

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF
AISOP WITNESS RICHARD SMITH
TO INTERROGATORIES OF
NEWSPAPER ASSOCIATION OF AMERICA
(NAA/AISOP-T1-1-9)

Communications with respect to this document may be sent to:

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June 30, 2000

AISOP WITNESS SMITH RESPONSES TO NAA

NAA/AISOP-T1-1. Other the 35,000 households that receive your ads weekly, how many are your customers?

RESPONSE:

I do not know.

AISOP WITNESS SMITH RESPONSES TO NAA

NAA/AISOP-T1-2. Is the shopper that you use mailed? Is a private delivery shopper available in your area? What factors would determine whether you would use it?

RESPONSE:

I use two shoppers, *The Yankee Trader* and *Pennysaver News*, that have both been in the mail for a long time. There is a private delivery paper available in my area called *This Week*. *This Week* is different from the mailed shoppers I use in that it is a full tabloid size paper and has fewer pages of local and consumer placed advertising than the mailed shoppers I use. *This Week* is primarily a vessel used to deliver large inserts and circulars. It is full of multi-page ads with an emphasis on the big grocery stores.

Factors that would determine whether or not I would ever consider using a private delivery shopper include the following:

1. Does the paper have good readership and a local focus?
2. What are the other kinds of ads that appear in the paper or, in other words, what kind of company would my store be keeping? Are there local businesses like mine or would my ad be lost among large stores' ads?
3. What is the price?
4. How reliable is the delivery?

Are there problems with delivery?

How do I know that the papers are not thrown away or that the deliveries are made in a way that angers consumers?

5. What kind of sales support and customer service does the shopper offer?

AISOP WITNESS SMITH RESPONSES TO NAA

NAA/AISOP-T1-3. What proportion of your advertising is delivered through pound-rated ECR mail?

RESPONSE:

I do not know.

AISOP WITNESS SMITH RESPONSES TO NAA

NAA/AISOP-T1-4. Have the prices that you pay for advertising delivery risen, declined, or stayed the same since July 1996?

RESPONSE:

I have no specific recollection about July, 1996, but can say that in general for the past three or four years my prices have remained the same in both papers I use.

AISOP WITNESS SMITH RESPONSES TO NAA

NAA/AISOP-T1-5. Please refer to page 3 of your testimony. You seem to say that you keep your profit margins “low” deliberately and do not attempt to maximize your profit. Is that your business practice?

RESPONSE:

We keep our margins low to be competitive. It is our business practice to be competitive.

AI SOP WITNESS SMITH RESPONSES TO NAA

NAA/AISOP-T1-6. Please refer to page 3 of your testimony. You say you have experimented with radio, cable, television, and larger daily newspapers. Have you also experimented with smaller daily newspapers, or local community weekly newspapers?

RESPONSE:

Several years ago, the daily newspaper that serves our community, *Newsday*, had a deal where they tried a local section of the paper that was offered to local businesses on a zoned basis. My store tried it. The paper would do a special edition with a local section of approximately 10-12 pages, that went to approximately 50,000 homes, once a week. It did not work well for our store and I believe it did not work well for *Newsday* as I understand the program was discontinued.

There is a local weekly paper in our area, *The Port Jefferson Times Record*, that I have used for advertising. I like the paper as it has local, community-based news, and I have tried it for my store. Unfortunately, I do not get a good, cost-effective response in this paper. I believe this is because people look at the mailed shopper to shop and that they look at *The Port Jefferson Times Record* to read local news.

I still use this paper on an occasional basis but it does not work for my business. My business needs to have a regular, read, and cost-effective advertising program.

AI SOP WITNESS SMITH RESPONSES TO NAA

NAA/AISOP-T1-7. If the particular large daily newspaper in your market offered 1) to lower its ad rates; 2) to zone your advertising to an individual (or multiple) zip code(s); and 3) use a newspaper shopper to cover all the households in the targeted zips, would you consider switching to the newspaper advertising program?

RESPONSE:

See my answer to NAA/AISOP-T1-6.

I would consider anything, but given my prior experience with the efforts of the daily newspaper for my market to offer zoned coverage for small business, I would be skeptical. Certainly, I would compare prices, coverage areas, and the reliability of delivery to all households in my store's market area of a newspaper program with my current advertising programs.

A lot would depend on how this new offering was communicated to me. In the past, I have received excellent sales support and service from the sales reps that work for the mailed free papers. At the present time, my Pennysaver rep is not only an excellent salesperson but a good customer of my store. Every week, she takes responsibility for checking the proof for our ad, takes care of getting the proof back to the paper, and makes our advertising purchase simple and pleasant. In my prior experience in dealing with a large daily newspaper, our store was not treated like a valued customer. How the new program was offered, and the customer support we would be given, would be factors I would consider before I would switch advertising out of either of the mailed free papers I currently use.

AISOP WITNESS SMITH RESPONSES TO NAA

NAA/AISOP-T1-8. Please refer to page 4 of your testimony. There you say that the last time your mailer experienced a sizeable rate hike was in 1995. How do you know that? Do you know what the rate hike was?

RESPONSE:

I know that the last time I experienced a sizeable rate hike in the advertising rates I pay was approximately five years ago. Both of the papers I use, *The Yankee Trader* and *Pennysaver News*, raised their prices at approximately the same time. Both papers told me that the reason for the large rate increase was due to an increase in postal costs. I do not remember if I was told what the postal rate increase was.

AI SOP WITNESS SMITH RESPONSES TO NAA

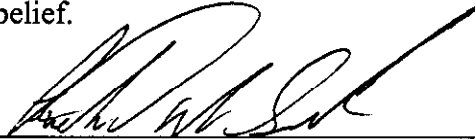
NAA/AISOP-T1-9. As a small business, do you believe that large businesses should pay less than small businesses for the same postal service?

RESPONSE:

I do not believe that the Postal Service, or the Postal Rate Commission, should set its prices based on the size of the Postal Service customer. It should not make a difference whether the customer is a large business or a small business. However, it is my testimony that small businesses like mine are more likely to need the services of mailers that operate regular mail programs, like a weekly free paper, or other mailers like locally focused coupon envelope programs. The costs small businesses like mine pay for advertising are based, in part, on the rates our mailers pay. I understand that local mailers we use, like the mailed free shopper, prepare their papers efficiently, bring them to the local post office on a predictable and regular schedule, and that all the Postal Service needs to do is deliver the papers to the home. It is my testimony that these papers are beneficial to small business and welcome to consumers. I also have to think that in these days where the Postal Service is losing business to the internet that advertising mail like this is good for the Postal Service. I believe that these mailed advertising programs, whether they are owned by large businesses or small businesses, should get postal rates that reflect the minimal amount of handling of these papers and competitive conditions for the delivery of advertising.

DECLARATION

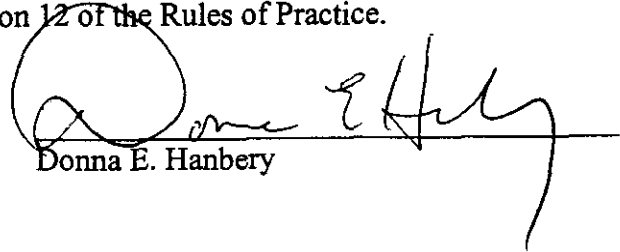
I, Richard Smith, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information and belief.


Richard Smith

June 27, 2000

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


Donna E. Hanbery

June 30, 2000