not in order.

Jarvis asked whether it the role of the USPS to be a platform for the success of others, or for its own success, and is that in conflict? PV2020 participants said that until the law changes, the USPS still has a universal service obligation. It is a platform, but has to expand and there are many opportunities for the

USPS to leverage data. For instance, it has address information licensees today, perhaps it could expand on that platform and create new ways to make that data available.

One participant said the USPS should not be looking at one-size-fits-all solutions, it should pursue different market opportunities in rural communities versus urban. The universal service obligation is in terms of shipping/mailing, not necessarily communications. Jarvis suggested perhaps the goal is not to increase mail volume as much as it is to get past the print and physical, like the newspaper industry is exploring.

Adra noted that the USPS is a platform in the physical sense today, and said perhaps a more important question is whether it has a great platform or product strategy. He said the USPS should have a platform strategy that is open to all, and should facilitate participation. He said the USPS should start with a foundation in terms of a digital space to go as a starting point, then set protocols for participation, make it open, possibly use marquee apps to draw critical mass, then let the innovators come in.

Anderson noted that the federal government is in the midst of a huge transition in terms of how it provides services and how it communicates with the American people. “The IRS is no longer mailing out forms, and all agencies are cutting back on their physical mailing,” she said, “but there could be a role for the USPS to help agencies reach people and for people to reach agencies.” She said the USPS should be part of the discussions on the federal government strategy. Other panelists agreed there are opportunities for the USPS in an e-government strategy, such as helping the government reduce its brick and mortar footprint by having government kiosks in post offices where customers could digitally transact/communicate with government agencies, and perhaps a window for more complicated transactions.

In response to the question, “If you were 23 and entrepreneurial, what is the biggest opportunity for the USPS?” the panelists’ responses ranged from address systems management, to protected digital file transfer, to advertising on postal vehicles, to identity/trust/privacy. The panel concluded that there are a host of opportunities the USPS could pursue, with no clear consensus as to which it should pursue first.

**Policy Directions.** The panel discussed policy possibilities with key policy influencers. The panel was moderated by PostCom President Gene Del Polito, and panelists included: Teresa Anderson, Assistant Director, U.S. Government Accountability Office (GAO); Paul Vogel, USPS president of digital solutions; Ian Volner, partner, Venable; and Adra Mohammad, USPS OIG’s office.

Volner said that the problem with some of the conference discussions are that they are built on the myth that the USPS is binding the nation together. “The USPS is a utility,” he offered, “it’s like a telco or ISP for hardcopy and parcels.” He said that does not mean there should not be discussion about social values, rural community obligations, etc. but said the discussion needs to be more clear and hard-edged terms of what sort of social values the USPS should be obligated to support. “Universal service does not mean five-day a week delivery to the bottom of the Grand Canyon,” he said.

“The difference between the USPS and digital is speed and interactivity,” Volner told the PV2020 group, “and there is no way the USPS can compete on either of those with the internet, mobile devices, etc.” “There are certain kinds of mail,” he said, “for which digital is not a close substitute.”

“The reality,” Volner said, “is that the mail system will survive.” If you start with that proposition, he told the group, the formation of legislative policy is quite easy in that the USPS has a monopoly over the last mile delivery, so there needs to be a regulator at least for the market dominant mail and pricing caps. He said that the role of the regulator needs to be more clearly defined, however, particularly in terms of re-examining restrictions on offering of nonpostal products because the existing laws are too constraining.

Adra agreed, noting that the USPS needs clarity on the question of which digital forays would be classified as postal products and which would not.

Anderson said she is interested in hearing the USPS' plans in terms of a digital platform, and noted that the federal government is going through similar exercises as it transitions how it communicates. "Does the USPS need legislation to give it more flexibility? We don't know until we know what it wants to do," she said. She reiterated (see above) her suggestion that as the federal government moves to more digital communication vs. physical mail, there should be a role for the USPS there. In response to whether the federal government would pay for such services, Anderson said there is a group responsible for the development of the platform and there is opportunity for the USPS to participate in these discussions. "They should treat the federal government like any other large customer," she said, "and find out what their needs are and how the USPS can meet those needs."

Adra agreed, noting that as federal agencies reduce their physical footprint in the field, they reduce their costs and there would be savings they could spend partly on USPS services. He also noted that there is money available for national broadband initiatives and that there are possible opportunities for the USPS there, like making the USPS a community anchor institution hotspot or providing geographic coverage fleet with sensors once broad band is in place.

Adra said that in studying innovator or incumbent dilemmas, there are two common mistakes made – ignoring under-serving digital in its infancy, and trying to manage it in the same way as a traditional business in terms of short term success/failure, ROI, and profit. He said that the issue facing the USPS is about transformation, not an immediate commercial interest. He said a consistent strategic vision is what is needed. The USPS should experiment on a small scale, he suggested, not shy away if an opportunity is not big enough. "Think of it as part of the mandate to facilitate communication," he said, "and perhaps be agnostic as to whether it is digital, physical, or hybrid." "We need to modernize as technology progresses," he urged, "not worry about cannibalization of existing products." "We need to continue this dialogue, and invite fresher thinking from the outside world."