

January 2012 Pricing Strategy

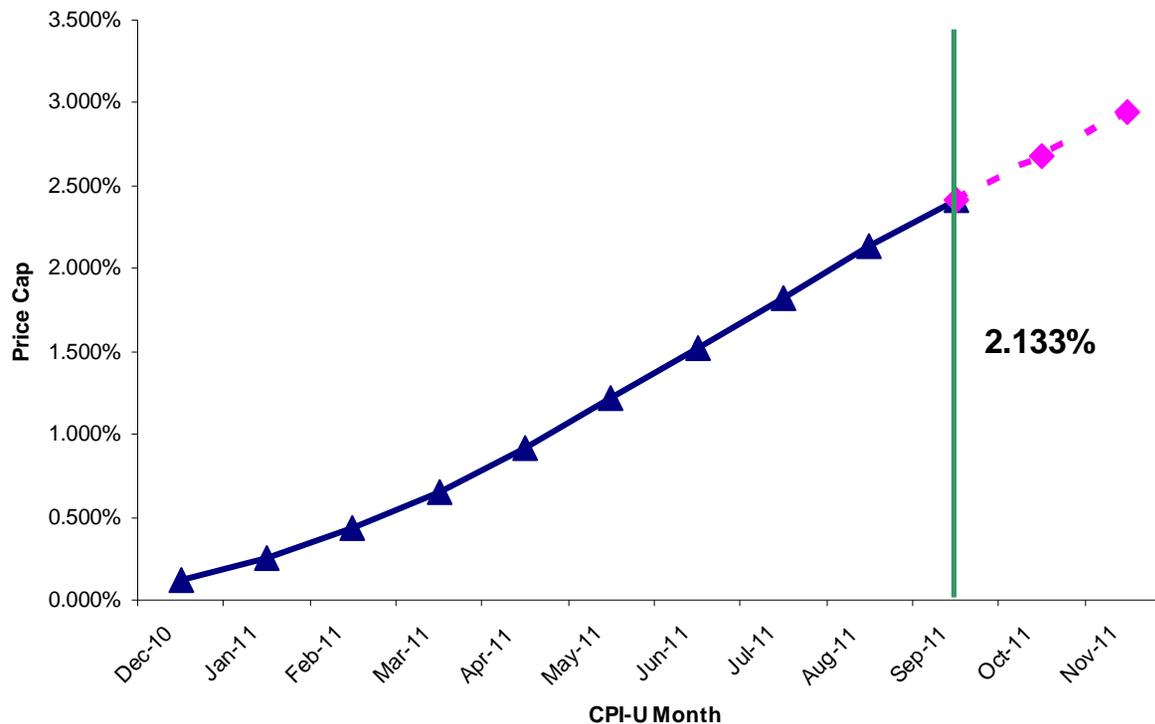
MTAC
November 30, 2011

Mailing Services/Market Dominant Classes

- First-Class Mail
- Standard Mail
- Periodicals
- Package Services
- Special Services

The Price Cap

- Based on Consumer Price Index
- Price cap is 2.133%

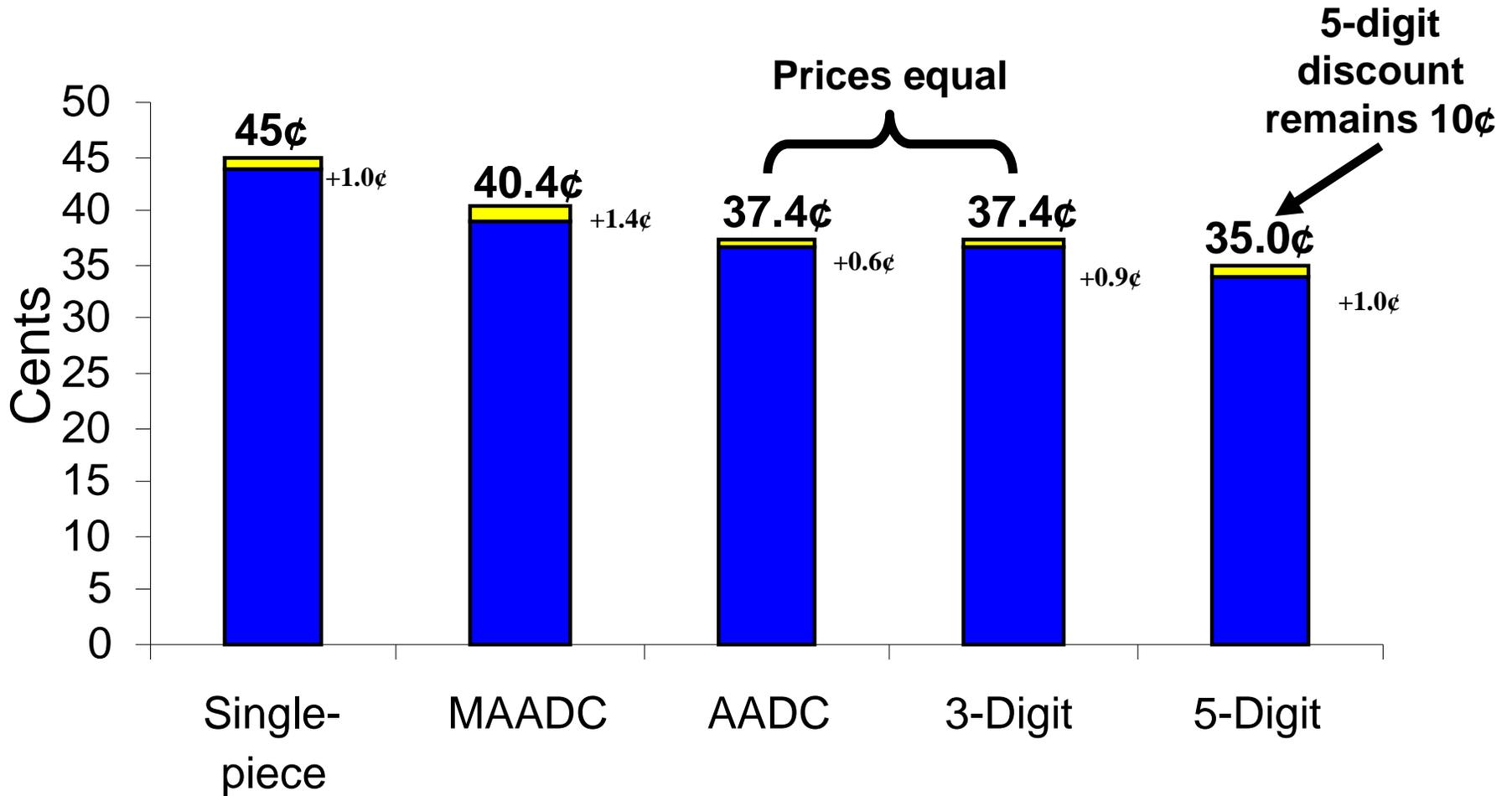


First-Class Mail Single-Piece

Key Initiatives

- Stamp price increase to 45¢ (2.3%)
- Increase postcard prices 3¢ to 32¢ (10.3%)
- Additional ounce price remains at 20¢
- Retail parcels increase more than average to improve cost coverage
- Volume decline assumed to continue

First-Class Mail Letters



Second Ounce Free

- Use bill & statement mailings for marketing
- Capture value of advertising to targeted customers
- Piece weighing up to 2 oz pays 1 oz price

Add value to First-Class Mail
Slow diversion to electronic alternatives

First-Class Mail

Product	% Change
Single-Piece Letters & Cards	2.5
Presort Letters & Cards	1.6
Flats	1.6
Parcels	10.9
International (Outbound & Inbound)	4.7



Standard Mail

Key Initiatives

- Concern about customer effect in weak economy
 - Recognize competition exists
- Grow advertising mail
 - Engage with mobile technology, social media, etc.
- Focus on small business and new growth
- Increase convenience/ease of use
 - Free Permits for Full Service IMb, free Delivery Confirmation

Standard Mail

Product	% Change
Letters	1.9
Flats	2.2
Carrier Route Basic Letters, Flats, and Parcels	2.4
High Density / Saturation Letters	2.3
High Density / Saturation Flats and Parcels	2.1

Periodicals

- 75% cost coverage in FY 10
 - Operational changes to drive mail to automation
 - Special (“Hot Pubs”) handling eliminated
- Limit price swings
- Price to encourage efficiency
 - Mixed ADC Pallet new price
 - Origin entered pallets above average increase
 - Entry closer to destination

Periodicals

Product	% Change
Outside County	2.1
Inside County	2.1

Package Services

- Manage costs
 - Only BPM flats cover costs
 - Higher price increases for parcels
 - Eliminate 3¢ barcode discount on parcels
 - All mail will be required to have a barcode in the near future
 - Discount will be obsolete

Package Services

Product	% Change
Single-piece Parcel Post	2.5
BPM Flats	0.5
BPM Parcels	1.9
Media Mail (including Library Mail)	2.6

Shipping Services

- Express Mail
- Priority Mail
- First-Class Package Service
- Parcel Select
- Parcel Return Service
- International
- Extra Services

Shipping Services Highlights

- 4.6% overall average increase
- Meet customer needs and increase business
- Postal Service still the best value in shipping

Domestic Shipping Services

Product	% Change
Express Mail	3.4%
Priority Mail	3.1%
Parcel Select	8.5%
Parcel Return Service	4.6%



Express Mail

Product	% Change
Retail	+4.4%
Commercial Base	-3.9%
Commercial Plus	+0.0%

Express Mail New Features

- Flat Rate Box \$39.95
- Retail 1/2-Pound price 30¢ decrease
- Commercial Base lower prices in close-in zones

Priority Mail

Product	% Change
Retail	3.2%
Commercial Base	3.0%
Commercial Plus	2.8%

Priority Mail New Items

- Regional Rate Box C
 - 25-pound maximum, 12"x12"x15"
 - Price starts at \$14.44
- Regional Rate Boxes deposited at retail pay an additional \$0.75
- Commercial Plus Cubic has easier soft pack measurement method
- Commercial Plus Cubic threshold lowered from 250,000 to 150,000
- Commercial Plus Priority Mail Open and Distribute has new pricing based on tray box used and zone

Parcel Select

Overall Average Increase	
8.5%	
Destination Entry	% Change
DDU	7.6%
DSCF	7.8%
DNDC	6.8%
Nondestination Entry	% Change
Regional Ground	No Change
Parcel Select Nonpresort*	0.8%
ONDC Presort	1.5%
NDC Presort	0.9%

*Formerly Barcoded Nonpresort

Parcel Select

- **New!** Parcel Select Lightweight
 - Formerly Standard Mail Commercial Parcels
 - Weighs less than one pound
 - Used for fulfillment
 - Excludes Nonprofit parcels
 - Prices are ounce-based and vary by presort and destination entry
 - Machinable and irregular pricing options
 - Increases 8.9%

Parcel Return Service

- **New!** Return Sectional Center Facility (RSCF) pricing
 - Aligns pricing with network
 - Provides more package retrieval flexibility

Overall Average Increase	
4.6%	
Average Increase by Category	
Return Network Distribution Center (RNDC)	No Change
Return Delivery Unit (RDU)	8.9%

Resources

- Postal Explorer — pe.usps.com
 - Prices / downloadable price files / Federal Register notices / link to the *Postal Bulletin*
 - Domestic Mail Manual (DMM) / International Mail Manual (IMM)
- DMM Advisory (for customers)
 - Subscribe via e-mail: dmmadvisory@usps.com
- MailPro
 - View online and subscribe at usps.com/mailpro



Questions?