

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

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**RATE AND SERVICE CHANGES TO  
IMPLEMENT BASELINE NEGOTIATED  
SERVICE AGREEMENT WITH BOOKSPAN**

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**DOCKET NO. MC2005-3**

**RESPONSE OF WITNESS POSCH TO INTERROGATORIES OF THE OFFICE  
OF THE CONSUMER ADVOCATE  
(OCA/BOOKSPAN-T1-1 -3)**

**(August 30, 2005)**

Bookspan hereby provides the response of Witness Posch to Office of the Consumer Advocate interrogatories OCA/BOOKSPAN-T1-1 through OCA/BOOKSPAN-T1-3, filed August 15, 2005. Each interrogatory is stated verbatim and followed by the response. The response to OCA/BOOKSPAN-T1-4 will be provided under seal.

Respectfully submitted,

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THE OFFICE OF THE CONSUMER ADVOCATE

OCA/BOOKSPAN-T1-1. Please refer to your testimony at page 2, lines 2-5. How widespread is the existence of the “massive multiplier effect” in the direct mail industry? Please explain. What percent of the direct mail industry generates business for the Postal Service through a massive multiplier effect.? Please explain.

Response:

There is essentially only one category of marketer that produces this "massive multiplier effect"—clubs that operate pursuant to the Federal Trade Commission's Negative Option Rule. See 16 C.F.R. § 425.1. Bookspan's business is conducted in accordance with this rule. Consequently, Bookspan must, at least 12 times a year (and usually 18), mail to its members an announcement providing them with the opportunity to decline that month's selection. If the customer does not decline the selection, it will be mailed.

This business model is different from "continuity plans," wherein the customer pays up front, usually by credit card, and is sent a product at intervals throughout the length of the program. Bookspan, like all negative option businesses, is prohibited from charging for its selections in advance. Its customers usually pay for selections by personal check sent through the mail. This stream of announcements, notices, selections, and payments, all required by the FTC's Negative Option Rule, adds up to the 50-60 pieces of mail each customer generates per year, as shown in my response to OCA/BOOKSPAN-T1-2.

Examples of negative option marketers include other "club" businesses (beer, fruit, wine, music, etc.). I have no statistics on the percentage of the direct mail industry that generates a multiplier effect for the Postal Service.

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OCA/BOOKSPAN-T1-2. Please refer to your testimony at page 4, lines 6-7, where it states "One BOOKSPAN solicitation generates anywhere from 50 to 60 mailpieces for each member that is successfully recruited."

- a. Please confirm that the 50 or 60 mailpieces are generated over the course of one year. If you do not confirm, please explain.
- b. Does BOOKSPAN pay (or affix) the postage for the 50 or 60 mailpieces generated for each member that is successfully recruited? Please explain, and give examples of mailpieces where the member typically pays postage.
- c. How many solicitations are required to generate one new member? Please explain.

Response:

- a. Confirmed. The figure is an estimate based on my general experience. The actual number may vary in individual cases.
- b. Please see the flow chart below.

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The following types of mailpieces referenced in the flowchart have postage paid by the club member:

- Responses to Bookspan's announcements of the main selection declining the main selection
- Catalog orders
- Payments for books received
- "Inbound" correspondence

For the remainder of the mail described in the flow chart, Bookspan pays postage to the Postal Service.

- c. We assume the question inquires as to how many new member solicitations an individual receives before he or she becomes a BOOKSPAN member. BOOKSPAN

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does not track that information. If the question inquires generally as to our response rates, results vary by campaign and are proprietary and confidential. The typical response rate in the direct marketing industry is 2%. So, for every one hundred new member solicitations we send, we would hope for two membership applications to be returned. What a direct mail response rate will be for a particular campaign depends on many factors. Some examples of these factors include the day of the week on which the solicitation was received, time of year, current events, economy, previous experiences, the actual offer, the cost of product, etc.

OCA/BOOKSPAN-T1-3. Please refer to your testimony at page 4, lines 13-23, and page 5, at lines 1-20, which itemizes a. through k., the mailstream a typical member generates over the course of one year. Please allocate the 50 or 60 mailpieces generated by the typical member to items a. through k.

Response:

Please see the flowchart provided in response to OCA/BOOKSPAN-T1-2(b). As I explained in response to OCA/BOOKSPAN-T1-2(a) above, the actual numbers vary in individual cases. For example, consider Inbound and Outbound Correspondence. Our club members write to Bookspan for a wide variety of reasons, and Bookspan's Customer Service responds to each letter by First Class mail. Bookspan's Customer Service has several hundred different form letters that assist in generating a customer-specific response.