



Lamson Paragon

GROUP OF COMPANIES

Arthur's message

Welcome to our first quarterly newsletter. Our intention with this newsletter is to keep you informed about the changes within the group and to highlight any opportunities we see in the marketplace. We hope you find it informative and appreciate any feedback you have.

Recently I have caught up with some back reading. The article on transactional processing is something I found both exciting and challenging. For over a year now I have been trying to explain the opportunities that we all have with transactional processing. This article & particular the example of Bunnings on the last page summarises what I have been trying to explain. Our Trade Group has invested in technology which provides this product to our customers to sell to their customers.

We have the best software, we have both monochrome & colour lasers & we offer continued service levels with integrity to you. Your customers are the ideal market for this product. They don't have to be utilities or large users. Every company is trying to connect with & penetrate their existing customer base.

Show your customer you care about their business. Introduce it into conversation & see how you go. We care about your business & we are here to help. If you have any queries or need some case study background, talk to Rodney at Cheque-Mates.

Let us help you help your customers

Regards
Arthur Frost

BREAKING NEWS

Australia Post has made a draft notification to the Australian Competition and Consumer Commission (ACCC) proposing a number of price changes to domestic reserved letter services. The last increase for the basic postage rate was January 2003 when it increased by 5 cents after being "frozen" for 11 years. However, we have not had a general increase to our Pre-Sort letter rate since 1992.

The proposed price changes include:

1. An increase to the basic postage rate (BPR) from 50c to 55c
2. Increases to other Ordinary Large Letter prices to align to multiples of the BPR
3. Increases to Prepaid Envelopes and Seasonal Greeting Cards to maintain BPR relativity
4. An increase to PreSort prices - on average 2.6c for Small and 3.5c for Large.

The proposal also includes the introduction of two new letter categories:

1. Imprint/Metered - a moderate discount for full rate letters where postage has been paid using a postage meter or an Australia Post charge account.
2. Acquisition Mail - a geographically targeted non-personalised saturation delivery service.

As the submission is subject to ACCC review the date of effect will be early in the new financial year (2008/09).

Overall prices will increase by an average of 8 per cent compared with the Consumer Price Index, which will have increased by an estimated 15 per cent from January 2003 to July 2008. Cost increases such as fuel and wages and the increase

in the number of delivery addresses (up 800,000 to 10.3 million since the basic postage increase in 2003) have resulted in a steady decline in profit for the letters business over the past few years.

Australia Post has a broad range of products and services but it is vital that our letters business remains viable in its own right.



Cheque-Mates move into the Digital Space.

Recently Cheque-Mates recognized the need to move into Digital Colour. After an extensive search and many meetings with various suppliers the clear winner for Cheque-Mates was the Xerox DocuColor 5000, which delivers the image resolution, broad substrate support and the robustness of the higher end digital colour production systems at an entry-level price point. We can now run full colour SRA3 up to 300gsm, personalised or static.

The DocuColor 5000's free flowing DocuSP print server allows Cheque-Mates to offer extra security with features such as gloss, matte, micro text and correlation marks. The 2400 x 2400dpi offered by the DocuColor 5000 is as good as it gets. Our new Xerox equipment has given us the flexibility to meet all our clients' needs and demands and we now have the resources to comfortably operate 24/7 whenever required.

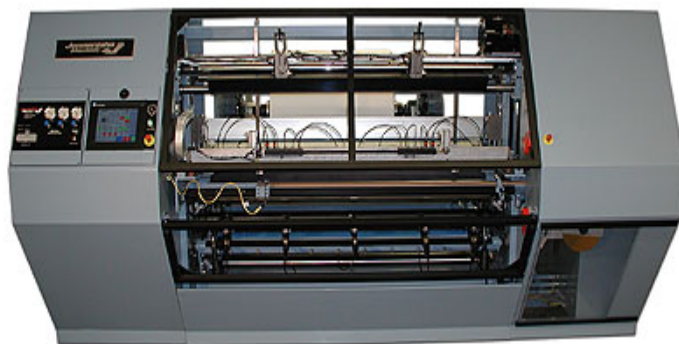
"Cheque-Mates has a strong relationship with Fuji Xerox as both organizations operate on the premise: we succeed and profit through the achievements and continued growth of our clients".

The move into the Digital Colour space has rounded Cheque-Mates into the complete one stop shop. Being Trade Only we need to be on hand to service customers needs at a moments notice, and we are now better equipped to complete client's demands.

Cheque-Mates are the place for all your:

- Menus.
- Table tent cards.
- Laminated certificates.
- Presentation folders.
- Personalised Postcards.
- Cello Business Cards.

Cheque - Mates P/L - Your true digital solution.



What Has Happened to the Cheque?

As the world continues to change we often are ignorant of what is happening within the market we are part of. It would be of no surprise to anyone that the use of cheques is declining – but it may be of some interest to look at the statistics of payment transactions in the Australian Economy.

The alternatives available are

- Cheques.
- Direct Debit.
- Direct Credit.
- EFTPOS.
- ATM withdrawals.
- Credit Cards.

What is happening?

Cheques

The Australian usage in 1990 was in excess of 1.1 billion cheques per year. The figure is now down to 432 million per year.

Direct Entry Debits/Credits

This medium had a moderate growth up until 2002. Over the last five years this has grown to 5,800,000 transactions per day – a growth of 40%.

ATM Withdrawals

This is a surprising figure especially when compared to what is happening with EFTPOS. Would you believe over 72 million withdrawals are made from ATM's every day of the week. God bless ATM rolls.

EFTPOS/Credit Cards

These figures are staggering. 239 million transactions every day of the week. Over the last five years it has grown nearly 50%.

The Banks strategies are winning BUT there are 312 million transactions every day that uses paper – might only be a cash register roll or EFTPOS receipt but still paper.

Paper Rolls Australia or Lamson Paragon can help.

We hope this was of some interest to you.

OPPORTUNITY IN TRANSPROMO

Transactional relationship marketing is a bit of a mouthful, but represents one of the hottest areas of print today. Technology and database convergence means there are plenty of opportunities out there for savvy printers wanting to produce high margin print.

For marketers generating response is the goal. Directing the marketing dollar spend though isn't easy, when it comes to measurement of response. One of the fastest growing areas of print marketing today is outdoor advertising, but it is impossible to measure how many eyes look at billboards. Direct mail, which is one of the key marketing media, only has a response rate of between 0.2 and 2.0 per cent, which means at least 98 per cent is wasted.

In stark contrast is the transactional statement document (credit card / bank / utilities) of which a massive 95 per cent are retained, 33 per cent visually, in other words stuck on a fridge / noticeboard.

Piggybacking a marketing message onto an existing document that will be read is a far easier, and cheaper, way to generate response than creating a new direct mail piece. Ah but you say, isn't the era of the paper-based bill about to disappear into the ethernet as we all move to internet banking. Apparently not, a recent survey has revealed that no less than 96 per cent of people want to stick with paper billing, and in fact paper bills are growing at a CAGR of 7 per cent. However while personalised printing on bills has been around for years, thanks to likes of Versamark, it has been in relatively low quality monochrome, but technology is moving rapidly, to the point where the ability to put variable data colour print on bills is at the point of commercial acceptance, both from a speed and a quality perspective. Neither is yet at the heights of offset, but digital colour proponents would argue they are at a more than acceptable level for public consumption, and marketers dollar.

This convergence of print technology, software, storage and database management has led to the point where printers are now able to offer marketers a full colour variable data text and image proposition on utilities bills. Effectively marketers have a whole new channel, and that is a channel which is already proven as having a readership.

TRM in fact is opening up as the primary 1:1 marketing tool that digital print pioneered have long talked about but have never really seen in reality, now that the data, print technology and software are synchronising.

So what is TRM? Well it is marketing that uses an existing document. It leverages an existing relationship with the recipient. It combines digital colour marketing print with essential mono-chrome text. In fact it is the nirvana that direct marketing has been seeking for many years, that convergence has now made possible.

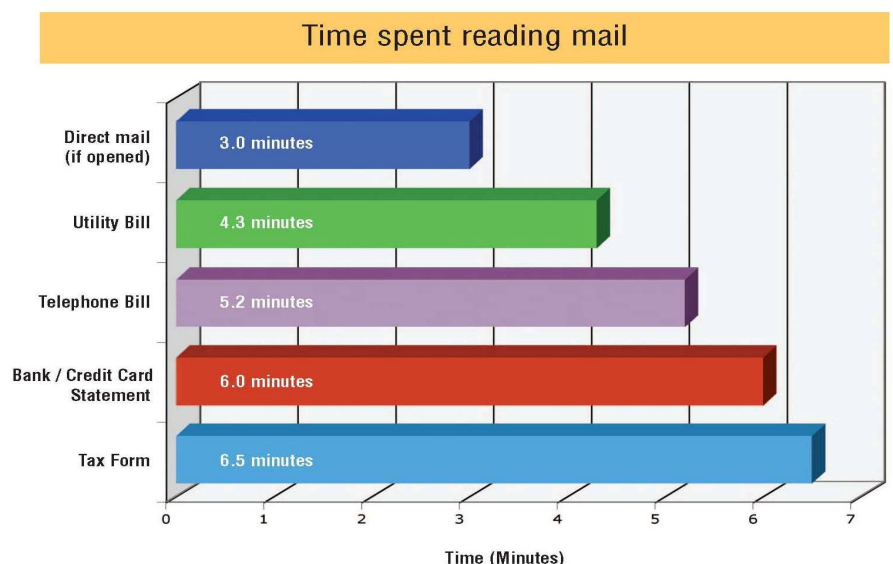
TRM is not a sporadic one-off marketing event, but an ongoing relationship of engagement between the marketer and the customer. That relationship can be used to build brands, to cross sell and upsell, to extend the lifetime customer value. Compelling stuff, and part of the reason why TRM is sending strong messages to the advertising community. TRM consistently generates strong results, through its use of personalised graphic imagery. For example, the telephone bill has now become a unique sales document for each individual. The digital colour printers can superimpose distinct images on each bill, with no change in speed, and at a quality that is acceptable to the recipient. There are no longer any technology barriers, either hardware or software, and at the same time database management has reached the bar.

TRM is of course media independent. It is primarily used for paper documents, but can be applied equally to electronic documents.

And within an electronic document TRM can be interactive, with hyperlinks. For instance the 3 Mobile company uses hyperlinks in its electronic bills at various points. One takes the user to 'my page', one to the bills details page, one to 3s own webpage.

TRM advocates also promote the green benefits of TRM, these being that on contrast to direct mail which has a wastage rate of 98 per cent, on a good day, TRM has no waste, and there is no use of extra paper, inks, energy, water, fuels to deliver the direct mail, and no landfill.

The convergence of technology, both hardware and software, and the advances in databases, means that there is a new land of opportunity for printers who are willing to move into TRM. And as the examples of Bunings (PTO) show TRM is not just for the ultra-high volume Telstras and NABs of this world, many many businesses and organisations can benefit from TRM.

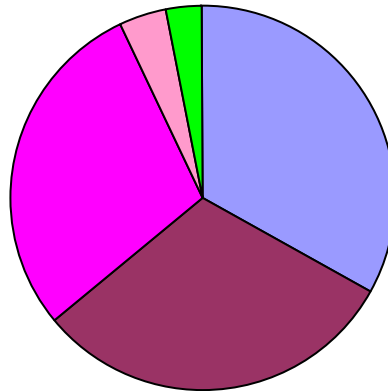


TRM in practice Bunnings & Makita

This convergence of technology is proving a win-win-win situation. For instance Bunnings hardware stores have recently started using TRM. Typically they will sell space on their tradesmen invoices to the suppliers. So in one case Makita Drills buys space to advertise an offer on a drill they were having. The cash that Makita pays Bunnings pays for the invoices to be produced, so Bunnings wins by cutting out a cost. Makita wins by having its promotion landing on the desk of the people that matters to it, tradesmen who buy their products at Bunnings, and who will be looking carefully through their Bunnings invoice to make sure it is correct, so giving Makita maximum exposure time. And the print service provider wins because price is not the key issue in providing this service, as Bunnings itself is not paying for it because its supplier, in this case Makita is, and to them the cost of such direct connection is relatively very low. So Bunnings wins with a cost elimination, Makita wins with advertising.



WHERE MAILED BILLS ARE KEPT BEFORE PAYMENT



- 33% - On Display (Fridge Noticeboard)
- 31% - In a file
- 29% - In a pile
- 4% - In a handbag/briefcase
- 3% - Other

STAFF PROFILE

Our first staff profile for 2008 is Jon Grosse. Jon works for LPG and looks after estimating. During the course of 2008 we will profile various staff members from the LPG team to let everyone know the levels of experience at the group.

Jon Grosse born in England in Sept 1953, moved to Australia when he was 10, and has been here ever since.

Educated at Granville Boys High, he began his printing apprenticeship at Flame Printing when he was 17. This was followed by 7 years at Chisholm Press (Woolworths), 8 years at John Sands and 2 years at Candida Envelopes. Jon then started with Leigh Mardon who merged with CRC Computer Recourses who then merged with Moore Business Systems. There goes another 10 years. Jon then started with Lamson's for the first time. Two years later, after the Kalamazoo crash, he went to Snap Printing for 18 months and then Planet Press for 6 weeks. Jon then worked with J.S. Mc Millan's for 2 years and finally (hopefully) back to Lamson's for good. Jon started estimating and customer service with Leigh Mardon and has been doing it ever since.

In that time he became the husband of Margaret & father of 3 kids, Tim 23, Ben 21 & Kate 19. He moved from Doonside to Glenbrook (Blue Mountains) 15 years ago. Hobbies vary between playing Golf, playing Guitar (both badly) & Mountain Bike Riding. Ambitions are to do a decent bike ride (5 days or more), play guitar so the kids don't complain and travel more.

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