



hockey fan  
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close-knit family

**Murray D. Martin**  
Chairman, President and  
Chief Executive Officer

## Fellow Shareholders:

This was an especially productive year for our company. We solidified our growth strategies and completed the work of identifying our most attractive market opportunities. Our continuing transformation of Pitney Bowes into a leaner, more focused company began to produce the desired results. We far surpassed our goals for reducing the company's overall cost structure, which enabled us to make strategic investments in the business. Revenue trends improved in the third and fourth quarters, and we expect a return to growth in 2011. We also launched a number of groundbreaking products, including Volly,<sup>™</sup> a secure digital delivery service that reinvents the way businesses and consumers interact with each other.

After a rigorous analysis of our most attractive growth opportunities, we are sharpening our focus on customer communications management (CCM), a \$54 billion market where our expertise in physical and digital communications and the credibility of our brand give us special advantages. In addition, CCM gives us plenty of room to grow beyond our core business, because it encompasses much more than physical mail.

Businesses today face incredible challenges in communicating with their customers and prospects. First, they must be able to create personalized communications that get the attention of their audience. Second, they must have the technological expertise to be able to coordinate multiple communication channels, so they can use whichever ones prove most effective with a particular audience. Finally, they must be able to do all this while getting the greatest possible return on their investment.

# “We are sharpening our focus on customer communications management, a \$54 billion market that is diverse and growing.”

Customer communications management is about helping businesses turn these challenges to their advantage, so they can build stronger customer relationships and sustain profitable growth. A company that helps them accomplish this delivers enormous value. No company has more CCM expertise than Pitney Bowes.

CCM encompasses three broad sets of capabilities, each meeting a different need. They include the need to:

- Understand each customer well enough to know what to communicate.
- Deliver the message through each customer's preferred channel.
- Track the customer's response and use it to tailor the next communication.

Our capabilities already extend across the entire CCM spectrum. For several years we have been expanding in areas like data quality, location intelligence and predictive analytics. These technologies help businesses better understand their customers and prospects, which is a critical step in creating more effective communications. We are already widely recognized as leading innovators in multichannel document creation and output. We are continuing to build on our expertise in these areas.

Our ability to integrate CCM solutions creates even greater value for our customers. A good example is the end-to-end solution we are building for TSYS, one of the premier providers of electronic payment and statement services for financial institutions and other types of companies around the world.

Using our business intelligence software, TSYS will soon offer its customers the ability to sell space on their statements for precisely targeted advertising. Advertisers will be able to buy space selectively, on just those statements whose recipients match the profiles of the people they want to reach. For advertisers, it is a more strategic way to use transactional statements for marketing. For businesses, it represents a potentially sizable new revenue stream. TSYS already uses Pitney Bowes technology to create and send millions of physical and digital statements each month on behalf of its customers. Business intelligence represents additional value it can now provide.

Our acquisition of Portrait Software in 2010 immediately strengthened our claim to leadership in CCM, by adding to our already impressive capabilities in insight-driven customer communications. Portrait's sophisticated technologies transform customer communications from a largely outbound discipline into a dynamic, two-way process that leverages whatever mix of channels a customer uses. For example, we can now provide a company's call center representatives with up-to-the-minute insight based on a customer's previous interactions with the company: the last direct mail offer the customer was sent, what was said during the last call with a different rep, or the fact that

the customer just visited the company's website. This level of insight eliminates the organizational amnesia that customers find so frustrating. It also enables companies to create new offers that are relevant and timely, leading to a better customer experience and a more profitable outcome for the business.

Our new Connect+™ communication series demonstrates our deep understanding of customer needs. The advanced technology and simple user interface of Connect+ make it easy for mailers to print customized, full-color marketing messages on envelopes at the same time as postage. Research shows that such messages increase by as much as 69 percent the likelihood that envelopes will be opened. Market reception of the Connect+ series contributed to our turnaround in equipment sales in the latter half of 2010.

I have already mentioned our new Volly secure digital delivery service, which marks our entrance into the consumer side of CCM. Volly meets the complex communication needs of both consumers and businesses. For consumers, Volly provides a way to reduce clutter while organizing their bill-paying and shopping from a single, secure online location. Catalogs, coupons, special offers, monthly statements — Volly makes them all accessible from almost anywhere via computer, smart phone or tablet.

**“Volly meets the complex communication needs of both consumers and businesses.”**

For businesses, Volly provides a secure delivery channel at a fraction of the cost of printing and delivering physical mail, while integrating seamlessly with their existing mailing operations. Most important, Volly keeps their brand front and center as they use its capabilities to deepen their customer relationships.

The financial and industry press gave Volly an enthusiastic reception upon its launch at the start of 2011. Volly should be available to consumers in the second half of the year.

Meanwhile, our strategic transformation initiatives continue to yield increasing cost savings. We are investing a portion of those savings in technology and process improvements to serve our customers better and to increase our capacity for growth.

Through our Global Sales Force Automation project, we are using sophisticated software to connect our sales representatives across geographies and lines of business. Having a more integrated view of our customers allows us to be more responsive, improving customer satisfaction and driving revenue growth. This disciplined approach is especially critical as we migrate to a culture oriented toward collaborative selling across business units.

# “Our commitment to innovation, integrity and service to the community is stronger than ever.”

Enhancements to our website have made it easier for our small-business customers to buy products online. Other technology investments are improving productivity and response time in field service.

These are just some of the steps we have taken over the past year to become more agile, efficient and, above all, responsive to the changing needs of our customers. In the ever-evolving CCM marketplace, companies need partners who can be counted on to put all the pieces together, from innovative technology solutions, to efficient, dependable support. In short, they need partners like Pitney Bowes.

Pitney Bowes celebrated its 90th anniversary in 2010. Our longevity is unusual in any business environment, and our continuing success over such a span even more so. I believe our history contains valuable lessons for our future, because the traits that have enabled us to succeed will be indispensable as we address the uncertainties yet to come.

For 90 years, Pitney Bowes has been defined partly by its technology, but even more by its values. Today, our commitment to innovation, integrity and service to the community is stronger than ever, and fully documented in our annual Corporate Responsibility Report. That commitment is not an abstraction, but a daily driver of the decisions and actions of our more than 30,000 employees. For all of us the challenge of “making it personal” has a further dimension: to see every connection as a new opportunity, and to make every interaction a positive one, for the greater good of our customers, our company, our shareholders and our communities. I am proud of the way we have met the challenge for the past 90 years. I am even prouder of how we are meeting the challenges of the 21st century.

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Our company lost a valued director and friend in December when John S. McFarlane passed away. John joined our Board of Directors in 2000. We will miss him as we continue to value the contributions he made to the company. I personally am grateful to have known him.



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