

# USPS 2007 Rate Restructure – Prepare For Change



## ***Conformer***<sup>®</sup> ***Expansion*** **P R O D U C T S**

USPS Rate Restructure is coming.

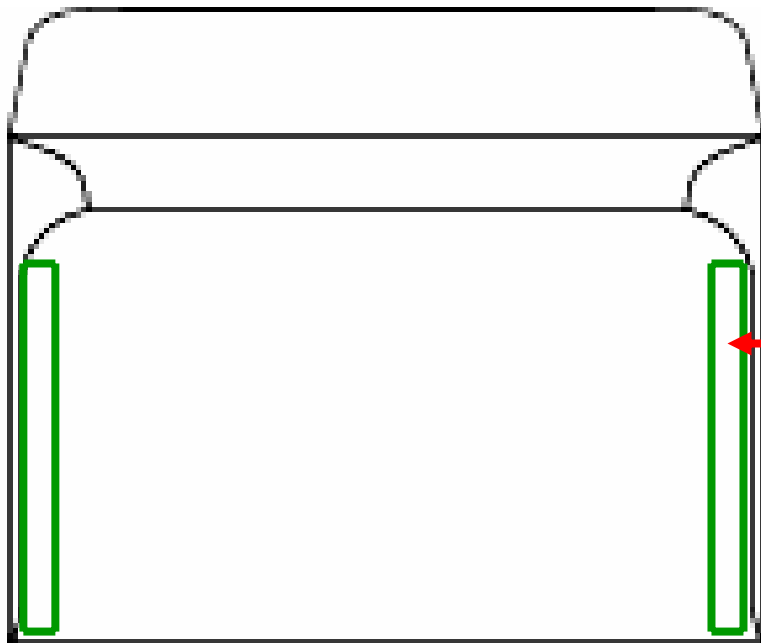
Postage rates will surge up to 60%  
on May 14<sup>th</sup>, 2007.



# Agenda

- **Traditional Envelopes**
- **The Conformer Difference**
- **Fulfillment Benefits**
- **Postage Benefits**
- **Inventory Management Benefits**
- **Environmental Benefits**
- **Summary**

# Traditional Envelope Architecture



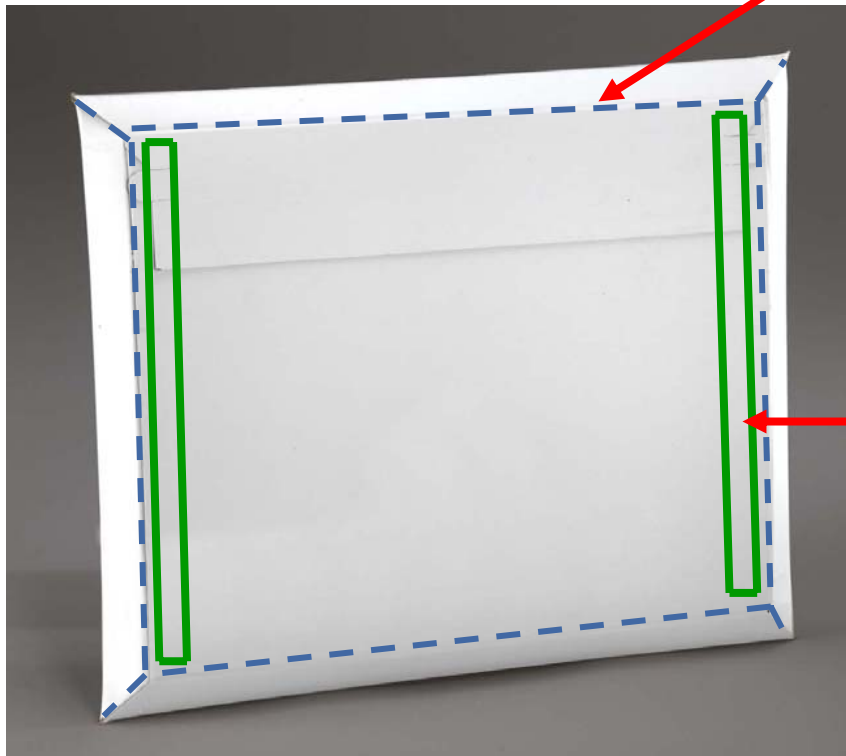
## No Scoring

- While perfectly suited for < 5 sheets of paper, traditional envelopes often warp when accommodating thicker contents.

## Glue Lines at Outer Edge

- Susceptible to jamming in inserters and tearing during mail delivery.
- Inhibits expansion.
- Fails to fully utilize envelope capacity.

# The Conformer Difference



## Score Lines

- Dictate where the envelope material will bend.
- Enable uniform expansion without warping.
- Trap contents in center of package creating a protective barrier around envelope's perimeter.

## Inset Glue Line

- Placed a minimum of 1/8" inset from the score lines.
- Does not interfere with material bending.
- Allows contents to be inserted to the very bottom corners of the envelope, better utilizing envelope capacity.

# The Conformer Difference – A Closer Look

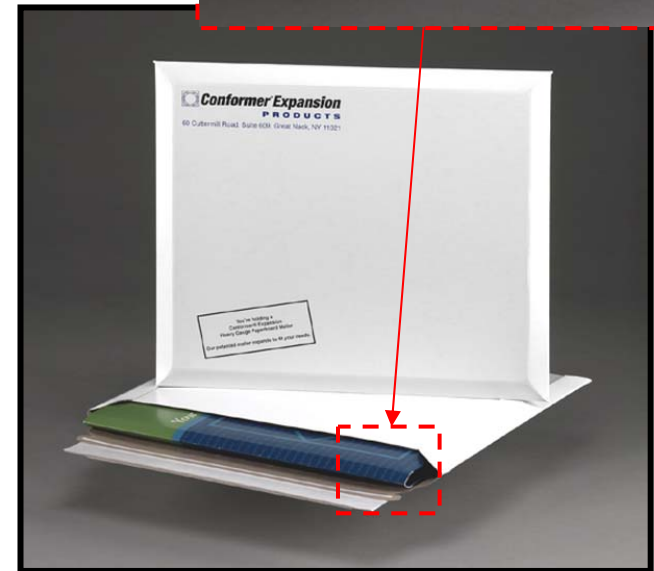
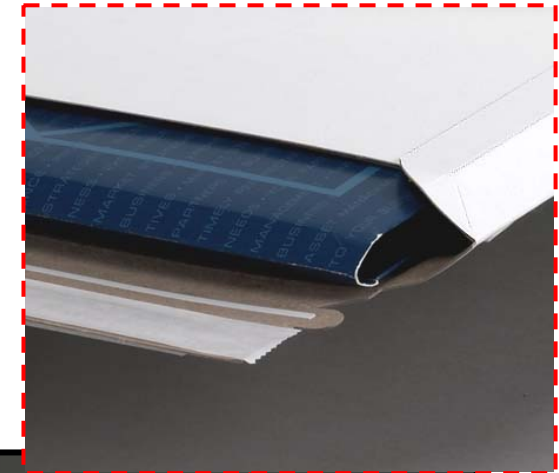
***Conformer Vertical Glue Lines***

**+** ***Conformer Score Lines***

---

***Superior Performing Envelope***

- Industry's best choice for mailings of variable thickness (1-100 pages), like bank statements and all dimensional mail because it “conforms” to the contents.
- Replaces multiple traditional envelope sizes.
- Maximizes compliance with auto-insertion and automated USPS requirements, thereby dramatically decreasing total handling and shipping costs.



# The Conformer Difference – Closer Look (Cont'd)

**This patented technology can be applied to materials ranging from light weight paper to heavy gauge paperboard and plastic.**

- **Paperboard and Plastic**

- Score lines are key to superior performance versus traditional envelopes.
- Score lines enable the envelope material to fold precisely around contents.

- **Paper**

- Glue line placement is key to superior performance versus traditional envelopes.
- Glue line placement and scoring ensures high speed fulfillment throughput without jamming.
- The scores provide essential versatility for handling variable thickness jobs.

# The Conformer Difference – Key Benefits

## 1 - Postage Benefits

- Envelope allows more material in a smaller package - critical to May 2007 USPS rate restructure.
- Stronger construction => lighter materials => less postage.

## 2 - Fulfillment Benefits

- Faster throughput and less downtime.
- Converts manual jobs to automated jobs.

## 3 - Inventory Management Benefits

- Ability to handle a wide range of jobs compared to traditional envelopes.

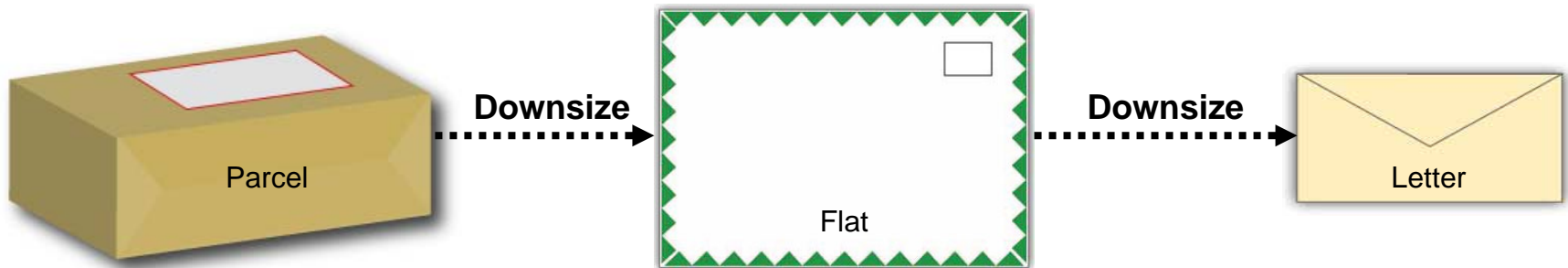
## 4 - Environmental Benefits

- Using less material to get the same job done.

# #1 – Postage Benefits

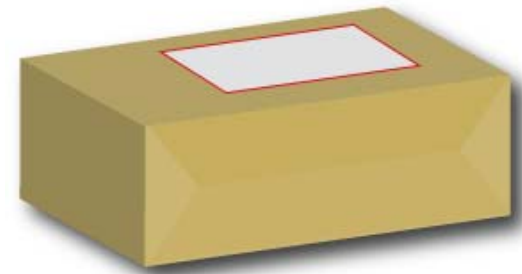
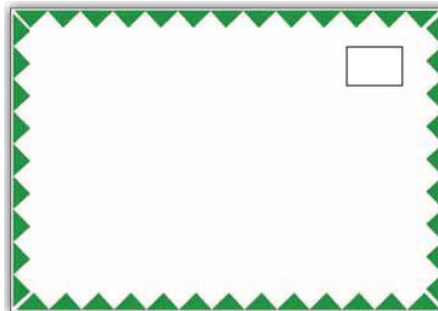
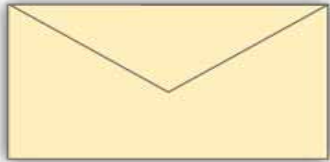
## New Rate Regulations Do Not Favor Traditional Packaging

- US Postal Service rate restructuring will take effect on May 14<sup>th</sup>, 2007.
- New structure will be based on weight and shape to align with USPS' capital investment in automated equipment.
- This will have a major impact on mailing costs unless mailings can be downsized to a lower size category, such as flats to letters and parcels to flats.



# Examples of Restructured Rates

	Max Length	Max Height	Max Thick	Max Weight	USPS Rate Today	USPS Rate May 2007	% Rate Change
<b>3 oz. Letter</b>	11 ½"	6 1/8"	¼"	3.5 oz.	<b>\$0.87</b>	<b>.75</b>	<b>-13.7%</b>
<b>3 oz. Flat</b>	15"	12"	¾"	13.0 oz.	<b>\$0.87</b>	<b>\$1.14</b>	<b>31%</b>
<b>3 oz. Parcel</b>	34"	17"	17"	35.0 lbs.	<b>\$0.87</b>	<b>\$1.47</b>	<b>69%</b>



# The Conformer Effect

## Conformer Downsizes the Packaging Postal Category

	USPS Rate Today	USPS Rate May 2007	Conformer Effect	May 2007 Conformer Rate
2 oz. Flat	\$0.63	\$0.97	Reconfigure as a Letter	\$0.58
		+ 34¢		- 5¢
6 oz. Parcel	\$1.59	\$1.98	Reconfigure as a Flat	\$1.65
		+ 39¢		+ 6¢

\* Rates for first class mail

**Examples** of a 2 oz. Flat include: Anything financial services oriented, such as bank statements, insurance statements and mutual fund statements.

**Examples** of a 6 oz. Parcel include: A book, pharmaceuticals and corporate affinity mailers, such as calendars, appointment books and benefit programs.

# Conformer Downsizes Packaging

## Conformer Enables Mailing Category Downsizing

- Converts Flat Mailings To Letter Mailings
- Converts Parcel Mailings To Flat Mailings

oz.	Current			Proposed (May 2007)			Rate of Change		
	Letters	Flat	Parcels	Letter	Flat	Parcel	Letter	Flat	Parcel
1.0	\$0.39	\$0.52	\$0.52	\$0.41	\$0.80	\$1.13	5%	<b>54%</b>	<b>117%</b>
2.0	\$0.63	\$0.63	\$0.63	\$0.58	\$0.97	\$1.30	-8%	<b>54%</b>	<b>106%</b>
3.0	\$0.87	\$0.87	\$0.87	\$0.75	\$1.14	\$1.47	-14%	<b>31%</b>	<b>69%</b>
4.0	\$1.11	\$1.11	\$1.11	\$0.92	\$1.31	\$1.64	-17%	<b>18%</b>	<b>48%</b>
5.0	na	\$1.55	\$1.35	na	\$1.48	\$1.81	na	10%	<b>34%</b>
6.0	na	\$1.59	\$1.59	na	\$1.65	\$1.98	na	4%	<b>25%</b>
7.0	na	\$1.83	\$1.83	na	\$1.82	\$2.15	na	-1%	<b>17%</b>
8.0	na	\$2.07	\$2.07	na	\$1.99	\$2.32	na	-4%	<b>12%</b>
9.0	na	\$2.31	\$2.31	na	\$2.16	\$2.49	na	-6%	<b>8%</b>
10.0	na	\$2.55	\$2.55	na	\$2.33	\$2.66	na	-9%	<b>4%</b>
11.0	na	\$2.79	\$2.79	na	\$2.50	\$2.83	na	-10%	<b>1%</b>
12.0	na	\$3.03	\$3.03	na	\$2.67	\$3.00	na	-12%	<b>-1%</b>
13.0	na	\$3.27	\$3.27	na	\$2.84	\$3.17	na	-13%	<b>-3%</b>

# New Rate Regulations Do Not Favor Traditional Packaging

	Small Box	Tyvek Mailer	Padded Mailer	Poly Wrap	Traditional Board Mailer	Conformer Expansion Products
Postal Requirements						
Flexibility	◆	◆◆◆◆◆	◆◆◆◆◆	◆◆	◆◆	◆◆◆◆
Uniform Thickness	◆◆◆◆◆	◆◆	◆◆◆	◆◆	◆◆◆	◆◆◆◆
Minimizes overall thickness	◆	◆◆◆◆◆	◆◆	◆◆◆◆◆	◆◆◆	◆◆◆◆◆
Other Considerations						
Impact Protection	◆◆◆◆◆	◆	◆◆◆◆◆	◆	◆◆◆	◆◆◆◆
Versatility	◆◆	◆◆◆◆	◆◆◆	◆◆◆◆	◆◆	◆◆◆◆◆
Aesthetic Appeal	◆◆◆◆	◆◆	◆◆	◆	◆◆	◆◆◆◆◆

*To qualify as a Flat instead of a Parcel:*

*Flexibility* – A mail piece <10” long must bend at least **one** inch without damage.

A mail piece >10” long must bend at least **two** inches without damage.

*Uniform Thickness* –

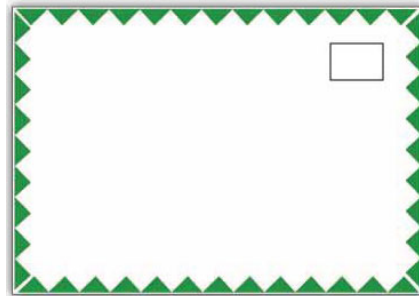
A mail piece can have a “bump” no greater than ¼” and cannot shift during processing.



# Case #1 – Conformer Converts Flat to Letter

## Project Requirements:

**Mailing 1,000,000 20-page financial statements per month**



Traditional Flat



Conformer Letter

	<b>Traditional 9" x 12"</b>	<b>Conformer 6" x 9 1/2"</b>
Postal Classification	Flat	Letter
Weight	3 oz	3 oz
Current Rate	\$.87	\$.87
May 2007 Rate	\$1.14	\$ .75
Total Cost	\$1,140,000	\$750,000

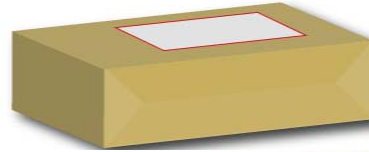
**Savings  
\$390,000**

Note: Conformer 6" x 9 1/2" expands to hold more contents, eliminating the need for larger size envelopes

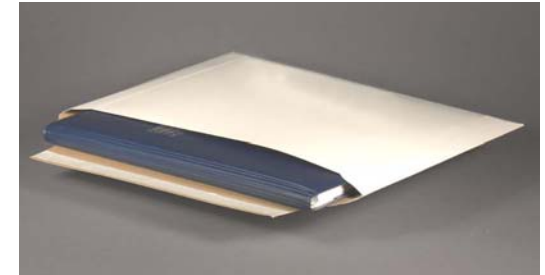
# Case #2 – Conformer Converts Parcel to Flat

## Project Requirements:

**Mail 50,000 appointment books as an annual gift to clients**



Traditional Parcel



Conformer Flat

	<b>Bubble Mailer or Box</b>	<b>Conformer Mailer</b>	
Postal Classification	Parcel	Flat	
Weight	5 oz	5 oz	
Current Rate	\$1.35	\$1.35	
May 2007 Rate	\$1.81	\$ 1.48	<b>Savings \$16,500</b>
Total Cost	\$90,500	\$74,000	

Note: Conformer mailer enables package to stay under the 3/4" thickness maximum for USPS flat classification

## #2 – Fulfillment Benefits

- Faster automation throughput and less downtime due to better fit.
- Minimal jamming compared to auto-fulfillment of oversized envelopes and glued-to-corners envelopes.<sup>(1)</sup>
- Cuts costs *in half*<sup>(2)</sup> when manual fulfillment can be automated on a wide range of materials including CDs, DVDs, booklets, and affinity mailings.
  - *Padded envelopes cannot be automated.*
  - *Conformer replaces padded envelopes and can be automated*
- Pages can be folded to fit into smaller Conformer Expansion Envelope, allowing machines to run up to 30% faster<sup>(3)</sup> and take advantage of postal rate savings.

1) Companies typically using 9"x12" envelopes to mail > 8 pages flat can now use 6"x9 1/2" Conformer envelopes.

2) \$198/M to manually insert CD jewel cases vs. \$100/M for machine insertion into a Conformer envelope.

3) Higher capacity mailings run 30% faster in 6 x 9 1/2 Conformer envelopes than inserted into a 9 x 12.

# #3 – Inventory Management Benefits

## Fewer SKU's Required

- Conformer Expansion Products have broader functionality to handle variety of mailings and capacities vs. traditional envelopes.
  - ***Purchasing greater quantity of fewer SKU's***

### Standard Envelope Sizes

4 1/8 x 9 1/2

4 3/4 x 11

5 x 11 1/2

6 x 9

6 x 9 1/2

6 1/2 x 9 1/2

**Conformer - 6" x 9 1/2"**

8 3/4 x 11 1/2

9 x 12

9 1/2 x 12 5/8

10 x 13

**Conformer - 9 3/8" x 12"**

# #3 – Inventory Management Benefits (Cont'd)

## Storage Savings

- Warehousing Conformer Expansion Paperboard Mailers takes up only 20% of the volume compared to padded mailers.

$$\begin{array}{r} 4.30 \text{ cubic ft.} \\ - 0.82 \text{ cubic ft.} \\ \hline = 3.48 \text{ cubic ft. savings (Qty=100)} \end{array} \quad \begin{array}{l} \#5 \text{ Padded Mailer (Qty=100)} \\ \text{Equivalent size Conformer (Qty=100)} \end{array}$$



# 5 Padded Mailer



Equivalent size  
Conformer Mailer

# #3 – Inventory Management Benefits (Cont'd)

## Freight Savings

- Shipping cartons of Conformer Expansion Paperboard Mailers cost **30% less** when compared to padded mailers.

<b>\$29.05 (Chicago to NY)</b>	#5 Padded Mailer (Qty=100)
<b>- \$20.47 (Chicago to NY)</b>	Equivalent size Conformer (Qty=100)
<hr/>	
<b>= \$8.58 savings per carton shipped (Qty=100)</b>	



## #4 – Environmental Benefits

- **Conformer envelopes can be manufactured using recycled material.**
- **Fewer jams mean less waste.**
- **Strong envelope design means lighter weight materials will get the job done.**
- **Smaller Conformer envelopes use less material than traditional oversized envelopes.**



# The Conformer Difference – Summary

- Postal Savings
- Fulfillment Savings
- Inventory Management Savings
- Environmental Savings

**Marvin A. Makofsky, President**  
**Bob Makofsky, General Manager**

**Conformer Expansion Products, Inc.**

60 Cuttermill Road, Suite 609

Great Neck, NY 11021

516-504-6300 x306

[info@ConformerInc.com](mailto:info@ConformerInc.com)

[www.ConformerInc.com](http://www.ConformerInc.com)

CONFORMER® is a registered trademark of Conformer  
Expansion Products, Inc.

U.S. Patent Numbers: 6,116,651 : 6,227,444 : D 452,267 :  
6,564,994 : 6,820,799 and Other Patents Pending

