



Get Ready For Big Changes In Parcel Shipping



Today's Agenda

- Overview of Rate Changes
- USPS Pricing Strategy for the New Rates
- DIM Pricing overview for UPS/FedEx
- Intelligent Mail Package Barcode (IMpb)
- Shipping Analytics and Options



The Big Three

■ UPS

- 54 percent market share
- 4.9 percent Rate Increase Effective December 29th, 2014
- Additional Rate Increase applying size based or dim pricing to all ground

■ FedEx

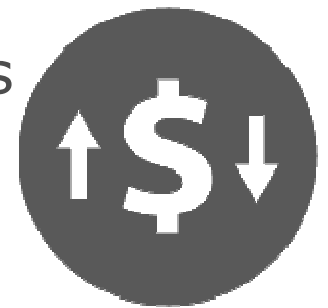
- 30 percent market share
- 4.9 percent average rate Increase Effective January 5th, 2015
- Additional Rate Increase applying size based or dim pricing to all ground

■ USPS

- 16 percent market share
- .9 to 2.3 percent rate reduction on Commercial Base and Commercial Plus Pricing of Priority mail effective September 7, 2014
- IMPB required by January 25, 2015 to retain Commercial Based Discounts

USPS Rate Change Overview

- In the PRC report the Postal Service indicated the overall average rate change for Priority Mail is 0%
- There is great variation among the three price tiers – Retail, Commercial Base & Commercial Plus
- Retail has an average Increase of 1.7%
- Commercial Base has an average Decrease of 0.9%
- Commercial Plus has an average Decrease of 2.3%



NEW USPS Rates/Impact

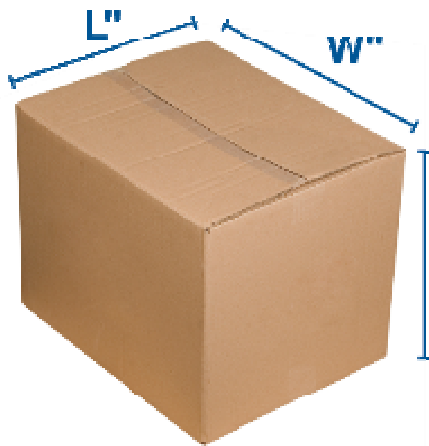
Priority Mail	CBP Savings
Flat Rate Envelope	\$0.70 per piece
Legal Flat Rate Envelope	\$0.65 per piece
Padded Flat Rate Envelope	\$0.40 per piece
Small Flat Rate Box	\$0.70 per piece
Medium Flat Rate Box	\$1.35 per piece
Large Flat Rate Box	\$2.10 per piece
APO/FPO/DPO Lrg FR Box	\$2.10 per piece
Zone 1&2	23.32%
Zone 3	22.94%
Zone 4	24.18%
Zone 5	28.06%
Zone 6	14.83%
Zone 7	13.78%
Zone 8	12.84%
Zone 9	12.26%

USPS Pricing Strategy

- For the Commercial rates the USPS focused on a rate decrease between Ground Zones 1 - 4 between weights 6lbs - 20lbs – **Certain Rates dropped as much as 55%**
- All Companies need to re-evaluate their shipping mix to ensure they are utilizing the best rates
- Commercial Base Pricing Shows – (Endicia report)
 - **25% average savings** over FedEx/UPS Ground for Priority Mail packages weighing 5-10 lbs sent to zones 1-5
 - **39% average savings** over old rates for Priority Mail packages weighing 10-15 lbs sent to zones 1-5



What is dimensional (DIM) weight pricing and how is it calculated?



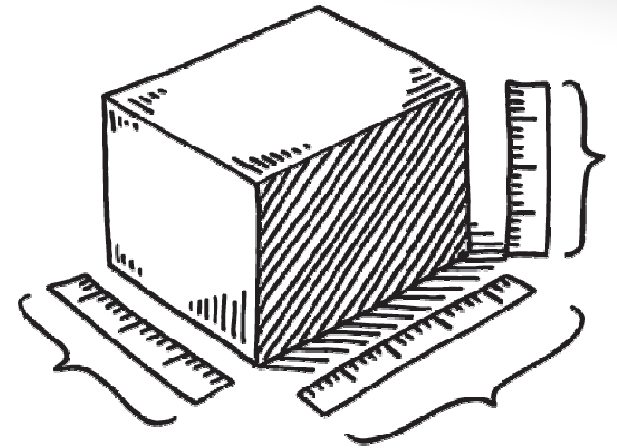
$$\text{DIM weight} = \frac{\text{L\"} \times \text{W\"} \times \text{H\"} \text{ (parcel's cubic volume)}}{\text{volumetric divisor} \text{ (parcel's density)}}$$

- Example:
- A 1-pound square package with 12-inch sides is currently priced by weight and costs \$6.24¹ to ship
- domestically the shortest distance with either FedEx Ground® or UPS® Ground.
- FedEx Ground and UPS Ground currently use a volumetric divisor of 166,² and will continue to do so in 2015. After the changes, using DIM weight pricing and 2014 published rates, this package would cost \$8.83 for the same distance (41% increase).¹

1. Based on 2014 rates for FedEx Ground®, FedEx Home Delivery®, and UPS® Ground. FedEx® and UPS® 2015 prices have not been announced and are subject to change.
2. FedEx Ground and UPS Ground currently apply the 166 volumetric divisor only to domestic packages 3 cubic feet or larger.

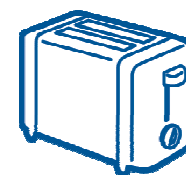
UPS & FedEx DIM Pricing Overview

- In late December and early January, UPS and FedEx plan to expand their use of dimensional weight pricing
- This means the companies will charge customers by a package's actual weight or its dimensional weight – the amount of space it takes up – whichever is greater
- In some cases, shipping costs could rise 30% – (Forbes report)
- “Most Likely they'll run test models on dimensional versus actual weight calculations to see what the impacts going to be”



Effects of DIM weight pricing

- Examples of e-commerce rate changes:



Product	Men's sneakers	Kid's backpack	Toy truck	Toaster
Price by weight ¹	\$8.05	\$7.17	\$7.17	\$7.17
Price by dimension ²	\$9.11	\$9.11	\$9.47	\$9.66
Percentage change in price	UP 13%	UP 27%	UP 32%	UP 35%

Note: Percentages rounded. Rates calculated using zone 5 shipping rates.

- Based on 2014 rates for FedEx Ground®, FedEx Home Delivery®, and UPS® Ground. FedEx® and UPS 2015 prices have not been announced and are subject to change.
- FedEx Ground and UPS Ground currently apply the 166 volumetric divisor only to domestic packages 3 cubic feet or larger.

UPS & FedEx DIM Pricing Overview

**Q: HOW MUCH DOES A
1-POUND BOX WEIGH?**

**A: 11 POUNDS, IF YOU USE THE
WRONG SHIPPING COMPANY.**

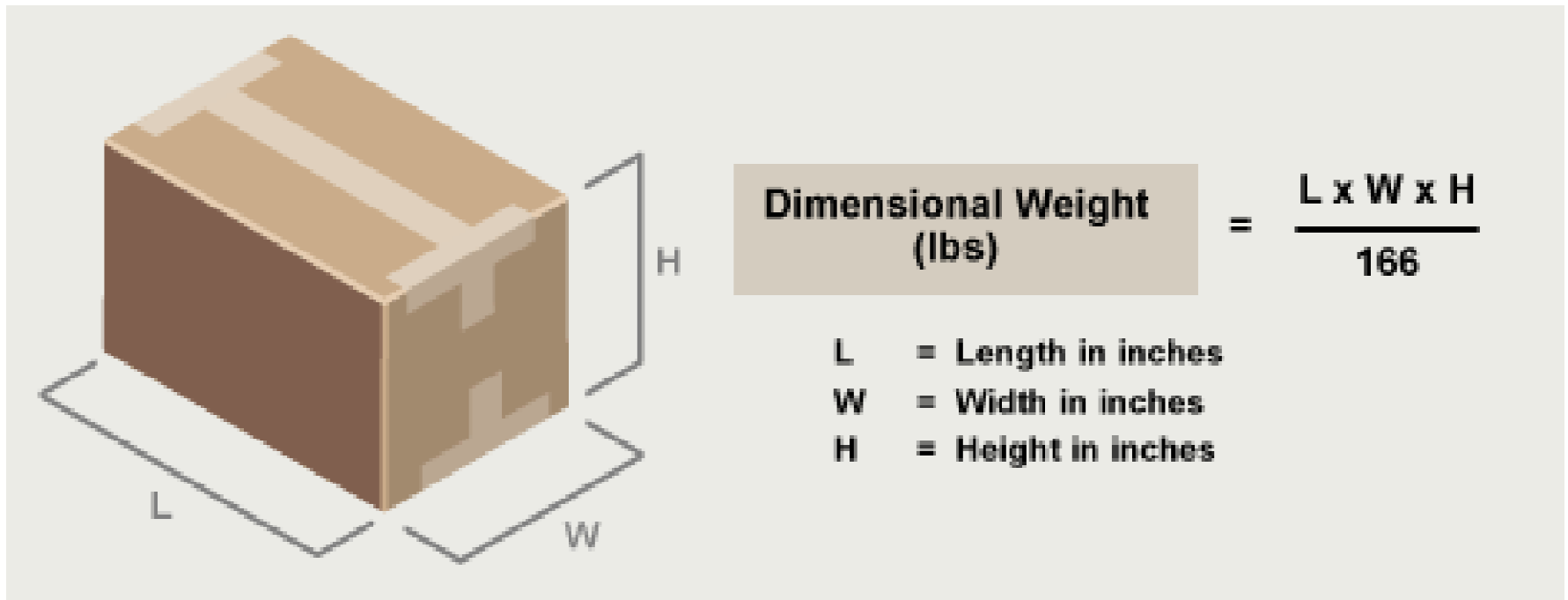
Starting early next year, some shipping companies will box you into just one pricing plan. It's called DIM weight pricing, and it could get rather expensive. It means you'll have to pay by your package's weight or dimension — whichever costs more. But you have a choice: The USPS® continues to offer a broad range of efficient and economical options. Because we understand that one size does not fit all.

Contact our Sales Consultants to weigh your shipping options:
Go to [USPS.com/options](https://usps.com/options) or fill out the attached card.



 **UNITED STATES
POSTAL SERVICE®**
PRIORITY:YOU™

UPS & FedEx DIM Pricing Overview



10.40 round up
11lb package

=

For Example in USPS Ad

$$\frac{12'' \times 12'' \times 12''}{166}$$

FedEx Ground® and UPS® Ground

vs. USPS® Priority Mail®

Zone	Actual weight (lbs.)	Others' billable weight before change (lbs.)	Others' billable weight after change (lbs.)	USPS® Priority Mail billable weight (lbs.)
2	1	1	2	1
8	1	1	11	1
5	5	5	21	18*



6" x 6" x 6"
0.125 cubic ft.
216 cubic in.



12" x 12" x 12"
1 cubic ft.
1,728 cubic in.



18" x 16" x 12"
2 cubic ft.
3,456 cubic in.

*USPS® applies DIM weight pricing in this scenario, but the volumetric divisor is 194 and only applies to Priority Mail® larger than 1 cubic foot going to zones 5–9.

What is IMpb?

The Intelligent Mail® package barcode is the Postal Service's next generation tracking barcode for parcels and Extra Services. A package with an IMpb allows the USPS® to provide end users with detailed tracking information. The barcode offers full visibility to package tracking on the delivery status of the parcel as it routes to its destination

Intelligent Mail package barcode (IMpb)

<https://www.youtube.com/watch?v=EHpY3Sc5I1k>

Product & Tracking Information

Postal Product:
First-Class Package Service

Features:
USPS Tracking™

DATE & TIME	STATUS OF ITEM	LOCATION
August 25, 2014 , 4:47 pm	Delivered	FORT WALTON BEACH, FL 32547
Your item was delivered at 4:47 pm on August 25, 2014 in FORT WALTON BEACH, FL 32547.		
August 25, 2014 , 9:51 am	Arrived at Post Office	FORT WALTON BEACH, FL 32548
August 25, 2014 , 3:27 am	Departed USPS Facility	PENSACOLA, FL 32522
August 25, 2014 , 1:20 am	Arrived at USPS Facility	PENSACOLA, FL 32522
August 24, 2014 , 5:34 am	Departed USPS Facility	SAN DIEGO, CA 92199
August 23, 2014 , 11:21 pm	Arrived at USPS Origin Facility	SAN DIEGO, CA 92199
August 23, 2014 , 12:04 pm	Picked Up	RIVERSIDE, CA 92516
August 23, 2014	Pre-Shipment Info Sent to USPS	

USPS IMpb Overview

- **IMpb Requirements:**
- If you want to use Commercial Base Rates in 2015
- You must affix a shipping label with an IMpb barcode onto any item that the USPS® considers a Parcel
- In order to be IMpb compliant, you must provide:
 - A unique mailer ID (MID)
 - Destination Address and Zip +4
 - Upload a shipping services file

Date In:	Qty:	Qty:	Year:	Time In:	AM	PM
Scheduled Delivery Date: 01/15/14				10:00 AM		
Station:				000		
Request:				Additional Postage Fee		

What items require a barcode?

Parcels, packages, and Priority Mail® Express or Priority Mail® pieces of any shape, size, or price category, including flat-rate boxes and envelopes require an IMpb (barcode). In addition, the following mail classes require an IMpb:

- First-Class Mail Package Services
- Parcel Select
- Parcel Select Lightweight
- Standard Mail
- Library Mail
- Media Mail
- Bound Printed Matter

What are the IMpb full benefits?

Full IMpb benefits enhance the overall customer experience by:

- Providing end-to-end tracking information
- Offering status from every scan point – leading to better management of shipment expectations
- Accessing the best prices for parcel shipments with **Commercial Base Discounts**
- Automatically qualifying for Free Insurance on Priority Mail and Priority Mail Express
- Items with a value up to \$50 (Priority) / \$100 (Priority Mail Express)
- Delivering a neat and clean shipping label
- Eliminating the need for multiple barcodes on a package
- Keeping compliant for future USPS® features, products, and services

Commercial Base Pricing

- **What is Commercial Base Pricing and how it impacted by the IMpb requirements?**

Commercial Base Pricing (CBP) is a set of special discounted rates that are available to shippers who use scannable postage markings and send package data to the USPS systems electronically.

So what does that mean?

- If you are using a mailing system that prints an IBI (*information based indicia*), you qualify for CBP since the marking that is being printed from the mailing system is scanned and that data is submitted to the USPS electronically. If you have a Neopost IS, IM or IN-Series mailing system, you currently benefit from Commercial Based Discounts.
- With CBP there is no minimum shipping volume required to obtain the discounted rates and it applies to items with a weight up to 70 lbs. Also CBP can be applied to mail classes such as: Priority Mail, Priority Mail Express, First-Class Package Services and First-Class International Packages, Media Mail, Library Mail, etc.
- After January 26, 2015, only shipping labels that include an IMpb will qualify for Commercial Base Pricing. A pre-printed label with an IM[®]pb will only qualify for Retail Rates. Examples of pre-printed labels with an IM[®]pb barcode include a:
 - USPS Tracking Label (also known as the Label 400)
 - USPS Extra Services Label such as eSignature Confirmation

Enjoying CBP from your Postage Meter?

- Starting in January 2015

OPTION #1

- If a mailing system is used to process a parcel and you want to receive the benefits that IMpb has to offer including Commercial Base Rates
 - Adopt an online shipping solution that will create an IMpb compliant label
 - Upload Address information as well as zip +4



OPTION #2

- If you want to continue processing parcels from a mailing system, an IMpb barcode must still be affixed to all items
 - Use a Label 400 or Equivalent
 - Pay Retail Postage Rates



Conclusions

- DIM is Game Changing to the Shipping Landscape
- You will at least see a 4.9 percent rate increase from UPS and FedEx
- Audit and analyze your Supply Chain
- Get IMpb compliant to take advantage of the new lower USPS rates
- Utilize Equipment, Competition, Systems and Processes to Improve;
 - Customer Satisfaction
 - Market Share
 - Profitability

Options

- Reduce the cubic dimensions of parcels
- Pay the higher charges
- Rethink Shipping
- Utilize Parcel Analytics to understand your shipping metrics to Manage and audit your Transportation Spend
- Negotiate