

SESSION 2

Midstates Postal Webinar Series

What's in Store for 2020?



PRINT • MAIL • FULFILLMENT

With us Today

- Eric Stevenson, Logistics Manager – Midstates
- Michelle Zalewski, VP Postal Affairs – ALG Worldwide
- Erick Keskey, Business Alliance Specialist – USPS

General Housekeeping Items

- All lines are muted. We ask you keep your phones on mute.
- If you have a question:
 - There is a chat box located on the screen.
 - Please address all questions to the meeting organizer.
 - We will address all questions at the end of the presentation.
- Should time not allow, we will direct the question to one of the panel participants and get you a response in the next 48 hours.
- This presentation is being recorded and will be available on our website by the end of the week.

Overview

- What does the Proposed Pricing look like for 2020?
- What Promotions are the USPS offering next year?
- How can you save postage dollars through Co-Service discounts.

Proposed 2020 Rate Changes

Hosted by Midstates Group

Presented by Michelle Zalewski, ALG Worldwide

November 6, 2019

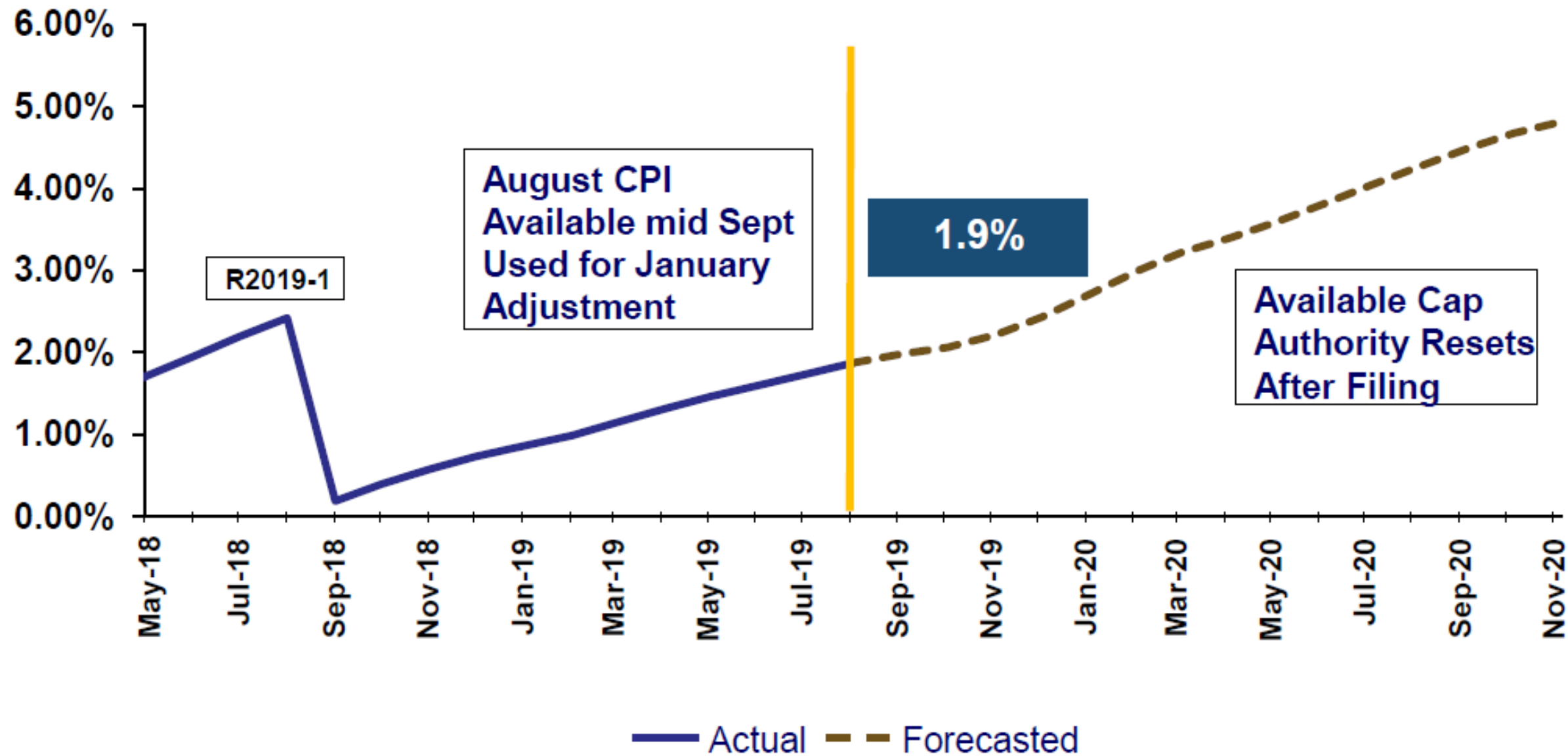


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Cannot exceed change in
Consumer Price Index –
Urban (CPI-U)

Market Dominant price
increases are capped at
CLASS LEVEL

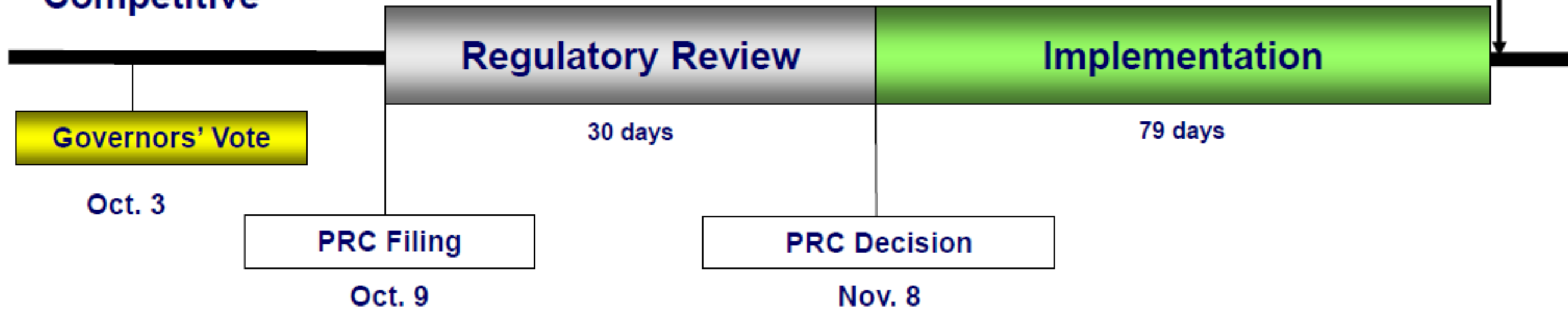
Uses previous 4 quarters
of volume to calculate
price change



Market Dominant



Competitive



First-Class Mail: 1.9% overall increase

- One-ounce letter price unchanged at 55 cents
- Additional-ounce price for Flats increases to 20 cents

Product	Percent Change
Single-Piece Letters & Cards	0.0%
Flats	9.4%
Presorted Letters & Cards	2.0%
First-Class Mail International (outbound letters, cards, and flats)	4.6%



USPS Marketing Mail

1.9% overall increase

Product	Percent Change
Letters	2.0%
Flats	3.9%
Carrier Route Letters, Flats, and Parcels	1.1%
High Density/Saturation Letters	1.4%
High Density/Saturation Flats and Parcels	0.9%
Parcels	3.9%
EDDM-Retail	2.1%

Flats Pricing went up an additional 2% above CPI for Non Carrier Route Categories (5Digit, 3Digit, ADC, MXD ADC).

- This was directed to the USPS by the PRC for “under water” prices.
- Parcel Pricing also increased by an extra 2% over CPI

USPS Marketing Mail Commercial Origin Prices	Current Price	New Price	Percent Change
Letters (5-Digit Auto Letters entered at Origin)	\$0.256	\$0.259	1.17%
Flats (5-Digit Auto Flats entered at Origin)	\$0.405	\$0.418	3.21%
Carrier Route (Flats entered at Origin)	\$0.300	\$0.302	0.67%

Commingle Marketing Mail Letters Pricing Modeling

- Profit Average rate increase of 2.18%

CoMail Marketing Mail Flats Pricing Modeling

- Profit Average rate increase of 2.39% - Mailing of 225,000
- Profit Average rate increase of 2.69% - Mailing of 50,000
- Profit Average rate increase of 1.98% - Mailing of 25,000

➔ *Pricing signals a push to CoMail. Non CoMail titles with low Carrier Route could see an increase of 4% or higher.*

USPS Marketing Mail Nonprofit Origin Prices	Current Price	New Price	Percent Change
Letters (5-Digit Auto Letters entered at Origin)	\$0.138	\$0.138	0.00%
Flats (5-Digit Auto Flats entered at Origin)	\$0.231	\$0.240	3.90%
Carrier Route (Flats entered at Origin)	\$0.216	\$0.218	0.93%

*All Origin Non Profit Letter Rates stayed the same except for Origin MXD AADC Auto rates.

Commingle Marketing Mail Letters Pricing Modeling

- Non-Profit Average rate increase of 1.8%

CoMail Marketing Mail Flats Pricing Modeling

- Non-Profit Average rate increase of 3.07% - Mailing of 225,000
- Non-Profit Average rate increase of 3.4278% - Mailing of 50,000
- Non-Profit Average rate increase of 2.65% - Mailing of 25,000

Marketing Mail Auto Commercial Letters		Current Price	New Price	\$ Difference	% Difference
Mixed Origin		\$0.291	\$0.299	\$0.008	2.75%
5-Digit Origin	<div> <div>\$0.022</div> <div>\$0.006</div> </div>	\$0.256	\$0.259	\$0.003	1.17%
5-Digit DNDC		\$0.234	\$0.239	\$0.005	2.14%
5-Digit DSCF		\$0.228	\$0.233	\$0.005	2.19%

Drop Ship Discounts for Marketing Mail Letters were reduced.

- Origin to NDC discounts reduced by 9.09%
- Origin to SCF discounts reduced by 7.14%
- NDC to SCF discount remained the same at \$6.00/M (no % change)

Marketing Mail Nonprofit Auto Letters	Current Price	New Price	\$ Difference	% Difference
Mixed Origin	\$0.173	\$0.178	\$0.005	2.89%
5-Digit Origin	\$0.138	\$0.138	\$0.000	0.00%
5-Digit DNDC	\$0.116	\$0.118	\$0.002	1.72%
5-Digit DSCF	\$0.110	\$0.112	\$0.002	1.82%

Drop Ship Discounts for Marketing Mail Letters were reduced.

- Origin to NDC discounts reduced by 9.09%
- Origin to SCF discounts reduced by 7.14%
- NDC to SCF discount remained the same at \$6.00/M (no % change)

Marketing Mail Auto Commercial Flats	Current Price	New Price	\$ Difference	% Difference
5-Digit DSCF	\$0.352	\$0.364	\$0.012	3.41%
C-R Basic DSCF	\$0.262	\$0.265	\$0.003	1.15%
C-R on 5-Digit DSCF Pallets	\$0.241	\$0.246	\$0.005	2.07%
C-R on 5-Digit DDU Pallets	\$0.232	\$0.235	\$0.003	1.29%

Annotations for price differences:
 - Between 5-Digit DSCF and C-R Basic DSCF: \$0.090 (Current), \$0.099 (New)
 - Between C-R Basic DSCF and C-R on 5-Digit DSCF Pallets: \$0.021 (Current), \$0.019 (New)
 - Between C-R on 5-Digit DSCF Pallets and C-R on 5-Digit DDU Pallets: \$0.009 (Current), \$0.011 (New)

Drop Ship Discounts for Marketing Mail flats were increased in some areas but were reduced in others.

- Non Carrier Route - Origin to NDC discounts = NO CHANGE
- Non Carrier Route – Origin to SCF discounts were raised by 1.8868%
- Non Carrier Route – NDC to SCF discounts were raised by 10.00%
- Carrier Route – Origin to NDC discounts were raised by 3.33%
- Carrier Route – Origin to SCF discounts were **lost** by 2.63%
- Carrier Route – Origin NDC to SCF discounts were **lost** by 25%



Periodicals: 1.9% overall increase

Periodicals	Percent Change
Outside County	1.92%
Inside County	1.46%

- Most larger-circulation publications will pay 1% to 4% more in postage.
- Postage for larger Nonprofit publications will increase 0.8% to 1.8%.
- Smaller-circulation publications may see above-average increases due to less presorting, lighter-weight pieces, and a higher percentage of nonmachinable pieces.

Package Services – 1.9% overall increase

16

Product	Percent Change
Media Mail and Library Mail	1.99%
Bound Printed Matter	
Flats – Overall	1.98%
Carrier Route Origin	2.26%
Carrier Route DSCF	2.35%
Carrier Route DDU	1.71%
Parcels – Overall	1.74%
Basic Presort Origin	2.32%
Basic Presort DSCF	1.85%
Basic Presort DDU	1.46%

2020 Promotional Campaigns

Hosted by Midstates Group
Presented by Erick Keskey, USPS
November 6, 2019



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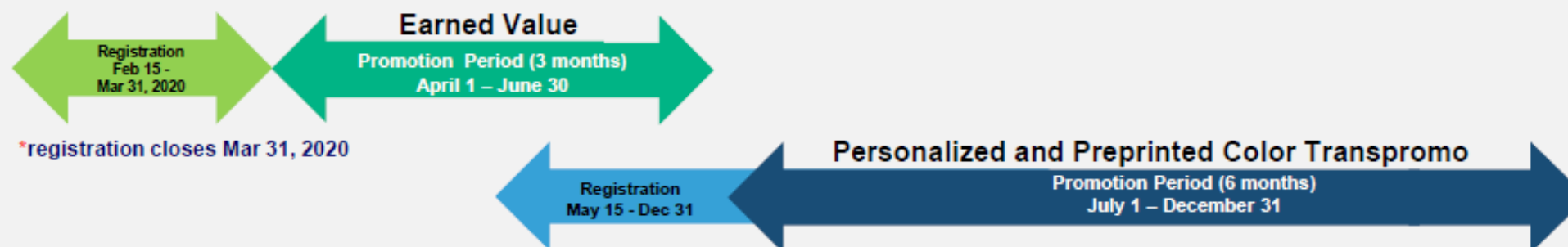
JAN – FEB – MARCH

APRIL – MAY – JUNE

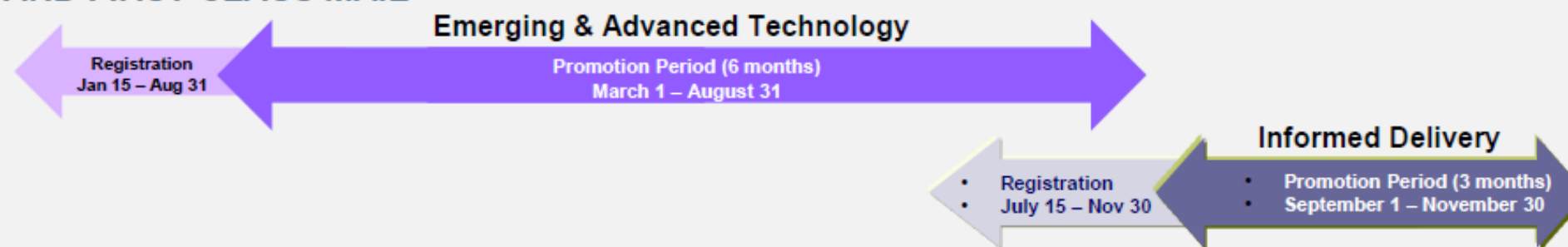
JULY – AUG – SEPT

OCT – NOV – DEC

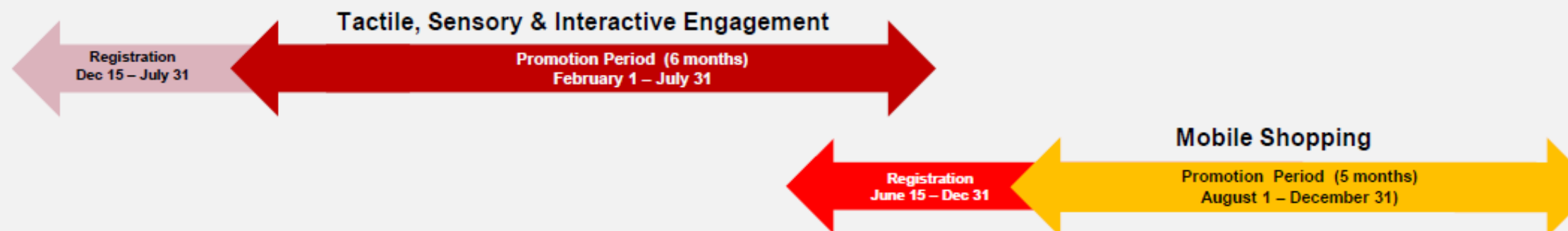
FIRST-CLASS MAIL



MARKETING MAIL AND FIRST-CLASS MAIL



MARKETING MAIL



Tactile, Sensory and Interactive Mailpiece Engagement Promotion

Encourages mailers to enhance customer engagement with the mail through the use of advanced print innovations in paper and stock, substrates, inks, interactive elements, and finishing techniques.

- Registration Period: Dec 15th – July 31st
- Promotion Period: February 1st – July 31st
- Regular and Nonprofit Marketing Mail letters and flats that meet the promotion requirements
- Upfront 2% postage discount during the promotion period.

Tactile, Sensory and Interactive Mailpiece Engagement Promotion

There are three featured categories in this promotion:

Specialty inks

- Conductive inks: Inks with components are used to print a circuit and inserts that can be used to activate an electronic device.
- Leuco Dyes/Thermochromics: Heat sensitive dyes or inks change color in variation in temperature.
- Photochromic: Changes color with UV light exposure.
- Optically Variable Ink: Contains metallic materials that change appearance when viewed from different angles.
- Piezochromic: Change appearance under pressure.
- Hydro chromic: Changes appearance when exposed to water or liquids.

Specialty paper

- Scent: Paper infused with scent
- Sound: Paper that incorporates sound chip/speakers
- Taste: Paper that incorporates edible components

Interactive elements

- 3-Dimensional
- Pop-ups
- Infinite folding

Emerging and Advanced Technology Promotion

Encourages mailers to incorporate emerging technologies such as AR, VR/MR, NFC, Video in Print, multichannel mail integration with Addressable TV or digital assistants into their direct mailpieces.

- Registration Period: January 15th to August 31st
- Promotion Period: March 1st – August 31st
- Regular and nonprofit Marketing Mail letters and flats
- First-Class Mail presort or automation letters and cards
- Upfront 2% postage discount during the promotion period.

Emerging and Advanced Technology Promotion

- NEW--Mixed Reality: Mixed Reality combines both augmented and virtual experiences through a combined immersive technology
- Virtual Reality: Building on last year's promotion, we will continue to include the use of virtual reality to qualify for the promotion discount
- NEW--Addressable TV: (the ability to purchase TV advertising at the household level using specific audience data like household income, age, gender, shopping behavior, and lifestyle interests) in conjunction with Direct Mail / White Paper available.
- Digital to Direct: Digital to Direct Mail encourages mailers to produce mailpieces based on a digital interaction.
- Near Field Communication: Interaction initiated by touching the mobile device on NFC embedded item.
- Bluetooth Low Energy (BLE)/Beacon Technology: is the use of low energy Bluetooth devices
- "Enhanced" Augmented Reality: provides robust features that allow consumer engagement experiences.
- Video in Print: Video in Print (ViP) is video advertising that integrated into a printed piece.
- NEW--Integration with Digital Assistants: Integration with Digital Assistants is a grouping of technologies such as Alexa and Google Home.

Earned Value Reply Mail Promotion

Encourages mailers to continue to distribute Business Reply Mail (BRM), Courtesy Reply Mail (CRM) and Share Mail envelopes and cards by providing them with a financial benefit when their customers put those pieces back in the mail.

- Eligible Mail: BRM, CRM, and Share Mail (Permit Reply Mail is excluded)
- Credit Amount: New Participants (mailers who did not participate in the CY 2019 promotion):
- \$0.02 credit for each BRM, CRM, and/or Share Mail piece counted
- CY 2019 Earned Value Participants: if registered for the CY 2019 promotion, in CY 2020 must meet or exceed 93 percent of volume counted for the same CRID between April 1, 2019 and June 30, 2019 to qualify for an Earned Value credit. If 2020 volumes are equal to or exceed the established 93 percent threshold based on 2019 volumes, but do not exceed 100 percent of the 2019 threshold, mailers will be credited \$0.02 per BRM, CRM, and/or Share Mail piece counted during the promotion period. If 2020 volumes exceed 100 percent of 2019 threshold volumes, mailers will be credited \$0.04 per BRM, CRM and/or Share Mail piece counted
- Registration Period: February 16 – March 31, 2020
- Promotion Period: April 1 – June 30, 2020

Personalized Color Transpromo Promotion

Enhances the value of First-Class Mail by encouraging mailers of bills and statements to incorporate color messaging in order to foster a better connection and response from their customers.

- Registration Period: May 15th to December 31st
- Promotion Period: July 1st to December 31st
- First-Class Mail presort and automation letters — bills and statements only — that meet the dynamic print and personalization requirements.
- Upfront 2% postage discount during the promotion period.
- First-time participants must meet only the dynamic color print requirements.

Mobile Shopping Promotion

Encourages mailers to integrate their direct mail pieces with mobile technologies that facilitate a convenient online shopping experience for consumers during the holiday season.

- Eligible Mail: USPS Marketing Mail ltrs and flats, and Nonprofit Marketing Mail ltrs and flats
- Discount: 2 percent off eligible mailpieces
- Registration Period: June 15, 2020 – December 31, 2020
- Promotion Period: August 1, 2020 – December 31, 2020
- Mailpiece Requirements: All qualifying mail must contain a barcode or other technology that allows the user to engage in an electronic shopping experience. Qualifying technologies include, but are not limited to: open-sourced barcodes (such as a QR Code or Datamatrix code); a proprietary barcode or tag (such as SnapTags or MS Tags); an image embedded with a digital watermark; Near Field Communication; and, intelligent print image recognition (including an enhanced augmented reality experience). Qualifying technologies may also include newer barcode features such as animated, visual, dotless, or voice QR codes with analytic features. In addition, the print/mobile technology must lead to a mobile optimized shopping site or a social media web page (such as Pinterest, Instagram, Facebook, Twitter, YouTube or Tumblr) with a click to shop feature, or an app enabled barcode payment. If led to a shopping website, the recipient must be able to make a purchase from the webpage or website.

NEW! Informed Delivery Promotion

Encourages mailers to adopt use of the USPS' new omnichannel tool, Informed Delivery.

- Eligible Mail*: First-Class Mail automation letters, cards, and flats, USPS Marketing Mail automation letters and flats, and Nonprofit USPS Marketing Mail automation letters and flats (The following exclusions apply: First-Class Mail or USPS Marketing Mail automation letters and flats that do not generate an informed delivery image; Examples may include mailings to business addresses, Saturation, EDDM or DDU entry)
- Discount: 2 percent off eligible mailpieces
- Registration Period: July 15, 2020 – November 30, 2020
- Promotion Period: September 1, 2020 – November 30, 2020
- Mailpiece Requirements: To be eligible for the promotion, the mailpiece must incorporate an Informed Delivery campaign with their mailings.
- *As of October 2019, images are only provided for letter-sized mailpieces that are processed on the Postal Service's automated equipment. As the Informed Delivery development timeline supports additional mailpiece shapes and sizes, mailers may be able to participate in the promotion with these mailpiece types as the capabilities are enabled.

Consumer Acquisition

- Started using invitation code in mailing campaigns in Aug 2018
 - Conversion rates 

- Planning for annual holiday mailing

- Intercepts on USPS.com
= 15-20K user sign-ups p/day

- “Inform 5” Retail program

16.32M

Registered
Households



20.83M

Registered
Users



15.1M

Email-enabled
Users



Co Service Discussion

Hosted by Midstates Group

Presented by Eric Stevenson, Midstates Group

November 6, 2019



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Let's Decode the “Co’s”

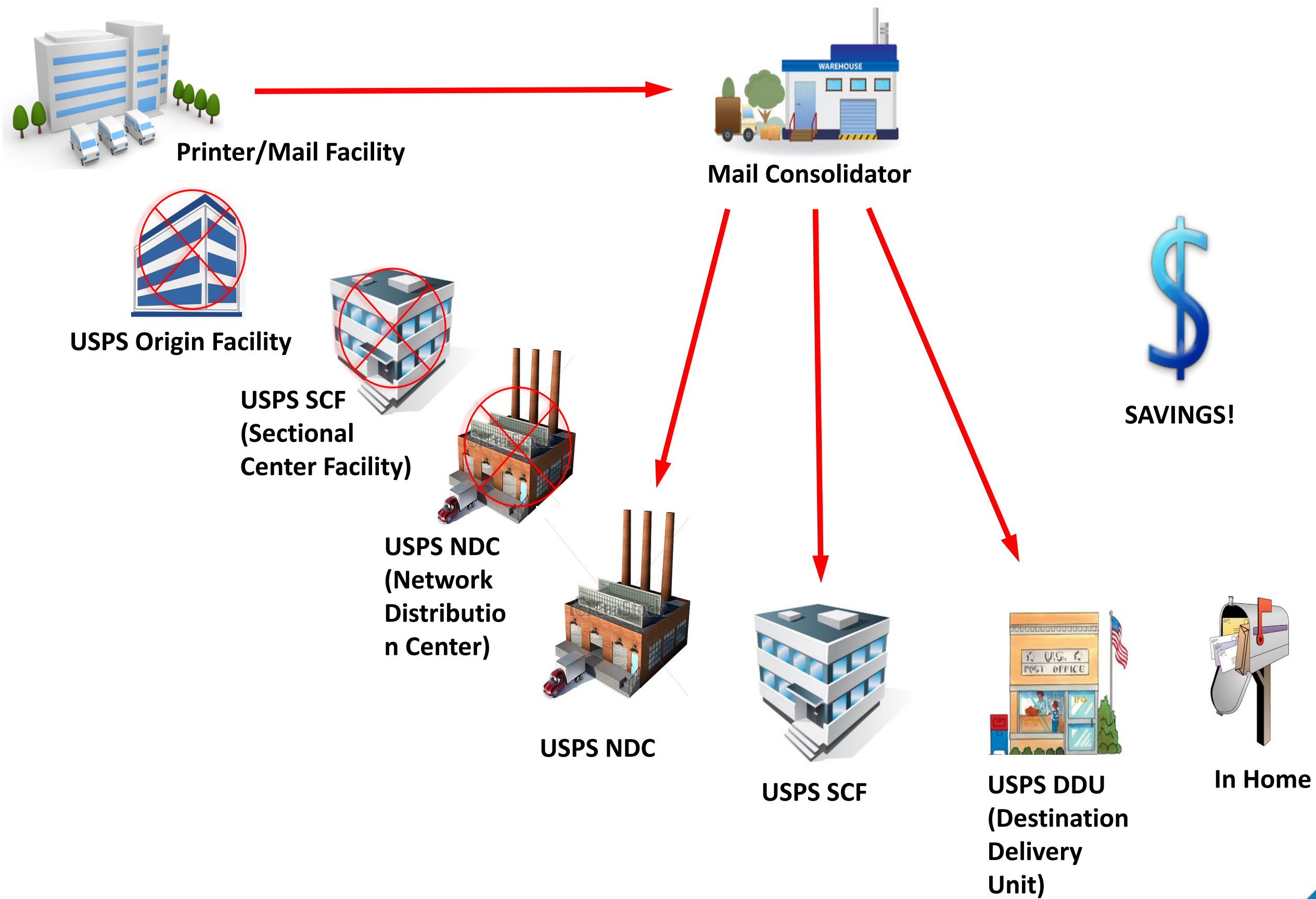
- Co mail
- Commingle
- Co Transportation/Drop ship

Co-Services

Consolidation/Destination Entry/Drop Ship: This applies to both letter and flat mail pieces. The mail is prepared in a manner that allows us to move the mail to final destination USPS facilities for entry. Mail is presented, verified and accepted at our DMU.

Comingle: Applies to **letter mail pieces only!!!** Mail is prepared in presort order, but placed in trays based on predetermined bin numbers. These mail pieces are then presented to a 3rd party commingler, who places this mail, along with millions of other mail pieces, to obtain the lowest possible postage.

Co-Mail: Applies to **Flat Mail pieces only!!!** The flats are stitched or bound and stacked down on pallets without any addressing. These pallets are sent to a 3rd Party Co-Mailer, who merges our mail file with other mail files to obtain one large presorted file. Our flat mail piece is placed in one of forty pockets on the machine and mailed with millions of other flat pieces.



Carrier Route and Automation

3.5 oz or less	Carrier Route				Automation		
Entry Point	Saturation	High Density Plus	High Density	Basic	5-Digit Scheme	AADC	Mixed AADC
None	0.190	0.200	0.209	0.294	0.256	0.281	0.291
DNDC	0.170	0.180	0.189	0.269	0.234	0.259	0.269
DSCF	0.165	0.175	0.184	0.262	0.228	0.253	-
DDU	-	-	-	-	-	-	-

USPS Marketing Mail Flats - Commercial & Nonprofit															
Commercial Flats															
4 oz or less		Carrier Route					Automation				Nonautomation				
Entry Point	Saturation	EDDM	High Density Plus	High Density	Basic	Basic CR Bundles/ Pallets	5-Digit	3-Digit	ADC	Mixed ADC	5-Digit	3-Digit	ADC	Mixed ADC	
None	0.224	0.225	0.232	0.250	0.300	0.279	0.405	0.523	0.597	0.632	0.469	0.561	0.617	0.652	
DNDC	0.186	0.187	0.194	0.212	0.270	0.249	0.362	0.480	0.554	0.589	0.426	0.518	0.574	0.609	
DSCF	0.179	0.180	0.187	0.205	0.262	0.241	0.352	0.470	0.544	-	0.416	0.508	0.564	-	
DDU	0.161	0.162	0.169	0.187	0.253	0.232	-	-	-	-	-	-	-	-	
More than 4 ounces															
None	0.609	0.609	0.609	0.609	0.700	0.700	0.907	0.907	0.907	0.907	0.907	0.907	0.907	0.907	
DNDC	0.454	0.454	0.454	0.454	0.580	0.580	0.736	0.736	0.736	0.736	0.736	0.736	0.736	0.736	
DSCF	0.426	0.426	0.426	0.426	0.549	0.549	0.694	0.694	0.694	-	0.694	0.694	0.694	-	
DDU	0.357	0.357	0.357	0.357	0.511	0.511	-	-	-	-	-	-	-	-	
Per piece None	0.072	0.073	0.080	0.098	0.125	0.104	0.178	0.296	0.370	0.405	0.242	0.334	0.390	0.425	
Per piece DNDC	0.072	0.073	0.080	0.098	0.125	0.104	0.178	0.296	0.370	0.405	0.242	0.334	0.390	0.425	
Per piece DSCF	0.072	0.073	0.080	0.098	0.125	0.104	0.178	0.296	0.370	-	0.242	0.334	0.390	-	
Per piece DDU	0.072	0.073	0.080	0.098	0.125	0.104	-	-	-	-	-	-	-	-	

Co Transportation/Drop Ship

USPS Destination Entry Drop Ship Discounts Available

- Consolidation (**shared cost**) at a Pallet/Order Level
- Verification at Printer or Letter shop
- Allows for enhanced postage savings through DDU/SCF/NDC entry discounts
- Drop Shipping provides a way to target specific in-home dates

What is Commingling?

Commingling typically is used when referring to Marketing Mail or First-Class Letter Mail.

Commingling reduces per piece postage by combining 2 or more mailings into one final presort.

- *Different pieces in the same tray.*

Letters, Postcards and Self-Mailers can be commingled as long as they are machinable.



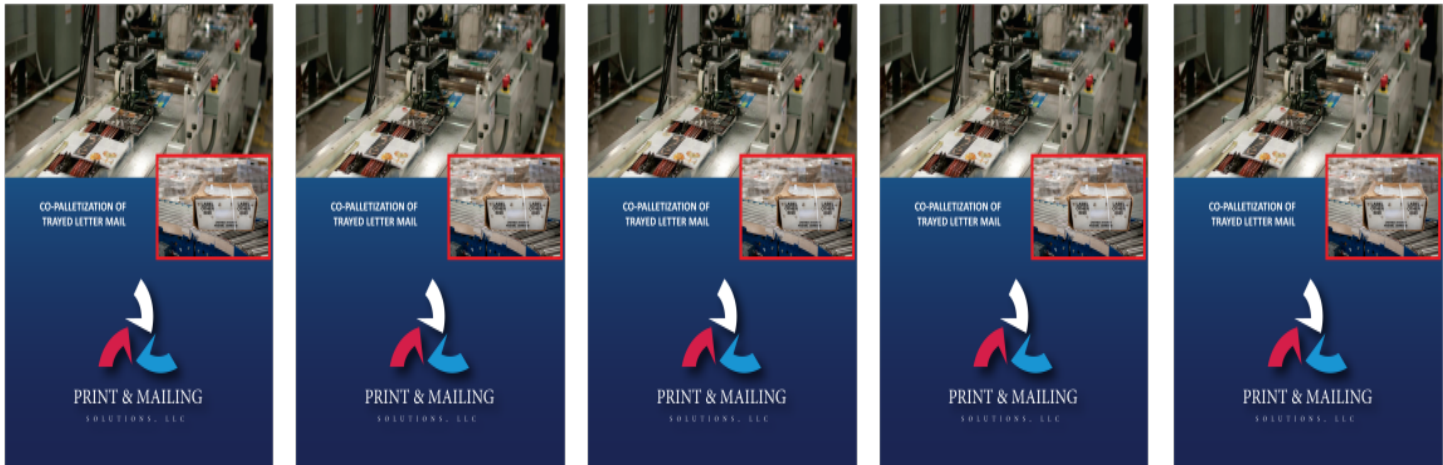
Before CoMailing

(produced separately)

Mailing # 1



Mailing # 2



Mailing # 3



CoMailing - Mailings are Merged

CoMail Line



CoMail Specs

Mail piece Characteristics (Marketing Mail & Periodicals)

Trim Size Variance

- Width: Between 6.5 and 10"
- Length: Between 9" and 11"

Book thickness

- Minimum: .0625" (Estimated but other sizes can work)
- Maximum: .5625"

Piece Weight

- Maximum of 24 Oz for Periodical and 16 Oz for Marketing Mail Flats

Poly-Wrapped Mail pieces

- Authorization required

No Inside Inkjet Personalization (Offline)



Postal Processing

Seamless Acceptance Approved: This automates the entry and verification of commercial mailings by leveraging electronic documentation, Intelligent Mail barcodes (IMbs), and information collected from handheld sampling devices and mail processing equipment scans.

Detached Mail Unit (DMU): The postal facility located within our facility. Mail can be presented and accepted without moving it to our local post office.

Simple Project vs. Complex Project

Simple Project

Standard Print Components (Paper, Ink, Envelopes, etc.)

$$1+1+1+1=4$$

Complex Project

Print + Logistics (including freight & postage)

$$1+1+1+1\neq4$$

postage costs based on complex matrix of variables: automated discounts, entry discounts; inverse relationship of postage costs & freight costs, etc.

Questions?

For more information please reach out to
your Midstates Sales Representative or
Eric Stevenson erics@midstatesgroup.com