

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

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

DOCKET NO. MC2005-3

**RESPONSE OF WITNESS EPP TO INTERROGATORIES OF THE OFFICE OF
THE CONSUMER ADVOCATE
(OCA/BOOKSPAN-T2-14 – 16)**

(September 21, 2005)

Bookspan hereby provides the response of Witness Epp to Office of the Consumer Advocate interrogatories OCA/BOOKSPAN-T2-14, OCA/BOOKSPAN-T2-15 and OCA/BOOKSPAN-T2-16) filed September 7, 2005. Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

Ian D. Volner
Rita L. Brickman
Matthew D. Field
Venable LLP
575 7th Street, NW
Washington, DC 20004-1601
(202) 344-4814
idvolner@venable.com
Counsel to Bookspan

RESPONSE OF BOOKSPAN WITNESS EPP TO INTERROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/BOOKSPAN-T2-14. The proposed NSA is based on the concept that the offering of a postage discount will cause Bookspan to generate more mail. Please quantify how the expected discount is related to expected costs, expected revenues, response rates, and profitability.

- (a) Please show the profitability of a mailing without a discount.
- (b) Please show the profitability of a mailing with a discount.
- (c) Please show how obtaining a discount moves a mailing from being unprofitable to being profitable.

Response:

I assume the questions inquire about New Member mailings. Costs, revenues, response rates and expected profitability vary significantly from mailing to mailing, and within a mailing, they vary by list, offer and format used. Therefore, I can respond to this question only by illustrative example. The numbers provided in the following illustrative example do not reflect averages. Also, please see my testimony at pages 7-8.

- (a) Assume a mailing has a total cost per thousand of \$420. Postage accounts for about \$200 of this. The remainder of the costs are for list costs, paper, printing and processing. Assuming a response rate of 1%, the cost of acquiring one customer is \$42. If the expected value per customer is \$42, this mailing would have an expected profitability of zero.
- (b) Assume the same mailing with a postage discount of 2 cents per piece (or \$20 per thousand pieces). The total cost per thousand would go down to \$400. With the stated response rate, the cost per customer would now be \$40. With the expected

RESPONSE OF BOOKSPAN WITNESS EPP TO INTERROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

value at \$42, the resulting profitability would be \$2, or 5% of the cost per customer. (c) In the above example, obtaining the discount would make the mailing profitable.

RESPONSE OF BOOKSPAN WITNESS EPP TO INTERROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/BOOKSPAN-T2-15. Please refer to your response to interrogatory

OCA/Bookspan-T2-4. The second sentence in the response appears to have a word missing. If this is not the case, please reconcile the first two sentences of the response, which appear to be contradictory.

Response:

The second sentence in the response is corrected as follows:

"Therefore, there is no planning for a marketing budget to be applied to telemarketing campaigns for FY 2006 – 2008."

RESPONSE OF BOOKSPAN WITNESS EPP TO INTERROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/BOOKSPAN-T2-16. Please refer to your response to interrogatory OCA/Bookspan-T2-2(a), in which you state at the bottom of the page, “[T]hat portion of Bookspan’s 2004 marketing budget that had been previously dedicated to telemarketing campaigns was applied to direct mail letter size campaigns.” Is it generally correct that, even without an NSA, Bookspan will take similar actions in the future, *i.e.*, spend more on direct mail marketing than previously because of the inability to market using telephone solicitations? In other words, will sums that were formerly expended on telephone solicitations be diverted to direct mail? Please provide separate answers for each of 2005, 2006, 2007, and 2008.

In 2004 we moved a portion of the spending that was budgeted for telemarketing to direct mail, as I indicated in my response to OCA/Bookspan-T2-2(a). The budgets for 2005 and 2006 do not include any spending for telemarketing. Therefore, there is no money that can be diverted from telemarketing to direct mail.