



August 14, 2013

NEWSWORTHY

USPS formally launches new "Priority Mail" product with next-day delivery window

Product aimed at capturing increased e-commerce volumes.

By [Mark B. Solomon](#)

The U.S. Postal Service (USPS) today took the wraps off an enhanced "Priority Mail" delivery product that will offer day-definite deliveries in a one-to-three day time window, free insurance of up to \$100 per piece, and free tracking of every Priority Mail shipment.

The formal announcement was touted by USPS executives, including Postmaster General Patrick R. Donahoe, as one of the most important enhancements to Priority Mail in 30 years. The program actually launched July 28.

Perhaps the most significant change is that shippers are now able to choose among one-, two-, or three-day delivery options depending on the distance the package travels. The next-day service will be offered within a limited geography, probably less than 150 miles. A longer length of haul—Atlanta to Chicago, for example—would require two days to deliver, USPS said.

Since its inception in 1968, Priority Mail has operated as an alternative for Express Mail for price-sensitive shippers. It started life as a two-day delivery product. However, in the 1990s, USPS changed its marketing to emphasize deliveries in two to three days after research concluded it had trouble hitting the two-day delivery window.

Under the new alignment, USPS' overnight delivery product, known for decades as "Express Mail," has been renamed "Priority Mail Express." Pricing for the former Express Mail will remain the same at \$13.09 per package if paid online and \$14.10 if purchased at a post office counter. Priority Mail pricing will also stay the same at \$5.05 per shipment online and \$5.60 at the postal counter.

Unlike its private competitors, USPS does not impose surcharges on fuel, residential deliveries, or Saturday deliveries. Postal executives project that the product will generate \$500 million a year in revenue. USPS' total annual revenues are \$65 billion a year.

USPS has spent more than 18 months working on the concept of migrating Priority Mail to a tighter delivery window. In [March 2012](#), Megan O. Brennan, USPS's executive vice president and chief operating officer, told *DC VELOCITY* that her team wanted to "stretch our capabilities to see how much of the second-day network we can advance into the overnight mail system."

In [April](#), *DC VELOCITY* reported that the strategy would likely be implemented, with an announcement coming in late

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July.

Donohue told reporters on a conference call today that the enhanced service would be marketed to both the business-to-business (B2B) and business-to-consumer (B2C) channels. It is aimed at capturing increased shipping volumes from the growth of e-commerce. [In a statement issued today](#), USPS said online consumers are expected to increase their spending by 62 percent by 2016, and U.S. e-commerce retail sales will grow by 41 percent to \$370 billion a year by 2017. It didn't cite the sources of the data.

The next-day offering for shorter hauls may take on added importance as e-commerce delivery times compress into hours instead of days. Amazon.com, the world's largest online retailer, is expected to build dozens of fulfillment centers through the country in the next few years to bring orders closer to the end customer.

In its fiscal third quarter that ended June 30, USPS said revenue for its "shipping and packages" segment, which includes Priority and Express Mail as well as various parcel products, increased 8.8 percent to nearly \$3 billion. That amount represents slightly less than 20 percent of all USPS revenue for the quarter. Volumes for the segment grew 7.1 percent from the same period a year ago, USPS said.

However, the gains could not offset the continued decline in First-Class Mail volumes and revenue caused by the growth of electronic mail options. First-Class Mail is the USPS' most profitable product.

In its required quarterly filing with the Postal Regulatory Commission, the agency that oversees the USPS, the Post Office said last week that the gains in the shipping and package business "cannot fully offset the declines in First-Class Mail revenue and volume." Revenues from the shipping and package segment "would have to grow at a substantially higher rate in order to replace the contribution of First-Class Mail," USPS said.