Postal Regulatory Commission
Submitted 6/19/2008 12:00:00 PM
Filing ID: 60173
Accepted 6/19/2008

March 6, 2007

The Honorable James C. Miller III
Chairman, Board of Governors
US Postal Service
Washington, DC 20260-1000

Dear Chairman Miller,

The Vermont Teddy Bear Company is a multi-channel direct marketer of gifts. Best known for Vermont Teddy Bear, the only teddy bear still manufactured in America, we send customized teddy bears as BearGrams to help people celebrate special occasions. We've recently seen substantial growth from two new gift brands: PajamaGram launched in 2002, and Calyx Flowers acquired in 2003. Our direct response advertising spend is allocated to radio, television, print and direct online marketing, including email, online affiliate marketing, and organic and paid search. In addition, we mail 20 million catalogs a year principally for our two newer brands, PajamaGram and Calyx.

In 2006, our revenues were $73.8 million. Our EBITDA (cash operating income) was $6.3 million. The proposed 24% increase to our rates increases our annual postage from $3.8 to $4.7 million, a $910,000 increase eroding last year's profit by 14.4% assuming we mail the same number of catalogs. The most egregious impact of the recent pronouncement is the inability to plan appropriately and adjust given such short notice.

As a multi-channel marketer, we constantly assess the relative cost along with our ability to convert to determine an overall "ad cost" or ROI on spend in each channel. Because we are already efficient in terms of dimension, weight and co-mailing distribution, it is certain a postage increase of this magnitude will cause us to shift dollars to our other channels and we will mail significantly fewer catalogs. Our Company, along with the mail order industry as a whole, will accelerate the shift to an email contact strategy for existing catalog customers based on reduced ROI in the catalog channel. Because catalogers prospect for new customers progressively down to list segments projected to "breakeven", a level beyond which the cost of mailing can not be recovered based on projected response from the mailed segment, our reduction in prospecting circulation will be directly proportionate to the percent increase in postage cost.

Direct mail catalog is a complex business. I sincerely hope the parties considering postal rate increases will make an effort to fully understand the consequences of your actions to this industry that continues to play a major role in our consumer economy.

Sincerely,

Elisabeth B. Robert

Elisabeth Robert
CEO, The Vermont Teddy Bear Company

cc. Postmaster General Jack Potter, The Honorable Dan Blair.

6655 Shelburne Road • P.O. Box 965 • Shelburne, Vermont 05482
802.985.3001 Fax 802.985.1304
TO ORDER: 800.829.BEAR Vermontteddybear.com