

WHITE PAPER

Easing Postage Pressures

How to Get in Shape and Optimize Savings

TENSION PACKAGING

Automated Order Fulfillment Solutions

READY TO SLASH YOUR POSTAGE COSTS?

Reserve your free sample of the Conformer® Media Mailer.
(Details on page 7.)



Easing Postage Pressures

How to Get in Shape and Optimize Savings

EXECUTIVE SUMMARY

- After the U.S. Postal Service (USPS) restructured rates in May 2007, Chicago fulfillment company Infinity Resources, Inc. saw its postage costs increase 166% for media mailed in jewel cases, Amaray cases and Digipaks.
- The Conformer® Media Mailer, the only known solution capable of mailing these items as automated flats, reduces postage costs as much as 145%.
- Combined with the Tension AutoPack solution, the patented system allows businesses to realize greater savings through improved labor productivity.
- Infinity adopted this joint solution and is realizing postage savings of \$0.43 per unit shipped, based on the May 2009 postal rate increase.
- The Tension-Conformer solution is a viable alternative for companies mailing 10,000 units or more per year.

With new, shape-based rates, most media mailers no longer met USPS automated flat requirements, and per-piece postage costs doubled.

INDUSTRY PROBLEM

USPS overhauls price structure to encourage automation, efficiency

In May 2007, the U.S. Postal System (USPS) restructured postage rates to better align rates with processing efficiency. Previously, postage was determined solely by an item's weight. Updated to reflect both shape and weight, the restructured rates offered price incentives to customers whose packages worked with automated USPS equipment—specifically, automated flats. However, customers mailing packages that required manual handling—non-flat-machinables (NFM) and parcels—saw dramatic rate increases.

The rate restructure did not affect companies like Netflix that mail DVDs without cases because they can ship the discs as letters. However, mail-order fulfillment companies that shipped DVDs and CDs to consumers in their original packaging (e.g., Amaray cases, Digipaks, jewel cases) often used polybubble mailers and corrugated media mailers. Prior to May 2007, such packages had qualified for lower postage rates because of their light weight. With new, shape-based rates came thickness and flexibility requirements. As a result, most media mailers no longer met the USPS automated flat requirements, and per-piece postage costs doubled.



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On May 11, 2009, another USPS rate hike went into effect, imposing an additional double-digit percentage increase on parcels and NFM's.



*The Conformer®
Media Mailer Tray*

| RATE COMPARISON | 2006 | 2007 | 2008 | 2009 |
|--------------------------------|-------------|-------------|-------------|-------------|
| Standard Mail | | | | |
| Parcel – 4 Ounces | \$ 0.42 | \$ 0.95 | \$ 1.11 | \$ 1.27 |
| \$ Increase from previous year | na | \$ 0.53 | \$ 0.16 | \$ 0.16 |
| % Increase from previous year | na | 128% | 17% | 14% |
| % Increase vs. 2006 Rate | na | 128% | 167% | 205% |
| NFM – 4 Ounces | na | \$ 0.80 | \$ 0.90 | \$ 1.04 |
| \$ Increase from previous year | na | na | \$ 0.10 | \$ 0.14 |
| % Increase from previous year | na | na | 13% | 15% |
| % Increase vs. 2006 Rate | na | na | na | na |
| Flat – 4 Ounces | \$ 0.35 | \$ 0.46 | \$ 0.47 | \$ 0.52 |
| \$ Increase from previous year | na | \$ 0.11 | \$ 0.01 | \$ 0.05 |
| % Increase from previous year | na | 32% | 2% | 10% |
| % Increase vs. 2006 Rate | na | 32% | 34% | 48% |

Note: Rates vary based on entry discounts and presort.

RIISING TO THE CHALLENGE

The Conformer® Media Mailer is a patent-pending plastic tray developed specifically to pass rigorous USPS automation requirements for uniform thickness and flexibility. The tray cavities can be modified to accommodate a variety of content, including DVDs in Amaray cases and CDs in Digipaks and jewel cases, as well as increasingly popular Blu-ray discs and video games. This versatility allows companies to repackage media and other lightweight items to ship at reduced postage rates.

Following months of product development, the mailer received federal-level approval to qualify for automated flat rates at post offices across the country as a hand-fulfilled solution using Conformer paper envelopes. As more companies began using the product in high-volume environments, Conformer turned to Tension to develop an automated solution.

Tension worked with the engineers at Automated Packaging System to customize the versatile AB 180® One-Step™ Autobagger. Engineers incorporated a funnel and trim seal to rapidly and efficiently cycle up to 15 packages per minute, depending on print configuration.

Following a second round of extensive USPS functional testing, the Conformer Media Mailer, now packaged automatically by the Tension AutoPack Solution, received USPS approval as an automated flat.



Case Study: Infinity Resources

Right Size, Wrong Box

“Not only are we realizing significant postage discounts, but we are also seeing impressive labor savings.”

—James Shriver

Vice President
of Operations,
Infinity Resources

**\$430,000
ANNUAL
SAVINGS**

Like most businesses in today's competitive environment, fulfillment and mail-order companies are under increased pressure to improve efficiencies, streamline processes and strengthen customer relationships, while maintaining profitable margins.

Annually, Chicago-based Infinity Resources, Inc. mails more than four million pieces of media through the USPS, both from the company's internal orders and as a third-party fulfillment house. Because of the rigidity of the preformed cartons used to ship single CDs, the company's packages classified as a parcel under the restructured 2007 rates.

As a result, Infinity saw its postage costs increase by 166%, or \$700,000 annually, and the company began looking for packaging alternatives.

Jim Shriver, vice president of warehouse operations for Infinity, found a promising solution when he stopped by a trade show booth sponsored by Tension Packaging and Conformer Expansion Products.

A PERFECT FIT

While Tension offers companies an opportunity to test the system before buying, Infinity skipped the trial stage. Instead, company representatives took a sample package to the post office, along with the letter confirming that the media mailers and polybags met USPS automated flat requirements, and asked, "Can we do this?"

Once reassured by the postal service, Infinity pulled the trigger and leased the system from Tension in September 2008. Infinity's employees quickly got up to speed on the new equipment, and the company began shipping single CD and DVD packages in the Conformer Media Mailer. Shriver said the company immediately realized significant postage savings by qualifying for less-expensive postage rates.

DEEPER POSTAL DISCOUNTS

Per-piece postage costs for parcels, once \$1.12 for a seven-ounce piece, dropped to \$0.69 per package, which translated into annual savings of \$430,000. Infinity maximized postage discounts by collaborating with other fulfillment houses in the Chicago area. The company used the services of Automated Presort, which commingles mail from multiple shippers and sorts pieces by zip code before sending them to the USPS. Packages entered the mail stream deeper in the system, creating even greater savings for Infinity.

"I don't know of any other competitive solutions that allow us to mail our CDs and DVDs as automated flats. Not only are we realizing significant postage discounts, but we are also seeing impressive labor savings," Shriver said.



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PARCEL AND NFM_s VS. FLATS

Assumptions:

- 4 ounce mailing
- No entry discount
- ADC Sort



Typical Parcel



*The Conformer[®]
Media Mailer
Automated Flat*

2009 RATES

| | | | | |
|----------------------|---------|---------|------------|-----------|
| Standard Mail | Parcel | Flat | \$ Savings | % Savings |
| | \$ 1.27 | \$ 0.52 | \$ 0.75 | 145% |
| Standard Mail | NFM | Flat | \$ Savings | % Savings |
| | \$ 1.04 | \$ 0.52 | \$ 0.52 | 101% |
| First Class | Parcel | Flat | \$ Savings | % Savings |
| | \$ 1.73 | \$ 1.39 | \$ 0.34 | 24% |

CASE STUDY - IMM UNITS

2009 RATES

| | | | | |
|----------------------|--------------|--------------|------------|-----------|
| Standard Mail | Parcel | Flat | \$ Savings | % Savings |
| | \$ 1,269,500 | \$ 517,250 | \$ 752,250 | 145% |
| Standard Mail | NFM | Flat | \$ Savings | % Savings |
| | \$ 1,039,500 | \$ 517,250 | \$ 522,250 | 101% |
| First Class | Parcel | Flat | \$ Savings | % Savings |
| | \$ 1,730,000 | \$ 1,390,000 | \$ 340,000 | 24% |

Note: Rates vary based on entry discounts and presort.

INCREASED PRODUCTIVITY

Infinity also achieved better-than-expected labor savings. Before switching to the Tension automated solution, the process required employees to manually pack and process single media packages. At most, an employee could process 60 single media packages per hour. Now, two employees can process 500 to 600 single media packages per hour. One employee inserts the invoice and disc into the media mailer and hands the package to a second worker, who scans the bar code and inserts the package into the autopacker. Greater efficiencies in turnaround time from order to delivery also improve the customer experience.

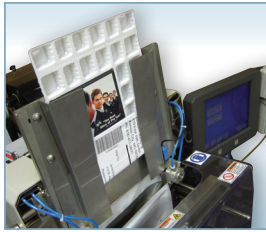
LABOR PRODUCTIVITY INCREASE (PER PERSON)

| | Packs/Minute | Packs/Hour | Packs/Shift | Packs/Week | Packs/Year |
|----------------------------|--------------|------------|-------------|------------|------------|
| Manual Hand Pack | 1 | 60 | 480 | 2,400 | 124,800 |
| Tension's Autopack | 5 | 300 | 2,400 | 12,000 | 624,000 |
| Increase per Person | 4 | 240 | 1,920 | 9,600 | 499,200 |

Note: The autopacker can process 10 units per minute with 2 operators.

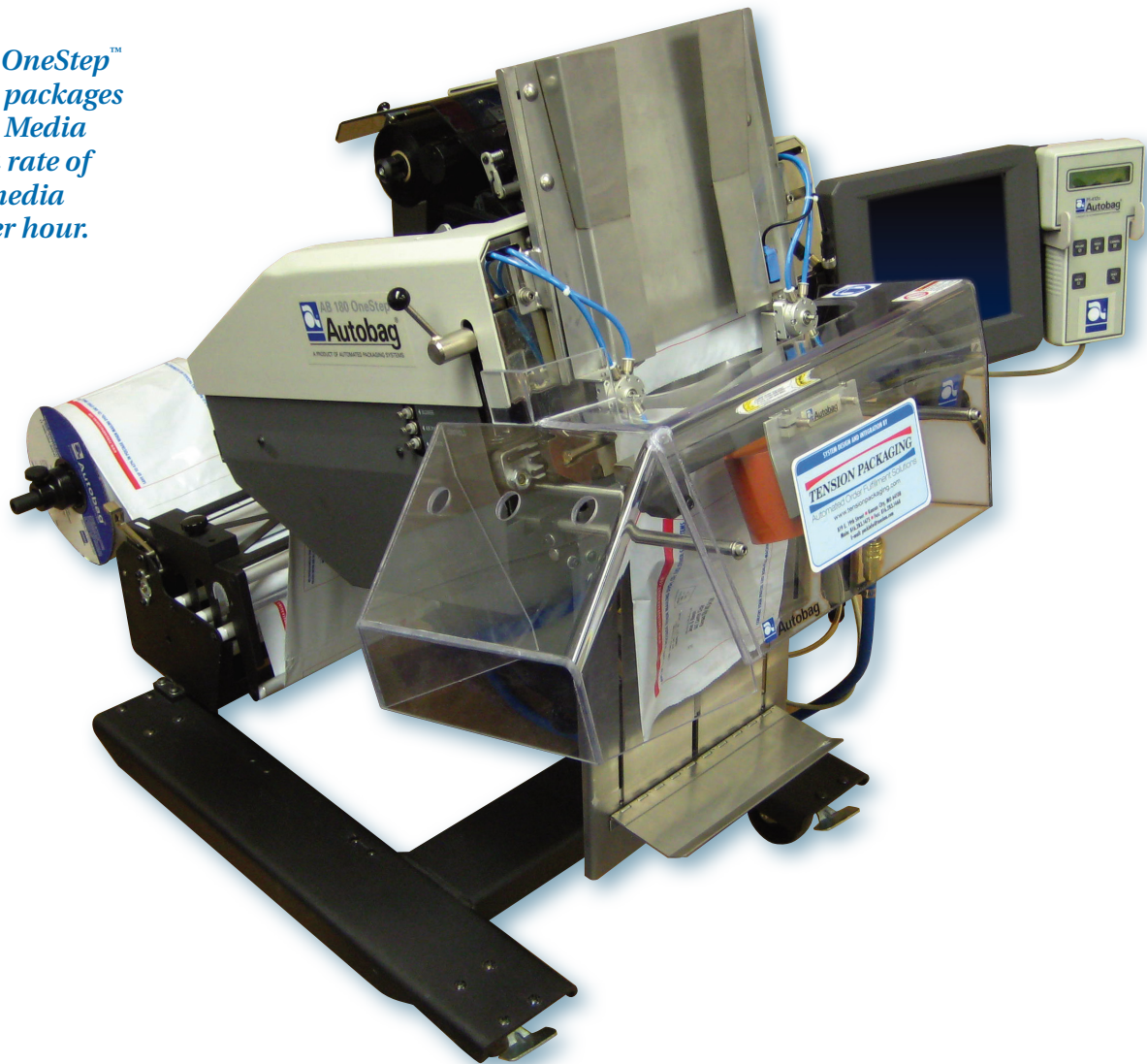


Peace of Mind



The clear trays allow the invoice to be scanned from the back of the package before placing the item in the funnel. After scanning, the system calls up a mailing address from the customer database and prints the address and barcodes directly on the next bag out, eliminating costly labels and ensuring the right order goes to the right customer. Once the media mailer slides into the bag, the machine seals the bag to secure the contents. The finished package goes to a sorting bin and is then delivered to a local pre-sort company for further processing.

*APS AB 180 OneStep™
AutoPacker packages
Conformer® Media
Mailers at a rate of
600 single media
packages per hour.*





Lessons Learned

CHANGING CONTOURS FOR THE PERFECT PACKAGE

The solution used by Infinity can help both large and small companies faced with skyrocketing postal costs. The patent-pending Conformer Media Mailer takes advantage of lower postage rates available for automated flats, offering a cost-effective solution for mailing small, lightweight objects, which are otherwise categorized as parcels by the USPS.



RESHAPING THE FUTURE

By reconfiguring lightweight packages and converting parcels into automated flats, a business can significantly reduce its postage expenses. Because the plastic tray can accommodate a range of lightweight products, possible applications include:

- Healthcare – Pharmaceuticals, vitamins and nutraceuticals
- Ad Specialty – Pens, calendars, lapel pins, travel guides
- Continuity Programs – Coins, media, collectables
- eCommerce – Jewelry, small parts, prescriptions, contact lenses
- Consumer Package Goods – Product samples
- Advertising Premiums – Key-chains, pens and other small items

REDUCED LABOR COSTS, FASTER TURNAROUNDS

Efficient product packaging and automation also translate to savings beyond the post office. While the consumables cost a little more than the packaging Infinity was using before adopting the new system, Shriver says the savings in postage and labor far outweigh the price difference.

- Industry-standard equipment that is easy to operate and maintain
- Faster processing times (up to 600 packages per hour)
- Improved customer service with shorter turnarounds from order to shipment
- Peace of mind, knowing the right package is going to the right person



EASY IMPLEMENTATION

The software used for the system easily integrates with any customer database, and the industry-standard equipment requires little maintenance. The small, portable footprint of the autopacker also helps fulfillment providers squeeze out additional savings by removing the need for a staging area.

This one-stop solution from Tension enables companies to:

- Lease or purchase the machine, consumables and software.
- Receive ongoing support to ensure they maximize their investment.



... AND A GREEN BONUS

All consumables used in the system described above support the growing sustainability movement. The plastic trays used in the media mailer are made from recycled plastic, and both the trays and the bags are recyclable. In addition, Tension now offers the new EarthAware™ completely biodegradable polybags.

QUIZ:

Do your packages qualify for these labor and postage savings?

1. Is your product thicker than 1/4" and thinner than 3/4"?
2. Is the footprint smaller than a DVD case?
3. Does the item weigh less than 13 ounces?
4. Is your product strong enough to go through an automated machine without breaking?
5. Do you ship at least 1,000 pieces per day?*

*Companies that ship smaller quantities can realize similar postage savings using the Conformer Media Mailer with either Conformer Expansion Paper Envelopes or hand-packed polybags provided by Tension.

To receive a free sample of the Conformer Media Mailer, send your contact information to packinfo@tension.com with the subject line: "Media mailer sample."





Tension Packaging



Tension Packaging is a division of Tension Envelope Corp. The parent company was established in 1886 and for 123 years has been a leader in manufacturing envelopes and folded paper packaging. Tension Packaging designs, builds and integrates both fully automated and semi-automated packaging systems for the pre-pack and direct-to-the-consumer order fulfillment market. Using both proprietary equipment and field-proven automation provided by key equipment and consumable partners, Tension provides a one-stop solution for automated packaging needs. For more information, email kmyers@tension.com or visit www.tensionpackaging.com.

Conformer Expansion Products



Conformer Expansion Products is a leading innovator of envelopes, mailers, presentation folders and portfolios. Founded in 1972, the company's patented product line uses no more material than is absolutely necessary, dramatically reducing mailing costs under the new USPS rate restructure. By "pushing the envelope," Conformer's award-winning products have been credited as among the biggest office product breakthroughs in decades. For more information, email bmakofsky@ConformerInc.com or visit www.ConformerInc.com.

Automated Packaging Systems



Automated Packaging Systems has been providing innovative products and exceptional customer service since 1962. The company invented the first bag-on-a-roll products and named them Autobag®. Today, the firm is a global supplier of a full line of automated packaging equipment, including bagging systems, void-fill air pillow systems, infeeds, imprinters, and custom-engineered solutions to meet customers' unique packaging requirements. With more than 25,000 machines in operation around the globe, APS products are recognized for providing world-class packaging performance.

Infinity Resources, Inc.



Infinity Resources, Inc. is a recognized leader in direct-marketing and direct-commerce managed services. Through IRI's iServe Direct Commerce Services Division, the company provides fulfillment and call center services to many best-in-class direct marketing companies. The company customizes services to meet clients' needs and delivers cost-friendly benefits based on the firm's technical preeminence and ability to aggressively manage operations. For more information, contact **James Shriver, Vice President of Operations**, at (630) 775-3300.