



Presented by the Advertising Research Foundation

GRAND WINNER & United States Postal Service:
BUSINESS-TO-BUSINESS GOLD WINNER A Simpler Way to Ship

BUSINESS SITUATION

A Category Dominated By Two Aggressive Players

Businesses account for 95% of all expedited package shipping in the U.S. The category is dominated by two iconic brands: UPS and FedEx. Long considered the gold standards among business shippers, together they hold more than 86%¹ market share. UPS and FedEx have created extremely high barriers to competition, with world-class customer service and on-time reliability, customized shipping computer software, and a comprehensive suite of pick-up and retail options (the latter through UPS Stores and FedEx Office, formerly Kinko's, locations). Promotional expenditures for the two outpaced the Postal Service by a margin of more than 7 to 1² in 2008.

As an example of just how difficult it is to make profitable inroads against these two juggernauts, following five years of operational and infrastructure investment (including over \$260 million in advertising spend²), DHL discontinued U.S. domestic operations in early 2009.

The growth of UPS and FedEx over time had come largely at the expense of the U.S. Postal Service, whose share of the domestic shipping market has declined for ten consecutive years; from a high of 20% in 1998 to a new low of 13.7% in 2008¹. This is significant because one category share point equates to 89 million packages or \$630 million in sales¹. The Postal Service has been unable to effectively defend its share due largely to its perceived lack of competitive product and service offerings, combined with the inflexibility that often comes with U.S. government regulatory restrictions.

The Weight of the Economic Meltdown

The U.S. economy was also placing strong negative pressure on shipping volume. The U.S. expedited shipping category experienced a 3% overall volume decline from 2007 to 2008, while Postal Service volume shrank more than 5%¹. The outlook for 2009 wasn't any better. Overall category volume was projected to decrease an additional 5 to 9%¹. A near-term marketing response was urgently needed. The intensity of competitive pressure and USPS' dire financial picture meant significant investment in Postal Service new product development or network infrastructure were off the table. USPS would need to find some way to initiate growth from within its existing product and service portfolio.

USPS: A Viable Choice?

An extensive series of exploratory mini-groups with business shippers during 2008 suggested that, despite its broad network of Post Offices and the virtually daily presence of Postal Carriers in businesses across America, many decision makers no longer considered the Postal Service to be a viable option in the expedited shipping category⁴. Shipping behavior for most businesses had become habitual in using UPS and FedEx, and each brand's consistent performance gave their customers little reason to second-guess their actions. Quantitative Shipper Value Research⁵ revealed that UPS and FedEx had significant and substantial perceptual advantages over the Postal Service on seven of the top factors most influential in the selection of a shipping provider: on-time delivery performance, tracking capabilities, money-back guarantees, pick-up service, drop-box locations/cutoff times, retail hours/service, and Internet shipping capability. These factors gave USPS every reason to believe it would continue to experience threatening business declines unless some dramatic, unprecedented steps were taken.

USPS BUSINESS OBJECTIVE

For 2009, USPS' bold business objective was to reverse its long-term negative sales trend and increase expedited shipping volume and revenue by 5% vs. the same period last year (SPLY).

BUDGET

To accomplish this, USPS determined it could allocate approximately \$30 million for the communications effort, including media, direct mail, search, production, promotions and PR. This budget covered the period from campaign launch in mid-May, 2009, through October.

RESEARCH OBJECTIVES

- Identify which USPS product or service represents the best market opportunity to halt sales declines, reignite the organization and create growth.
- Identify unmet package shipper needs that can inform a marketing and communications strategy that will enable USPS to overcome its competitive credibility deficit.
- Insure USPS communication solutions achieve exceptional breakthrough, messaging engagement and persuasiveness.
- Develop in-market feedback mechanisms that will enable USPS to track campaign performance and optimize messaging mid-stream (e.g., spend level, media channel and vehicle selection, messaging strategy).

RESEARCH CONTRIBUTION

To help determine which expedited shipping product or service held the greatest market potential for USPS, a massive quantitative Brand Potential Study⁵ was conducted among business shipping decision makers, who were stratified by shipping volume. The study assessed trial intent (using a market-validated, weighted purchase probability scale) regarding a series of concept descriptions spanning the full range of USPS shipping products and services.

Through this study, a product that had been developed 5 years earlier – the Flat Rate Box - emerged from the shadows of better-known Postal products as representing the highest potential trial and incremental business opportunity for USPS. It generated the strongest modeled adoption rates across each of USPS' target segments. Flat Rate Boxes also generated the highest ratings for “provides new information,” “is a credible option,” “is relevant to me” and “is superior to competitive offerings.” (see Appendix Figure 1 for “Brand Potential Index” results)

With Flat Rates Boxes now identified as *the* product to lead USPS' 2009 market response, a variety of new and recently conducted research studies were drawn on for insight to help guide its communications, messaging and creative strategy. Brand metaphor research provided deep insight into iconographic and cultural associations the target has with the USPS brand⁶. Two rounds of motivational insight focus groups added perspective and deeper understanding regarding the target and influencer decision-making processes⁷. For insight regarding product positioning and competitive white space opportunities for Flat Rate Boxes, USPS again turned to its comprehensive Shipper Value Research³. It revealed the market leaders essentially "owned" the two most important drivers of provider preference; "on-time delivery" and "speed of service" – characteristics they had spent billions on battling for leadership.

The third most important driver was "ease of use," an attribute that had not been specifically emphasized in the category. Through its extensive marketing efforts over time, UPS and FedEx had essentially convinced American businesses that shipping was complicated and required the assistance of professionals. "Easy" had come to mean paying high prices in order for these providers to take care of the details. The study results – when viewed through the lens of Flat Rate Box's unique product characteristics - suggested there was real opportunity for USPS to disrupt this convention by demonstrating how Flat Rate Boxes can make shipping easier.

Subsequent mini groups⁵ provided important learning for messaging strategy. They revealed three key, unaddressed "truths" of package shipping that USPS Flat Rate Boxes were perfectly poised to address:

- Weighing packages is a hassle – With Flat Rate Boxes, there's virtually no need to weigh.
- Comprehending rates for shipping to different states is confusing – Flat Rate Boxes offer a low flat rate to every state.
- The process of shipping packages is overly complicated – With Flat Rate Boxes, if it fits, it ships.

These problems and the unique solutions Flat Rate Boxes deliver formed the basis of the messaging architecture for the campaign. Together, they became the core subjects for telling the story of why Flat Rate Boxes are "A Simpler Way to Ship".

In its totality, this deep market research exploration was instrumental in convincing the Postal Service that a Flat Rate Box campaign was worth investing in... if the story could be told in an engaging and compelling way.

CAMPAIGN DEVELOPMENT RESEARCH

Against this strategic platform, the Postal Service aggressively challenged its agency to develop creative that would be strong enough to reverse USPS sales trends. This challenge led to the creation of literally hundreds of concepts, executed in multiple channels, and brought to life through a myriad of campaign approaches.

Through a combination of keen marketing judgment, exceptionally high and unwavering standards, and input from extensive animatic pre-testing and finished advertising copytesting (among both target audience members and USPS employees), a campaign began to take

shape. The campaign creative strategy was finalized and executions were completed in preparation for a holistic, multi-channel launch in mid-May.

Client confidence was now building. All four TV launch executions (three brand, one direct response) tested dramatically stronger than category, all-animatic, and “all-commercials-ever-tested” norms⁸. Plotting on the Millward Brown “Nine-Box” matrix (illustrating strength of performance on the Awareness Index and Persuasion Score predictors of short-term sales effect – see Appendix figure 1), as well as outstanding performance across the entire array of copytesting metrics confirmed the Flat Rate Box message that was strong and clear, its delivery engaging and extremely persuasive.

As the campaign launched, a series of performance-based research processes were initiated to track performance and facilitate campaign optimization:

- In-market media weight testing was conducted to assess the affect of 100% higher levels of TV weight⁹. This testing revealed that the heavier weight increased sales volume by 20 percentage points over control markets. This learning helped make the case for continued campaign support, as well as influenced media mix and budget allocation decisions.
- Cost-per-lead analyses were conducted focusing on DRTV, DM, EM, Search, web banner and PURL response rates, which helped identify optimization opportunities. This learning enabled USPS to increase its lead generation efficiency by up to 71%.
- To provide deeper insight into ROI and campaign optimization, a media mix modeling initiative was launched, as well as a nearer-term media channel contribution and interaction study.

CAMPAIGN DESCRIPTION

A Campaign With A Face

Consistent findings throughout campaign development research reinforced that one of the keys to strong performance is the use of the U.S. Postal Service Letter Carrier as spokesperson (vs. celebrity spokespeople who were actively considered and researched, but ultimately rejected¹⁰). His use enables the Postal Service to leverage the strength of the emotional relationship many people have with their Carrier and create brand linkage that is unmistakable. In the “Simpler Way to Ship” campaign, he is seen as the appropriate and trusted voice to deliver the Flat Rate Shipping message. In doing so, he teaches American businesses there is now a different, easier way to ship.

In TV advertising, we join him on his route as he encounters a variety of business people, each with a different kind of shipping problem that he solves with a Priority Mail Flat Rate Box. The situations align directly with the brand’s messaging architecture. The Carrier is a central focus in all other channel communications, as well, making sure his customers know, “If it fits, it ships anywhere in the country for a low Flat Rate.” All executions close with the “A Simpler Way To Ship” themeline.

Empowering Shippers To Act

In addition to “brand building” creative, the campaign’s use of direct response channels helps the Postal Service engage prospects and convince them to try Flat Rate Boxes by requesting a free “shipping kit” via a call center, online microsite, or business reply card. In all, the campaign utilizes 12 unique communications channels. Campaign engagement, response, sales volume, and channel consumption information is constantly monitored, enabling “test/track/learn” to serve as both a campaign mantra and the means to provide tangible, actionable, proof-of-performance information to USPS management.

BUSINESS RESULTS

From the time the earliest exploration was done on this effort, the Postal Service made one thing clear: campaign success would be defined solely by increasing expedited package volume and revenue. Campaigns that elevated brand imagery and perceptions were admirable; however, this campaign would need to lift sales.

The extraordinary results the Flat Rate Box campaign has experienced have not been limited to strong market research test scores. It has succeeded in reversing the Postal Service’s ten-year-long expedited packages sales decline:

- From campaign launch through the end of October 2009, Flat Rate Box volume has increased 59% (compared to a projected category loss of 5% - 9%) vs. SPLY. Flat Rate Box revenue has increased 53% over the same period (Appendix Figure 2), representing **an incremental \$119 million in sales.**
- Over the same period, the campaign has also generated nearly 20,000 leads among high-volume, larger businesses for the USPS Sales Team. These leads have resulted in 3,927 Flat Rate Box sales contracts to date, with a **total additional value of approximately \$54.1 million.**

Over the same period, revenue for FedEx and UPS were both down, 21% and 19% respectively (Appendix Figure 3). This translates to a \$154 million decline for UPS, and a \$161 million decline for FedEx.

- prioritymail.com hits, the microsite landing page for the Flat Rate Box campaign, have totaled 2.4 million since the inception of the campaign.

These significant results have not gone unnoticed with important constituencies for the Postal Service. The Flat Rate Box campaign was called the “best advertising program in 30 years” by the Postmaster General of the United States, “primarily for one reason: it works.” And Senator Thomas R. Carper, head of the US Senate Sub-committee on Federal Services and International Security, mentioned it as an outstanding example of how the Postal Service can compete with private enterprise.

As a final note regarding the compelling nature of the Flat Rate Box strategy and campaign, from November 9 -- when the target was expanded to include Residential Shippers for the holiday season -- until the end of 2009, Shipping Kit requests to Residential Customers have totaled more than 700,000.

Sources:

1 Colography Group: Domestic Air & Ground Quarterly Reports, 1998-2008; 2 TNS Media Expenditures and Agency estimates; 3 Colography Group: Shipper Value Analysis Survey, August 2008; 4 Optimization Group, Brand Potential Study, January 2009; 5 Consumer Insights: Priority Mail Qualitative Exploration, October 2008; 6 Campbell-Ewald: USPS Brand Metaphor Exercises, January; 7 Consumer Insights: Motivational Driver Groups, April and July, 2007; 8 Millward Brown: Link Copy Testing, March-November 2009; 9 USPS Heavy Spend Test, May 18-Sept. 30 2009; 10 Davie Brown Index (DBI), 2009