

**\*The Postal Service implemented price changes for all market dominant classes on May 12, 2008 consistent with the statutory CPI-based price cap. These increases equal, on average, 2.9%.**

**\*The Postal Service expects to implement price changes for all market dominant classes consistent with the statutory CPI-based price cap in mid-May every year.**

## **VERTIS OPTIMAL POSTAGE**

Is there an element of your marketing budget you can't control? What costs more than your mailing piece, list and creative combined? In spite of your best efforts to maintain budget, do the fees associated with this piece of your marketing plan leave you scratching your head?

Yes, we are talking about postage. Even the most well thought out and executed mail plan is experiencing major increases in the overall cost of getting into the mailbox – from rising postage rates across all classes of mail to handling to freight surcharges – even the most savvy marketers are struggling to bring this piece of their marketing plan under control. Vertis understands that roughly 60% of your direct marketing budget is spent on postage and freight.

Vertis can help. We're taking an aggressive stance in saving more than just postage for our customers. The vision of Vertis Optimal Postage is to provide industry leading guaranteed rate postal processing with the highest delivery predictability to our customers. This processing will provide you with a predictable and cost effective solution to your mailing needs. We will accomplish this by applying a cost/benefit analysis and best of class approach to each of your programs to help mitigate the impact of annual postage rate increases.

*\* Excerpt from Postal Regulatory Commission press releases*

The Postal Service will be adjusting prices annually each May “because the new law requires predictable price changes,” says Michael K. Plunkett, USPS’s manager of pricing strategy. “Annual price changes that take place the same time each year gives our customers that predictability.”

This will result in generally smaller annual price changes that enable the agency’s business customers to better plan and budget for their mailings, Plunkett says. “We are moving toward the industry standard. Most other shipping companies adjust their prices every year.”

The Postal Service considers a number of factors when determining the appropriate price adjustments. These include impact on customers, postal costs, compliance with regulations, and volume effects.

Why will the annual postal increases hit each May? “USPS customers and other industry stakeholders were queried regarding the best time for price adjustments,” Plunkett says. “While there was a range of responses, many customers indicated that May was a favorable time. It avoids having to make changes during the fall mailing season or the holiday period.”

The USPS has committed to giving mailers 90 days notice of impending rate changes, so customers can expect an announcement every February about how prices will change in May.

Jerry Cerasale, the Direct Marketing Association’s senior vice president for government affairs, says he expects annual increases since the CPI cap is an annual one. “With the rates rising in May, an every May increase is not a surprise. We did push hard to have a late spring/early summer date due to the mailing patterns of our members.”

“Based upon our preliminary review, the average rate increase for standard mail is slightly less than 2.9%, which is equal to the rate of inflation over the last 12 months,” said Mr. Cerasale, in a statement.

On the direct mail side, the new rate for a five-digit automated letter weighing 3.3 ounces or less is \$0.225. A non-automated letter weighing 3.3 ounces or less will rise to \$0.343.

After last May's average 20%-40% postal increase for catalogers, The U.S. Postal Service announced February 11, 2008 that rate hikes for Standard Mail Flats would stay below the CPI. While the scheduled increase for Standard Mail Flats as a whole is about 1.67%, for the non-carrier route flats -- the category that experienced the largest increase last year -- the hike is less than 1% or 0.86%.

The USPS rate case of 2007 placed an increased emphasis on the cost of mailing. Many mailers focused 100% of their attention on implementing the new rate structure and spent very little time reviewing their mailing practices while implementing changes in 2007.

The new rate case effective May 12, 2008 puts the emphasis on converting 3-digit qualified pieces to a 5-digit qualification in order to realize the greatest postage discounts.

Just how will Vertis do this? Naturally, the first course of action is to provide a clean list -- free of duplicates and bad addresses. Vertis offers a wide array of data hygiene services to help you. A new USPS regulation effective November 1, 2008 requires all mailing lists be run through the National Change of Address (NCOA) database every 90 days. Your list is USPS compliant when Vertis performs the necessary NCOA processing.

There are 3 distinct ways to save postage, but the basic principle is the same -- the more work we do for the USPS the greater savings they pass on to you -- the mailer. 1) Data Processing -- includes data hygiene and postal presort. Vertis uses Group 1 Software to sort and combine addresses to adhere to postal regulations to maximize postal savings; 2) Physical Sortation -- standard sorting directly from the data file into a mail tray; or co-mingling -- a mechanical process that combines multiple finished pieces of mail from multiple sources in order to get greater

saturation of zip codes; 3) Logistical Planning – consisting of destination entry or moving the mail to BMC or SCF entry points and co-palletization – combining trays to like destinations.

It is our belief that the combination of the above 3 cost reduction strategies will result in the greatest savings for you. You will be accessed a standardized cost for “Postal Processing” and insured ONE postage rate for your entire mail file. The Postal Processing fee includes: postal analysis, load planning, commingling and/or co-palletizing, freight and freight handling. Very simply, you will be charged the same, competitive postage rate for every piece in your mailing plus a handling fee, and your mail will move faster to its final destination – your customer.

As an example: Vertis applied the VOP Cost/Benefit analysis to the historical mailing files of a major financials services mailer, whose average rate per piece was \$0.196 each. Through a combination of co-mingle, co-pallet and drop ship techniques, we guaranteed the mailer a reduced postage rate of \$0.182 per piece for all future mail campaigns. The mailer is thrilled to be saving over 7% in pure postage dollars.

Vertis’ postal experts are liaisons with the USPS and Postal Regulatory board members, ensuring we are on the forefront of mail preparation techniques and technology. Isn’t it time to let the experts make your job easier by taking the guesswork out moving the mail?

Want to learn more? Log on to [www.vertisinc.com](http://www.vertisinc.com) learn more about Vertis Optimal Postage and how we help make your direct marketing dollars go further.

Have questions? Ready to optimize your postage? Contact your Vertis Sales Executive, Ted LeBow 732.821.3997, Lauri Sibert 215.997.5413, or Lisa Wurman 215.997.5339.