



USPS business model— today and the future

With the advent of modern technology, from PDFs, instant messaging, e-mail, and paying bills online, the business model for the Postal Service has changed dramatically over the last decade. Years ago, the business model for the USPS was the handling and delivery of first class mail. Today, the lion's share of work for the USPS comes through direct mailers and catalog companies.

While the Postal Service claims that five-day delivery will capture approximately \$3 billion, the Postal Regulatory Commission (PRC) believes the number is closer to \$1.9 billion. Hard to imagine the USPS would overinflate its numbers. And those numbers do not factor in the increased losses in mail volume likely to happen with five-day delivery.

As an example, Netflix, one of the USPS' largest corporate mailers, currently provides streaming video for some of its clients. Streaming video does not require any delivery by the USPS, and will eventually be the dominant technology. It will allow the renting of movies without the need of a DVD. That takes work away from the USPS. Netflix will, however, speed up the process if the USPS moves to no Saturday delivery. The elimination of Saturday delivery severely limits its business model and its need to get DVDs to their customers by Saturday. And that's only one example.

As all letter carriers know, the catalog business is an important part of the USPS business model, and companies such as L.L. Bean, JCPenney, and Harry and David, etc., not only send out catalogs through the mail, but use parcel post as one method for delivery of their goods. These companies are not happy with the prospect of no Saturday delivery. Many business models show the end of Saturday delivery for the USPS as the beginning of the demise of the Postal Service. So, when you think about the allure of having Saturdays off, consider the possibility of having Monday through Friday off as well.

Other growth industries, such as Amazon and eBay,

use the USPS to sell their goods, and the opportunity for increased business exists. One of the selling points for the USPS is regular delivery on Saturdays, where most other delivery businesses only deliver Monday through Friday. An expensive overnight option for Saturday delivery is often the only other option for customers.

Recent decisions to close retail post offices—which may save money and make sense in some cases—without an accompanying retail strategy reflects actions driven by budget and not service considerations. Without looking toward the future, the USPS will continue to make short-term decisions that have long-term, disastrous results.

The other side of the USPS equation is standard mail. Direct mailers are closely watching the USPS because, as you know, their sales techniques are often driven by deliv-

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ery on specific dates in conjunction with various sales programs they have planned. They believe that if a sale starts on, say, Monday or Tuesday, then optimally they want the advertisement delivered on Saturday because they know that the closer to the sale date that the advertisement is delivered, the more likely an interested party will remember the sale.

Lastly, a cry comes from the most beleaguered group of all, the bill payers. With the downturn in the economy and more and more Americans living paycheck to paycheck, delays of even a day or two may spell the difference for many between a bill received on time and one that gets there a day late. Doesn't seem like a big deal, but if you're the one stuck with an additional late fee or interest charge, those dollars and bills add up. How much faster will people shift to online bill paying if late fees start piling up? Look at the big picture and understand that many individuals' livelihoods are on the line. ☒