

BEFORE THE
POSTAL RATE COMMISSION
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POSTAL RATE AND FEE CHANGES, 2000

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DIRECT TESTIMONY
OF
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ON BEHALF OF
STAMPS.COM

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1 **Introduction**

2
3 My name is Leora E. Lawton. I am Director of Research at Informative,
4 Inc. in South San Francisco, California. For the last 7 years, I have been
5 involved in conducting various kinds of business research, with a specialization in
6 online survey methodologies, and a focus on high tech industries, including
7 telecommunications, information technology (IT), electronics manufacturing, and
8 related industries. My focus is on both consumer behavior and business-to-
9 business (B2B) markets. At Informative, I manage a team of researchers. I also
10 provide direction to research design and analysis and conduct ongoing
11 continuing education courses in business research. I also provide support to the
12 account management, project management, marketing and engineering
13 departments regarding research services and products.

14 In my work at Informative, Inc., I am in charge of enhancing the quality of
15 research services to clients, as well as developing a set of services that can be
16 provided consistently to our client base. In addition, I oversee and conduct
17 custom research as required for our clients. Typical research objectives sought
18 by our clients are customer requirements, web site evaluations, e-commerce,
19 customer satisfaction, advertising effectiveness, and brand awareness. I also
20 seek out new developments in the world of online research by conducting original
21 primary research and attending professional meetings of peers. My key area of
22 expertise is customer satisfaction for software and other technology companies.

23 Prior to joining Informative, I was Senior Research Consultant at
24 NFO/Prognostics in Palo Alto, CA. I developed new forms of analysis for our

1 clients, developed research agenda, carried out the more complex analyses, and
2 provided consulting to clients based on the results of their survey research
3 projects. Before Prognostics, I worked as an independent consultant and
4 published a training handbook, *The Primer on the Electronics Manufacturing*
5 *Industry: Processes and Markets*. I also worked at Bellcore (now Telcordia
6 Technologies) in Morristown and Piscataway, NJ, where I designed and fielded
7 one of the first household surveys regarding Internet use. By the end of 1995, I
8 was able to identify 'internet addiction' as the result of qualitative studies on chat
9 rooms, and predicted a variety of future practices, such as downloading music
10 from the Internet onto CDs.

11 I have written numerous articles for major trade magazines and scholarly
12 journals, and contributed several chapters for scholarly and layperson texts. I
13 was an invited speaker to several international conferences in both industry and
14 academia, and have given dozens of trade and scholarly presentations. I am on
15 the Council for the Sociological Practice Section of the American Sociological
16 Association. I taught at Montclair State University and John Jay College of
17 Criminal Justice (CUNY). My undergraduate work was at the University of
18 California, Berkeley, and I earned a doctorate at Brown University.

19 Informative, Inc. is an online business intelligence research company,
20 specializing in online survey fielding and reporting methodologies. Founded in
21 1997, Informative has been the leader in online survey methods, and has fielded
22 thousands of online surveys.

23

I. Report Background and Summary

A. Background

The purpose of this study is to provide a description of how use of Stamps.com services has affected how customers process their outgoing mail. Specifically, as a result of Stamps.com:

(1) Do customers use USPS postal services more while frequenting the actual post offices less?

(2) Do customers address their mail with greater accuracy and automation compatibility?

B. Methodology

A quantitative survey instrument was designed that covered the following basic areas relevant to this proceeding:

- Use of USPS services
- Practices around addressing envelopes with and without address labels, specifically addressing ZIP Codes, POSTNET barcodes, and FIM codes.

C. The Survey Instrument

The questionnaire was designed with input from Stamps.com regarding the kind of information necessary to indicate processes for addressing, postage and barcodes prior to use of Stamps.com service.

The survey variables are straightforward questions about behavior. The method of analysis is simple, consisting of distributions or frequencies of the

1 variables. No hypothetical model is being tested, the research is rather a
2 description of behavior; the implicit (untested) causal relationship is that use of
3 Stamps.com has altered this former behavior.

4

5 **D. Sources of Error**

6 The design was a retrospective study, that is, customers were asked to
7 record the ways in which they carried out postal activities prior to their use of
8 Stamps.com. Retrospective data is always at risk for response error due to poor
9 recall. The ideal study design for capturing change in behavior is to interview
10 while the respondents are still engaged in the first situation, and then re-interview
11 the identical respondents when they are in a different situation.

12 In addition, there was some measurement error attributed to defining the
13 frequencies of behavior, with some people recording discrete numbers, others
14 stating a range, and still others giving verbatim comments. However, taking split
15 samples of the data revealed consistency within the sub-sample means, so the
16 estimates obtained in this study are reliable.

17 Some people were confused concerning the time orientation of questions
18 on past practices in addressing. When asked how they addressed letters in the
19 past (before they started using Stamps.com), these respondents stated that they
20 used Stamps.com. Clearly, these respondents believed they were being asked
21 about their *current* addressing practices. The effect of this orientation error is
22 that the reported past use of typed or printed addresses, 9-digit ZIP Codes,
23 POSTNET codes, and FIM codes is higher than what was actually used. This

1 error results in the survey understating the ways in which Stamps.com has
2 improved address quality from the respondent's previous addressing methods.

4 **E. Sample**

5 As of March 31, 2000, Stamps.com reported a customer base of 187,000
6 customers. Based on this total population, and the need for a statically valid
7 sample, the sample population was designated at 2400, which yields a margin
8 error of +/- 2 for proportions, at a 95% confidence level. The sample frame was
9 the Stamps.com registered customers. The sample was pulled randomly from
10 the Stamps.com customer list using the following criteria.

- 11 • Respondents were given at least one month of experience before being
12 surveyed.
- 13 • No respondent was selected who had participated in a previous customer
14 survey.
- 15 • The service only started in October: respondents were selected by
16 registration dates. While not a probability sample per se, respondents
17 were chosen from those who registered in select days for the months of
18 November 1999, December 1999, February 2000 and March 2000. The
19 following table lists the days for each month:

Table 1: Selection of Respondents for Sample

Respondents Selected From:
November 13-15, 1999
December 20-25, 1999
February 23-28, 2000
March 1-5, 2000.

Customers were invited by email to take the survey, which could be accessed by either clicking on the URL directly or by cutting and pasting the URL into the browser window. The online survey was designed to take less than 15 minutes. A total of 11,990 email invitations were sent out to Stamps.com customers, resulting in 2,432 completed surveys as of the date of this analysis. A reminder was sent to ensure the target number of completes. The response rate of 20.4 is typical for a customer invitation to an online survey for a software product. The survey commenced on May 10, 2000 and was closed on May 17, 2000.

F. Key Findings

The results of this survey indicate clearly that:

- Stamps.com customers are more aware of USPS services, use more USPS Express and Priority Mail than previously, and yet use the local Post Office less (an estimated 1,000,000 fewer visits each month).

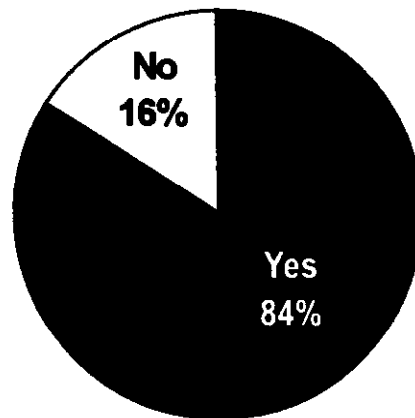
- Practices prior to use of Stamps.com indicate that their addressing and postage procedures usually did not include POSTNET barcodes, FIM codes, or 9-digit ZIP Codes. When the ZIP Code was used, it was gleaned in often laborious ways. When the POSTNET barcode was used, it was mostly generated by Microsoft or WordPerfect.

II. Use of USPS Services

In this section we examine how enrollment in the Stamps.com program has affected customer's awareness and use of USPS services. As the Figures 1, 2, and 3 clearly show, Stamps.com has noticeably altered the manner in which customers conduct their postal business.

Figure 1: Reduction of Trips to Post Office

Has Stamps.com reduced the number of trips you have to make to the post office?



Base = All respondents (n = 2,424)

1 The overwhelming majority, 84 percent, state that Stamps.com reduces the
2 number of trips they take to the US Post Office (see Figure 1). On the average,
3 about 4.5 fewer trips were reported by those giving specific numbers, with
4 several people reporting 100% reduction in trips to the post office:

5 "I don't go at all anymore."

6 "Haven't been to post office since I installed software."

7 "The only time I go now is to drop my mail in the box."

8 "I don't have to go to the post office at all now and it saves me
9 time."

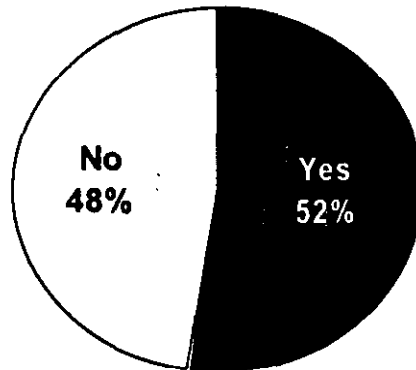
10 "Only go for packages that weigh more than my scale is able to
11 weigh."

12 Thus we see that use of Stamps.com reduces customer visits and use of
13 postal services at local post offices.

14 About half of the respondents note that Stamps.com has increased their
15 awareness of USPS Express and Priority mail services (Figure 2).

Figure 2: Increased Awareness of USPS Services

Has Stamps.com increased your awareness of USPS Express and Priority Mail services?

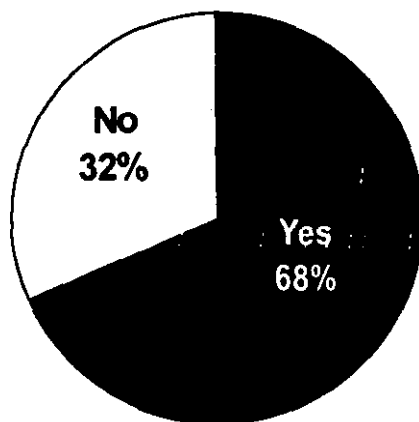


Base = All respondents (n = 2,421)

Not surprisingly, it becomes easier for Stamps.com customers to use USPS Express and Priority Mail, with about 2/3 reporting greater ease (Figure 3, below). In Figure 4 (below), we see that a third now report a greater use of USPS Express and Priority Mail that they did prior to Stamps.com.

Figure 3: Easier Usage of USPS Services

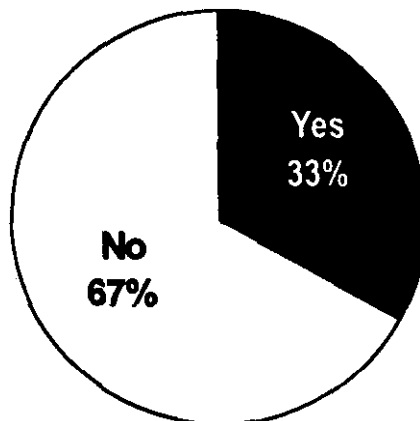
Has Stamps.com made it easier for you to use USPS Priority and Express Mail?



Base = All respondents (n = 2,410)

Figure 4: Increased Usage of USPS Services

Has Stamps.com increased your use of USPS Priority and Express Mail?



Base = All respondents (n = 2,409)

1 **III. Practices around addressing envelopes with and**
2 **without address labels**

3
4 In this section, customers were probed regarding their practices for
5 outgoing mail prior to use of Stamps.com. They were given two sets of questions,
6 one for business- size (#10) envelopes where they did use an address label on
7 the envelope, and one for business envelopes that did not have address labels.
8 Because there are similarities between practices among both kinds of envelopes,
9 the summary data is juxtaposed and discussed concurrently.

10 **Table 2: Usage of 9-digit ZIP Code**

11 **Please estimate what percentage contained a 9-digit ZIP Code.**

12
13

Percent That Contained 9-digit ZIP Code	Letters with Address Labels on #10 Envelope	Letters without Address Label on #10 Envelope
0%	38%	24%
1% - 25%	30%	35%
26% - 50%	8%	10%
51% - 75%	6%	10%
76% - 100%	19%	21%
	Base = Those who used address labels (n = 1,991)	Base = Those who did not use address labels (n = 2,304)

14

15

16 Approximately one quarter of mail sent without a label never contained a
17 9-digit ZIP Code (see Table 2). For mail sent with a label, that percentage
18 increases to one-third. Respondents stated that only about one-fifth of letters,
19 with or without labels, always or nearly always had a 9-digit ZIP Code. Two-
20 thirds of respondents stated that business letter never or infrequently had a 9-
21 digit ZIP Code.

1 Regardless of whether the envelope had an address label or not, the
2 sources for 9-digit ZIP Codes were the same: slightly over half grabbed it off an
3 existing envelope, about 15 percent used mailing lists or directories, about one-
4 fifth said they referred to the USPS address database (Table 3).

5 **Table 3: Obtaining ZIP Codes**

6 **How did you obtain the ZIP Code?**

7

8

Where 9-digit ZIP Code is Obtained	Letters with Address Labels on #10 Envelope	Letters without Address Label on #10 Envelope
Off an envelope	54%	53%
From directory/mailling list	14	16
With USPS address database	22	20
Other: Total	10	11
	Base = Those who mailed letters with address labels & 9-digit ZIP Code (n =2242)	Base = Those mailed letters without address labels & used 9-digit ZIP Code

9

10

11 One-half to two-thirds of respondents said that their #10 envelopes never

12 had a POSTNET barcode (Table 4). Only about 20 percent of respondents said

13 that all or nearly all of their business letters had a POSTNET barcode.

Table 4: Usage of POSTNET Barcode

Please estimate what percentage contained a POSTNET barcode.

Percent That Contained POSTNET Barcode	Letters with Address Labels on #10 Envelope	Letters without Address Label on #10 Envelope
0%	63%	53%
1% - 25%	10%	13%
26% - 50%	5%	6%
51% - 75%	4%	6%
76% - 100%	18%	22%
	Base = Those who used address labels (n = 1,957)	Base = Those who did not use address labels (n = 2,348)

Table 5: Software Used for POSTNET Code

If any of your letters contained a POSTNET code, which software did you use?

Software for POSTNET Code	Letters with Address Labels on #10 Envelope	Letters without Address Label on #10 Envelope
Stamps.com	128	152
Microsoft Word	110	202
WordPerfect	46	59
Avery	2	6
Dazzle	1	2
Lotus	3	6
All Others	27	35

Here is where some confusion regarding the time period is evident, because 128 respondents said they used Stamps.com software for envelopes with labels, and 152 for envelopes without labels. These respondents clearly believed that they were being asked about their *current* addressing practices, not

1 what they used before Stamps.com. Thus, it is very likely that this survey over-
2 reports the past amount of use of printed or typed addresses, ZIP+4 Codes,
3 POSTNET barcodes, and FIM Codes. Not surprisingly, the next most common
4 software used for obtaining the POSTNET code was Microsoft Word,
5 outnumbering other software choices combined by 2:1 (Table 5).

6 Occasionally business direct mail involves acquisition of a mailing list from
7 a third-party vendor, who provides pre-printed envelopes with the POSTNET
8 codes. This source was mentioned in about a dozen cases.

9 **Table 6: Usage of FIM Barcode**

10 **What percentage of your mail contained a FIM barcode?**

11

Percent That Contained FIM Barcode	Letters with Address Labels on #10 Envelope	Letters without Address Label on #10 Envelope
0%	75%	69%
1% - 25%	8%	10%
26% - 50%	3%	4%
51% - 75%	3%	4%
76% - 100%	12%	14%
	Base = Those who used address labels (n = 1,903)	Base = Those who did not use address labels (n = 2,264)

12
13 **Three-quarters of respondents stated that all their mail lacked a FIM code**
14 **(Table 6). Only about 13 percent of outgoing mail always or nearly always had a**
15 **FIM barcode.**

16 Again, it is quite possible that the respondents who stated they used a FIM
17 Code most of the time were thinking of their current practice, not their previous
18 practice prior to using Stamps.com. Whether the letters had an address label or

1 not, about 13-15 percent previously had postage applied using a meter, 8-9
2 percent with a permit, and 78 percent with stamps (Table 7).

3 **Table 7: Posting Process**

4
5 **What percentage of letters were prepared with:**

6

Posting Process	Letters with Address Labels on #10 Envelope	Letters without Address Label on #10 Envelope
Postage meter	15%	13%
Permit	8%	9%
Stamps	78%	78%
	Base = Those who used address labels (n = 1,837)	Base = Those who did not use address labels (n = 2,265)

7
8 Thus, over three-quarter of respondents reported that they used stamps as
9 postage for their envelopes prior to using Stamps.com.

10

11 **V. Discussion**

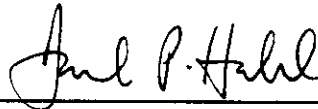
12

13 Throughout the results of this survey it is apparent that the impact of
14 Stamps.com services on customer use of postal services is substantial. Patron
15 use of USPS's Express and Priority Mail has increased as a result of
16 Stamps.com, yet at the same time, patrons are using postal services in a way
17 that is more efficient and cost-effective than previously. There is a substantial
18 increase in use of POSTNET barcodes, FIM barcodes and 9-digit ZIP Codes,
19 and far fewer visits to the local post office service window. Stamps.com is
20 responsible for an estimated million fewer visits to post office windows each
21 month.

1 I was informed by Stamps.com that the service has existed since October
2 1999, and that customers start using Stamps.com services at differing rates, with
3 some relying on it completely almost as soon as they register, while others may
4 take a couple of months to be proficient. Nevertheless, as borne out by the
5 comments in the survey, it is obvious that Stamps.com has completely changed
6 how customers run their postal processes, and has the potential to significantly
7 cut costs for the USPS while increasing patronage.

CERTIFICATE OF SERVICE

I hereby certify that I have this 22 day of May 2000, served the direct testimony of Stamps.com witness Leora E. Lawton (Stamps.com-T-3) upon all participants of record in this proceeding in accordance with the Commission's Rules of Practice.



David P. Hendel