

# ROSS + SIMONS

April 7, 2008

Manager, Mailing Standards  
U.S. Postal Service  
475 L'Enfant Plaza, SW  
Room 3436  
Washington, D.C. 20260-3436

To the Interested Parties:

## **Subject:**

**Ross-Simons' response to advance notice of proposed rulemaking by the US Postal Service for letter-size booklets and folded self-mailers [#39 CFR Part 111]**

## **Summary:**

Ross-Simons respectfully submits comments on #39 CFR Part 111.

Ross-Simons would like to:

- 1) Respond specifically to the proposed changes.
- 2) Make the Postal Service aware of the consequences to our business, and other catalog mailers, as a result of these proposed changes.
- 3) Propose a rule change within the class of flat mail that would be a win-win for Ross-Simons, the catalog industry, and the Postal Service. This simple proposal would eliminate the need for most catalogers to use the letter mail class and jam the letter-sorting equipment.

## Background

Ross-Simons is a Rhode Island-based multichannel jewelry retailer founded in 1952. Since our first catalog mailed in 1981, Ross-Simons has circulated over 1 billion catalogs in the United States mail. Our current annual mail volume exceeds 40 million catalogs. In May of 2007, faced with a 34% increase in postage costs for flat mail, Ross-Simons had two choices: 1) we could pull 20 million catalogs from circulation, thereby crippling our business or 2) we could adopt what the Postal Service extolled as a great compromise: the letter-size catalog or "Slim-Jim."

We conducted a lengthy examination of rates and sizes, and a costly redesign on three of our four catalog titles. Throughout the summer of 2007, we were in contact with the USPS Pricing & Classification Service Center and made the Postal Service aware of our intentions to shift our flats to letter-size mail. We did this – fully aware that the Postal Service was examining the efficiencies of this "new" breed of letter mail. In October of 2007, we published our first letter-size catalog, a Slim-Jim (6" x 10.5"), followed by a digest (5.375" x 8.375") and a modified Slim-Jim (6.125" x 9.375").

**Comment #1:** The Postal Service correctly states that, "due to price increases associated with mailing flat-size catalogs last year, letter-size catalogs have become more popular." Indeed, Ross-Simons would not be mailing letter-size catalogs if we didn't have to. However, our decision was not simply a "popularity" contest; it was a business necessity. Ross-Simons was priced out of mailing 20 million flat-size catalogs and the Postal Service extolled the virtues of letter-size catalogs. We were under the assumption that we could run our business with this new paradigm.

## **Proposed Rule Changes to Letter-size Catalogs**

The two physical characteristics described as critical to jamming the letter-sorting machines are catalog thickness and tabbing. These same two issues are critical to catalogers, but our goals and your machines are diametrically opposed.

### **Discussion on Thickness**

The goal of any cataloger is to optimize his selling space at the lowest possible cost. In other words, more products for sale on more pages (and hence a thicker book) is optimal. Given that the postage rate for letter mail is fixed per piece, we can optimize our postal efficiencies by printing the maximum number of pages up to 3.0oz (or 3.3oz for machinable, non-automated).

If the new rules require that the maximum book size be cut in half from 1/8" to 1/16", then we will have to cut our pages in half. The Postal Service will have effectively doubled the postage cost on our pages circulated.

On a technical level, we are confused by the measurement methodology. Where does one determine a book's thickness? Are we to measure a 1/16" at the spine or the open edge? Do we squeeze the book, or measure it in a state of rest? How are we to determine the manufactured thickness of a book before it is manufactured? Papers of different thicknesses are often substituted in the manufacturing process due to supply issues. Do we guess the finished thickness of 38lb paper vs. 40lb? What are the tolerances and accuracies of the proposed measuring equipment? Do we use a ruler, a caliper, or a laser to get a fair reading of thickness? It will be extremely challenging to manage tolerances as fine as 1/16".

### **Discussion on Tabbing**

The first goal of any cataloger is to get his book opened. If a book doesn't get opened, there are no orders and therefore no business. Tabs that seal a book closed are a detriment to the open rate.

Ross-Simons has specific test results across 1,000,000 mailing pieces that demonstrate that tabbing a letter-size catalog results in a 20% decrease in response. These tests were performed with perforated plastic tabs (2.5/3/3) in an effort to make the sealed book as easy as possible for the consumer to open. Logic holds that if an easy-to-open tab was a

negative with consumers, then a heavy-duty, leak-proof, non-perforated, USPS-certified tab would be a negative for the consumer and the mailer.

Tabbing negatively impacts catalog response, with industry-wide tests supporting the Ross-Simons test results. Catalogers can expect to lose 20% of their business. Tabs that are more difficult to open will intensify the issue.

**Comment #2:** The precipitous declines in flat volume as a result of the May 2007 postage increases will be compounded by effectively doubling the cost of a letter-size catalog. The proposed rule adjustments discussed in #39 CFR Part 111 will force Ross-Simons to eliminate our entire circulation of 20 million letter-size catalogs in 2008. We simply cannot afford the same postage when it is amortized across a lower page count and fewer products. Nor can we afford this circulation knowing we will see a 20% decline in response due to tabbing. We believe that every other cataloger who has adopted the letter-size catalog will be faced with the same reductions of up to 50%.

## **Potential Solution to Save the Catalog Industry: The BIG ANSWER to the Issue with Letter-sized Catalogs**

As previously stated, we have become letter mailers out of necessity, not by choice. We feel that many of our peers in the catalog industry are in a similar position. We would like to propose one simple change to the rules that apply to flats which would allow many of us to return to this class of mail.

<p><b>Comment #3:</b> The level of enhanced carrier route penetration (ECR) on a flat mailing represents the most potential for a catalog mailer. <b><u>We propose a reduction in the ECR minimum from 10 pieces to 6 pieces.</u></b> This rule change would allow Ross-Simons to redirect millions of catalogs out of the letter class and back into flats.</p>
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We predict that the millions of letter-size catalogs that are currently jamming the Delivery Barcode Sorter (DBCS) will be redirected back to the proper class of mail by other smart catalogers. We would embrace the opportunity to move our catalogs out of letter mail and into flats, as would many of our business partners.

The Postal Service will get more revenue per piece at the ECR flat rate that it currently receives for letter-size catalogs.

According to the Domestic Mail Manual (DMM Periodicals (707) Section 12.3) the ECR minimum for periodicals is 6 pieces. Catalogs should receive the same benefit as magazines, as the incremental sortation costs between the periodicals and catalogs are the same.

The traying of letter-size catalogs has proved costly and cumbersome. The receiving personnel at postal facilities around the country will enjoy much greater efficiency by handling and transporting pallets of mail rather than trays.

Smaller carrier-route bundles would perform better on the Automated Package Processing System (APPS) machine, encountering less bundle-breakage. A greater concentration of ECR bundles would increase the volume of mail processed by the highly efficient APPS machine, bypassing the less-efficient AFSM 100 and UFSM 1000.

In closing, I would submit that enhanced manual sortation may prove less costly for the Postal Service in the long run. I understand that the Postal Service is moving ahead with billions of dollars in new FSS equipment to automate the sortation of flats. On one hand, I applaud this move and expect that, once the new equipment is in place, flat rate postage rates will be reduced substantially. On the other hand, I am afraid the volume of flat rate mail will never return, and my expectations for mechanized discounts will evaporate as the Postal Service amortizes its fixed costs over a significantly reduced volume. Additionally, I fear that the equipment may be as sensitive as the DBCS letter sorter, and will require catalog design compromises that are as untenable as those proposed in current notice.

As a cataloger, we fear the spiral of ever-increasing postal rates forcing ever-decreasing catalog volumes. I hope that my small proposal will be seen as an experiment to try to increase volumes -- **We propose a simple rule change to increase flat volumes: change the ECR threshold from 10 to 6.** It only seems appropriate that we try to mail catalogs as they are intended: to be opened, read, and enjoyed by the customer. We hope the catalog industry will not be forced out of business in an effort to drive letter efficiencies that were never meant to be.

We remain optimistic that the Postal Service will maintain all of the current classes and preparation standards until every possible test and efficiency analysis is complete. We will not be able to afford to stay in business if we don't mail catalogs while we wait for new standards.

The nature of these changes is so critical that this is our highest priority for 2008. We are happy to discuss our comments and proposal, in person or via phone, at your convenience.

Cordially,

Lawrence Davis  
Vice President, Marketing  
Ross-Simons

Darrell Ross  
President & Chief Executive Officer  
Ross-Simons

CC:

Hon Senator Susan M. Collins, ME  
Hon Senator Olympia J. Snowe, ME  
Hon Senator Jack Reed, RI  
Hon Senator Sheldon Whitehouse, RI  
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