

The UPS Store

Concerned Store Owner

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Stuart Mathis,

I opened my store in 2004. I chose to open my store because of the new branding, and what that meant to the consumers and community business owners we serve. I felt that any entity that UPS would put their name on was destined to succeed, and I wanted to be a part of the success. I knew that the shipping business was a growing market in our ever-changing economy.

When I learned that The UPS Store would become the premiere shipping center for UPS – handling 50% of the total volume, and that by 2007, it was projected that centers would expect annual gross sales of \$1Mil - the decision to purchase the franchise became easy. Everything I wanted all packaged with a clean/professional storefront, and with UPS's name on it. My thought was that this franchise couldn't fail. One, it had UPS standing behind it. Two, it had UPS standing behind it. Three, it had UPS standing behind it.....Four, I knew this business, and how to work with customers!

I didn't realize the difficult situation that the stores were facing until a customer compared my UPS Store pricing to UPS.Com. After doing a little personal research, I not only found that UPS.Com was *FAR* below our counter price, but that FedEx (Express & Ground) was at least 30% less, and that many of the area businesses that I had intended to attract as customers received better pricing direct from UPS than I could ever plan to offer. Following this, I started to track the "Drop-offs". The monthly volume of "Drops" was climbing at an alarming rate. I knew that my store was not performing as I had expected, so I increased advertising, targeted specific customer groups, and worked the business.... yet the profitability continues to sink.

Now, we were told at our last meeting that there is nothing we can do about the competition with UPS, and that the lost revenues, due to online shipping and bin drops, will not be recaptured. The FAC representative that I spoke with said that he/she sees no positive solution to what is otherwise a business that, under this model, has already plateaued, and is now going down. The FAC representative then suggested that we focus our core business attention towards the document services market. Basically, replace our lost shipping revenues with copies.

One, the name "UPS" is not known for copies – national marketing doesn't support it.....Two, many center owners do not know how to handle large files/PDF's/Font issues/Margin issues in MS Word/Color correction/What to do with a USB "pocket drive".....Three, when they do get the document/forms out – how to bind/pad or otherwise finish the job. This is no direct reflection on the owners, but a team is no better than its least experienced player.

If a business customer walks into a store in California that can't handle his/her copy job, do you think that when they arrive in New York for their next sales presentation, they will waste their time trying another UPS Store? No, they will probably go elsewhere. It's going to require a lot of serious training to get 5000+ stores proficient in document services. And, how many stores have the financial resources left in their checkbooks to acquire the necessary equipment/technology to get the jobs done?

For the past 10 years the document service industry has seen a steady decline. Groups that used our services on a weekly basis to produce their Sunday bulletins, now have their own copy & folding machines, and a growing number also have their own "Connected" color copiers.

Businesses that needed our services to produce manuals and training materials now do it themselves, or use PDF files & email to provide their information. Yes, document services is a niche, but it's a slowly dying niche.

We, as UPS Stores, are not going to pay the bills by making copies. It will help, but it will not solve the problem.

Now, Office Depot/Office Max/Staples, and even WalMart opened their doors competing for our shipping customers (Backed by UPS – the signs are all over the stores/in their print ads, as well as on their websites), as well as competing for the remaining niche of document service customers.

The UPS Store owners find themselves in a difficult position, and it is something that you and your fellow staff must be aware of:

It is royalties that provide the operating revenues that MBE requires to function. As the stores continue to struggle, and produce less revenue due to the direct competition by UPS, so too will the royalties be effected.

The store owners are already aware of the dwindling profitability, and the direct competition that we are facing. The real question is "When is MBE going to realize that we need help, and that the stores profitability is being rapidly eroded by UPS?" If your motivation is not to save an industry (The UPS Store), at least consider how this could effect the long term outlook of MBE and new store sales.

The emails suggesting an owners association are interesting, and should be thought through. I feel that we, the Store Owners already have an association, and that you, Stuart Mathis, are our representative, or "VOICE" in this situation. When are you going to speak out, and lead us to a profitable solution? The emails that are being circulated seem to have basis. The communication seems to be in agreement from coast-to-coast; "The Stores" are in trouble.

The store owners currently still own the keys to their stores, and manage/control what remains in their checkbooks. If they must choose between paying royalties, and feeding their families – I'll let you decide which you believe they will choose.

Under the current model, the store owners, as well as the staff of MBE should be concerned about the future of our business. You may respond, "Why don't I just sell my store?".... Is MBE, or any other investor willing to buy it under our current model?

Should you choose to respond, please do so in the form of a BLAST Email directed at all of the stores, as this letter has also been sent to all store owners.

I'm sure they would like to hear from you, and your outlook for our future.

Store owner -