

Postmaster General Pat Donahoe's remarks to the National Postal Forum in San Francisco, March 18, 2013

Note: Remarks as delivered may vary from prepared text.

Good morning! Welcome to the 2013 National Postal Forum!
Welcome to San Francisco!

I like that video that was just playing.

The world is changing. It's changing in ways that could be great for the mailing industry.

We should have a "Game On" attitude.

That's what the National Postal Forum is all about. It's about getting our game on and competing as an industry.

If you look at all of the changes occurring with devices and mobile platforms... with digital offerings... with television and radio... it's a dynamic, changing environment.

We have to be dynamic. We have to embrace these changes.

The growth of our industry is going to be driven by a changing world... and changing technologies.... and changing customer expectations.
I think these are really exciting times to be in the mailing industry.

You know, when I think about the future of the mailing industry, I try to imagine that individual in the home who spends time with his or her mail.
I try to think about how that person experiences mail, and how mail fits into a busy, chaotic day.

That person is the future of our industry. We all depend on that person. That person has to like the way we deliver content and the content itself.
I believe our industry is defined by the experience of mail.

The strength of our channel comes down to the interaction that occurs when your content is physically in the consumers' hands.

We own that unique mail experience.

We have to defend that experience.

And, we have to strengthen it.

Our challenge – as an industry – is to shape those moments when people are experiencing mail, and make them more powerful in the future.

Technology is going to play a big role. Changing consumer expectations will also play a big role.

These developments will change the mail experience, and that will create some great opportunities for this industry.

That's part of getting our game on – shaping our future and building excitement about the power of mail.

I think we have a very strong Forum this year.

I'd like to take just a moment to thank the Board of the National Postal Forum and Maura Robinson and her team for putting together a few great days for us.

They do a wonderful job, as does everyone who helps organize the Forum. Let's give them a hand.

Our leadership team from the Postal Service is here. We're here to meet with you, so please get time with us and tell us what's on your mind.

We have some distinguished guests: Chairman of the Postal Regulatory Commission Ruth Goldway, and Commissioner Mark Acton. Thanks for being with us.

I would also like to recognize the important contribution of our exhibitors. The exhibits this year are tremendous.

The way technology is being used in our industry is amazing and some great stuff is on display this year.

Please be sure to spend some time meeting with the exhibitors in the exhibit hall. They put a lot of effort into coming here and they play a strong role in driving innovation throughout the industry.

So thank you to all who are part of the exhibitions here.

You know, the first time I came to the Postal Forum was in 1981. My job was basically to be a chauffeur and a gopher. You know – go for this, go for that. But even then, it was very beneficial to me to be able to network and learn from peers. It was especially valuable to be able to interact with the customers we serve.

I have been to 25 National Postal Forums and every time I have gained really great insights from conversations with customers, and suppliers and industry leaders.

This is a great place for making connections and having great interactions. I'm especially pleased that we have so many local businesses attending. We look forward to meeting with all of you, and helping you grow your business.

I think it's very appropriate that we're hosting this year's Forum in San Francisco. This region has led a transformation of our whole U.S. economy.

An incredibly successful innovation culture has driven major changes in the way people conduct business... the way people consume information... the way people communicate.

Think about how your typical day is different today that it was five, 10 or 20 years ago. So many small events in a typical day are fundamentally different. Does anyone here remember the phone booth? How about the video store? How about the road map?

The way people experience the world is changing.

Consumer expectations are changing.

So where does mail fit in?

For me, it's all about the experience of mail. Mail is fundamentally different than other ways of communicating, because you experience it differently. And that's an advantage in a world where people are just bombarded with messages and information throughout the day.

[Video: Power of the Mail Experience]

What I like about this video is that it says the experience of mail is different from other ways of receiving information.

People make time for their mail. Mail is tactile. You hold it in your hands. You slow down to absorb it.

Neurologists have looked at the brains of people watching television, using a laptop or a smart phone.

It turns out that people literally use a different part of the brain when they hold and read their mail.

Now here's an image of a brain in a resting state.

Here's a brain-scan of someone reading information on a smart-phone....

Isn't it amazing what science can do?

Now here's an image of that same person reading a piece of mail.....

Just wonderful!

Okay, those aren't the real brain scans.

But it is true that people have studied how the brain functions when people read printed versus electronic material. People use a different part of their brain when they process mail.

People literally slow down and absorb what they have in front of them. They are more likely to retain printed content. And they are more likely to engage emotionally to printed content because it is a physical, tactile experience.

That's why mail is so powerful as a communications channel.

And it's most true for that person in the home who manages the mail. There is usually one person who takes charge of sorting through the mail in most households.

It turns out that person is also the one who manages most activities in the home, and makes the lion's share of purchases.

In other words, that's the person every marketer wants to reach. And that person spends as much time with the mail today as they ever have.

Think about that for a moment. Given all the changes in the world – with Facebook posts, with texting, with Skype and FaceTime calls – people still make time and spend time with their mail.

That's why mail remains an incredibly valuable marketing channel.

30 years ago, marketing mail claimed roughly 12 percent of the total marketing spend in the U.S. economy. Do you know what that number is today? It's still 12 percent.

With all of the changes in the way businesses can reach consumers, marketing mail has remained constant because of the tremendous value it delivers – for both the sender and the receiver.

Marketing mail still remains the most effective way for companies to drive sales and it still delivers an exceptional Return on Investment.

Have we seen a decline in the use of First-Class Mail? Of course we have.

Are people are paying bills online? They are. Paying bills online is free. It's hard to compete with free.

But there's another part of that story.

People really value the hard copy statements and correspondence they receive from businesses. They want that information in hard copy. They're resisting the idea of going completely digital.

Here's an interesting statistic. Given the rise of digital technologies and mobile platforms over the past 10 years, what would you guess is the annual decline in what we call commercial First-Class Mail?

This is the mail that businesses send to their customers.

It's down about one percent annually since 2003 – and that's factoring in a major recession in 2008 and a weak economy since then.

And it's been relatively flat the past two years.

That says people value the mail they receive – and they want to keep receiving it. It goes back to the mail experience.

It's easy to ignore a digital statement or an e-mailed message.

If you ignore that statement – which people do – you could miss an error on your bill. You could even miss a payment.

When something like that happens, people question whether they're really in control if they aren't getting that hard copy.

Anecdotally, we know that a lot of people are calling up the phone company or the utility, and they're asking to start receiving hard-copy statements again.

It will be interesting to see if that becomes a trend over the next few years. The Postal Service literally puts your message in your customers' hands.

People slow down and absorb what they receive. They process it. They retain it.

In a chaotic electronic world, that differentiates our channel.

So how do we take these insights forward? I think there are four key challenges we need to embrace as an industry.

The first is to make mail more personally relevant.

There is a tremendous convergence of data and technology occurring in the marketplace.

Marketers have really deep insights into individual interests. That needs to be reflected in mail as much as it is in on-line communication.

If you get mail that reflects your interests, you will spend more time with it. You may save it for several days. You will be more likely to act on it. That's what engages the receiver of mail and strengthens the experience.

Challenge number two: Make mail more actionable.

Every marketer strives to reduce the steps needed to make a purchasing decision. In the digital world, you try to reduce the number of clicks. We have to get into that game.

We need to accelerate the speed to purchase. If you see something in a catalogue or a postcard – you should be just a click or two away from making that purchase with your smart phone or tablet – and – have it delivered to you.

If we make mail more actionable, it becomes more valuable.

Challenge number three: We need to make mail more functional.

The amount of technology that can be embedded in mail is growing very quickly. A QR or a smart code is just the simplest example.

Mail should be able to interact with smart phones and smart televisions.

If you get an offer from your bank, you should be able to tap your phone and connect with a representative.

If you get a menu from a local restaurant, you should be able to tap a device and get a reservation, or a carry out order.

These kinds of technologies are being developed and they will be powerful.

And the fourth challenge is this: We need to make mail more creative.

Mail that stands out gets attention. People spend more time with mail if it's creative.

You know, it's interesting. A single piece of mail doesn't compete for your attention against the Internet or your television. It only competes against whatever else is in the mailbox.

And creativity gets attention. Mail should be more colorful. It should carry more images.

We see a tremendous amount of creative energy at work in the digital arena. Our industry needs the same focus on creativity.

And, if you want to see some creativity, there's an excellent print session tomorrow. It's worth attending.

I believe we will start to see big changes in marketing mail and First-Class Mail in the coming years.

And some great companies like ATT are showing excellent leadership and helping put these ideas into action.

[VIDEO: ATT Perspective]

I like the fact that ATT and a lot of other companies are investing in mail that leverages data and technology – and getting a higher return.

That's where all of this is heading: Adding value and getting a higher return.

One of the most important areas of innovation in our industry has to do with delivery.

Delivery is part of the experience of mail. It's part of the experience of shipping and e-commerce.

It's evolving, and consumer expectations about delivery are evolving.

Ten years ago it would have been very odd for a person to order five pairs jeans on-line, try them on, and then send four back.

Now, the whole notion of returns is becoming commonplace. And thankfully, it's driving major growth in our shipping business.

And people are only going to expect more out of delivery services in the future.

[VIDEO – INNOVATION IN DELIVERY]

We are not too far away from providing those kinds of services.

People will be able to redirect mail and packages through dynamic routing.

People will be able to track incoming and outgoing mail.

We are establishing parcel lockers in high traffic areas.

People will be able order items from a mobile device and have them sent to a person's current location.

Imagine getting a notification telling you exactly when your mail will be arriving in your mailbox.

These are all things the Postal Service is working on to strengthen the delivery experience.

Right here in San Francisco, the Postal Service has been conducting a pilot test of a delivery service called MetroPost.

Your toaster breaks at 9 in the morning. You call a department store to order a new one sent to your home that same afternoon.

Who delivers it? The Postal Service!

Does anyone here like cookies?

Let me show you a demo of how easy this can be.

Let say I got this direct mail piece from Cheryl's Cookies...

I point my smart phone at the mail piece.... and presto, I'm ordering cookies.

I select cookies. I select the type of cookies. Let's go with the round ones.

The number of cookies...let's see, I guess we have about 2,500 people here...

Let's get frosting.....and sprinkles.

I select my address here.... and it knows where I am....and bingo. It's on its way.

That's "same-day delivery," and it's going to be the next consumer expectation. People have busy lives and a trip to the store can be an inconvenience.

If we make the activity of ordering something really simple, and we provide a robust, low-cost delivery infrastructure, the use of delivery will grow dramatically.

It's not hard to imagine using your smart-phone to do a one or two click purchase that results in same-day delivery.

It's not hard to imagine that delivery coming to your office or wherever you happen to be.

That might become the standard way of shopping.

It may not be so far in the future.

Innovation in the area of digital integration is fundamental to the improving the consumer experience.

Mail has to be a part of it. Here are some not-so-far-off possibilities:

[VIDEO – INNOVATION IN DIGITAL INTEGRATION]

There are wonderful rumors swirling about new devices that are going to revolutionize the way people consume information.

Google is experimenting with eyeglasses that connect with your smart-phone and display information in your field of vision.

We've heard Apple is developing something that looks like a wristwatch that will be synched to your smart-phone. I suppose you'll be able to see your notifications and e-mails scrolling on your wrist.

The smart TV is supposedly right around the corner. You can only imagine what a large flat-screen panel could be enabled to do.

Imagine a wall-sized, interactive panel – that would be a game changer.

Mail can be an important part of what these devices do.

Last year the Postal Service stood up a business unit focused solely on digital innovations. It's called the Secure Digital Solutions group.

One of the prototypes we've created is called MyPost.

It's going to be a free application for a smart device. It will enable a person or small business to track all of the mail and packages coming to an address or being sent from an address.

Think about the impact of this information for the small business owner. You'll be able to use your smart phone to see whether the check is really in the mail, and whether those bills you've sent have been received.

It's a great way of getting information you can use for your small business. It's also a great consumer offering.

If you're a marketer, imagine the power that could come from building anticipation about what's coming in the mail the next few days.

Imagine if you could attach a digital offer to that catalogue that's about to be delivered.

That adds value for the sender and receiver.

It's also not hard to imagine that the smart eye-glasses and the smart wristwatch could stream information about what's coming in your mail.

We have a tremendous amount of data in our network, and it can be an incredibly powerful way to drive growth for the industry.

That's why we're pushing so hard in the area of digital innovation.

Later this morning, Randy Miskanic is going to lead a session on our Secure Digital Solutions. Check it out if you have a chance.

I mentioned earlier that making mail more personally relevant is an important idea for the future of the industry. It sounds simple, but it isn't so simple.

The good news is that it's becoming a much more attainable goal.

If you are a marketer who wants to reach women who live in Manhattan between the ages of 45 and 55, who like fishing, poetry and wearing red hats, you can probably reach exactly those women through paid advertisements on Facebook. They have that kind of data.

You should be able to reach those same people through the mail – and it would be far more effective.

Here's a quick story. It's a true one.

A person is shopping on-line for a car. He eventually decides to schedule an appointment with a dealer by filling out the on-line form. When he shows up, the dealer walks him out to the very car he was interested in test driving.

So he asks the dealer "how did you know this is the car I wanted to see?"

The dealer handed him a print-out of all of his browsing on the car company website, and said "I just had a hunch this is what you might like."

Now, what if that person had browsed on that site but never filled out the on-line form? I would argue he should have quickly gotten a piece of mail from the dealer.

And, that piece of mail should showcase the car he designed online, and show the features and the price. And, include a smart code to schedule an appointment.

That might have gotten him to the dealership.

That's the big competitive gap in our industry – we don't use data as effectively as we should.

You know, it's not hard to imagine using that data more effectively.

[VIDEO – INNOVATION IN TARGETING]

Yes. Your mail should know you at least as well as your spouse does – if not better.

There's a lot of innovation occurring in our industry that is enabling highly personalized mail. That, combined with much better use of data, is going to add enormous value to the mail experience.

Paid digital advertising has a lot unique characteristics. It is great at targeting individuals with tailored messages.

It is not as effective as mail at getting those individuals to slow down and focus on those messages.

Nobody slows down and takes a quiet moment to read through their spam e-mails. It just doesn't happen. But people do slow down and look through their mail.

If we can take the targeting power of online advertising and combine it with the mail experience, we'll make mail far more valuable to the receiver and the sender.

We have quite a few exhibitors with us who are working in this area, so please see what they are offering. It's an important direction for the industry.

The Postal Service is working to drive many of these new uses of technology. Our role is to deliver what you create. It's also role to provide a delivery platform for the country and for your business.

America needs a Postal Service that can be flexible and adapt to changes in technology.

Unfortunately, the Postal Service operates under some laws that prevent us from adapting as fast as we would like.

That's why we are working with the Congress to enact comprehensive reform legislation.

It's been a long and winding road, but I think we are starting to see the end of it.

I can't predict what Congress is going to do, but we are pushing very hard for a new business model that keeps mail relevant and affordable.

We are putting a lot of elements on the table, including resolving our retiree health benefit obligations, taking over our own health plan, moving to a new delivery schedule, streamlining our operations and our governance.

We simply must get these issues resolved.

This industry needs clarity.

This industry needs certainty.

It needs Congress to make some decisions and then get out of the way.

I'm a very positive person.

I believe we will solve our issues. I believe we will create a business model that enables the Postal Service to be financially stable over the long haul.

In the meantime, we are keeping our foot firmly on the gas pedal and moving as fast as we can to reduce costs and keep mail affordable. Since 2006 we have reduced the size of our workforce by more than 200,000 employees.

We've consolidated 308 mail-processing facilities.

We've reduced 21,000 delivery routes.

All of this has reduced our annual cost base by 15 billion dollars.

No other organization that I can think of – either public or private – has gone through a similar downsizing so rapidly and continued to function at a high level.

When we step back and look at the big issues, there's one word that dominates the way we think about the future: Affordability.

We can make mail more personally relevant. We can make it more actionable, and functional, and creative.

But it must stay affordable.

The faster we can reduce costs, the better we can avoid pressure to raise prices. That's why we need more flexibility in our business model.

We are strengthening our delivery platform in other ways. We're using data and technology to create a much smarter platform.

We want to provide you with much greater predictability, and much greater visibility.

Ellis Burgoyne and his team are going to provide some great insights in this area on Wednesday. So make sure to attend his session. He'll go into a lot more detail.

Tomorrow's session with Nagisa Manabe and her team will showcase some really exciting developments in terms of marketing and how we are thinking about the future.

We're going to be discussing some big changes in our package offerings. We're also going to review some important product innovation strategies.

Our goal is to help you grow your business. And we are committed to the idea of being a solutions provider.

We know you need every advantage to compete and that you need for us to be the best business partner we can possibly be.

And that's what we strive to be.

You know, I started this morning by talking about strengthening the mail experience.

That is how we will drive growth for this industry and your business.

If we work as an industry to use technology more effectively, if we make mail more personally relevant... more actionable... more functional... and more creative... we can put mail in a far stronger position to compete for the attention of consumers.

Mail is an incredibly strong way of communicating today, and to stay ahead in a changing world, we need to continually strengthen the mail experience.

These are exciting times to be in the mail, and now is the time to think about the business opportunities that will come taking mail to the next level.

We know your business depends upon a Postal Service that can help bring these opportunities to life.

We know you need a Postal Service that embraces changes in technology and enables innovation throughout this industry.

We know you need a Postal Service that does everything that it possibly can to keep mail affordable.

That's what we are doing.

We're ensuring the Postal Service provides the smart, affordable delivery platform that your business can rely on in a dynamic, changing world.

This forum is a great place to network with peers, learn about best practices, and seize opportunities. It's going to be a great one.

So let's get creative. Let's get energized. Let's get our game on. And, let's have a fantastic few days here in San Francisco.

Thank you for being here, thank you for your business, and thank you for your trust in the Postal Service.