

USPS Launches Shape-Based Postage



Conformer[®] Expansion
PRODUCTS

Shape-based postage is here.
Postage rates soar up to 69%



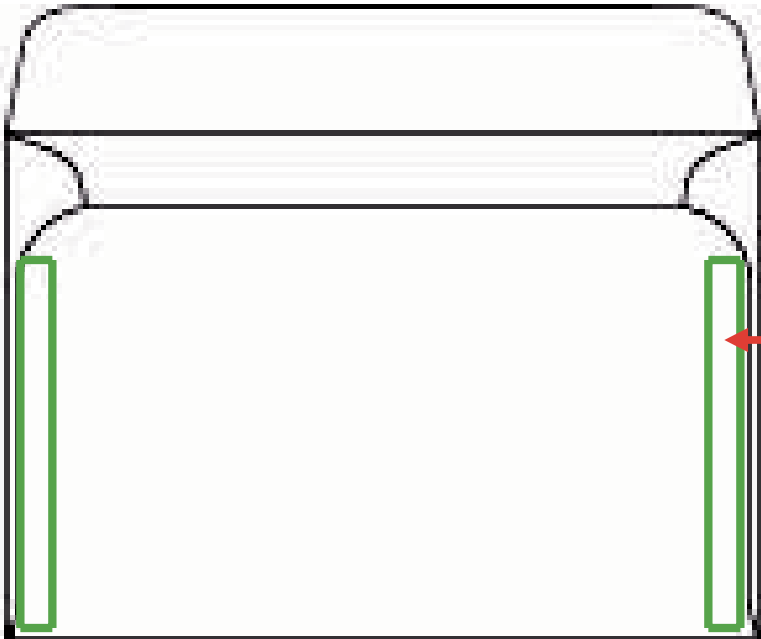
224 West 30th Street, Suite 406, New York, NY 10001
Tel: 212.324.2400 • Fax: 212.324.2401
www.diverseprinting.com



Agenda

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

Traditional Envelope Architecture



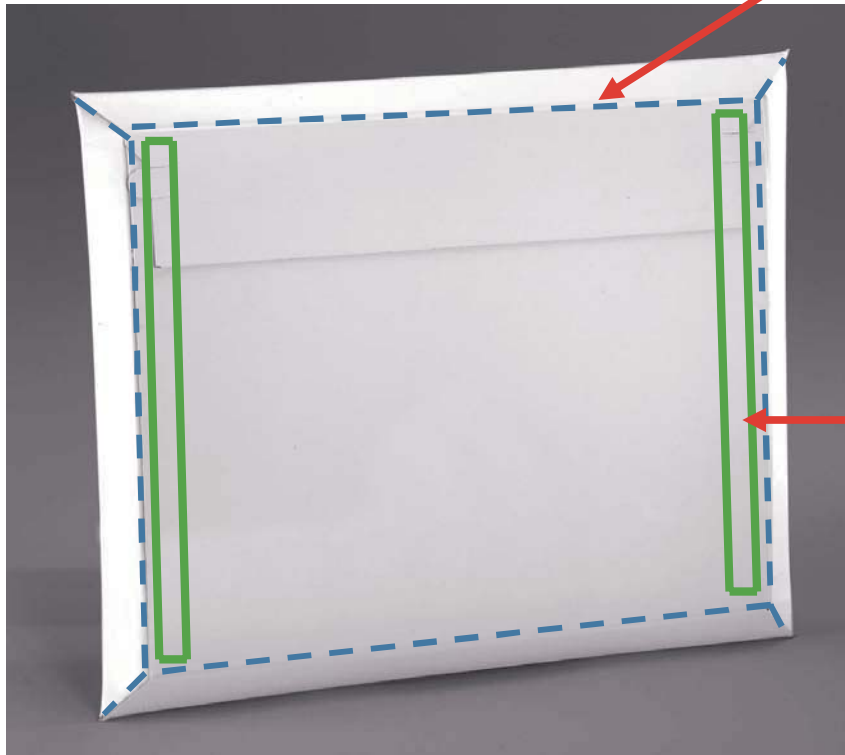
No Scoring

- 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

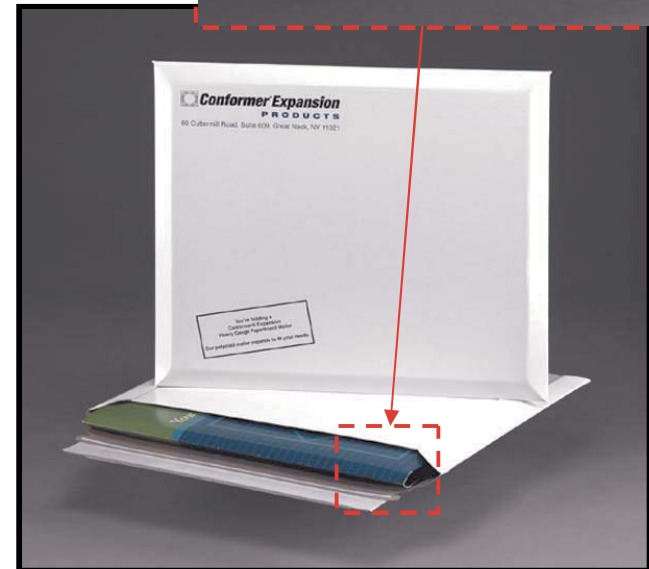
- Placed a minimum of 1/8" inset from the score lines.
- Does not interfere with material bending.
- Allows contents to be inserted to the very bottom corners of the envelope, better utilizing envelope capacity.

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.

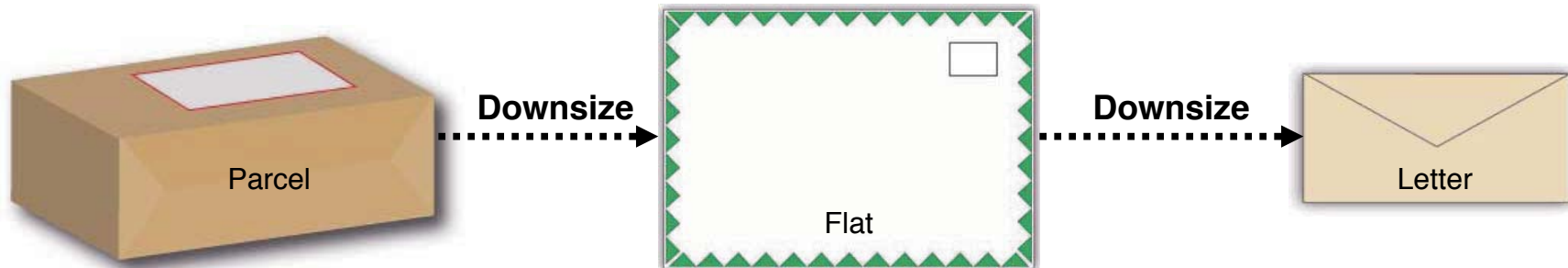
4 - Environmental Benefits

- Using less material to get the same job done.

#1 – Postage Benefits

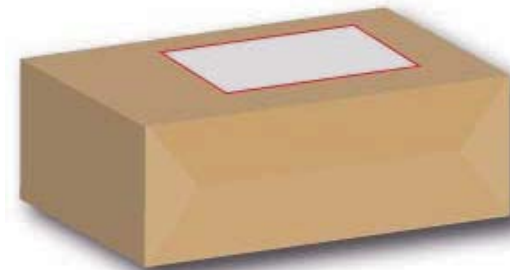
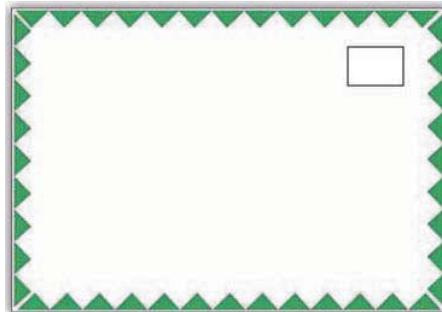
New Rate Regulations Do Not Favor Traditional Packaging

- US Postal Service rate restructuring took effect on May 14th, 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	Old USPS Rate	New USPS Rate	% Rate Change
3 oz. Letter	11 ½"	6 1/8"	¼"	3.5 oz.	\$0.87	.75	-13.7%
3 oz. Flat	15"	12"	¾"	13.0 oz.	\$0.87	\$1.14	31%
3 oz. Parcel	34"	17"	17"	35.0 lbs.	\$0.87	\$1.47	69%



The Conformer Effect

Conformer Downsizes the Packaging Postal Category

	Old USPS Rate	New USPS Rate	Conformer Effect	New Rate with Conformer
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%	54%	117%
2.0	\$0.63	\$0.63	\$0.63	\$0.58	\$0.97	\$1.30	-8%	54%	106%
3.0	\$0.87	\$0.87	\$0.87	\$0.75	\$1.14	\$1.47	-14%	31%	69%
4.0	\$1.11	\$1.11	\$1.11	\$0.92	\$1.31	\$1.64	-17%	18%	48%
5.0	na	\$1.55	\$1.35	na	\$1.48	\$1.81	na	10%	34%
6.0	na	\$1.59	\$1.59	na	\$1.65	\$1.98	na	4%	25%
7.0	na	\$1.83	\$1.83	na	\$1.82	\$2.15	na	-1%	17%
8.0	na	\$2.07	\$2.07	na	\$1.99	\$2.32	na	-4%	12%
9.0	na	\$2.31	\$2.31	na	\$2.16	\$2.49	na	-6%	8%
10.0	na	\$2.55	\$2.55	na	\$2.33	\$2.66	na	-9%	4%
11.0	na	\$2.79	\$2.79	na	\$2.50	\$2.83	na	-10%	1%
12.0	na	\$3.03	\$3.03	na	\$2.67	\$3.00	na	-12%	-1%
13.0	na	\$3.27	\$3.27	na	\$2.84	\$3.17	na	-13%	-3%

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 –

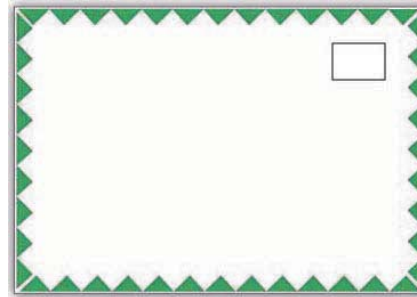
A mail piece can have a “bump” no greater than ¼” and cannot shift during processing.



Case #1 – Conformer Converts Flat to Letter

Project Requirements:

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



Traditional Flat



Conformer Letter

	Traditional 9" x 12"	Conformer 6" x 9 1/2"
Postal Classification	Flat	Letter
Weight	3 oz	3 oz
Old USPS Rate	\$.87	\$.87
New USPS 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

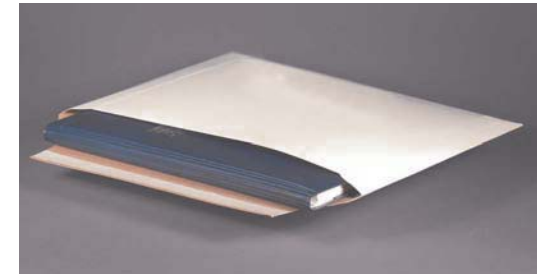
Case #2 – Conformer Converts Parcel to Flat

Project Requirements:

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



Traditional Parcel



Conformer Flat

	Bubble Mailer or Box	Conformer Mailer	
Postal Classification	Parcel	Flat	
Weight	5 oz	5 oz	
Old USPS Rate	\$1.35	\$1.35	
New USPS Rate	\$1.81	\$ 1.48	Savings \$16,500
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.⁽¹⁾
- Cuts costs *in half*⁽²⁾ 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⁽³⁾ 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

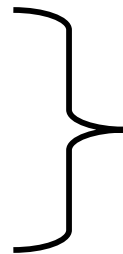
4 3/4 x 11

5 x 11 1/2

6 x 9

6 x 9 1/2

6 1/2 x 9 1/2



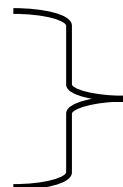
Conformer - 6" x 9 1/2"

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.

4.30 cubic ft.	#5 Padded Mailer (Qty=100)
- 0.82 cubic ft.	Equivalent size Conformer (Qty=100)
<hr/>	
= 3.48 cubic ft. savings	(Qty=100)



#3 – Inventory Management Benefits (Cont'd)

Freight Savings

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

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



#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



224 West 30th Street, Suite 406, New York, NY 10001
Tel: 212.324.2400 • Fax: 212.324.2401
www.diverseprinting.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

