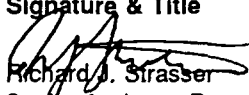




# Management Instruction

<b>Date Issued</b> 4-20-92	<b>Filing Number</b> PO-130-92-2
<b>Effective Date</b> Immediately	<b>Obsoletes</b> N/A
<b>Originating Organization &amp; OCC Code</b> Philatelic and Retail Services Department PR1	
<b>Title</b>  Postal-Related Merchandise	<b>Signature &amp; Title</b>  Richard J. Strasser Senior Assistant Postmaster General Marketing and Customer Service Group

## I. Purpose and Scope

This management instruction establishes policies and procedures for the development promotion, and sale to the public of postal-related merchandise (previously called field-generated products) at selected sites. (See III.G.) Sales of postal-related merchandise by recreation and benefit associations are not covered by this instruction. This instruction supersedes previous procedures established for the promotion and sale of postal-related merchandise.

## II. Postal-Related Merchandise

### A. Definition

Postal-related merchandise is merchandise that incorporates a mint U.S. postage stamp or includes a reproduction of one or more of the Postal Service's intellectual properties (e.g., a trademark such as the postal eagle logo or a copyrighted U.S. stamp design).

### B. Limitations and Exceptions

**1. Other Products.** Postal Service philatelic products, accountable Postal Service stamp-related products (e.g., laminated stamp lapel pins), and packaging products are not postal-related merchandise. Similarly, products with either Department of the Interior or state migratory bird hunting "stamps" are not postal-related merchandise.

**2. Stamp Collecting Accessories.** Stamp collecting accessories (such as stamp albums, catalogs, stamp mounts, magnifying glasses, etc.) and cacheted first day covers are not postal-related merchandise. Offices may not purchase stamp collecting accessories for resale without the prior approval of the Office of Licensing, Philatelic and Retail Services Department.

**3. Olympic Products.** Products incorporating the composite Postal Service/Olympic logo (postal eagle and Olympic rings), other Olympic terms and symbols, or Olympic stamp designs are excluded from postal-related merchandise. The Office of Olympic Marketing is exclusively responsible for developing sales policies for this Olympic merchandise and for authorizing the use of Olympic merchandise as giveaways, premiums, and incentives. The Office of Olympic Marketing authorizes the sale of Olympic-related merchandise at specific events, such as automation seminars and the National Postal Forum; revenue from these sales is recorded in Account Identifier Code (AIC) 099. The Office of Licensing, Philatelic and Retail Services Department, is responsible for authorizing licensees to offer Olympic merchandise to consumers.

**4. Lobby Asset Program.** Postal-related merchandise is not a lobby asset program. Lobby asset programs generate revenue from services available in the lobby, such as coin-operated copiers, passport photos, ATMs, and pay telephones,

## III. Policy

### A. Restrictions

**1. Prohibitions.** Post offices must not sell postal-related merchandise in lobbies, except in conjunction with first day of issue ceremonies or special events or opportunities of limited duration. Post offices may sell merchandise containing actual U.S. postage stamps and stamp pins, but must place merchandising emphasis on philatelic products.

<b>Distribution</b>  Standard distribution plus one copy each to CAG A-L post offices, classified and contract stations and branches, military postal units, and sectional center facilities.	<b>Special Instructions</b>  Organizations listed under Distribution may order additional copies from material distribution centers. Use Form 7380, <i>MDC Supply Requisition</i> , and specify the filing number.  You may redistribute this document by photocopying it, but do not paraphrase or otherwise revise it.
---	--

**2. Unfair Competition.** The seriousness of the responsibility not to compete unfairly with the private sector cannot be overstated. Post offices may not attempt to become the sole supplier of postal-related merchandise in their communities and may not compete unfairly with local small businesses. (See III.E.)

### B. Appropriateness

Postal-related merchandise must be appropriate for sale by the Postal Service; that is, it must be related to an established Postal Service line of business (postal, mail, or philatelic) and enhance our image or promote one of our services.

### C. Management Responsibilities

**1. General.** Field directors, Marketing and Communications, are responsible for approving the sale of postal-related merchandise. Regional Marketing and Communications offices, at their discretion, may review all postal-related merchandise and sales prices proposed by divisions reporting to them.

**2. Compliance.** Field directors, Marketing and Communications, are responsible for ensuring compliance with this management instruction. Direct any questions on postal-related merchandise to the Office of Licensing, Philatelic and Retail Services Department.

### D. Purchasing Authority

Postal-related merchandise must be purchased by postal employees with contracting or local purchase authority in accordance with the policy set forth in Publication 41, *Procurement Manual*, and Management Instruction AS-710-89-08, *Submitting and Approving Requests for Noncompetitive Procurement Actions*. For more information on using local purchase authority, see *Administrative Support Manual*, 710, and Handbook AS-703, *Field Customer Guide to Purchasing and Requisitioning*.

### E. Pricing

**1. General.** The Postal Service must not compete unfairly with other merchants in the community who may wish to offer the same or similar postal-related merchandise. The Postal Service does not compete by price with merchants offering the same or similar merchandise. Therefore, it is postal policy to unit-price postal-related merchandise at or above prevailing local retail prices, including all sales taxes. In addition, post offices may not act as wholesalers by making bulk sales of postal-related merchandise to other retailers at discounted prices.

**2. Return on Investment.** Postal-related merchandise must provide a substantial return on investment (ROI). An ROI of 2:1 is the general rule in retail sales. ROIs are calculated by adding the direct expenses (the cost of the item) and the total of all indirect expenses (the cost of the labor to order, store, and sell the items; shipping and mailing costs; and so forth) and then dividing the sales revenue forecast by the total indirect and direct expenses. *Under no circumstances may the price be below that charged by other merchants for the same or comparable merchandise, including taxes paid by those merchants but not by the Postal Service.* It is a good indicator that the product should not be sold if the selling price seems too high after calculating the ROI. Managers must ensure that projected ROIs are achieved.

### F. Promotions

**1. Prohibitions.** To further ensure that the Postal Service does not unfairly compete in the communities served, the Postal Service must discontinue postal-related merchandise promotions outside the lobby except at temporary stations. Consequently, promotion through advertising, direct mail, or any vehicle external to the retail lobby is prohibited. The only exceptions are promotions offering these products to the employees of a post office or a division or responses to unsolicited requests originating outside division boundaries. National official philatelic products such as Mint Sets, Collecting Kits, and *The Postal Service Guide to U.S. Stamps* may continue to be promoted outside the lobby. Packaging products may be promoted only inside the lobby.

**2. Catalogs.** Both the development of merchandise catalogs directed to employees or distributed through lobbies and the securing of outside fulfillment contracts to support catalog sales are prohibited until already-tested catalogs have been fully evaluated. This also applies to catalogs in the development stage.

**3. Displays.** Maintaining a clean, uncluttered, professional environment in postal lobbies is paramount. Merchandise must be displayed attractively in display cases or similar display systems, preferably in a stand-alone area, such as a Philatelic Center, or near a merchandising counter. Professionally prepared merchandising is required; merchandise such as shirts may not be tacked onto walls for display, and objects may not be scattered about randomly. Prices should be shown.

### G. Authorized Retailers

Postal-related merchandise may be sold only at first day of issue sites and temporary stations located at state fairs, conventions, philatelic exhibitions, etc.

## H. Sources of Supply

Postal-related merchandise should not be purchased from nonlicensed suppliers. Such purchases encourage suppliers to add nonlicensed products to their lines and to sell these products to nonpostal retailers as well as post offices. When such sales occur, the Postal Service loses license income.

## IV. Management Controls

### A. Purchasing

**1. Funding.** Postal-related merchandise must be purchased with funds generated by the prior sale of one or more locally procured products, except for initial purchases of such merchandise, or purchases to increase inventory.

**2. Design.** Merchandise featuring stamp designs must faithfully reproduce the entire stamp design, including the denomination, all typography, and perforations. Designs featuring abstracts from stamp designs or extraneous design elements may not be purchased without the approval of the Office of Licensing, Philatelic and Retail Services Department. The *postal eagle logo may not be placed on items of apparel purchased outside the official uniform program.*

**3. Licensing.** To protect its intellectual properties (copyrights, trademarks, and service marks) and to ensure high-quality products, the Postal Service licenses the reproduction of the postal eagle logo, postage stamp designs, and other postal intellectual properties on merchandise. Postal-related merchandise incorporating these intellectual properties may be purchased from existing authorized licensees (see IV.A.4). However, prospective offerors who do not yet hold a license may be solicited with the understanding that, should they be awarded a contract, they must be licensed before they may begin performance.

**4. Approved Products Program.** Because all purchases must be procured from USPS licensees, an agreement has been made between the Philatelic and Retail Services Department and the Procurement and Supply Department that designates all postal-related merchandise as an approved product. The Assistant Postmaster General, Procurement and Supply Department, has designated the Office of Licensing, Philatelic and Retail Services Department, as administratively responsible for managing the postal-related merchandise program, ensuring the quality of products in the program, and coordinating with contracting officers to efficiently and economically implement the program. Postal-related merchandise bought under the auspices of this management instruction must be evaluated and properly licensed. All contracts must be awarded according to the policy set forth in Publication 41.

**5. Licensee List.** *The Postal Bulletin* periodically lists current holders of Postal Service licenses as a reference for post offices contemplating additions to their postal-related merchandise lines. Updates to the last issuance of the list may be obtained from the Office of Licensing, Philatelic and Retail Services Department.

**6. Sales Area.** Postal-related merchandise may be secured by a division only for sale within its territory. When another division expresses interest in a product planned for purchase (for instance, merchandise for a new stamp issue having appeal throughout an entire state), provisions may be made in the contract to allow the other division to “piggyback” on the order. The Office of Licensing, Philatelic and Retail Services Department, also may find it appropriate to offer the product in the *Philatelic Catalog* or other nationally developed catalogs or order forms.

**7. Return of Unsold Merchandise.** When purchasing, contracting offices should negotiate a provision for disposition of unsold or defective merchandise whereby such merchandise is returned to the manufacturer, at cost, for credit to the Postal Service.

### B. Distribution

Divisions select the offices that will sell postal-related merchandise and the offices that will distribute postal-related merchandise to these offices. However, because of the possible consolidation of Stamp Distribution Offices, accountable paper custodians must not be responsible for purchasing, storing, distribution, or destroying postal-related merchandise. It may be advantageous to designate a single office to distribute all such products to other offices throughout a division.

### C. Sales Reporting and Accounting Procedures

**1. Depositing Revenue and Recording Costs.** Report all revenue from the sale of postal-related merchandise in AIC 098; record costs in AIC 494. All offices must establish procedures to ensure that all postal-related merchandise is adequately protected and monitored and that all sales are properly recorded and funds accounted for.

**2. Prohibitions.** Postal-related merchandise purchased through AIC 494 is solely for resale within the division. No postal-related merchandise may be used as giveaways or for other promotional purposes while in inventory for sale unless authorized by the division general manager or issuing office (if approved by the division general manager) and documented. Items used for promotional purposes or giveaways are to be purchased from inventory as supplies, using the proper account number.

## V. Inventory Control

### A. General

Inventory controls must ensure that stock levels are easily verified and must prevent over- and understocking. Inventory controls and accounting procedures are instrumental in measuring the profitability of postal-related-merchandise sales. Though postal-related merchandise is not accountable, items must be securely displayed, controlled, stored, and maintained to prevent theft and revenue loss. Shrinkage and losses of postal-related merchandise are unacceptable. Consider individually packaged merchandise to reduce spoilage.

### B. Specific Inventory Control Measures

The following elements are critical to the proper control of postal-related merchandise:

- a. *Ordering Procedures.* Each selling unit must order merchandise from the issuing office using Form 3508, *Requisition For Saleable Items (Other than Stamps)*. Prepare the form in triplicate: two copies for the issuing office and one copy for the ordering office.
  - b. *Inventory Control at the Issuing Office.* Inventory controls may be maintained manually or by using an automated program. Each division or management sectional center (issuing office) must maintain a record for each selling unit, showing the quantity shipped by item number. The issuing office compares these records with the quarterly report from each selling unit to verify receipt of merchandise.
  - c. *Inventory Control at the Selling Unit.* Each selling unit must maintain Form 8133, *Postal-Related Merchandise Inventory Report* (Attachment A), by quantity for each item. At the end of each quarter, the selling unit totals each Form 8133 and records it on Form 8134, *Postal-Related Merchandise Quarterly Report* (Attachment B), for submittal to the issuing office. *Note:* Until these forms are available from the materiel distribution centers, use photocopies of Attachments A and B.
  - d. *Sales Reporting and Physical Count.* Revenue from sales of postal-related merchandise must be reported daily in AIC 098 using Form 1412, *Daily Financial Report*. Each selling unit will take a physical inventory of unsold merchandise each quarter and compare it to the ending balance on Form 8133. Form 8134 will be completed and submitted to the issuing office, showing beginning-of-quarter balance, increases (quantity received), decreases (adjustments), end-of-quarter balance, sales, and total revenue. Total revenue should agree with revenue reported in AIC 098 for the quarter. The balance on-hand at the end of the quarter must agree with the physical count.
- If it does not, Form 8133 must be adjusted to reflect the actual count.
- e. *Overages and Shortages.* Any discrepancy between the ending inventory and the actual count must be reported to the issuing office. For overages, increase the ending inventory to reflect the actual count; for shortages, decrease the ending inventory to reflect the actual count. The issuing office is responsible for reporting constant shortages to the division or regional marketing office so an appropriate corrective action can be determined.
  - f. *Verification.* In addition to the physical inventory verification, the division marketing office should review sales reported in AIC 098 to ensure that the value of the items sold is reported in the correct AIC and that the value of items reported sold is consistent with the amount reported as sales on Form 8134.
  - g. *Employee Discounts.* With the approval of the division manager, Marketing and Communications, field directors may decide whether postal-related merchandise may be offered to employees at a discount. Discounts should not be so great that the profitability of the transaction is destroyed. If postal employees purchase merchandise at a discount, the division should require the employee to sign a receipt (Form 1096, *Cash Receipt*) showing the amount of the discount and the item number. These receipts are used to balance the selling unit's inventory, and should be reflected on Form 8134.
  - h. *Damaged Goods, Exchanges, and Refunds.* Though all sales are final, selling units may exchange damaged or otherwise unsatisfactory merchandise (see IV.A.7). If the customer requests a refund, Form 3533, *Application and Voucher for Refund of Postage and Fees*, should be used and a refund made in cash. The cash payment is offset by an entry to Form 1412, AIC 535, *Refund for Retail Services Fees*. Send a copy of Form 3533 and Form 1412 to the accounting office. If merchandise is resalable, increase the inventory on Form 8133 in the adjustment column.
  - i. *Excess Inventory and Obsolete Merchandise.* Selling units must ensure that inventory levels are manageable and that no more than a 60-day supply of merchandise is kept on-hand. When the supply of a particular item is excessive because sales are slow or an item is no longer seasonal, field directors, Marketing and Communications, may authorize, with the concurrence of the division manager, the sale of such merchandise at a reduced price. In this case, proper steps must be taken to adjust inventory levels and revalue the merchandise. Unsold merchandise may also be

returned to the issuing office for subsequent disposal.

*j. Disposal of Damaged or Unsalable Merchandise.* Stamp destruction committees may

be used to dispose of postal-related merchandise that is excess, damaged, defective, or otherwise unsaleable.



## Postal-Related Merchandise Inventory Report

Post Office Name					Unit Number/ Finance Number		
Item Number	Item Description						Retail Price
Date	Beginning Balance	Received (+)	Sold (-)	Sold By	Returned to Supply Source (-)	Adjustment (+ or -)	Ending Balance

PS Form 8133, March 1992

Attachment A Form 8133, Postal-Related Merchandise Inventory Report



**Postal-Related Merchandise  
Quarterly Report**

Post Office Name			Finance Number				Quarter	Ending Date
Item Number	Item Description	Balance Beginning of Quarter	Increase (+)	Decrease (-)	Balance End of Quarter	Total Sales (a+b-c-d)	Unit Price	Total Sales (\$)
		(a)	(b)	(c)	(d)	(e)		
Prepared by (Printed Name)						<b>Total Sales (AIC 098)</b>		
Signature and Date (Postmaster or Designee)							Title	

PS Form 8134, March 1992

**Attachment B Form 8134, Postal-Related Merchandise Quarterly Report**