Gary Reblin
Vice President, Product Innovation
United States Postal Service

March, 2018
Adapting to a Changing Marketplace

- On-demand access to everything... and with the touch of a screen
  - 77.1% of US adults will use a smartphone in 2017

- Culture of immediacy; Consumers shop and purchase 24/7
  - One-third of US retail ecommerce sales will come from a mobile device in 2017
ECOMMERCE Outpacing

RETAIL 8600 Stores Closing
**Total Media Ad Spending**

<table>
<thead>
<tr>
<th>Year</th>
<th>Billions</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$175</td>
<td>+3.2%</td>
</tr>
<tr>
<td>2015</td>
<td>$182</td>
<td>+3.9%</td>
</tr>
<tr>
<td>2016</td>
<td>$193</td>
<td>+6.5%</td>
</tr>
<tr>
<td>2017</td>
<td>$207</td>
<td>+7.3%</td>
</tr>
<tr>
<td>2018</td>
<td>$221</td>
<td>+6.6%</td>
</tr>
<tr>
<td>2019</td>
<td>$236</td>
<td>+6.7%</td>
</tr>
<tr>
<td>2020</td>
<td>$250</td>
<td>+6.2%</td>
</tr>
</tbody>
</table>

EMarketer, March 2018
Digital Advertising Continues to Grow & Expand To New Platforms

Digital Spending
Forecasted Growth through 2020

13%

Mobile Ad Spend
Increasing to $75B in 2018

24%
Digital advertising has “crack in its armor”

- Consumer oversaturation
  - Repetitive retargeting: mobile, browsing news, search, shopping, snapchat…
  - Average consumer sees 3,000 commercial messages per day

- Ad Blocking and Spam filters limiting reach of messages

- Viewability
  - Digital Impression = 50% of pixels in view for 1 second

- Fraud
  - Falsely elevating actual traffic or impressions through bots
    - Association of National Advertisers estimated over $7B wasted in 2016

- Brand Safety
  - Representing brand on inappropriate sites
DIRECT MAIL GETS ATTENTION
RESPONSE RATES SURGED FROM 3.8% TO 5.1%

INNOVATION IN DIRECT MAIL

★ Better targeting
★ Personalized Mailpieces
★ Printing Techniques
  Inks, Folds, Textures
★ Link to Online
  eCommerce, Account Sign-Ups
What we know: Mail Works...

Direct mail tops all other media for delivering the highest ROI for B2C marketing

- For acquisition: 31%
- For retention: 38%
Mail STRATEGY in a DIGITAL WORLD

Improve and embrace the advantages of physical mail with digital enhancements
Approach

Analyze digital trends and determine if they can be integrated from the mailpiece.

Enhance the value with digital image creating a new mail moment.
**MAIL & TECHNOLOGY TRENDS**

- **“Beautiful” visual and dotless QR codes**
  - Social Media inclusion of QR codes in products and promotions
- **Textures and creative folds make mail memorable/standout**
  - Neuroscience research shows physical materials match/outperform digital on every attribute

- **Launch experience with a tap**
- **Is the engine for Payment technologies**
  - Google Wallet, Apple Pay, Samsung Pay, Android Pay…

- **Video and print are being used together to create a bigger impact**
  - 48% of millennials view video solely on their mobile device.

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1Mobile Marketer May 16, 2017

In App Analytics, App Stats, Mobile Internet January 4, 2016
Apple Updates Provides Seamless Interaction from Mailpiece to Mobile Experience

- Camera Reads QR Codes
- Camera Activated Augmented Reality
- NFC Quick Touch Experience Beyond Payment
Approach

Analyze digital trends and determine if they can be integrated from the mailpiece.

Enhance the value with digital image creating a new mail moment.
Informed Delivery®

Direct Mail is still the best channel for message delivery

- **8.4M** Registered Users
- **72%** Open Rate
- **100K** Average New Users per Week

Digitally engage users who may not physically retrieve mail

- **55%** of users typically pick up the mail, while **45%** of users are not always the first ones to their mailboxes

User statistics as of January 8, 2018.
User density map as of January 1, 2018.
*Based on results from a July 2017 survey.*
**70% REPORT IT HAS MADE MAIL SERVICE MORE CONVENIENT.**

**ABOUT 85% ARE USING 3+ TIMES / WEEK**

**Extent Informed Delivery Service Made Mail Service More convenient** (in %)
- Somewhat/Much more: 69
- Only a little: 19
- Not at all: 12

**Frequency of Use** (in %)
- 3+ times a week: 85
- 1-2 times a week: 10
- Rarely/Never: 5

Note: Questions added Aug'17
Base: Respondents who have signed up for USPS service like Informed Delivery (n=484)
Almost 70% of consumers are very likely to recommend the service to others.

- **Promoters (Rate 9-10)**: 67
- **Passives (Rate 7-8)**: 14
- **Detractors (Rate 0-6)**: 19

Likelihood to Recommend USPS Informed Delivery Service by Device:
- Check on Desktop: 57
- Check on Mobile: 28
- Check on Desktop AND Mobile: 71
Who is the Informed Delivery Consumer?

Gender
- 56% Male
- 44% Female

Age
- 6% No Answer
- 19% 18-24
- 21% 25-34
- 18% 35-44
- 18% 45-54
- 14% 55-64
- 14% 65+
Nearly 70% of businesses see Informed Delivery as very appealing, with Medium and Large businesses most likely to be interested.
### Mailer Campaign Portal Adoption & Growth

<table>
<thead>
<tr>
<th>KPIs</th>
<th>Total # of Campaigns</th>
<th>Total # of Pieces with ID Campaign Applied</th>
<th># of Repeat Customers (MID Owners)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1000+</td>
<td>12.03M+</td>
<td>110+</td>
</tr>
</tbody>
</table>

#### Key Brands

<table>
<thead>
<tr>
<th>Brand Type</th>
<th>Email CTR*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobile Company</td>
<td>4.85%</td>
</tr>
<tr>
<td>Retail Jeweler</td>
<td>2.23%</td>
</tr>
<tr>
<td>Major Department Store</td>
<td>1.42%</td>
</tr>
<tr>
<td>Non Profit Organization</td>
<td>1.06%</td>
</tr>
</tbody>
</table>

#### Campaign Count by Submission Type

![Campaign Count by Submission Type](image-url)

**Measures**
- Mailer Portal
- Admin Console
- PostalOne

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**Create Date**

- October 2015
- November 2015
- December 2015
- January 2016
- February 2016
- March 2016
- April 2016
- May 2016
- June 2016
- July 2016
- August 2016
- September 2016
- October 2016
- November 2016
- December 2016
- January 2017
- February 2017
- March 2017
- April 2017
- May 2017
- June 2017
- July 2017
- August 2017
- September 2017
- October 2017
- November 2017
- December 2017
Continuing to Improve the User Experience

Bundle Scanning
Dec 2017
Digest includes images of letter- and flat-size mailpieces

Package Tracking Digest
Dec 2017/ June 2018
Interactive content allows consumers to interact with their packages
Packages launched in Dec; additional features expected in June (e.g., delivery preferences)

Multiple Addresses
June 2018
Users can add more than one address to their account (e.g., multiple physical addresses and/or PO Boxes)

Data Via Informed Visibility
June 2018
PO Box Up Time and Delivery Time

Save to Wallet
Sept 2018
Save promotions and coupons to digital wallet

Video Content
Sept 2018
Adding video content to marketing campaigns to enhance user experience

**Major Cataloger**
Saw a **360% increase** in the number of pieces with a campaign applied.
Informed Visibility bundles accounted for 78% of all pieces with a campaign applied.
Shipping STRATEGY in a eCommerce WORLD

Adapt to changing consumer expectations in the eCommerce shipping environment.
USPS Solutions that Meet the Changing eCommerce Needs

★ Sunday Delivery
- Delivery to households 7 days per week

★ Same Day Delivery
- Breaking barriers to the fastest e-commerce

★ Ship From Store
- Helping offline retailers compete in the
Merchant Return Strategies

Online to Brick – and- Mortar Returns

All online sales

Buy Online Return In Store (BORIS)
• 10.7% of all online sales

eCommerce-only merchants setting up physical footprint

“Return Bars” in major malls

Appriss Retail 2017 Consumer Returns in the Retail Industry
Competitive Returns Solutions

Parcel Return Service (PRS)
- More locations
- Less logistics costs

End to End
- APIs – printing label through call center or online
- Less labels in boxes
- Low cost return to store

Automated Parcel Drop

Retail Label Broker
- Provide consumer with receipt of acceptance
- Print labels if don’t have printer
  - Via QR code on phone
“In a gathering of iconic brands from GM's Cadillac to MGM to Yum Brands' KFC to the Chicago Cubs, you figure to learn a lot of lessons about innovation. But in a bit of a man bites dog story one of the more innovative re-imaginings of an organization and a brand is going on at the United States Postal Service. Yes, that Postal Service.”

Howard B. Homonoff, Senior Vice President, Forbes Magazine Oct 13, 2017
Thank you.