BUSINESS MAILERS REVIEW

Monitoring the Postal Service, Private Carriers and Suppliers
Published by PNMSI Publishing Co.

Volume 39, Number 5 **February 26, 2018**

Reactions to USPS Fiscal Year 2017 Results

As we went to print on our last issue, the Postal Service released its Fiscal Year 2017 financial results. *(See BMR 02/12/2018, p. 1.)* There was no time to collect commentary on the results before we went to press. Since then, there have been calls for reform to stave off further losses at the independent federal agency.

Fredric Rolando, president of the National Association of Letter Carriers, said of the USPS financial reports: "Today's financial report for fiscal year 2018's first quarter shows the Postal Service's underlying business strength while also indicating the need to address external matters beyond USPS control." He added: "The operating profit of $353 million reflects USPS' vitality and its importance to the public and our economy." *www.govexec.com/management/2018/02/usps-profits-again-tumble-during-holiday-season/145880/.*

While most stakeholders favor cost reduction and careful analysis of pricing, the Taxpayers Protection Alliance (TPA) responded to the news that the Postal Service suffered a net loss by calling for it to focus on its overall losses rather than on growing its controllable profit. "Lawmakers in Congress must take notice of these dire and burgeoning fiscal problems, and mandate that USPS make significant operational changes," TPA said in a statement. "Without a tangible understanding of the costs associated with each line of service, the USPS will accelerate its path towards a taxpayer bailout." *www.govexec.com/management/2018/02/usps-profits-again-tumble-during-holiday-season/145880/.*

It might be instructive to review responses to other TPA public statements on *PostalReporter.com*. There are consistent themes in TPA messages and the messages seldom seem to include specific responses to the facts in USPS financial statements.

In a report by Federal News Radio, the postmaster general resonded to critics: "We have not ignored the economic realities facing our business. To the contrary, we've dealt with our challenges head-on. Where we have the authority, we have taken actions to proactively adapt to changing market forces," Ms. Brennan said.

Ms. Brennan, Chief Financial Officer Joseph Corbett, and David Partenheimer, a USPS spokesperson, told Federal News Radio following the USPS quarterly call that the agency has reduced its real estate holdings, employee count, and hours worked in response to reduced mail volumes. It has still been forced to wait for congressional action to restructure some of its operations.

As the same report indicated: "While the Postal Service has made attempts to right-size its organization, Brennan also called for oversight action from Congress and the Postal Regulatory Commission. Brennan said she expects the Senate will confirm President Donald Trump's three nominees for the nine-member Postal Board of Governors before the next financial quarter call in April. The last appointed member stepped down in December 2016 after his term expired. The board needs a quorum to make major business decisions like approving postal rate increases."

"The root cause of our financial instability is a flawed business model, which cannot be fixed without congressional action. Under current law, a large percentage of our costs are imposed on us, and these costs are growing," Ms. Brennan said.

USPS Draws Trump's Ire

The Postal Service drew President Trump's ire for working with Amazon.com, Inc. to its own detriment, simply because the independent federal agency, which is subject to oversight by two different bipartisan entities, posted a loss of $540 million in the last three months of the 2017 fiscal year, a period most expected would be its best quarter. *(See BMR 02/12/2018, p. 1.) http://www.washingtonexaminer.com/postal-service-berated-by-trump-posts-540-million-quarterly-loss/article/2648654.*

The loss in the three months through December compared unfavorably with profit of $1.44 billion a year earlier. What the president may not have been tracking is that the Postal Service's financial performance has been declining steadily as First-Class Mail volume has dropped and in response to higher costs for retiree healthcare and

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Short Takes

Retail Dive reports having received an email from Amazon.com Inc. about “headcount adjustments across the company – small reductions in a couple of places and aggressive hiring in many others. For affected employees, we work to find roles in the areas where we are hiring.” Some estimates are that several hundred people are departing, mostly in the company’s consumer retail business.

Retail analyst Nick Egelanian, president of retail development consultants SiteWorks International, said in an email to *Retail Dive*: “With 300,000 U.S. employees, you would have to wonder what kind of organization Amazon is if some of those employees were not pared out occasionally.” He added that the company will still “hire at a brisk pace” and lease new office space. “Nevertheless, the fact that the layoffs are in consumer retail does indicate that they continue to look for ways to make the unit more lean, sustainable and profitable. Shipping costs, at nearly $20 billion last year, continue to be their biggest challenge.” *https://www.retaildive.com/news/amazon-laying-off-hundreds-of-corporate-employees/516933/.*

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Internet Retailer reports that the number of ecommerce sellers likely to use Shipping with Amazon *(see BMR 02/26/2018, p. 4)*, is likely to be significant: “Over half (57%) of respondents strongly agree (27%) or agree (30%) with the statement: “I would trust Amazon to deliver products to my customers,” while 23% said they strongly disagree (12%) or disagree (11%). Only 20% said they neither agree nor disagree.”

“More than half (55%) said they would consider switching carriers, while 20% said they would not, and 24% said they didn’t know if they would. Price is the most important factor in choosing a delivery carrier, according to 66% of respondents, while 30% prefer reliability and 4% touted quality customer service. On price, 55% of respondents said Amazon’s fees would have to be 10% to 20% lower to consider switching, while 21% said they would consider a switch if the price was 1% to 9% lower. A small amount (8%) said they’d consider a switch with no savings and 12% would not consider switching.” *https://www.retaildive.com/news/shipping-by-amazon-may-cause-over-half-of-sellers-to-switch/517126/.*

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The trucking industry’s growth has outpaced growth in the ranks of qualified truck drivers for some time and the shortfall in driver ranks has begun to pinch the grocery industry. *Supermarket News* says the shortage of qualified drivers already means delays and price increases in that market sector. *http://www.supermarketnews.com/news/truck-driver-shortage-impacting-food-deliveries*.

Supply Chain Dive reports that “grocers lose $75 billion a year in sales—10% of the industry total—due to out-of-stocks and unsalable goods, often the result of late deliveries.The trucker shortage has fleets caught in something of a catch 22. They’re more likely to make a late delivery if they’re short on drivers, and the fines they incur chip away at the extra money they need to offer to incentivize workers to sign up.” The industry needs substantial growth to keep pace with demand—90,000 new drivers every year for the foreseeable future. *https://www.supplychaindive.com/news/what-the-truck-driver-shortage-means-for-food-companies/517190/*.

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Grocery stores are not alone in reporting delayed delivery and some of the blame has to do with new regulations that require truckers to use electronic logging devices (ELDs) to verify compliance with Hours of Service (HOS) regulations. *(See BMR 02/26/2018, p. 5.)*

Supply Chain Dive reports that the new ELD regulations may be to blame for delays at ports as drivers work to comply with new rules and use new software to do so.

According to the report: “As a result of the ELD mandate, ‘we’re seeing a significant impact on moving containers off the ship,’ said Ken Kellaway, president and CEO of RoadOne IntermodaLogistics. ‘It’s causing bottlenecks at the terminals and at customer locations, and we’re seeing in certain key volume markets that the industry is struggling to support market demand.’” The article addresses several causes of the delays in moving goods, including weather, capacity issues, holidays in foreign locales, and other issues. *https://www.supplychaindive.com/news/eld-intermodal-freight-ocean-shipping-containers/517006/.*

USPS Draws Trump's Ire... ***(cont. from page 1)***

increasing transportation expenses, costs imposed on the Postal Service but not on other similarly situated independent federal agencies or private businesses.

Postmaster General Megan J. Brennan's repeated requests for Congress and regulators to approve reforms including giving the organization more flexibility to set prices based on market conditions also has been unheeded. Indeed, the agency's oversight bodies, such as the USPS Board of Governors and Postal Regulatory Commission have vacancies that neither the president nor the Senate seem in a hurry to fill with persons capable of guiding the agency through reforms that might get it out of the "red."

"We will continue to do everything within our control to improve operating efficiencies, manage expenses, expand our use of technology and keep mail affordable, but these actions must be combined with regulatory and legislative changes," Ms. Brennan said in a statement.

The drop-off in mail volumes has been significant. Mail volumes dropped by 2 billion pieces, or about 5%, even as package deliveries increased, the USPS said.

While package volume is up and expected to keep growing, the president is right that growth in that market segment is not a solution. The Postal Service set a record a week before Christmas with the delivery of more than 37 million packages in a single day, the most in its 240-year history. But package delivery is not—neither for Amazon nor for other package customers—as profitable as First-Class Mail volume. If the Postal Service were to stop serving Amazon now, it appears unlikely that the Postal Service's woes would be alleviated. Structural reforms of operations and retiree benefit program requirements are what would make a tangible difference.

"The pressure continues to build," said Chief Financial Officer Joseph Corbett, since the profit margin on package deliveries is lower than on First-Class and Marketing Mail.

Controllable income, which excludes retiree health benefits and workers' compensation liabilities, fell 32% to $353 million in the quarter, the Postal Service said.

In response to the president's claim that the Postal Service subsidizes Amazon's delivery of packages, the postmaster general explained that pricing is based on market forces, including the "increased competition in the package arena and, increasingly, in the last mile—which has historically been a competitive advantage for us." "We compete for business every day," she added. "We intend to continue to work to maintain the customer base that we have and expand where we can."

President Trump Antes Up in Budget Bill

The president's remarks about how the Postal Service's losses are the fault of its customer Amazon.com Inc. may have been off the mark, but the agency would see some assistance in the president's proposed fiscal 2019 budget.

Among the initiatives in that proposed budget are the following:

- an additional $80 billion over ten years;
- a reduction from six to five days of home delivery per week, where there is a business reason for doing so;
- a relaxation of mail delivery to an individual's door where appropriate;
- an increase in employees' contributions toward their health and life insurance;
- creation of postal-specific assumptions about the demographics of the USPS workforce to prevent possible overpayment into the agency's Federal Employees Retirement System account;
- an increase in collaboration with state and local governments;
- a change in the agency's governance structure;
- approval of a one-time price hike; and
- improved flexibility in setting postal rates.

These proposals are similar to what postal management has recommended in the past. They also are similar to what appeared in the president's last budget and legislation that has been introduced in Congress.

Some of the reforms are strongly opposed by stakeholders. Congress, especially representatives of residents from rural areas have opposed a relaxation of the six-day delivery standard. That opposition was strong enough to cause postal management to drop its proposal to eliminate mail delivery on Saturdays.

Reforms of the postal employees' retirement benefits would save the agency $35 billion over the next decade; but postal workers are not necessarily keen to follow other federal employees' plan rules.

While cluster mailboxes have been installed in many new communities, those residents accustomed to delivery to their doors have resisted having them installed in their neighborhoods. Seniors and those with disabilities argue persuasively that there are risks inherent in having to hike to a mailbox. Others point to the insufficient size of mailboxes and the vulnerability of mail and those who come to collect it when mail has to be picked up at a central location.

The various recommended operational changes to the Postal Service would improve the agency's financial position $45 billion over ten years, according to the budget, while the benefits changes would reduce costs by an additional $35 billion.

The House previously received a bill, authored by former Rep. Jason Chaffetz,(R-Utah), which bill was approved by the House Oversight and Government Reform Committee last year. It went no further. *http://www.govexec.com/pay-benefits/2018/02/trump-suggests-usps-cut-retirement-health-benefits-80b-savings-package/145937/*.

Coming Attractions: Amazon Delivery

Amazon.com Inc. plans to launch a new delivery service that will compete directly with FedEx and UPS, according to *The Wall Street Journal*.

Launching in L.A.

Shipping with Amazon (SWA), will test launch in Los Angeles and initially serve only companies selling on Amazon's own marketplace. It will eventually serve in other geographic locations and serve businesses not affiliated with Amazon's marketplace.

At the start, the service will have Amazon trucks pick up goods from merchants' warehouses and bringing them to Amazon fulfillment centers. The USPS will handle the "last mile" as will some other carriers. A larger delivery system could take packages to customers' homes, but additional infrastructure will be needed before that happens. Amazon now delivers to homes in thirty-seven U.S. cities.

Potential Growth

Morningstar.com offered its assessment of the infrastructure required to handle a fully constituted SWA program: "Still, Amazon's ability to one day haul and deliver packages for other retailers and consumers at a national scale would require tens of billions of dollars in investment, analysts say. It would also need thousands of trucks, hundreds of planes and to build thousands of sorting centers to handle millions of packages a day. Amazon has only leased up to 40 planes and has roughly 300 warehouses in the U.S., including fulfillment centers, sortation centers and delivery stations, according to supply-chain consultancy MWPVL International Inc. The company today mostly contracts and leases with delivery couriers rather than owning its own assets, a limiting factor, say analysts. Amazon is 'far away from having enough capacity to handle all of its own shipping,' much less having excess capacity to sell to shippers outside its third-party merchants 'and truly start competing' with UPS and FedEx, Wolfe Research analyst Scott Group wrote." *www.morningstar.com/news/dow-jones/TDJNDN_20180210731/what-it-would-take-amazon-to-become-ups-or-fedex.html*.

The new program is viewed by commentators as an effort to hold down the costs of free shipping to Amazon Prime members. According to *Morningstar*, "Amazon generated an estimated 1.2 billion shipments last year domestically, according to MWPVL International. But most of those were delivered via the U.S. Postal Service, UPS and FedEx."

Competitors Confident

While FedEx Corporation and United Parcel Service, Inc. stocks took a price hit when the news first was released, some view the idea of an Amazon delivery business as a larger threat to the Postal Service. "Sentiment remains cautious on the two stocks based on a heightened risk of disruption. We believe the headline overlooks the primary company at risk, which is the U.S. Postal Service," wrote analyst Brian Ossenbeck of J.P. Morgan. "We estimate the USPS is Amazon's largest carrier so not only does it stand to lose volumes from Shipping with Amazon, but it generally lacks the same labor flexibility and service offerings; postal workers are unionized and Amazon Flex drivers can also provide premium products and services such as perishable goods and same day deliveries." *https://www.cnbc.com/2018/02/16/amazon-threat-to-fedex-overblown-its-the-postal-service-thats-in-trouble-jp-morgan-says.html*.

In the same story, Ossenbeck added: "With a localized pick-up and delivery system beginning within the Amazon ecosystem, the service is not directly comparable to the standard ground offerings of either public carrier but rather the final mile of the USPS," Ossenbeck added. "While UPS and FedEx could face pressure if the capabilities expand into business-to-business or international deliveries, we expect the lost volumes to SWA or the FBA Onsite optimization will actually provide some relief to the significant mix pressure from an accelerating pace of business-to-consumer volume growth." *https://www.cnbc.com/2018/02/16/amazon-threat-to-fedex-overblown-its-the-postal-service-thats-in-trouble-jp-morgan-says.html*.

The New York Times offered a scenario in which the new program takes some stress off of all the relevant parties during holiday delivery peaks: "Amazon's own shipping services have given the company a way to keep up with the growth in its business, which is especially helpful during times, like the holidays, when its carrier partners are flooded with packages. Operating its own shipping services could also offer a way to negotiate better prices with outside delivery companies. Shipping costs at Amazon last year rose 34 percent to $21.7 billion, according to Amazon filings." *https://www.nytimes.com/2018/02/09/business/amazon-delivery-service.html*.

Of course, the SWA program is not a holidays-only proposition. As *BGR.com* explains: "If SWA is cheaper than FedEx or UPS, you can bet that customers will opt for Amazon's service instead." *http://bgr.com/2018/02/09/amazon-delivery-service-swa-fedex-ups/*.

Nevertheless, the Morningstar analysis predicts that FedEx and UPS executives are losing no sleep over an Amazon delivery network: "FedEx has roughly 650 aircraft, 150,000 trucks, 400,000 employees and 4,800 operating facilities globally to handle about 12 million shipments a day. UPS's larger operation handles more than 20 million packages a day with service to more than 220 countries and territories globally. Its fleet includes more than 500 owned and leased aircraft and more than 100,000 package cars and other vehicles to deliver packages."

Indeed, the analysis of SWA continues with a prediction that SWA could be good news for FedEx and UPS: "Even if Amazon does start picking up some volume, 'the last-mile business at risk for UPS and FDX [FedEx] is very low-yielding and we believe very low margin . . . . So losing some last-mile business may not be a bad thing . . . .'"

USPS is Sanguine

As for the Postal Service, its executives expressed an upbeat reaction to what could affect its fastest growing line of business. "It's a very competitive space," Postmaster General Megan Brennan said when asked about Amazon as a competitor, rather than a customer. "We have to earn that business every day." *www.morningstar.com/news/dow-jones/TDJNDN_20180210731/what-it-would-take-amazon-to-become-ups-or-fedex.html*.

Truckers Take to ELD

Now that truckers must use electronic logging devices (ELDs) in place of their hand-written logs, some in the industry are wondering what all the fuss was while companies and drivers waited for the new rules to take effect.

The new rules became effective Dec. 18, but full enforcement is not expected until Apr. 1.

Ken Evans, CEO of Konexial recently told *Trucker.com* that he expects truckers to soon be asking: "Why in the world were we afraid of this?"

Evans speculates that many smaller carriers have held off complying with the ELD rules while they wait to hear how the larger companies and their drivers fare.

"'We talk to people every day who think they can wait until March 30 to make a decision,' Evans pointed out. 'And we try to educate them and tell them, 'No, you can get a ticket today.' We see people getting tickets every day. People need to go ahead and put this in because there is a learning curve. We encourage people to get out in front of it.'"

While the hard enforcement deadline is further down the road, Evans warns that enforcement is underway. Ticketing now and more onerous enforcement that is coming will push out noncompliant companies and ratchet up the demand for those who remain. "'I believe that a year from now, anybody who is out there openly defying the law is just going to get shut down, and that's fine,' he noted. 'But I think that those people who are professionals and who are serious about their job and their safety, once they get over the learning curve, won't want to go back.'" *http://www.trucker.com/regulations/eld-mandate-why-were-we-afraid*.

How Prime Now Works

A recent story in *Business Insider* details how author Dennis Green made a purchase of Whole Foods groceries using Amazon's Prime Now service. The addition of groceries to available inventory is new in four cities (Austin, Tex., Cincinnati, Dallas, and Virginia Beach, Va.). The plan is to expand availability as the test continues.

Green decided to test the app and report on his experience. As he explains it, he started at the new program's website: *PrimeNow.com*. There also is an app available— the Amazon Prime Now app.

Users select which store to shop from. Green had several options. He ordered several items, including a phone charger.

He next reports: "The first sting of disappointment. It was 11:00, but I couldn't get a delivery window before the 2 p.m. to 4 p.m. time slot. The 12 p.m. to 2 p.m. window was also 'unavailable' for an unspecified reason. None of the ones that were available were within the two-hour delivery that I thought I was promised. At best, delivery would take three hours. I sighed and picked the soonest option I could."

After choosing a delivery window, he provided directions for reaching his office. He selected a tip amount.

At check-out, he tallied his cost. "With the $5 delivery fee charged because I did not meet the $35 minimum, and the tip, my order's price nearly doubled. Clearly Prime Now is not designed for one quick, cheap order."

The order arrived four hours later—one hour into the delivery window. Green writes: "I verified the contents — it was all there. Prime Now delivery took longer and was much more expensive than I expected. I'm not sure under which circumstances I'd order it again. Maybe with a larger order, where the tip wouldn't seem such a large part of the total cost. Prime Now is convenient, though, especially if you know you will need something in a certain time frame." *http://www.businessinsider.com/how-to-use-amazon-prime-now-2018-2*.

Target Tries Same-Day Delivery

Target will test same-day delivery in the Twin Cities where it will compete with Amazon. Target will work with Shipt to begin offering home delivery of groceries, essentials, electronics, toys, and other products starting March 1.

Target bought Shipt late last year. Shipt will make deliveries from fifty Target stores and will reach nearly 1.2 million households, including in the suburbs.

John Mulligan, Target's chief operations officer says: "We're going to be in all the major markets. And we bring a breadth of assortment that is not just food and beverage and grocery. We will have virtually the entire store by the end of the year, so that's a fantastic advantage."

Shipt charges an annual membership of $99 for unlimited deliveries of over $35. Target is offering a discounted annual rate of $49 to people who sign up before March 1.

In December, Target spent $550 million to take over Shipt, a service similar to Instacart that employs shoppers who pick, pack, and deliver items from a number of partner retailers to customers' doors.

Same-day delivery is one of the perks of being a member of Amazon's $99-a-year Prime program. There are an estimated 90 million Prime members in the U.S., according to Consumer Intelligence Research Partners. *http://www.startribune.com/target-will-roll-out-same-day-delivery-in-twin-cities-next-month-as-it-faces-off-with-amazon/473666723/*.

Not Much to Tell about Waymo/Uber Settlement

Waymo and Uber settled their nearly year-long lawsuit over whether Uber had stolen Waymo's trade secrets relating to self-driving car technology.

Less than a week into the trial, Uber agreed to provide Waymo, the self-driving car unit owned by Google's parent company, Alphabet, with 0.34% of its stock. According to Waymo, the settlement's terms value Uber at $72 billion. This amounts to stock worth about $245 million.

The dispute began after Uber acquired Otto, a start-up making self-driving trucks that was founded by Anthony Levandowski. Lewandowski was an early member of Google's self-driving car project. Analysts speculated that Lewandowski had more than a few good hunches in his back pocket when Uber agreed to pay a reported $590 million for Otto just six months after it was founded. Waymo argued that what he had in his back pocket were files and other secrets taken from the Waymo drawing board he helped to design, rather than newly developed concepts.

At the core of Waymo's case was a theory that what Lewandowski gave to Uber was its laser-sensor technology, a key component for operating self-driving cars. Waymo built its case on testimony that Lewandowski began talks with Uber executives while he was employed at Waymo. It presented testimony that suggested Levandowski downloaded thousands of Google files related to self-driving car technology before he left Waymo. It was alleged that Uber learned this but made the deal to acquire Otto anyway.

In four days of testimony there were bits and pieces of circumstantial evidence that suggested Uber had a role in misappropriating the Waymo trade secrets relating to lidar—the technology that allows autonomously driven vehicles to sense their surroundings.

As *The New York Times* explains, "The first few days of the trial revealed a number of embarrassing details connecting Uber with Mr. Levandowski. However, Waymo had yet to deliver on the substantive legal part of the argument that Uber knowingly stole Waymo's trade secrets for use in its products. The judge, William Alsup, admonished Waymo's lawyers on Wednesday for not having made much progress on its trade secret misappropriation claims."

That is where our coverage of the case left off. *(See BMR 02/12/2018, p. 2.)* Despite the apparent weakness in Waymo's case, *The New York Times* reports that Waymo extracted not only the Uber stock but assurances that Waymo technology would not be used by Uber. The article states that its description of the settlement came from "a person familiar with Waymo's deliberations who was not authorized to discuss them."

The article suggests Uber had other motives for seeking a settlement, including clearing the way for an initial public offering that is in the offing.

The dollar value of the settlement turns out to be close in amount to the compensation Uber would have paid Lewandowski for his work. "The loser in the legal proceeding may be Mr. Levandowski, who was fired by Uber over his refusal to cooperate with the company's defense. An Uber spokesman, Matt Kallman, said the company had fired Mr. Levandowski in May before Otto could meet any of its performance targets. As a result, he lost out on an estimated $250 million worth of equity in Uber—almost exactly how much Uber paid Waymo." *https://www.nytimes.com/2018/02/09/technology/uber-waymo-lawsuit-driverless.html.*

Say It Isn't So, L.L. Bean

L.L. Bean withdrew its 100% satisfaction guarantee, under which the company promised to repair or replace its products for life, no questions asked. Customers now will have one year to make returns (unless products are defective) and must provide proof of purchase.

The change in policy reflects a corporate acknowledgement that the costs of making good on its promise prevented the corporation from making a competitive profit on its goods. The guarantee language now reads: "OUR GUARANTEE. We stand behind all our products and are confident that they will perform as designed. If you are not 100% satisfied with one of our products, you may return it within one year of purchase for a refund. After one year, we will consider any items for return that are defective due to materials or craftsmanship." *https://www.llbean.com/llb/shop/513705.*

What bothers some of the shoppers who have used social media to register their unhappiness is that they paid higher prices to garner that guarantee. That value has evaporated.

The company's test of the guarantee's failure was that the cost of returns of destroyed or otherwise unusable items had surpassed the revenue from the company's signature duck boot.

In some cases, those enforcing the corporation's refund policy were secondhand owners or hard users.

Bloomberg Voice articulated the rage of loyal customers denied what they believed L.L. Bean owed them: "Lifers are brand evangelists. They bought L.L. Bean moccasins years ago, perhaps, and speak of them reverently. They also buy L.L. Bean gear for their kids and grandchildren, which more than makes up for the cost of a few replacements every decade. Fraudsters, by contrast, are a real problem. They're not using L.L. Bean products themselves, and they're not buying them for family members. They work at scale, sometimes returning, perhaps, 20 pairs of shoes or more. Those costs add up quickly, and there are no new sales to counterbalance them." *https://www.bloomberg.com/view/articles/2018-02-20/l-l-bean-will-regret-ending-its-lifetime-product-guarantee.*

In a letter from Shawn O. Gorman, the L.L. Bean Executive Chairman, he explains: "This update adds clarity to our policy and will only affect a small percentage of returns. It will also ensure we can continue to honor one of the best guarantees in retail, with no impact for the vast majority of our customers. To learn more, please view our full return policy at *llbean.com*.

"L.L. Bean has stood for quality, service, trust, and getting people outdoors ever since my great-grandfather founded our company over 100 years ago - and that will never change. Thank you for being a loyal customer and we look forward to continuing to inspire and enable you to Be an Outsider."

Writing for loyal customers not put off by the new returns policy, *Forbes* defends the change: "Some may feel that tossing out the lifetime guarantee will take away from what L.L. Bean stands for, which is guaranteed quality – for a lifetime. Don't worry! L.L. Bean still has your back. If you are a customer, you will be taken care of. They make that clear in the new policy. All they did was update the guarantee to reflect modern times. What I love about this open letter to L.L. Bean's customers is that it doesn't just state the new terms. It gives the 'why' behind them. And, who wouldn't understand the reasons behind this decision?"

As that article goes on to explain: "L.L. Bean is a classy organization. They won't lose customers over this. The new policy will protect both the company and the customer. It is still designed to take care of their customers. At the same time, it will help them deal with the small percentage of customers who have abused their original policy, costing the company a lot of money, which in turn, drives up the cost for all customers."

Ready or not, the days of a lifetime guarantee are passing. *https://www.forbes.com/sites/shephyken/2018/02/18/l-l-bean-discontinues-lifetime-guarantee/#23c5c917714d.*

Briefs

Has FedEx Corporation suffered a data breach and failed to come clean with the public about it? *Engadget.com* recently reported that: "FedEx customer records—including passports, drivers' licenses and other security IDs—have been exposed, according to security researchers at Kromtech."

The story continues with an explanation of how the records may have been stored on an unsecured server that has since been removed from service. The problem is that records may have been exposed for some time. The records may have originally been stored by Bongo International. FedEx acquired that business in 2014. Records involved would have been from 2009-2012.

"'After a preliminary investigation,' FedEx told *ZDNe*t, 'we can confirm that some archived Bongo International account information located on a server hosted by a third-party, public cloud provider is secure. The data was part of a service that was discontinued after our acquisition of Bongo. We have found no indication that any information has been misappropriated and will continue our investigation.'" *https://www.engadget.com/2018/02/15/fedex-sensitive-customer-data-exposed/.*

Analysts are watching to see if Sam's Club will mount a response to Amazon's Prime membership program. Sam's Club recently made changes to its membership programs, including no-minimum free shipping for all Sam's plus members on 95% of items. The membership fee of $100 annually will remain unchanged for now and delivery is expected to be within one or two days, executives said on a conference call to announce the changes.

Sam's business and Sam's savings membership programs will be combined, still priced at $45 a year, and extending the "add-on" ability so members can give memberships to family, friends or employees for $40. *https://www.retaildive.com/news/sams-club-perks-up-premium-membership-with-free-shipping/517023/.*

The latest financial results for Walmart suggest that its efforts to compete with Amazon for ecommerce dollars have cost it in profits. Walmart reported total revenue of $136.3 billion for the fourth quarter of 2017, a 4.1% increase over the same period last year. Ecommerce sales increased 23% in the quarter, which sounds good but represents a marked slowdown from 50% in the third quarter and 60% in the second quarter.

Growing ecommerce revenues is costly. Operating income fell 28% from the same period last year, to $4.5 billion in the fourth quarter. Walmart stock dropped 7.02% in premarket trading as the market reacted to news of profit and ecommerce slowdowns.

Walmart's revenues for 2017 were $500.3 billion, a 3% year-over-year increase. Ecommerce sales grew 44%. Despite this growth, operating income for 2017 was $20.4 billion, a 10.2% decrease. *https://www.retaildive.com/news/walmart-pummeled-on-slower-e-commerce-growth/517395/.*

BUSINESS MAILERS REVIEW (ISSN: 0739-3873) is published biweekly by PNMSI Publishing Co., an independent newsletter firm. Subscriptions to ***BUSINESS MAILERS REVIEW*** are $497/year in the U.S., Canada and Mexico; delivered airmail for $527 elsewhere. Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by PNMSI Publishing Co. for libraries and other users upon request. ***BUSINESS MAILERS REVIEW*** is available electronically via e-mail. Contact the circulation department at 301-528-7777, or email to -support@pnmsi.com. © 2018 by PNMSI Publishing Co.

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POSTMASTER: Send address changes to ***BUSINESS MAILERS REVIEW***, PO Box 335, Boyds, MD 20841.