

A Practical Guide to the 2007 USPS® Proposed Rate Change



Ways to apply the new proposed
rules to your advantage.

FIRST-CLASS MAIL® STRATEGIES

- Go the extra ounce
- Convert flats to letter-size mail
- Mail that's machine-ready
- Communicate with postcards
- Sort out the savings
- Tackle the high cost of returned mail
- Let us do the work – and save 5%

DISCLAIMER: At this time, these proposed rate changes have not been approved and are subject to change. The USPS® filed a rate case in May 2006. It is expected that the Postal Rate Commission will make their recommendation in March 2007. After that, the USPS® Board of Governors will make a final decision. As such, all rates and examples shown are illustrative only and are subject to change.

GO THE EXTRA OUNCE

FIRST-CLASS STRATEGIES

A Practical Guide

With lower costs proposed for each additional ounce, you can offset rising costs by putting more into each and every communication.

Proposed Changes

A proposed lower cost for each additional ounce of First-Class Mail®, including letters, flats and parcels.

Smart Mailstream Practices

Under the proposed USPS® rate changes, companies who already send a high volume of two- and three-ounce letters may actually experience a decrease in overall postage expenses. Others should consider whether they can increase bottom-line profits by adding additional content to existing mail.

- **Use your transactional mail for marketing purposes.** You can promote other products and services by adding inserts, brochures and cross-sell materials to statements and invoices.
- **Increase the number of inserts.** If you are already including inserts, it may be cost effective to add even more. Depending on the size and weight of each insert, you may be able to add up to six or more new components per ounce.
- **Combine multiple communications into one envelope.** If you are planning to send a notification or reminder to your customers, you could save money by combining this communication with another mailing, such as a statement. Likewise, if you have customers who currently receive two or more statements each month, consolidating these into a single envelope (a practice known as householding) can reduce your expenses dramatically.

Overall, the proposed decrease in the additional ounce rate makes it possible for you to save money by sending fewer, but more valuable, mail pieces. But be careful – once you exceed the 3.5 ounce threshold for letter mail, your piece will be classified as a flat, which will increase your costs.

Making it Happen

Going the extra ounce means more than stuffing envelopes – it means adding speed and intelligence to your mailstream.

Intelligent Inserting. Having the ability to selectively insert allows you to choose which customers receive which components, giving you the control and flexibility you need to target messages to the right person. You can even print and scan marks that include specific processing instructions for each mail piece. OMR (Optical Mark Recognition) helps ensure accuracy and mail piece integrity. By automating and integrating the entire process of mail creation, from document generation through folding and inserting, you can gain end-to-end efficiencies.

Document Enhancement. Combining seemingly disparate communications requires some planning, but may be easier than you think. Printstream engineering gives you the flexibility to modify and combine the print-ready files created by your existing applications – without disrupting your underlying operations or mission-critical systems.

Accurate Weights, Lower Postage. There's no need to sort your mail by weight before you apply postage, as today's leading mail systems can automatically weigh and rate each mail piece on the fly, so you won't overpay for postage.

First-Class Letters – Single Piece Rates

	Current	Proposed
Additional Ounce	\$0.24	\$0.20
1 ounce Letter	\$0.39	\$0.42
2 ounce Letter	\$0.63	\$0.62
3 ounce Letter	\$0.87	\$0.82
3.5 ounce Letter	\$1.11	\$1.02

For more information, please [contact us](#).



Going the extra ounce may make sense if you:

- Are looking to strengthen relationships with existing customers
- Mail multiple communications to the same individual
- Would like to sell additional products and services

Pitney Bowes makes it easier for companies to get more out of each communication through mailstream solutions such as:

- [Automatic Inserting Solutions](#)
- [Document Generation Software](#)
- [Digital Mailing Systems](#)

FLATS TO FOLDED

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By converting flats into letter-size mail, you can take advantage of lower postal rates.

Proposed Changes

With the proposed USPS® emphasis on shape-based pricing, the cost for flats will increase much more than the cost for letter-size mail – with some weights increasing as much as 30%.

Currently the cost for flats and letter-size mail over 1 ounce is the same. Under the proposed plan, flats would cost \$0.20 more per piece, regardless of weight.

Smart Mailstream Practices

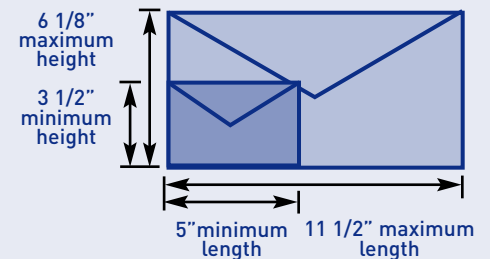
By having a good understanding of what constitutes a letter vs. a flat, you can take steps to create mail pieces that are easier for the post office to process.

- **Design mailpieces to meet letter-size dimensional requirements.** While many letters are already created to fit inside a standard #10 envelope, you actually have a lot of flexibility to create mailings of different sizes – and still qualify for the lower letter-size rates proposed.
- **Convert flat mail to letter-size mail (up to and including 3.5 ounces) with a single fold.** The concept of “flats to folded” is important if your current mailings are between one and 22 pages. (Higher page counts are unlikely to qualify for letter-mail rates as the weight will likely exceed the 3.5 ounce limit.) In simplest terms, converting flat mail to letter-size mail would be one of the easiest ways to cut costs and mitigate the proposed rate increase.
- **Repackage parcels as flats.** Under the proposed rate change, the cost for a 1-ounce parcel would nearly double! However, a flat-size mailpiece could be up to 3/4 inches thick – which may make it possible for you to repackage mailings that you currently send as parcels to meet the flat-rate requirements.

First-Class Flats – Single Piece Rates

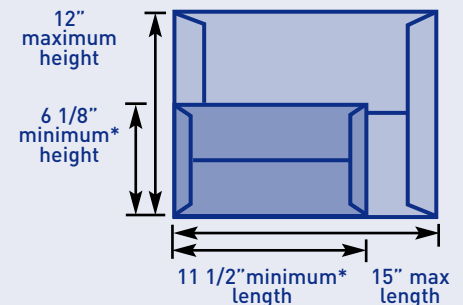
	Current	Proposed
1 ounce Flat	\$0.52	\$0.62
2 ounce Flat	\$0.63	\$0.82
3 ounce Flat	\$0.87	\$1.02
Additional Ounce	\$0.24	\$0.20

Letter Dimensions



thickness: 0.007" minimum, 1/4" maximum
maximum weight = 3.5 oz.

Flat Dimensions



thickness: 1/4" minimum, 3/4" maximum
*Flats exceed at least one minimum dimension

Making it Happen

The proposed rate changes create many opportunities for savings through proper mailpiece planning.

Precision Folding. If you're looking for a quick ROI fix, a heavy-duty folder combined with an intelligent inserting system can provide you with the high-speed, automatic feeding and folding required to transform documents into a size appropriate for a 6" x 9" letter – all with a single fold. Not only will you save on postage, you'll increase speed and productivity across your entire operation.

Automatic Rating. Mailing systems with dynamic weighing and postage rating by shape technology maximize efficiency by processing mixed weight material up to 16 oz. in a single operation. Each piece is automatically weighed and measured, ensuring an accurate postage calculation.

Pitney Bowes makes it easier for companies to optimize their mailstream, with solutions including:

- [Automatic Inserting Solutions](#)
- [Mail Folding Systems](#)
- [Digital Mailing Systems](#)

For more information, please [contact us](#).

MAIL THAT'S MACHINE-READY

The elimination of the nonmachinable surcharge actually increases the cost of nonmachinable mail.

FIRST-CLASS STRATEGIES

A Practical Guide

Proposed Changes

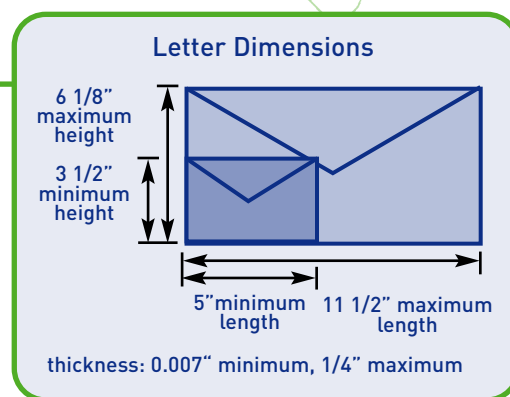
Today, the USPS® charges a “nonmachinable surcharge” of 13 cents if letters are designed in ways that makes it difficult to process. Under the proposed rate change, that surcharge is eliminated. However, nonmachinable letters will now be charged at the flat-mail rate – which means you will pay an extra 20 cents per piece.

Smart Mailstream Practices

By knowing the guidelines, you can design mailpieces to meet letter-size dimensional requirements and avoid nonmachinable characteristics.

A letter-size piece is considered nonmachinable and under the proposed new rates would be subject to the rates for flats if it has one or more of the following characteristics:

- Weighs more than 3.5 ounces
- Has an aspect ratio (length divided by height) of less than 1.3 or more than 2.5
- Measures more than 4.25 inches high or 6 inches long, and has a thickness of less than 0.009 inch
- Is rigid or contains odd-shaped contents
- Is polybagged, polywrapped, or enclosed in any plastic material
- Includes clasps, strings, buttons, or similar closure devices
- Is a self-mailer with a folded edge perpendicular to the address and is not folded and secured (e.g., tabbed)



Making it Happen

When you have an unusual mailpiece, take a moment to determine whether it meets the proposed machinable requirements. And if not, what you can do differently to meet the letter-requirements. Whoever is designing your mailpieces and marketing promotions should also be brought up to speed on these guidelines. Some mail creation tools which can help include:

Duplex printing. If your mailpieces are over 3.5 ounces, you should consider duplex (two-sided) printing. That will help you save on paper costs, as well.

Tabbers. If you send self-mailers, newsletters, catalogs or flyers, you may want to consider a tabber, which applies the wafer seals needed to secure your mailpiece.

Inserters and Folders. These automation tools give you the flexibility you need to produce a broad range of effective mail formats.

Pitney Bowes makes it easier for companies to create USPS® compliant mail with mailstream solutions such as:

- [Automatic Single Tabber](#)
- [High Speed Laser Printer](#)
- [Automatic Inserting Solutions](#)
- [Mail Folding Systems](#)

For more information, please [contact us](#).

COMMUNICATE WITH POSTCARDS

These highly targeted mailings can keep you top-of-mind at lower costs.

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Proposed Changes

While postcard rates will rise under the proposed rate change, the cost to send postcards would still be 35% less expensive than a letter.

Keep in mind, the postage for a First-Class Mail® postcard would remain more cost-effective than a Standard Mail® letter and the difference is even more significant when you presort your First-Class Mail® postcards.

Single Piece	First-Class Postcard	First-Class Letter
Current Rate	\$0.24	\$0.39
Proposed Rate	\$0.27	\$0.42

Pre-Sorted	First-Class Postcard	Standard Letter
Current Rate	\$0.223	\$0.282
Proposed Rate	\$0.241	\$0.292

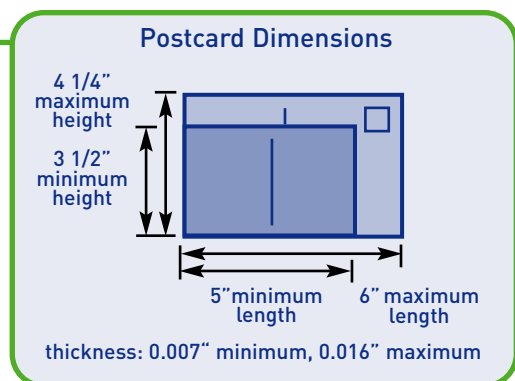
Smart Mailstream Practices

Think about ways you can communicate with customers and prospects in the most effective manner.

Augment your communication plan with postcards. Postcards are easy to produce and can be personalized for each customer. They are ideal for notifications, invitations, reminders and lead generation – and any communication that requires a quick turnaround. In addition to lower postage costs, the simplicity of postcards can help you save money on production, too. To qualify for postcard rates, however, your mailpiece must conform to USPS® requirements.

Increase communication frequency. Postcards are also a great way to connect with customers. Follow-up communications and reminder postcards can help you generate a lift from your other marketing efforts more cost effectively.

Meter or use a permit indicia. You can set your mailing machine to meter postcards at the lower postcard rates, the same as any other mail you send. If you are having postcards printed, however, you may also want to consider a permit imprint, which may take up less space.



Making it Happen

Creating and mailing postcards is easy, if you have the right tools.

Postcard Addressing: With the right system, you can print addresses on each card and avoid the less-professional look of a label. Many solutions also offer you the opportunity to print personalized messages, so you can make each piece even more relevant. As a final touch, the automatic creation of a barcode can help speed delivery and lower postage costs, too.

Postage Printing: If you are printing postcards, you may want to consider getting a USPS® permit, so you can pre-print your indicia directly onto your card. Otherwise, you can easily run your postcards through your postage meter – just be sure to set the postage amount to the lower rate.

Postage Payments: If you are going to use a USPS® permit, you can eliminate many of the hassles associated with postage payments and reconciliation by taking advantage of smart payment solutions. For example, the Purchase Power account makes it easy to add permit postage expenses directly onto your existing Pitney Bowes postage statement – and pay later, after you mail.

Pitney Bowes offers a broad range of solutions that can increase the effectiveness and efficiency of your marketing, including:

- [Address Printers](#)
- [Digital Mailing System](#)
- [Postage Payment Solutions](#)

For more information, please [contact us](#).

SORT OUT THE SAVINGS

A simple presort can practically offset the impact of the rate increase.

FIRST-CLASS STRATEGIES

A Practical Guide

Proposed Changes

The proposed First-Class Mail® presort rate is one cent more than today's single-piece rate.

You can achieve even lower rates at the 3- or 5-digit presort levels – but under the proposed rate change, you can no longer earn a lower rate by sorting at Carrier Route levels. (The Postal Service ends up re-sorting this mail in delivery point sequence, so there are no added efficiencies.)

Smart Mailstream Practices

The concept of worksharing gives you the opportunity to save money by doing some of the presort work normally done by the postal service.

Presort Savings. If you are sending at least 500 mailpieces, you can presort First-Class Mail® to save up to 5%. Basically, "presorting" means grouping your mail by ZIP Code. All of the pieces going to the same destination get grouped into the same package or tray. You'll sort to specific areas, and then work your way up to more general areas.

The Automation Advantage. If you decide to presort your mail, you are already doing most of the work – so it pays to take it to the next level: automation. The USPS® offers more significant savings for automated mail because it is much easier to process, so you can cut postal costs by up to 25%. To qualify for automation rates, you need to print a delivery point barcode on each mailpiece, and use an address list that has been validated against the USPS® databases.

Making it Happen

Presorting could be complex if you tried to utilize a manual process, but today's software solutions make it easy. All of the USPS® guidelines are pre-programmed, so your mail will automatically be sequenced in the order that maximizes your postal discounts.

Presort Software. Today's leading solutions do more than sort your mail – they improve your address quality as well. When considering options, look for software that is CASS-certified (this is the USPS® Coding Accuracy Support System) and PAVE-certified (this stands for Presort Accuracy Validation and Evaluation) so you can benefit from better addresses, more accurate presorts and all of the required mailing forms. Delivery Point Validation (DPV™) is another option that verifies that an address exists prior to mailing. (DPV™ is scheduled to become a USPS® requirement in August of 2007). While this may all sound complicated, the right software makes it easy.

Move Updates. Keeping your addresses up-to-date not only helps you save money on postage – it helps ensure that more of your mail reaches its intended recipient. And if you are presorting mail, you will be required to update your lists using the latest USPS® National Change of Address information at least once every 185 days.

Barcode Printing: Many software solutions give you the capability to print professional barcodes as part of your mailing address. An alternative approach is to use a specialized address printer, which provides the crisp, precise, direct-to-envelope imaging to create a more professional look. With the addition of spot color and personalized messages, these solutions can help ensure more of your mail is opened and read.

All rates and examples are illustrative only and are subject to change.

	Current	Proposed
Single-Piece Letter	\$0.39	\$0.42
Presorted Letter	\$0.371	\$0.40
Automation Letters	\$0.326	\$0.346

AADC Rate

For more information, please [contact us](#).

Pitney Bowes offers a broad range of solutions that can make it easier for you to save money, including:

- [SmartMailer™ Mail Management Software](#)
- [AddressRight® Pro Software](#)
- [VeriMove™ Software](#)
- [Address Printers](#)

High-volume mailers may want to consider the Group 1 Software line of mailing efficiency solutions, including:

- [CODE-1 Plus™ Computer Program](#)
- [MailStream Plus™ Mail Sortation Software](#)

RETURN TO SENDER: TACKLE THE HIGH COST OF RETURNED MAIL

FIRST-CLASS STRATEGIES

A Practical Guide

As the USPS® hones in on the high-cost of Undeliverable as Addressed (UAA) and Returned Mail, mailers can find additional savings by tackling their own returned mail challenges head on.

Proposed Changes

The USPS® has announced plans to reduce UAA mail by 50% by 2010. Today, nearly one in every four addresses is mailed with one or more errors.

Common address deficiencies:

- Moved (2.8%)
- Apartment Number (4.9%)
- Directional Suffix (7.0%)
- Rural Route/Box Number (0.4%)
- Street Name/Number (6.9%)
- City/State/Zip (3.1%)
- Incorrect ZIP+4 (2.6%)

Smart Mailstream Practices

Every piece of mail returned is a reminder that you may not know your customers as well as you thought. You should consider the mail you get back to be the tip of the iceberg, because a lot of UAA mail actually makes its way to the intended recipient through the sheer determination of the postal service and even more mail arrives despite mistakes in the customer's name – neither of which is necessarily good for your company.

Many mailers look at returned mail as a “cost of doing business” – but if you took the time to total these costs, you may find a windfall of opportunity, as it doesn't take a big investment to save a lot of money.

The true cost of returned mail includes:

- print and mail costs of initial mailer
- postage on initial mailing
- lost sales opportunities
- increased call volume
- unnecessary collection calls
- handling of returned mail
- one-off address corrections
- mail regenerations
- postage on re-mails
- communication delays
- customer dissatisfaction
- delayed revenue receipt

Making it Happen

Estimates place the *hard costs* of returned mail to be more than \$3.00 per mail piece – and a number of firms have reported bottom-line savings totaling tens of thousands of dollars simply by addressing this issue head on. Some best practices include:

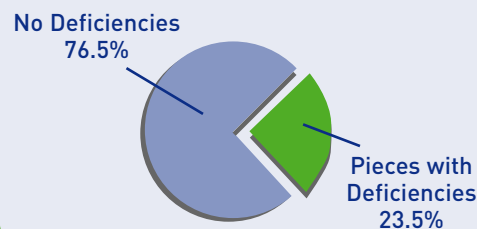
Move Updates. Keeping your addresses up-to-date not only helps you save money on postage – it helps ensure that more of your mail reaches its intended recipient. And if you are presorting mail, you will be required to update your lists using the latest USPS® National Change of Address information at least once every 185 days.

Delivery Point Validation. Delivery Point Validation is a USPS®-based system available through many presorting software solutions that enables users to verify an address actually exists. Beginning in August 2007, this will be required in order to achieve automation rate discounts.

Closed Loop Address Management. Many problems occur at the point of data entry, so taking the time to ensure that you key in addresses correctly is a good start. Then, when you receive corrections (whether from the customer or the USPS®), it is important that you update your records as soon as possible.

All rates and examples are illustrative only and are subject to change.

Actual Address Deficiencies



For more information, please [contact us](#).



There are many ways you can reduce the high cost of returned mail, and Pitney Bowes can help with a broad range of solutions, including:

- [SmartMailer™ Mail Management Software](#)
- [AddressRight® Pro](#)
- [VeriMove™](#)

High-volume mailers may want to consider the Group 1 Software line of mailing efficiency solutions, including:

- [CODE-1 Plus™](#)
- [Finalist®](#)

THE PITNEY BOWES POSTAGE DISCOUNT PROGRAM

FIRST-CLASS STRATEGIES

A Practical Guide

Mailers can save nearly 5% on the cost of mailing by taking advantage of the Pitney Bowes Postage Discount Program.

Proposed Changes

Across the board, there are proposed increases in the cost of postage for virtually every class of mail. If approved, the overall 8.4 percent rate increase will bring the full cost of First-Class Mail® postage up to 42 cents.

Smart Mailstream Practices

If you're a high-volume mailer, you can save money by presorting your mail. But if presorting mail in-house doesn't make sense to you, you can still get the benefit of presorting – including reduced postage rates – without doing the work.

The Postage Discount Program. Under this program, Pitney Bowes will pick up outgoing mail directly from your office. Your mail will be commingled and presorted with mail from other companies, and then sent out the next day. Best of all, you can meter your mail at a lower rate, which saves you money.

The service also includes automatic address verification and automatic move update services at no cost to you. Depending on your mail volume, the Postage Discount Program could help you save thousands of dollars with no work required.

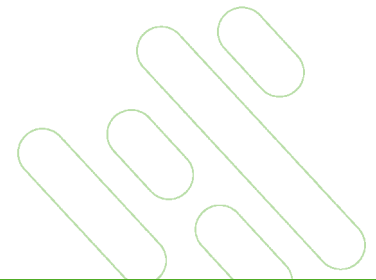
Making it Happen

Customers who will benefit from and qualify for the Postage Discount Program:

- Mailers with a minimum of 1,000 pieces of qualifying mail per scheduled pickup,
- OR**
- Mailers with a minimum of 500 pieces of qualifying mail every day
 - Mailers must be located in an eligible PDP location

First-Class Letters – Single Piece Rates

	Current	Proposed
1 ounce Letter	\$0.39	\$0.42
2 ounce Letter	\$0.63	\$0.62
3 ounce Letter	\$0.87	\$0.82
3.5 ounce Letter	\$1.11	\$1.02



To [learn more](#) about what mail can qualify for this program, please [contact us](#) or call 866-MAIL-PBI (1-866-624-5724).