

OLD CRISIS OR NEW CAPABILITIES?

Changing the Mailing Industry Conversation

Kent B. Smith, Research Director and Senior Consultant

Ursa Major Associates for Postal Vision 2020

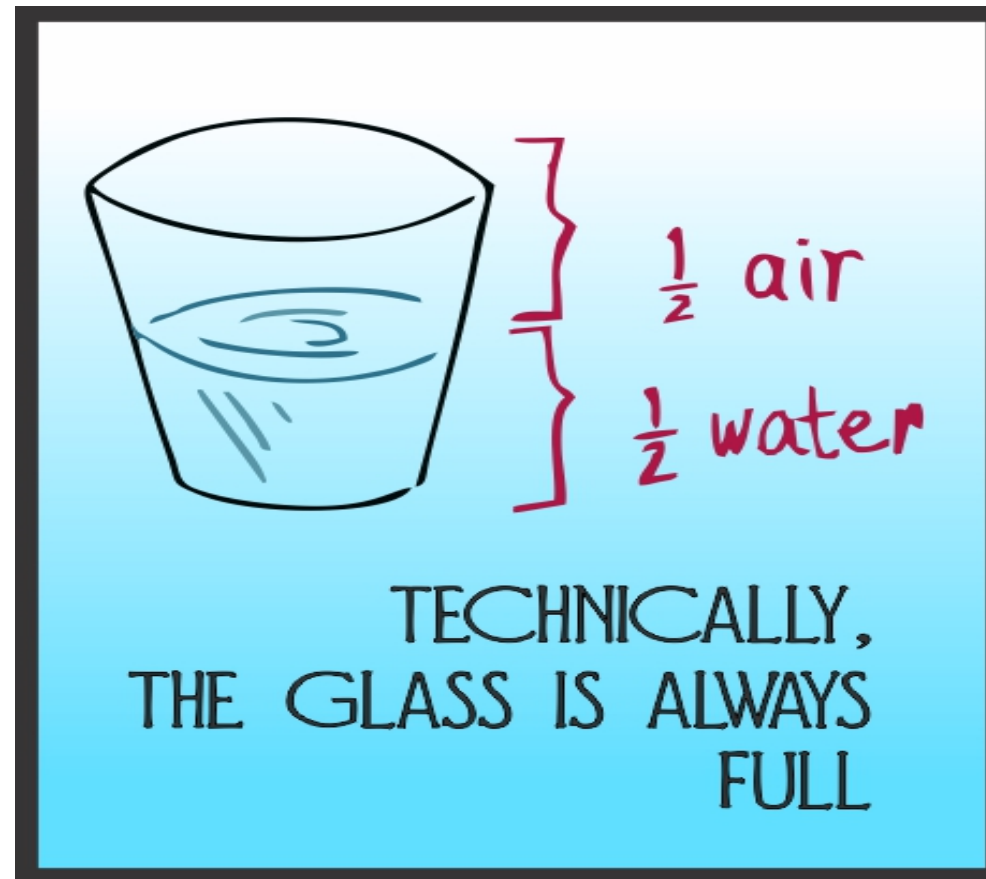
Framing the Discussion

What's your drop in this bucket?

"A crisis of confidence in the mailing industry"

Headline
writers focus
on the negative

Bureaucrats
avoid risk



Customers focus
on benefits

Entrepreneurs
focus on
opportunities

Old Crisis or New Capabilities

We need a new discussion

**Today's solutions to yesterday's problems
will not be enough to address the challenges
of tomorrow**

The “Golden Age” of Mail is Gone

We need a new vision

The “successful” endgame (legislative reform) restores the status quo (incremental improvements to business as usual)

– and that will not be enough to profitably grow the industry in the digital future

We Need to Work for It Now

Profitable growth is possible but not inevitable

“Golden Age”

Automatic mail volume growth

No real competition

Supply chain complexity is tolerated

Costs considered reasonable

Continuous incremental improvement

Commodity (2% response rates, profit on volume)

The Real World

Less of a link with economy

Online diversion

Supply chain simplification

Less patience with price increases

Disruptive innovation

Create value for customers (ROI, mail moment experience) in markets

Challenge Industry Assumptions

Some of what we think we know is not completely correct

Diversion drives mail volume decline (Yes, but not entirely)

Alternative explanations

- *Boomers Rule! (Life cycle changes)*
- *Rise and fall of the credit card industry (maturation/saturation)*
- *Consolidation of the financial industry (and accounts)*
- *Structural economic changes (long-term decline of middle-class)*
- *Extended enforced adolescence of Millennials (and they **do** like mail)*

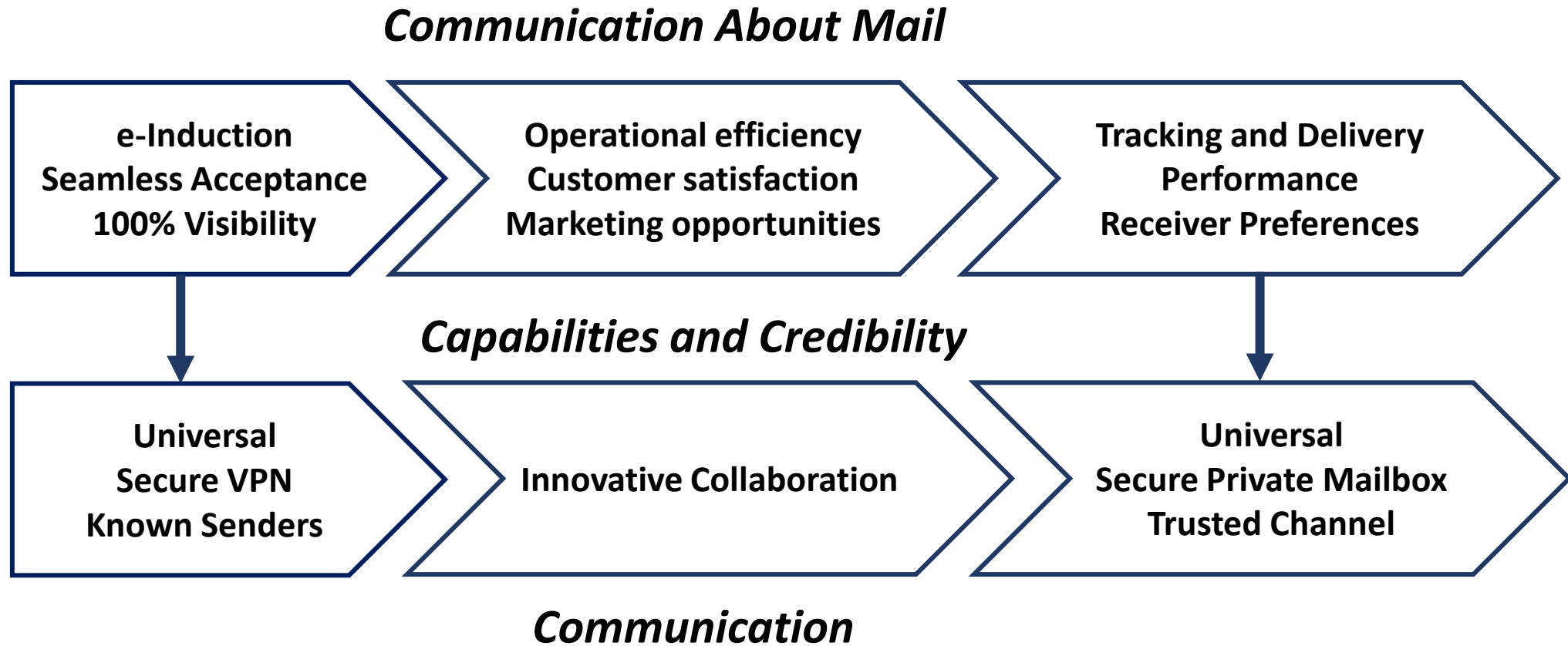
What New Capabilities are Being Created?

Game changers that deliver value to customers

1. **Winning with Data** – *becoming an information powerhouse*
2. **Digital Front-End of Mail** – *integrated communications*
3. **Next Gen Mail Processing** – *robotics and artificial intelligence*
4. **The Magic of Delivery** – *the sharp end of the spear*
5. **Adding Value to the Mail Moment** – *helping do “jobs”*
6. **Building the Relationship with the Channel** -
7. **Collaborative Innovation** – *“Stronger together”*

1. Winning with Data

From black hole to information powerhouse



2. Digital Front End of Mail

One app to rule them all

Using information effectively

Target more effectively, improve delivery performance and reduce costs; Develop and use better metrics (response rates, ROI)

Designing and producing better mail

Making it easier to design and produce effective mail pieces, mailings, and integrated campaigns;

Applying digital technology to mail

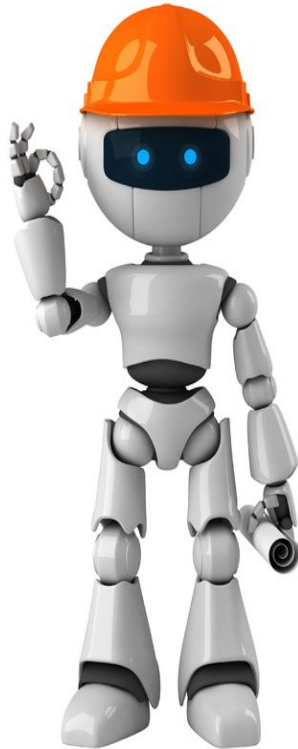
Use QR Codes, Purls and Gurls, Clickable Paper, Augmented Reality, Social Media where appropriate

Making mail easier to use

Simplify value chain, bypass unnecessary steps and vendors, improve flexibility and speed to market, print and enter mail close to point of delivery

3. Next Gen Mail Processing

Robotics, scanning and the internet of things



Supervisor

**“This is an industry where
much of the equipment
was fully depreciated
during the Reagan
administration.”**

Postal industry publication



Staff

Things Talking to Things (and People)

Equipment containers vehicles and mail



4. The Magic of Delivery

The sharp end of the spear

Delivery is NOT a Commodity: Super ZIPS, Super Users and the Mail Moment

Connected Carrier

*Personal, Trusted
Relationship*

**Delivering Things I
Want or Need**

Relevance, Preferences

**Where and When I
Want Them**

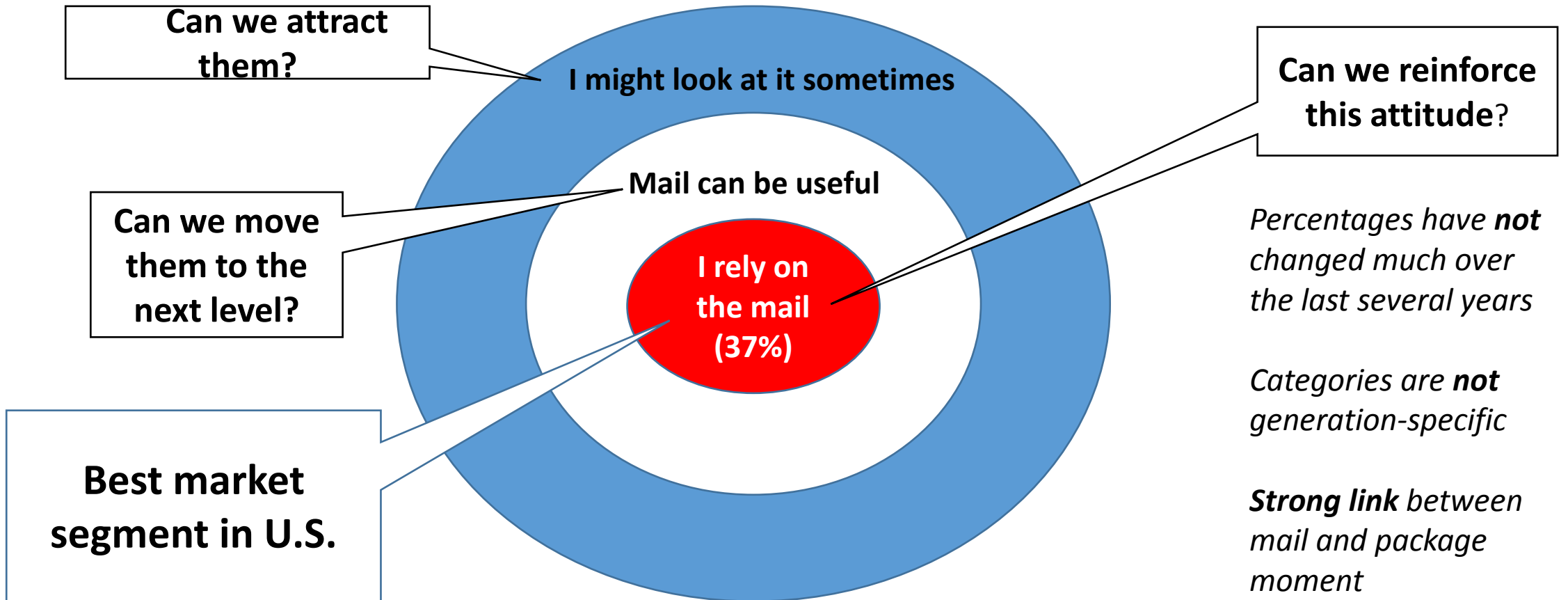
*Flexibility, Responsiveness,
Convenient Access*



Kent Smith, Ursa Major Associates

5. Adding Value to the Mail Moment

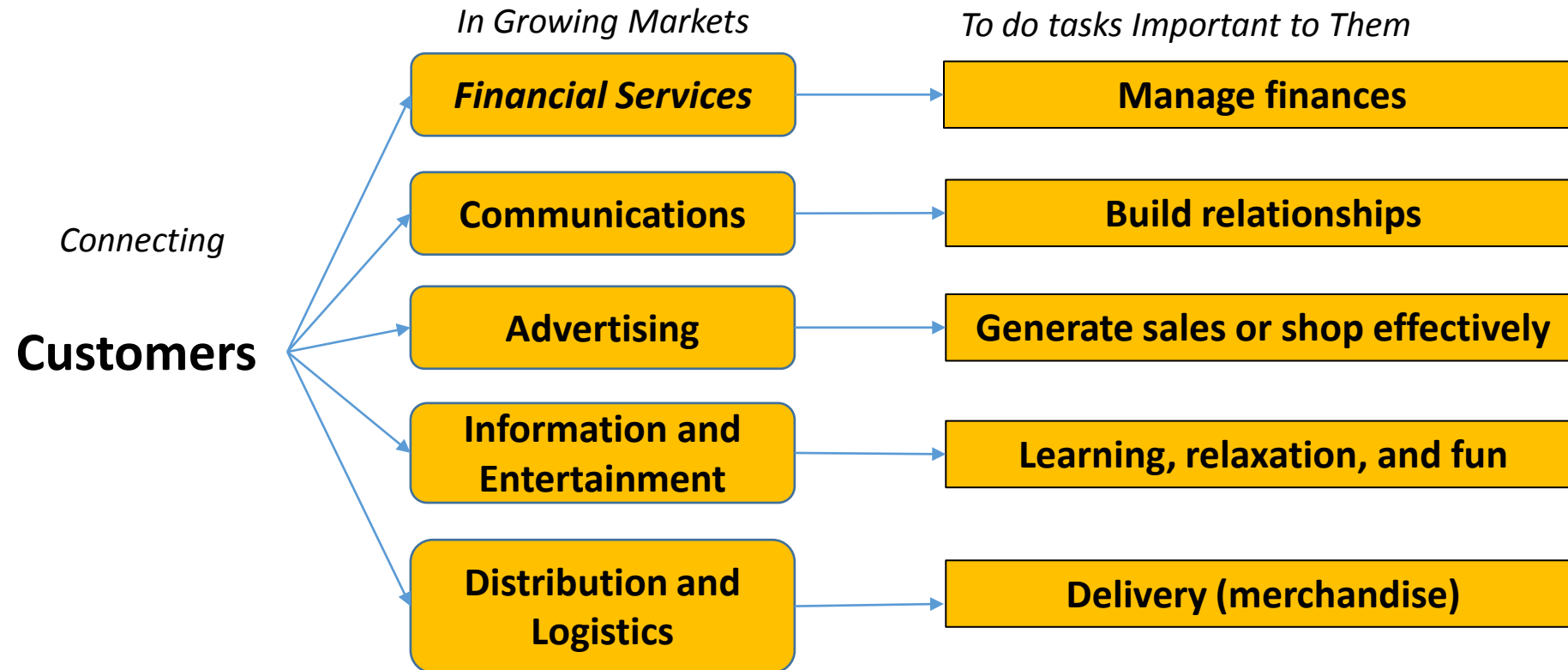
Helping people do things important to them



It's Not Just About Mail

And it never really was

Understand the Different Markets – *What “jobs” are they hiring us to do?*



6. Building the Relationship

The channel people want to use

Without the public services, the Postal Service is just another business

This is a unique competitive advantage

There is a need to rebalance current services and focus on those that add value to customers



Universal, familiar

Authentic

Trusted, customer protection

Fair and socially responsible

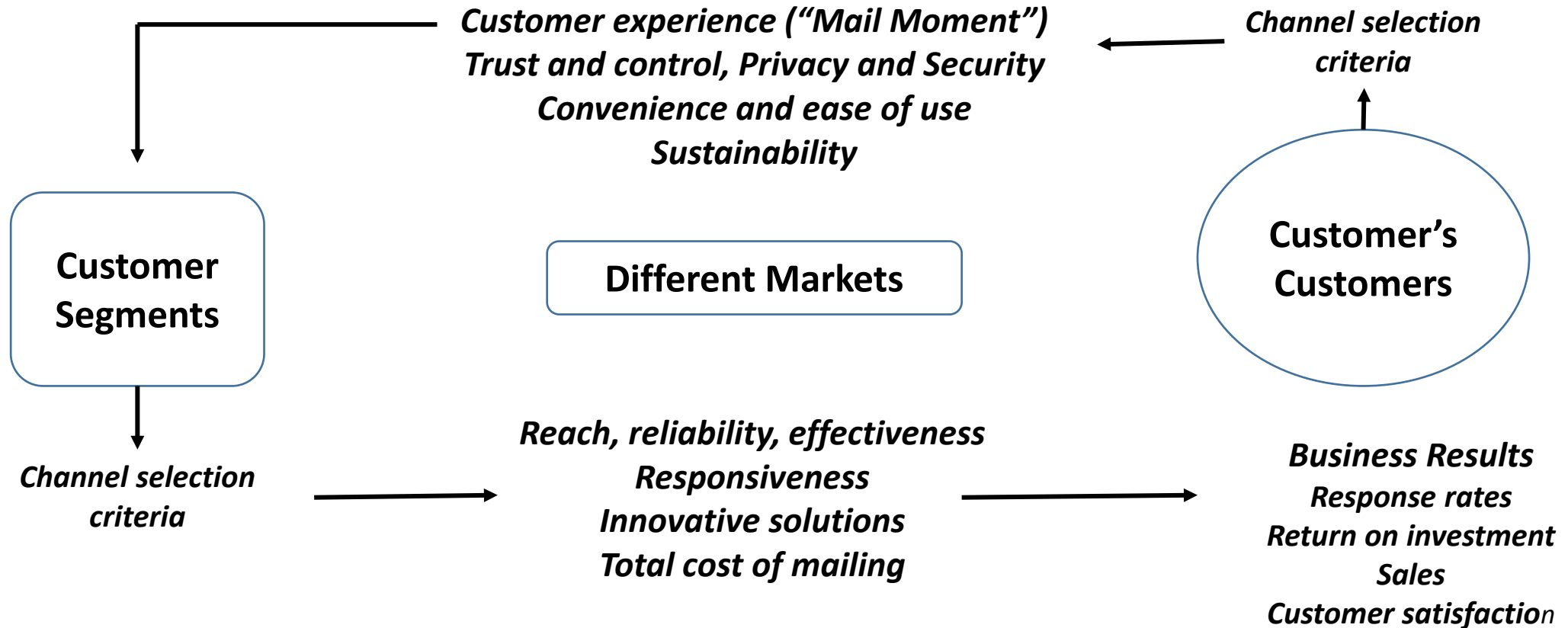
Personal, local

Community involvement

Legal requirements

7. Collaborative Innovation

Stronger together



Recommendations

Action Plan

- 1. Focus more on customer value and industry opportunities**
- 2. Challenge conventional wisdom to develop industry vision for profitable growth across entire value chain**
- 3. Develop new capabilities**
- 4. Work for it**