

CUSTOMERS PREFER HARDCOPY FOR SOME THINGS; DIGITAL FOR OTHERS

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Matt Swain, associate director, document outsourcing, InfoTrends, at last week's PostalVision2020/2.0 conference reported on customer communications trends and the communication impact of continuing digital disruption. Among the data imparted were recent survey trends that show customers prefer hardcopy for some communications, but digital for others.

Swain discussed various strategic paths that an organization can take – strictly operations drive, innovation driven, or some combination of the two. Where a strictly operations-driven approach can lead to a surviving organization, and a strictly innovation driven approach can lead to a striving organization, a combination of the two approaches is best, leading to a thriving organization. He said he would put the USPS just inside the “dying” mark, and question whether it continues on that path and becomes operationally more efficient to follow the “survival” path, or whether it can add digital solutions and move to become a thriving organization.

In looking at digital disruption, Swain noted that there are now more than 900 million Facebook users, which people spending over 700 billion minutes per month on the site. LinkedIn has over 150,000 members in 200 countries, he noted, and there are now over 200 million Twitter accounts with 20% of tweets containing brand-related inquiries about products/services. YouTube exceeds over 3 billion views per day, he said, with over 72 hours of video uploaded every minute. The iPhone App Store has reached 25 billion downloads, and customers are building apps for their devices not having them preloaded onto the device. The consumer of the future, Swain said, will have once device that locks their house, sets the alarm, and acts as their wallet to scroll through credit cards, making payments through mobile devices. He reported that since its January 2011 launch, Starbucks mobile payments reached 3 million after 2 months, 26 million after 12 months, and 42 million after 15 months. Worldwide mobile payment transaction values will surpass \$171.5 billion in 2012, he told the PV2020 crowd, a 61.9% increase from the 2011, according to a report from analyst firm Gartner, Inc. Gartner also predicts the number of mobile payment users will reach 212.2 million in 2012, up from 160.5 million in 2011.

E-Commerce spending growth continues in the U.S., Swain said, which drives distribution from a parcel perspective. He said that ComScore, Inc. today released its Q1 2012 U.S. retail e-commerce sales estimates, showing that online retail spending reached \$44.3 billion for the quarter, up 17% versus a year ago, which represents the tenth consecutive quarter of positive year-over-year growth and sixth consecutive quarter of double-digit growth. He noted that other highlights reported for the quarter included that 48.8% of e-commerce transactions included free shipping, the highest percentage for a quarter on record outside of the holiday season. In addition, according to ComScore's Q1 2012 Retail survey, 38% of tablet owners have made a purchase on their devices within the past month.

Swain noted that a recently published paper from the USPS Office of Inspector General, in its opening sentence said that “as a highly trusted, venerable government institution with both a legal mandate to protect privacy and the authority to protect users from fraud, the USPS is in a unique position to play a key part in a vital infrastructure for new digital identity creation and authentication services.”

InfoTrends' latest research shows that physical mail is the preferred way to receive mail in the future for some types of communications, Swain told the PostalVision2020/2.0 audience. Of consumers surveyed and asked “How would you prefer to receive the majority of each type of mail in the future?” for Periodicals, 61% preferred physical and 31% preferred digital, and for personal correspondence 50% preferred physical and 48% preferred digital. For other categories, however, digital was preferred. For business correspondence 44% preferred digital and 32% preferred physical; for transactional mail 63%

preferred digital and 34% preferred physical; and for advertising mail, 46% preferred digital and 32% preferred physical.

“Businesses say in five years they expect customers to be at 64% paperless,” Swain said. “If you ask customers, you see consumer inertia,” he said, “in their desire to receive a physical document, to put in the box or closet.” He said the shift is not happening quite as rapidly, but there is a continued drive to digital communications. Swain said that hybrid mail could solve near-term problems, but still requires print to some extent. A recent InfoTrends article talked about direct to digital and said if the USPS did not play a role in this space, it could be completely dis-intermediated.

Digital mailbox services, Swain said, could solve problems longer term. There are a host of such services already in the U.S. as well as internationally. InfoTrends research shows the emergence trends for digital mailboxes, indicating that by 2015, 19% of all documents delivered in the U.S. will be paperless delivery.

In terms of the relevance of the USPS in the digital age, Swain told the PV2020 crowd that InfoTrends research indicates that the USPS is viewed as “not necessary” or “minimally important” by 29% of consumers and 31% of businesses in the next 10 years. Today, about 16% of consumers and 6% of businesses ranked the USPS value in those categories.

When asked “How would you/your organization react if the U.S. Postal Service eliminated Saturday mail delivery? Delivered mail three days a week? Delivered mail three days a week, but delivered digital mail every day?” 35% of businesses and 30% of consumers responding chose eliminating of Saturday delivery; 17% of businesses and 19% of consumers chose mail delivery three days a week; and 40% of businesses and 34% of consumers chose delivery mail three days a week and deliver digital mail daily.

InfoTrends then gave consumers a list of 30 companies and asked if all were to provide digital mail box services, who would they most likely try. Amazon scored highest at 32%, while the USPS ranked 6 in terms of the most likely at 10%. Swain then noted that Facebook was the least likely choice, and FedEx and UPS were both on the list but did not make the top 10.

Swain noted that a 2011 UPU study on the worldwide development of postal e-services and their importance noted that the electronic mailbox falls about in the middle in terms of adoption, but relatively low in terms of importance. He noted it differed by region with it being more important in Europe and the Asia-Pacific.

In conclusion, Swain told PV2020 attendees that changing market dynamics require new approaches, noting that the universal delivery needs of consumers have changed, so the USPS and its regulating bodies must appreciate and respond to those changes or recognize a reduced relevance to consumers. The USPS should continue to explore and embrace digital solutions, InfoTrends recommends, because following an operational-efficiency path alone will result in lower consumer satisfaction and accelerate a transition to alternative media. The USPS should consider opportunities in supporting digital mailbox services, whether it is an eMailbox, a .post initiative, a white-labeled solution, or providing a component of the identity and authentication services. “The USPS should play a more active role in this space,” Swain told the PV2020 crowd, noting that the USPS following an operational-efficiency path alone “will result in lower consumer satisfaction and accelerate a transition to alternative media.”