

## **Innovation and the continued relevance of the US Postal Service in the 21<sup>st</sup> Century**

Comments by Sarah G. Carr, President and CEO Earth Class Mail

- **How can the Postal Service remain relevant over the next few decades?**

At Earth Class Mail, we firmly believe that the Postal Service will remain a relevant and viable component of the communications value chain. However as we have also experienced, the value of receiving physical paper as inbound communications delivered to a fixed location is becoming less relevant. If the Postal Service changes their mission from that of the exclusive provider of physical inbound communications to each mailbox in the country, to that of an innovative provider of inbound communications in many flexible models, we think there is significant opportunity for growth.

I am not a person who believes in overnight monumental shifts in business landscape. When I took over Earth Class Mail as CEO we were on a path of reinventing the way the world had their mail delivered. We have seen that the world did not vote with their wallets to choose this model. I attribute this to several factors:

**The vast majority of postal patrons are not unhappy with their current method of mail delivery, at least enough to pay for another model, and;**

**The mail itself is not considered important enough that it can't wait several days or sometimes weeks to be seen by the recipient.**

However, in examining who were our most loyal customers, and in fact how our own company was using our platform, it became clear that for those people that either rely on the mail as a source of income or require inbound postal mail to do their job, **flexibility and choice around managing inbound postal mail in an online format is something that the recipient values - with that value translating into fees to Earth Class Mail.** This could be an area where the USPS could leverage existing know-how, infrastructure and skills to deliver this flexibility and choice to those postal patrons interested in paying for it.

- **Should the Postal Service move more aggressively into areas such as hybrid mail, unaddressed mail and online postage, either unilaterally or in partnership with other entities?**

I believe there continues to be confusion about the definition of hybrid mail and reverse hybrid mail, so let me first explain where I see the two opportunities. In the classic definition of hybrid mail, the mailer sends a digital file to a production facility that is closest to the target recipient. The printing and distribution of the physical piece then occurs closer to the recipient, eliminating some level of transportation and sortation costs along the value chain. This is not the method that Earth Class Mail employs. Therefore not being an expert in hybrid mail, I won't speak to the opportunities for the USPS in hybrid mail. We communicate with the recipient, who chooses one or more of our 26 addresses, depending on their needs. They then notify their mailers of their new address. In many cases this is not a wholesale change of address, for the business customer this is often the diversion of a particular mail stream, for example tenant rent checks for a Property Manager or client invoices for a Bookkeeper. For the consumer it might be a change of address while they are on a two-year expat assignment out of the country, but this is becoming a smaller part of our customer base over time. When mail arrives at one of the addresses our customer has directed, it is either inducted at that point, or if it is one of our unmanned addresses, the mail is picked up by a courier and sent to one of our processing facilities. At that facility the mail is inducted (i.e. a scan of the envelope is created) and a bar code is assigned to both the scan and the hard copy of the mail. Our customers receive a notification that mail has arrived, and they log into our password-protected site and review the outside of the envelope, much as you would when the mail arrives in your mailbox. The customer then makes a determination as to the disposition of their mail—store, shred, recycle, ship or open and mail scan. The majority of the mail is recycled unopened, probably much the same as what is thrown away today from the mailbox into the recycle bin. Much of the mail is shipped to the customer or stored as hard copy. **We have found that the real benefit the Earth Class Mail provides is not digital mail, but an on-line postal mail management system.**

We feel that the USPS could offer something consistent with this, without making transformational changes to its current model. Our recommendation would be to start with a Premium PO Box Service. The PO Box customer is already someone that has chosen not to, or cannot have their mail delivered to their door. For these customers USPS could provide a platform that would allow the PO Box owner to see what has been delivered to their box. They could pick it up as they do today, or request that it be shipped Priority Mail to their vacation home or office, or request that it be held for 60 days until they can come and pick it up. We would not recommend offering any mail scanning service or any destruction service at this time. Just use this as an initial foray into the market to gauge the level of market interest.

- **How can the Postal Service leverage its network to better serve businesses and consumers?**

Physical infrastructure and labor are two of the largest constraints of growth for Earth Class Mail. The Postal Service has an abundance of both. While we understand that holding inventory is a concern in today's operational mode, we can easily demonstrate that the inventory management is routine, and that very little mail is actually stored for more than a few days while the customer directs the initial disposition. We currently support thousands of customers out of very small regional facilities.

- **Is there a legitimate concern about the Postal Service straying from its core business of the mail?**

One of the significant advantages of this idea is that it does not stray from the core business of the USPS. It is consistent and aligned with the brand and mission of the USPS.

The McKinsey study showed that, while many other postal services around the world have long diversified their business, the USPS has not. I hope that by the 21<sup>st</sup> Century the USPS considers a far broader communications messaging principle to be core to their business.

- **How can the Postal Service partner with the private sector more effectively?**

If the Postal Service really wants to do business with private sector partners more effectively it should consider operating more like the private sector entity. I am aware that today there are many legislative and regulatory impediments to achieving this, but more independent decision making, quicker process turn around times and a change in purchasing principals from custom made to standard, or at least the promotion of standards, would all increase effectiveness.

In closing, decision makers within the Postal Service must be open to new technologies such as Earth Class Mail to remain relevant in the 21<sup>st</sup> Century. We look forward to opening discussions with the Postal Service around this, and other ideas that we have to leverage our platform to provide added value to postal mail recipients and added revenue to the Postal Service.

Thank you.