



Prescott Report

A N O A K K N O L L L I M I T E D P U B L I C A T I O N

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Editor's Note: The New Normal

The world is struggling to “return to normal”. It won't get there, because what it really is doing is seeking a new equilibrium. A “New Normal”. This is true in nearly every aspect of human endeavor, and in nearly the entire world.

Certainly the trauma is most visible in the economic and business spheres. What will be the new normal for direct marketing?

For the list business, will it be only e-mail lists? After all, magazines and newspapers are dropping faster than snowflakes in January. Or will the world of names and physical addresses reappear perhaps from e-commerce parcel delivery growth?

In marketing, is direct mail no longer the bedrock of customer acquisition and retention? What combination of what media will replace it? Websites doing name-gathering, to be sure, mobile phone opt-ins, email responses, social media “gathering places”. Website design and SEO skills will be the required courses for marketing students.

Retention might depend on having to give away lots of information, perhaps through brilliant newsletters. We rather like that last idea.

Catalogs? Have the USPS and changing consumer habits buried them forever? What will be “the new catalog”? Something one downloads to a Kindle? Will all those companies developing electronic catalogs finally be able to go public?

And will true interactive dialogue marketing on a one to one basis really come to be the “normal”, such as Keith Wardell prescribes in *Marketing Out of Control*?

What will be “normal” in the use of mobile marketing? Clearly one hopes business will respect it as even more an opt-in medium than e-mail. And perhaps even the law will change if the pricing models for mobile service becomes strictly “caller pays”.

(Editor's Note Continued)

DRTV? The targeting capability of this medium is now so refined and powerful. Almost like websites, you can change programming and product offerings on the fly. It's a pretty refined 1-to-1 medium now. Will it become more "normal"?

What will be "normal" in the strange and wonderful collection of American lifestyles? Gay marriages may now be registered in some 6 States, and many more are on the verge of following. Gay couples increasingly are adopting children. Will working from home, or at a remove from a central office, as much of IBM does, be "normal"?

What will be normal in airline travel? Will it continue to degenerate and truly become a bus ride in the sky? In fact, I rode a bus last week in Upstate New York and found it infinitely more comfortable than my last American Airlines flight to Europe. No stewardesses, but I could bring all the liquid I wanted onboard.

Who will make the cars, and what will they be like? FIAT? Tata? All hybrids and no muscle? Will the family sedan look like a square metal box and have a windmill on top to recharge the batteries? Or will the US decide that the Europeans have it right and start building a decent high-speed rail network? One suspects that this latter vision is quite a step too far. A car of one's own is nearly a birthright in this country and we can't afford both systems.

Will globalization be normal? Will our political leaders resist the calls to "protect American (or ---insert country) jobs", understanding that our inter-locked economies and production systems don't acknowledge borders? On this one point, I will predict that it will. Major interests in all countries in further wealth creation drives us in that direction, and this is too important to go back to autarkic nation states.

What about employment and the workplace? American college students on Summer holidays aren't getting jobs this Summer. That's the norm in Europe. Is it the "new normal" in the US now? After this horrible period of unemployment, will the US look at the social/employment system of Europe and lean in that direction?

The implications of that are extensive. They imply creating a social safety net woven of strong employee rights, life-time health and welfare benefits based on need and not work history, and a restructuring of corporate compensation programs.

Would that include executive compensation? Will the backlash against huge unearned bonuses and inflated senior management salaries endure and result in moderation? Will shareholders and boards establish and

stick to new disciplines of performance requirements, or revert to the past practice of ever-inflated compensation plans and "good-old boy-ness"? It was with some astonishment that we learned this week that the head of J.P.Morgan has the same salary as the CEO of the US DMA. What is the "new normal" in responsibility, accountability, and compensation at that level?

Retirement and pension systems must now be rethought. The current "normal" is that companies and the government have abandoned employees to "financial choice", which few of us have had any training in exercising, especially in an increasingly complicated and arcane investment climate. It will become fairly obvious over the next 5 years, as all those Baby Boomers who lost their 401k's spend their "retirement years" greeting customers in big-box superstores.

And what of their children, beginning to seek higher education? Do we really want our society to have its next generation of leaders so burdened with the cost of their own higher education that they will all strive to become investment bankers? Will tax-payer supported higher education be seen to be the norm, as in Europe?

And truly fundamental is the question of the continuation of the consumer-centered society we built on easy credit and all our earnings, some of which, like home equity, were illusory. The "new normal" now appears to be thrift, with the saving rates in April at 5.7% of household income, higher than it has been in 14 years. Is thrift the new normal? Or will we be seduced again?

Every crisis is a turning point resulting in changes in the environment where it occurs. Whether change is fundamental may depend on how far from "true north and inclination" we are driven. Are we "penduluming" or leaning permanently?

What hasn't changed is the coming of Summer, more green and nature, perhaps more family time, more energy. For this glorious season, let us exult in the "sweet, long days of life and growth" and set them as "normal" in our hearts.

CAP



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Special Report: Reflections on Brazil – Peter Rosenwald

Peter Rosenwald continues our conversation on Brazil

REFLECTIONS ON BRAZIL CENTRIC ARTICLES IN ISSUE NUMBER 4.

Charles Prescott's generally optimistic piece on Brazil (in No. 4) and the accompanying interview with Andre Bodowski of International Masters Publishers (IMP) are heartening: the Brazilian direct marketing community likes and deserves international attention.

The knee-jerk reaction of most people to 'Brazil' conjures up visions of Carnival, Football and Chaos. That may have been fair fifty years ago but it certainly isn't true today. Direct marketing in its broad and narrow definitions, thrives. In 2007, the Brazilian direct marketing market was worth approximately 17.4 billion Reais or 8.4 billion US dollars at current exchange rates. At the ABEMD's (Brazil's DMA) 15th annual awards extravaganza on June 12th, more than 800 Brazilian direct marketers cheered on 40 prizewinners in a range of categories from Lead Generation to Automotive Sales.

Prescott is absolutely right when he says in something of an understatement; "In the publishing sector Abril stands out as a major magazine publisher with front rank direct marketing skills." Abril is the largest magazine publisher in Latin America. Its flagship weekly news magazine *Veja* is the third largest weekly news magazine in the world with a weekly circulation in excess of 1.1 million copies plus the city magazines, *Veja São Paulo* and *Veja Rio* that accompany *Veja*. The annual subscription price is approximately **nine times higher** than Newsweek.

And here is the mind blower: with an editorial and advertising close at 6:00PM on Friday, more than 80% of the 900,000 subscribers receive their average

100 page copies hand delivered by 3:00PM Sunday, with a very considerable percentage received on Saturday in a country admittedly weak in infrastructure.

This example is described, not for bragging rights but to provide a snapshot of the publishing and direct marketing sophistication of just one company in a country (larger in total area than continental US and with a population of 192 million) that belies the 'Carnival, Football and Chaos' stereotype. And *Veja* is only one of approximately 60 Abril magazines, which claim a total of well over 3 million subscribers and leadership in every magazine category.

One must take exception with some of Bodowski opinions such as: "... direct marketing only really started in Brazil around 2004 at the end of an extended period of inflation" and, "There are no 'old school' direct marketing agencies,". The facts are that Abril's subscription business began 45 years ago, the Reader's Digest was already very successful in the market and there were small but

marginally successful catalog companies.

Admittedly, hyperinflation did make things extremely difficult in the decade between 1985 and 1995. The DM seeds just hibernated through the inflation awaiting the spring. Even during the inflation clever marketers found methods of variable pricing that saw them through.

In approximately 1972, Wunderman was the first 'old school' direct marketing agency to open its doors in Brazil. Today, it is thriving alongside Rapp, Ogilvy One, Draft, Sun MRM and lots of others plus enough spin-offs and small specialist shops to fill three pages of listings in ABEMD's 2008 Annual directory. That's without counting the internal 'house' agencies such as Abril's which in terms of

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the number of campaigns produced, quantities snail mailed, e-mailed and broadcast and awards won, make it arguably the largest and best DM agency in Brazil.

Bodowski does have a point when he says: "Agencies want big projects involving CRM, loyalty programs, integrated campaigns and other sexy stuff." It was ever thus. With big overheads to support and competition for the big fish clients, they have to offer a sufficiently wide range of services as bait. So their charges tend to be very high and for the little guys like IMP, it is probably not economic. Plagued by the trend of clients in Brazil to hire agencies to produce one campaign at a time on a 'project' basis and often being compelled to produce work on a 'risk' basis, agencies are living in a tough environment.

According to the annual Simonsen Associados tracking study, the direct marketing business in Brazil has a real growth annual growth of 12.8%. Every category of the business grew in 2007 over the 2006 figure with Database and CRM companies showing the largest growth (32.1%) followed next by Internet and E-Commerce service companies at 21.3% and then by publishing and subscriptions. The principal user segments were Financial Services and Telecommunications but interestingly, the 'other' users category was even larger than financial services.

As in the rest of the world, direct mail volumes are steady or declining while electronic mail volumes continue to rise. The number of snail mail names rented to outside firms by DataListas, the list rental arm of Abril, peaked in 2005 at about ten million and has remained more or less constant. No e-mail names were rented in 2004: By 2007 rentals of e-mail names had exceeded snail mail names. These are growingly responsive as new consumers discover the advantages of distance purchasing.



DATALISTAS RENTED NAMES

- Numbers of postal address names rented *peaked in 2005* and has remained constant
- Numbers of E-mail names rented have gone from none in 2004 to exceed postal names in 2007

Outbound and inbound call centers have become big business in the last decade but new "no call" legislation is likely to slow the outbound growth.

Doing business in Brazil is admittedly not easy but it is not as difficult as the comparative statistics suggest. Generalizations about bureaucracy and taxation often miss the subtleties. One of the great Brazilian expressions is 'jeito' which roughly translates to 'the way' although seldom the obvious one. One might say that in Brazil, where there's a will, there's a 'jeito' and the "152 man-days of work to form a company" quoted in Prescott's article may be statistically true but massively exaggerates the situation and is certainly devoid of 'jeito'.

As Bodowsky points out Brazil knows there is a world economic crisis but is unlikely to feel the pain as harshly as many other countries. It is an ironic result of the law of unintended consequences; because interests rates have been in the high double digits for years, consumer borrowing is meager and there are few mortgages, none that are sub-prime.

An extremely challenging country, Brazil is full of young and ambitious talent and direct marketing in all its forms finds a natural soil for growth here. Things are looking pretty good.

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The Largest Weekly Newsmagazine Outside the US



...And with a Sense of Humor



Picture Caption: Largest weekly news magazines (US News is now monthly). The ad run by *Veja* in the *Economist* to welcome them to the over 1 million club.

Peter J. Rosenwald is an American who has known Brazil for more than 40 years, first as a visiting consultant and latterly taking up residence there as an officer and VP for Direct Marketing for the Abril Group. He is a senior partner in International Associates, a marketing strategy consultancy working primarily in Brazil and Europe. He was the founder and CEO of Wunderman Worldwide and Saatchi & Saatchi Direct Worldwide. The author of Accountable Marketing, The Economics of Data Driven Marketing (Cengage) and the Allowable Cost Per Order Model software program, he was elected to the ABEMD Hall of Fame in 2003 and is a professor at IBMEC, Latin America's leading MBA university where he teaches accountable marketing.



Brazil is full of young and ambitious talent and direct marketing in all its forms finds a natural soil for growth here.

Social Media and Associations

Social Media and Associations

It is not just marketers who are struggling with how to deal with Twitter, Facebook, LinkedIn and the rest of the new names and implements of on-line social interaction. One of the most widely attended events at last year's annual meeting of the American Society of Association Executives was not advertised, except electronically by word-of-mouth. It was not on the formal, printed agenda. Its location was not announced publicly until just before it took place, and it was an off-site location. It was also one of the best-attended sessions at the conference. It was a debate about the significance for, and impact of, social media on associations.

One of the "instigators" of that event, Terrance Barkan, CAE, Chief Strategist and Business Architect, GlobalStrat, has deployed an online survey on social media use by organizations. According to Terrance in a phone interview on May 27, the survey has so far attracted some 488 responses. That is a huge response rate to a survey publicized primarily by "digital word-of-mouth". The survey will close next month and final results published thereafter, and I urge you to go spend the 3 or 4 minutes required to participate in order to receive the results.

Go to: <http://tinyurl.com/c2dxxp>.

Here are a few preliminary observations Terrance has made on the early results of slightly under 400 replies. These will be relevant to any organization that deals with the people it serves. And that means customers, as well as members.

Respondent demographics: 54% professional associations, 24% trade associations, 10% corporations.

Sources of social networking information:

77% LinkedIn and other networking sites, 72% ASAE, 25% magazines, the rest over 60 different sources.

Looking at technologies: 38% are examining platforms, 37% are testing implementation, 31% want to know how to encourage engagement.

What network do you use? 65% LinkedIn, 61% Facebook.

Do you have a budget for Social Media? No 72%.

Who owns the project? Marketing, Communications or the CEO.

This last question and answer remind me of a survey done by the DMA of its members in about 2001 which asked who had responsibility for the company's website. The answers often said CEO, President, or VP of Public Relations, rarely the marketing department. Remember the websites with the Chairman's picture and the headquarters building? Those companies with blogs by the CEO or Chairman would seem to hark back to that early period.



The Latest on European Data Protection from Lucerna Juris

I have just returned from Barcelona and the semi-annual meeting of the lawyers of Lucerna Juris, the international network of privacy lawyers. In the coming months I will provide more extended commentary on developments in privacy and data protection affecting direct marketers, especially in Europe. For the moment, here are some important highlights to note:

Netherlands.

- **Telemarketing.** Beginning October 1 this year, advertisers that do outbound calls have to offer to the called party an opt-out of further telemarketing calls by the calling party. In addition, the called party must be informed of the possibility of having his number registered on the mandatory do not call register. If a called party wants this the calling party must give the details of the called party to the mandatory do not call register. This do-not-call register applies also to fund-raisers, but a called party can indicate in the register that he/she would like to be phoned by charities. Since this is a mandatory do not call register, all prospect lists must be run against it. Failure to inform a called party about their several rights to block or not block using the do not call register can incur a fine of up to €450,000. That number is not a typographical error.
- **E-mail.** Starting July 1 of this year, prior consent is required for e-mail offers in business to business, which has been the case with business to consumer emails since May 2004. Moreover, the Dutch law modifies the rule that one can send email offers for “one’s own same or similar products” if one has obtained the email address in the context of sale of a product and the person was given the right to opt-out at the same time. This was never usual in business-to-business email. So this exception will be of no value for lots of Dutch businesses.
- **Marketing techniques:** Tell-a-friend / member-get-member techniques. The marketer may not offer any

incentive of any nature to either the referring friend or the referred friend – no money, no loyalty points, no discount, no premium. One wonders if the common complaint will soon be “So where is the response?”

Switzerland

- **Data protection compliance.** In Switzerland, the ethics codes play a very large role in promoting and measuring compliance. Marketers should be aware of and follow the codes of the DMA and of Callnet (telemarketing), thereby assuring themselves of some protection against official complaints.
- **Safe Harbor.** Switzerland and the United States Department of Commerce entered a protocol agreement in December 2008 pursuant to which the Swiss authorities recognized that American companies registered for Safe Harbor provide “adequate protection” for personal information coming from Switzerland. In the past, Switzerland recognized this point indirectly through a formal public declaration that any US-based company recognized by the EC as within the Safe Harbor would be treated as such by Switzerland, also. This agreement makes the recognition direct and opens up a channel of communication directly with Swiss authorities if necessary.
- **Telemarketing and recording.** Companies may not record outbound calls unless the called party consents to the recording. This raises serious concerns about establishing proof of having made a call to provide a notice or give information that a consumer might have requested, or which preserves a company’s rights. For example, a company could not, without consent, record a call informing a customer that pursuant to their request a parcel had been delivered to a neighbor or relative.
- **E-mail.** Switzerland continues to view e-mail as an

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opt-out medium for customers when offering them “same or similar products” to those which were the subject of a transaction in which the email address was obtained.

Germany

- “List Privilege”. The legislation to abolish the current legal ability of companies to rent/sell their customer databases is currently stalled. If Parliament dissolves, the bill dies, but is likely to be revived when Parliament reconvenes. The current draft could be the point of departure at that time. In its current form, the bill apparently does not do as much damage as previously feared it would. B-to-b lists could still be traded, for example, and the enumeration of the kind of data that could still be transferred is identical to what was previously permissible: profession, address, title, academic degree/title, and year of birth. In an interesting twist, the consumer associations now oppose the bill since it has lost much of the punch they wanted. They have also apparently not been mollified by the proposal of the Social Democrats to provide in the law that the consumer organizations could bring suit to enforce the law.
- Telemarketing. A new law passed May 15 and awaiting only the President’s signature calls for express prior consent of an individual (opt-in) in business to consumer telemarketing efforts. Business to business calls are permitted without consent.
- Telemarketing. It is now a violation if the calling party does not disclose its phone number for caller id systems to recognize. Failure to do this can attract a fine of up €10,000 per call. Enforcement is suspended pending resolution of the technical issues of how numbers from call centers, especially those located abroad, can be displayed. A proposal that the number of the client company be disclosed was rejected.
- “Consent” by medium. A recent decision of the Federal Court held that consent to receive direct mail pieces can be “implicit”, that is, an opt-out is offered and not exercised. However, this does not work for telephone, SMS, or email, where consent must be express. In short, presenting a written form with an opt-out box works for mail, but not other media. You must get the consumer to “tick” the box for phone, SMS, and email.
- Fax marketing. As of December 30, 2008, prior and

express (opt-in) consent to receive fax offers is required in both b to b and b to c. This is a significant blow to companies who serve home-based businesses, especially of craftsmen such as plumbers and carpenters. According to the “lore” of the marketing professionals I have spoken to, these people are very hard to reach any other way than by fax. They are generally working outside their homes/offices during the day and do not give out their mobile phone numbers. They are unlikely to be online or even have computers, and they don’t much like or respond to direct mail.

Spain

- “Binding corporate rules” (BCRs) were a way developed by big business and the data protection authorities in Europe to enable related corporate entities in Europe, and beyond, to comply with data protection law and authorities without complex contractual arrangements among them. It was hoped that these companies could be deemed in compliance if they developed and instituted a common set of data protection procedures and practices, which received approval from the Data Protection Authorities (DPAs). Alas, this solution to the complex problem of dealing with 27 independent regulators and their diverse regulations is (1) so expensive to implement it is feasible only for major, read wealthy, companies, and (2) can be stalled by any single authority. This is the case with respect to the BCR’s proposed for the General Electric businesses in Europe, which have been approved by all the DPA’s except Spain.
- Spain is developing a program of “official eboxes” for communication with citizens, somewhat similar to what has been done by the Danish Post. Every citizen will have an official electronic mail box where official documents and notices will be delivered. For lawyers and courts this will result in significant cost savings and efficiencies as “deposit” of the electronic document in, for example, an opposing side’s lawyer’s ebox will be deemed legal “delivery” of the pleadings.
- Telemarketing. Autodialed phone calls may not be made in either the b to c or the b to b markets without consent.

Here and There – National Postal Forum, FEDMA

Resurgence of an old friend. It is not an exaggeration to say that the National Postal Forum held at the Washington, DC Convention Center was pretty much a bust. Sessions were many, and generally well-attended, but total attendance was off significantly and traffic in the Exhibition pitifully small. The Registration desk didn't even bother to ask me to pay when I registered for the Exhibition on Monday afternoon.

However, the good news is that the receptions at the end of the day were very well attended by visitors and exhibitors both. Much in evidence were Commissioners from the Postal Regulatory Commission, who clearly were keeping their fingers on the pulse of the mailing industry.

My favorite reception was my old friend the International Mailers' Advisory Group (IMAG), whose reception was notable for the speech provided by Gary Simpson, Managing Director, International, of Royal Mail, who reminded the audience that while mail was not going to go away, it necessarily was changing, and postal systems must relearn that they are communications systems charged to provide universal service, and they can no longer be wedded to one form of communication or universal service. While Gary warned that mail volumes could plunge 50-90%, he was nevertheless optimistic about new growth opportunities in areas such as fulfillment.

The reception was also well-attended by the USPS International Department and the PRC Commissioners.

IMAG's previous long serving Executive Director, Richard Miller, has retired and has been succeeded by Sue Presti, previously Executive Director of XLA, and as such an important and knowledgeable representative of business at the Universal Postal Union in Switzerland. Sue and IMAG Chairman John Michell of Pitney Bowes are building on Richard's solid foundation and have added at least 6 new members since last October. Recent IMAG meetings have provided excellent programming, including the results of a USPS-Canada Post RFID-based study on improving quality of service for ISAL and IPA entries into Canada, and details on coping with new U.S. security regulations that require screening of air cargo shipments, including those by private mailers. Anyone engaged in the business of the international mailstream should seriously consider joining IMAG for

the wealth of information and contacts available. For information on membership contact Sue Presti at spresti@cox.net or 1.703.998.7121

FEDMA Legal Affairs Committee. I am just back from participating in FEDMA's most important activity-meeting with the government affairs experts of its members, who share developments in the critical issues the industry is facing in Brussels and where they develop FEDMA's strategies and responses. The meeting, chaired by Carolyn Roberts of DMA-UK covered a wide-range of issues. In fact, despite a recessionary environment, Commissioners Reding and Kuneeva have been incredibly active in pushing business into greater self-regulation. Underlining much of the political environment throughout Europe is the likelihood of a poor turn-out of the electorate, which is likely to result in a Parliament made up of the extreme left and extreme right. This might lead to complete deadlock, or it might produce interesting compromise legislation.

The issues are nearly too numerous to cover, but they include:

- Near completion of negotiations for FEDMA's on-line marketing and data protection code, which needs only the Data Protection Authority of Spain to be approved. The Code would clarify in very practical terms the practical definitions of opt-out and opt-in.
- Development of a possible project on guidelines for the content/structure of privacy policy statements on websites.
- Work with ESOMAR on the ramifications of using the mobile phone for market research and other mobile issues, including a problem of abandoned/silent calls. New to me: Portugal has established a mobile Robinson list, effectively making it opt-out.
- Behavioral targeting. DG Sanco (Consumers and Health) recently held a round-table on on-line behavioral targeting "to learn more about the practices" and apparently Commissioner Kuneeva spent a great deal of time berating business and threatened severe regulatory action unless business "took care of the problems". The

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Directorate has issues a “non-paper” with some proposals on regulation, including a suggestion that consumers could not be targeted/tracked unless they had opted-in to data collection.

- **RFID Chips.** After several years of study and debate, the Commission is likely not to issue a regulation in this area, but only a recommendation which would require companies use privacy impact assessments and security risk assessments, resulting in notices and warnings where warranted. For example, shops probably should warn people, at the point of sale that there are chips in products they are buying, which can be deactivated on request.
- **ICANN.** The contract for ICANN to “regulate” the Internet expires at some point this year, and Commissioner Reding (Information Society and Media) has taken a strong stance that the contract

should be withdrawn from ICANN, which she feels is “too dominated by America”. This debate has raged since 2003 and the launch by the ITU of the World Summit on the Information Society. It may now be taking a dangerous turn if it becomes an issue in the Parliamentary elections, since most of the European governmental representatives have been supportive of ICANN and its method of “regulation”.

- **Model Clauses for contracts used for data processing outside Europe.** The Article 29 Committee has reviewed the standard clauses that have been used by companies when they send data abroad for processing, so-called “data controller to data processor” contracts. The Commission is now considering issuing a Decision on the subject. This process would reopen some sore negotiations that took several years to resolve in the past.

View from the Top: Maintaining Discipline and Strategic Focus – Postal CEOs’ Views.

Part I. Munich Conference

At Triangle Management’s WorldMail and Express Europe conference at the Munich Hilton, May 6-8, the opening panel of four of the world’s most experienced CEO’s painted a picture of disciplined focus, and perseverance. There were no false hopes or promises, and plenty of urging that we focus and maintain discipline. The conference also included the 10th WorldMail Awards judging and awards ceremony. In coming months, I will some samples of the winners drawn from the remarkable entries I was privileged to be able to judge. .

The welcome for the conference portion of the program was offered by Thomas Baldry, Senior Vice President of Global Mail Germany, Deutsche Post DHL and host for the event, who observed that although the environment was tough and parcel and letter volumes down, there was hope for a recovery next year.

I bring you this month synopses of the talks given by the CEOs of La Poste (France) and Correos (Portugal),

professional managers both, from quite different postal businesses in quite different countries. Next month, I bring you the views of Mr. Baldry of Deutsche Post and of Claud Begle, Chairman of the Board of Swiss Post, quite different countries, and in fact third and fourth examples of postal systems on the sharp edge of innovation and competition.

Jean-Paul Bailly, Chairman and CEO of La Poste.

Jean-Paul BAILLY has devoted his whole career to public service through his participation in the management and running of two big public companies, first the RATP (Paris Transport Authority) then La Poste, two of the most delicate political companies in France, requiring a believable and

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knowledgeable labor-relations touch. He is also a graduate of L'Ecole Polytechnique and MIT.

Mr. Bailly started by noting that 80-90% of their postal volume now comes from business and public administration and so they are not so subject to shifts in individual mailing habits. Since strategy implementation is key and continuity critical, their strategy will not change from the path set six years ago.

"We are not a 'stop and go' industry," he noted, because of "heavy overheads", but there is an undeniable drop in volumes which varies by country and by product. For example, foreign-bound volume varies from 5 to 10% depending on the product.

In giving more detail, Mr. Bailly noted the following trends:

-Letters. They first saw a volume decline in March 2008, with a 3% decrease for the year. 2009 will see +/- 5% down. This is a 'heavy impact' and important customers, notably in mail order "are in bad shape". He sees "dematerialization" of the mail, and changes in business structures. "We see up to 30% decline through 2016-17," he predicted.

-Parcels. The product line benefits from ecommerce, but traditional mail order is down as much as 10% depending on the product category.

-Financial services. 2008 was a "fantastic year, especially in life insurance and housing loans. We increased market share everywhere." In housing, loans were up 4%. They are expanding into car and home insurance. "Our bank ranks #1 in surveys of public opinion and this is a healthy and developing activity." Indeed, since 70% of La Poste's revenues are from this business line.

-The economic impact varies by country. Spain, Ireland, the Baltics and the UK were hit early and hard while others, such as Benelux and France were later.

As noted at the beginning of his remarks, they would continue the previous course by stating, "We need to react, but not to change strategy."

"That strategy has three parts. First, to provide local service close to people and communities in mail, parcels and express."

Growth in mail and parcels is preferred, and not express, because of the economy, and investments and effort are carefully targeted to risks. "There is a balanced set of activities that balance the risks: high, medium and low margin products."

"Second, we have had a plan since 2007 called 'Efficiency and Trust'. It is consistent and clear and understood throughout the company. We are a 'mixed economy' institution –big but diverse."

"Third, we seek responsible development. We must be respectful of our public service obligation and committed to our employees and continue to favor personal development, equal opportunities and diversity in the company."

La Poste has taken the following steps to address the crisis.

1. Cost reduction. Imperative because they expect a 5%

drop in sales in '09, and up to 30% by 2017 but at the same time they need to maintain margins.

2. The eight members of the Executive Committee must be pilots of criss-crossing approaches and projects across departments and activities.

3. "We will introduce more flexibility, for example by adapting postal routes and accelerating some work activities."

4. "Perpetual reorganization will occur as we reduce headcount, for example, by hiring one person for every two who retire."

5. "The crisis will create opportunities. For example, there is acceleration of out-sourcing by our customers. We will capture more of the mail value chain other than franking and widen the relationship with customers and optimize our reputation, such as we have done with the bank."

6. They will receive stimulus funding from the French budget of €600 million. "We participate in the government's stimulus package and are accelerating investment in infrastructure, especially projects related to the environment, such as buildings and a shift to electric vehicles." It is projected that 100,000 electric cars will take to the road in France in the next 2 to 3 years and La

Poste will have vehicles among them.

By way of conclusion, Mr. Bailly advised, "In a crisis, don't panic. Never reduce quality. Diversify to

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counterbalance risk. And keep and develop confidence.”

Estanislau M. Costa, Chairman & CEO, CTT-Correios de Portugal, SA.

Since April 28, 2008, Estanislau Mata Costa has been the Chairman of the Board of Directors & CEO of CTT Correios de Portugal, S.A., which is state owned. From 1989 until 2002 he served on the Board of Directors and as CFO of Portugal Telecom, the incumbent telecom operator. He served as leader of its IPO and the succeeding phases of its privatization.

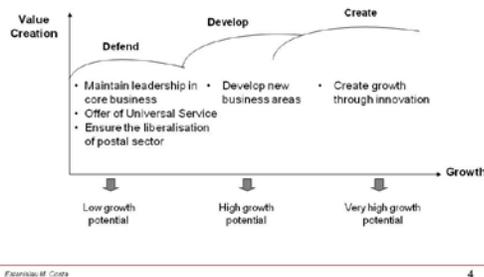
The Portuguese Post’s strategic approach has three elements, embodying the three success factors to face the main challenges in the postal industry:

Defend the business and market share even in the low growth environment, while fulfilling the universal service obligation and maintaining leadership in the core business.

Develop new higher growth businesses.

Create growth through innovation or new products and services with high potential. Some examples of the possibilities now being pursued include e-commerce, e-Box, digital mailrooms, and geo-marketing, which he later described in detail.

A strategic approach for incumbent operators



The postal world faces an enormous number of challenges, perhaps an unprecedented line-up of problems: economic downturn, electronic substitution and declining mail volumes, climate change, new regulation combined with liberalization and competition, internationalization/globalization, new technologies, and in the case of the Portuguese post, a new business structure.

To survive, the company must become more efficient by streamlining operations and reducing costs and by embracing technology. And if that isn’t enough, it

has to grow by expanding and diversifying its portfolio of businesses in order to provide value to customers.

In discussing streamlining and reducing costs, it was noteworthy that Mr. Costa could speak as Mr. Bailly could not, with frankness about the need to reduce the labor force. Different countries, different militancies in the labor force. In addition, Mr. Costa could speak of “flexibilising” costs, that is, outsourcing activities, including counters, transport, delivery, and ICT systems. In addition, they “potentialized” operations synergies across all business units, which I took to mean consolidation of activities that could be centralized to reduce duplication. As a result of these efforts, in 2008 they increased the return on capital employed from 11% to 13%.

There is “great opportunity” to expand revenue generation outside of the mail area. As of 2008, mail constitutes 69% of their revenue, 40% in the reserved area and 29% in the competitive area, with another 17% in the express line. Financial services are a modest 7%, with obvious room for expansion. And only 5% of revenues represent “digital services”.

Centralizing a corporate unit of shared services has also enabled them to more cost-effectively develop new businesses, monitor them and realize efficiencies in the liberalized market. In fact, the Post has established nearly a dozen new products and services, some acquired, most created from scratch, including new unaddressed mail services, hybrid mail printing and finishing, electronic post mark, digital mailroom services mobile operations, electronic payment systems and geomarketing solutions (read targeted unaddressed mail). And all of this, of course involves embracing new technologies and investing in mailstream and non-mailstream equipment.

Finally, Portugal, one of Europe’s most adventurous and international of countries in the 15th to the 17th centuries, needs to look abroad for more opportunities for growth. But where? They are looking at “influence markets” where they have competitive advantages due to language, history or cultural ties (such as Mozambique and Brazil, and perhaps Gloucester, MA) and “interest markets”, markets where they have current interests or partners who have a competitive advantage.

In sum, the Correios de Portugal is a tightly-woven and carefully constructed de-monopolizing and modernizing blueprint for a postal system. It is less dramatically affected by the recession than is La Poste

Readers Trivia: Flowers

As spring turns to summer, flowers can be seen everywhere. Florists' cases are awash in color and contain every species of flower imaginable. Flowers are given as gifts to say many different things; "I love you", "thank you", "get well soon", "I'm sorry". Flowers are the most common type of hostess gift, but before grabbing a bouquet from the florist on the way to a dinner party, there are a few *caveats* to take into account. Many cultures have certain customs pertaining to the color or species of flowers that are acceptable or unacceptable to give. Can you avoid committing a *faux-pas* when giving your host and hostess a beautiful bouquet?



You have been invited to a dinner party at a colleague's house in France. You decide to give your hostess a bouquet as a gift. When should the hostess receive the bouquet?

- a. The day before the dinner
- b. When you arrive for dinner
- c. The day after the dinner
- d. The morning of the dinner



C. or D. In France, as well as many other countries, it is more convenient for your host and hostess to receive flowers earlier in the day, or the day after as a thank you gift. Bringing a bouquet with you to the party will distract your hostess from finishing the dinner, and greeting guests, as she will need to find a vase and place the flowers. Additionally, even the nicest bouquet may clash with the *décor*. Sending flowers several hours before the event ensures that they are fresh, and gives your hostess the opportunity to use your gift as the centerpiece of her table. Sending flowers after the event is a great way to thank you. Your hostess has time to properly arrange the flowers and enjoy your gift.



You are at a flower shop in Lisbon looking for a bouquet to bring to a dinner later that evening. Which of the following flowers would be most appropriate?

- a. A bouquet of 11 red carnations
- b. A bouquet of 15 sunflowers
- c. A bouquet of 13 chrysanthemums
- d. A bouquet of 12 yellow roses



B. A bouquet of 15 sunflowers would be the most appropriate bouquet for a gift in most of Europe. Unlike in the United States where the custom is to use twelve flowers in a bouquet, most European cultures use an odd number of blooms, except for the unlucky thirteen. Chrysanthemums and lilies symbolize death and are used in funerals, while red flowers symbolize ill will. In Portugal, red flowers symbolize the revolution. Roses, in general, are symbols of love and should only be given to lovers, and the color yellow symbolizes jealousy and infidelity. Although, in Germany, yellow roses are appreciated, though red



You have been invited to a dinner party while on a trip in Kyoto, what is the most appropriate gift to bring to your hostess?

- a. A beautiful bonsai tree
- b. A bouquet of lotus blossoms
- c. A potted house plant
- d. A bouquet of white lilies



A. In Japan, white flowers symbolize death and are reserved solely for funerals. Three specific flowers are also reserved for funerals, lilies, camellias, and lotus blossoms, and are inappropriate to give as gifts. Potted plants are said to encourage illness, and should never be given as gifts. Although bonsai trees do not hold the same meaning as other potted plants and are always acceptable as gifts.



While in Mexico, you are invited to a colleague's house. What is the most acceptable gift to bring to your host and hostess?

- a. A bouquet of roses
- b. A bouquet of marigolds
- c. A bouquet of white lilies
- d. A bouquet of red carnations



C. White flowers are considered uplifting in Mexican culture and are considered very acceptable gifts. Roses, as in most cultures, are a sign of romantic intentions. In Mexican culture marigolds are a funeral flower and should only be given in mourning. As in Europe, red flowers have a negative connotation, and should be used cautiously.



Having been invited to a dinner party by a Norwegian colleague, you decide to send your host and hostess some flowers the morning of the party so that they may be displayed that evening. Which flowers should you not choose?

- a. A bouquet of fresh wildflowers
- b. A bouquet of calla lilies
- c. A houseplant
- d. A wreath of daises



B. and D. In Norway white lilies, carnations, and wreaths are all used for funerals. Wreaths are never considered appropriate gifts, even at Christmastime. During the wintertime, houseplants are always well received. The Norwegians are very appreciative of nature, and a bouquet of fresh wildflowers is especially appreciated.

International Events:

June

Mail & Express Delivery Show

When: June 16, 2009

Where: London, UK

Contact: <http://www.triangle.eu.com/MEDS>

The Mail & Express Delivery Show is the ultimate UK event for the post and parcels industry, bringing together as it does operators, high volume customers and suppliers to the industry. The content is arranged in eight different sessions to allow attendees to pick the topics that are of interest to them. There is also a simultaneous exhibition showcase allowing companies to promote new and existing products to this important and influential audience. New for 2009 is a dedicated area within the exhibition, called *Mailing Central*, which focuses exclusively on the many mailing houses, consultants and advisors who are there to help customers select the right supplier for their needs. Please mention *The Prescott Report* when you register.

International Senior Management Marketing Programme in Direct, Interactive & Relationship Marketing

When: June 22-25, 2009

Where: ISEC, Madrid, Spain

Contact: <http://www.icemd.com/ismpeNG2009/icemd/home.html>

Held on the campus of ISEC, one of Spain's foremost business schools, on the outskirts of beautiful Madrid, Spain. This intensive and entertaining programme organized by ICEMD and FEDMA brings experienced senior marketers from major companies together for three full days of presentations, interaction, and project work. This is a major learning experience combined with an opportunity to establish relationships with colleagues from all over the world in formal and informal settings. For more information, visit the programme website for complete details and to register. Space is very limited and past attendees have been very grateful they attended. Please mention *The Prescott Report* when you register.

October

European TransPromo Summit

When: October 6-7, 2009

Where: Square Brussels Meeting Centre, Brussels, Belgium

Contact: www.transpromosummiteurope.com

Learn how companies are leveraging the power of bold design, vibrant color and variable data to transform bills and statements into highly individualized customer marketing communications. ---Market education on strategies, techniques and tools.

-Peer-to-peer advice – information sharing and networking to learn what works, what doesn't, and why.

-Technological solution demonstrated by leading-edge vendors and service providers.

Supported by The Prescott Report, FEDMA, PostEurop, Xplor, Xplor Italia, Xplor Spain.

Rendezvous International e-commerce VAD Lille (Sponsored by French Post.)

When: October 13-15, 2009

Where: Grand Palais, Lille, France

Contact: www.vad-ecommerce.com

250 exhibitors, 11,000 visitors. No admission charge. Some excellent presentations, mainly by vendors. Major networking occasion for DM industry in France. *E*



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