Can “Smart Mail” help solve USPS woes?

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The U.S. Postal Service has lost $20 billion in the last two years as it struggles to adapt to a fast changing, increasingly digital business environment. Could the agency help right itself by taking a page from its online competitors? The Freeman School’s Geoff Parker thinks so.

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“This is really a first step towards setting up a more effective platform for advertising mail,” says Parker, who co-authored the report with colleagues Marshall

Van Alstyne and Tushar Shanker. “Ultimately, platforms are about creating effective, valuable matches between users. When I send you something you don’t want, it’s wasted paper, wasted fuel cost, wasted printing — it’s just waste. If we can eliminate some fraction of that through the use of better information, that’s a win-win all the way around.”

Parker and Van Alstyne are no strangers to postal platforms. In 2012, they co-authored a report for the International Post Corp., a consortium of the world’s largest postal systems, detailing ways to generate additional revenue through digital business models.

That report eventually caught the attention of the USPS Office of Inspector General, which was seeking ideas to sustain and enhance the Postal Service’s lucrative advertising mail business, which generated $16.9 billion for the agency in 2013.

While direct mail offers a number of advantages for advertisers, Parker says its chief shortcoming is the inability for advertisers to know with certainty which consumers want to receive ads and which don’t.

“You know who responded when they make purchases, but you don’t know who was interested but got distracted or who just threw it away, so the feedback loop is slow and noisy,” Parker says. “What we’re trying to do here is get a quicker, more accurate feedback loop and build out a data layer that goes on top of the physical delivery system.”

To generate that data layer, Parker and his co-authors propose a digital coupon mechanism to collect information from mail recipients. Each piece of advertising mail would feature a code that recipients could scan to receive a coupon or cash reward, but those recipients would first have to provide a small amount of feedback indicating what types of ads or advertisers they’re interested in. The Postal Service would then collect that information and use it to help advertisers better target prospective customers.

“It puts the Postal Service in the position of being able to charge for the data layer,” Parker says, “so that they can build a new revenue stream.”

While the Postal Service hasn’t announced any plans to move forward with the proposal, Parker says the fact that it was made public indicates significant interest within the agency.

“This is an incredibly important industry and a very important organization, so it was really exciting for us to think about how to move this traditional industry into the 21st century,” Parker says. “We really enjoy it when the research we do has the potential to make a multibillion-dollar impact.”

Parker, Alstyne and Shanker’s paper, “A Redeemable Information Coupon Mechanism for Advertising Mail,” is available via the U.S. Postal Service website.