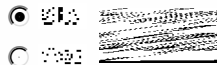




WOODBURY UNIVERSITY

Home | Home Delivery | Site Map | Archives | Print Edition | Advertis

Hi, pshoom

July 3, 2004

→ E-mail story Print a d

Member Services
LOGOUT

MARKETPLACE
classifieds and more

- Find a Job
- Find a Car
- Find a Home
- Find an Apartment
- More Classifieds

shopping center newspaper ads merchant ads

SoCal aZ find a business find a service

Find grocery coupons

lovalife find a date

PLACE AN AD

calendarlive.com

Art, Theater, Night Life
Movies, Music, TV, Dining

Business

- Advertising & Marketing
- Entertainment Business
- Money & Investing
- Taxes
- Technology
- Work & Careers
- More Topics

Business Tools

- Calculators
- Currency Converter
- Glossary
- Investor Center
- Key Interest Rates
- Legal Business Guide
- Legal Consumer Guide
- Money Library
- Money Talk Q&A
- Mutual Fund Profiles
- Press Releases
- Reports & Prospectuses
- Savings & Loan Rates
- Stock Quotes & Charts

Columnists

- James Flanigan
- Michael Hiltzik
- Kathy M. Kristof
- Tom Petruno

The World
The Nation

Brown Has Some Seeing Red

■ Some Mail Boxes Etc. franchisees have sued to keep from becoming UPS Store outlets.

By Dawn Wotapka, Times Staff Writer

Howard Spanier doesn't care what brown can do for him. He's content with the red, white and blue of his bustling Mail Boxes Etc. outlet in Malibu.

Shipping giant **United Parcel Service Inc.**, which bought the private postal chain in 2001, isn't renewing franchise licenses with the old company, and Spanier's expires in 2006. But he refuses to change colors. "It's just a fact that UPS is looking to control every aspect of my business," he said recently at the Mail Boxes Etc. outlet he has owned for 17 years. "I clearly, under no circumstances, will become a UPS store."

Spanier and about 150 fellow franchisees sued UPS in mid-2003. At a hearing July 16, they'll make their case before a Superior Court judge in Los Angeles who will decide whether their suit has merit and should go to trial.

They have a number of grievances, chiefly that they will lose millions of dollars in investments and potential profits if they're forced to change names and follow Atlanta-based UPS' rules for franchises, which they view as onerous. The suit asks for several hundred millions of dollars in damages and lost profits, setting no specific number.

Unhappy franchisees aren't uncommon when new owners announce their plans, said Sid Feltenstein, chairman of the International Franchise Assn. in Washington. Successful franchisees often need coddling before they'll support radical change, he said, adding that they're "evolutionaries rather than revolutionaries."

Many former Mail Boxes Etc. franchisees have no complaints. After Connie Cobb converted her La Crescenta shop to UPS in April 2003, she said the daily average volume climbed from 30 to 40 packages to 75 to 125.

"It's been an amazing journey," said Cobb, who owns the

Times Headlines

Venturing Close to Home

Tech Stocks Weigh Down Wall Street

Higher Gasoline Prices Seen on Horizon

Garamendi Hardens Stance on Anthem

Strike Threat Grows at Ports as Talks With Clerks Break Down

more >

TOP OF THE TIMES
Click here to sign up for the latest Los Angeles Times news delivered to your inbox.
Los Angeles Times | latimes.com

SUBSCRIBE to the Los Angeles Times.
click here

ARCHIVESACCESS
Click any related topic(s) below to access free abstracts of Archives articles.

FRANCHISES
UNITED PARCEL SERVICE FRANCHISES SUITS
UNITED PARCEL SERVICE SUITS

- California | Local Business**
- Politics | Election 2004**
- Sports**
- Travel**
- Editorials, Op-Ed Sections**
- Arts & Entertainment
- Books
- Chess
- Columns
- Education
- Environment
- Food
- Health
- Highway 1
- Home
- Kids' Reading Room
- Magazine
- Obituaries
- Outdoors
- Real Estate
- Religion
- Science & Medicine
- Style & Culture
- Sunday Opinion
- Technology
- Times Poll
- Corrections

Editions

- Print Edition
- National (PDF)
- Wireless

Extras

- College Connection
- Sweepstakes
- Crossword
- Horoscope
- Lottery
- Multimedia
- Traffic
- Weather
- Week in Focus

Archives

Enter Keyword(s):

go

Detailed Search
SITE MAP

Los Angeles Times

HOME DELIVERY

- Subscribe
- Manage My Account
- Gift Subscription
- College Discount
- Mail Subscriptions

IN THE COMMUNITY

- Times in Education
- Reading by 9
- LA Times Books
- Student Journalism
- LA Times Family Fund
- Times-Mirror Foundation
- LA Times Events

MEDIA CENTER CLICK HERE
About The Times

MARKETPLACE
classifieds and more

- Find a Job
- Find a Car
- Find a Home
- Find an Apartment
- More Classifieds

store with her daughter. "Having that corporate entity standing behind you is very meaningful."

In fact, more than 3,000 Mail Boxes Etc. owners in the U.S., about 90%, switched to UPS.

But about 400 have refused. "It's kind of like the Civil War," said Joe Wightman, owner of an 11-year-old Mail Boxes Etc. store in New York. "People who switched don't talk to those who didn't."

Wightman is in the anti-UPS camp. "They've damaged us and damaged our business, and they've damaged our future," he said.

The problems began in early 2003 with the launch of UPS Store. (Mail Boxes Etc. locations in other countries remain.)

The new parent company introduced strict rules: Shipping prices are standardized nationwide, and clerks wear brown or black shirts and name tags.

There's no dress code for Spanier's employees.

UPS checks to make sure franchisees are adhering through its secret-shopper program — critics call it Big Brother — and there are admonishments if someone is caught out of uniform or failing to offer "the UPS Solution," recommending that a customer ship by UPS rather than a competitor. Multiple transgressions can cost a franchisee his or her store, though the company stressed that that hasn't yet happened.

Beyond the rules, UPS' standardized pricing policy is a chief complaint: UPS Store's shipping rates are about 20% lower than average Mail Boxes Etc. rates. Steeper rents in some cities necessitate higher prices, the plaintiffs say.

"It's a matter of keeping the doors open," Spanier explained.

Because of reduced margins, some Mail Boxes Etc. franchisees say if they switch to UPS, they will have to do much more business to generate the same profit. Marsha Jeffer, who owns a Mail Boxes Etc. in Long Beach, said she would have to ship 10.6 additional UPS parcels each day.

"It's not as easy to generate as it may appear," she said.

Initially, UPS wondered which brand was more valuable. It tested three concepts in markets around the U.S., with some stores called Mail Boxes Etc., some UPS and some co-branded. At the UPS-only stores, the company said, shipping volume jumped an average 70%.

"The power of the UPS brand really drove more traffic," said Stuart Mathis, president of UPS' Mail Boxes Etc. subsidiary.

The lawsuit questions the test market results. M.D. Scully, the plaintiffs' lawyer, claims UPS withheld unfavorable numbers and ran a UPS advertising blitz in test markets to boost sales. Requests for retests and audits were denied, he said. UPS declined to comment.

The suit also targets as unfair the 2.5% of gross sales Mail Boxes Etc. franchisees pay to help fund national advertising. Since UPS bought the Mail Boxes Etc. chain, all the advertising has touted UPS. The plaintiffs contend that has cost them business.

Starting in July, the fee will no longer be collected, Mathis said.

"They're really not giving anything up by doing that," said Scully, who is with Gordon & Rees in San Diego. "They've destroyed the brand."

Enter phrase:

ProQuest Archiver



Sa
En

A

Lo
Cc
↑



C



Pe

- Place an Ad
- Newspaper Ads
- Grocery Coupons
- Personals
- Times Guides
- Recycler.com

Partners



According to Mathis, the UPS Store brand is a hit. Interest by potential franchisees has doubled since the rebranding, and the number of new stores opened from April 2003 to March 2004 was 300, twice the number in the same period a year earlier. What's more, he said, shipping volume has skyrocketed more than 100% in the last year.

Considering that, he said, there's no reason for the company to grant freedom.

"At some point in the near future, they're going to make a choice because we're going to have consistency," he said. "Not many franchises will be around long if they simply allowed their existing franchisees to become independent."

If you want other stories on this topic, search the Archives at latimes.com/archives.

TMSReprints

Article licensing and reprint options



Fin



T
Re

B
M

Tib
Ar



ADVERTISING SUPPLEMENT



Copyright 2004 Los Angeles Times
By visiting this site, you are agreeing to our [Privacy Policy](#)
[Terms of Service](#).