

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001**

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POSTAL RATE AND FEE CHANGES, 2000

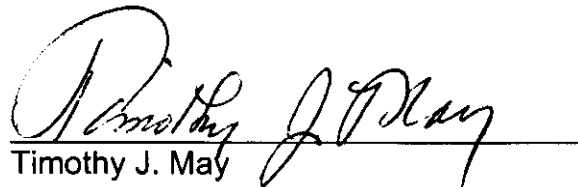
Docket No. R2000-1

**RESPONSE OF E-STAMP CORPORATION
WITNESS MICHAEL JONES TO INTERROGATORIES OF
UNITED STATES POSTAL SERVICE
(USPS/E-STAMP-T-1-16)**

E-Stamp Corporation hereby provides the responses of witness Michael Jones to the following interrogatories of United States Postal Service: USPS/E-Stamp-T-1-16, filed on June 15, 2000.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,



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Dated: June 27, 2000

**RESPONSE OF E-STAMP CORPORATION WITNESS JONES
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/E-STAMP-T1-16

- a. Please confirm that E-Stamp currently advertises "\$50 free postage" on its web site: <http://www.estamp.com>. If not confirmed, please explain.
- b. Please list all such marketing programs (e.g., website promotions, magazine advertising, TV commercials, etc.) E-Stamp has used to offer customers free postage or total postage discounts. Include the date(s) and/or date ranges that these programs have been presented to the public.
- c. On page 11 lines 9-11 of your testimony you state, "Unless a discount is offered, PC postage will not be able to attract enough customers to convert in order to establish this form of postage evidencing as a mainstream postage solution." However, as stated above, E-Stamp currently does offer customers a discount in the form of free postage. Please describe the extent to which this free postage offer, or the other marketing programs described in your response to (b), have been successful in attracting new customers to E-Stamp.

RESPONSE:

- a. Confirmed.
- b. Since its earliest days, E-Stamp has offered a wide variety of product promotions to help introduce the nascent IBI technology to the marketplace. A number of mediums (channels) have been used for these promotions, including: television, radio, print (newspaper and magazine), and Internet web sites (banner ads and partner links). A wide variety of promotion types have been offered via these channels, including: "free" postage (E-Stamp purchased, on behalf of customer), supply discounts, "starter kits" (packets of envelopes and labels), companion product discounts (label printers, scales). As with many new product categories, promotions are typically used to "seed" the market to accept the technology as well as to quickly create a "brand image." This "branding" has been shown to be critical to a company's long

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term success. The brand must be created in a short time to be successful in the marketplace over the long term. While the promotions have a near-term cost impact, they are one of the most important marketing tools used to build an initial customer base.

E-Stamp's competitors in the IBI market, Stamps.com, Pitney Bowes and Neopost have likewise offered a number of product discounts, free postage, and rebate programs for customer acquisition and brand building purposes. Comparatively, the Postal Service has done very little by way of promotions to build up awareness for PC Postage which has caused the vendors to have to do even more to promote this new form of postage.

A great deal of time, money and effort have gone into these promotions. I assume you do not want me to list every single newspaper ad, website banner, radio spot or TV commercial that has run in the various markets across the country over the past year or more. Overall, promotions were run from the E-Stamp web site through the later stages of Beta testing beginning in December, 1998 to entice customers to perform all of the USPS mandated testing functions. Since the national launch of PC Postage in August, 1999, E-Stamp has offered a variety of promotions through multiple channels as we continue to build brand awareness.

- c. E-Stamp has conducted a number of free postage and other marketing promotions since product launch in August 1999. Without divulging company confidential information, we can say with confidence that a direct and proportional relationship exists between the type and value of a promotion,

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and the number of product orders. Judging by the number and type of promotions offered by other PC Postage vendors, it is obvious that promotions have proven valuable to their customer acquisition efforts.

DECLARATION

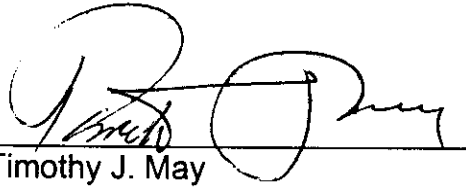
I, Michael Jones, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information and belief.

(Signed) Michael A. Jones

June 27, 2000

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the Postal Service by hand and by First-Class Mail upon all participants in this proceeding requesting such service.



Timothy J. May

Dated: June 27, 2000