

Delivering on our Future

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Vice President

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Northeast Area Focus Group
New York, NY

Volume: QTR1 FY2016 vs. SPLY



FCM Single-Piece



(3.4)%



FCM Presort Letters & Other



(1.5)%



Standard Mail



(3.0)%



Other (incl. Periodicals)



(1.3)%



Total Shipping & Package



16.3%



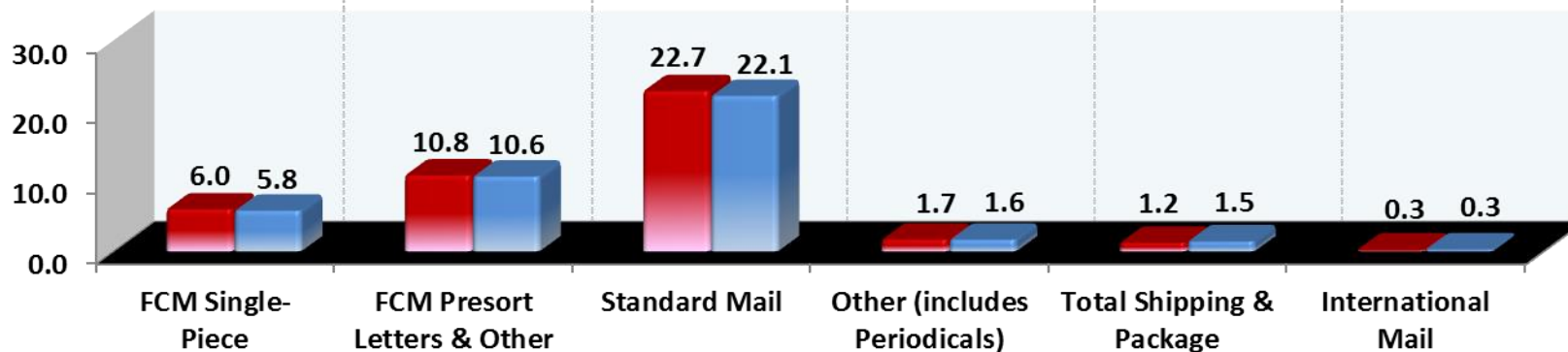
International Mail



10.4%



Pieces - Billions



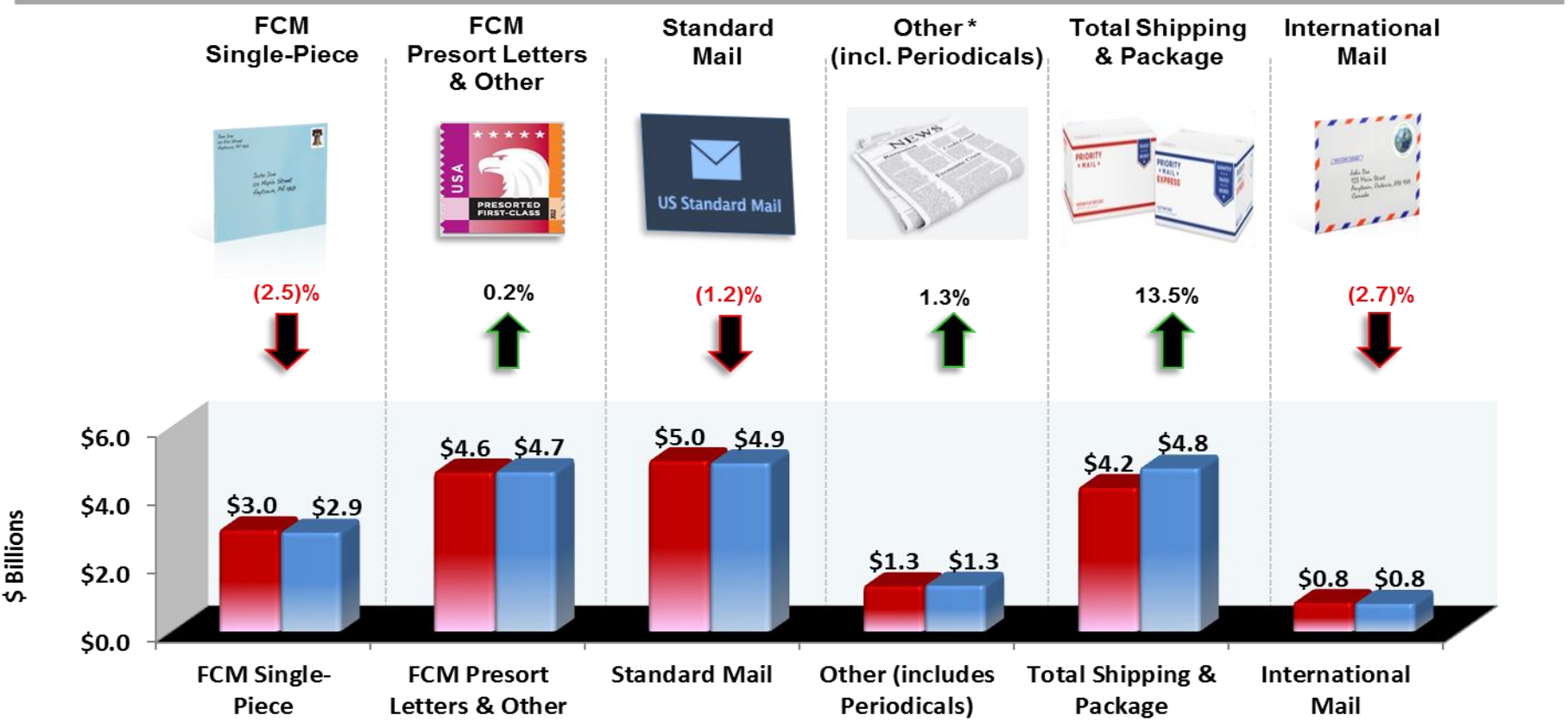
FY2016 Q1 has the same number of weekdays, Saturdays, & Sundays as compared to FY2015.

Revenue including Exigent Surcharge: QTR1 FY2016 vs. SPLY

FY2015
\$18.8B

↑ \$0.6B

FY2016
\$19.4B



FY2016 Q1 has the same number of weekdays, Saturdays, & Sundays as compared to FY2015.

* FY2015 excludes a one time non-reoccurring accounting adjustment

Financial Results Quarter 1 FY-16

December YTD (3 Months) (Billions)	FY 2016	FY 2015
Revenue (Excluding Temporary Exigent Surcharge)	\$ 18.8	\$ 18.2
Temporary Exigent Surcharge ¹	<u>0.6</u>	<u>0.6</u>
Total Revenue	19.4	18.8
Controllable Expenses ²	<u>18.1</u>	<u>17.7</u>
Controllable Income (Loss) ²	1.3	1.1
Retiree Health Benefits Pre-Funding	(1.4)	(1.4)
FERS Unfunded Liability Amortization	(0.1)	-
Workers' Comp. Fair Value Adj.	0.4	(0.8)
Workers' Comp. Other Non-Cash Adj.	<u>0.1</u>	<u>0.3</u>
Net Income (Loss)	<u>\$ 0.3</u>	<u>\$ (0.8)</u>

1 - Estimated.

2 - Before RHB pre-funding, FERS unfunded liability amortization, and non-cash adjustments to workers' compensation liabilities.

USPS Market Dynamics and Strategic Response



Disruption is the New Normal



Remaining
Future-Ready

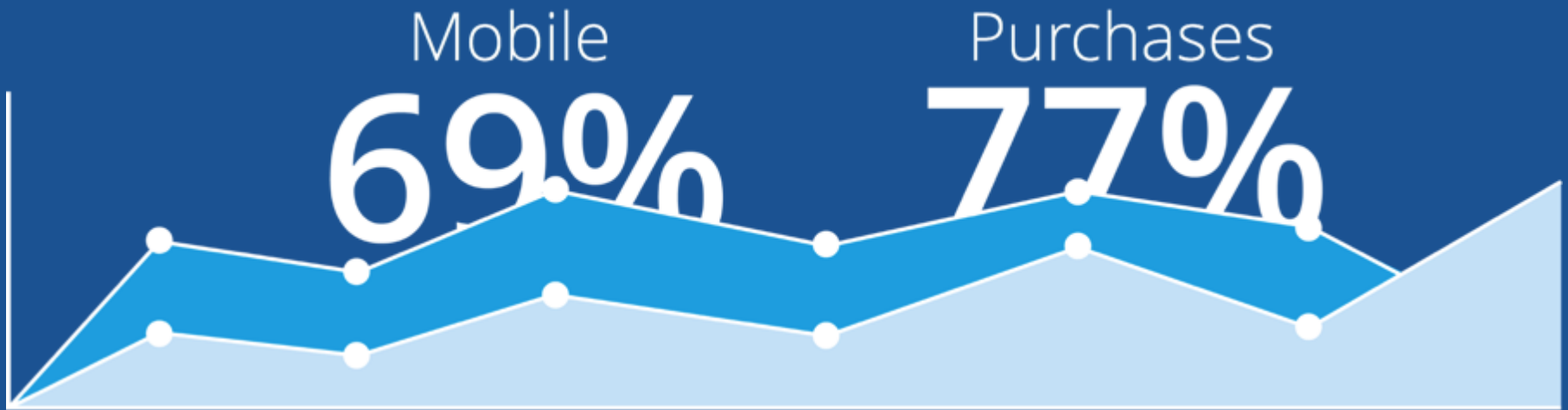


Top technologies are accelerating disruption and changing everything

The rate and amount of innovation in the past 30 years has been greater than in the previous 30,000 years

Technologies have given the world quick, cheap tools to create the future faster.

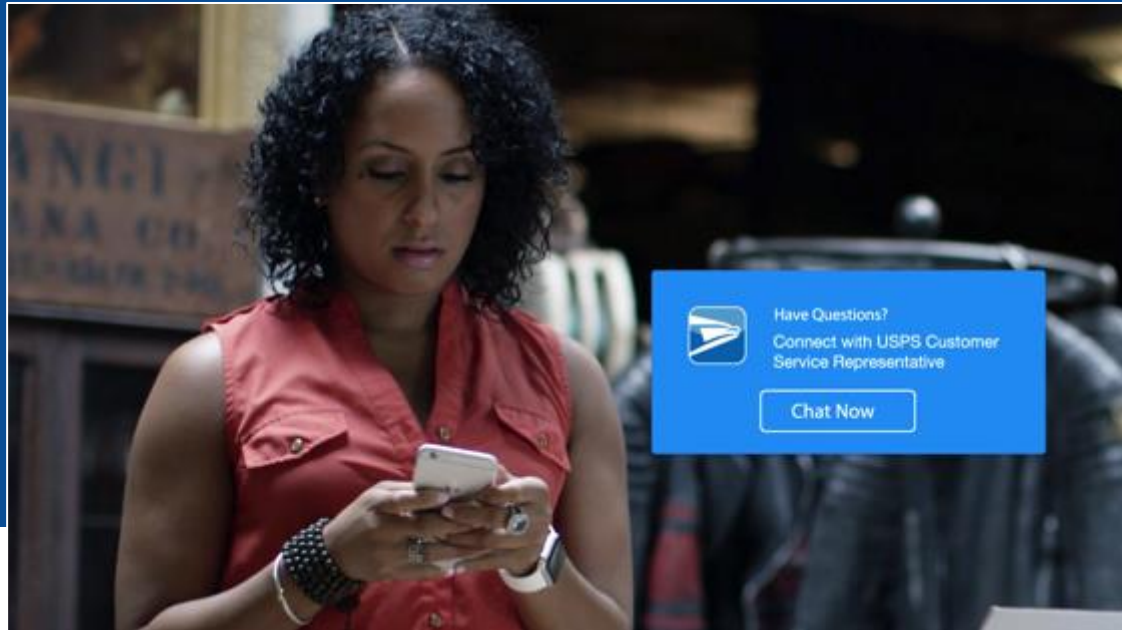
Consumer Behaviors are Changing Rapidly



33%
of income
discretionary
spending



Customer-Centric Convenience



Customers Seek Instant Gratification:
On-demand, Same-day, Next-day Delivery

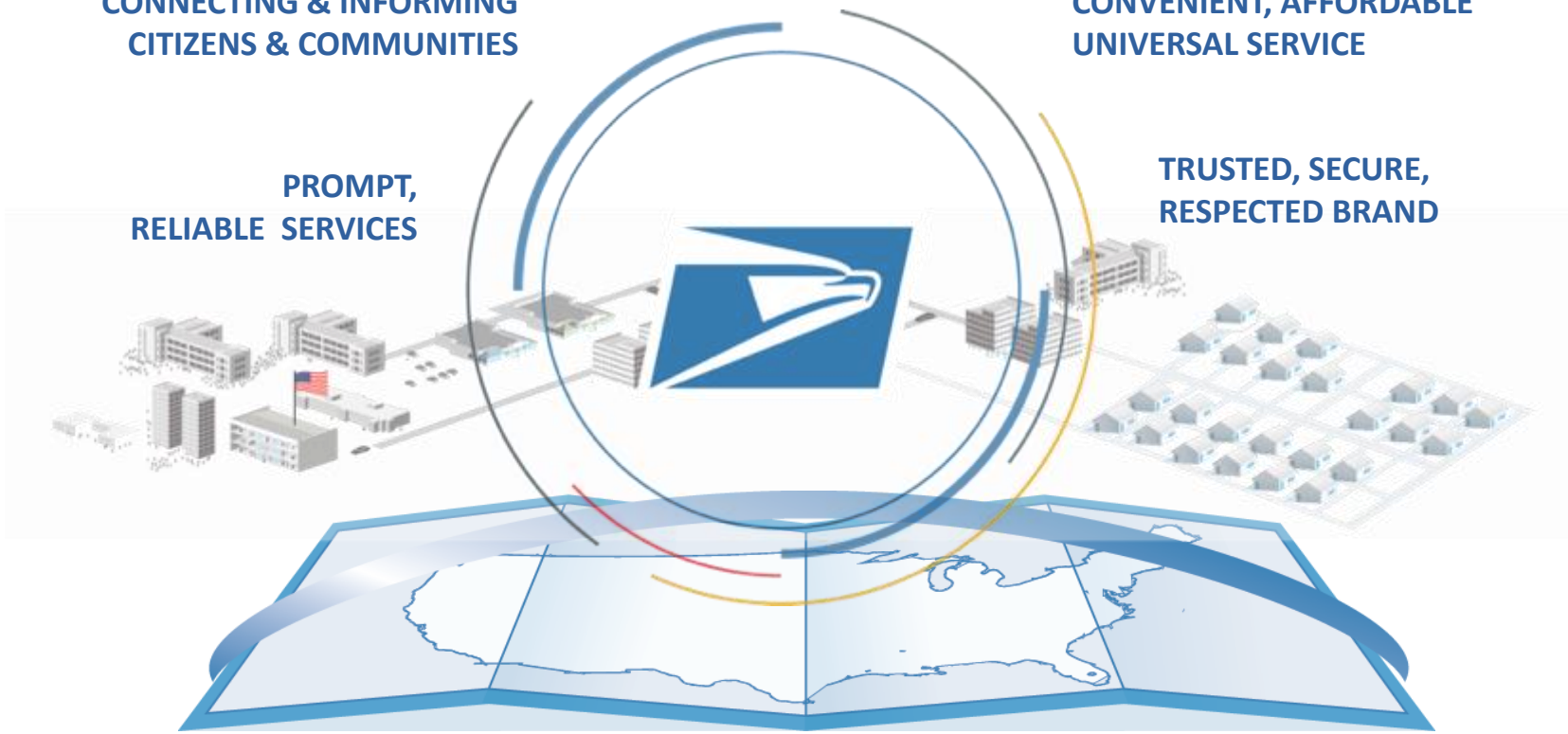
**HELPING BUSINESSES
CONNECT & GROW**

**CONNECTING & INFORMING
CITIZENS & COMMUNITIES**

**CONVENIENT, AFFORDABLE
UNIVERSAL SERVICE**

**PROMPT,
RELIABLE SERVICES**

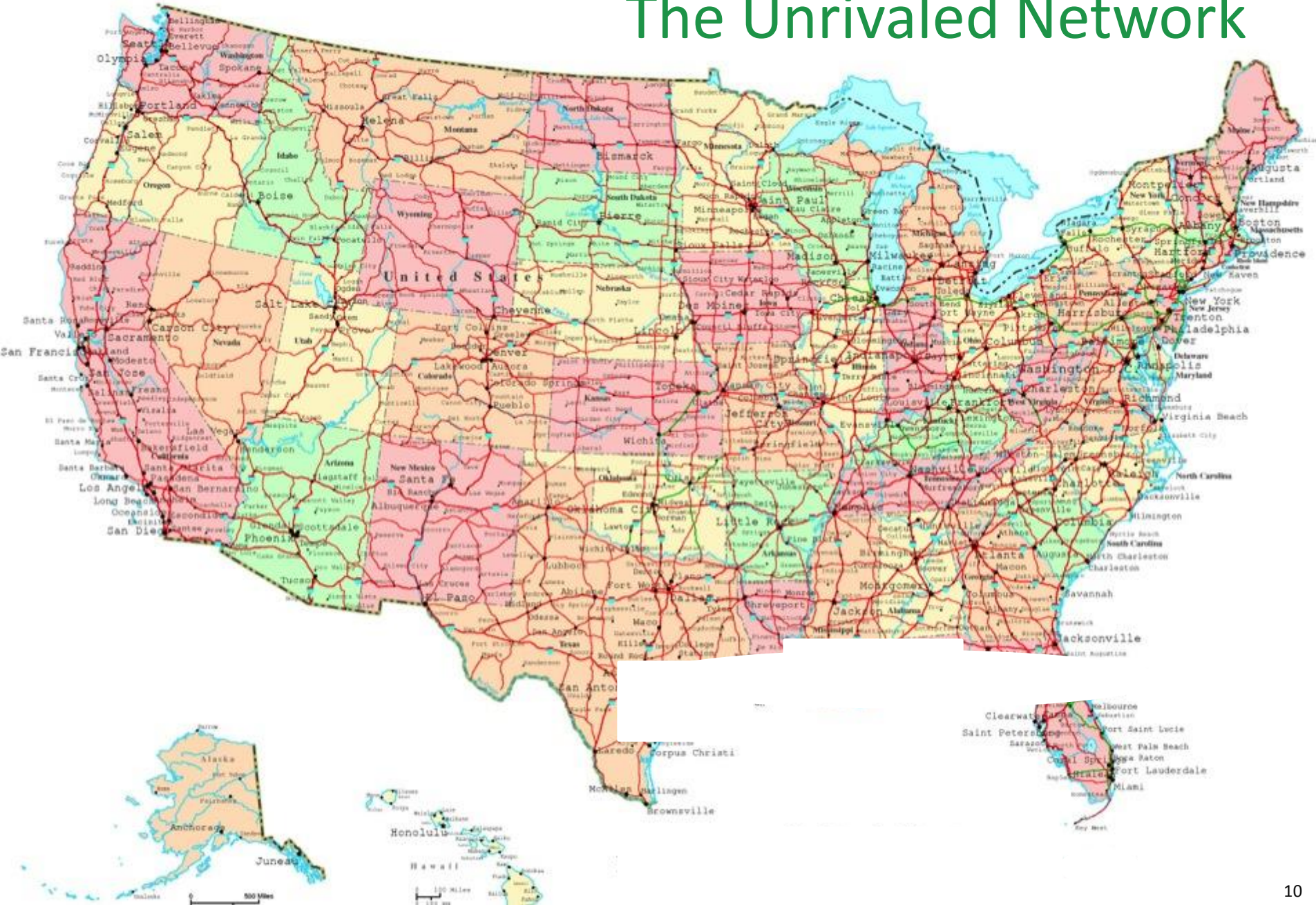
**TRUSTED, SECURE,
RESPECTED BRAND**



USPS MISSION:

Bind the Nation Together

The Unrivaled Network



USPS Global Footprint



31,000



POST OFFICES

300+



**PROCESSING
CENTERS**

8,500



**PROCESSING
EQUIPMENT**

210,000



VEHICLES

485,000



EMPLOYEES

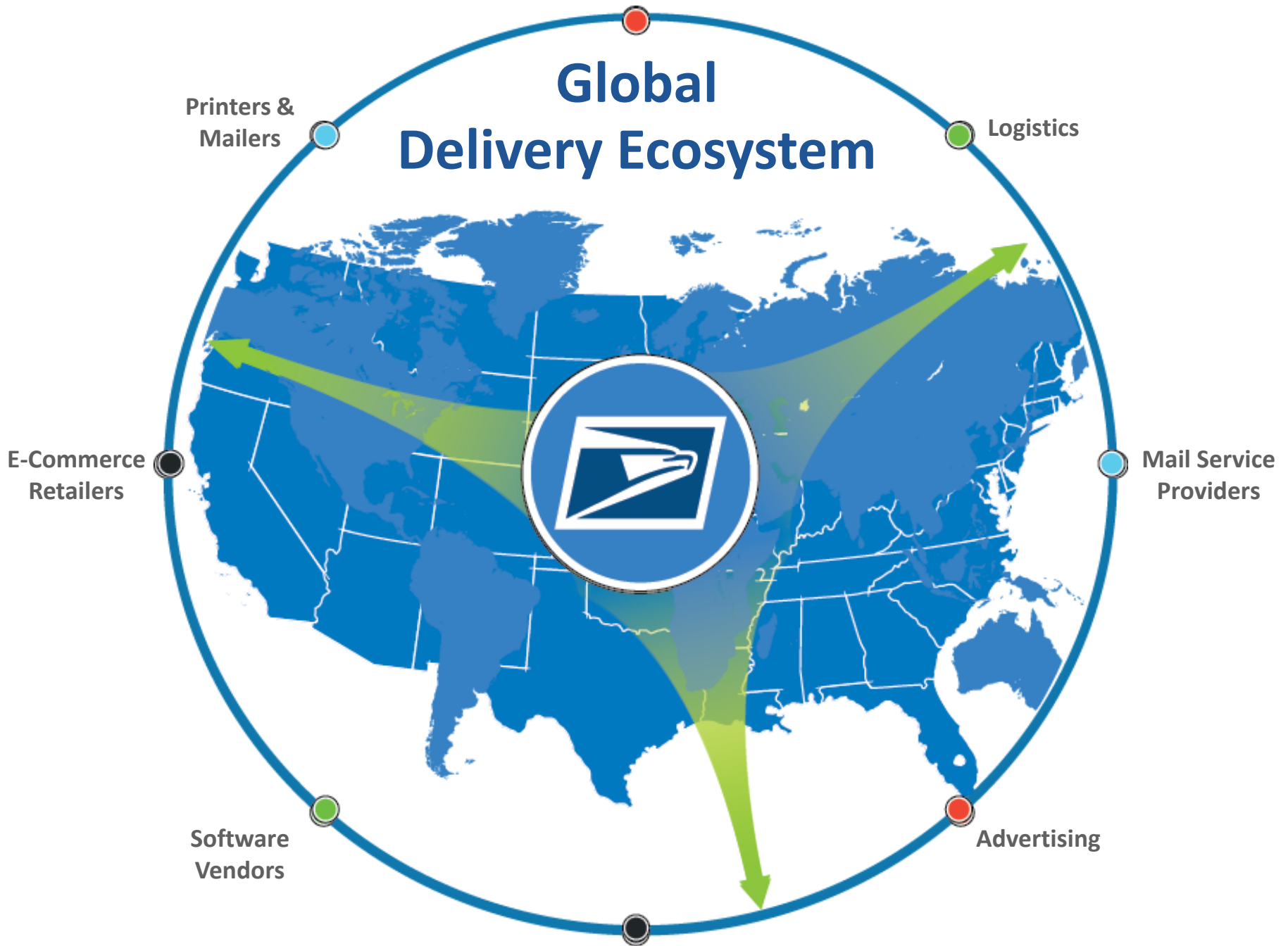
153M



DELIVERY POINTS

Delivering 40% of the World's Mail

Global Delivery Ecosystem



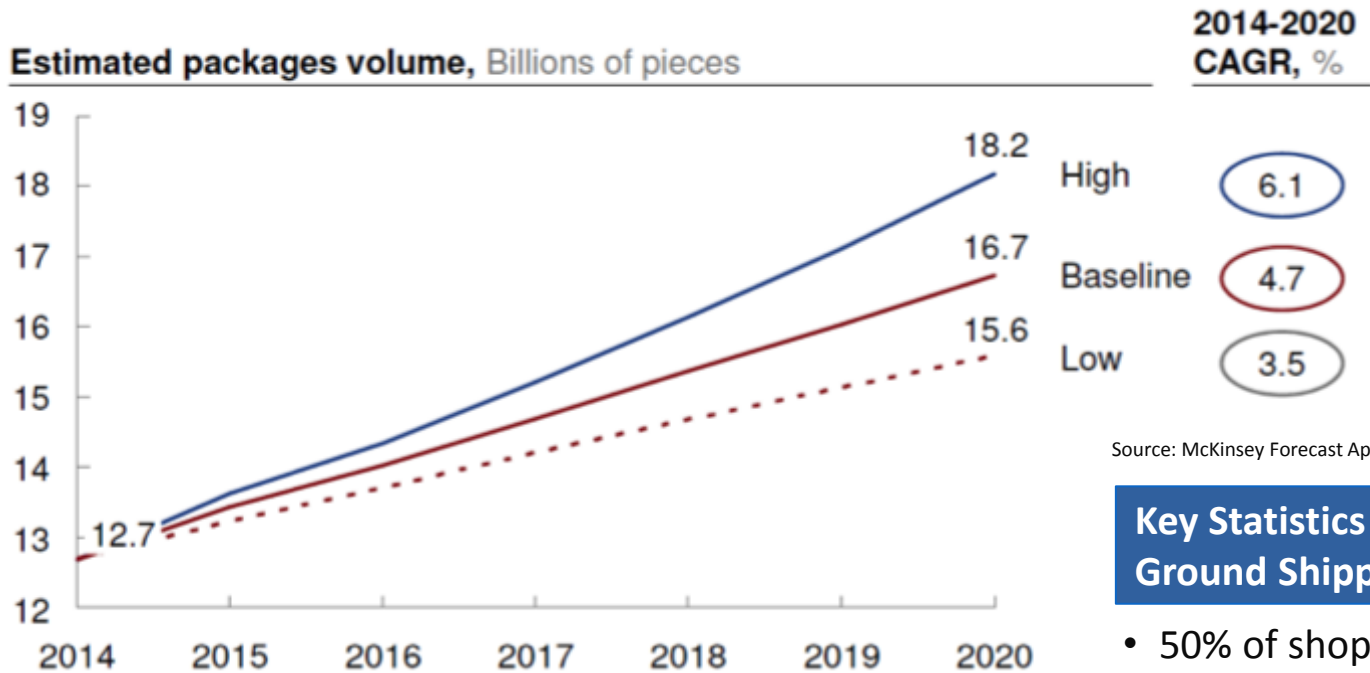
Market Share Trends

Shipping



E-commerce Growth: Packages

Shipping costs will increasingly play a role in business decision making as online retailers seek to minimize rising shipping costs



Key Statistics for Projected Ground Shipping Growth

- 50% of shoppers will abandon an online order if it doesn't qualify for free shipping
- 58% of online shoppers cited "shipping costs made the total purchase more than expected" as reason to abandon online shopping care

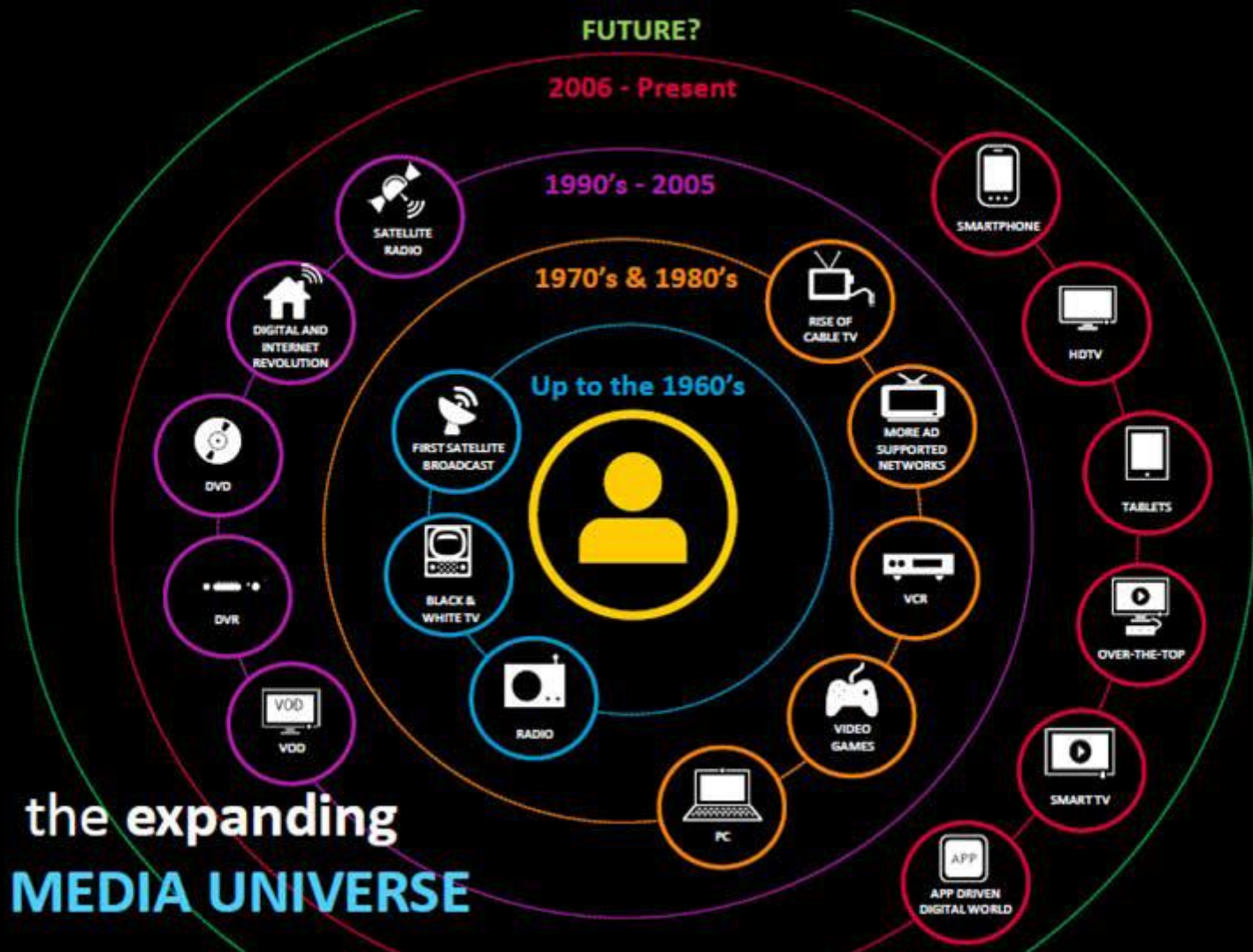
CAGR for Subcategories	Projected Growth Rate
Ground	5.2%
Deferred	3.4%
Express	-1.8%
Same Day/ Next Day	8.8%

The Delivery Landscape is Disrupting



**Crowd-sourced Delivery.
Regional and Leisure Carriers.**

The Media Landscape is Disrupting



THE GROWTH OF DIGITAL

MEDIA DOLLARS ARE GOING DIGITAL

<u>Media Growth (US\$)</u>		<u>2013</u>	<u>2014</u>	<u>2015E</u>	
Digital	% shift	17%	15.4%	19.1%	↑ UP
Mobile	%	110.2%	74%	52.6%	↑ UP
<i>(incl. in digital)</i>					
TV	%	-0.6%	3%	-2.9%	↓ DOWN
Radio	%	-1.2%	-3.3%	-2%	↓ DOWN
Newspaper/ Magazines	%	-7.8%	-10.7%	-11.2%	↓ DOWN

In **2015, \$58.6B in digital advertising** - on track to out perform TV by 2019

THE GROWTH OF DIGITAL

DAILY TIME SPENT ON DIGITAL

<u>Media/Daily Time Spent</u>		<u>2010</u>	<u>2012</u>	<u>2014</u>	
Digital	% time	29.6%	38.5%	47.1%	↑ UP
	hh:mm	3:11	4:33	5:46	
<i>Mobile</i>	%	3.7%	13.4%	23.3%	↑ UP
<i>(incl. in digital)</i>	hh:mm	0:24	1:35	2:51	
TV	%	40.9%	39.2%	36.5%	↓ DOWN
	hh:mm	4:24	4:38	4:28	
Radio	%	14.9%	13.0%	10.9%	↓ DOWN
	hh:mm	1:36	1:32	1:20	
Newspaper/ Magazines	%	7.7%	5.4%	3.5%	↓ DOWN
	hh:mm	0:50	0:38	0:26	

*****Consumers look at their device 125 times/day

Delivering Customer Value In the Digital Age



Our Commitment



**Relentlessly
Focus on the
Customer**



**Equip, Engage &
Empower USPS
Employees**



**Innovate
to Deliver
Value**



**Invest
in our Future**

4 Focus Areas

FOCUS ON THE CUSTOMER



**Physical to Digital
Mail Promotions**

**Total Real Time
Visibility**

**Customized Shipping.
Simpler Returns.**

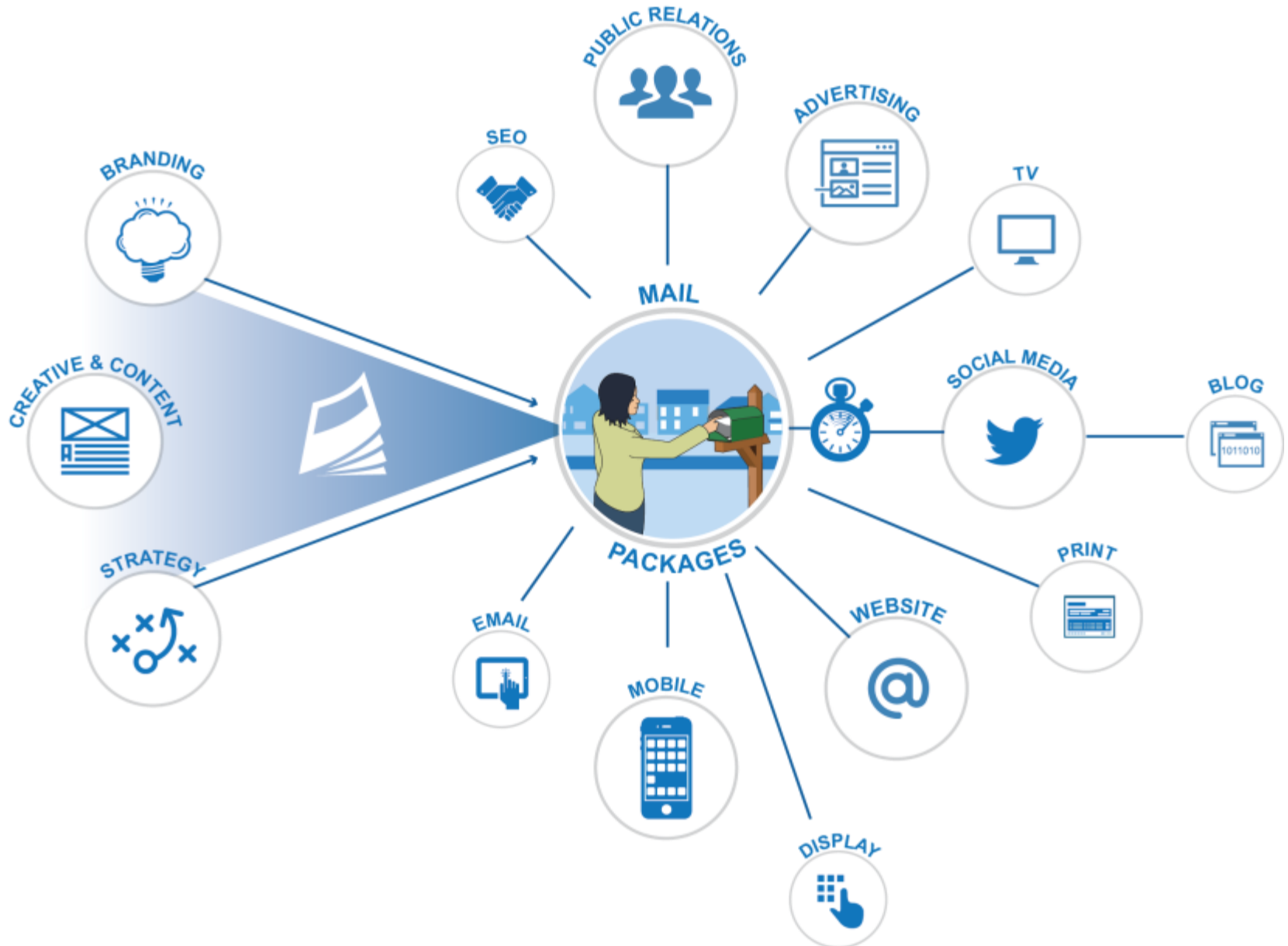
*Integrated
Industry*



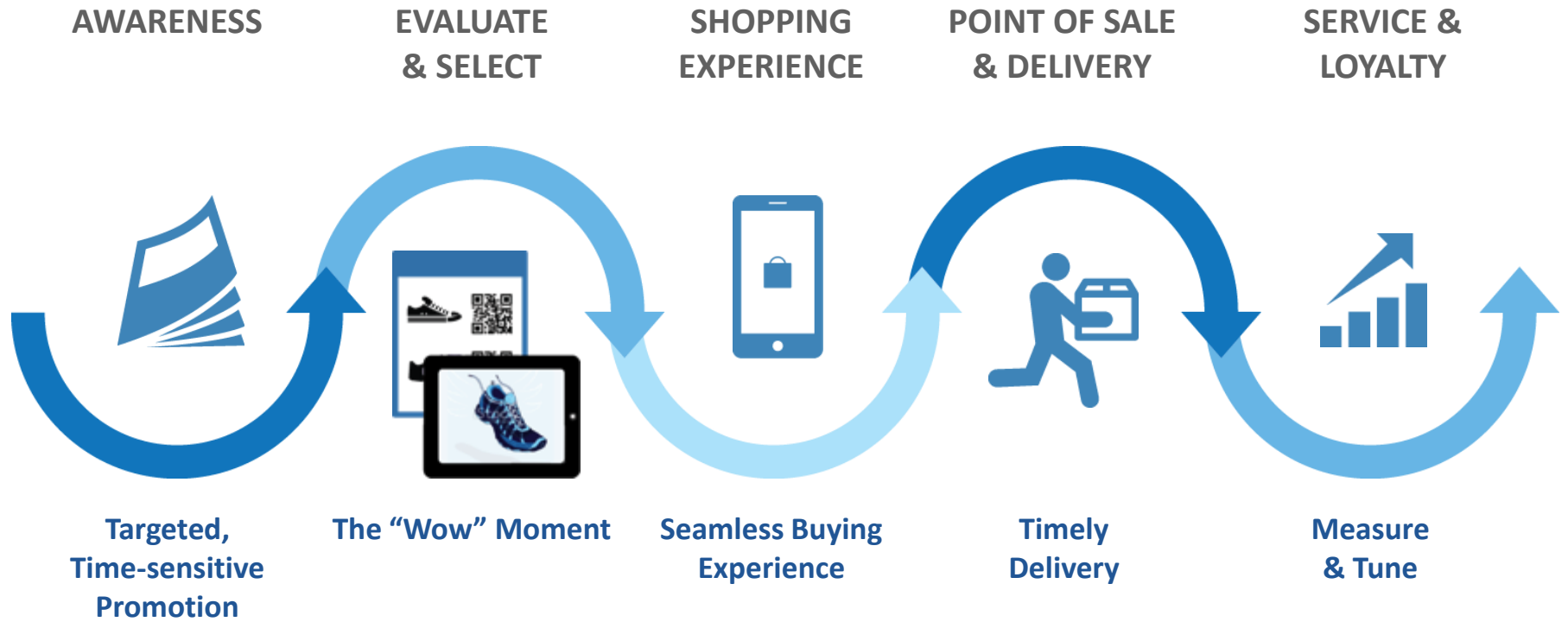
Utilizing Data to Personalize an End-to-End Customer Experience

*Across Channels, Across Industries,
Across Physical and Digital Domains*

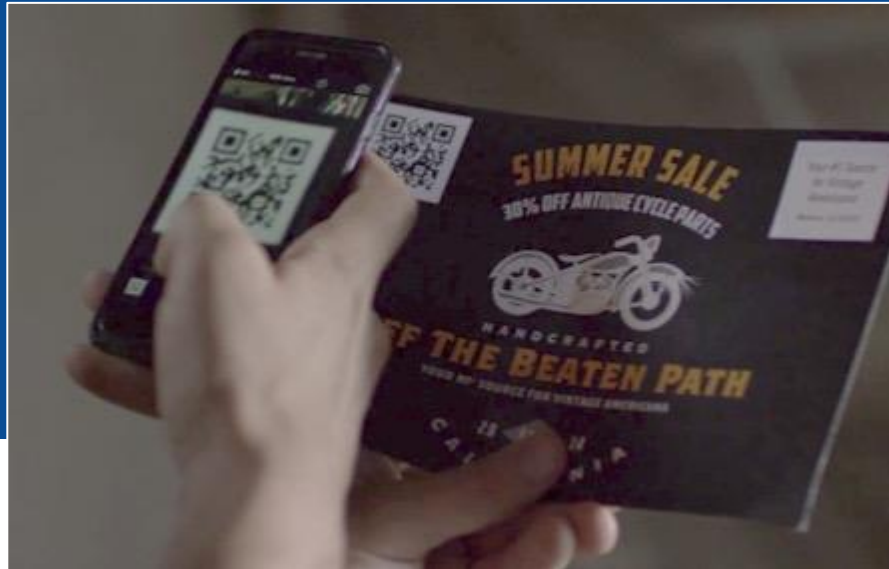
Personalized, Robust, Marketing Experience



Physical, Tactile Mediums Enhance the Buying Experience



Bridging the Physical and Digital for Ubiquitous Commerce



Mail represents a tangible touchpoint.
Take advantage of timely promotions to
drive your customers to buy online.

★ Political Mail ★ Sales Focus



Maximize our share of the projected Political expenditures by campaigns of \$12.3B

**Mail has a
100% reach**

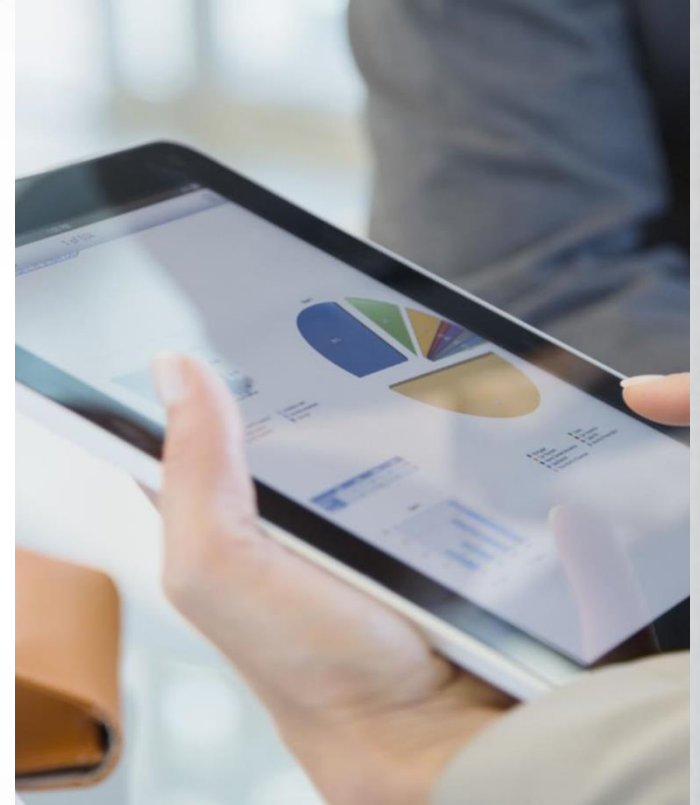
**It amplifies
other media**

**Mail is a proven
media channel
for campaigns**

USPS POLITICAL MAIL DASHBOARD

What will motivate greater use of mail?

- ★ Predict when mail will be delivered
- ★ Track and analyze mail
- ★ Real-time-data on when mail drops to tie to other campaign activities
- ★ Access and customize data to incorporate into voter files, share with campaign team, develop reports



Equip, Engage & Empower

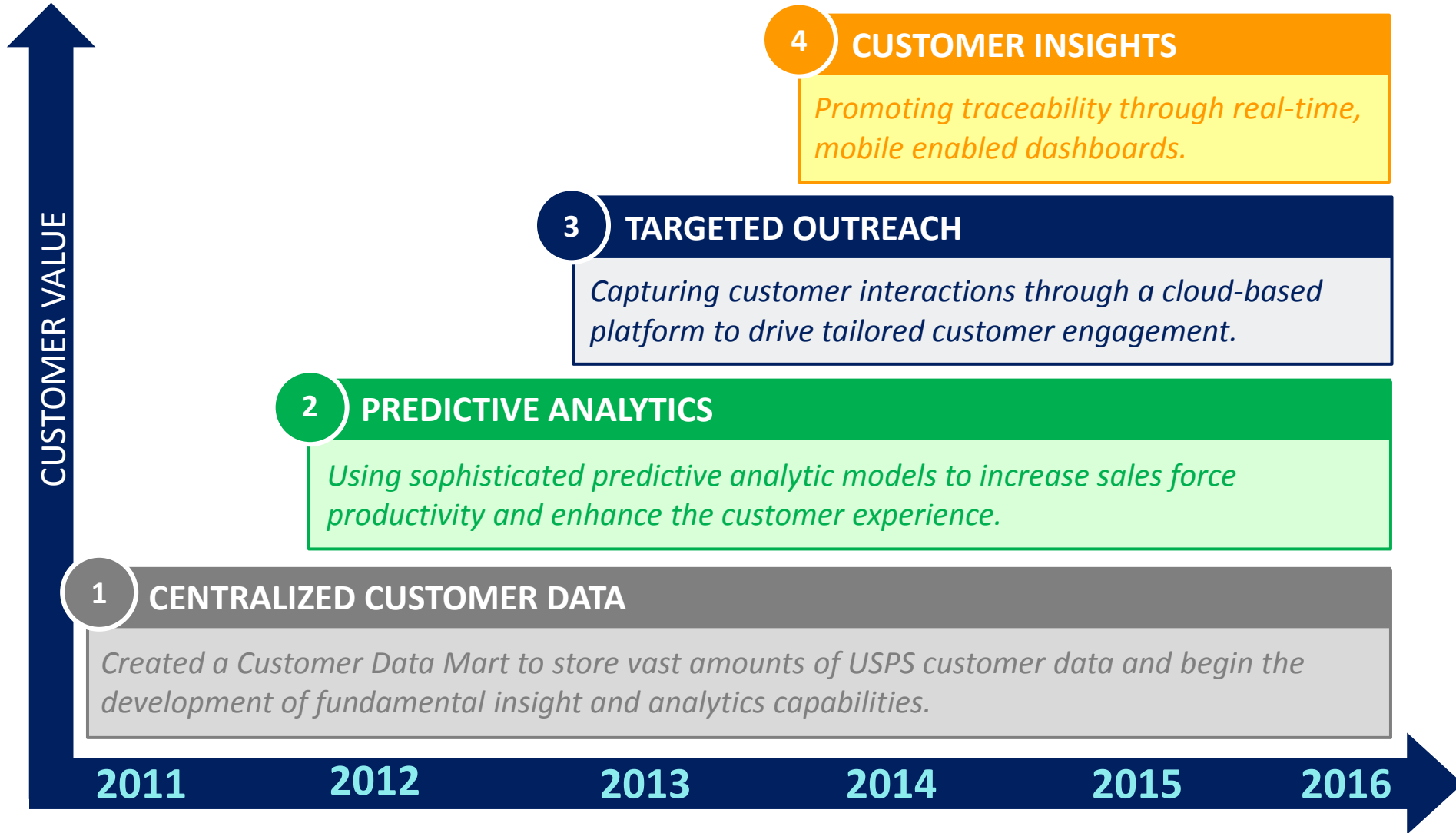


Equip, Engage &
Empower USPS
Employees

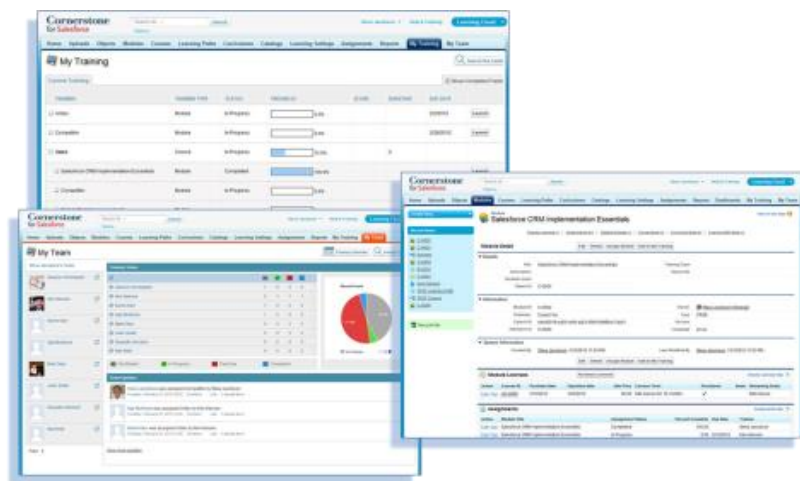
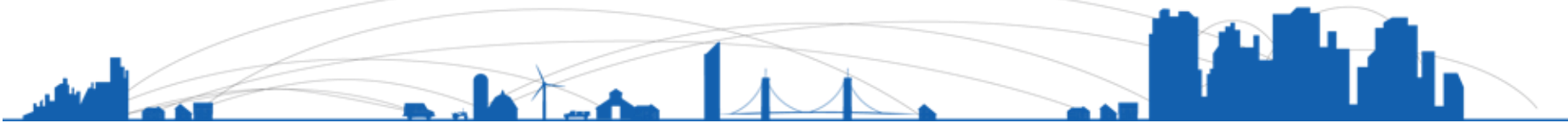
4 Focus Areas

Building Capabilities to Better Serve our Customers

We've made significant advancements in the way we sell and service our customers by establishing foundational technical solutions, and strategically building upon those capabilities.

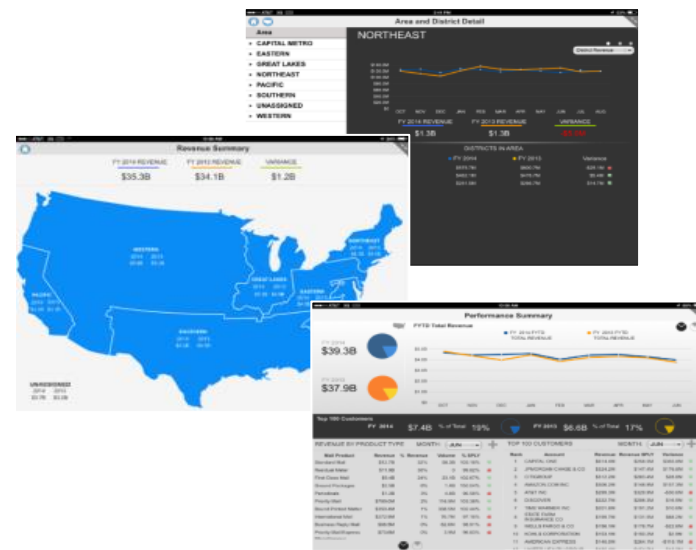


Building Capabilities to Better Serve our Customers



Salesforce.com

Provides a dynamic 360-degree view of our customers activities and trends for more than 20,000 USPS employees

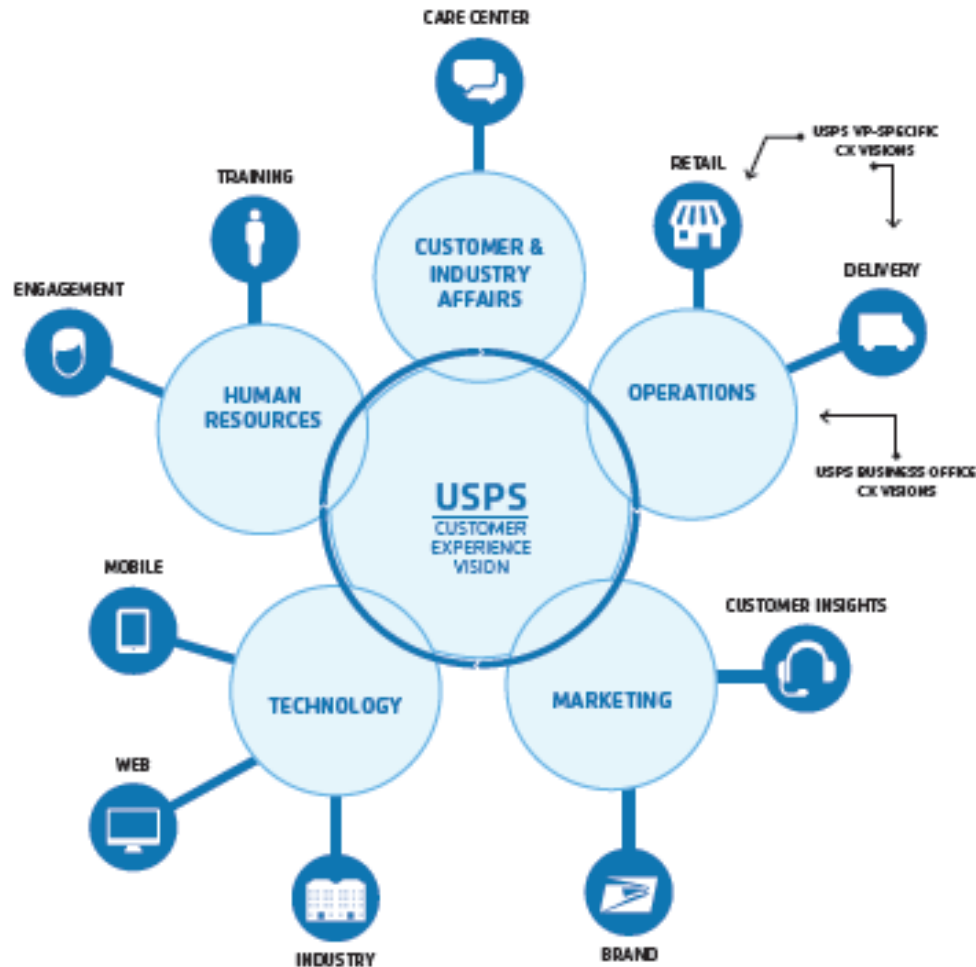


Customer Insights

Mobile dashboards developed to equip USPS leadership and sales with direct access to a highly interactive platform for tracking results

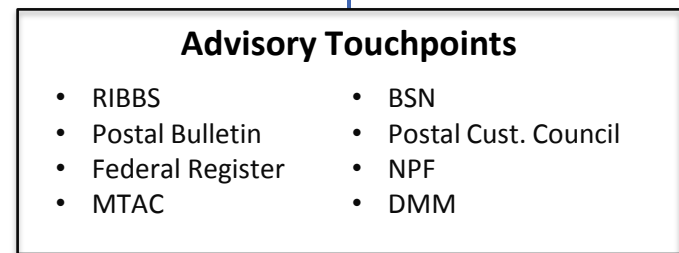
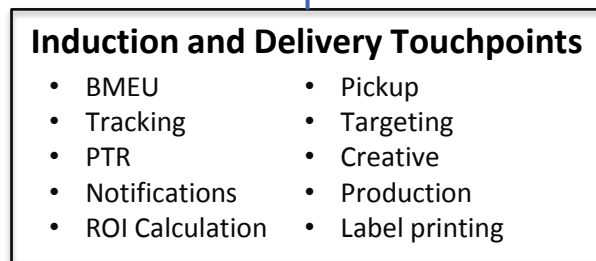
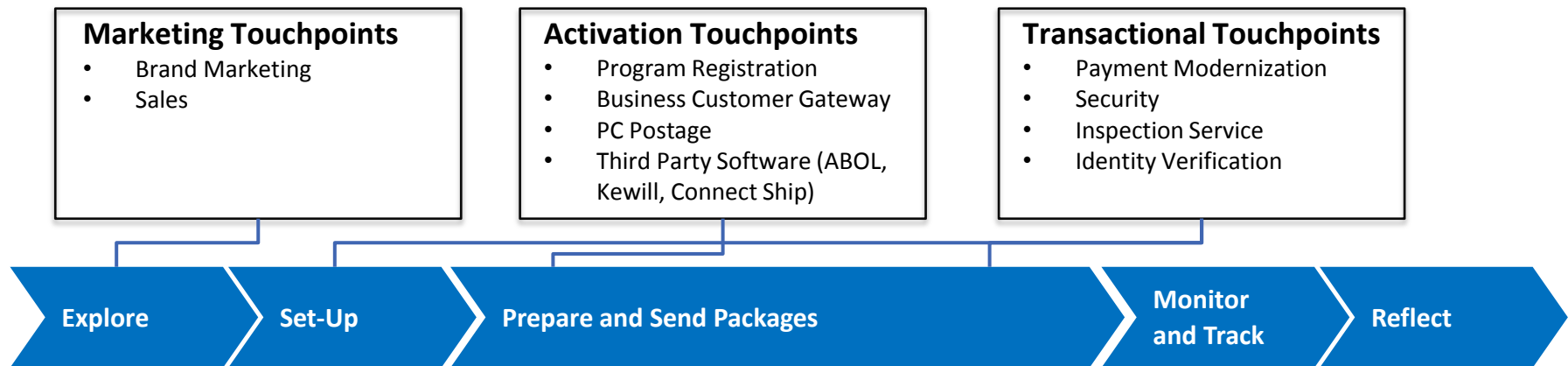
Path Forward: Extend Customer Insights

A greater quality of insight creation and analytics will generate opportunities across functions to exploit the richness of data



Touch Points

Improving the USPS customer experience requires examining touchpoints across the customer lifecycle



A total of 12 journey maps are currently in development, based on customer size and USPS product

JOURNEY MAP REFERENCE

This is one of several journey maps covering commercial business:

MAILING | **SHIPPING**

LARGE BUSINESS

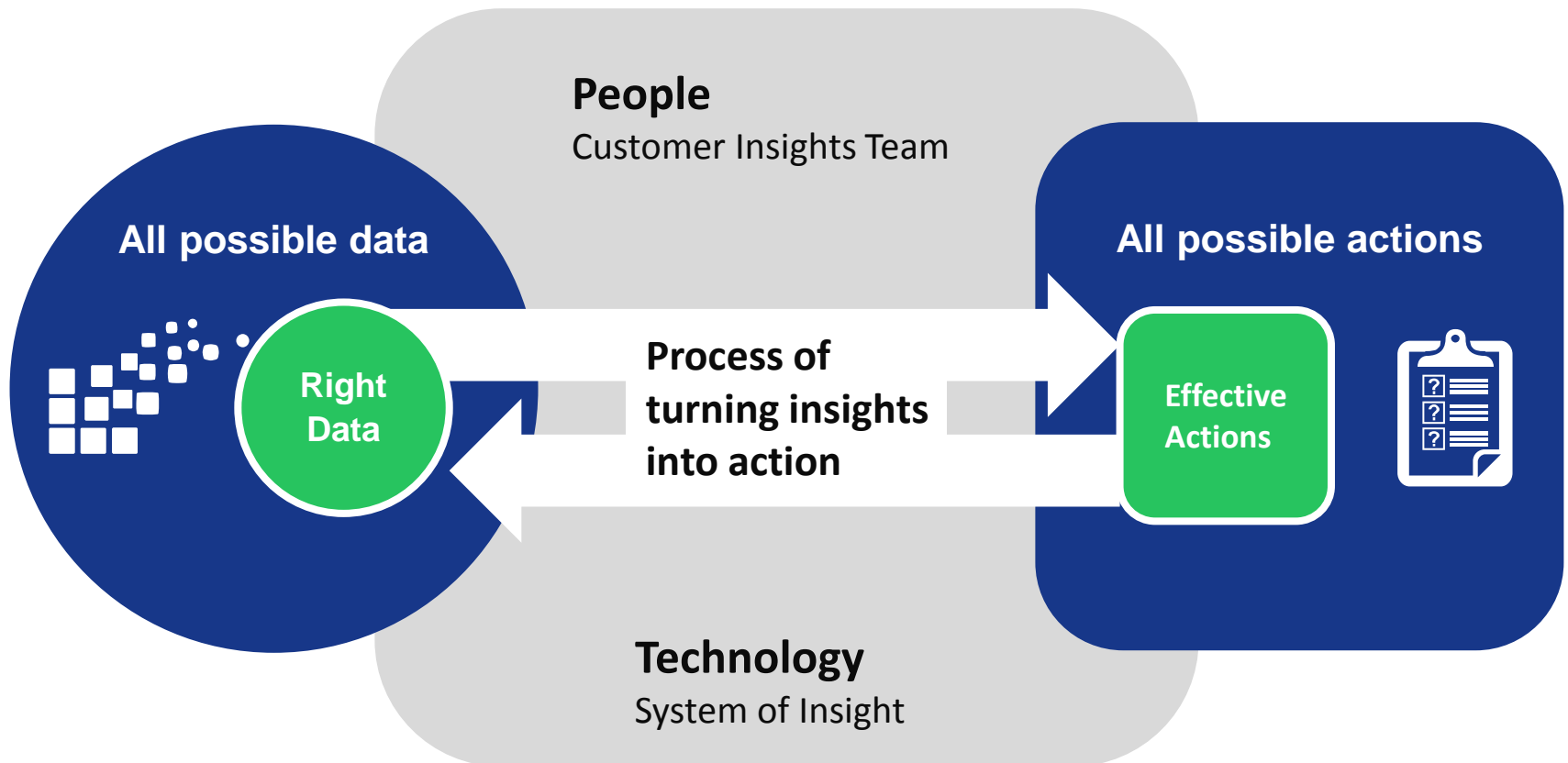
MEDIUM BUSINESS

SMALL BUSINESS

MICROBUSINESS

USPS Goal for Customer Insights

Goal to marry the right people with the right technology to derive the right insights that drive effective actions.



Innovate to Deliver Value



Innovate
to Deliver
Value

4 Focus Areas

INNOVATE TO DELIVER VALUE



Ship from Store (Next Day)

20 customers
with over 8,439
stores served



Informed Delivery App

Give the recipient a
view into what they're
receiving that day



Next Generation Mailbox

- Trips to the door
have reduced from
42% to 12%
- Improves customer
satisfaction



Customized Delivery Markets

- Amazon Fresh
(Grocery Delivery)
- Averaging 5,849
deliveries with over
26,000 per week

INFORMED DELIVERY: NY UPDATE

BY THE NUMBERS

Registered Subscribers: 65,000 (23k receive email alert)



Average Read Rate: 78%

Average time open: 1 hour after sent

Informed Delivery is appealing with high levels of satisfaction and usage



Over 90% say...

- They check and view delivery notifications once a day or more
- They are satisfied with Informed Delivery



Approximately 80% say.....

- They are “very likely” to continue to use Informed Delivery
- They are “likely” to recommend it to a friend or family member

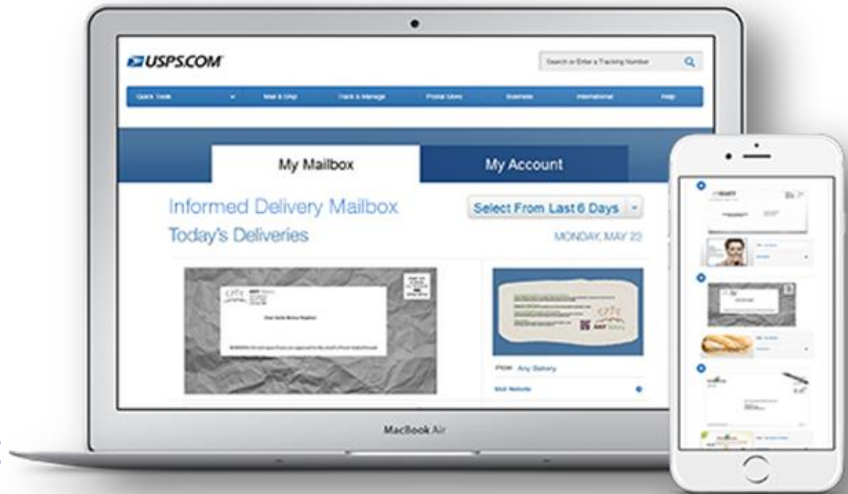
- At least two-thirds of users claim their mail habits have changed because they “now know in advance and can take action when important mail is arriving.”
- Almost half “pay more attention to the mail that is important” to them.

INFORMED DELIVERY: NY UPDATE

Participating Mailers

Getting Started as a Mailer

- Mailer ID on letter size mailpiece
- Image to display for click through
- URL: where customer lands
- Start and end date of image being used
- Image of flat mailpiece (flats are not scanned today)



Product Simplification: Ideas That Promote Ease of Use and Revenue Growth for Industry

January 2017

- Subtle changes that eliminate redundancy
- Structural changes
- Mailing standard changes & clarifications
- Align with current mail prep and processing operations

Ideas under evaluation

- Merge AADC and 3Digit presort auto letters into one category
- Move to piece/pound structure in Standard Mail
- Create 3rd ounce free for First-Class Mail
- Eliminate piece/pound pricing for 3.3 – 3.5 oz weight breaks in Standard Mail auto letters

Invest in our Future



Invest
in our Future

4 Focus Areas

Investing in the Future



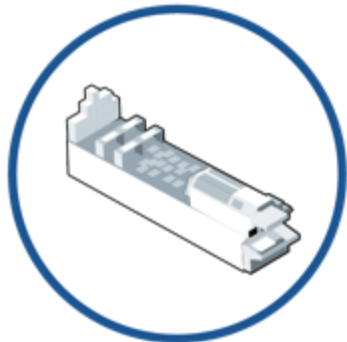
Informed Visibility

From Induct to Delivery –
Giving Customer
Visibility of Mail



Mobile Delivery Device

225,000 Fully
Deployed
(Sept 2015)



Small Package Sorting System

31 Total Systems
(21 by Peak 2015)



Next Generation Delivery Vehicle

Request for
Proposals
(Sept 2015)



**A brand is created through
experiences and the people
who deliver on it everyday**

Questions?

