



Summer Sale DMA Webinar

May 11, 2009

The Situation

- **Advertiser spending is down 20 – 30%**
- **All media are offering deep discounts**
- **USPS is saddled with idle capacity**
- **USPS is expected to be market responsive with pricing**
- **Customer demand is strong and consistent for volume discount pricing**

Basic Elements

- **July 1 through September 30**
- **Standard Mail letters and flats**
- **30 percent discount on volume over threshold**
- **Credit to Permit account**
- **Customers who mailed more than 1 million pieces between October 1, 2007 and March 31, 2008**
 - **3,100 customers eligible - 75% of volume**
- **Adjustment to credit if October volume falls below trend**

Threshold Calculation - Summer

- **Threshold = base period adjusted for trend**
- **Base period = July 1 to September 30, 2008**
- **Trend = change over SPLY for October 1, 2008 through March 31, 2009**

$$\begin{array}{rcccl} \text{Base Period:} & & \text{Trend:} & & \\ \text{FY 08 Q4} & \times & \frac{(\text{FY 09 Q1} + \text{Q2})}{(\text{FY 08 Q1} + \text{Q2})} & = & \text{Threshold} \\ \\ 1,500 & \times & \frac{3,150}{3,500} & = & 1,350 \end{array}$$

Threshold Calculation - October Adjustment

- If volume falls below trend in October, the difference will be subtracted from rebate calculation

Volume		Trend:		October
Oct 2008	x	<u>(FY 09 Q1 + Q2)</u>	=	Threshold
		(FY 08 Q1 + Q2)		
500	x	<u>3,150</u>	=	450
		3,500		

Program Performance

- Summer (July-Sept. 2009)

$$\begin{array}{rclcl} \text{Actual} & - & \text{Threshold} & = & \text{Summer Sale} \\ & & & & \text{Qualifying Vol.} \\ 1,400 & - & 1,350 & = & 50 \end{array}$$

- October 2009

$$\begin{array}{rclcl} \text{Actual} & - & \text{Threshold} & = & \text{October Adjustment} \\ 450 & - & 440 & = & 10 \end{array}$$

- Rebate Qualifying Volume

$$50 - 10 = \underline{40 \text{ pieces}}$$

Rebate Calculation

$$\begin{array}{rcccccc} \text{Rebate} & & \text{Summer} & & & & \\ \text{Volume} & \times & \text{Average} & \times & 30\% & = & \text{Rebate} \\ & & \text{Rev/Pce} & & & & \\ \\ 40 & \times & \frac{\$301}{1,400} & \times & .3 & = & \$2.580 \end{array}$$

Mail Service Providers (MSPs)

- **Identified mail owners using MSP services are eligible:**
 - **Must use their own Permit**
 - **Or have assigned an Ghost Permit**
- **Mail owners using MSPs Permits we can not be identified must provide proper documentation to participate.**
- **MSPs companies (using MSP Permits) are not eligible**

Other Considerations

- **Some Saturation Mail Incentive Program participants could simultaneously qualify for summer sale**
 - **Different timeframe**
 - **3-month vs. Annual**
 - **Different products**
 - **Standard Letters and Flats vs. Saturation Mail only**
 - **Different threshold**
 - **Adj. SPLY vs. SPLY**

Implementation

- **Customers sent letter inviting participation (last Thursday)**
 - **Include threshold volume calculations and identified permits**
- **Customers register on-line for interest in program participation**
 - **Must agree with volume threshold (May 7 – August 1)**
 - **BSN/Sales will actively drive registration**
 - **Disagreements over threshold volume resolved through BSNs and HQ Business Customer Intelligence office**

Implementation

Key Program Actions:

- | | |
|-------------------------------------|------------------|
| ■ PRC Decision | mid June |
| ■ Customer Registration & Agreement | Aug. 1 |
| ■ Summer Sale Period | July 1 – Sept 30 |
| ■ Participants' Accounts Credited | Dec. 1 |

The Desired Outcome

- You increase your company's sales attributable to an incremental increase in Standard Mail use.
- We stimulate increased short term Standard Mail demand that carries through beyond the Summer Sale period.
- Together we learn:
 - How to structure Standard Mail promotional pricing offers that will best benefit both parties
 - What it takes to successfully administer a customer specific promotional pricing offer