

Postcom-RT RECEIVED

AUG 14 2 51 PM '00

POSTAL RATE AND FEE CHANGES  
OFFICE OF THE SECRETARY

**BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001**

**POSTAL RATE AND FEE CHANGES, 2000**

**Docket No. R2000-1**

**REBUTTAL TESTIMONY OF S. SCOTT HARDING  
ON BEHALF OF THE ASSOCIATION FOR POSTAL COMMERCE**

Communications regarding this document should be served on

Ian D. Volner  
N. Frank Wiggins  
Venable, Baetjer, Howard & Civiletti, LLP  
1201 New York Avenue, N.W.  
Suite 1000  
Washington, DC 20005-3917

Dated: August 14, 2000

1     **AUTOBIOGRAPHICAL SKETCH**

2             My name is Scott Harding and I am Chairman/CEO of Newspaper  
3     Services of America (NSA). I am on the Board of Directors for the Audit Bureau  
4     of Circulation (ABC), a non-profit organization that works with Advertisers and  
5     publishers. Prior to founding NSA, I was with Sears, Roebuck and Co for 22  
6     years and spent several years managing Sears National Advertising Group.

7             NSA was founded in 1991 as a company dedicated to print media services  
8     to retail and national advertisers. Our mission is to provide our clients with the  
9     most efficient and effective print media buy. We negotiate with over 7800  
10    suppliers including newspapers, TMC, Advo, Penny Savers and others. Our  
11    client base includes the largest retailers, i.e. Sears and Kmart to specialty  
12    retailers such as Home Depot. Included also is BMW, Toys R Us, and Walgreens  
13    and many regional advertisers. We currently are responsible for over \$3 billion of  
14    media and production and placed over 19 billion insertions into newspapers. Our  
15    focus is not that the advertiser spend their money with newspapers, but that  
16    advertisers invest their advertising dollars appropriately. Our interest is that our  
17    clients are competitive in the market place and improve sales.

18

19    **PURPOSE**

20            The following is in rebuttal to Mr. William Tye's testimony for the NAA.  
21    The purpose of my testimony is to present an objective opinion on the impact of  
22    the proposed ECR pound rate and newspaper print distribution. And, specifically,  
23    to dispel Mr. Tye's testimony of a "significant shift of advertising from newspapers

1 to ECR mail over the last five years” and the purported harm to newspapers as a  
2 result of the ECR rate.

3

4 **TESTIMONY**

5 Let me begin by stating that over 90% of the print media we place is with  
6 newspapers. So my intent today is to present facts from the advertisers  
7 perspective. All advertisers are faced with the question of what is the best  
8 method to reach customers. The media of choice is based on several factors  
9 including budget, marketing direction, customer and store locations and customer  
10 profile of media usage. Newspapers currently provide mass distribution and  
11 further enhance distribution by reaching non-subscribers through TMC programs.

12

13 **MEDIA PLANNING FROM THE CLIENT'S PERSPECTIVE**

14 The use of the various media options (broadcast, out of home, direct mail,  
15 newspaper, mass mailing, etc.) is directed by the marketing communications  
16 objectives of the individual client. Each utilizes the available media options they  
17 feel most likely to achieve their business objectives at an efficient cost.

18 The costs of each of these media options are weighed against the ability  
19 of the individual medium to reach the Client's targeted customers most effectively  
20 and efficiently with the appropriate message. Most Clients utilize a mix of the  
21 available media as each medium offers different core advantages. Thus, the  
22 decision-making process for most clients once they have determined that print  
23 presents a viable option for them includes many elements.

1    Creative/Message Issues

2           What kind of print message is most appropriate? Are preprints -- free  
3   standing inserts or FSIs -- needed to communicate the breadth of assortment  
4   and price information? Mass merchants often utilize FSIs as they meet this  
5   objective at an efficient cost. As discussed below, FSIs are used with all print  
6   media distribution channel.

7  
8    Distribution/Carrier Issues

9           Most Clients have already established media objectives and standards. It  
10   is our job to help identify the most effective and efficient media options that  
11   address the Client's objectives.

12          The nature of the Client's business is the most impactfull element of their  
13   media objectives. Some formats (hardware, drug stores, food stores) draw  
14   customers from a limited geographic area. Often they limit their print media  
15   coverage objectives to 3 to 5 miles from their location. These formats are also  
16   more likely to seek high coverage within this limited geographic area; sometimes  
17   seeking "saturation" levels.

18          Other client formats (such as Discounter/General Merchandise/  
19   Department Stores) require larger geographic markets to reach their business  
20   objectives. Generally speaking, these clients seek higher coverage areas closer  
21   to their stores and accept lower coverage levels in the outer reaches of the  
22   market area they have defined for an individual store, usually based on  
23   measured customer response.

1

2 UTILIZING A COMBINATION OF PRINT MEDIA DISTRIBUTION OPTIONS

3 We consider all print media distribution options (newspaper inserts,  
4 newspaper TMC products, Mass mailing carriers, alternate distribution carriers)  
5 that are consistent with the Client's stated media objectives when completing our  
6 media analysis and delivering our recommendations to our Client.

7 We frequently include a mix of the print options in our recommendations,  
8 as multiple media are often needed to reach our Client's objectives. The  
9 utilization of the mix of print media options for our Clients has remained relatively  
10 stable over the past 5 years.

11

12 MARKETPLACE/COMPETITIVE ISSUES

13 We believe that the public interest is best served by the availability of  
14 viable media options for Client's to utilize based on their unique business formats  
15 and marketing communications objectives.

16 Competitive pricing is one element of the decision making process  
17 impacting the utilization of one option as opposed to another alternative. The  
18 current costing scenario places clients that utilize larger, heavier preprints at a  
19 disadvantage as they seek options to most newspaper insertion costs. While  
20 most clients may still chose to utilize newspapers as their primary advertising  
21 carrier, they find it expensive to supplement the newspaper's distribution shortfall  
22 with a mailed product alternative.

1           Newspapers have begun offering a Total Market Coverage (TMC) product  
2 in some markets. The TMC typically reaches non-subscriber households within  
3 portions of their market to achieve a "saturation" distribution. TMCs are generally  
4 distributed one time per week and utilize either alternate delivery or the USPS to  
5 deliver their product. In most cases the advertising is not accompanied by  
6 extensive "editorial" content. The TMC product is a direct competitor to other  
7 mass mailing and alternate distribution options.

8           Because the TMC is developed by the individual newspaper, the  
9 availability of their TMC may not coincide with the coverage objectives of our  
10 client.

11

## 12   **CONCLUSION**

13           We support all activities that offer our clients affordable, efficient print  
14 media options and endorse efforts on the part of anyone to make the "playing  
15 field" more competitive.

16           We do not agree with Mr. Tye's statement of a "significant shift of preprint  
17 advertising over the past 5 years." As I have stated, our experience has shown  
18 that the mix of distribution options has remained relatively stable. This means  
19 that if advertisers use heavier and larger preprints, they typically are distributed  
20 via newspapers.

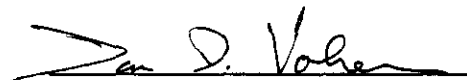
21           While we are client advocates and remain objective to all print  
22 alternatives, we feel that advertisers are best served by a market place of  
23 choices. We believe a reduced pound rate will give the retail industry a

1 competitive choice. Retailers are in a highly competitive market and extremely  
2 cost conscious, any action to reduce costs will give far reaching benefits to all  
3 consumers.

4 We encourage alternative methods of distribution, and believe that the  
5 proposed lower rate will not divert advertising from newspapers, but provides a  
6 competitive alternative of media. We support all activities that offer our clients  
7 affordable, efficient print media options and endorse efforts on the part of anyone  
8 to make the "playing field" more competitive.

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with Section 12 of the rules of practice.

  
Ian D. Volner