

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

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**POSTAL RATE AND FEE CHANGES, 2000**

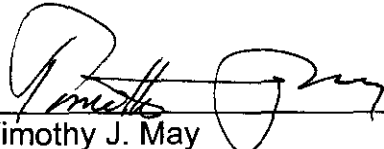
**Docket No. R2000-1**

**RESPONSE OF E-STAMP CORPORATION AND STAMPS.COM  
WITNESS RAY BOGGS TO INTERROGATORIES OF  
UNITED STATES POSTAL SERVICE  
(USPS/E & S-T-1-22-23)**

E-Stamp Corporation and Stamps.com hereby provide the responses of witness Boggs to the following interrogatories of United States Postal Service: USPS/E & S-T-1-22-23, filed on July 11, 2000.

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

Respectfully submitted,

  
\_\_\_\_\_  
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Counsel for E-Stamp Corporation

Dated: July 21, 2000

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**USPS/E&S-T-1-22** Please refer to your response to USPS/E7S-T1-10, where you state that the "Work-at-Home" survey was used in a limited capacity in your testimony. Please list, describe and provide the underlying data used to develop home office estimates in your testimony.

**RESPONSE:**

The first part of the home office forecast for PC postage used to assemble the forecast for income-generating home office households is presented in Table 7 of my testimony and is repeated below.

<b>Table 7 U.S. Primary-Income-Generating Home Office Households, PC Households, and Internet Households, 1998–2003 (000)</b>							
	1998	1999	2000	2001	2002	2003	1998– 2003 CAGR (%)
Home office households	14.3	15.5	16.7	18.1	20.6	21.9	8.9
PC households	10.0	11.1	12.3	13.8	16.3	17.8	12.3
Internet households	5.6	6.5	7.7	9.5	11.8	13.7	19.5
<b>Key Assumptions:</b>							
• U.S. economic growth rates will not change significantly.							
• Economic conditions and tax law changes will foster home-based business establishment.							
<b>Messages in the Data:</b>							
• Growth in primary self-employment will exceed that of any small business size segment.							
• By 2002, the number of primary-income-generating home offices will have grown 53% over 1998. Almost one household in five will include a full-time worker in a home-based business and will be important prospects for PC postage.							
Source: International Data Corporation, 1999							

The second part of the forecast was assembled by noting the interest in PC postage expressed by the smallest of small businesses, those with under 5 employees. These would be closest to home-based businesses in size. Home offices themselves were not asked their specific interest in PC postage. Absent

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that information, the interest expressed by firms with under 5 employees would be the closest approximation available. Table 14 from my testimony, reproduced below, indicates that 8.0% of small businesses with under 5 employees indicated that they were very interested in PC postage of any type.

**Table 14  
U.S. Small Business Interest in Different PC Postage Alternatives by Company  
Size, 1999 (%)**

	Total	Number of Employees				
		Under 5	5-9	10-19	20-49	50-99
Traditional meter, refill by phone						
Very interested	12.8	8.5	15.2	19.7	17.9	26.8
Somewhat interested	10.9	6.6	13.4	15.2	17.3	32.5
Total	23.7	15.1	28.6	34.9	35.2	59.3
Traditional meter, refill by Internet						
Very interested	6.4	3.8	6.7	9.1	14.8	14.6
Somewhat interested	10.8	5.5	15.2	18.2	16.7	25.2
Total	17.2	9.3	21.9	27.3	31.5	39.8
PC postage – any type						
Very interested	9.5	8.0	9.8	12.1	14.8	8.1
Somewhat interested	15.7	13.7	17.7	15.9	19.1	25.2
Total	25.2	21.7	27.5	28.0	33.9	33.3

N (PC owners) = 949

Source: IDC's *Small Business Survey*, 1999

The number of home offices that had PCs in total (11.1 million at the end of 1999) and the percent of very small businesses (under 5 employees) that said they were very interested in PC postage (8.0%), which is the market opportunity

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for PC postage in home offices, could be estimated at 888,000. For small businesses, a similar analysis yielded 6.559 million small businesses with PCs (from Table 3) and 9.5% very interested in PC postage (from Table 14), which calculates to a market opportunity of 623,000.

Although the potential number of home office PC customers was greater than the potential number of small business customers, IDC judged that the adoption of small business firms would be more rapid and that spending would be lower (although estimates were prepared for neither the number of customers nor the average spending per customer).

Given these assumptions, IDC took the conservative view that the conversion of those small business and home offices believed to have the highest interest in PC postage would take until the end of the planning period – 2003 – to reach fruition. IDC also anticipated that postage spending would be lower among home office PC postage users than among small business PC postage users, although spending estimates by customer types were not prepared. The anticipated smaller share of interested home offices actually implementing PC postage, and lower average spending of home office PC postage customers compared with small business PC postage customers were reflected in the market forecasts. IDC estimates that home offices will account for 27.6% of PC postage in 2000, a percentage that will increase to 32.9% by 2003 (see Table 10).

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**USPS/E&S-T1-23** Please refer to your response to USPS/E&S-T1-15.

- (a) Please list by name, title, academic and professional experience/accomplishment each person whose "judgment" was used to formulate the key assumptions in Tables 2-10 of your testimony.
- (b) In reference to "past history" used to formulate key assumptions in Table 2-10 of your testimony, provide the relevant period.
- (c) Describe in detail your understanding of the term "IDC market definition."

**RESPONSE:**

- (a) A number of IDC staff contributed to the research that provided the basis for analysis and preparation of assumptions. The biographies of the four whose contribution was of greatest importance are included below.

**Raymond L. Boggs**

*Vice President, Small Business and Home Office Research  
IDC*

Mr. Boggs has a diverse background in the communications, computer, and office automation industries as well as consumer and channel research. He oversees all Home Office and Small Business research at IDC.

As part of his work, Mr. Boggs directs survey research, forecasting, and market analysis for advanced telecommunications, personal computing, and office automation products and services designed for small businesses and home offices. Research includes identifying key product requirements of different market segments, tracking changing customer channel preferences, and evaluating alternative strategies in response to competitive developments. Mr. Boggs has consulted extensively on changing

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distribution trends for advanced technology products and the emerging communications and networking needs of small and home-based enterprises.

Prior to joining IDC, Mr. Boggs directed consumer and business research in the technology practice area of Response Analysis Corporation in Princeton, NJ. He managed research activity to support the firm's Electronic Access program and provided qualitative and quantitative primary research to a wide range of clients. Boggs had previously established and managed the Small Business/Home Office (SOHO) Research Program and the Small Business Market Strategy Service at BIS Strategic Decisions in Norwell, MA. where he was among the first to identify and examine the growing SOHO market.

Mr. Boggs has written numerous articles for major trade and general business publications and is regularly quoted in *Business Week*, *The Wall Street Journal*, and *The New York Times*. He has been a featured speaker at COMDEX/Fall, the Consumer Electronics Show, and other industry trade shows. He recently served as a guest lecturer at the Anderson Graduate School of Business at UCLA. Boggs completed his undergraduate work at Hamilton College and has earned graduate degrees from Brown University and the Boston College Carroll School of Management.

**Mary Porter**

*Senior Analyst, Small Business and Home Office Programs*  
IDC

As Senior Analyst for IDC's Small Business and Home Office Programs, Ms. Porter focuses on research into small business and home office use of a wide range of

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advanced technology products and services. Ms. Porter works closely with clients in developing and interpreting survey research designed to identify specific market opportunities. Experienced in both primary and secondary research methodology, Ms. Porter has also worked closely with other IDC analysts in building comprehensive market forecasts.

Prior to rejoining IDC/LINK in March, 1996, she worked for newsletter publisher, EPM Communications, writing newsletters on consumer research trends. She was editor for Research Alert, Youth Markets Alert, and Minority Markets Alert newsletters. She also served as marketing communications consultant for FIND/SVP's Emerging Technologies Research Group. From 1986 to 1992, she worked at LINK Resources as Marketing Director, where she was responsible for promoting LINK's research, supporting sales, public relations, and client service.

Before LINK, she worked on electronic marketing projects at The Equitable, helping to develop and test interactive advertising and lead generation for financial services products. Prior to that, she was Renewal Manager at Newsweek Magazine, handling renewals, billing and gift subscription promotion.

Ms. Porter is a graduate of Oberlin College, in fine arts, and has an MBA with a marketing concentration from N.Y.U.

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**Merle Sandler**

*Senior Analyst, Small Business and Home Office Research  
IDC*

Merle Sandler is a senior research analyst in IDC's Small Business and Home Office programs. In this role she is involved in conducting survey research, analysis, and forecasting for advanced technology products and services designed for small businesses and home offices.

Prior to joining IDC, Ms. Sandler was a professor at Wits Business School, University of the Witwatersrand, South Africa, where she taught in the areas of market research, statistics, and finance. She was also responsible for the student research process. Ms. Sandler has published numerous articles in academic journals and has presented at conferences worldwide. Her consulting experience covers market research in a variety of industries.

Ms. Sandler has an undergraduate degree from the University of Natal and she has earned an M.B.A. (cum laude) from the University of the Witwatersrand.

**Bruce Stephen**

*Group Vice President, Worldwide Personal Systems Research  
IDC*

Bruce A. Stephen, IDC's Group Vice President of Worldwide Personal Systems Research, is responsible for managing a portfolio of research products and a research team that tracks technology, competition, product volume, and trends in the global personal systems, handheld computer, PC display, consumer devices as well as small business, education and home-office markets. Mr. Stephen is an adviser and manager



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in product development, sales and marketing, and financial management, as well as research content and analysis. He also serves on IDC's senior management committee.

Mr. Stephen designs and coordinates a variety of custom and special research projects and services that focus on personal systems. He has coordinated special IDC demand-side studies on the U.S. White Box PC market, information appliances, and handheld computers. He is also an ongoing contributor to custom research and consulting projects, especially in the area of personal computers.

Mr. Stephen manages IDC's annual PC Market Outlook conference and is a frequent speaker and panelist at both IDC and industry events worldwide. In addition, he has served as a member on several PC vendor advisory councils.

His opinions are often quoted in numerous business and daily newspapers including *USA Today*, *The Wall Street Journal*, *Investor's Business Daily*, *Business Week*, and *The New York Times*. He is also quoted in major computer industry trade and online publications.

Before joining IDC in 1988, Mr. Stephen spent more than three years with one of the computer industry's leading weekly newspapers, *PC Week*. As a news reporter, Mr. Stephen followed the products, technologies, companies, and events that shaped the microcomputer industry.


Mr. Stephen holds a B.A. degree in cultural anthropology from Macalester College in St. Paul, Minn.

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- (b) "Past history" refers to the period of 1995 to the present.
- (c) IDC's market definition of PC postage focuses on postage that is printed by the customer using the customer's own printer and used for first class postage. PC postage uses the USPS IBI standard and can be considered open solutions. Market estimates for "closed" systems, such as the Neopost Simply Postage product, are not included in the definition. Because the heart of the PC postage market will be in providing first class postage, overnight and package delivery applications are not included in the definition, although PC postage may be used to support these activities.

## DECLARATION

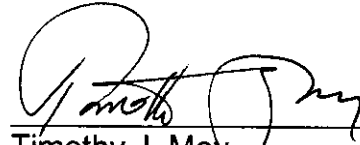
I, Raymond Boggs, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information and belief.

  
(Signed) \_\_\_\_\_

Dated: July 21, 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.

  
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Timothy J. May

Dated: July 21, 2000