

DISTRIBUTION

How Will the Postal Service Influence Our Business In 2011?

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The Key Issues

- **Pricing**
- **Postal Cost Management**
- **Flats Sequencing System (FSS)**
- **Intelligent Mail Barcode (IMb)**
- **Business Relationship**

Pricing Projections

- **Options for the USPS – Market Dominant Products**
 - **Refile Exigent Proposal (5.6% average)**
 - **CPI (1.685% - October)**
 - **File New Exigent Proposal (?%)**
 - **Reduce Prices**
 - **Correct cost coverage shortfall**

Pricing Projections

- **Competitive/Shipping Services (Parcels & International)**
 - **Filed for price increase on November 2**
 - **Usually parallels UPS and FedEx**
 - Percentages (3-6%) ---> actual is 3.6% average
 - Timing (January) ---> actual is January 2

Pricing Projections

- **What Will Influence the USPS Decision?**
 - Ongoing petition of PRC decision in exigent case with Court of Appeals
 - Total revenue expected to be generated as a result of each option
 - Legislative action
 - Labor negotiations

USPS Cost Management

- **Our responsibility to prepare and present the most efficient mail to the USPS**
- **USPS responsibility to process, distribute and deliver mail in the manner associated with preparation**
 - **Mailer error = additional cost attribution**
 - **USPS decision to deviate = eat the cost**



USPS Cost Management

- **Play to our strengths**
 - **Comail**
 - **Copalletization**
 - **Dropshipping**
- **Ensure USPS considers industry strengths as changes are made to processes and regulations**



Flats Sequencing System

- **14 machines operational – 6 locations**
- **100 machines operational by 10/2011**
 - Equates to about 30% of all flats volume
- **FSS Scheme will replace Carrier Route**
 - What's the price?
 - What about High Density?
 - What about non-FSS zips?



Flats Sequencing System

- **FSS Pricing**
 - Probable transition in 2012
 - Container value
 - Single FSS Scheme pallet = lowest price?
 - Multiple FSS Scheme pallet
- **FSS Preparation**
 - Optional guidelines implemented on January 2
 - Cost versus benefits

Intelligent Mail Barcode

- **Basic Service Required in May 2011**
 - Eliminate Post Net
 - Automation discounts
 - Confirm Tracking (eliminate Planet Code)
- **Business/Courtesy Reply Mail**
 - Required in May 2011



Intelligent Mail Barcode

- **Full Service Compliance**
 - eDoc verification
 - Loss of discount (1/10 cent/piece)
 - Billing after accumulating \$150 in penalties and/or <70% compliance
 - Microstrategy Reports
 - Implement on January 2



USPS Business Relationship

- **Get over the exigent case**
- **New Postmaster General**
 - Deputy PMG
 - COO
- **Who's Who?**
 - Retirements
 - Shuffle the deck
- **Innovation Symposiums**



THANK YOU

QUESTIONS???



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