

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

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Docket No. R97-1

POSTAL RATE AND FEE CHANGES

RESPONSE OF
AISOP WITNESS GODFRED OTUTEYE
TO INTERROGATORIES OF
NEWSPAPER ASSOCIATION OF AMERICA
(NAA/AISOP-T1-1-8)

Communications with respect to this document may be sent to:

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OWNERS AND PROFESSIONALS

February 5, 1998

AISOP WITNESS OTUTEYE RESPONSES TO NAA

NAA/AISOP-T1-1. For the most recent fiscal year, please provide the following data on the Standard A mailings of your company. (If precise data are not available, estimates can be provided.)

- a. What was the total volume of Standard A mail for the most recent fiscal year?
- b. What percentage of your volumes were shared mail packages versus solo mail advertising?
- c. What percentage of your shared mail packages qualified for the letter rate?
- d. What was the average weight of your shared mail packages?
- e. What percentage of your shared mail packages were dropshipped to:
 - i. the destination BMC,
 - ii. the destination SCF, and
 - iii. the destination delivery unit.
- f. What percentage of your shared mail packages were entered at the saturation rate?
- g. What percentage of your shared mail packages were entered at the high density rate?
- h. What percentage of your total mailings were entered at the pound rate?
- i. What percentage of your total mailings, if any, qualified for Standard A Non-Profit rates?
- j. What percentage of your total mailings were entered as Standard A Regular (non-ECR) mail?

- a. 90,626,404
- b. Approximately 97.5% shared mail, 2.5% solo
- c. All of our shared mail packages are letter size but mail entered at the pound rate does not qualify for the letter rate. See answer to 1h.
- d. .1757 pounds

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- e.
 - i. less than 1%
 - ii. approximately 30%
 - iii. less than 1%
- f. Approximately 80%
- g. Approximately 15%
- h. Approximately 20.3%
- i. None
- j. Less than 1%

AISOP WITNESS OTUTEYE RESPONSES TO NAA

NAA/AISOP-T1-2. Please list Money Mailers' principal competitors in its shared mail coupon business. Please indicate which of these competitors rely on the Postal Service to deliver their product.

Our principal competitors include:

1. Daily newspapers with classified ads and free-standing inserts.
2. Weekly, community, and specialty newspapers with display ads, classified ads, and free-standing inserts.
3. Shoppers and flyers delivered door-to-door.
4. National and regional direct mail advertising programs including, Val-Pak, SuperCoups, United Coupon, and Advo. These companies rely on the Postal Service to deliver their product.
5. Yellow Pages and directories.
6. Coupon magazines and coupon booklets published by a variety of small, local companies. Some of these may rely on the Postal Service to deliver their product.

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NAA/AISOP-T1-3. Please list Money Mailers' principal competitors in its solo mail advertising services. Please indicate which of these competitors rely on the Postal Service to deliver their advertising product.

Our principal competitors in the delivery of solo mail advertising services are generally local companies with a direct mail or letter shop business. Val Pak also operates a solo mail business. Companies offering solo mail advertising services rely on the Postal Service to deliver their advertising product.

AISOP WITNESS OTUTEYE RESPONSES TO NAA

NAA/AISOP-T1-4. Please list Money Mailers' principal competitors in its program targeted to new movers. Please indicate which of these competitors rely on the Postal Service to delivery[sic] their product.

The principal competitors of our new mover program are Welcome Wagon, Getting To Know You, and regional telephone companies. Most of these businesses do not rely on the Postal Service to deliver their product.

AISOP WITNESS OTUTEYE RESPONSES TO NAA

NAA/AISOP-T1-5. Please refer to your testimony at page 8-9. Did factors other than postal rates, such as increases in the prices of paper, contribute to the “big step backward for [your] company” in number of franchisees and mail volumes in 1995 and 1996? Please discuss.

Increases in paper prices did contribute to the reduction in franchisees and mail volumes for our company in 1995 and 1996. However, Money Mailer was able to negotiate with our paper suppliers and vendors to better control the timing and amount of these price increases. Money Mailer as the franchisor absorbed the cost of paper increases in its printing and mail preparation pricing structure and these prices were not passed on to our franchisees as additional costs. It is frustrating for us as a company that our largest vendor, the United States Postal Service, can increase prices in a way that is unpredictable and uncontrollable. The price increase of 1995 of more than 14% was passed on directly to our franchisees and had the biggest impact on their ability to stay in business and mail volumes.

AISOP WITNESS OTUTEYE RESPONSES TO NAA

NAA/AISOP-T1-6. Is it in your interest to maintain a viable alternative delivery option even if you do not choose to use it?

If the point of this question is to suggest that the rates for the United States Postal Service should be higher than they need to be to help or stimulate the economic viability of the alternate delivery business, we are not interested. It is our desire to have the United States Postal Service be an efficient and effective vendor at affordable prices.

AISOP WITNESS OTUTEYE RESPONSES TO NAA

NAA/AISOP-T1-7. Do you believe that your customers get a better response rate when their advertisements are mailed than when they are delivered with a newspaper?

This question cannot be accurately answered as written. You are asking me to make an apples and oranges type of comparison. The type of advertisement our customers deliver through Money Mailer is a geographically targeted, four color coupon. Most newspapers do not offer this same type of advertising service or product.

Absolute response rates do not mean anything, as such, in advertising. What matters is the return on investment to the advertiser, the response in relationship to the investment. Even in our own envelope, a home improvement contractor gets a very different response rate than a hamburger restaurant. Viewed this way, businesses advertise in the newspaper because they get an acceptable rate of return and businesses use direct mail because they get an acceptable rate of return. As discussed in my testimony, the turnkey, geographically targeted advertising service offered by Money Mailer to small business often gives local merchants their most affordable and most efficient buy for their advertising dollar. Ever increasing postage rates for the mail diminish the return of our advertisers on their investment and make it more difficult for small business to be able to afford to advertise.

AISOP WITNESS OTUTEYE RESPONSES TO NAA

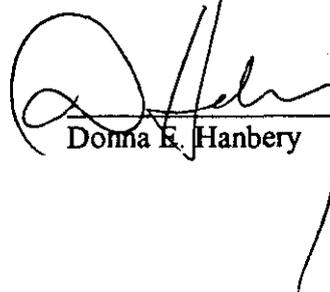
NAA/AISOP-T1-8. Are the prices that you charge customers usually more or less than the prices charged to them by newspapers?

Once again, this question cannot be meaningfully answered as written. (See my answer to NAA/AISOP-T1-7.) What matters is price per lead or price per order from the ad. Again, I believe businesses advertise where they do because they find these numbers acceptable. The home improvement contractor might be able to place a classified ad in a newspaper for one-tenth of the cost of a one-zone coupon in Money Mailer. A four-color insert delivered with the paper might cost the same contractor 10 times more than a Money Mailer coupon. Depending on the circulation, penetration, and readership of the paper, these newspaper advertising choices may, or may not, provide acceptable rates of return for the advertiser and be a meaningful, competitive choice for the business.

The point of my testimony remains that increases in postage prices raise the cost per lead for our clients and can have the affect of driving business away from us and the United States Postal Service.

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

February 5, 1998