

Before The  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

Rate and Service Changes to Implement )  
Functionally Equivalent Negotiated Service )  
Agreement with Bank One Corporation )

Docket No. MC2004-3

OFFICE OF THE CONSUMER ADVOCATE  
INTERROGATORIES TO BANK ONE CORPORATION  
WITNESS LAWRENCE G. BUC (OCA/BOC-T2-1 -5)  
August 4, 2004

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Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests for production of documents. Instructions included with OCA interrogatories OCA/BOC-T1-1-10, dated June 28, 2004, are hereby incorporated by reference.

Respectfully submitted,

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OCA/BOC-T2-1. Please refer to your testimony at 2, lines 18-20, where you discuss the construction of a heuristic model based on the fundamental economics of marketing decisions. Please confirm that your model does not project an overall level of mailings but, rather, determines how a given level of mailings could be split between First-Class and Standard Mail based on incentive discounts.

OCA/BOC-T2-2. Outside of information presented in your testimony, have you developed a volume estimate for the combination of Bank One's Standard Mail and First-Class Mail solicitation pieces?

- a. For the first year of the NSA?
- b. For the second year of the NSA?
- c. For the third year of the NSA?
- d. If you have developed the requested estimates (a. through c.), please provide them. Please discuss all factors that drive the projections.
- e. If you have not developed estimates a. through c., please explain why not.
- f. To your knowledge, has any individual developed estimates a. through c. If so, who is the individual (or individuals)? Please obtain such estimates from the identified individual(s) and provide them. (Part f. of this interrogatory may be redirected to witness Rappaport, if appropriate).

OCA/BOC-T2-3. Please refer to your testimony at page 3, lines 20 through 22. You project response rates for Standard Mail between 0.1 percent and 0.7 percent, with 0.4 percent as the average response rate for credit card solicitation.

- a. What is the response rate specifically applicable for Bank One?

b. What is the lift specifically applicable for Bank One?

OCA/BOC-T2-4. On page 4, you discuss the lifetime value of a customer.

- a. Please confirm that in your Attachment 1, line 9, you have provided the “Net Present Value – Lifetime Value,” for Bank One, of \$102.43. If you do not confirm, please explain why not and give the correct figure.
- b. Also confirm that \$102.43 is the lifetime value of a Bank One customer, as discussed on page 4 of your testimony. If you do not confirm, then explain why not.
- c. Assuming that the lifetime value is \$102.43, please incorporate the appropriate lift and response rates specifically applicable to Bank One (not generic) into your model. Use your model to project a specific First-Class Mail solicitation letter estimate of the number of additional First-Class mail pieces that Bank One will mail. Please provide these estimates for both the simple version and for the subsequent normal and uniform distribution cases.
- d. Please provide simulations and/or projections as applicable.
- e. Please identify in your model (or use your model to estimate) the gross increase in revenue to the Postal Service; the decrease in Standard Mail revenue; and the net increase in revenue to the Postal Service. Please provide these figures for both the simple version and for the subsequent normal and uniform distribution cases.
- f. Please discuss in detail any exogenous factors to your model that would cause these projections to vary substantially in their results.

OCA/BOC-T2-5. At page 11 of your testimony, you report the results for Monte Carlo simulations for variations in the response-rate lifts and the distribution of individuals across response rates and lifetime values.

- a. On what type of Bank One-imposed credit requirements and standards are these simulations based?
- b. How would the simulations change if Bank One's credit standards changed?  
Please give examples and discuss.