

What is Really Happening to Mail

Every day we hear stories about the Post Office. Whether it is about the Postmaster General resigning, \$9.5B annual losses, rate increases, DOGE or even talks about privatization. It all sounds like the USPS® is the worst run organization on the planet but this is far from the truth. What is actually happening is they are reacting to our changing mail needs. There are more delivery points that they need to service with fewer mail pieces per stop. They are trying to cut costs, but they are swimming against a tide of the public's changing requirements and their limited ability to make change without congressional approval.

The objective of this article is to show you what is happening around mail, focusing on the class makeup, what is being sent, and what you can expect for the future.

USPS Mail Volumes

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	14 Yr % Change from 2010-2024	5 Yr % Change from 2019-2024
First-Class Mail®	78,514	73,738	69,617	66,620	64,639	63,455	62,271	59,733	57,466	55,626	52,940	50,850	49,128	46,152	44,467	-43.4%	-20.1%
First-Class Mail® % Change		-6.1%	-5.6%	-4.3%	-3.0%	-1.8%	-1.9%	-4.1%	-3.8%	-3.2%	-4.8%	-3.9%	-3.4%	-6.1%	-3.7%		
Marketing Mail®	81,841	83,957	79,496	80,878	80,374	80,090	80,930	78,370	77,306	75,690	64,180	66,234	67,121	59,435	57,524	-29.7%	-24.0%
Marketing Mail® % Change		2.6%	-5.3%	1.7%	-0.6%	-0.4%	1.0%	-3.2%	-1.4%	-2.1%	-15.2%	3.2%	1.3%	-11.5%	-3.2%		
Shipping	3,057	3,258	3,501	3,711	3,403	3,959	4,496	5,104	5,658	5,672	7,128	7,263	6,847	6,750	6,943	127.1%	22.4%
Shipping % Change		6.6%	7.5%	6.0%	-8.3%	16.3%	13.6%	13.5%	10.9%	0.2%	25.7%	1.9%	-5.7%	-1.4%	2.9%		
Periodicals	7,269	7,077	6,741	6,359	6,045	5,838	5,586	5,301	4,994	4,635	4,006	3,679	3,400	2,992	2,748	-62.2%	-40.7%
Periodicals % Change		-2.6%	-4.7%	-5.7%	-4.9%	-3.4%	-4.3%	-5.1%	-5.8%	-7.2%	-13.6%	-8.2%	-7.6%	-12.0%	-8.2%		
Total	170,681	168,030	159,355	157,568	154,461	153,342	153,283	148,508	145,424	141,623	128,254	128,026	126,496	115,329	111,682	-34.6%	-21.1%

To simplify the discussion around mail, we will talk about the four main classes.

First Class Mail® - This is the most common service and what everyone focuses on when discussing mail volume declines. There are two main ways this is processed:

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	14 Yr % Change from 2010-2024	5 Yr % Change from 2019-2024
First-Class Mail®																	
Letters	27,437	24,722	22,735	21,452	20,860	19,887	18,928	17,832	16,861	15,948	14,687	13,436	12,437	11,395	10,346	-62.3%	-35.1%
Letters % Change		-9.9%	-8.0%	-5.6%	-2.8%	-4.7%	-4.8%	-5.8%	-5.4%	-5.4%	-7.9%	-8.5%	-7.4%	-8.4%	-9.2%		
Cards	1,447	1,312	1,157	1,049	923	855	796	671	632	563	486	435	413	369	326	-77.5%	-42.1%
Cards % Change		-9.3%	-11.8%	-9.3%	-12.0%	-7.4%	-6.9%	-15.7%	-5.8%	-10.9%	-13.7%	-10.5%	-5.1%	-10.7%	-11.7%		
Flats	2,481	2,218	2,048	1,894	1,758	1,683	1,572	1,448	1,385	1,295	1,204	1,172	1,094	972	881	-64.5%	-32.0%
Flats % Change		-10.6%	-7.7%	-7.5%	-7.2%	-4.3%	-6.6%	-7.9%	-4.4%	-6.5%	-7.0%	-2.7%	-6.7%	-11.2%	-9.4%		
Presort	46,225	44,269	42,524	41,144	40,193	40,174	39,943	38,795	37,833	37,131	36,246	35,621	34,996	33,244	32,759	-29.1%	-11.8%
Presort % Change		-4.2%	-3.9%	-3.2%	-2.3%	0.0%	-0.6%	-2.9%	-2.5%	-1.9%	-2.4%	-1.7%	-1.8%	-5.0%	-1.5%		
Total Pieces	77,590	72,521	68,464	65,539	63,734	62,599	61,239	58,746	56,711	54,937	52,623	50,664	48,940	45,980	44,312	-42.9%	-19.3%
Total Pieces % Change		-6.5%	-5.6%	-4.3%	-2.8%	-1.8%	-2.2%	-4.1%	-3.5%	-3.1%	-4.2%	-3.7%	-3.4%	-6.0%	-3.6%		

- **Non-Presort** – Items deposited into the standard postal stream directly by the client. (Letters, Cards and Flats in the chart above). Most of this volume is day-to-day mail sent from businesses but also includes personal items.



- **Presort** – Items processed in groups of 500 or more, following specific automation processes for postal discounts. This is either done by having software and staff in-house, or more commonly by hiring third-party outsource mail preparation services or presort/commingle companies that will pick-up your mail and combine with other clients to get the lowest postage rates.

When you look at mail volume declines, the biggest is with the Non-Presort segment that is going down at 8-12% per year vs. the presort segment that is only at 2-5%. Also, when you look at the size of the category, 74% is run through presort, making the total reduction in First Class Mail® lower at only 3-4%.

We do not see a major change in the current decline rates unless there are regulations that allow organizations to automatically sign clients up for electronic presentment without their approval.

Marketing Mail – This is for promotional content, and like Presort mail, it must be processed in larger groups with specific automation levels for postal discounts. Items must be non-personal in content and cannot have statement level details. The rates are less, and it is perfect for advertising or informational material. The volume declines have been very small in this segment at 1-3% per year, except for major economic corrections. During COVID-19, volumes went down 15%, and we saw similar declines in the recessions in 2001 and 2007. We did see a large 11.5% volume decrease in 2023 that was abnormal, but we believe at least partially due to the large USPS price increases that occurred throughout 2022 and 23.

We do not expect Marketing Mail volumes to decline in a more drastic way because the response rates from direct mail have held up over the years. It is one of the few ways to ensure that your message is seen by the consumer who may block other forms of media.

Shipping – This is called the Competitive Products segment of the USPS because it directly competes with private carriers like UPS® and FedEx®. The two most popular products the USPS offers are Priority Mail® and USPS Ground Advantage™. Priority Mail volumes have declined rapidly over the past 3 years after continual growth in the 11 years prior. We believe that this shift is mainly from volume moving to Ground Advantage and its predecessor service First-Class® Parcel. We also saw huge growth during Covid-19 as the USPS is the only carrier that does not charge fuel, residential and delivery area surcharges making it less expensive to get light weight items to homes.

We expect to see continual growth in the Ground Advantage service, especially in the Business-to-consumer segment. We also see USPS expanding their service offerings and increasing their negotiated service agreements with clients that will further enhance this category.

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	14 Yr % Change from 2010- 2024	5 Yr % Change from 2019- 2024
Competitive Products																	
Priority Mail	779	790	824	871	897	974	1,005	1,023	1,070	1,085	1,261	1,394	1,183	1,058	699	-10.3%	-35.6%
% Change		1.4%	4.3%	5.7%	3.0%	8.6%	3.2%	1.8%	4.6%	1.4%	16.2%	10.5%	-15.1%	-10.6%	-33.9%		
Priority Mail Express	43	40	40	39	36	36	33	30	28	26	24	29	27	24	21	-51.2%	-19.2%
% Change		-7.0%	0.0%	-2.5%	-7.7%	0.0%	-8.3%	-9.1%	-6.7%	-7.1%	-7.7%	20.8%	-6.9%	-11.1%	-12.5%		
Ground Advantage	0	129	411	544	612	732	773	960	1,279	1,398	1,848	2,055	1,960	1,811	2,313		65.5%
% Change			218.6%	32.4%	12.5%	19.6%	5.6%	24.2%	33.2%	9.3%	32.2%	11.2%	-4.6%	-7.6%	27.7%		
Total Pieces	822	959	1,275	1,454	1,545	1,742	1,811	2,013	2,377	2,509	3,133	3,478	3,170	2,893	3,033	269.0%	20.9%
% Change		16.7%	33.0%	14.0%	6.3%	12.8%	4.0%	11.2%	18.1%	5.6%	24.9%	11.0%	-8.9%	-8.7%	4.8%		

Periodicals – This is for magazines and newspapers delivered through the Postal Service and has seen the most drastic declines (See chart at the top of the article). Volumes are down 41% in the last 5 years and we can expect this decline to continue as we get more content on websites and apps accessed through our phones and tablets.

Future Expectations

Based on this continual headwind of declines in volume and customer demand for mail services, the USPS will need to react with limited options.

- **Price Increases** – Over the last 4 years we have seen the largest increases in the history of the Postal Service. Costs on the major market dominant mail classes have gone up 30-64% and we are expecting another 8-12% increase in July. The price of a stamp in the United States is still the lowest of the major westernized countries and we will need to continue to increase prices to cover costs. There are regulations today that put limits on what these increases can be, and we can expect these regulations to change to hopefully give the USPS more control over rates.
- **Service Level Changes** – We can expect the number of Post Offices, hours of operation, and service levels to change to try to adapt to the reduced revenue from decreased mail volumes.
- **Political Pushback** – One of the USPS biggest issues is they are not in control to make all the changes that they need. There are laws in place about the amount they can increase prices, pensions they must cover, and service standards that are expected. This limits their ability to adapt to our changing mailing requirements.
- **Privatization** – While we do not know if this will occur, it could be viewed as an easy way to remove over 600,000 employees from the Federal Government, even if they are part of a self-funded organization. We would expect drastic changes to the way mail is serviced, including closing some Post Offices and having them part of other retail stores, reduced service levels, and distance-based prices that would make it more expensive for people in more rural and difficult to support areas.

When you peel back the onion, mail volumes are going down 3-5% per year, but there are still over 111 billion pieces of mail generating \$80.5B in the United States. This will be a very gradual decline due to our dependence on core mail services to get paid by customers, packages delivered and to be able to get our message heard. The USPS is going to have to be more aggressive in adapting their network to these reduced volumes and pushing for more control to make the changes needed.

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