

BEFORE THE
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENT AFFAIRS
SUBCOMMITTEE OF FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION, FEDERAL
SERVICES AND INTERNATIONAL SECURITY

UNITED STATES SENATE
Washington DC

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Oral Testimony of
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Mr. Chairman and members of the Subcommittee:

My name is James West, and I am Director of Postal and Government Affairs for Williams-Sonoma, Inc. I thank you for the opportunity to testify with regard to the actions necessary to preserve the United States Postal Service (USPS) as a viable and healthy business entity. In addition my oral testimony to this hearing, I have submitted written testimony that I request be entered into the official record.

My company, Williams-Sonoma Inc., was founded in 1956. When we first started mailing catalogs in 1972, our annual sales were less than \$1 million and had just one store in San Francisco. We have since grown to achieve sales exceeding \$3 billion across six brands, seven direct mail catalogs, six e-commerce websites and 630 stores. Our stores are located in 45 states, Puerto Rico and Canada, and we employ up to 30,000 associates.

We have achieved this growth in large part by using catalogs as our primary advertising vehicle, and our strategic partnership with the Postal Service is an essential part of our execution strategy. We will mail approximately 250 million catalogs this year, making us one of the largest catalog mailers in the United States.

Our ability to recover from the current economic recession and ensure our future success depends to a significant degree on the continued ability of the USPS to provide us with effective and increasingly cost-efficient mail delivery.

To this end, we see the following as essential for recovery of the U.S. Postal Service:

- Maintain pricing levels to mitigate further mail volume decline;
- Develop sound business plans based on realistic volume and revenue expectations;
- Seek prudent congressional support and oversight; and
- Transform the USPS business model and operations to meet customer needs in the future.

It is imperative that mail volume be stabilized. Without a doubt, increased postage costs on consumers or commercial mailers will only serve to drive more mail out of the system. Any increase, especially an exigent rate increase to cover expected losses, must be avoided.

Financial savings are available from many sources: Relief from current financial obligations, additional operational cost savings, retention and expansion of the current cost-avoidance practices, and the right-sizing of the Postal Service infrastructure to fulfill the demands of lower mail volume.

Legislation currently under consideration, S 1507, provides modifications to Postal Service financial obligations which, at the minimum, are needed to relieve the USPS of excessive financial burdens. My company, along with the Direct Marketing Association, Association for Postal Commerce, and American Catalog Mailers Association to name a few, supports passage of this legislation.

The Postal Service must be commended for its success in reducing operating expenses. Arguably the next most significant contribution would come from a modification to the universal service requirement. Reduction in the number of delivery days is a very difficult decision and it will require compromise in which we must all share, but the unfortunate reality is that mail volume no longer supports six days of delivery.

Processing facilities and retail services likewise must be brought in line with mail volume. Prudent business practices dictate that a company must continually modify its infrastructure to match the volume of its business and the USPS can no longer be an exception.

The Postal Service must become more aggressive in developing realistic business plans and forecasts. Volume and revenue expectations for near-term, as well as for the next two to three years, must reflect the most conservative forecasts for mail volume. The USPS should be encouraged to actively engage with its largest commercial partners in developing business plans that reflect the expectations of those who produce the largest portion of its mail volume.

Completing the transformation of the USPS into a modern business enterprise will require more and sometimes difficult support from Congress. We encourage continued oversight, but this oversight must not overly scrutinize or inhibit changes, nor should it burden the Postal Service with such obligations that a typical enterprise would find untenable. Flexibility, adaptability and

competitive positioning must be goals of the transformation that Congress will be called on to support, but not micro-manage.

We are now aware that over three quarters of postal volume and revenues come from commercial mailers, and commercial mailers, such as my own company, are operating in an increasingly multi-channel environment. Service expectations from our customers, and the need for economic performance is forcing us to be increasingly demanding of our business partners and to utilize new and efficient ways to reach out to our customers. We have more choice in effective ways to communicate with our customers than ever before.

Williams-Sonoma, Inc., as with most other companies, is evolving to meet the new economy that is driven by new and innovative methods of communicating with and serving our customers.

The only way that the Postal Service can retain its role in our own marketing strategy will rest on its ability to operate competitively and with the same flexibility that is required of the companies that it serves.

In closing, I would like to reiterate our recommendations: 1) mitigate further mail volume decline by maintaining current postage rates; 2) develop business plans in partnership with the Postal Service's largest commercial customers; 3) provide prudent congressional oversight and support of the USPS; and 4) transform the Postal Service into an efficient business organization that will remain viable for the years ahead.

I thank you, Mr. Chairman, and all members of the Subcommittee for your time and consideration.