

**DOCKET SECTION**

**Before the  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001**

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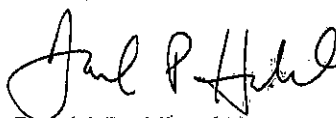
**Postal Rate and Fee Changes, 2000**

**Docket No. R2000-1**

**STAMPS.COM'S ANSWERS TO USPS INTERROGATORIES  
DIRECTED TO LEORA LAWTON (USPS/STAMPS.COM-T3-4-5)**

Stamps.com hereby submits the answers of Leora E. Lawton to the interrogatories submitted by USPS, USPS/Stamps.com – T3 – 4 – 5, dated June 16, 2000. Each interrogatory is stated verbatim and is followed by the response. Pursuant to Commission Rule 26(b), a signature page will be filed with the Commission within 10 days.

Respectfully submitted,



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Dated: July 3, 2000

**USPS/STAMPS.COM-T3-4**

Please provide a copy of the questionnaire used in conducting the survey that underlies your testimony, and please provide a copy of any workpapers associated with developing the results set forth in your testimony.

**RESPONSE:**

The questionnaire is being provided as Library Reference Stamps.com-LR-2. Also being provided in that Library Reference are the Excel spreadsheets showing the numerical results to the survey questions that were relied upon in my testimony.

**USPS/STAMPS.COM-T3-5.** On page 7, lines 6-11, you state:

The design was a retrospective study, that is, customers were asked to record the ways in which they carried out postal activities prior to their use of Stamps.com.

Retrospective data is always at risk for response error due to poor recall. The ideal study design for capturing change in behavior is to interview while the respondents are still engaged in the first situation, and then re-interview the identical respondents when they are in a different situation.

- (a) On page 7, you candidly admit that some respondents were confused about whether they were being asked about current addressing practices or past addressing practices. Do you think that any of the other results presented in Figures 1-4, Tables 2-4, and Tables 6-7 were affected by respondents' confusion? Please explain.
- (b) Please quantify the impact such confusion has on the statistical precision of your results as displayed in the figures and tables of your testimony.
- (c) On page 9 of your testimony, you state that Stamps.com customers have reduced their visits to the local post office by 1 million visits. Please provide the coefficient of variation (CV) associated with this estimate.
- (d) Is the estimate presented in part (c) above affected by respondents confusion you discuss on page 7 of your testimony? Please explain.
- (e) Please explain why you did not design your study in the "ideal" manner described in the testimony quote which appears in the preamble to this question.

**RESPONSE:**

(a) – (b) First I need to explain the phrase "Sources of Error" as requested in the guidelines for testimonies provided to me at the beginning of this project. All research includes some error, introduced by either the respondent's willing or inadvertent misstatement, by sampling error, or by questionnaire-induced measurement error. Sample surveys all try to acquire the best data possible at an affordable cost proportionate to the value of being correct, or the price of being incorrect. Even the Census has error, despite its goal to enumerate every person, demographers debating for years about the correct wording of items in the questionnaires, and a budget mandated by the Constitution. The sources of error noted here, as requested, are part of the normal process of conducting surveys.

Second, the responses to (a) and (b) are related. In the question that shows evidence of this confusion ("Which software were you using before Stamps.com to address envelopes with FIM or POSTNET barcodes?") about 5% of the sample (of 2400)

reported an impossible answer. It was not possible for a customer to be using Stamps.com to address envelopes before they were using Stamps.com. This issue is addressed in my testimony on pages 7- 8 and 16 - 17. The sample size has an error of +/- 2 percent, and this confusion might create an additional 2.5 percent of error. The impact of this error, however, would be that the survey results overstate the reported use of POSTNET barcodes prior to customer use of Stamps.com.

It is possible that this same confusion concerning the time orientation of the question affected other survey results. To the extent it did affect the other questions, it would similarly have resulted in under-reporting the affect that Stamps.com had on the respondent's past mailing practices.

(c) The coefficient of variation, calculated as  $(\sigma / \bar{X}) * 100 = CV$ , or  $(.2 / 4.5) * 100 = 4.4\%$ . The estimate of 1,000,000 fewer visits per month was based on the mean of 4.5 fewer visits to the post office noted per month (and the verbalisms indicate that the mean is probably higher), and based on a customer base of approximately 200,000. I understand that by press release dated June 20, 2000, Stamps.com announced that it has more than 200,000 customers. Even the lowest estimate ( $187,000 * 4.5 * .956$  or  $1.044$ ) equals 804,474 to 878,526, where 187,000 was the Stamps.com customer base reported at the end of March 31, 2000, is approaching to 1,000,000. There are now more customers, and the reliance on Stamps.com increases as customers grow accustomed to the technology.

(d) There is no evidence that respondents thought they were being asked about past experience. If the confusion concerning time orientation did affect this question, then the answers likely under-report the result. This would mean that there was a greater reduction in the number of trips taken to the post office from the use of Stamps.com than shown in the survey results. As noted in the testimony (page 11, lines 2 to 11), many people did not report a specific number. Over 150 say they never go to the Post Office since signing up with Stamps.com.

(e) A longitudinal panel study is exceedingly expensive, and therefore is out of the range of almost all business research. It also requires near prophecy on the part of management in being able to foresee future data needs, perhaps 6 months to one year down a curved road. Thus, while a retrospective study is not ideal per se, it's often the best we can afford. Further, while it has more error than a properly conducted longitudinal study, the amount introduced does not weaken the robustness of these data, and the ability to make sound decisions based upon them.

**DECLARATION**

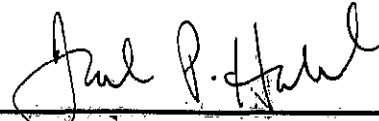
I, Leora E. Lawton, declare under penalty of perjury that the answers to interrogatories USPS/Stamps.com – T3 – 4 – 5 of the U.S. Postal Service are true and correct, to the best of my knowledge, information, and belief.

\_\_\_\_\_  
Leora E. Lawton

Dated: \_\_\_\_\_

**CERTIFICATE OF SERVICE**

I hereby certify that I have this 3 day of July 2000, served the foregoing document in accordance with the Commission's Rules of Practice.



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David P. Hendel