Postal Rate Commission
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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

POSTAL RATE AND FEE CHANGES, 2001	:	Docket No. R2001-1

DIRECT TESTIMONY OF
BETH B. ROTHSCHILD
ON BEHALF OF
UNITED STATES POSTAL SERVICE

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DIRECT TESTIMONY
OF
BETH B. ROTHSCHILD

AUTOBIOGRAPHIC SKETCH

I am Beth B. Rothschild, a Vice President at National Analysts, a 55-year old research and consulting firm. My primary responsibilities are the management of the firm's Postal Service research and consulting practice. I also manage assignments in the financial services, retailing, lodging, and chemicals arenas. I bring to my Postal Service assignments business and marketing strategy knowledge developed in other key industries and markets including, but not limited to, hard and soft goods, foods and beverages, personal care, household care products, electric utilities, public transportation, and international services.

I am a member of the firm's Senior Management Committee. I supervise a staff of researchers and consultants. Since joining the firm in 1971, I have managed studies for clients in the public and private sectors. My most significant public sector clients include the Postal Service, the U.S. Mint, and the United States Departments of Agriculture, Health and Human Services, Transportation, Defense, and the Treasury. Private sector clients have included many top Fortune 500 companies in business-to-business and business-to-consumer delivery, financial, retailing and service sectors. I am well known for development of marketing strategies, guidance of new product development and product positioning, and performance of competitive analysis.

In this proceeding, I served as the Officer-in-Charge on the Certified Mail Research Study, which appears in Library Reference USPS-LR-J-121 and on the Ride-Along Research Study, which appears in Library Reference USPS-LR-J-116. For the Mailing Online Study, Library Reference USPS-LR-2/MC98-1, I provided documentation, prepared interrogatory responses, and testified before the Postal Rate Commission to support the Postal Service's introduction of the Mailing Online product.

In Docket No. R97-1, I submitted documentation on my firm's conduct of the Priority Mail Delivery Confirmation Market Response Research Study as Postal Service Library Reference H-166. This reference was also presented to the Postmaster General and Board of Governors when they were in the process of considering further investment in delivery confirmation and tracking technology.

I provided documentation to the Postal Rate Commission supporting the Postal Service's proposed changes in overnight and two-day delivery standards, Docket No. N89-1. In addition, I assisted in the preparation of interrogatory responses regarding the qualitative research underlying the flats barcoding case, Docket No. MC91-1.

I have served as my firm's chief sponsor of Great Lakes College Association study internships since 1977. I have delivered speeches and lectures on market segmentation strategies based upon needs to business executives at the Institute for International Research and to students in various graduate schools, including the Wharton School of the University of Pennsylvania and Marketing Research Program at the University of Georgia. I am National Analysts' representative to the Board of Directors of the University of Georgia's Masters in Marketing Research Program. I have also delivered papers at several Direct Marketing Association (DMA) Annual Conferences and was a featured speaker at the Universal Postal Union's World Conference on Direct Mail in Beijing, China.

I attended Northwestern University, where I received my B.A. in Sociology. In my senior year, I was elected to *Phi Beta Kappa*. I have also received advanced training in survey sampling, research design, and epidemiological measurement techniques.

PURPOSE AND SCOPE OF TESTIMONY
CERTIFIED MAIL

I. Overview

National Analysts was asked to perform research to evaluate the market response to product and pricing changes being contemplated for Certified Mail/Return Receipt products. The main purpose of the study was to estimate the number of mailers and the volumes they would generate for four certified products at four different pricing scenarios. The four products are: 1) New Certified Mail; 2) New Certified Mail with Return Receipt (green card); 3) New Certified Mail with New Return Receipt After Mailing; 4) and New Certified Mail with New Automatic Electronic Return Receipt.

II. Methodology

Two parallel three-part studies were conducted with households and non-households (businesses, government and non-profits). It was necessary to query both households and non-households because Certified Mail and Return Receipts are used by both types of mailers, and neither group is likely to account for the vast majority of the volume. Survey respondents were mail decision-makers who had sent Certified Mail in the past twelve months or said they were likely to send Certified Mail in the next twelve months given the new product configurations.

Each study consisted of a telephone screening, a fax or mail transmission describing the products with a worksheet and a main telephone interview. We employed a telephone-fax-telephone methodology because telephone allows for a relatively quick turnaround, as opposed to a mail or disk survey. In addition, faxing/mailing the product descriptions and worksheet ensured that respondents had a complete and accurate understanding of the products and helped them to report their current and potential usage. Because of the number of different product/pricing options we utilized a split sample where each respondent only saw half of the scenarios. See USPS-LR-J-121, Attachments A, B & C for definitions of the product/price scenarios.

A random digit dial (RDD) sample was used for the household survey. The non-household sample was drawn from the Dun and Bradstreet (D&B) universe of continental commercial, governmental, and non-profit organizations, with an additional certainty sample provided by the Postal Service. The non-household sample was stratified into 10 groups based on standard industry classification (SIC) groups, each SIC group's usage of Certified Mail, and employee size. See USPS-LR-J-121, at 2-6, for details on the household and business sample designs.

Five primary documents were used for data collection. These included separate screening forms and questionnaires for both the non-household and household samples and a set of fax/mail materials. See USPS-LR-J-121, at 6-8, for details on the survey documents. Prior to programming, the hard copy documents were pre-tested to ensure that the questions were unambiguous, that the questionnaire flowed smoothly, that it was not overly burdensome, and that the worksheets were useful and understandable. Once the screeners and questionnaires were finalized, they were programmed into the Computer Assisted Telephone Interview (CATI) system and the programs were checked thoroughly by my staff. The CATI system was used because it substantially reduces errors by performing logic and consistency checks during the interview.

The interviews were conducted by experienced CATI interviewers and an extensive system of interviewer training and quality control procedures was employed to ensure that accurate data were collected. See USPS-LR-J-121, at 9-11, for data collection quality control procedures. In addition, the data were subjected to a rigorous set of electronic and manual cleaning checks, and an extensive outlier checking and callback process prior to weighting and the production of data tabulations. See USPS-LR-J-121, at 11-13, for data processing procedures.

Final analysis weights were assigned to the completed interviews corresponding to the number of households and non-household locations in the target population that each respondent represents. See USPS-LR-J-121, at 13-19, for a detailed description of weighting procedures.

III. Results

There were 1,992 completed usable surveys (792 households and 1,200 Non-households). The weighted survey responses were used to calculate the number of users and projected volume for each new product at four different pricing scenarios. Adjustment factors were applied to correct the survey's 100 percent awareness of the Certified Mail/Return Receipt products and the tendency of respondents to overstate their intentions in surveys. See USPS-LR-J-121, at 19-21, for explanation of adjustment factors. In addition, standard errors were calculated for both user and volume estimates. See USPS-LR-J-121, at 21-26, for description of standard error calculations.

The user and volume estimates and the associated standard errors that are being used by witness Nieto are displayed in the tables.

User Estimates and Standard Errors

Price Points	Users	Standard Error	Lower Limit 95% C.I.	Upper Limit 95% C.I.
Any New Certified	19,746,742	2,350,194	15,140,362	24,353,122
New Certified Mail Only (Base Price): $2.25	14,565,100	2,118,888	10,412,080	18,718,120
Return Receipt (Green Card): $1.50	11,886,604	1,770,035	8,417,335	15,355,873
New Return Receipt After Mailing: $3.50	4,224,295	1,198,724	1,874,796	6,573,794
New Automatic Return Receipt: $1.50	11,746,539	1,844,457	8,131,403	15,361,675

Volume Estimates and Standard Errors

Price Points	Volume	Standard Error	Lower Limit 95% C.I.	Upper Limit 95% C.I.
Any New Certified	382,928,864	57,900,566	269,443,755	496,413,973
New Certified Mail Only (Base Price): $2.25	134,055,735	26,443,206	82,227,051	185,884,419
Return Receipt (Green Card): $1.50	127,431,789	16,524,468	95,043,832	159,819,746
New Return Receipt After Mailing: $3.50	21,296,175	6,481,704	8,592,035	34,000,315
New Automatic Return Receipt: $1.50	100,145,164	17,147,332	66,536,393	133,753,935

PURPOSE AND SCOPE OF TESTIMONY
RIDE-ALONG MAIL

I. Overview

National Analysts was commissioned by the Postal Service to perform survey research in order to respond to a series of questions concerning the impact of the Ride-Along experiment. These questions were set forth in the experimental data collection plan in Docket No. MC2000-1. They are: (a) What volume of "Ride-Along" pieces represents new matter being mailed; (b) What volume of "Ride-Along" pieces represents diversion from Standard Mail (A); (c) What volume of "Ride-Along" pieces represents diversion of Standard (A) pieces that were mailed with Periodicals, but paid Standard (A) rates; (d) What volume of "Ride-Along" pieces represents diversion of other mailed matter; (e) What future volume of "Ride-Along" pieces is anticipated.

Users of the Ride-Along rate category and publishers of the publications with which the Ride-Along piece was sent were interviewed to understand what would have happened to the Ride-Along pieces had this experimental rate category not been available to them. In this way, the volume of: 1) pieces that represent new matter being mailed; 2) diversions from stand-alone Standard Mail; and 3) periodicals with a Standard Mail piece could be assessed.

The Postal Service decided, in consultation with National Analysts, not to pursue a separate survey to determine the effect of the experiment on sample mailers. Postal Service data showed that the number of Ride-Along pieces containing product samples was low enough that the effect could be deemed *de minimis*. Given the small number of product samples sent as Ride-Alongs, it did not seem possible to obtain reliable survey data, even if a survey were designed and conducted.

II. Methodology

In accordance with the data collection plan, comments were solicited from the parties in the experimental case, and were considered in the final design and implementation of the study. In the course of this project, 150 interviews were completed – 138 with users of the Ride-Along rate and 12 with publishers. The user of the Ride-Along piece was always contacted first to obtain the survey information. The publisher was contacted to complete the survey only in cases where no individual at the user company could provide the requisite information regarding the Ride-Along piece that was mailed.

The sample design for the survey was a simple stratified sample of mailings. The sampling frame for the survey was derived from a file provided by the Postal Service containing information about all mailings sent at the experimental Ride-Along rate category as of the time of the survey. There were 1,970 unique records (i.e., mailings) that represented the sampling frame for this survey. Prior to sampling, mailings were stratified by volume into three groups on the basis of the total number of pieces mailed – High, Medium, and Low. A more complete description of the sample design can be found in USPS-LR-J-116 at 2-3.

A combined screening form and questionnaire for users of the Ride-Along rate and a similar, although not identical, screener/questionnaire for publishers were developed and used for data collection. The purpose of the screening form was to identify the appropriate respondent to be interviewed, to determine respondent eligibility, and to obtain cooperation for the full survey. Respondents were considered eligible if they were the decision-maker or the person most knowledgeable about the decision to send the particular Ride-Along mailing that had been sampled. Questions included in the user and publisher questionnaires were identical, except for a few minor wording differences. The publisher questionnaire included two additional questions about publication packaging before and after the Ride-Along rate was available, and the user questionnaire included two additional questions about expected future use of the Ride-Along rate. Attachments A and B of USPS-LR-J-116 contain copies of the screeners/questionnaires.

The data were collected by telephone over a period of 10 business days. All screening/interviewing calls were conducted by experienced telephone interviewers and recorded on paper questionnaire forms using user or publisher questionnaires as appropriate. An extensive interviewer training and quality control program was employed to ensure accurate data were collected. All data collection team members attended an in-person training led by the Assistant Project/Field Manager. The screening and interviewing were very closely monitored throughout the data collection period. In addition to monitoring interviewers as they completed their interviews, a further check on the authenticity of the interviews was obtained through the conduct of random telephone validations. Once collected, the data were subjected to a rigorous set of electronic and manual checks. Callbacks to verify specific responses were made for 22 out of 150 questionnaires (15 percent). After the questionnaires were edited and callbacks were completed, the data were keyed into an electronic database. Keying was 100 percent verified. Once entered into an electronic database, the screening and interview data were run through an electronic cleaning program to again verify skip patterns and consistency checks.

Two sets of analysis weights were constructed for this survey. First, a **mailing weight** was constructed that corresponded to the number of mailings that a completed mailing interview would represent. Second, a **respondent weight** was constructed that was used to characterize an individual's entire Ride-Along mail volume across all mailings. A respondent weight was assigned to each interviewed respondent that corresponded to the number of individuals responsible for Ride-Along mailings he/she needed to represent such that the sum of the respondent weights equaled the total number of individuals. The respondent weight was used for analyzing questions pertaining to future Ride-Along rate use (Questions 8 and 9-a,b). The mailing weight was used for all other questions.

More details about the survey methodology and weighting procedures can be found in USPS-LR-J-116 on pages 5 through 10.

III. Results

A total of 130 individuals were interviewed about 150 mailings. Survey results indicate that, absent the Ride-Along rate, 594 mailings totaling over 40 million pieces would not have been sent at all, and 1,078 mailings totaling more than 35 million pieces would have been sent exactly the same way – mailed with a periodical, but paying Standard Mail rates. Almost 300 mailings totaling over 9 million pieces would have been mailed some other way. These results are shown in Table 1 below.

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Table 1

Estimates of Mailings and Volume Without Ride-Along Rate[1]

	Mailings	**Volume of Mailings**
New Matter Being Mailed	594	40,522,606
Diversion from Standard Mail (mailed with Periodicals, but at Standard Mail Rates)	1,078	35,235,320
Diversion from Stand-Alone Standard Mail	259	5,744,463
Diversion of Other Mailed Matter	33	3,013,675
Diversion of Matter Sent by Non-Mail Methods (sent as part of the magazine)	5	389,200

[1] Based upon application of the Mailing Weight. Number of mailings does not equal 1,970 due to rounding.

In the questionnaire, respondents were asked to estimate on a scale from 0 to 100 percent their likelihood of sending at least one mailing in the next 12 months using the same preparation and placement methods as the Ride-Along mailing(s) they sent. Those respondents with a likelihood greater than 50 percent were then asked to estimate the number of mailings and the total number of pieces they would send using this approach in the next 12 months.

However, in reality, respondents in survey research are known to overstate their intentions, because it is difficult to gauge exactly what behavior will be undertaken in the future. In order to produce improved estimates of the anticipated number of mailings and volume of pieces that would be sent if the Ride-Along rate continues to be offered in the next 12 months, we limited the estimates to those who said they were more than 75 percent likely to use the Ride-Along rate for at least one mailing in the next 12 months. We calibrated survey responses by multiplying each respondent's stated number of mailings and volume by their percentage likelihood of use.

Both unadjusted and adjusted estimates of anticipated future Ride-Along rate mailings and volume are shown in Table 2 below for users who are more than 75 percent likely to use the Ride-Along rate in the future.

Table 2

Unadjusted and Adjusted Estimates of Anticipated Ride-Along Rate Mailings and Volume (Those >75% Likely to Use It in the Future)2

Respondent Type	Unadjusted Estimates		Adjusted Estimates	
	Anticipated Number of Mailings	Anticipated Volume of Mailings	Anticipated Number of Mailings	Anticipated Volume of Mailings
Users	2,444	223,696,850	2,409	222,446,450
Publishers	--	--	--	--
Total	2,444	223,696,850	2,409	222,446,450

2 Based upon the Respondent Weight.

Standard error estimates and upper and lower limits on 95 percent confidence intervals (C.I.) for relevant mailings and volumes, were computed using PROC SURVEYMEANS in SAS, and are contained in the following tables

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Table 3

Standard Errors for Mailings Estimates Without Ride-Along Rate

	Mailings Estimate	**Standard Error**	**Lower Limit 95% C.I.**	**Upper Limit 95% C.I.**
New Matter Being Mailed	594	97	404	784
Diversion from Standard Mail (mailed with Periodicals, but at Standard Mail Rates)	1,078	127	829	1,327
Diversion from Stand-Alone Standard Mail	259	76	110	408
Diversion of Other Mailed Matter[3]	33			
Diversion of Matter Sent by Non-Mail Methods[3] (sent as part of the magazine)	5			

[3] The volume estimate is reported here, however, the sample size is too small to reliably estimate the volume or its standard error.

Table 4

Standard Errors for Volume Estimates Without Ride-Along Rate

	Volume Estimate	Standard Error	Lower Limit 95% C.I.	Upper Limit 95% C.I.
New Matter Being Mailed	40,522,606	8,046,323	24,751,813	56,293,399
Diversion from Standard Mail (mailed with Periodicals, but at Standard Mail Rates)	35,235,320	4,816,823	25,794,347	44,676,293
Diversion from Stand-Alone Standard Mail	5,744,463	2,035,311	1,755,253	9,733,673
Diversion of Other Mailed Matter[4]	3,013,675			
Diversion of Matter Sent by Non-Mail Methods[4] (sent as part of the magazine)	389,200			

[4] The volume estimate is reported here, however, the sample size is too small to reliably estimate the volume or its standard error.

Table 5

Standard Errors for Future Mailing & Volume Estimates at 75% Likelihood

	Estimate	Standard Error	Lower Limit 95% C.I.	Upper Limit 95% C.I.
Mailings (Unadjusted)	2,444	282	1,891	2,997
Volume (Unadjusted)	223,696,850	97,551,869	32,495,187	414,898,513
Mailings (Adjusted)	2,409	283	1,854	2,964
Volume (Adjusted)	222,446,450	97,571,285	31,206,731	413,686,169