

Banking and Brokerage

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Financial services companies are continually improving their practices and operations to gain competitive advantage and enhance their service to and relationship with their customers. These changes often create new growth opportunities as evidenced by continued growth of transaction and advertising mail from the banking and brokerage industries. What is driving mail volume growth in the Banking & Brokerage industries despite the threats of electronic diversion and what are the main implications for the future? What change effects have the strongest statistical relationship with mail volumes?

Banks are the principal sender of financial statements and advertising mail to households and businesses. Continued population, household, income, and business growth has had a positive effect on these bank-generated mail streams. As households become wealthier, they tend to spend more on services and acquire additional account relationships with financial institutions. These new relationships result in even more bills, statements and relationship mail. Moreover, the introduction of check truncation, digital imaging, insert targeting, and other process and technology innovations at banks have reduced the average weight of statements, resulting in less revenues for the posts.

The banking and brokerage industries have fared well during the U.S. economic downturn, the S&P banking index has consistently exceeded the overall S&P 500 between 2001 and 2004. Thus, the decline of First-Class Mail volume sent by banking and brokerage due to electronic alternatives, such as Internet banking and e-investments, has not occurred. Mail volumes from these industries continue to grow. In fact, First-Class Mail to households from banking and brokerage grew by over 2.3% per year since 2000 (from 8.9 to 9.8 billion pieces), at a time when total First-Class Mail declined by about 1.4% annually.

We have looked at trends using different views of mail, including by sender-recipient mail flow (e.g., banks-to-households, brokerage-to-households); by application (e.g., C&T² Ads); by postal products (e.g., First-Class, Standard or Economy Mail); and by recipient demographics such as

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² C&T – or correspondence and transactions --- is a commonly used term in the industry to refer to mail that is typically First-Class and of a relational or transactional nature. Examples of correspondence would include greeting or holiday cards, invitations, and personal and business letters. Examples of transactions would include bills, statements, invoices, payments, and insurance and brokerage transactions.

age, generation and income. We reviewed critically the existing research on mail trends performed by the USPS since the mid 1980s.

Summary Findings and Conclusions

There have been several technology-based innovations in the banking and brokerage industries, and as these new technologies, such as ATMs, Internet banking and e-investments, were emerging and gaining broad acceptance, many speculated that the mail would rapidly be adversely affected. The need to better understand the drivers of mail demand has become even more important recently in the face of a four-year slowdown in the growth of correspondence and transactional letter mail across much of the industrialized world.

Beyond the detailed quantitative results and their interpretations that are presented in the body of this report, several conclusions stand out with regard to overall volume trends from the banking and brokerage industries:

- The accelerated M&A activity of the late 1990s has made mailing budgets larger, more visible, and ripe for rationalization and cost reduction. Yet, the substantial number of mergers and acquisitions that have occurred in these industries has barely affected the growth of letters sent by banks and securities firms.
- Postage price increases, particularly in times of economic downturns, may have also driven financial services companies to seek additional cost-avoidance alternatives such as: outsourcing; shifting mail from priority to economy categories; reducing the weight of statements to save on the second-ounce rate, and using more work-sharing incentives such as pre-automating, pre-sorting or down-stream entry.
- Long-standing drivers of mail appear still to be valid:
 - Advertising mail correlates well with economic activity and the corporate profits of financial services companies.
 - The number of households still tends to be correlated with mail growth. Continued population and income growth has had a positive effect on the major mail streams. Furthermore, as households become wealthier, they tend to spend more on services and acquire account relationships with firms in banking, investment and other financial services. The trend toward increased number of accounts per households is also continuing. These relationships generate bills, statements, customer acquisition, advertising, and relationship mail.
- The past several decades have seen substantial advertising mail growth from financial institutions. Standard mail to households from banking grew by close to 8% per year since 1987 (from 0.9 to 3.1 billion pieces). Advertising spending by these businesses has been growing faster than overall GDP. Direct Mail volume and ad spending have also grown faster than other C&T letters. It is expected that First-Class mail streams are less likely to grow as fast as in the past, although many promising areas exist. In addition to the account

proliferation mentioned above, many forms of relationship mail appear to be on the rise and mail that carries emotional or financial content is not declining.

- There has been a modest effect of electronic technologies on banking and brokerage First-Class Mail, with financial statements actually growing handsomely for these transaction-intensive industries. There is some evidence that growth may have moved across postal products, with the automated presort category benefiting from the largest increase at the expense of the single-piece C&T stream.

As mentioned earlier, the principal drivers of banking transaction mail (primarily statements) in the US are the number of households and the level of personal consumption, and the key drivers of bank advertising mail were the number of households as well as bank profits and the ensuing advertising expenditure. For brokerage mail (primarily statements), the most prominent driver appears to be the number of people owning stocks, followed closely by household ownership and personal consumption.

Since the drivers of mail generated by banks and brokerages are anticipated to continue growing, it is reasonable to expect that mail volume will grow as well. Any drastic changes in mail volume growth patterns therefore will require changes in the underlying relationship between the key drivers and mail or in the value of mail relative to other channels.

A surprising finding in the U.S. is that the growth in mail volumes from banks (mostly to households) continued and even accelerated since 1997, during a period of rapid Internet penetration. This growth was even higher during the 2000 to 2004 timeframe when total mail, and total First-Class in particular, experienced annual volume declines. Other counterintuitive findings include:

- The volumes of First-Class and standard Ad mail have continued to grow despite a continued decline in the number of banks due to mergers, acquisitions and consolidations.
- Trade volume from securities and brokerage firms has not proved to be a strong driver of mail volume, since trade confirmations comprise less than 10% of their volume.

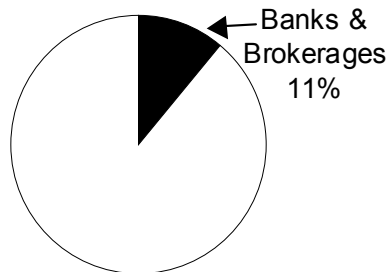
To better anticipate future mail growth a broader set of drivers may need to be tracked, including behavioral indicators of how and why people use the mail versus other communication channels. For example, we may need to track different indicators of consumer behavior such as changes in usage of online bill payment versus simply measuring the penetration of online banking. We may also need to track different indicators of future business behavior such as the rate of adoption of new technologies in the banking industry that enable house-holding and bill-boarding.

Mail moment research, conducted periodically by the USPS, also augments our understanding of the value of mail in a multi-channel world. Consequently, the entire mailing industry has the ability to help preserve and even grow mail volumes by investing in technologies and services that increase the value of mail, making it more effective and relevant.

1. Drivers of Mail Demand

In order to gain a deeper understanding and draw meaningful insights into the drivers of mail volume growth and the key implications for the postal industry, we focused the analysis at the industry and application level. We paid particular attention to transactional (bills and statements) and advertising mail generated by Banks and Brokerage Houses. These applications account for about 22 billion mail pieces per year— or around 11% of total USPS mail volume (Figure 1).

Figure 1. Bank and Brokerage Industries Share of Total USPS Mail Volume

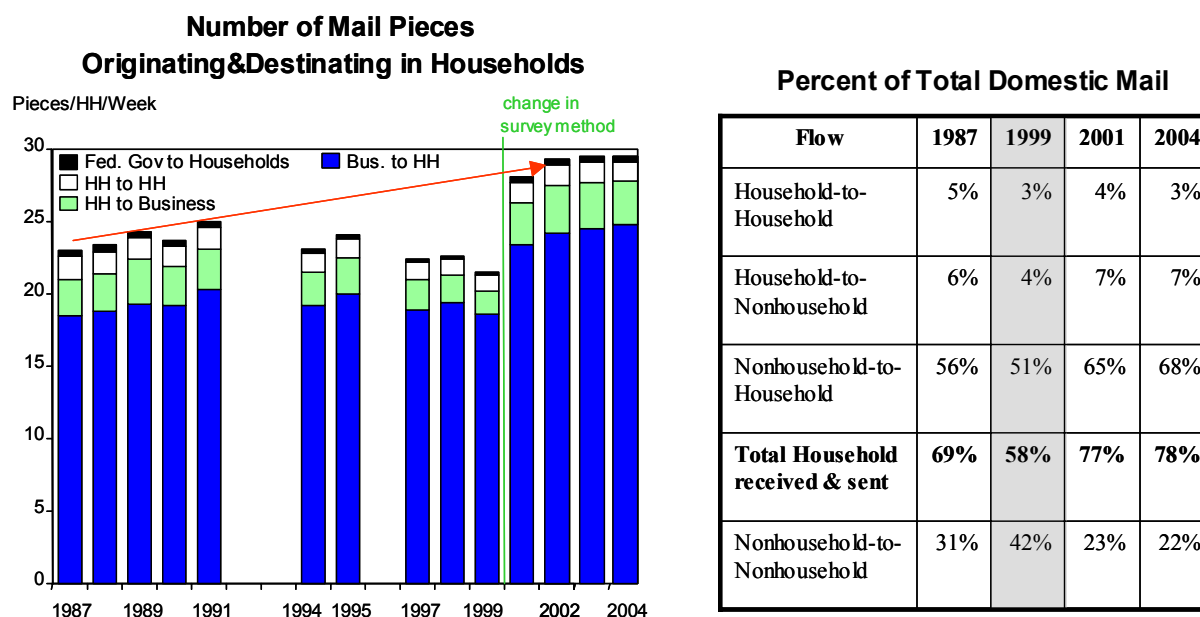


Source: Our Analysis based on Revenue, Pieces and Weights Report, Household Diary Study, and Customer Information System

Our analysis drew significantly on available secondary research, performed by the USPS and other participants in the postal sector, and focused primarily on an in-depth statistical examination of the relationships between mail volumes and key drivers and trends since 1987. The analysis focuses on a large proportion of the volume sent by banks and brokerage firms, namely: bills and statements, and advertisements sent to households. These B2C streams account for about 85% of total volume (or approximately 19 billion pieces) generated by these industry verticals directly or through mail service providers. Mail volume data, at the First-Class and Standard Mail levels, was regressed against a wide range of potential drivers, including:

- Gross Domestic Product (GDP)
- Number of Households
- Home Ownership Rates
- Adult Population Statistics
- Personal Income
- Personal Consumption (PCE)
- Number of Bank Accounts
- Number of Annual Bank Acquisitions
- Number of Banks
- Stock Ownership
- NYSE & NASDAQ Trade Volume
- Total Advertising Spending
- Banking Direct Marketing Ad Spending
- PC and Internet Adoption
- Online Banking
- Online Bill Payment
- Online Financial Trading
- Other Demographic Variables

Comparative historical mail volume data at the industry, mail product, and application level is quite difficult to obtain in a consistent manner for several decades. Much of the data, that we have used, is based on the Household Diary surveys of over 5 thousand households conducted by the USPS annually since 1987. Methodological and reporting changes create important distortions at certain points in time (Figure 2). For example, as a result of the introduction of a new process to improve the accuracy of the household diary survey in 2000, the proportion of mail received by households increased substantially, making comparisons with data from the late 1990's questionable.

Figure 2. Evolution of Mail Sent and Received by Household

Source: Household Diary Studies

While these methodological and process changes have exaggerated growth rates in key years (e.g., late 1990s to early 2000s), the long term trends are quite relevant and consistent, enabling the drawing of important observations and insights.

2. The Banking Industry

2.1 Industry Trends

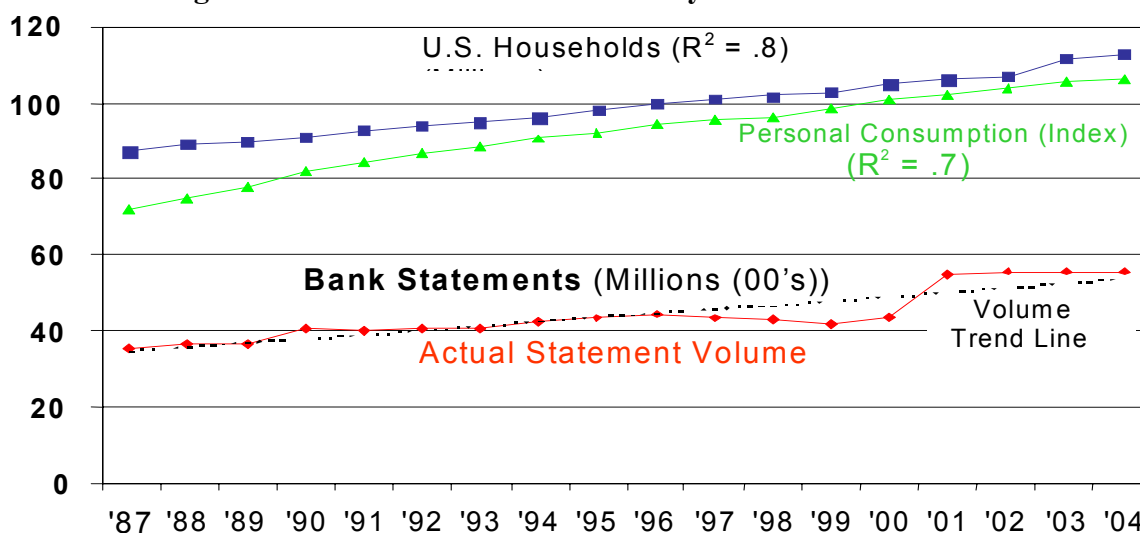
The banking industry has re-engineered much of its infrastructure, networks, channels to markets customer contacts, and core banking and payment processes. Banks are now more willing to adopt business process outsourcing (BPO) and application service provision (ASP) types of offerings. They are also more apt to use software and services from outside providers compared to other sectors (e.g., manufacturing). Most banks have already outsourced processes like check processing, mortgage handling, and credit card management, however, more and more banks are interested in significantly extending their use of BPO — call centers, procurement, corporate administration processes such as finance and accounting, and human resources. A 10% CAGR for process management is forecast for the financial services industry. The industry is also increasing spending on customer-facing processes to drive customer loyalty.

2.2 First-Class Bills and Statements

Last year, banks sent about 7 billion pieces of First-Class Mail to households, of which about three-quarters were statements. Since 1987, statement volumes from banks grew over 2% per

year. The most important factors underlying this growth are the number of households and personal consumption (Figure 3).

Figure 3. Bills & Statements Mailed by Banks to Households



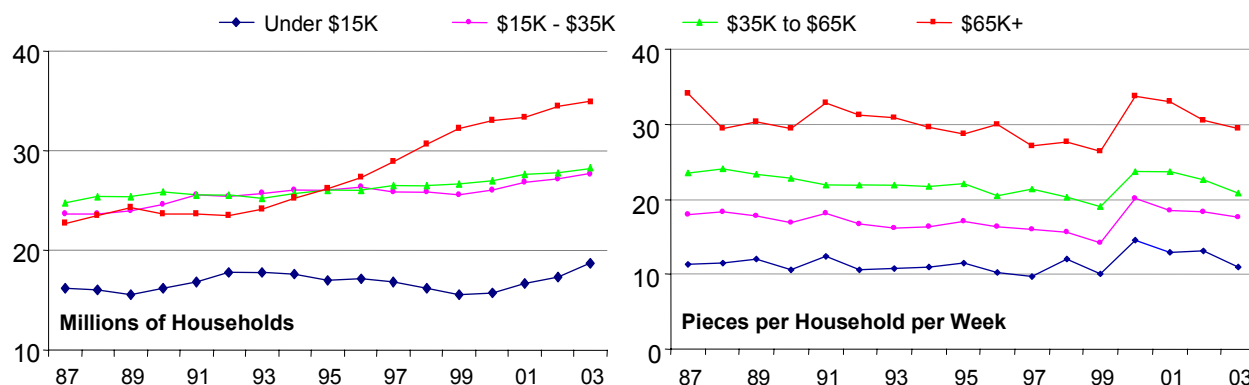
Source: Household Diary Studies and Our Research and Analysis

Most households typically have at least one bank account, and the propensity to have multiple accounts at several banks tends to increase with personal income. First-Class volume was also correlated with GDP, but this was due to its almost perfect correlation with households and their income and personal consumption. Household and population growth alone can drive GDP as more families/adults enter the permanent workforce.

The ability of the above key variables to predict growth in statements has declined since the mid-1990s versus the previous decade. During this period, the annual growth rate of statements from banks accelerated slightly from about 2% (1987-1996) to more than 3% (1997-2004). Furthermore, the 2000 to 2004 growth rate of over 6% is noteworthy since this was a period of volume declines in total First-Class mail (-1.5% CAGR). One potential reason for this growth acceleration in the number of financial statements to households may be that affluent families purchased more financial products and diversified across banks – driving the receipt of additional mail pieces. Increases in bank accounts resumed after 1997, driven in part by a rise in the number of two-income households, following a decade of slow growth in the number of accounts from 1987-1996.

As shown in Figure 4, the trend in the U.S. since the early 90s had been toward a substantial increase in the proportion of households in the higher-income bracket. This has been coupled with a relatively flat and even declining proportion of the lowest-income households, suggesting a constant feed of new homes that become higher-earners over time. Figure 4 also shows a fairly stable weekly volume of mail for each income bracket.

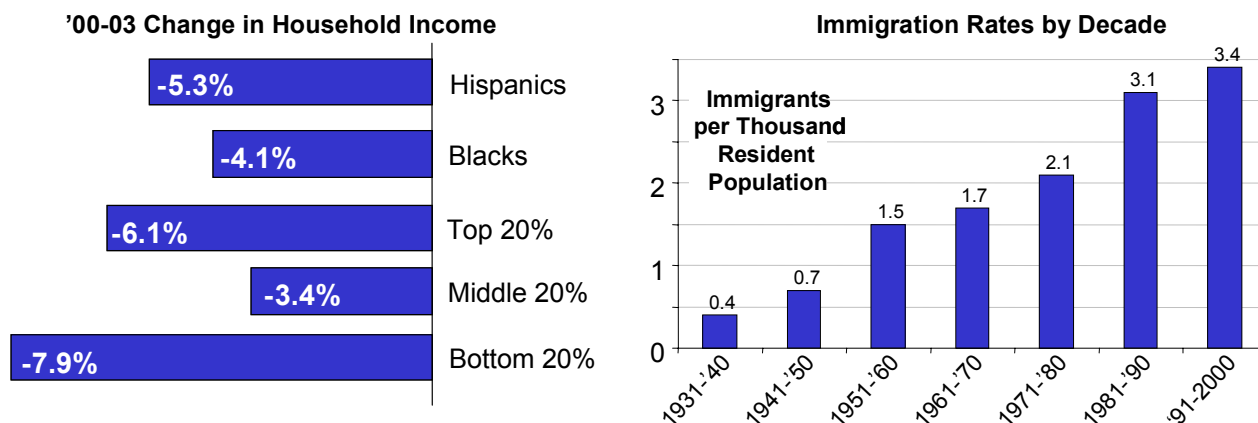
Figure 4. Changes in the Mix of Household Incomes and Mail Pieces Received



Source: USPS Household Diary Studies

Since 2001, however, we note a rapid rise in the number of low-income households. At the same time, incomes declined in inflation-adjusted terms (left side, Figure 5) and a substantial increase occurred in the total number of households from 105 million in 2001 to 113 million in 2004. Many of the new household additions are immigrants who tend to have lower income and education (right side, Figure 5).

Figure 5. Demographic Changes: Household Income and Immigration



Source: Economic Policy Institute. In inflation-adjusted 2000 dollars, U.S. Census Bureau

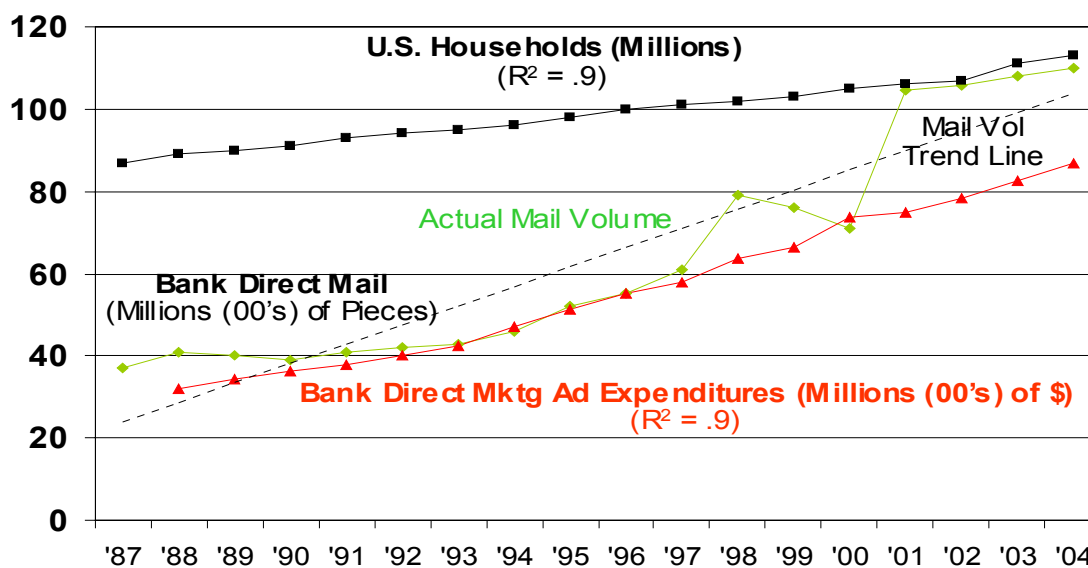
The recent USPS' Household Diary study quotes demographer William H. Frey: "... it is the lower end of the education distribution that dominates recent immigrant streams." Even though there is little hard data about immigrants' mail usage, the inference is drawn by the USPS that "they use less mail since they are coming from societies that use both the mail and checks less". Since lower income/education households use about a quarter of the mail of the upper bracket, it seems reasonable to assume that the more households that are brought into the mix at lower incomes, the lower the overall average of mail per household received and sent will be. In conclusion, the increase in population in the lower brackets has caused the average pieces per household to begin to drop, following many years of sustained growth. In 2004, the number of bills & statements from the banking industry has returned to its 1987 level of about 1 piece per household per week.

A surprising finding of the analysis is that the mergers, acquisitions and consolidations in the financial services industry had little impact on the First-Class statement volume from banks. Growth in statements generated by banks since 1987 has continued and even accelerated despite the almost continuous decline in the number of banks (3-4% per year) during the same period. Given that bank acquisitions have typically been aimed at expanding geographic footprint and range of products and services, they have tended to focus on customer acquisition and market expansion as much as on cost reduction and process improvement. Thus, the long-anticipated reduction in the volume of mailed statements has not yet occurred.

2.3 Standard Advertising Mail

Since 1987, direct mail volumes from banks grew about 7% per year from 4 billion pieces to over 11 billion pieces. The two most important drivers of this growth were direct marketing spending by banks (highly correlated with GDP which in turn tracks well with corporate profits and personal income) and number of households (Figure 6). Standard Ad volumes have closely tracked marketing and advertising expenditures over time as banks typically maintain a consistent mix of direct marketing channels and media. Additionally, despite advances in data mining and targeting and customization technologies, banks have tended to send a greater variety of advertising mail (e.g., customer relationship marketing-CRM mail, solicitations, offers, loyalty correspondence).

Figure 6. Standard Advertising Mailed by Banks to Households

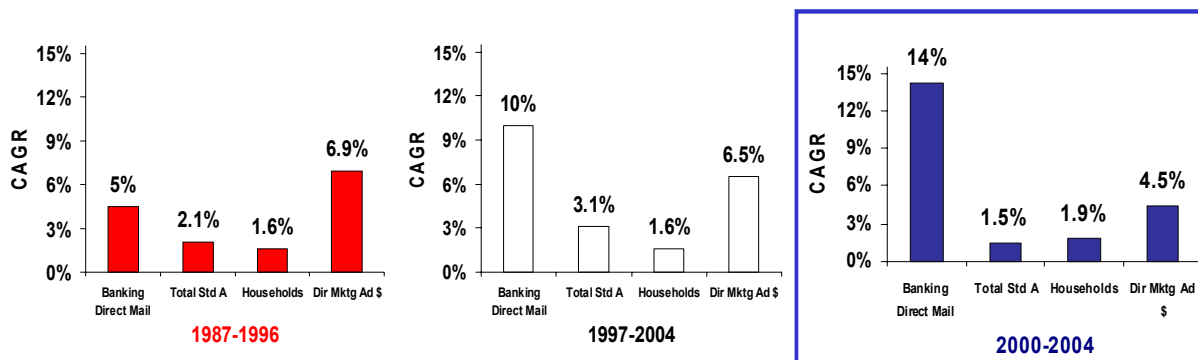


Source: Household Diary Studies

As in the drivers of financial statements, the ability of the drivers of advertising mail (e.g., GDP, ad spending) to explain the volume growth in the Standard streams declined after 1996 as the growth in direct mail volume from banks accelerated dramatically (almost doubling to a growth rate of 10% per year) – despite the continued decline in the number of banks (Figure 7). Also like banking statements, growth during the 2000-2004 period (15%) was significantly higher than the other periods examined and total standard (Ad) mail volume growth. A possible

explanation for this trend is that intensifying competition among remaining banks associated with consolidation has also driven an increase in direct mail campaigns.

Figure 7. Banking Direct Mail Growth Rates vs. Total Standard Mail and the Key Drivers



Source: Our Analysis Based on Household Diary Studies and data from the Direct Marketing Association and the Census Bureau

3. The Securities and Brokerage Industry

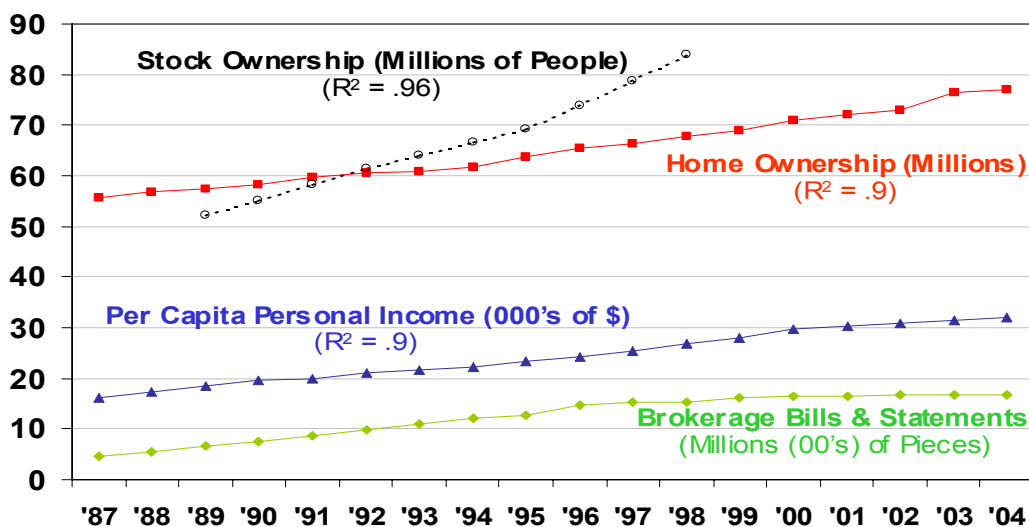
3.1 Industry Trends

The need to build and maintain an efficient infrastructure continues to escalate in brokerage firms with increasing competition, rising pressures for controlling internal infrastructure costs, and growing requirements to keep up with regulatory initiatives. Consequently, outsourcing is gaining more adherence as a way to keep pace with changing requirements while getting costs under control. Leading securities institutions are realizing that they need to concentrate on the business areas where they can provide a competitive advantage (e.g. trading strategies, research and advice, risk management etc.) leaving the low-margin, commoditized operations to be best managed by external providers. And with firms contracting an increasing number of their brokerage functions, the need for integration of outsourcing services is becoming all the more important.

3.2 First-Class Bills and Statements

Brokerage houses send nearly 3 billion pieces of First-Class Mail to households, of which about two-thirds are statements and trade confirmations. Statement volumes grew an average of 9% per year from 1987 to 2004 (from about 0.4 to over 1.7 billion pieces).

The strongest driver of mail growth appears to be the number of individuals owning stock, which is perhaps not surprising since stock ownership results in the receipt of monthly statements about the brokerage accounts. Two other variables -- home ownership and personal income -- are also highly correlated with the volume of bills and statements from the securities industry, but may be considered secondary drivers due to their high-correlation with stock ownership (Figure 8).

Figure 8. Bills & Statements Mailed by Brokerage Firms to Households

Source: Household Diary Studies and Our Research and Analysis

Interestingly, trade volume had relatively little relationship to First-Class Mail volume. This is perhaps, due to the fact that trade confirmations comprise less than 5% of First-Class volume sent to households. This is because most trades tend to be executed by and between brokers who typically confirm trades through electronic media (e.g., phone, fax, e-mail).

4. Details on Banking and Brokerage Drivers and Mail

Table 1 presents the correlations and growths of the various change drivers examined for the banking industry.

Table 1. Correlations and Growths of the Key Drivers of Banking Transactions

Variables	Analysis (R^2)			CAGR		
	'87-'96	'97-'04	'00-'04	'87-'96	'97-'04	'00-'04
Total Bills & Statements to HHs				2%	4%	6%
- # HHs	0.9	0.7	0.3	2%	2%	2%
- GDP	0.9	0.7	0.5	6%	5%	4%
- Personal Consumption	0.9	0.8	0.7	3%	2%	2%
- Online Bank Transacting -- HHs *	NA	0.5	0.3	NA	69%	15%
- HHs Paying Bills Online *	NA	0.8	0.6	NA	62%	35%
- # of Bank Accounts **	0.1	0.9	1.0	0%	1%	1%
- # of Banks	0.9	0.7	0.8	-4%	-3%	-3%
Total Standard (A) Mail to HHs				5%	10%	14%
- # HHs	0.8	0.7	0.4	2%	2%	2%
- Adult Population	0.8	0.8	0.7	1%	2%	2%
- GDP	0.8	0.7	0.5	6%	5%	4%
- Personal Income	0.8	0.7	0.7	5%	4%	2%
- HHs Connected to Internet	NA	0.7	0.8	NA	18%	5%
- Dir Mktg Ad \$ - Banks ***	0.9	0.7	0.5	7%	6%	5%
- Ad Spending - Total	0.9	0.4	0.3	5%	5%	0%

Source: Our Analysis Based on Household Diary Studies and data from the Direct Marketing Association and the Census Bureau

Table 2 presents the correlations and growths of the various change drivers examined for the brokerage industry.

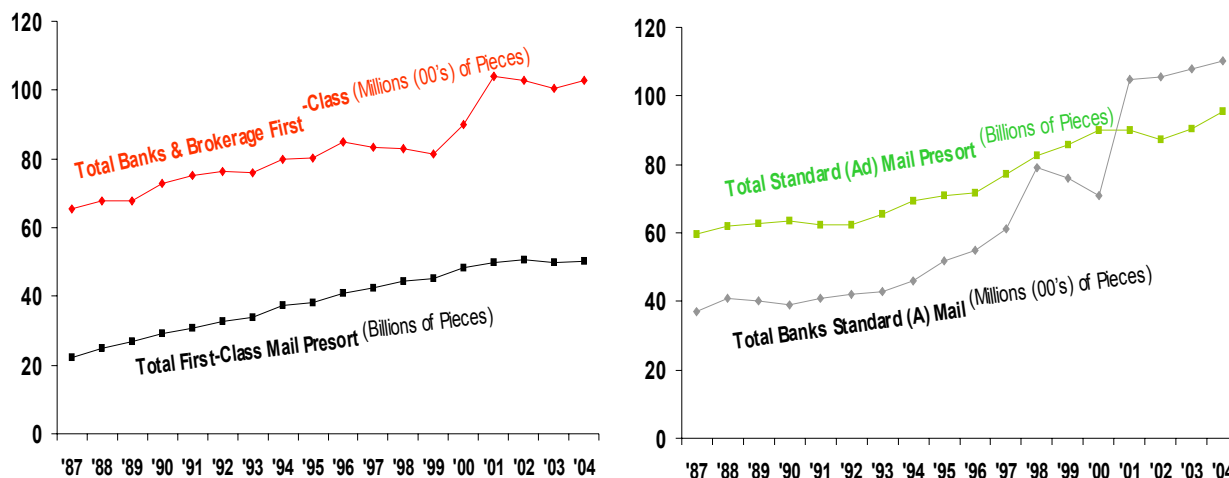
Table 2. Correlations and Growths of the Key Drivers of Brokerage Transactions

Variables	Analysis (R ²)			CAGR		
	'87-'96	'97-'04	'00-'04	'87-'96	'97-'04	'00-'04
Total Bills & Statements to HHS				14%	1%	1%
- # of People Own Home	1.0	0.8	0.4	2%	2%	3%
- Personal Income	1.0	0.9	0.6	5%	4%	2%
- Ind'ls Owning Stock *	NA	NA	NA	NA	NA	NA
- Vol of NYSE + NASDAQ Trades	0.8	0.9	0.7	17%	32%	10%
- # of HHS Trading Online **	NA	0.3	0.8	NA	7%	-6%
- HHS Connected to Internet	NA	1.0	0.9	NA	18%	5%
Total Standard (A) Mail ***				NA	0%	1%
- # HHS	NA	0.1	0.3	2%	2%	2%
- Adult Population	NA	0.1	0.6	1%	2%	2%
- GDP	NA	0.1	0.4	6%	5%	4%
- Personal Income	NA	0.1	0.6	5%	4%	2%
- HHS Connected to Internet	NA	0.0	0.8	NA	18%	5%
- Ad Spending - Total	NA	0.0	0.3	5%	5%	0%

Source: Our Analysis Based on Household Diary Studies and data from the Direct Marketing Association and the Census Bureau

Figure 9 presents the evolution of First-Class and Standard volumes for the banking and brokerage industries. Over 82% of First-Class mail sent from the banking and brokerage industry to households is now sent presort, up from about 55% in 1987.

Figure 9. Banking & Brokerage First-Class and Standard Volume vs. Total Presort

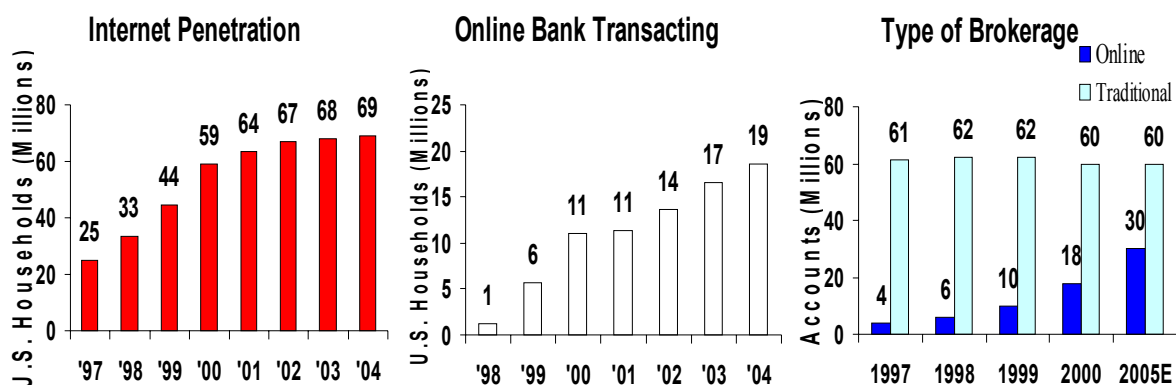


Source: Household Diary Studies and Revenues, Pieces, and Weights Reports

5. Electronic Alternatives to Mail

The Internet has to-date had virtually no impact on the volume of banking and brokerage mail to households. Growth in mail volumes from banks actually accelerated since 1997, when online banking was purportedly taking off in the U.S., with the percent of households, having at least one online financial interaction with their bank, increasing to over 15% by 2004 (Figure 10).

Figure 10. Evolution of Electronic and Internet Indicators



Source: Our Analysis Based on Census Bureau and Other Sources

Additionally, during the late 90s when Internet brokerage accounts were growing rapidly (65% CAGR in a 4 year period) and the growth of traditional brokerage accounts remained essentially flat, statement volumes from brokerage houses continued to grow at about 2% per year. In securities firms, it appears that the Internet may have impacted the execution of trades rather than the generation of statements.

The typical use of the Internet by households to conduct financial transactions may explain the lack of electronic substitution of mailed statements. U.S. households have tended to use the Internet to pay some bills, which does not impact business generated volumes, or to view balances online while still expecting to receive and keep the paper bills or statements. According to the December 2003 Pitney Bowes' Mail Preference Study, 86% of the consumers responding prefer to receive bills, bank statements or financial reports at home via regular mail.

For Direct mail, the lack of electronic substitution impact on volumes may be due to the relative unattractiveness of email and telemarketing as marketing channels. The proliferation of unwanted SPAM e-mails, the sensitivity of consumers (e.g., phishing, identity theft, fraud concerns, bogus stock tips) regarding financial information on the Internet is increasingly crowding out legitimate e-mail campaigns.

5.1 Online Banking

Online banking was first introduced in the 1980s when companies such as Wells Fargo and Comerica offered customers online banking services via Prodigy or other dial-up services. Some early providers of online banking or home-banking at it was referred to at the time including Citibank and Chemical Bank provided customers with proprietary dial-up software to access network services. Services were fairly basic, by today's standards, providing customers with the

ability to check balances and transfer money between accounts. Currently, most banks and credit unions offer online/Internet services (over 75% in 2004) (ePaynews.com, 2004), which include all routine banking transactions such as: account transfers, balance inquiries, bill payments, and stop payment requests, statement viewing and printing, and review of latest transactions.

According to research firms such as Jupiter and the TowerGroup, approximately 30% of U.S. households use online banking services (Moneyextra.com, 2004), and according to a recent Pew study, this statistic has grown to about 44% (Reuters, February 9, 2005).

Electronic bill presentment & payment (EBPP) and electronic statement presentment (ESP) are the processes by which companies send bills or statements to consumers and/or receive payments electronically. EBPP involves at least one part of the financial transaction cycle and is different from online banking or electronic funds transfers (EFT) that can also order, instruct, or authorize a financial institution to debit or credit an account. These terms includes, but are not limited to: point-of-sale transfers; automated teller machine transfers; direct deposits or withdrawals of funds; transfers initiated by telephone; and transfers resulting from debit card transactions.

The Online Banking Report predicts that 57 million households will conduct banking transactions via the Internet (mostly for bill e-payments) by 2008. But, Forrester seems less optimistic about the growth of ESP/EBPP. They estimated that growth rates would slow and that by 2008, about 31 million households would be paying bills online.

5.2 Consumer Bill Payments

Consumers can initiate electronic bill payments through a variety of pre-established options including credit cards, debit or check cards, and electronic checks. Financial services firms then deduct the funds from the payer's account.

For a more detailed discussion of bill, statement & invoice presentment and payment, refer to the background paper on the topic prepared as part of the Pitney Bowes research for the manuscript, "Electronic Substitution for Mail: Models and Results; Myth and Reality". The background paper, prepared by Shawn Flynn, Corporate Strategy Group, has been published in 2005.

Forrester Research estimates that in 2004 nearly 57% of all households that pay bills online will use a biller's site (direct model), while the remainder (43%) will use a bank or portal (indirect model). ComScore estimated that consumers pay less than 2% of their online bills at an Internet portal. Consequently, the large majority, 98%, of electronic bill payments are made at a biller or bank's website.

Industry analysts differ about the growth of EBPP/ESP. Forecasts vary significantly, with Jupiter expecting adoption rates to grow to more than 40 million households in 2005, while Forrester Research predicted that, by 2005, these services would penetrate over 24 million households. Giga Information Group anticipated consumer adoption rates to grow more slowly to 8 million in 2005

A shortcoming of these predictions is that they fail to quantify the number of statements or bills presented or paid online. Furthermore, they differ in their definition of an e-transaction

household, with Forrester including any household that has paid at least one bill online in the “past three months” in their statistics. The reporting and definitional issues, coupled with the fact that these estimates are based on consumer opinion surveys rather than actual statements, bills or payments viewed or transacted online, highlight the difficulty of comparing electronic mechanisms to e-transactions.

It is evident that consumers are becoming more comfortable with e-transaction, particularly from banking, brokerage and other financial institutions that they have a relationship with. According to a recent research note from Forrester, e-statement adoption has increased substantially with 26% of online consumers getting at least one e-statement in 2004. However, 97% of these e-statement adopters continue to receive a paper statement. Yet, none of the estimates place the number of bills and statements presented electronically at more than 5% of the total number of bills and statements received by consumers.

In fact, consumers in the U.S. are highly unlikely to view the Internet as a “bank” according to a 2002 Pew Study (Table 3). Consumer uses are mainly for searching, entertainment, and shopping. We suspect that more recent surveys would show an even lower consumer appetite for financial transactions via the Internet, given the added importance and attention paid in the press to security and privacy issues, as a result of the recent spree of detrimental occurrences ranging from viruses, to identity thefts, to customer personal data misplacements.

Table 3. Consumers’ View of the Internet

What do you think the Internet is like? <i>Metaphors for the Internet, asked of all Americans</i>			
	All Americans	Internet Users	Non-Users
Library	51%	61%	36%
Meeting Place	11%	10%	12%
Shopping Mall	10%	10%	11%
School	6%	6%	6%
Peep Show	3%	1%	5%
Party	2%	2%	3%
Bank	1%	1%	2%
All of the Above	5%	4%	5%
Other/Don't Know	11%	5%	20%



Source: Pew Internet & American Life Project

6. Prospects of Future Growth in Banking and Brokerage Mail

The key underlying drivers of mail growth in the banking and brokerage industries are likely to remain, with households expected to grow at over 1% per year for the next several years and personal consumption and GDP growing at 2-3% and closely tracked by marketing expenditures. The trend of bank and brokerage accounts growing faster than households is expected to continue as well.

Therefore it is reasonable to assume that First-Class and standard (A) mail volumes in these industries will continue to grow slowly as well. Any drastic change in volumes – particularly declines in volume – will instead be caused by a fundamental change in the relationship between the underlying drivers and mail due to changes in consumer and/or business behavior.

In terms of consumer behavior, Internet users are likely to become more comfortable over time using the Internet in place of paper – for example giving up paper reminder of the bill each month or using electronic bill payment for all of their bills instead of only a few. They also could become more receptive to email marketing campaigns if SPAM is effectively controlled by new legislation. These changes could clearly create a negative impact on mail volumes from electronic alternatives.

In terms of business behavior, bank success in implementing new IT and document management technologies may lead to a reduction in mail pieces generated by businesses – despite continued growth in the traditional underlying drivers. For example, increased use of house-holding (combining multiple statements into a single mail piece) may lead to fewer mail pieces per household even if the number of accounts per household continues to increase, or effective implementation of customized statement bill-boarding may enable banks to eliminate or reduce cross-sell advertising campaigns.

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