



Engineering the flow of communication™



Evolution in progress: Products to services and its environmental challenges.

NAEM 2004 – Adding Top Line Value through the Development of Sustainable Products and Services

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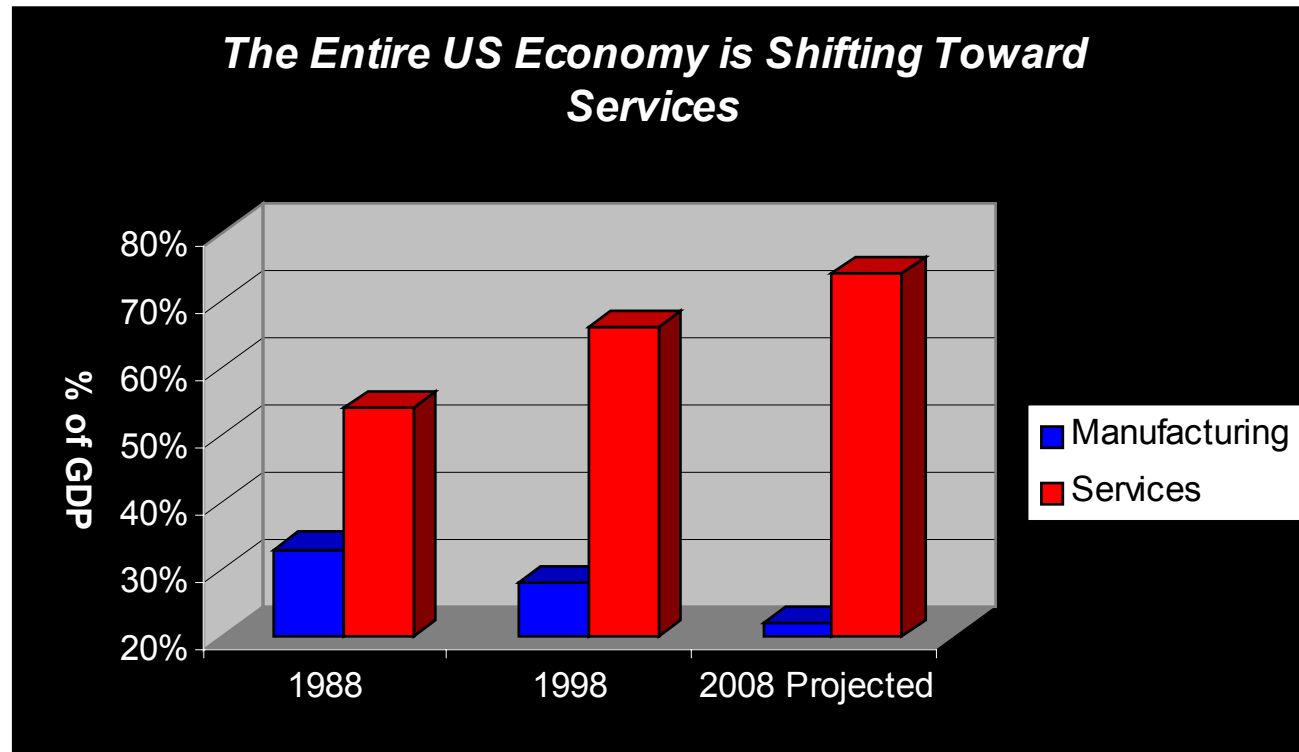
Key Questions

- Why services?
- How do product companies evolve into service providers?
- The Pitney Bowes experience
- What are the environmental and business implications and opportunities

Thought experiment:



As an environmental professional, how are environmental resources allocated by your company, its regulators, NGOs, and other stakeholders?



Market leaders demonstrate a fundamental transformation to become a services business

GE (Number 5 on the Fortune 500)

- “Our vision for the next century is a GE that is a global service company that also sells high-quality products”
 - Jack Welch, Chairman & CEO, GE Corporation



Siemens

- “To keep a competitive edge globally and secure long-term survival amid changing business environments, it is vital for a company to identify and maintain a well-balanced, robust portfolio”
 - Heinrich v. Pierer, president and CEO of Siemens AG of Germany

SIEMENS

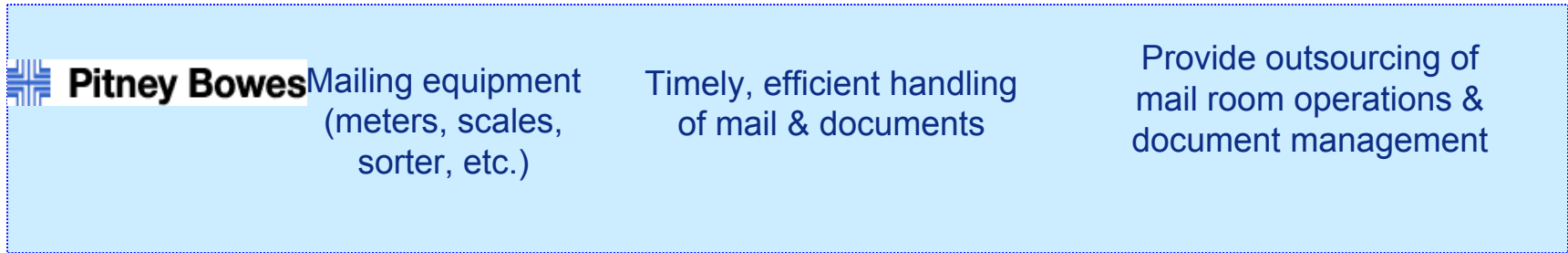
IBM (Number 9 on the Fortune 500)

- “What will "IBM" mean to customers...in the years ahead? Our company used to be experienced primarily through our products. But going forward, a smaller percentage of our customers will buy an item with "IBM" stamped on it. Sometime within the next five years, more than half of our revenue workforce will come from services.”
 - Lou Gerstner, Chairman & CEO, IBM (1999)

IBM

Pitney Bowes created service offerings by expanding on the value proposition of our existing products

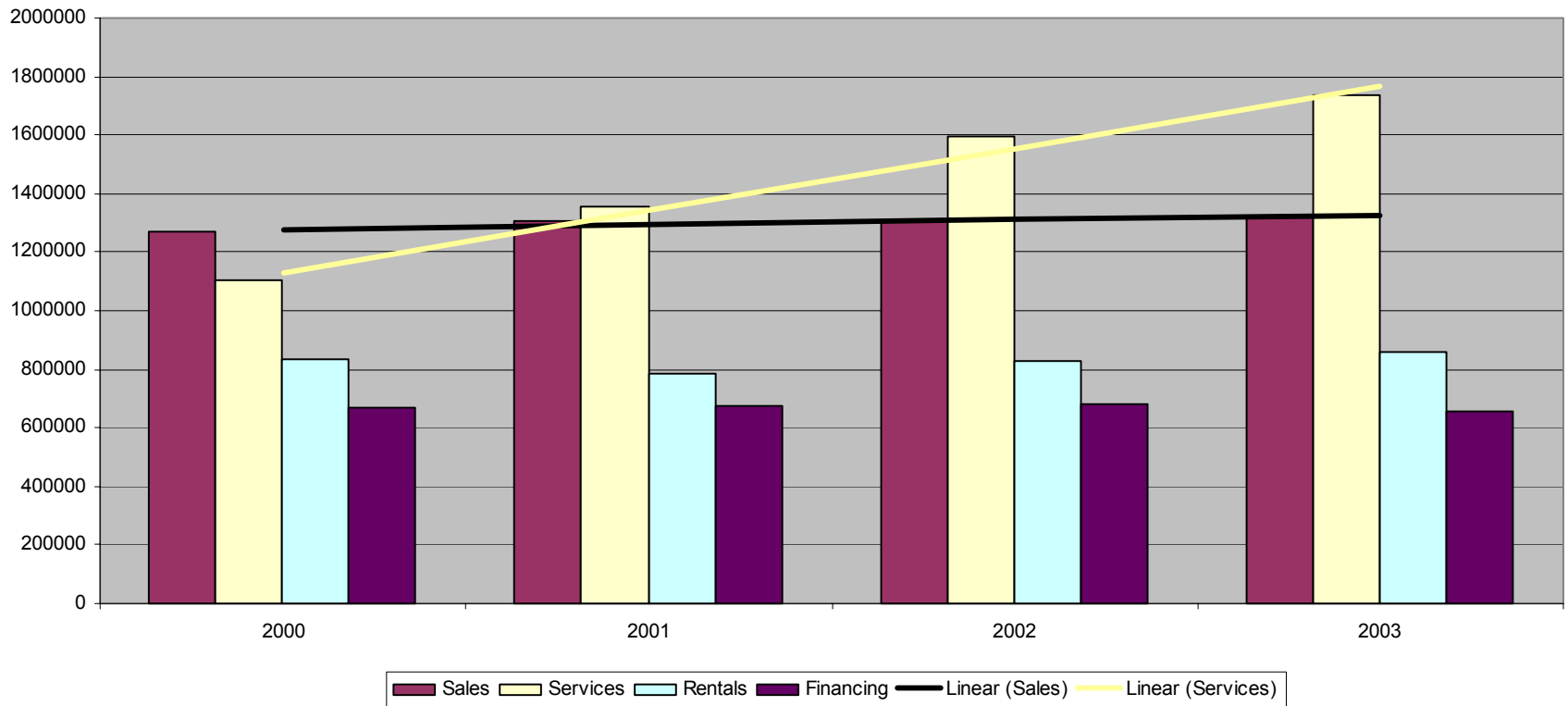
Service Evolution



Some Background on Pitney Bowes

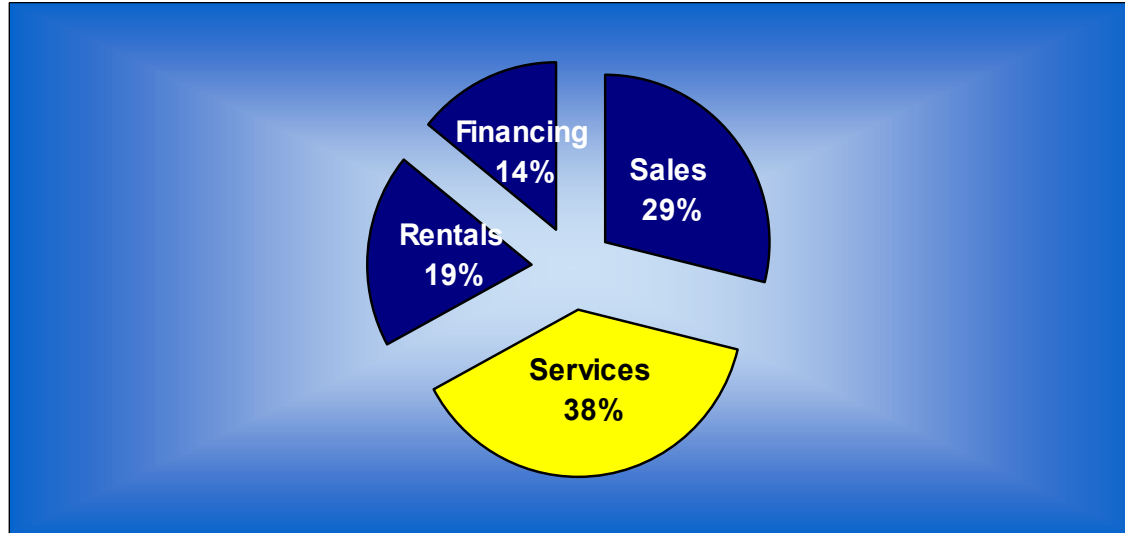
- \$4.6 billion company
- 33,000 employees worldwide serving more than 2 million businesses
- World's leading provider of integrated mail and document management
- Over 80 years of technological leadership
 - Produced most innovations in the mailing industry
 - Over 3,500 active patents in markets including printing, shipping, encryption, and financial services.

Rising Role of Services at PB

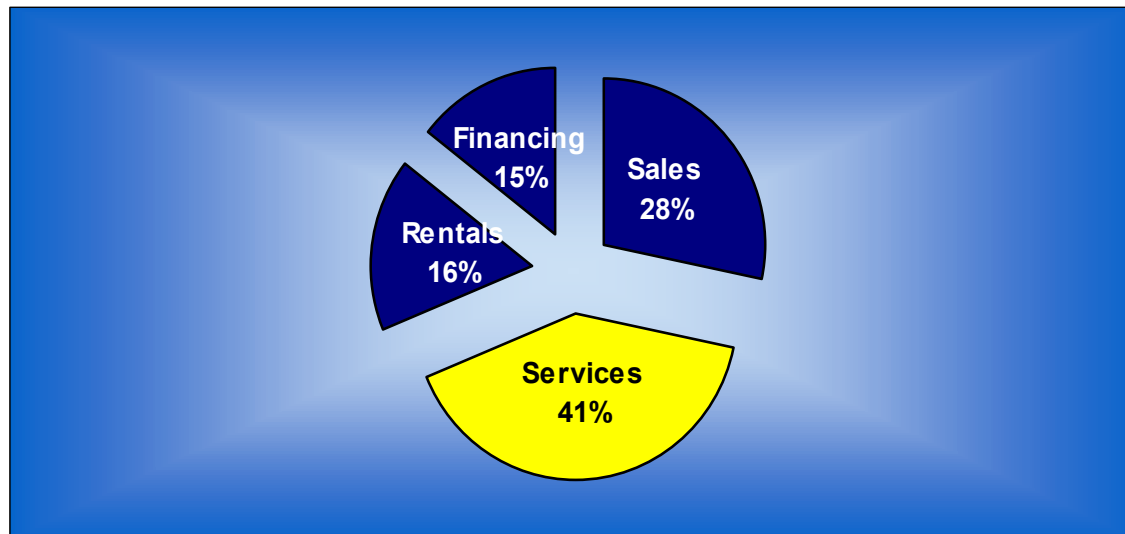


Rising Role of Services at PB

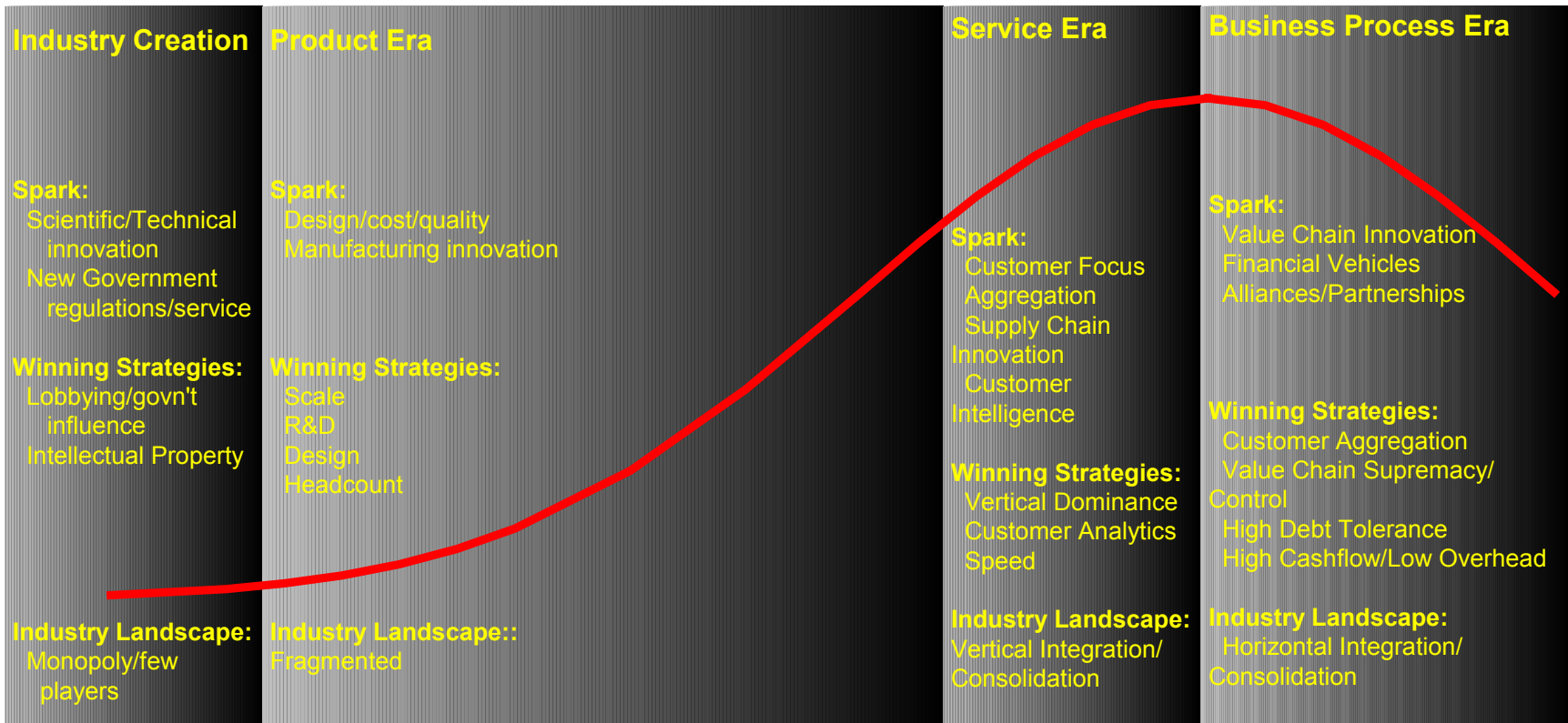
2003



2004 Q3



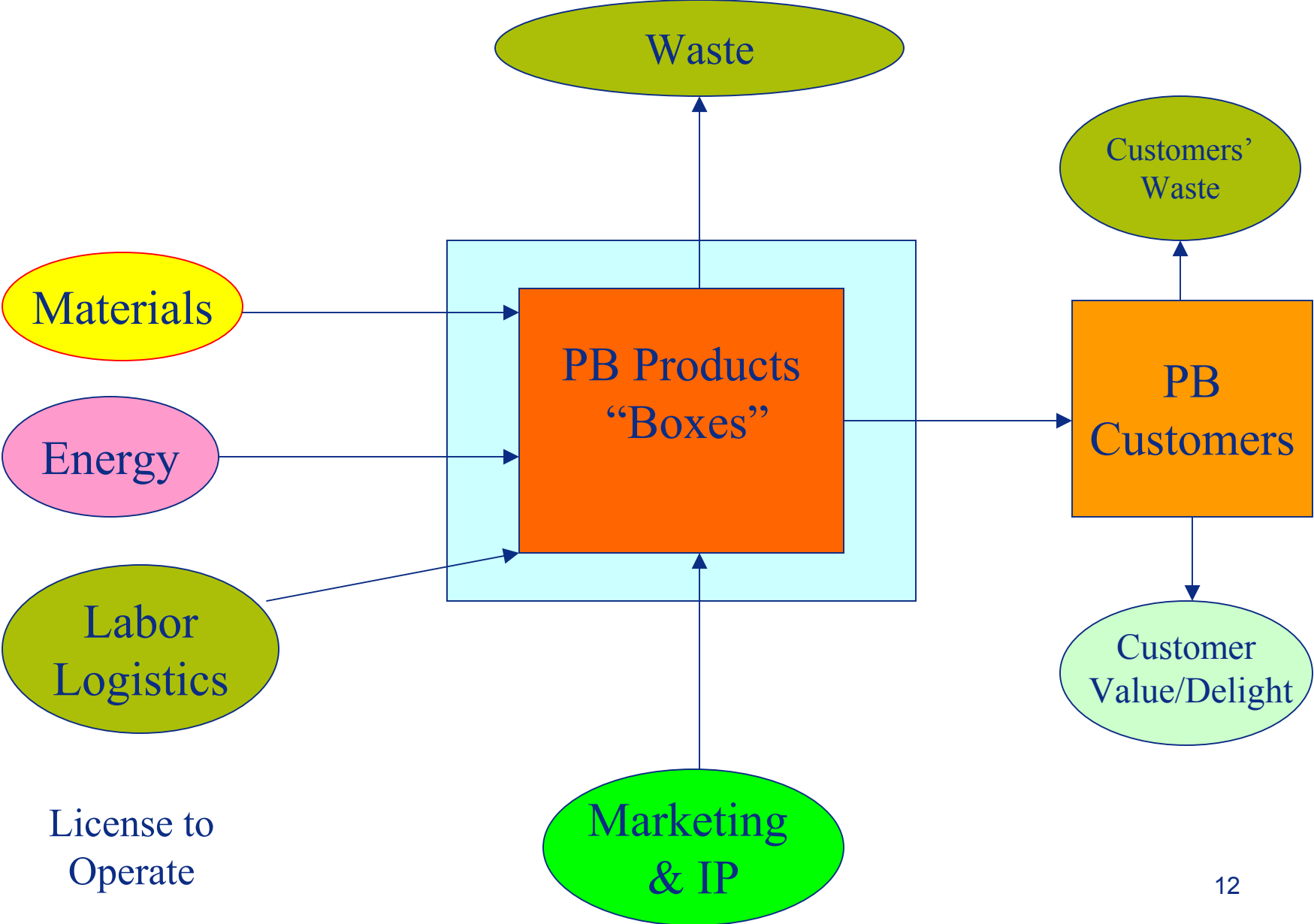
Service Innovation in Industry Change



The First 80 Years



Pitney Bowes' Value Proposition: Product Design, Manufacture and Distribution



A Look Ahead...



Will our understanding of industries and customers change?



Engineering the flow of communication™

“Develop a service offering that would ease the environmental burden on our customers”

Environmental Solutions Pilot Study

Background:

- Evaluate opportunities for minimizing environmental impacts of service
- Four week study at a PBMS client: a 300-attorney, NYC law firm.
- **GreenOrder**, an independent consulting and information services firm (specializing in sustainable business, procurement and operations):

Goals:

- Determine suite of applicable services
- Identify which strategies offer the best value to the client,
- Craft a service offering that can be rolled out “à la carte”.

Evaluation Criteria:

- Customer Value (business and environment)
- Technical Feasibility
- Cost-Effectiveness

Results of the Pilot Study

- Paper is *the most significant* environmental impact.
- Methods to minimize the environmental impact from paper:
 - 1. Procurement (increasing Post-Consumer Recycled content)
 - 2. Usage (reduce overall use of paper)
 - 3. Reuse and Recycling Options

Analysis from the Pilot Study:

Finding: One attorney generates as much as 800 printed pages *per day*. The client firm used 12,500 cases of (virgin) paper in 2003. (that's 7500 trees, or 29 trees consumed per working day!)

Opportunity: Paper Procurement

- Tactic: Use 30% post-consumer recycled paper
 - Delivers comparable performance results as using virgin paper, AND:
 - Reduces tree harvesting by 30% (saves 2,250 trees)
 - Reduces hazardous pollutants by 27%
 - Reduces solid waste and water effluents by 15% (or 50 tons)
 - Reduces greenhouse gas emissions by 11% (or 2 tons)
 - Price-parity for post-consumer recycled content paper

Analysis from the Pilot Study (cont.) :

Opportunity: **Manage Paper Use & Reduce Consumption**

- Tactic: “Duplex” printing (printing on both sides of the sheet)
 - Reduces upfront paper costs by 10%
 - Reduces overall document weight
 - Creates savings throughout the Value-Chain by
 - Reduced toner and paper consumption and costs
 - Reduced physical storage and handling costs
 - Reduced postage and shipping costs of finished documents

Analysis from the Pilot Study (cont.) :

- Tactic: Electronic document distribution & management
- Tactic: Convert customer operations to “print-on-demand”
 - Documents are printed only when needed; eliminates inventory waste; reduces storage costs
- Tactic: Help customer to select “greener” office equipment such as desktop printers, faxes and copiers
 - Reduces consumption of energy, paper, toner and maintenance costs

Analysis from the Pilot Study (cont.) :

- Tactic: Paperless printing
 - Print draft documents on reusable plastic sheets up to 500-1000 times



Analysis from the Pilot Study (cont.) :

Opportunity: “End-of-Use” Management of Paper

- Tactic: Recycling
 - WasteWise Program
 - Sorting by commodity for greatest value
 - Educational program for participants – why are we doing this?
 - Program that is easy to follow – make it fun to participate
 - Measure and report results
 - Manage commodity for highest value

Pitney Bowes

“Environmental Solutions”



Adobe Acrobat
Document

- “Green” Paper Procurement
- Paper Reduction Strategies
 - Printing
 - Copying
 - Electronic Document Management
 - Reduction of Inbound Mail
 - Intelligent Outbound Mail
- Office Waste Management
 - Paper & Packaging Recycling
 - Office Waste Recycling
- Green Office Procurement
 - Office Supplies & Equipment
- Electronic Waste Stewardship
- Chemical Substitution
- Environmental Metrics and Tracking

Conclusions

- The service economy is growing rapidly while the manufacturing economy is shrinking
 - US
 - PB
- Service has been largely ignored by environmental stakeholders
- Pitney Bowes transition to services creates new opportunities
 - Business
 - Environment
- Continue the dialogue

“Some of the most amazing inventions
in history are not technology or
products; they’re social innovations.”
~ Jim Collins

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