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MARKETPLACE

Mail Boxes Etc. name change lifts sales but lowers profit

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By DAVID P. WILLIS
BUSINESS WRITER

Shipping is up at The UPS Store since the packing franchise's owner, delivery giant United Parcel Service, convinced more than 3,000 franchisees across the United States to change their name from Mail Boxes Etc. about a year ago.

For instance, the package volume through what is now The UPS Store grew 75 percent in December, the busiest time of the year, compared with December 2002.

Michael Caliendo and James Thomson, owners of The UPS Store franchise in the ShopRite Shopping Center on Route 34 in Wall, certainly have been busier since the name was changed.

"We saw the increase in volume almost immediately," Caliendo said. "People can relate to the name. There was more of a trust factor."

But while supportive of the name change and The UPS Store, some local franchisees have concerns: While revenue has increased with the added volume, profit has decreased because UPS lowered the prices that stores must charge for shipping. UPS rates through Mail Boxes Etc. were higher. "You have to work three to four times as hard," Thomson said.

Most of the Mail Boxes Etc. stores at the Jersey Shore converted to The UPS Store. There are 10 UPS Stores in Monmouth County and three in Ocean County. There is one Mail Boxes Etc. store in Freehold Township.

Besides shipping, The UPS Store sells office supplies and provides business services to consumers and small businesses. Those services include copying, binding, laminating, and renting mailboxes and computer time.

The re-branding, agreed to by about 90 percent of franchisees, gave Mail Boxes Etc. its first makeover since UPS purchased the chain for about \$191 million in March 2001.

"The UPS brand has proven to be very powerful on the store front," said Brandyn Jennings, a spokeswoman for The UPS Store. "Traditionally, the biggest visibility for the UPS brand was on the delivery vehicles."

But the change has not been without controversy.

A national alliance of about 200 Mail Boxes Etc. franchisees has filed lawsuits against Mail Boxes Etc. and UPS, accusing UPS of using high pressure and questionable sales tactics on store owners to convince them to change their stores' name.



THOMAS P. COSTELLO

Most Mail Boxes Etc. stores like this one on Route 35 in Wall, have changed their name to The UPS Store.

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"They are killing the name Mail Boxes Etc.," said Howard Spanier, a franchisee who owns a Mail Etc. center in Malibu, Calif., and is secretary and treasurer of the alliance.

Jennings would not comment on the lawsuit. "We believe that the claims are without merit," she

Nancy Engler and her brother, Michael Engler, who own franchises in Stafford and Lacey, agreed switch the name of their stores.

Nancy Engler said the shipping volume has "probably doubled," but profit has decreased.

"It would have been a bad move not to do what we did," she said, "but profit-wise, it is not great

Nancy Engler said they had to add one employee to each of their stores. "I think they have to ret what they are doing so it makes it more profitable for the centers," she said. "If you are not maki money that you were making before, something has to be done somewhere where it makes it mc profitable."

The UPS Store's Jennings said profitability varies from location to location. "We have been workin closely with the center owners to look at their profitability," Jennings said. "We have made a hugi change to our pricing model. It is going to take some time to really gauge how those changes imj profitability for each individual location."

Caliendo, co-owner of the Route 34 center in Wall, said his business has increased because of the change and the closure of a Mail Boxes store in Brick. Now he worries that a planned UPS Store ii will eat into his customer base.

"As the stores keep opening . . . we will be cannibalizing each other, forcing the profit to go dowr further," Caliendo said.

UPS is offering customers the option of paying online and printing mailing labels via the Internet, that pulls customers from The UPS Store, he said. Instead of paying for shipping at the store, sor people just drop off packages. "All I see is the back of their head as they walk out our store," Cal said.

The UPS Store is in a growth mode. The company has added 300 nationwide since March 2003, a interest in franchise ownership has nearly doubled. By 2006, The UPS Store expects to have 5,00 centers, compared with 3,300 now.

Franchisees have protected territories, Jennings said. A new store would not be opened in an exis territory.

Satish Jindel, a Sewickley, Pa.-based shipping consultant, said UPS is trying to take customers av from the Postal Service.

"From the company point of view, they are looking at the long-term initiative to gain market shar bring customers into the door and generate business and revenues through other sources," he sa the store owners have a year or two-year time frame to assess the efforts of UPS, I think they wi a better feeling."

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