

Statement of Harit Talwar

Discover Financial Service Executive Vice President,
President—U.S. Cards, and Chief Marketing Officer

Submitted in Docket MC2015-3, R2015-2

October 28, 2014

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Submitted in Docket MC2015-3, R1015-2
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Autobiographical Sketch

My name is Harit Talwar and I am the Executive Vice President, President – U.S. Cards, and the Chief Marketing Officer of Discover Financial Services® (Discover). I am one of the 11 senior executives that serve on the Discover Management Committee and I report directly to the Discover President and Chief Operating Officer Roger Hochschild. Discover is a direct banking and payment services company with one of the most recognized brands in U.S. financial services. Since its inception in 1986, the company has become one of the largest card issuers in the United States.

I have been an Executive Vice President and President of U S Cards at Discover since April 2010. I have served as Chief Marketing Officer (CMO) and Executive Vice President of Card Programs at Discover and its subsidiary Discover Bank since December 2008. I held the position of Executive Vice President, Discover Network from 2003 to 2008. From 2000 to 2003, I was managing director for Discover's international business. I have also been Managing Director of Morgan Stanley's Consumer Banking Group International, and also spent 15 years at Citigroup in India, the Middle East, the United States, and Europe.

I hold a B.A. Hons degree in economics from Delhi University, the premier university of India, and an M.B.A. from the Indian Institute of Management, Ahmedabad (IIMA). IIMA ranks among the best international B-schools globally.

I have served on the governing committee of the Chicago CMO Summit. Since I am interested in causes related to education and children/women empowerment, I have held various leadership positions with the American School of Warsaw, Poland; the College of Lake County, Illinois; Children's Memorial Hospital, Chicago, Illinois; and Pratham UK.¹

Purpose of My Statement

I am submitting this Statement in support of the Negotiated Service Agreement (NSA) reached between the Postal Service and Discover under review in this docket. My specific purpose is to show the Commission and its staff how Discover markets, so that they can appreciate why this NSA is important for helping mail maintain its market position among the various marketing channels that Discover uses.²

For Discover, this is a case where this NSA will create economic incentives for us to increase our use of mail, which we expect we will do. The use of these incentives by Discover will strengthen one of our chief marketing channels, while providing one of our larger vendors, the Postal Service, with an opportunity: to maintain mail's position among Discover's targeted marketing channels, increase gross revenue, and increase incremental contribution. It is critical to understand that for us, Standard Mail is not a

¹ Pratham UK is an international charity dedicated to advancing education in developing countries. The *Global Journal* ranked it 22nd among the world's 100 Best NGOs in 2012 and 2013.

² At the outset, I have to state that in discussing our marketing, I cannot divulge any further granular numbers concerning our marketing efforts that go beyond this statement. Those are the most sensitive of Discover's trade secrets, and the benefit to Discover from this NSA would not outweigh the harm to our marketing efforts that would result should such granular data become known to our competitors.

monopoly product for it operates in a highly competitive market that includes a wide variety of targeted digital channels. In fact, digital companies such as Google[®], Yahoo[®], and other search engine companies, as well as scores of digital marketing companies regularly come to us with presentations about how to use them more effectively and they offer packages to do so at a lower cost. Discover has many choices, and their number and effectiveness grow every year. This was not true a decade ago. Further, if one is to understand how we market, it is important to realize that we regularly evaluate the effectiveness of our marketing in the mail channel on the basis of the whole mail channel and, therefore, our investments in that channel are based on that evaluation rather than on the number of pieces of mail.

One of the characteristics of the digital marketing channels that we use today is that they are constantly evolving. This constant evolution can transform channels. With that caveat in mind, I can say that we use a dozen different marketing channels, nine of which are targeted marketing channels and three of which are not. Eight of the nine targeted channels are digital channels; the remaining one is mail. Competition across the nine for our targeted marketing dollars is fierce.

As all companies do, we have a marketing budget and we allocate our marketing dollars across these channels according to that budget and the effectiveness of each channel. This is all done in the context of the specifics of the particular marketing effort and according to our Key Performance Indicators (KPIs) and our metrics, as described below. Price is a prime factor in our allocation decisions, and there is absolutely no question in our minds that the Postal Service will be better positioned to compete in our

allocation decisions with the pricing in this NSA. Indeed, we have discussed this very point with the Postal Service.

The funds we spend on marketing are divided between direct marketing expenses (e.g., the nine targeted marketing channels), and the other three broader marketing channels.³ While our digital marketing channels once were rather immature marketing outlets, albeit with an enormous potential, that is no longer true today. Rather, our digital channels are now viable, effective, cost-efficient channels with higher adoption rates that reach far more recipients at a much lower price than mail. Moreover, they are producing an increasingly higher quality of digitally acquired customers.

Among the targeted marketing channels, mail is about two-thirds of our marketing spend for promotion of the Discover card. Four years ago it was a bit more than 80%.⁴ As the percentage of our funding allocated to the mail channel is decreasing, the percentage of funding allocated to the digital channels is increasing. In fact we have concluded that last year, for the first time, more of our new accounts were acquired through digital channels than they were through the mail channel. That makes digital marketing, not mail, our prime means of acquisition, although mail is still critical.

So, while we have increased our postage spend by 27% over the term of our previous NSA, continued growth of this magnitude is simply not realistic. Indeed, but for this NSA, we would be moving more dollars out of mail and into our digital channels next year and the years after, and the Postal Service would be losing revenue and

³ The three broader channels are Radio & TV, Out of Home (billboards, taxi, bus, and subway advertising), and Sponsorships (NHL, Six Flags, etc.). Our sponsorships strengthen the Discover brand and deliver more value for our customers.

⁴ Without our previous NSA, this decline would have been greater.

contribution each year. With this NSA, the Postal Service can retain the profit from our growth of the last several years, and add modest new growth.

Discover's Last NSA

Before addressing my central topic, I would like to very briefly discuss our previous NSA, and its effect on Discover. I know demand studies in the past have suggested that the demand for marketing mail⁵ is inelastic with respect to price and that the price of mail consequently has little effect on marketing decisions within a company. These results imply that the Postal Service is a monopoly in the marketing arena, and has market power over us and, for that matter, our competitors.

As Discover's CMO, I can state with some authority that for Discover this simply is not accurate.⁶

Today Discover is a multi-channel marketer and has been so for quite some time. That means that throughout the term of our previous NSA, we used a variety of targeted marketing channels (print and digital) to deliver our message to our chosen audiences and we carefully selected the investments we made in those marketing channels. In that selection process, price did indeed matter, and it played a central role in our analytics, and affected our decisions. The key metric that we used (in addition to number of accounts acquired) for our acquisitions during that NSA, was the "cost per acquisition of a new account," with an analogous metric for most portfolio campaigns. It

⁵ Discover's marketing mail is letter-shaped Standard Mail. Thus as we discuss the price of marketing mail for Discover, we are discussing the price of letter-shaped Standard Mail. We do not use flats, nor First Class mail for marketing purposes, with rare exceptions.

⁶ While I do not purport to speak for other credit card companies, I can tell the Commission and its staff that all credit card companies marketing programs operate in largely the same fashion, although the nuances of how each goes about its business can be quite different.

seems to me that it is very difficult to say that cost does not affect a decision, when the metric used to gauge the success of our decisions is not only how much was accomplished in the campaign, but also what the “cost per” accomplishment was.

In this regard, let me make it clear that Discover did in fact mail more over the term of our previous NSA, than we would have without that contract. That resulted in greater volumes, revenues, and profits for the Postal Service.⁷ Had we not had that NSA, we would have mailed less and reallocated resources to digital channels. Those resources, once allocated to digital channels likely would not have returned to the mail channel.

Discover’s Marketing Program

Generally we market to non-customers with the hope of acquiring them as new customers (acquisition marketing) or to existing card customers (portfolio marketing) either to promote other Discover products or to offer more benefits to encourage our customers to use our cards more often. Earlier I said that I wanted to show how Discover markets so that the Commission could understand why this NSA was important for the Postal Service. In the following pages I would not only like to provide the Commission with an overview of our targeted marketing channels, but also give the Commission a finer appreciation of the balancing process that our marketing teams use to allocate our marketing spend among the different targeted channels.⁸

⁷ At the outset of each contract year, we decided that (barring unforeseen economic developments or other circumstances) we would try to meet or exceed the thresholds of our NSA. We consequently monitored our mailings to ensure that we met our thresholds, and changed behavior where needed.

⁸ Targeted marketing channels receive nearly two thirds of our marketing budget. The rest goes to three more general areas: Radio & TV, Out of Home (billboards, taxi, bus, and subway advertising), and

This in turn creates the competition for our marketing dollars that exists among our channels. Our decisions involve applying a matrix of interrelated decisional elements, each of which affects the others. Price is one of those elements.

A. Discover's Marketing Channels

The targeted marketing channels we look at and which compete for the same marketing dollar in our budget include:

- Email
- Pop Ups
- Paid Search
- Banner Ads
- Social Media
- Discover Web site
- Mobile Web
- Mobile Apps
- Direct Mail.

Each one is obviously different from the others, with different price characteristics, efficiencies, demands, speeds of delivery, and utilities. Yet all compete for the same dollar. Moreover, each year brings new changes in the digital marketing scene, with new channels emerging, and current ones evolving. Sometimes current ones completely transform themselves. That happened, for example, when banner ads went from being non-targeted to targeted.

1. Email

Email was one of the first digital marketing channels, and many companies send thousands of untargeted messages which many regard as spam. Consequently, for

Sponsorships (NHL, Six Flags, etc.). Our sponsorships strengthen the Discover brand and deliver more value for our customers.

many companies, email is not a particularly effective acquisition channel. This is true for Discover. We acquire very few new cardmembers through email. However, for marketing to those who are already our customers—portfolio marketing or cross-sell marketing— email is a highly effective channel.

This is because we can send our cardmembers timely, relevant emails with offers that they will read. They will read these emails because we have an established relationship with them; they trust us; and they look to us for value. For example, we can send them an offer to sign up for a program that changes our 1% rebate to a 5% rebate for certain types of purchases over a given period of time. We did this for gas stations during last summer's holiday season. Today we have a similar holiday program for online and department store purchases which runs through December 2014.

Another way we can use email is to take the emails that we currently send to our customers about our existing relationship, and incorporate in them a message or an offer about another of Discover's products. Given what our customers have shared with us, we can target these offers to their interests.

While this is an accurate description of today's email, it is important to remember that change is the only constant in the digital arena. For instance, email users are starting to manage their inboxes in more sophisticated ways, isolating their marketing emails from their other emails through different techniques, and perhaps even isolating their opt-in email from their spam emails. Depending upon how this goes, these developments could provide different opportunities in email for marketers in the future.

The inherent potential to reinvent itself is present not only in email, but also in all the different digital channels. This is one of the characteristics that give these channels

their energetic quality, but this also makes planning and prediction somewhat more challenging since data about a channel that is four years old or older is more likely to end up being useless data about an antiquated channel.

2. Pop Ups

Like email, Pop Up advertising was one of the original internet advertising channels. While the pop up originally was not targeted, it ultimately gained targeting capabilities, but has generally given way to other more effective channels. However, who knows how the pop up concept will evolve? For instance, a “home page takeover ad” might be considered a pop up. This is the ad that presents itself as a individual lands on a home page of a company. That individual can watch the ad or click on the “X” to immediately remove it and go directly to the landing page. These ads appear to be growing in popularity and we have used them.

3. Paid Search

One of the top performing digital channels used by companies, including Discover, is paid search. This is contextual paid advertising that search engines such as Google[®], Yahoo[®], and Bing[®] provide on the landing page when one searches a particular term. For instance, if someone searches credit cards on a search engine, when the results page appears, that person sees a list of ads at the top or on the right of the results credit card companies or credit card related companies such as Discover. These are ads that Discover and other companies have paid the search engine to place when certain searches occur. Fees are paid, usually on a click through or ad view basis. This channel can be extremely effective as it brings to a company’s website

prospective customers who are interested in its product and open to messages about them. The content of any such ad is keyed to the terms of the search.

4. Banner Ads

Banner ads are the ads that appear in websites when someone lands at a site. Unlike the paid search channel, these ads are not keyed to the terms of the search but rather are keyed to the person making the search.⁹ For instance, if someone goes to weather.com, on the right are two or three rectangular ads, intermingled with other content in the same rectangular format. Those ads are different for every person who lands on weather.com and targeted either by cookies or by IP addresses to the person who lands on the site. They have nothing to do with weather.

If a person actually signs into a website, then the banner ads can change over to an even more finely tuned channel because once a person signs into a site, that person becomes a known entity. Owners of the site usually have some relationship with those who sign onto their site, and have some knowledge of them. Thus, a marketer can target messages that contain content of interest to any individuals who sign into their website. The choice of content can be based on the nature of the site, past purchases, browsing behavior, and/or demographic or psychographic data that the site has purchased. For instance, if someone recently bought something at a store, a social marketer could place an ad concerning that product in general or like products from that store. If someone recently patronized a certain coffee shop, that person might receive ads from that brand.

⁹ When they first appeared, banner ads were not targeted.

5. Social Media

Social media sites—Facebook[®], Twitter[®], LinkedIn[®], Pinterest[®]—all provide great opportunities for marketers, in several different ways. First, since all of the users are signed in, anything a marketer does can be highly targeted, because the identity of the person is known and has some relationship with the social media entity, much like that described above. Thus, while the user could receive types of banner ads, they could also receive an ad that is actually incorporated into the structure of the social media site, or some other content related to the social theme of the site.

We have a presence in social media and through it we can reach thousands of people within hours with content (not necessarily advertising) which we think they will appreciate. Once someone “likes” a page on Facebook[®] or follows a company on Twitter[®], the content of that company is served to the user in his or her newsfeed. Companies can market products and services, or try to engage fans/followers with topics relevant to current events, holidays, summer travel, etc. The topics are limitless; really good social marketers can integrate their products into the timeliness of the content, and engage the reader. An example of this is Discover asking of its fans on Facebook,[®] “What are your summer road trip plans?” and then suggesting options, giving suggestions, or providing other helpful information to aid them in their planning. We also add tags like “Don’t forget you can get 5% Cashback Bonus on up to \$1,500 in gas station purchases now through September when you sign up for the 5% program.” That can be far more powerful than a portfolio mailing designed to remind people about our gas station summer benefit program.

Finally, Facebook[®] is but one of many social media sites. Each one of them provides a unique and highly individualized opportunity for a marketer. We watch each of these sub-channels very carefully not only to see how they perform generally, but also to see how they perform particularly, focusing on their effectiveness in the context of the specific goal of a campaign, or the specific audience that the campaign targets.

6. Website

Another very effective marketing channel is a company's website. While it is not immediately apparent to many, a company's own website provides a very effective marketing channel. When a customer comes to the Discover website and signs in, we have an individual now on the site with whom we have a relationship, and that relationship allows us to offer content to that person that we can target based upon all sorts of parameters. We can talk about new products, new approaches, and new tools that we are offering, as well as what current offers that we have. Before we had a highly sophisticated website, and before our cardmembers formed the habit of coming to our site, we would have used mail for this purpose.

A current example of this is a product we have featured on our website called Discover Keys. It is not a credit card product but a home buying product that is associated with Discover Home Loans. Anyone who enrolls in it receives customized home buying and selling information. We describe this as what a person needs to know before, during, and after buying a house, and it is delivered right to that person's inbox at no cost to that person. We ask those who are interested in the product for their zip code and where and when they are interested in buying. With that information, we can provide customized neighborhood and school reports, access to today's listings, tips

from experienced realtors and mortgage bankers, and various calculators to help one evaluate one's ability to buy.

7. Mobile Web

One of the more recent channels that has developed, and one that is growing very rapidly, is mobile web. Looked at in a certain way, this new channel provides us with an entire new set of mobile subchannels, where one needs different approaches, which use different types of ads, to fit into the context of mobile use. As consumers rely more on their mobile devices to answer their questions in the moment, mobile websites are an emerging area that provides targeted and immediately relevant messages to our customers. For example, imagine a person is searching for restaurants near their home on a Friday night via their cell phone, and the current 5% promotional Cashback Bonus category is Restaurants and Movies. In that situation, we can match up an ad on the websites that person visits to encourage him or her to use their Discover card for their date night dinner and movie purchases. This type of targeting can focus not only on the search, but also on the interests of the person doing the search, and on their location as well.

8. Mobile App

A related channel is the mobile app. We have a Discover mobile app and more customers are signing up for a Discover card via our mobile app than initially expected. We seek to provide the same level of service through this mobile app as we do through our other channels. We have received several awards for our customer service, including acknowledgement for mobile customer service specifically. We have some commerce functions on the app, and a good volume of accounts are sourced through

that channel. A different aspect of this channel that is just emerging concerns advertising in others' apps. To keep with the Friday date night example, new technologies are emerging that would allow an advertiser such as Discover to promote the 5% Cashback Bonus promotional earn category to a user who is making a dinner reservation in their Open Table[®] app, reading a restaurant review in their Yelp[®] app, or buying movie tickets from their Fandango[®] app.

9. Direct Mail.

The last targeted channel that we use is direct mail, with which the Commission is obviously familiar. We have used mail extensively and spend almost a quarter of a billion dollars annually just in standard mail postage. By far, the biggest cost of any direct mail campaign is postage. No other cost comes close. Thus, postage is the key factor that sets the price of the mail channel.

A critical construct about the way Discover mails is that, by definition, we do not try to market to everyone. Rather, we market primarily to those whose credit quality is sufficient to qualify for a Discover card. Thus, a theoretical incentive to move “deeper” into a general list—based upon the assumption that price affects marginal decisions to mail individual pieces—does not work with us, because the effectiveness of the channel is dependent upon multiple factors, as explained below, including the creditworthiness and responsiveness of the target audience. Put another way, unlike most marketers, who primarily focus on response rates, we need to consider a two-step process, response rates, and then subsequent approval rates. The two are always different for not everyone who responds ends up being approved.

Thus, while a high response rate from a mailing is a result we want to see, our analytics also take into account the acceptance rate behind it, and we relate that acceptance rate back to the mailing and the circumstances in which we used it. Incentives do not affect whether we add individual incremental pieces. What the incentives affect is in which campaigns we use mail, and how we use mail. Do we do one mailing, or two? Do we do a major mailing to all our analytic segments, or a more limited mailing to only some of them? Segmentation is based, among other things, on customers' creditworthiness and response rates.

We use direct mail for many different types of marketing campaigns. To acquire new cardmembers, we partner with an outside source on a database of prospects. Based on credit bureau attributes and risk tolerance, we send pre-approved offers with segmented messaging and pricing, or we send invitations to apply. For existing customers, we send still more targeted offers to encourage them to activate their card, to increase their use of the card, or to take advantage of balance transfers. Mail is also used to promote our card's features and benefits, to promote business with our partner merchants, and to "cross sell" our other products and services.

Moreover, mail is used in tandem with the other channels to reinforce each other and send a coordinated set of messages, or a common message across our channels to our targeted recipients. Thus, while the new digital channels are growing and while that is detrimental to mail, I do not want to paint an overly dim picture of the marketing place, in terms of mail. Mail is a very strong, viable, and highly effective channel, which is not going away, and it is a channel where we manage its frequency and cross channel attribution. It is just not the only game in town anymore, and it is going to have

to compete with these other channels, as well as with the channels that will emerge in the future if it is to maintain its position and prosper. That means, among other things, engaging with individual customers, understanding their specific needs, and offering solutions at appropriate price points.

B. Discover's Decision Making Process

As you can see, from social media to our mobile app, to our website, to mail, we spend our target marketing dollars much differently now than we have in the past. Moreover, since we do not have unlimited resources, that means that choices have to be made in order to accommodate the new channels, and the reality is that this evolution has occurred to mail's detriment. This is true even though there has been growth in our mail spend and even though mail is still a strong channel. Given this trend, it is critical for the Commission to realize that the Postal Service must be able to pay attention to its pricing and how mail works with other channels for individual mailers, and what price points are appropriate for that mailer, given their unique structure.

Every month our marketing teams make decisions about which marketing channels to use and how to use them. This involves creating multi-channel marketing campaigns that work across all our channels. Some campaigns use many channels, some only a few, but they are all complementary. Moreover, the markets are always in a state of flux, so all channels are always under pressure to consistently perform at the lowest prices possible. If a channel does not perform at the right price, our channel mix can be realigned and marketing funds shifted from one channel to another. Price *always* matters. Our key metric, as noted above, is "cost per new account" for our acquisition campaigns. For our portfolio campaigns, the metric varies depending upon

the goal of the campaign. For campaigns that market enrollment in a service or program, the metric can be cost per enrollment. For campaigns encouraging greater use of a card, the metric might be cost per additional incremental sales. For other campaigns, other metrics might be used, although cost is always important.

When looking at allocating funds, our teams look at a variety of decisional factors, including Key Performance Indicators and other metrics. For acquisition, they include¹⁰:

- Program Budget
- Goal of the Campaign
- Message of the Campaign
- Target Audience of the Campaign
- Customer & Post Booking Performance
 - Sales
 - Payment
 - Profitability of new customer (Return on Assets [ROA] or Return on Shareholder Equity [ROE]).
- Channel Performance
 - Enrollment Rates
 - Response Rate
 - Approval Rate
 - Channel costs / pricing / CPA (Cost per Account)
- Channel Specific Characteristics
 - Scalability
 - Operational flexibility / Speed to Market
 - Riskiness (e.g. Compliance, Fraud, & Brand)
 - Measurability (e.g. Click Thru Rate, Response Rate)

Using these elements in a type of matrix to drive our allocation decisions, we weigh each channel against the others and come up with an optimal channel mix to achieve our goals. In each campaign, our teams have a fixed budget, which forces

¹⁰ Portfolio decisions use an analogous set of metrics.

them to make tough choices. Each team must be selective in optimizing channel utilization; pivotal parts of that optimization are always price and costs. To drive the maximum value from their budgets, our teams cannot always use every channel in every way that they would like, without breaking their budgets, and we generally do insist that our marketing teams stick to their budgets. Having said that, we do review budgets frequently and revise them up or down. When they go down, even more price pressure is put on a channel.

When analyzing campaign performance, we can have many different scenarios since response rates, approval rates, and costs vary by channel; this means our costs per accounts vary by channel. The Cost per Account (CPA) of a channel is always part of our analytics and it can be an effective metric to help judge how to allocate marketing budgets. Price obviously is a critical factor in determining CPAs.

Our analytics also change as we take into account the relationship between how the different channels work with the goals, message, and target of the campaign, and how they work together. If we are targeting a certain segment, different channels work better than others. Our analytics reflect that. We also can factor in new developments like price change (postage changed for mail) and improvements in digital targeting. When changes such as price occur, we recalculate our allocation. Budgeting decisions are made by myself and several other key marketing executives who report to me.

As we allocate funds across channels, we can set different goals for each channel and differentiate the messaging. However, we also use an “omnichannel” approach, where we are working to deliver one message across multiple channels, simultaneously through a variety of touches. This approach is based on the idea that a

person internalizes our messaging and acts on our offers only after multiple touches. In situations such as this, it is more challenging to pin down an exact causal relationship between any given channel and the final decision to act on our offer. That can make it easier to reallocate funds across channels if the price of one channel decreases.

An important point to emphasize, I believe, is that none of these elements is considered in isolation and thus a given price has one impact in one context and a different impact in another context. For example, the difference in impact that a certain postage price could have versus another postage price, in the context of one set of values for our Key Performance Indicators, could mean the difference between extensively using mail in that campaign and lightly using it, or even not using it at all. Yet with a different mix of values for the Key Performance Indicator, the same difference in the price of postage could have an impact that is much smaller, or much larger.

Moreover, as we do not know what campaign goals we will be facing over the next several years, nor how the cost or effectiveness of the digital marketing channels will change, we cannot reliably predict the impact that a postal price discount would have on our use of the mail with any specificity. However, without this NSA, we will not continue to mail as extensively as before and our use of the mail will decrease. The previous NSA made a difference in our decisions to continue to use mail at significant levels to communicate with prospective and existing customers. Given the fact that our decisions involve consideration of various Key Performance Indicators that cannot reasonably be isolated, it is not realistic to think that anyone could produce a reliable, across-the-board prediction of our use of the mail based on postage price alone, holding all our other factors equal. Indeed the very notion of holding our Key Performance

Indicators unchanged flies in the face of how we market. Key Performance Indicators always change and are interrelated to each other and interact with price, which is one of the indicators.

Conclusion

While our digital marketing channels once were rather immature marketing outlets, that is no longer true. Rather, our digital channels are now viable, fully effective, cost efficient channels that produce good results. Moreover, they are channels that tend to become less expensive over time. This is in contrast to mail which also produces good results but tends to become more expensive over time.

Obviously, since new channels are emerging and existing channels are reinventing themselves, there is a great deal of fluctuation. Much of this fluctuation is caused not only by technological development, but also by a desire to create ever more effective digital channels, which are increasingly more cost efficient. For the Postal Service to continue to play in this arena, it must maintain and improve the effectiveness of mail, push mail to work effectively with other channels, and deliver that effectiveness at appropriate price points. NSAs such as our prior NSA and this current NSA incentivize our use of the mail and make it a more cost effective, high-impact channel for effective marketing.

I hope I have been able to provide the Commission a sense of how we market and the importance of the pricing of mail. I also hope that I have fully conveyed that sometimes even a very small change in price can make a big difference, if the other factors that we consider have aligned themselves in a certain way.

Direct Mail is no longer our leading source of new cardmember acquisition. We have many choices, and price matters very much. If we do not obtain the better pricing in this NSA, the unfortunate reality is that we will shift more of our marketing dollars out of mail next year and into the our digital channels than we would have with this NSA, and we will do so every year after that. This is just the reality of the market today, and where we are as a marketing entity. In stark contrast, this NSA will not only preserve the increased contribution the Postal Service has made over the last several years from Discover's increased mail, but also enable Discover to increase the amount of business we give the Postal Service, rather than to decrease it.

Thank you for your time and consideration.