

Pitney Bowes' Price, Service, Meter Obsolescence Are Concerns

Companies: EPA:NEO, ETR:FPH, FDX, HPQ, NWL, PBI, RRD, STMP

October 11, 2012

Research Question:

Will Pitney Bowes' postage meter machines continue to be a staple at small, midsize and large businesses, or will PB fall victim to increasing competition from Neopost and digital offerings?

Summary of Findings

- Pitney Bowes Inc.'s (PBI) [postage-meter machine business](#) faces challenges from lower-cost competitors, complaints from current customers over contracts and technical support, and companies' movement toward email and other digital services. Only 11 of 24 sources said Pitney Bowes, or PB, meter machines will remain a staple for their company in the future.
- Of the 24 sources interviewed, 15 are current PB customers. Eleven of these 15 sources expect to stay PB customers, while four are eliminating use of metered machines, opting for a competitor's product, or are undecided about their future provider. Of the remaining nine sources, six have left PB in recent years and three have not considered PB as a potential vendor.
- Three of eight small business sources currently have PB meter machines and will remain with the company when their current leases expire. However, of the remaining five sources, three have left PB for a competitor (Newell Rubbermaid Inc.'s/NWL [DYMO Endicia](#), Francotyp-Postalia Holding AG's/ETR:FPH [FP Mailing Solutions](#) or [Stamps.com Inc./STMP](#)), and two plan to stop using a postage meter altogether because of low mail volume.
- Among the nine midsize business sources, five plan to use PB in the future, but four have decided to go with a competitor based on pricing and dissatisfaction with PB's customer support.
- Three of seven large business sources will continue to use PB meters in the future. The remaining four sources were undecided or had chosen [Neopost S.A.](#) (EPA:NEO).
- A district manager for a large Texas shipping company said a "huge wave" of PB customers are finishing up their leases, which could create additional client turnover.
- Working in PB's favor is its brand recognition, its long-term customers and certain industries' unwavering need for postage meters. One source also said PB is effectively offering services and products that complement yet streamline customers' current mailing processes.

Silo Summaries

1) SMALL BUSINESSES

Three of these eight sources are satisfied with their Pitney Bowes postage meters and the accompanying technical support, and plan to remain with PB when their current leases expire. However, three other sources have abandoned PB for DYMO Endicia, FP Mailing Solutions or Stamps.com because of pricing and technical and customer support. For the remaining two sources, one has decided to eliminate having a postage meter altogether because of low usage; the other plans to do the same at the end of the lease. Sources' number of PB machines ranged from zero to two. First-class mail represents from 75% to 100% of sources' mailings. Usage of PB tape and ink varies widely by source.

2) MIDSIZE BUSINESSES

Five of these nine sources are satisfied with their Pitney Bowes meter machines and expect to keep using them in the future. Among the satisfied PB customers, two have upgraded their machines in recent years while a third is considering adding another machine soon. Of the remaining four sources, one source is very dissatisfied with PB's service response time and may go with Neopost, one currently uses a Neopost machine, another opted for Stamps.com and the final source chose FP Mailing Solutions. Reasons for opting for a PB competitor centered on pricing, customer support and a decrease in metered mail. The number of PB machines in-house ranged from zero to 12. First-class mail comprised 80% to 100% of all mailings for all but one source, who reported a drastic decrease in this mail type. Tape and ink usage was consistent with last year for all but two sources, whose usage has decreased roughly 5%.

3) LARGE BUSINESSES

Of these seven sources, four are satisfied with their PB meters, with three planning to stick with the company in the future. The fourth PB customer is open to other options because of PB's horrible tech support. Of note, one company was able to eliminate some meters because of recent PB machine upgrades. For the remaining three companies, two decided to go with Neopost, and one did not comment. For the two Neopost customers, one is satisfied and prefers Neopost for its superior service. The other is considering PB once the Neopost lease expires. Almost all of sources' mail is sent first-class. A district manager for a large Texas shipping company said leases are ending for many PB customers, which could create additional client turnover.

Background

Pitney Bowes, whose U.S. mailing business represented [37%](#) of its 2011 revenue and includes its postage meters and scales, experienced improved retention rates both sequentially and year to year in the [second quarter](#), thanks to products like [pbWebConnect](#) and [Connect+](#). The second quarter marked the eighth consecutive quarter of improved margins in PB's mailing business. However, PB's small, midsize and large business customers have increasing options for metered mail, including lower-priced alternatives such as Stamps.com. Also, U.S. Postal Service (USPS) mail delivery has been drastically reduced during the past 10 years and is expected to decline further.

CURRENT RESEARCH

To assess whether Pitney Bowes' postage meter machines will continue to be a staple at small, midsize and large businesses, Blueshift employed its pattern mining approach and established sources in four independent silos:

- 1) Small businesses (8)
- 2) Midsize businesses (9)
- 3) Large businesses (7)
- 4) Secondary sources (2)

We interviewed 24 primary sources and identified two of the most relevant secondary sources focused on the decline of USPS mail delivery and the introduction of the [SortEngine Software Platform](#), PB's newest mail sorter software.

Next Steps

Blueshift's next Pitney Bowes report will reexamine the number of postage meters at small, midsize and large businesses, and will assess any machine consolidation or increases as well as companies' use of tape and ink. We also will provide insight into industry competitors, particularly Neopost. Finally, we will monitor PB's attempts to enter new markets.

Silos

1) SMALL BUSINESSES

Three of these eight sources are satisfied with their Pitney Bowes postage meters and the accompanying technical support, and plan to remain with PB when their current leases expire. However, three other sources have abandoned PB for DYMO Endicia, FP Mailing Solutions or Stamps.com because of pricing and technical and customer support. For the remaining two sources, one has decided to eliminate having a postage meter altogether because of low usage; the other plans to do the same at the end of the lease. Sources' number of PB machines ranged from zero to two. First-class mail represents from 75% to 100% of sources' mailings. Usage of PB tape and ink varies widely by source.

➤ Accountant and event planner for an online trade publication

This company has two PB postage meters—one owned and one leased—but wants to get rid of one of them. The publication uses the machines for all mail, including invoices that are sent to customers. It has no immediate plans to switch to a newer technology because its mailing volume is so low.

- "We have two postage meter machines at our company. We have one in Massachusetts and have had one in New York for many years."
- "We lease the Massachusetts one and own the New York one."
- "We currently have two Pitney Bowes machines. This number has not changed in the last six months."
- "We have always only used Pitney Bowes. We have never looked into Neopost."

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*Accountant & Event Planner
Online Trade Publication*

- “I expect our company to have at least one postage meter machine in the future. We use it for invoices that are mailed out to customers. All of our mail goes through the metering machine.”
- “In the next couple of years we expect to have one postage meter machine. We do not use the one in New York very often and would like to get rid of it.”
- “Our postage is minimal. We refill every few months at both locations.”
- “We have changed the ink and tape once in the years I have been here; we do not do high-volume postage.”
- “We are open to new technology but have no plans to switch at the moment.”

➤ **Office manager at a Chicago accounting office**

Daily usage of the office’s one PB machine has been consistent since last year. The office upgraded machines seven or eight years ago and has no plans to upgrade again this year. Orders for PB machine supplies, such as sealer and cartridges, have not increased since last year.

- “We have one Pitney Bowes postal machine. We have had it since I began here in 1995.”
- “We upgraded our machine to a more sophisticated one in 2004 or 2005.”
- “We are on a lease. I don’t know how many years it is for. We pay on a quarterly basis.”
- “We use the machine every day, five days a week.”
- “Our usage has decreased over the last six months, but that is due to the cyclical nature of accounting and not necessarily a drop in our business. We start slowing down in June and get extremely busy again after the holidays.”
- “Since last year, our overall usage is about the same as last year.”
- “We use the postal machine to seal envelopes as well.”
- “We do not plan to get another machine unless this one breaks or something new comes out.”
- “I order their supplies like the sealer water, the tapes and the little cartridges you put in the machine.”
- “We are spending about the same on the cartridges and supplies this year as last year.”
- “Ninety percent of our mail is first-class.”
- “We never had any business with Neopost. I never heard of them.”

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*Office Manager, Accounting Office
Chicago, IL*

➤ **Office manager of a Chicago medical practice**

Because of the practice’s growth, usage of its one Pitney Bowes machine has increased since last year and will grow further next year. The machine is on lease and was an upgrade from two years ago. It is used daily. Ninety-percent of mail is first-class. The practice is satisfied with Pitney Bowes and does not know Neopost.

- “We are using the Pitney Bowes machine more in the last six months and since this time last year. Our practice is growing, and we simply have more patients we are mailing invoices to.”
- “We anticipate the business to grow further in the next few years, so that means our usage of the postage meter machine will increase.”
- “We are leasing our machine. It has not recently been renewed.”
- “We got upgraded to a different machine two or three years ago. We have not had any issues since the upgrade.”
- “We do not plan on getting another machine any time soon or upgrading this one. We are going to stick with this one until it breaks down.”
- “We do not use pbWebConnect, but we do order the cartridges from Pitney Bowes that we need for the machine.”
- “Since last year, our usage of tape and ink has increased as our postage use has also increased.”
- “We do not use our machine to seal envelopes. We already have self-sealing envelopes.”
- “I do not know the name, Neopost. They have never courted us for business. We are happy with Pitney Bowes.”
- “Ninety percent of our mail is first-class.”

➤ **Office manager for a small dental office, Bay Area**

The cost of a PB meter is not justifiable. The manager is extremely unhappy with PB’s customer service, add-on costs and buy-out system for a lease. After 20 years with PB, the source changed to DYMO Endicia software a year ago and saves \$1,500 a year, even with low-volume mailing.

- “I hate Pitney Bowes with an undying passion. As soon as I was no longer literally tied to that contract, I got out of it so fast. ... They pull money off the lease of the machine, lock you in for two to five years, and then they sneak in products—stamps, cleaning—inundating you with junk. They imply that comes with the contract, but no. They then send you the bill. They sent me a small tube of what turned out to be rubbing alcohol for \$20.”
- “There were all these fees to buy back the Pitney lease agreement. We couldn’t get out. So it sat there and gathered dust while we moved to Endicia.”
- “The customer service is such a nightmare. You have different accounts for each product and have to call each account for support.”
- “Pitney Bowes does not make sense for our company.”
- “Neopost is like Pitney with a better account practice, but they still want you to lease a machine, etc.”
- “September 2009, we started with Endicia at \$49.95. They are still offering their service for no monthly charge. Limitations are that it’s a basic service [no tracking, parcel postage, etc.]”
- “We have DYMO Endicia. You put \$300 on the account, and the software does the accounting automatically. The only limitation is parcel post, but we [send] mostly letters and postcards. I use UPS [[United Parcel Service Inc.](#)] for [parcels].”
- “Endicia is a lifesaver. I saved \$1,500 a year, and I don’t send more than 60 to 75 pieces of mail a month.”
- “Endicia isn’t a machine; it’s software, and it runs as I print. Even with a monthly fee, it’s still cost-effective for me. I pay a staff member \$30 an hour, and [the fee] is less than what I would have to pay her in overtime to go to the post office.”

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*Office Manager, Small Dental Office
Bay Area*

► Office manager for a small construction office in Philadelphia

Pitney Bowes will lose out to competition as small and large businesses drop long-term mailing contracts and move to a pay-as-you-go service, such as Stamps.com. Leasing a PB meter was too expensive for this small office, which switched to Stamps.com in May. Most letters and invoices are sent via email, and the remaining correspondence can be created, stamped and printed from the source’s computer.

- “We had Pitney Bowes when I came here in 2004. In the beginning it was OK, but as I got settled and started handling expense control for the office, I quickly saw it was too expensive for a small company. It took me forever to get my boss to change. When we did and he learned how to use Stamps.com, he 100% agreed it was the better decision.”
- “We switched from Pitney to Stamps.com back in May of this year. We are a small construction company, and with the slowdown due to the economy, my boss was finally open to listening to me about ending Pitney Bowes.”
- “Pitney meters will fall victim to competition due to the changing environment of business. Because our economy is unstable, most businesses—small and large—do not want to be committed to a contract for mailing services.”
- “For a small company, Pitney Bowes is just too expensive, especially if your mailings are mainly bills and a small amount of correspondence. With the ability today to email most letters and invoices, the need for renting the postage meter is really not there.”
- “Businesses always look for a better, faster, easier way to complete small tasks efficiently, and Stamps.com lets you do that right from your own desktop.”
- “Stamps.com is much better, is easy to use and has great customer service.”
- “Our rental contract was \$169 quarterly, plus buying postage and the cost of ink. Stamps.com is \$15.99 a month, \$64 a quarter. That’s a \$105 savings just in rental fees; plus, you are able to use your own printer ink.

Stamps.com can be canceled anytime. There is no contract. The cost of the postage paper is less than an ink cartridge with Pitney. You can also address your envelope and print it with postage right from your computer.

*Office Manager, Construction Office
Philadelphia*

The postage purchase is about the same, but with Stamps.com I can put \$25 in my account, which lasts me awhile.”

- “Stamps.com can be canceled anytime. There is no contract. The cost of the postage paper is less than an ink cartridge with Pitney. You can also address your envelope and print it with postage right from your computer.”
- “The only needed space is for the scale, which is small.”

➤ **Marketing manager for a corn and soybean seed company in the Midwest**

This company dropped Pitney Bowes a few years ago and now leases an FP Mailing Solutions machine. Use of this machine has increased in the past six months, and will continue to rise as the company grows. Usage of tape and ink has risen 5% to 7% annually. The company expects to keep a postage meter in-house during the next few years but not from PB or Neopost.

- “We are not a current customer of Pitney Bowes. We dropped them a few years ago. We have no Pitney Bowes or Neopost machines. We have an FP Mailing Solutions.”
- “We lease our machine and will continue to lease going forward.”
- “Usage of our postage meter machine has increased in the past six months. It will continue to increase with the growth of our company.”
- “In the next couple of years, we expect to have one postage meter machine, but it will not be Pitney Bowes or Neopost.”
- “Ninety-nine percent of the mail going through our metering machine is first-class.”
- “Our usage of tape and ink is going up at 5% to 7% per year.”

We are not a current customer of Pitney Bowes. We dropped them a few years ago. We have no Pitney Bowes or Neopost machines. We have an FP Mailing Solutions.

*Marketing Manager
Corn & Soybean Seed Company
Midwest*

➤ **Owner of a book binding company in California**

Usage of this source’s postage meter has dropped because his business and mailings have dwindled. He doubts he will keep the machine beyond two years, but he may renew the PB lease for the near term. All first-class mail goes through this machine. He has never heard of Neopost.

- “Usage of our postage meter machine has basically decreased because our business has decreased. I really do not expect an increase because the industry has changed so drastically.”
- “I do not really expect to be in business anymore. That is the bottom line. If I am in business, it will be in an extremely reduced state. There is no market anymore. The market has changed.”
- “We have one Pitney machine. This number has not changed in the past year.”
- “Frankly, if I keep the one postage meter machine beyond two years, I would be surprised.”
- “We lease the machine. Our renewal is coming up soon and they want me to go into a new service, but we haven’t decided. I probably will renew, but do not know if I will get a new version.”
- “All of our mail going through the machine is first-class mail.”
- “Our usage of tape and ink is about the same as last year.”
- “We do not have any other Pitney Bowes products.”
- “I have never heard of Neopost, and it is unlikely that we would switch. I maybe do 20, 30, 40 pieces a week, tops.”

➤ **President and CEO of a Silicon Valley technology company**

This company gave up its postage meter and does not use any other PB products.

- “We went from one Pitney Bowes meter machine to none. We did not extend our lease.”
- “In the next couple of years, we will have zero postage machines.”
- “In terms of other Pitney Bowes products, we use none.”
- “One-hundred percent of our mail that went through a metering machine had been first-class mail.”

We went from one Pitney Bowes meter machine to none. We did not extend our lease.

*President & CEO, Technology Company
Silicon Valley*

2) MIDSIZE BUSINESSES

Five of these nine sources are satisfied with their Pitney Bowes meter machines and expect to keep using them in the future. Among the satisfied PB customers, two have upgraded their machines in recent years while a third is considering adding another machine soon. Of the remaining four sources, one source is very dissatisfied with PB's service response time and may go with Neopost, one currently uses a Neopost machine, another opted for Stamps.com and the final source chose FP Mailing Solutions. Reasons for opting for a PB competitor centered on pricing, customer support and a decrease in metered mail. The number of PB machines in-house ranged from zero to 12. First-class mail comprised 80% to 100% of all mailings for all but one source, who reported a drastic decrease in this mail type. Tape and ink usage was consistent with last year for all but two sources, whose usage has decreased roughly 5%.

➤ Mailroom employee for a company that designs, manufactures and distributes publications

Usage of the firm's one PB postage meter has declined by 50% over the last five years because of the company's increasing reliance on email. Still, the machine will remain a staple. It is used for first-class postage on letters, communications and small packages.

- "We definitely use the meter less and process fewer pieces than ever before. It would be fair to say our meter use has been cut in half over the last five years. But there has been no change in the number of meters required. We have always had one meter, and we will keep the meter despite less use."
- "You have to have a daily mail meter no matter what. There will always be some mail to send out. We do not use any other of the Pitney Bowes services."
- "We have one postage meter machine from Pitney Bowes that we use for our staff's daily first-class mail needs. We used to use it for mailing invoices to vendors, but most of them want their bills emailed at this time."
- "We just use our meter for the corporate mail and employee or staff communications. I would say all of the mail we meter is first-class mail. We don't use meters on the product side. Our catalogs and magazines are sent using a U.S. Postal Service permit that is imprinted when it comes through. The permit postage cost goes into a trust for all of our reprint products."

➤ Office manager for a national food manufacturer in Chicago

The manufacturer has been satisfied with Pitney Bowes over the last 10 years. The in-house meter was upgraded three years ago when PB changed models. Usage of the machine and supplies has been the same as in 2011. All mail is first-class. The source had not heard of Neopost.

- "We have a small Pitney Bowes postal machine."
- "We have been with Pitney Bowes for 10 years. We are satisfied with their product and service."
- "Over the last six months and year, our usage has remained pretty much the same."
- "We use our machine primarily for billing."
- "We plan to stay with the same machine this year. We don't plan to add another or upgrade."
- "We were upgraded when they changed the model about three years ago."
- "We are on a lease. I have not heard of Neopost."
- "All of our mail is first-class."
- "As far as Pitney Bowes supplies, we only order the cartridges. We are ordering the same amount as 2011."
- "We could use it to seal, but we have self-seal envelopes."
- "I think a few of our restaurants have their own postal machine that they use for their individual billings."

➤ Purchasing manager at a Southern home-building company

This company recently extended the lease on its 12 PB postage meters. It plan to still continue to use at least 12 machines during the next few years. The source reported using pbWebConnect for one PB machine and has seen no change in usage of tape or ink from last year.

- "We have 12 postage meter machines and have had no changes in the past six months."
- "We are leasing our meter machines and recently extended our lease."
- "In the next couple years, we expect to have 12 [postage meters]."
- "We plan to stay with Pitney Bowes."
- "Our usage of postage meter machines has stayed about the same. Moving forward, it will be increasing."
- "As mail volumes fall, yes, we still expect to have at least one Pitney Bowes or Neopost machine."
- "We have pbWebConnect on one Pitney Bowes machine, and on others we have analog dial-up."

- “We have seen no change in our usage of tape and ink from last year.”

➤ Employee at a midsize retail chain with franchise stores worldwide

The company uses a single PB postage meter for first-class corporate correspondence and vendor billing. The volume of mail has been stable year to year, and the source said the meter is an operational staple. She could not speak to competitors’ market share but said PB always has been the company’s vendor. No other services are used at the corporate headquarters. Meters are not used for product distribution; instead, [FedEx Corp.](#) (FDX) and UPS have handled shipping of merchandise/supply.

- “We use one Pitney Bowes meter machine in our corporate mailroom. We have been with Pitney Bowes for a while. In fact, I think we have always used them. We don’t have any need or plans to change the brand of meter.”
- “Our meter is used to stamp first-class letters, such as company correspondence and for sending invoices to vendors or partners. Around the holidays we use it to send out our product brochures. We have always had one machine, and its usage has not changed a lot. It may vary from month to month, but in general we use it the same amount. I don’t think we would ever get rid of it. We would always need some kind of meter. I believe we buy the meter rather than lease it since we only need one.”
- “We also use Pitney Bowes ink. It’s part of the contract. With ink, I change it every six months or so. It has been a while since our last order, so I’m not sure if the cost of supplies have gone up.”
- “For shipping our products, we use FedEx and handle distribution through permits. We don’t use a meter for distribution.”

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*Employee, Midsize Retail Chain
Franchise Stores Worldwide*

➤ Contractor at a ship supply company in the Pacific Northwest

This company owns one Neopost postage meter and expects no change in its number of machines in the coming years. Usage of the machine and of tape and ink has remained fairly consistent over the years. About 95% of mail is sent first-class. The company has no PB products.

- “We have one Neopost postage meter machine. This number has not changed in the last year.”
- “We are not leasing our machine.”
- “Usage of our postage meter machine is the same this year versus last year.”
- “We are using the same amount of tape and ink this year as last year.”
- “Moving forward, we expect the same usage of our postage metering machine.”
- “We expect our company to have at least one postage metering machine in the future even if mail volumes fall.”
- “Ninety-five percent of the mail going through our metering machine is first-class.”
- “In terms of other Pitney Bowes products, we have none.”

➤ Bindery supervisor of a printing business outside Chicago

Two years ago the company upgraded its primary Pitney Bowes machine and got rid of a smaller second machine. Since the upgrade, the company has experienced slow service calls from PB, which could be detrimental to the printer’s business. Although it disapproves of Neopost’s sales tactics, it will reconsider this competitor when the PB lease expires. The printer also is considering getting a second machine this year as a back-up plan. Seventy-five percent to 80% of mail is first-class, and machine usage is the same as this time last year.

- “We have one Pitney Bowes machine in the mailroom. That has not changed over the last year.”
- “We used to have a small office one and another one in production. Two years ago, we upgraded the production machine to the one that we used now, the [Connect+ 3000 model](#). We got rid of the small office one.”
- “Our CFO set it up, but as I recall, the terms are a lease.”
- “Usage has been pretty consistent the last six months and last year. We get a lot of use out of it. Our techs tell us we are getting our money’s worth. We use it every day, throughout the day.”
- “In the next year, we might add another postage meter machine. The main reason is their service calls are not as prompt as we would like them so another machine would serve as a back-up plan.”
- “Since we renewed our contract and upgraded to the new technology, there has been a decline in the service we receive. We did same-day service due to the nature and fast turnaround on mailings required in our business. Sometimes it is a day or two before someone gets out here. That is a problem for us.”

- “Pitney Bowes does not currently have enough techs trained for their new technology. As it grows, they might get more techs trained, but initially they did not have enough service help. Plus, with all new technologies there is more stuff to break.”
- “Because of the type of work we do, we can and do use sorting facilities, but all of our local mail goes out using the meter machines.”
- “We don’t use other Pitney Bowes tools. We don’t currently use pbWebConnect.”
- “We did interview Neopost when we were in contract, but decided to stick with Pitney Bowes and try their new technology. We already knew their system; we had good service.”
- “Due to the issue with service since we upgraded machines, we may reconsider our contract with Pitney Bowes and meet with Neopost again. They should have similar product, but the question is do they have enough techs to service the machines with new technologies?”
- “We did not like Neopost’s sales pitch. Their big selling point was not their product but how bad an experience we would have going with the other guy. We did not like the sales tactic of trying to downgrade their opposition.”
- “Due to the type of business we are in, I don’t foresee a time when we won’t use a postage meter machine. Even if the business declines drastically, we will still use one.”
- “We use the machine a lot just for its sealing capabilities. After we hand-stuff it, we can seal envelopes without having to self-seal the envelopes. That is a great help, and they have different settings for sealing.”
- “The majority of our mail is first-class mail. I estimate 75% to 80%.”
- “We can’t miss a day without the postage meter machine. It would slow us down too much. Most of our mailings are hurried as it is.”
- “Regarding ink usage, it has grown since last year just because of the specific customer we have. We have a lot of customers that are in the insurance industry where regulated materials must be printed and mailed to their customers. As their business grows, so does ours.”

Due to the issue with service since we upgraded machines, we may reconsider our contract with Pitney Bowes and meet with Neopost again. They should have similar product, but the question is do they have enough techs to service the machines with new technologies?

*Bindery Supervisor, Printing Business
Chicago, IL*

➤ Business office manager for a real estate firm, West Coast

Pitney Bowes service was expensive and cumbersome, so the source switched to Stamps.com when the PB contract ran out several years ago. Seventy-five percent of this office’s metered mail is sent first-class, and 25% is sent through FedEx. Metered mail has declined drastically because of email and other digital services. The manager is planning to research what Pitney Bowes has to offer after recently viewing its upgraded website. The source had not heard of Neopost but will look into its services as well.

- “We dropped our contract with Pitney Bowes when we were looking at cutting costs. At my previous job, my boss’ husband was a Pitney Bowes salesperson, and it just seemed like a lot was going on there. They would sell us things we didn’t need, and the machine was huge with this clamshell lid. When I got here, we had a much older PB machine, and the inspections were ridiculous. We were paying hundreds a month for a machine we didn’t even own. When the contract ended, we went with Stamps.com.”
- “I did just go on Pitney’s website and saw they are cheaper than Stamps.com for what appears to be a similar product. It looks like they finally are up to speed with their offering.”
- “I was impressed with Pitney’s website today. I’m going to look into what they are doing now. I’ve not heard of Neopost, but I’ll check them out too.”
- “With Stamps.com we got a free scale. I can’t remember if we paid for the DYMO 400 label machine that takes a stamp roll. If Pitney Bowes offered something like that, I might use them again. The Stamps.com machine is a bit rinky-dink. If there is an upgrade with Pitney and it has

Email definitely changed our postage use. There are a few die-hard private parties who want to stick with paper. But most everyone else we deal with, like banks, don’t have issues with email and are tech-savvy. I’ve been here nine years, and metered mail has definitely declined.

*Business Office Manager
Real Estate Firm, West Coast*

an interface like Stamps.com, I might go with them.”

- “We use FedEx for anything over 13 oz. The main USPS branch is on our block, but the service is terrible.”
- “Our service with Stamps.com has been the same during the last six months: \$15.99 a month, and I buy postage in \$50 increments.”
- “Email definitely changed our postage use. There are a few die-hard private parties who want to stick with paper. But most everyone else we deal with, like banks, don’t have issues with email and are tech-savvy. I’ve been here nine years, and metered mail has definitely declined.”
- “About 75% of our mail is first-class. That hasn’t changed, and I don’t think it will. I use FedEx for about 25% of our mail.”
- “We don’t have a mail budget. Compared with some of our other costs, it’s not an issue.”
- “There is a possibility USPS might reduce deliveries ... but that wouldn’t affect us. Few of our things are time-sensitive, and I’m surprised when everything isn’t totally digital.”

► President of a trucking company in Ohio

This company will continue to use its postage meter despite a usage decrease in the past six months. Use of tape and ink also has declined since 2011. The company leases an FP Mailing Solutions machine, and has no plans to switch to PB or Neopost.

- “We have one postage machine, an FP Mailing Solutions. I think we will always have a postage metering machine.”
- “We are leasing our meter machine, and we have not recently extended our lease.”
- “Usage of our postage meter machine has decreased in the last six months. I see it continuing to slowly decrease as more correspondence, invoices, etc. go electronic.”
- “In the next couple of years, I expect to have one postage meter machine. We will probably stay with our current machine versus switching to another brand.”
- “One-hundred percent of the mail going through our metering machine is first-class mail.”
- “Our usage of tape and ink is falling by about 5% from 2011 to 2012.”

► Mail manager at a printing company in Wisconsin

This company uses a [Hasler](#) meter (a Neopost brand) and Pitney Bowes’ [logistics service for foreign mailing](#). Meters always will be an office staple, but the volume of first-class mail continues to drop. The source characterized PB as more of a mail service company rather than a meter machine manufacturer. PB has been offering more complementary and streamlined services. Hasler appears to offer fewer such services. [R.R. Donnelley & Sons Co.](#) (RRD) bears watching because of its role in mailing software and services and list management.

- “We have one daily inter-office metering machine made by Hasler [Neopost], and some of our mail for foreign pieces rely on the Pitney Bowes logistics service. We would use [PB] for other things, but their billing is awkward. We don’t use the metering machine for anything but our corporate operations. We use it to stamp postage for customer mail, invoices, mailing printing proofs.”
- “We don’t use it in our production facility because we have very little envelope mail. We are a bigger mailer of bulk mail catalogs and magazines.”
- “I can’t imagine an office that doesn’t have a meter, because it’s convenient to have one. And I believe people will still use meters in the future. You are not going to see meters eliminated unless mail is eliminated altogether, and I don’t see that happening. But the trend is that meters are less and less important for corporate use and on the way out for production. In the office setting, the meter is the source for generating first-class mail, but the volume of first-class mail has dropped precipitously and has fallen more than any other category of mail.”
- “As far as I know, we have had only one meter all along and it’s been Hasler. It has not changed, and I don’t imagine it will change.”
- “I view Pitney Bowes as being beyond the meter. At this point, they are a software solutions provider and a consolidating service for mailing. Pitney really lives more in the ‘mailing’ world than in the ‘metering’

Meters are less and less important for corporate use and on the way out for production. In the office setting, the meter is the source for generating first-class mail, but the volume of first-class mail has dropped precipitously and has fallen more than any other category of mail.

*Mail Manager, Printing Company
Wisconsin*

world. They sell consolidation machines and software and services.”

- “It’s hard to say who Pitney Bowes really competes against. R.R. Donnelley is the 800-pound gorilla in the room. They ship 70% of all magazines, and they handled the [U.S. Census](#). They have created a way of consolidating and transporting that’s impressive. If you are not in consolidation, then you are not making money. Whether they make a machine sorter or offer software and consolidation services, I can promise you Pitney Bowes’ market is not necessarily in meters.”
- “I don’t know if Hasler has comparable services for transportation and consolidation.”
- “In the long term, it’s hard to see much success coming from meters. In the short term, there might be some benefits for someone like Pitney in meters. But a lot of us are wondering what things will look like in the next five years.”

3) LARGE BUSINESSES

Of these seven sources, four are satisfied with their PB meters, with three planning to stick with the company in the future. The fourth PB customer is open to other options because of PB’s horrible tech support. Of note, one company was able to eliminate some meters because of recent PB machine upgrades. For the remaining three companies, two decided to go with Neopost, and one did not comment. For the two Neopost customers, one is satisfied and prefers Neopost for its superior service. The other is considering PB once the Neopost lease expires. Almost all of sources’ mail is sent first-class. A district manager for a large Texas shipping company said leases are ending for many PB customers, which could create additional client turnover.

➤ Vice president and director of facilities for a multinational firm’s corporate office, Chicago

This company has more than 20 PB machines throughout its offices and one Neopost machine. Usage of the machine and supplies has remained the same year to year. The corporate office upgraded to a new technology a year ago. Ninety-eight percent of mail is first-class. The firm has no plans to lease additional PB machines but will continue with its contracts when renewable.

- “Across all our offices, we have upwards of 20 or more postal machines, almost all of which are Pitney Bowes.”
- “At this location, we have one of their top-of-the-line machines.”
- “We use our machine three to four times a day, every day.”
- “We are on a lease. It is not coming up for renewal any time soon, but we will renew when it is time.”
- “We got an upgraded machine a year ago. We have not had any problems with it.”
- “Overall, we are very pleased with Pitney Bowes. Their products are good, and we have had no service issues.”
- “I plan to stay with Pitney Bowes. I like them.”
- “Over the last six months the price of postage went up, so we are spending more on postage. But the actual usage of our machine is about the same over the last six months to a year.”
- “We have no need for another machine at this office or any of our other office. One is good per office.”
- “We do have a Neopost machine at [another] office.”
- “We will always need a mail machine; even in our small offices we have some type of mail unit.”
- “Ninety-eight percent of our mail is first-class.”
- “We order sealer, cartridges, whatever we need to operate the machines. You have to use their supplies for their equipment.”
- “Our supply order from Pitney Bowes is about the same as last year.”

➤ Senior clerk in the central mailroom of a major national research university, the Midwest

PB postage meters remain a staple and the brand of choice for this institution, which serves more than 44,000 students, faculty and staff. Neopost’s Hasler regularly pitches services to mailroom employees, but the source doubts the university would switch. The university’s central mail center relies on six PB meters, up from two machines leased in 2006 because of consolidation that eliminated 20 PB meters in individual departments. Postage meters always will be required even if mail volumes drop. However, mail processing actually has increased because USPS station closures have forced the government to shift sorting responsibilities to campuses, resulting in ZIP code for this university.

- “We have six Pitney Bowes machines in central mail that deal with straight postage. All of the mail we process is first-class mail, whether it is flat, parcel or priority. Anything other than that goes to the bulk side, but their machines are more of a permit or postage-paid operation, and there are more stringent guidelines for what falls

under that category. They still use a Pitney Bowes machine that is an inserter. I believe they have a total of two machines; one is PB and the other is an [HP](#) [Hewlett-Packard Co./HPQ] with a jet to spray ink. They print the permits or the postage.”

- “We expect to stay with Pitney Bowes. Neopost does have people and sales reps that come into our mailroom from time to time, but I send them up the hierarchy because we are not the ones that make the decision.”
- “We run all of the first-class mail for students, faculty and staff, but for UPS or FedEx, the freight costs are interdepartmental and then there are pick-up points. We used to do all of that, but it changed.”
- “We have seen no changes in the number of machines used. We lease the machines on a five-year contract, and we are going on the third or fourth year of the current contract. I believe we will re-up with Pitney because we did when the last five-year contract expired and the five before that.”
- “The cost of leasing has changed, but I am not in the know about specifics.”
- “The amount of mail we process has pretty much stayed the same over the last six months to a year. We certainly are not dealing with less mail. With what’s happening at [USPS], we actually have more processing. They used to handle the sorting, but now we have moved in to do that job. The post office here in town added 17 ZIP codes when some of the stations closed down so basically they gave us our own ZIP code and told us to do our own sorting.”
- “I would expect to have at least one machine in the future even if mail volumes fall. You’ve got to have something.”
- “We have not changed the number of machines. We have six here, and that hasn’t changed. But there were 20 other [PB] machines on campus. Some departments were handling their own mail and then sending it to us after adding postage. But they wiped them out to save money. That happened about six years ago.”
- “When they got rid of the other meters on campus, we went from the two to six machines. But I guess that was a loss for Pitney Bowes to some extent when we consolidated because they were leasing all of those other machines. We do have all their [PB] software that goes along with the meter machines, but we have our own business manager computer program to run it. They agreed to that.”
- “For supplies, I usually try to order a couple of ink cartridges because every time I order, the price seems to have gone up. I try to order a six-month to one-year supply. Pitney Bowes is the only ballgame in town, so they pretty much can set the price. It was about \$60 a unit 10 years ago, and now it costs about \$150 a unit. I tried using different ink that was less expensive. I think it was \$40 a unit. But when our [PB] rep came in, he said if we put a different brand of ink in, our contract is null and void. They pretty much have you. If the machine screws up when another brand of ink is in it, they have to charge you to fix the machine. Otherwise, that repairs and maintenance is all part of the contract.”

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*Senior Clerk
Mailroom of Natl. Research University
Midwest*

➤ Mailroom supervisor at a Chicago-area private university

This university is satisfied with the two Pitney Bowes’ machines it has had for about a decade. Previously, it had Neopost machines but disliked the service. The source expects the university to stick with PB machines and with postage meters indefinitely. Machine usage has been constant, but use of tape and ink has increased. About 90% of the mail is sent first-class.

- “We are happy with Pitney Bowes, and the university will never change. We have had other machines, and we were not happy with them. We had Neopost too, about 10 to 12 years ago, and the service was terrible.”
- “We have two Pitney Bowes metering machines. This has not changed over the past year.”
- “We own the metering machines, and we will not get rid of postage metering machines.”
- “Usage of our machines has stayed the same over the last year.”
- “Our usage of tape and ink has grown.”
- “About 90% of the mail going through our metering machine is first-class mail.”

➤ **Supervisor of a shipping room for a large global company outside of Chicago**

This shipping room has a few pieces of PB equipment and is halfway through a four-year lease. Equipment use is expected to remain consistent into next year. The shipping room processes 250 envelopes daily, and 99% of mail is sent first-class. At contract renewal time, the source will consider another vendor because PB phone tech support takes too long to respond. He had not heard of Neopost. Unlike other sources, the source reported having no problems with off-brand supplies for his equipment.

- “From Pitney Bowes, we have one separate printer, one mailing system and there is a set of equipment for our shipping system. It is one of their more advanced systems.”
- “My boss just mentioned to me that we are halfway through our current contract with Pitney Bowes. I believe it is a three- or four-year contract.”
- “I am 90% happy with their service. We have issues with their equipment here and there.”
- “Their service calls are pretty fast. But when they transfer me to tech support, it is a hassle. Basically, you have to stop your work for one hour to talk to them. That is not acceptable to me.”
- “Their tech support takes too long—so much so that it is a factor I will consider with the next contract.”
- “With tech support, it takes 45 minutes to one hour. That is too long for me to be on the phone.”
- “I would like to see more options other than Pitney Bowes when the contract is up. We need better more efficient tech support. Another company might have better equipment and better terms. Some of their machines are too long for our counter space, so maybe there is something out there that fits our space better.”
- “In the last six months, our usage has remained the same. It is the same because we have the same process every morning: We stuff our invoices, and we mail them out. The process only changes and slows down on holidays.”
- “We process approximately 250 envelopes per day through our Pitney Bowes system.”
- “Next year, our usage of the postal machine will stay the same.”
- “Ninety-nine percent of our mail is first-class.”
- “We have no need for another postal machine. This unit already has features that we don’t even use.”
- “We don’t order from Pitney Bowes. They want you to and say their product is the best for their machines, but it is also the most expensive. We have found that the off-brands work fine on their machines and they are much cheaper in price.”
- “I have never heard of Neopost.”

We don’t order from Pitney Bowes. They want you to and say their product is the best for their machines, but it is also the most expensive. We have found that the off-brands work fine on their machines and they are much cheaper in price.

*Supervisor of a Shipping Room
Large Global Company
Chicago, IL*

➤ **Mailroom supervisor at a West Coast college**

Although this college has had a Hasler machine for at least seven years, it has been dissatisfied with the machine itself and is considering switching. Before buying the Hasler machine, the college had a PB unit but was unhappy with the customer service and representatives. The source expects the school to continue to use a postage meter for many years to come. About 98% of the mail processed through the machine is sent first-class.”

- “We have one postage meter machine, a Hasler/Neopost. This number has not changed in six months or a year.”
- “We do not lease our meter machine.”
- “It is very much up to debate whether we stick with this company or not. We have had dissatisfaction with the machine.”
- “We had a Pitney Bowes machine about seven years ago. The machine was fine, but customer service was horrible.”
- “Our usage of our postage meter machine has stayed the same, and I expect our usage moving forward to stay the same.”
- “I expect we will always have a postage meter machine. We have a need for it.”
- “About 98% of the mail going through our metering machine is first-class mail.”
- “Our use of tape and ink is staying the same.”

► District manager of a large shipping company, Texas

Pitney Bowes will have to adapt to the times and find a new concept or rely more on software that moves it away from postage meters. Several PB customers are about to come off of long contracts for the first time since decertification from analog to digital occurred between 2005 and 2008. Customers have realized they have had a drastic reduction in mailing volume, and are downsizing machines or moving to a different product or company. PB has tried to woo Neopost customers by offering leases below cost, which the source said eventually will hurt PB. Stamps.com is doing very well in the small business/home-office market, but PB is in the best position to take advantage of USPS' dire situation if it can move into middle ground transportation.

- “When it comes to competition from a software system, it’s a battle Pitney can’t win with a meter. IBM [Corp./IBM] doesn’t sell hardware anymore. They have to migrate with the times. They have to constantly find the next concept.”
- “Pitney Bowes lost a lot of market share in their traditional core in the midmarket and commercial. There was a decertification—from rotary-style machines to digital inscription. They were forced to upgrade over time. In 2006 to 2008, all the postage switched to a digital product. Pitney lost out to Neopost, who grabbed up the midmarket. Pitney suffered a lot of damage to their customer base.
- “They went from a monopoly to retreating to a market fighter.”
- “Pitney signed up customers for a three- to five-year contract, and there has been a lot of mid/commercial turnover in the last six months to a year. There is a huge wave of people coming out of their leases post-decertification.”
- “With a five-year lease, people didn’t realize they were locked in. They would change their minds but were obligated to complete it. And there were other things people didn’t like, like having to write a letter six months before termination; if they didn’t, the contract would auto-renew for one year.”
- “I don’t see anything in the next three to six months to stop the inertia of that world. ... Nothing is going to happen before the election. ... The biggest problem they all have is a drop from, say, 5,000 pieces of mail to 2,000 a day, or 2,000 to 300. The salespeople are looking at customers with an \$800 machine coming to an end of a contract, and they realize they only need a \$200 machine. How do they maintain growth?”
- “I watched Neopost from the beginning. They’ve gotten aggressive, with a wonderful product line, new innovations to the market and quicker than Pitney with technology.”
- “Pitney is the best marketing company I’ve ever seen. They present things amazingly well. They get forgiven faster than anyone. Neopost offers impeccable service, local supplies; they get to you quicker. Customers valued that, but at the end of the lease I was watching Pitney come in below cost on the lease. [Neopost] couldn’t beat it. How could they offer that? It will hit them in the long run.”
- “There is a reduction in volume, and people need a solution in the office. Stamps.com has a larger user base now, and they do the small/home office better than anyone else.”
- “Traditional mail has dramatically declined in volume. There are three segments in the meter market: ‘A’ is fewer than 59 letters or less, ‘B’ is 60 to 135, and ‘C’ is commercial or over 135. There has been a dramatic drop in segments and a decline in each tier in the need and size of postage meters. There is less mail being sent and more services in the commercial market.”
- “For lightweight parcels, [USPS] uses partner programs that pick up outbound packages and manage the transport to the residential post office. The post office takes it to the resident. It’s efficient and costs less money. The less the post office has to deal with the package, the less the post office charges.”
- “The post office is going to have to shut down plants, and there’s going to be a need for middle ground transportation. You’ll be in trouble in an industry that you have to have next-day. Presorting, work-share programs: Pitney is moving in that direction—presort and a hybrid for international. Pitney is in a better position than anyone to expand into that area.”

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*District Manager
Large Shipping Company, Texas*

I watched Neopost from the beginning. They’ve gotten aggressive, with a wonderful product line, new innovations to the market and quicker than Pitney with technology.

*District Manager
Large Shipping Company, Texas*

- “Our office has had a small Pitney Bowes meter for nearly 10 years. But most of our correspondence and invoicing is electronic. Anything larger volume than that, we’d send to a sister company.”
- **Postal machine manager for a university with a combined student/faculty population of more than 31,000**

Pitney Bowes regularly sends sales representatives into this academic mailroom in an effort to replace Hasler. PB has even offered to customize machines to match Hasler, but the source declined. The institution uses Hasler because it has service reps in the area and compatible software, unlike PB. Industry colleagues have previously reported breakdowns with PB meters, but the source said the reputation has improved and weaknesses resolved. The university purchased three postage meters and is poised to replace them after trade-in. Mail volumes have dropped roughly 30% year to year, although the source does not foresee a complete elimination of meters.

 - “We use Hasler instead of Pitney Bowes because their service people are [nearby], and when we have problems in-house they can get here quickly. Pitney has tried to sell to us for years, but they don’t have service people in our area.”
 - “Pitney Bowes has the same equipment we need, but their machine software doesn’t have the ability to bill back to our billing department. Pitney said that while they don’t have it they could customize the product and get us what we need. But we decided to stick with what we have.”
 - “We purchase our machines and then trade them in when it’s time for new meters. We are getting ready to get some new machines that have the meter and postage together. Meter use has decreased because of the way things are going with email, but it’s decreasing for everyone.”
 - “We went from four meters to three meters because the new machines run faster and three of the new meters can handle as much mail as four of the old meters. We use them to presort and post first-class mail. Our meters are just used for faculty and staff. But we have a high volume. On Tuesday, we did 8,455 pieces of mail.”
 - “Last month [September] we handled 118,270 pieces of mail and the USPS cost was more than \$121,000. Last year in September, we ran 166,506 pieces of mail but it cost us \$105,134.52. We are now processing fewer pieces of mail, but last year we had a smaller budget. This year, they have increased our budget for postage so things will open up.”
 - “In the next few years, we will probably stay with the three meter machines. I don’t think we would have fewer meters than that.”
 - “I have heard that Pitney meters used to have equipment breakdowns, but people say they are better now.”
 - “Our supplies are not that much different. In the old machines we had two ink cartridges, but the new machines only need one cartridge. And it’s supposed to be serviced for the lifetime of the meter.”

Pitney Bowes has the same equipment we need, but their machine software doesn’t have the ability to bill back to our billing department. Pitney said that while they don’t have it they could customize the product and get us what we need. But we decided to stick with what we have.

Postal Machine Manager, University

Secondary Sources

These two secondary sources focused on the volume decline of USPS mail delivery and Pitney Bowes’ new mail sorter machine, which is expected to help the company’s metered mail business.

- **Oct. 4 Fox Online [article](#)**

USPS mail delivery has declined significantly during the last 10 years and likely will fall further because of email and other digital services.

 - “With the growth of email and on-line bill paying, fewer pieces of mail are being dropped off, processed and stuffed into your mailbox.”
 - “Just 10 years ago, the postal service delivered nearly 52 billion pieces of first-class stamped mail. In a decade, it dropped by 50%. And it’s expected to get worse.”
 - “This year, the postal service is expected to lose \$15-billion and if nothing changes, that number will grow to \$21 billion by 2016.”

► **Oct. 9 Pitney Bowes [press release](#)**

Pitney Bowes recently introduced its new SortEngine Software Platform to all U.S. mailers to improve mail preparation and to lower mailing costs.

- “The Pitney Bowes SortEngine™ Software Platform is designed to help mailers better integrate sorting into their overall production print and mail operations.”
- “It also supports metered mail, permit mail and pre-cancelled stamps. Flexible sort density control, based on potential postage discounts versus processing time, enables mailers to make workflow decisions on-the-fly based on real data.”

Additional research by Lindsay Gadsby, Carolyn Marshall, Tina Strasser and Cheryl Meyer

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