

State of the Nonprofit Industry: Supply Chains, Postal Issues, and Planning Ahead

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Direct Mail Insights & Solutions

How Did We Get Here?



Prior to 2020

- Postal Trends
- Steady decline in mail volume – both first class and market mail
- Growth in shipping/package volume
- Increased delivery points and changes of address – Americans were on the move!

	2021	2020	2019	2018	2017	2016
ANNUAL OPERATING REVENUE	\$77 B	\$73.1 B	\$71.1 B	\$70.6 B	\$69.6 B	\$71.4 B
CAREER EMPLOYEES*	516,636	495,941	496,934	497,157	503,103	508,908
TOTAL MAIL VOLUME	128.9 B	129.2 B	142.6 B	146.4 B	149.5 B	154.3 B
FIRST-CLASS MAIL VOLUME	50.7 B	52.6 B	54.9 B	56.7 B	58.7 B	61.2 B
FIRST-CLASS SINGLE PIECE MAIL VOLUME**	13.9 B	15.2 B	16.5 B	17.5 B	18.5 B	19.7 B
SHIPPING / PACKAGE VOLUME***	7.6 B	7.3 B	6.2 B	6.2 B	5.7 B	5.2 B
MARKETING MAIL VOLUME	66.2 B	64 B	75.7 B	77.3 B	78.3 B	80.9 B
DELIVERY POINTS	163.1 M	161.4 M	160 M	158.6 M	157.3 M	156.1 M
ADDRESS CHANGES	36 M	35.9 M	35.8 M	36.8 M	36.8 M	37 M
THE POSTAL STORE REVENUE	454.1 M	425 M	325 M	301 M	297.8 M	280 M
TOTAL RETAIL OFFICES	34,223	34,451	34,613	34,772	35,005	35,423
POSTAL-MANAGED RETAIL OFFICES	31,247	31,330	31,322	31,324	31,377	31,585

Information provided by USPS

Prior to 2020

Paper Trends

- Low pulp prices drive large buys of available, low-cost pulp and paper

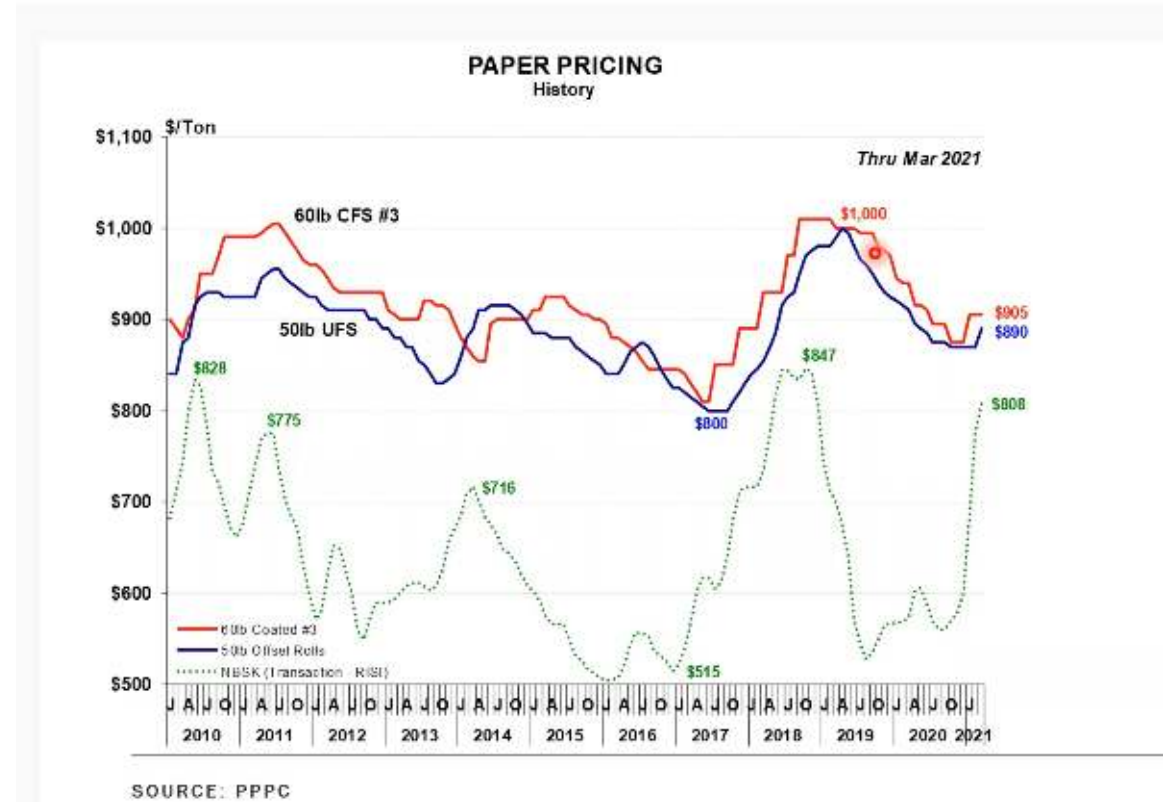
Paper mills have a lot of supply, but low demand – “just in time” purchasing was “just in case”

Paper mills react

Closings, moratoriums, restructures

Machinery retooled to produce more profitable paper – brown paper

Consolidation of print-related manufacturers



2020 – 2021

Covid Impact

- Port congestion – inherent inefficiencies compounded by external factors (consumer demand, labor issues, driver/truck shortages)
- Ships in long queues – 90 ships at anchor
- 40% of goods remain on the dock for nine days vs four days before the pandemic
- Unprecedented freight costs
- Shortages of everyday products

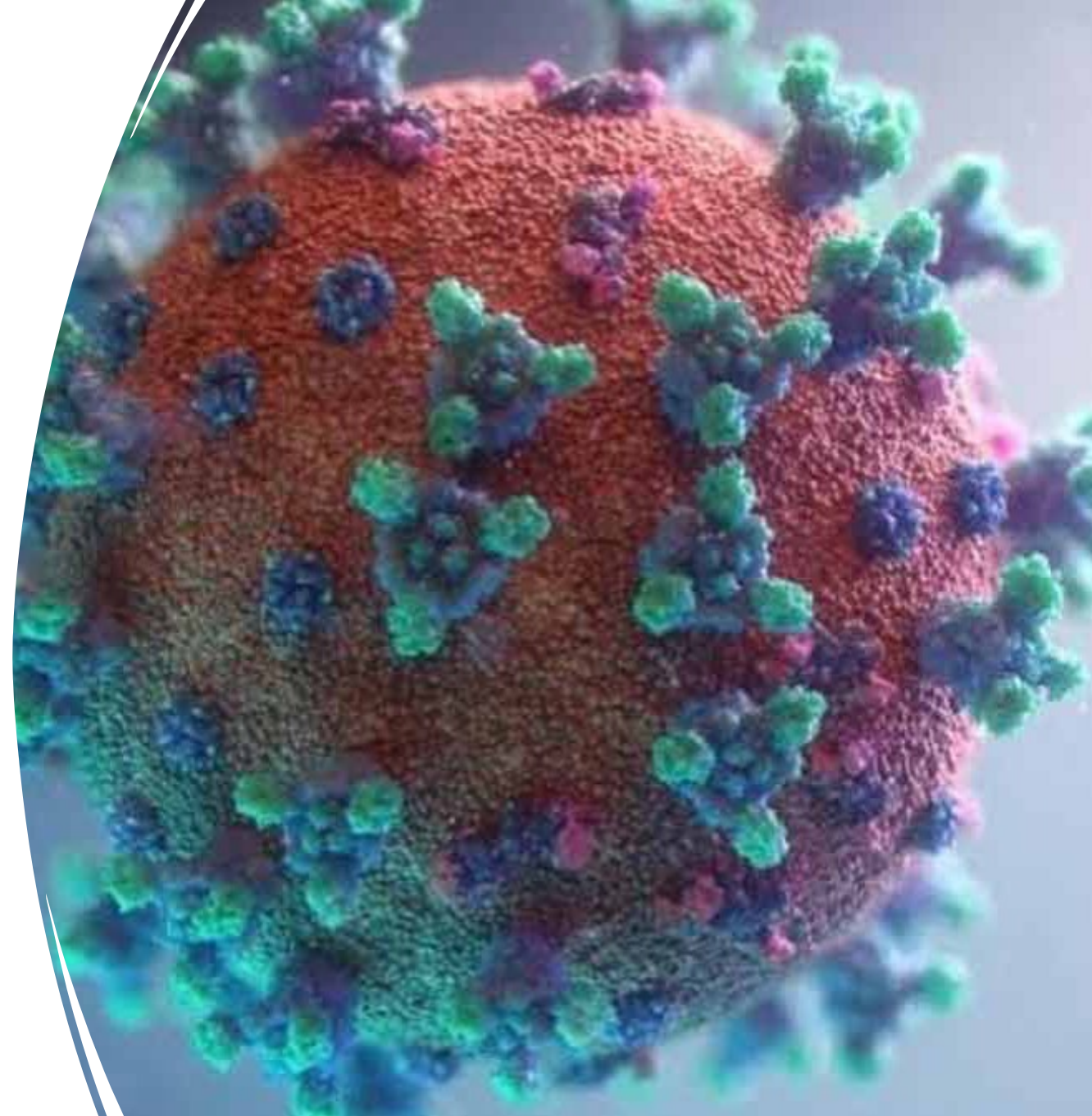


COVID Then and Now

Covid Impact

- Further reduced demand for print and writing paper
- Further consolidations within the print/paper industry
- Staffing shortages – the great resignation >> print, dp, mailshop
- Slow down of e-commerce →

>>But brown paper packaging continues to beat writing/specialty paper for max profit



Six Months Into 2022...

- Ports begin to open up
- Paper demand remains high → brown over white
- Paper prices remain high
- Record high fuel & freight pricing
- Inflation a 40-year high
- Covid variants continue
- Unsettled world markets



Immediate future...

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- Allocation purchasing continues for large print (web rolls) and mail into 2023
- Paper availability – beginning to open up
- 10-12 week orders for envelopes with specialty paper orders longer
- Continued consolidation of paper mills and print services
- Concern with capacity management at year end – print and mailshop

Postage is Going Higher...and Higher

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- Expect 2 increases/year:
 - January – CPI only
 - July – CPI + Retirement + Density compensation
- This is expected to go on for years
- Not a one-time event – a new way of planning/budgeting
- Smarter mailing required
- Promotions become more important

How Much Higher??

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- January 2023 – 4%+
- July 2023 – 6% - 8% Depending on inflation
- January 2024 and beyond? – a little over CPI
- The days of 2% annual increases are gone for the foreseeable future

Managing Change

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- Participate in promotions
- Keep lists clean – NCOA, ACS
- Use the change data you get
- Choose the appropriate class – will Marketing Mail do?
- CPI is likely to be the driver for a while – watch it and budget appropriately

Under the Surface

- PMG DeJoy is not going anywhere
- Postal Reform helped stabilize USPS but didn't impact postage
- Major network reorganization is imminent – focus on packages
- Communication with industry is not good

Marketing Budget Optimization

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REDUCE

FUNDRAISING

WASTE



Step One – Send Net File to Wiland

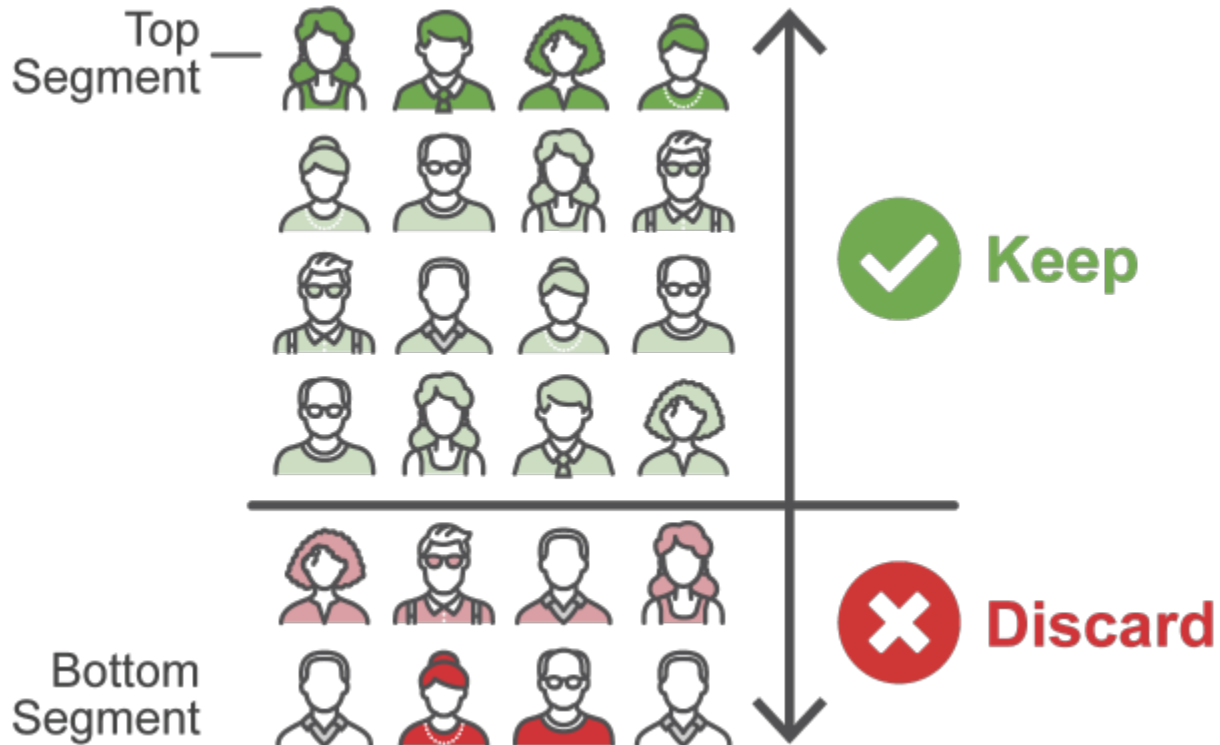
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Send Your Post-Merge
Net File to Wiland for
Analysis & Model
Scoring

(Prior to Mailing)

Step Two – Score & Drop Bad

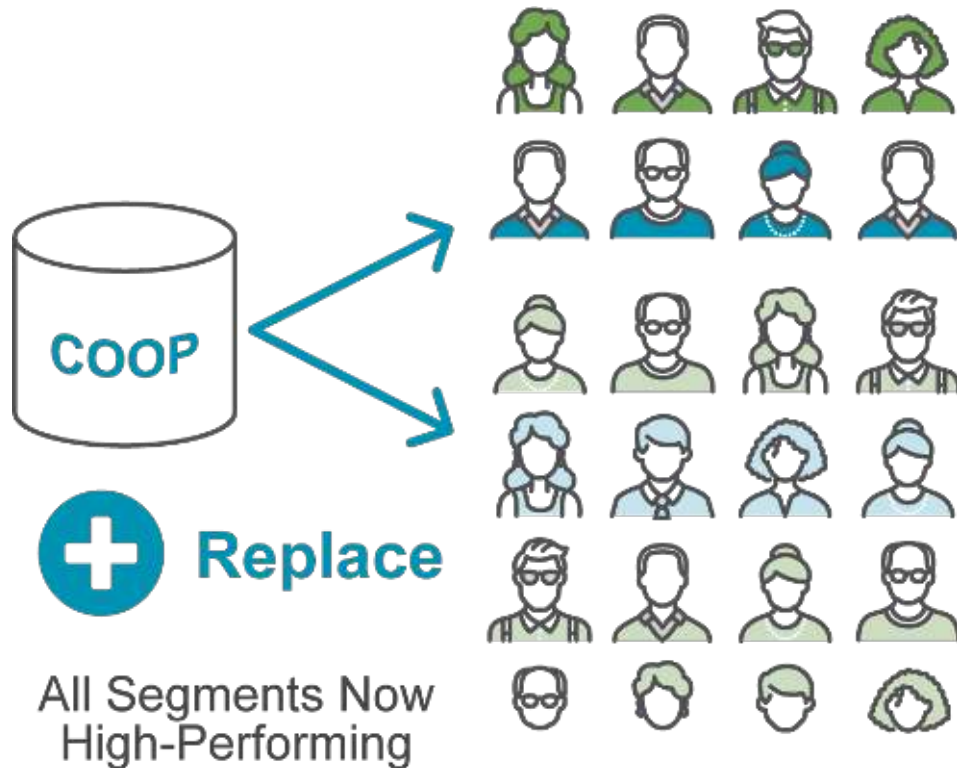


Names Predictively Ranked and Low-Performing Names Are Dropped

Seg	Net File Drops	Seg Net/Donor	Seg Avg Rev \$/Piece
38	44,892	-\$92.44	\$0.07
39	46,766	-\$129.62	\$0.05
40	39,455	-\$146.10	\$0.04

Drop 131,113 Predictively Bad Names

Step Three – Find Replacements



Dropped Names Are Replaced with High-Response Coop Names

Seg	Audience Quantity	Seg Avg Rev \$/Piece
1	8,293	\$0.97
2	11,913	\$0.77
3	14,807	\$0.55
4	16,272	\$0.47
5	16,661	\$0.35
6	15,688	\$0.49
7	16,374	\$0.37
8	16,943	\$0.34
9	14,162	\$0.30

Replace with top 131,113 Available Replacement Names

Step Four – Mail Optimized File



Newly Optimized Net File is Deployed for Improved Campaign Performance

Replacement Names: Projected Revenue	= \$62,595
<u>Dropped Names: Projected Revenue</u>	<u>= \$ 7,059</u>
Incremental Revenue	= \$55,536

Optimization Summary:

- Cost of Replacement Names = \$ -8,524
- Net Revenue improvement: \$ 47,012
- Acquired 1,148 incremental new donors

Key Benefits

- 01 Increased response rates
- 02 Increased revenue per piece
- 03 Higher long-term value from new donors
- 04 Reduced fundraising waste



What's Next:

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Best Practices: Always Welcome

Best Practices:



- Don't reinvent the wheel – keep it simple
- Use previous year's packages as “hangers”; change the copy, massage the specs
- Know your print volumes & reserve your campaign space
- Be nimble – embrace “Plan B” if your first choice isn't available

Best Practices:

Inform CFO, CEO and other decision-makers of industry trends - be prepared for:

- Early package and paper commitments
- Quick decisions - pop-up opportunities
- Reforecasting – mail volume, budgets



Best Practices:

- Carefully consider overseas produced premiums and packages – delivery timelines, freight costs are still too unpredictable
- Integrate non premium acquisition packages into the mix – testing



Best Practices:

Be a good partner:

- Provide timely approvals
- Commit to **on-time data**
- Follow QC processes
- Drive toward full transparency
- Consider a physical inspection of your core partner 'shops' before year end – inventory, capacity, redundancy, staffing



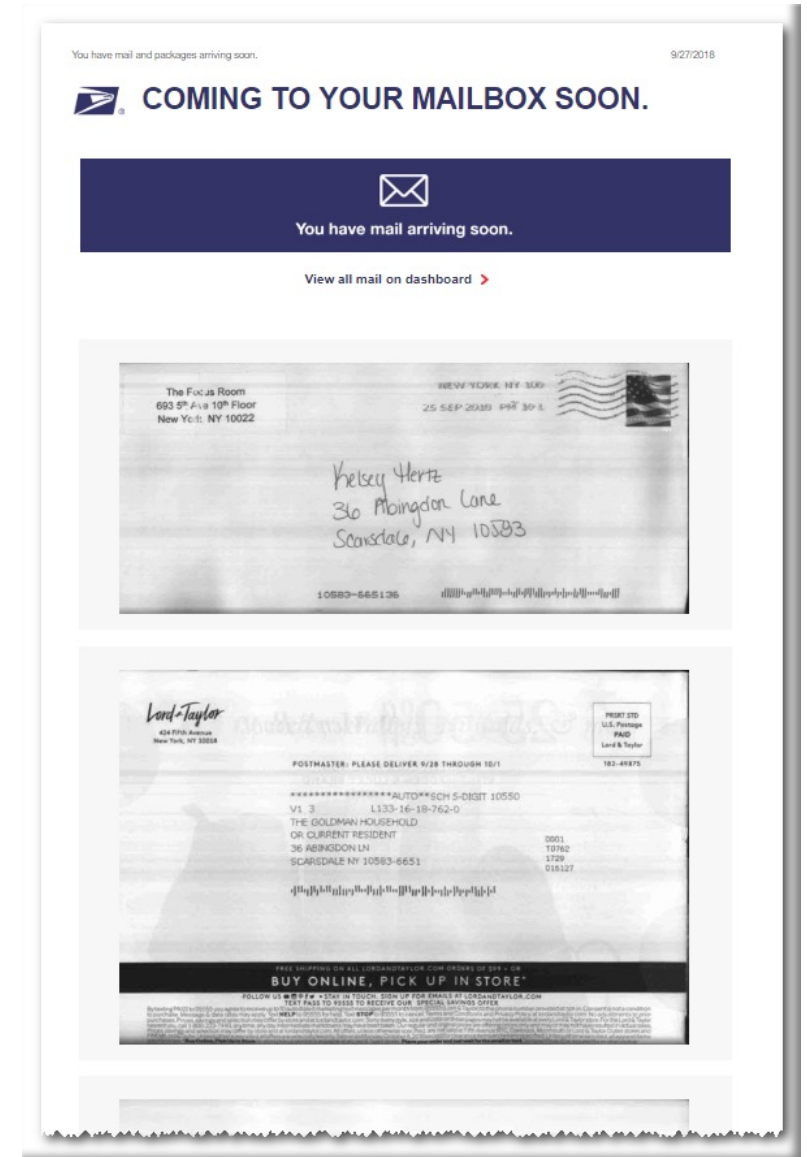
Best Practices:

- Share design with the printer/mailshop in advance of release to ensure their ability to process as requested
- **Don't let perfect be the enemy of good**
- **Don't run out of road** - advance/detailed schedules are the best approach to setting expectations



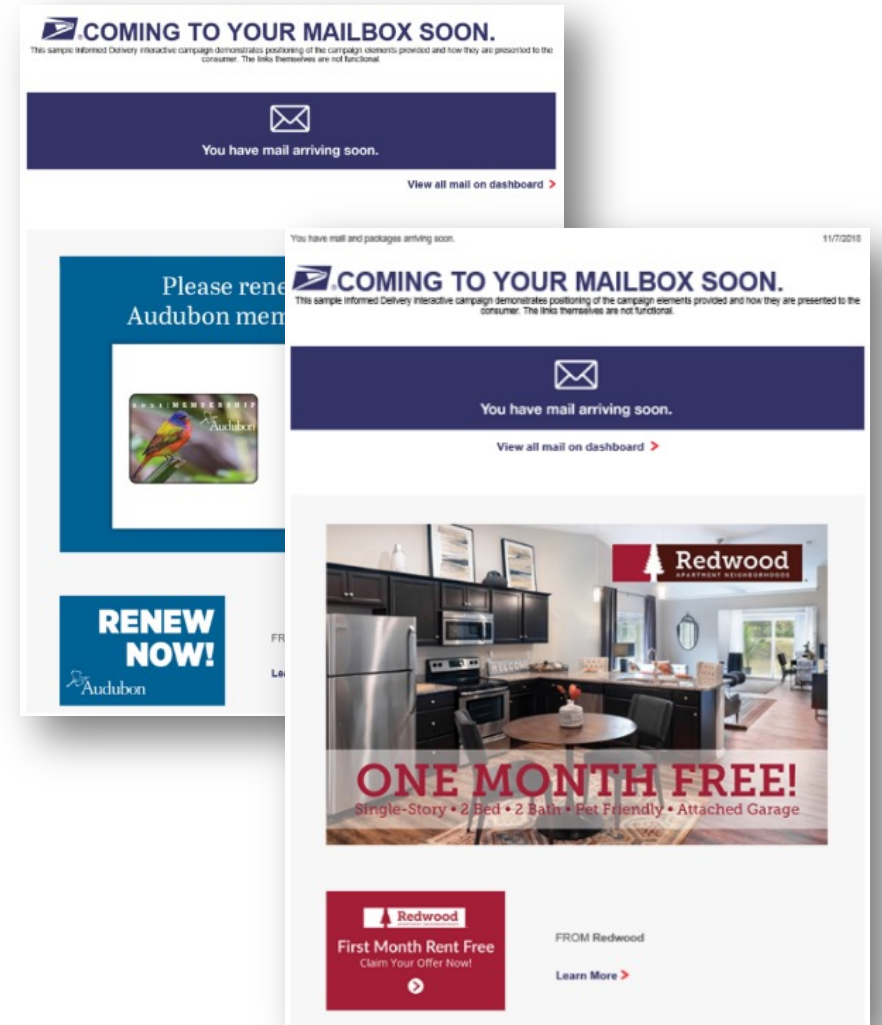
What is Informed Delivery?

- A consumer facing USPS service
- USPS sends black and white images of the day's mail to consumers before the mail is delivered
- These images are captured from barcode sorting equipment at the Postal Service
- Flat-Size mail is a different process – mailer must provide image
- Mailers can add and replace images



Informed Delivery is Popular

- Over 47 million subscribers
- Nearly 40 million email subscribers
- More than 1 in 4 households subscribe
- More than 1,800 mailers enrolled
- More than 8,000 active campaigns at any time



2022 Informed Delivery Promotion

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- Five months long – August – December
- 4% discount on entire mailing
- Eligible mail:
 - First-Class letters and flats
 - Marketing Mail letters and flats (includes nonprofit)
 - Must be automation/Full-Service compatible
- Registration has begun:
 - Requires promotion registration before mailing
 - Each mailing must be approved for discount



USPS PROMOTIONS CALENDAR



2022

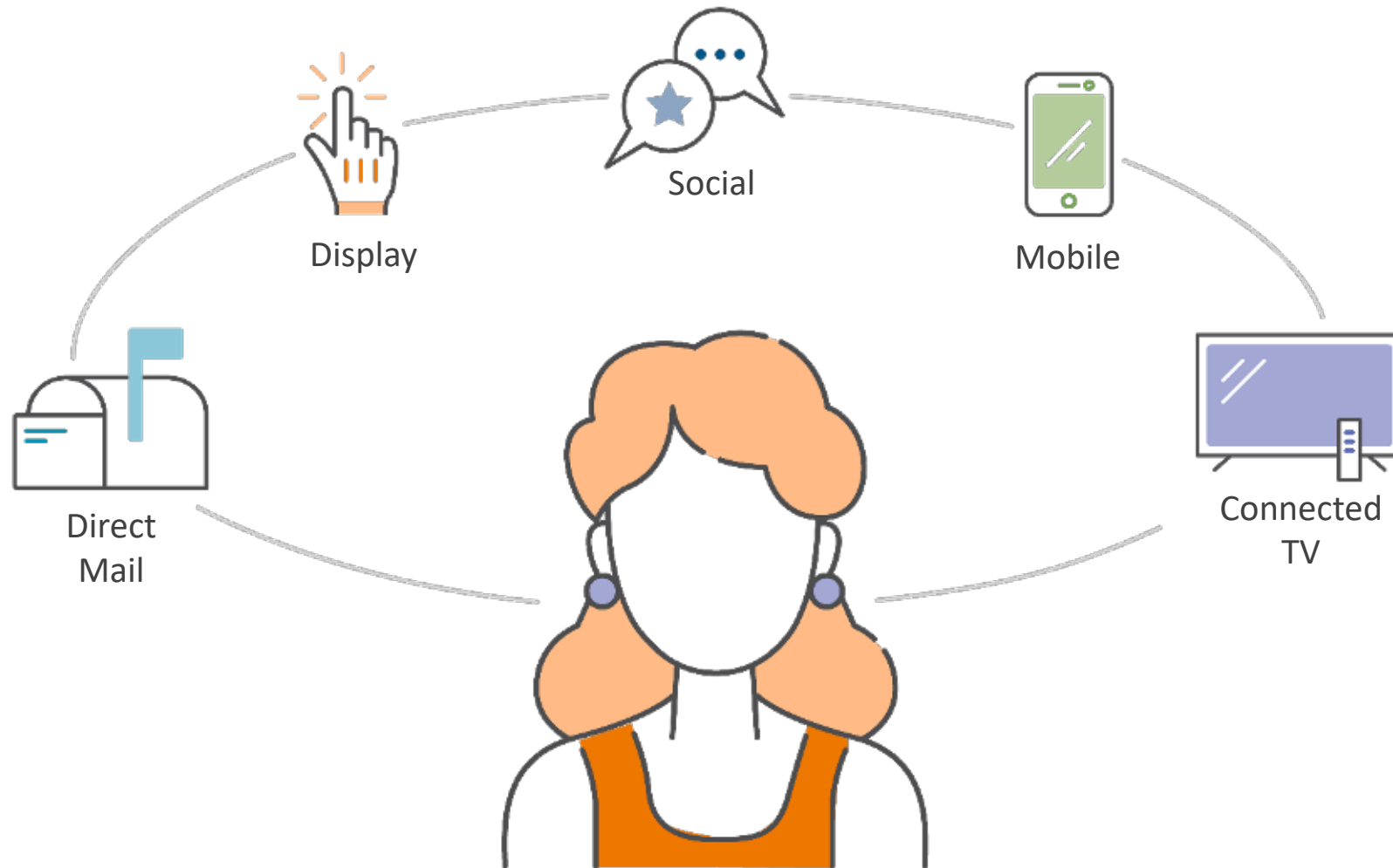
PROMO NAME	REGISTRATION PERIOD												SAVINGS*
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
TACTILE, SENSORY AND INTERACTIVE MAIL PIECE ENGAGEMENT	Registration: DEC 15 - JUL 31 Promo Period: FEB 1 - JUL 31												UP TO 4% DISCOUNT
EMERGING AND ADVANCED TECHNOLOGY	Registration: JAN 15 - AUG 31 Promo Period: MAR 1 - AUG 31												UP TO 3% DISCOUNT
EARNED VALUE REPLY MAIL	Registration: FEB 15 - MAR 31 Promo Period: APR 1 - JUN 30												UP TO 2¢ per counted reply and/or share mail piece CREDIT
PERSONALIZED COLOR TRANSPROMO	Registration: MAY 15 - DEC 31 Promo Period: JUL 1 - DEC 31												UP TO 3% DISCOUNT
INFORMED DELIVERY	Registration: JUN 15 - DEC 31 Promo Period: AUG 1 - DEC 31												UP TO 4% DISCOUNT
MOBILE SHOPPING	Registration: JUL 15 - DEC 31 Promo Period: SEP 1 - DEC 31												UP TO 2% DISCOUNT

*Approval and acceptance needs to be confirmed by the USPS prior to mailing. Savings percentages are estimates that will be confirmed at the time of mailing and are not guaranteed.



Multichannel Integration with Wiland Audiences

Creating Truly Multichannel Campaigns



Co-Targeting Across Verticals Drove DM Lift

Consistently more conversions were had by adding digital touch

Industry	Control – DM Only Conversion %	Control – DM Only Avg Gift	Test – DM & Digital Ads Conversion %	Test – DM & Digital Ads Avg Gift	Conversion Lift by Adding Digital Ads
Children	0.54%	\$35	0.93%	\$37	73%
Humanitarian	0.31%	\$64	0.48%	\$79	53%
Major Hospital	1.31%	\$25	2.25%	\$27	72%
Conservation	0.35%	\$42	0.51%	\$39	44%

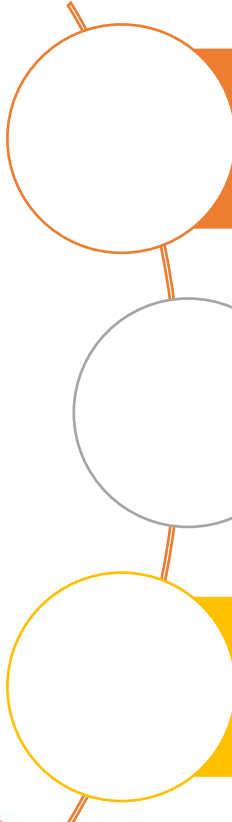
*Campaigns were run in 2021 for prospect co-targeting with audience size of 125M to 400M direct mail

Channel Integration



Ideas:



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- #1: An early bird Giving Tuesday postcard with QR code, a donation page URL and Informed Delivery and URL for additional impressions and increased overall gifts
 - #2: Try defaulting your direct mail donation form (the one attached to a vanity URL) to monthly giving
 - #3: Anticipate slow mail delivery around the mid-terms – thanksgiving/year end . For direct mail donors who also have an email address – reach out with solicitation and apology if our ‘communications have crossed’ as you provide a link and request for a gift/donation

Idea #4:

Year-End Optimization of Online Supporters >> Overall increase in gifts

Modeled Online only supporters (online petition/pledge signers, premium responsive) for propensity to respond to offline/direct mail

1/2 were sent an acquisition package (versioned to indicate they were donors) and 1/2 were given the traditional online experience but no direct mail.

***the direct mail to online modeled donors brought in \$39k!!**

		ONLINE			OFFLINE			\$ TOTALS		
	Population	# Gifts	Avg Gift (\$)	Revenue (\$)	# Gifts	Avg Gift (\$)	Revenue (\$)	Cost (\$)	Gross Revenue (\$)	Net Revenue (\$)
Not Mailed	5,653	256	\$61	\$15,511	10	\$663	\$6,627	\$0	\$22,138	\$22,138
Mailed	5,654	569	\$70	\$39,899	70	\$166	\$11,616	\$8,528	\$51,515	\$42,987
% Difference		+122%	+15%	+157%	+600%	-74%	+75%	n/a	+133%	+94%

Ensuring Best Delivery

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- Understand key delivery times and plan accordingly
- Commingle or drop ship whenever possible
- Try to never origin induct national Marketing Mail
- Track your mail!

Bonus Material

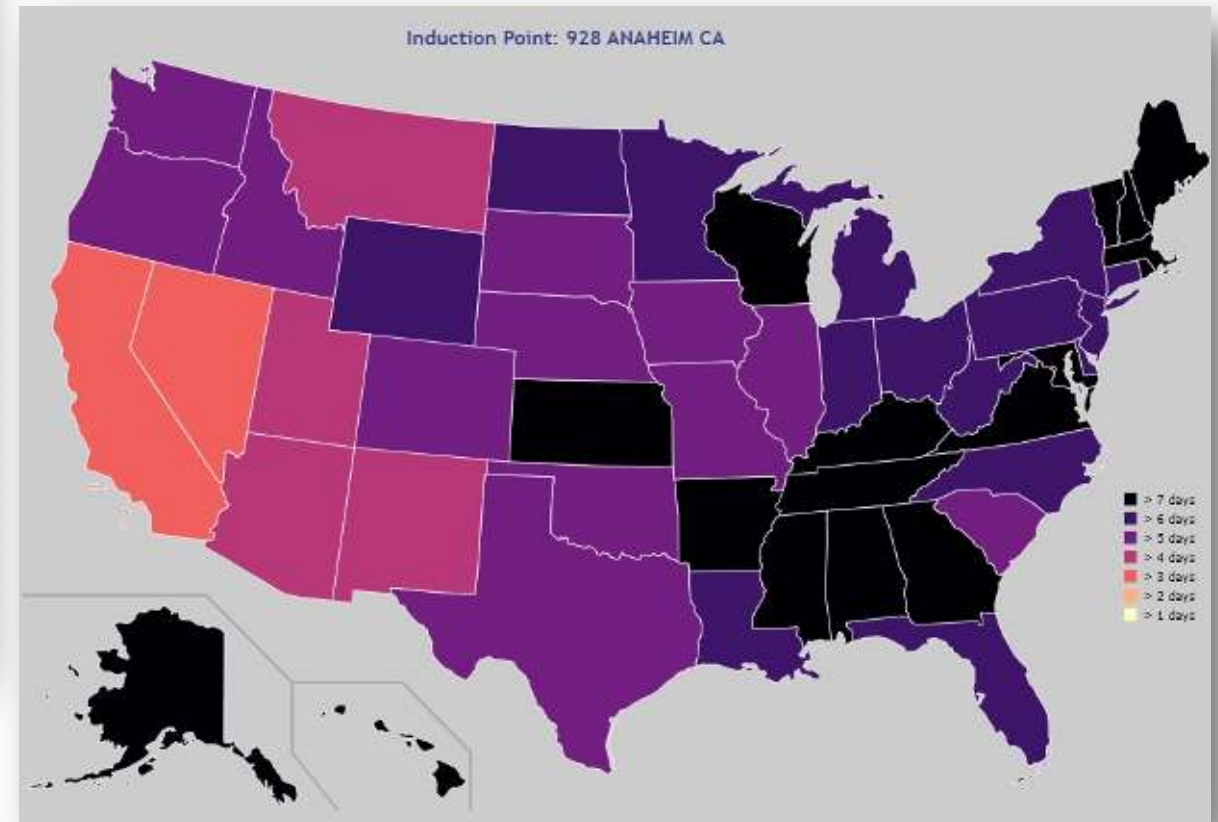
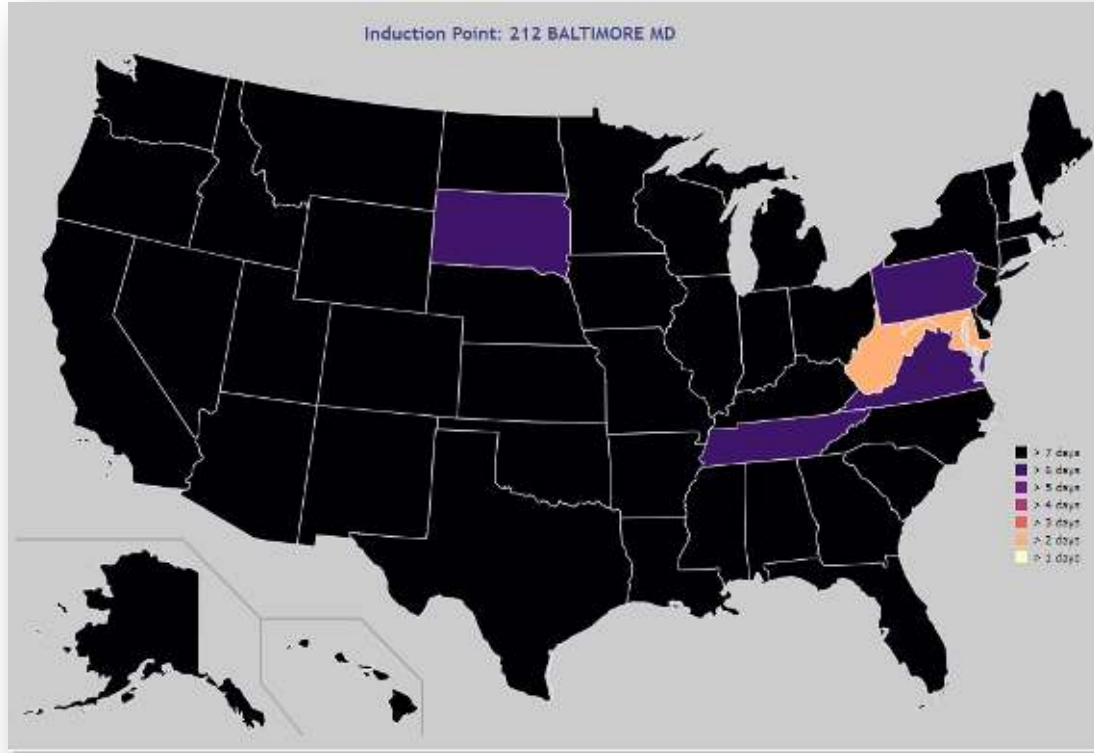
How Long Does Mail Take?

National				
	First-Class		Marketing Mail	
Last week:	Letters	Flats	Letters	Flats
On-Time %	94.56%	90.53%	97.49%	95.82%
Average Delivery Days	2.65	2.81	3.01	3.19
Intra-SCF days			1.97	2.27

There is no true “average delivery time” for Marketing mail. Point of induction and distance traveled is critical!

Bonus Material

Interstate Marketing Mail



Bonus Material

Marketing Mail Transit Times

- Anaheim to New York: 6.38 Days
- Baltimore to New York: 7.69 Days
- Anaheim to Baltimore: 7.93 Days
- Baltimore to California: 11.29 Days
- Anaheim to Florida: 6.10 Days
- Baltimore to Oregon: 11.00 Days