

## The USPS and Shape Based Pricing

**The increased complexity has  
most companies perplexed!**

**Jim Spates**  
**Feb 14th, 2008**

# SBP Rate Case Situation

- On May 14, 2007, the United States Postal Service implemented a rate change and introduced a dramatic new way of determining the correct postage rate: **Shape-Based Pricing**. On May 12, 2008 the United States Postal Service will be increasing rates again.



# Why Is The USPS Changing?

- The USPS has determined that rates were not in alignment with processing costs
  - Flats and Parcels are more difficult to automate and more costly to transport than envelopes.



# Not A Normal Rate Change

Prior to 5/14/07 the  
USPS Rates were  
Based On:

- Weight



USPS Rates are now  
Based on:

- Size
- Weight
- Thickness



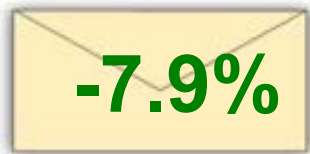
# SBP Pricing Example

**Postage will no longer be based solely on weight!**

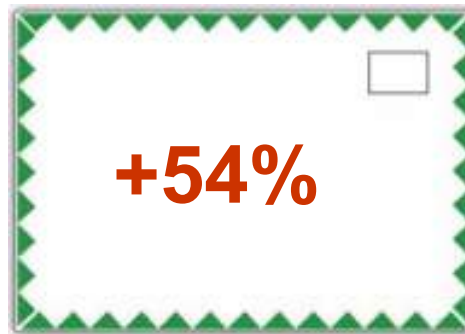
*(based on the 5/14/07 rate change)*



1-ounce letter  
39¢ ► 41¢



2-ounce letter  
63¢ ► 58¢



2-ounce flat  
63¢ ► 97¢



2-ounce parcel  
63¢ ► \$1.30

# SBP Pricing Example

**Postage will no longer be based solely on weight!**

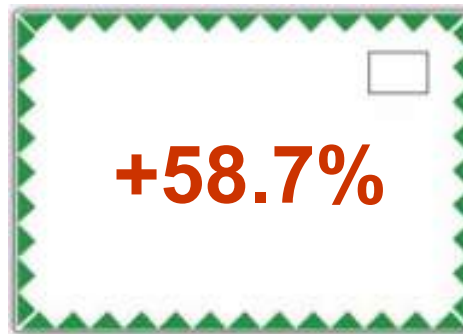
*(based on the 5/12/08 rate change)*



1-ounce letter  
39¢ ► 42¢



2-ounce letter  
63¢ ► 59¢



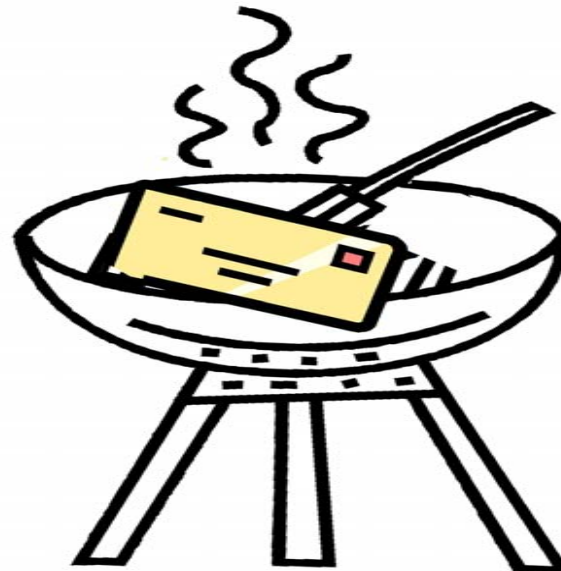
2-ounce flat  
63¢ ► \$1.00



2-ounce parcel  
63¢ ► \$1.34

# Picture This !!

If you do not fully understand the make up of the new USPS Rate Structure and implement a solid plan, your mailing budget will look like this:



Stick A  
Fork In  
It, It's  
Done

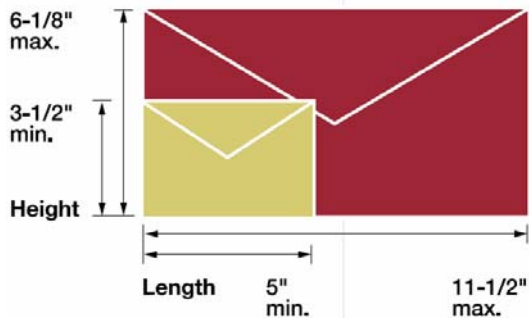
# Shape Based Mail Formats

## First Class Mail

### Letter

	minimum	maximum
length	5 inches	11-1/2 inches
height	3-1/2 inches	6-1/8 inches
thickness	0.007 inch	1/4 inch

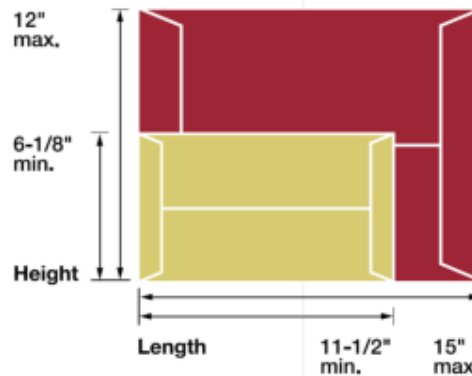
Nonmachinable letter-size pieces (see *Domestic Mail Manual* 101.1.2) and pieces over 3.5 ounces are subject to flat-size rates.



### Flat (Large Letter)

	minimum*	maximum
length	11-1/2 inches	15 inches
height	6-1/8 inches	12 inches
thickness	1/4 inch	3/4 inch

\* Flats exceed at least one of these dimensions. Rigid flats and flats with certain characteristics (see DMM 101.1) are subject to parcel rates.



### Parcel

#### length + girth

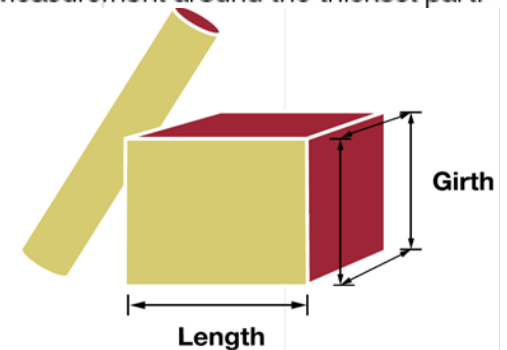
Length + girth cannot exceed 108 inches. (Parcel Post cannot exceed 130 inches.)

#### length

The longest side of the parcel.

#### girth

Measurement around the thickest part.



## Shaping a More Efficient Future

### Flats

**Must be**

**Flexible**

**Rectangular**

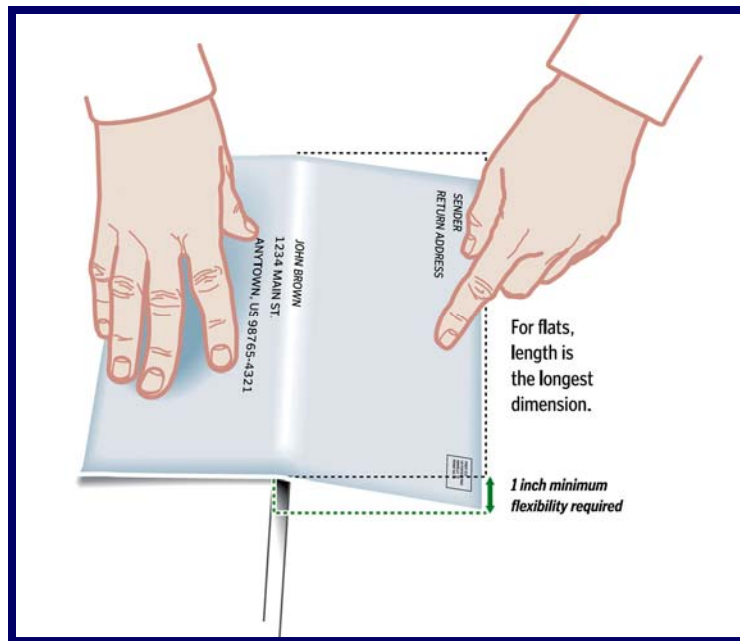
**Uniformly thick**

**Maximum thickness 3/4"**

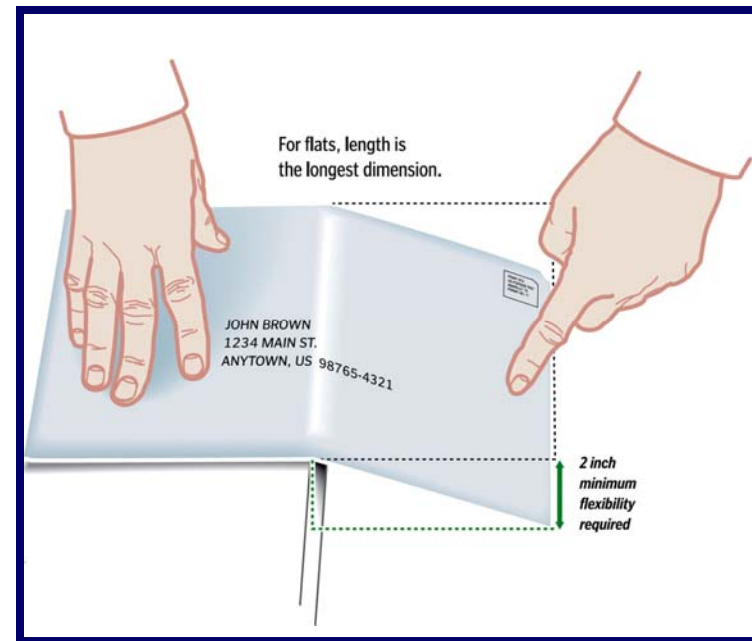
**Minimum size 5" x 6"**



## Shaping a More Efficient Future



Length runs parallel to the surface



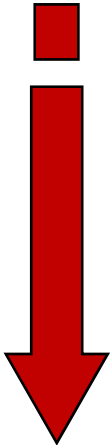
Flats over 10 inches long that contain a rigid insert; length perpendicular to surface

# Mail Processing Flowchart (First Class Example)

## Old Rates

(Prior to 5/14/07)

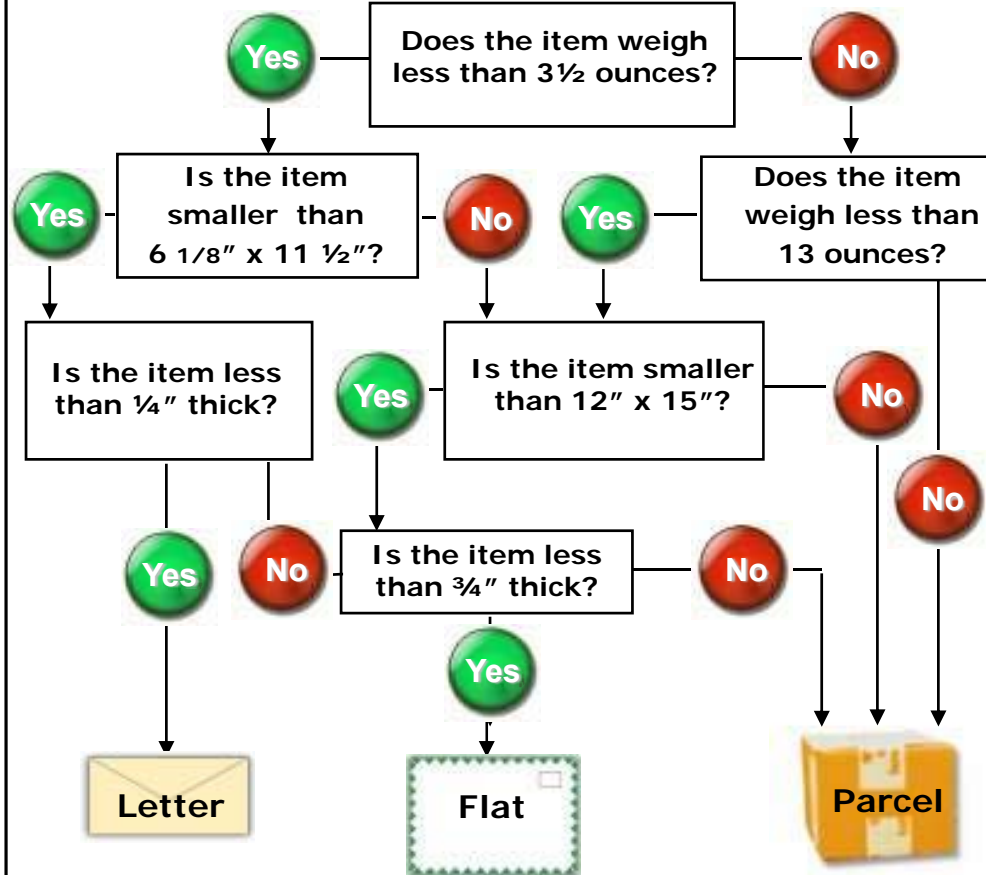
How much does your item weigh?  
(If over 1 oz.)



First-Class Letter,  
Flat or Parcel

## As of May 14<sup>th</sup>, 2007

USPS Rating Method by weight, size, and thickness



# 1<sup>st</sup> Class Rates at a Glance

Postage Rate Prior to  
5/14/07

Weight not over 1 oz.			
	Letters	Flats	Parcels
1	\$0.39	\$0.52	\$0.52
2	\$0.63	\$0.63	\$0.63
3	\$0.87	\$0.87	\$0.87
4	\$1.11	\$1.11	\$1.11
5	\$1.35	\$1.35	\$1.35
6	\$1.59	\$1.59	\$1.59
7	\$1.83	\$1.83	\$1.83
8	\$2.07	\$2.07	\$2.07
9	\$2.31	\$2.31	\$2.31
10	\$2.55	\$2.55	\$2.55
11	\$2.79	\$2.79	\$2.79
12	\$3.03	\$3.03	\$3.03
13	\$3.27	\$3.27	\$3.27
Postcards		\$0.24	

Postage Rate effective  
5/14/07

Weight not over 1 oz.			
	Letters	Flats	Parcels
1	\$0.41	\$0.80	\$1.13
2	\$0.58	\$0.97	\$1.30
3	\$0.75	\$1.14	\$1.47
4	\$0.92*	\$1.31	\$1.64
5		\$1.48	\$1.81
6		\$1.65	\$1.98
7		\$1.82	\$2.15
8		\$1.99	\$2.32
9		\$2.16	\$2.49
10		\$2.33	\$2.66
11		\$2.50	\$2.83
12		\$2.67	\$3.00
13		\$2.84	\$3.17
Postcards		\$0.26	

Postage Rate effective  
5/12/08

Weight not over 1 oz.			
	Letters	Flats	Parcels
1	\$0.42	\$0.83	\$1.17
2	\$0.59	\$1.00	\$1.34
3	\$0.76	\$1.17	\$1.51
4	\$0.93*	\$1.34	\$1.68
5		\$1.51	\$1.85
6		\$1.68	\$2.02
7		\$1.85	\$2.19
8		\$2.02	\$2.36
9		\$2.19	\$2.53
10		\$2.36	\$2.70
11		\$2.53	\$2.87
12		\$2.70	\$3.04
13		\$2.87	\$3.21
Postcards		\$0.27	

\*Letters qualify up to 3.5 oz only

# Example of Business Risk

- A Law Firm sends out mortgage disclosure documents.
- They are prepared in a #10 envelope. Each envelope contains 24 sheets of 20 lb, 8 1/2x11" paper. The total weight is 3.974 oz.
- Today, this envelope goes out with \$1.11 postage.
- On 5/14/07, this USPS will now classify this envelope as a parcel and it will require \$1.64 in postage.
- **This illustrates a 47.7% increase to the firm's postage budget.**

# Minimize Business Risk

- A Law Firm sends out mortgage disclosure documents.
- They are prepared in a 9x12" envelope. Each envelope contains 24 sheets of 20 lb, 8 1/2x11" paper. The total weight is 4.29 oz.
- On 5/14/07, the USPS will classify this envelope as a flat and it will only require \$1.48 in postage.
- **A better illustration, \$180.00/1000 in Savings based on how the mail is prepared.**

# Example of Business Risk

- A Bank sends out semi annual property tax statements.
- They are prepared in a 9x12 window envelope with a portrait orientation. Each envelope contains 4 sheets of 20 lb, 8 1/2x11" paper. The total weight is 1.3 oz.
- Today, this envelope goes out with \$0.63 postage.
- On 5/14/07, the USPS will classify this flat as a parcel and it will require \$1.30 in postage.
- **This illustrates a 106.3% increase to the Bank's postage budget.**

# Minimize Business Risk

- A Bank sends out semi annual property tax statements.
- They are prepared in a 6x9" window envelope with landscape orientation. Each envelope contains 4 sheets of 20 lb, 8 1/2x11" paper. The total weight is 0.9 oz.
- On 5/14/07, the USPS will classify this as a letter and it will only require \$0.41 in postage.
- **A better illustration, \$890.00/1000 in Savings based on how the mail is prepared.**

# SBP is Here!

## What can we do next?

- Absorb the increase with no corrective actions.
- Collect data on current mail applications and compare the future costs of these applications against redesigning options (ie. 4 pages in a 9x12 can be folded into a 6x9 envelope to qualify as a letter and save on postage).
- Pay attention to page count – “It’s how you make the bed”
  - **Up to 7 pages into a #10 qualifies as a letter**
  - **Up to 20 pages in a 6x9 qualifies as a letter**
  - **Over 20 pages use a 9x12 as the weight now exceeds 3.5 oz.**
- Research duplex printing of select applications being cautious of how your mail is addressed (window, label, laser printer).
- Establish and/or firm up your relationship with in-house IT Staff, Marketing Staff and Finance.
- Manage your mail from the point of origination using Print Management tools.
- Call your account manager at IMS to explore and learn more.