

USPS-T-2

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

EXPERIMENTAL PREMIUM
FORWARDING SERVICE

Docket No. MC2005-1

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

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DIRECT TESTIMONY
OF
BETH B. ROTHSCHILD

AUTOBIOGRAPHICAL SKETCH

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

10
11 I am a member of the firm's Senior Management Committee. I supervise a staff of
12 researchers and consultants. Since joining the firm in 1971, I have managed studies for
13 clients in the public and private sectors. My most significant public sector clients include
14 the Postal Service, the U.S. Mint, and the United States Departments of Agriculture,
15 Health and Human Services, Transportation, Defense, and the Treasury. Private sector
16 clients have included many top Fortune 500 companies in business-to-business and
17 business-to-consumer delivery, financial, retailing and service sectors. I am well known
18 for development of marketing and pricing strategies, guidance of new product
19 development and product positioning, and performance of competitive and industry-
20 sector analyses.

21
22 In this proceeding, I served as the Officer-in-Charge on the Premium Forwarding Rate
23 Research Study which appears in USPS-LR-1/MC2005-1. For the CONFIRM[®] Market
24 Research Study, which appears in USPS-LR-1/MC2002-1, Certified Mail[™] Research
25 Study, which appears in USPS-LR-J-121/R2001-1, and the Ride-Along Research Study,
26 which appears in USPS-LR-J-116/R2001-1, I served as the Officer-in-Charge and
27 provided documentation and testimony before the Postal Rate Commission. For the

1 Mailing Online Study, USPS-LR-2/MC98-1, I provided documentation, prepared
2 interrogatory responses, and testified before the Postal Rate Commission to support the
3 Postal Service's introduction of the Mailing Online product.

4
5 I submitted documentation on my firm's conduct of the Priority Mail[®] Delivery
6 Confirmation[™] Market Response Research Study in USPS-LR-H-166/R97-1. This
7 study was also presented to the Postmaster General and Board of Governors when
8 they were in the process of considering further investment in delivery confirmation and
9 tracking technology.

10
11 I provided documentation to the Postal Rate Commission supporting the Postal
12 Service's proposed changes in overnight and two-day delivery standards, Docket No.
13 N89-1. In addition, I assisted in the preparation of interrogatory responses regarding
14 the qualitative research underlying the flats barcoding case, Docket No. MC91-1.

15
16 I have delivered speeches and lectures on market segmentation strategies based upon
17 needs to business executives at the Institute for International Research and to students
18 in various graduate schools, including the Wharton School of the University of
19 Pennsylvania and Marketing Research Program at the University of Georgia. I have
20 also lectured on other topics to graduate students. I was National Analysts'
21 representative to the Board of Directors of the University of Georgia's Masters in
22 Marketing Research Program. I have also delivered papers at several Direct Marketing
23 Association (DMA) Annual Conferences, the Joint Statistical Association Meetings in
24 2003, and was a featured speaker at the Universal Postal Union's World Conference on
25 Direct Mail in Beijing, China in 1999.

26
27 I attended Northwestern University, where I received my B.A. in Sociology. In my senior
28 year, I was elected to *Phi Beta Kappa*. I have also received advanced training in survey
29 sampling, research design, and epidemiological measurement techniques.

1 PURPOSE AND SCOPE OF TESTIMONY

2 PREMIUM FORWARDING

3 I. Overview

4 National Analysts was commissioned by the Postal Service to perform survey research
5 to evaluate the market response to a potential new Premium Forwarding Service aimed
6 at customers who temporarily relocate for an extended period of time for a variety of
7 reasons (e.g., extended vacation, temporary job assignment, etc.). The Premium
8 Forwarding Service would be differentiated from the existing Temporary Forwarding
9 Service in that mail would be forwarded as a parcel via Priority Mail rather than piece-
10 by-piece. The research was designed to evaluate two different pricing structures --
11 "Fixed-Fee" ¹ and "Variable-Fee" ² -- at three price levels, with an eventual focus on the
12 "Fixed-Fee" structure. It estimated the potential: (1) number of annual users; (2) total
13 number of weeks in which shipments would be made; and (3) total number of shipments
14 overall that the Postal Service would have to make to users of the service.

¹ The Fixed-Fee price structure tested called for a \$20.00 enrollment fee and a fixed-fee for each shipment that included all postage and handling. The three price levels tested were \$10.00, \$17.50, and \$25.00 per shipment.

² The Variable-Fee price structure tested called for a \$20.00 enrollment fee and a per shipment charge plus postage. The three price levels tested were \$6.00, \$9.00 and \$12.00 per shipment plus postage.

1 II. Methodology

2

3 Two parallel studies, one for each pricing structure, were undertaken. Both consisted of
4 a telephone screening, an e-mail or mail transmission describing the Premium
5 Forwarding product, and a main telephone interview. Household Postal Service
6 customers were considered eligible if they had: 1) used the Temporary Forwarding
7 Service or a reshipping service dubbed “Snowbird” offered on various terms by local
8 postal officials in some locales during the past five years; 2) temporarily relocated away
9 from home for one month or more in the past five years; or 3) said they would be likely
10 to temporarily relocate within the next two years. Eligible respondents were assigned to
11 a pricing structure on a random rotating basis. After being assigned to a price structure,
12 each respondent was exposed to the three corresponding price levels for that structure.
13 These price levels were also rotated, so that roughly one-half of the sample was
14 exposed to the prices from low to high, and the other half from high to low.

15

16 Three sample sources were used for this research: (1) a list of users from the
17 “Snowbird” program; (2) a list of enrollees for the Postal Service Temporary Forwarding
18 Service for 2003; and (3) a list-assisted random digit dial (RDD) sampling frame
19 provided by Survey Sampling Inc. (SSI). Lists of Snowbird program users from post
20 offices in approximately 25 postal districts were computerized, matched against the
21 National Change of Address (NCOA) registry, de-duplicated, and readied for screening
22 and interviewing. Similarly, the Temporary Forwarding Service file for 2003 was de-
23 duplicated to account for those who used the service for more than one month and
24 multiple users from the same household. Telephone exchanges in the RDD sampling
25 frame were stratified into two groups – high-density and low-density – corresponding to
26 the concentrations of older individuals and households with higher income to improve
27 screening efficiency. See USPS-LR-1/MC2005-1, pages 2-4, for a detailed description
28 of the sample design and selection.

29

30 Three sets of materials were developed for use in the data collection: (1) screening
31 forms to determine eligibility and solicit participation; (2) mailing/e-mailing materials to
32 aid in expediting the flow of the interview and to ensure that the new product concept

1 and prices were understood; and (3) main questionnaires to gather the information
2 necessary to estimate demand for the Premium Forwarding product. Three separate
3 screening forms were developed for use with those sampled from the Snowbird,
4 Temporary Forwarding, and RDD sampling strata to account for the differences in
5 eligibility requirements in these groups. Two versions of the questionnaire were
6 developed for each pricing structure so that the order of the prices being tested could be
7 rotated. The questionnaire included questions focusing on the attractiveness and likely
8 usage of the new Premium Forwarding Service at three different prices as well as
9 questions about the types and volume of mail received. See USPS-LR-1/MC2005-1,
10 pages 4-8, for a detailed description of the survey documents. (Note that the name of
11 the new product at the time of the research was “Temporary Reshipping” and, as such,
12 all of the materials and questions use this terminology.)

13

14 Once the screeners and questionnaires were finalized, they were programmed into the
15 Computer Assisted Telephone Interview (CATI) system and the programs were checked
16 thoroughly by my staff. The CATI system was used because it substantially reduces
17 errors by performing logic and consistency checks during the interview.

18

19 After receiving copies of the Premium Forwarding Product Description and interview
20 Worksheet for recording typical weekly mail volumes prior to the interview, eligible
21 respondents were recontacted at their scheduled appointment times and interviewed by
22 telephone. At the time of the interview, participants were randomly assigned to a
23 version (i.e., to a price structure) and also randomly assigned to a price start point –
24 one-half began with the lowest price and the other half began with the highest price.

25

26 The interviews were conducted by experienced CATI interviewers and an extensive
27 system of interviewer training and quality control procedures was employed to ensure
28 that accurate data were collected. See USPS-LR-1/MC2005-1, pages 10 and 11, for
29 the interviewing quality control procedures that were employed. In addition, the data
30 were subjected to a rigorous set of electronic and manual cleaning checks, and an
31 extensive outlier checking and callback process prior to weighting and the production of

1 data tabulations. See USPS-LR-1/MC2005-1, pages 11 and 12, for a complete
2 discussion of these data preparation procedures.

3

4 Final analysis weights were assigned to the completed interviews that corresponded to
5 the number of households in the target population that each interview represented.

6 Three basic steps were employed to produce these weights. See USPS-LR-1/MC2005-
7 1, pages 12 – 17, for a detailed description of the weighting procedures.

8

1 III. Results

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3 A total of 1,616 interviews across both the Fixed-Fee and Variable-Fee versions were
4 completed, of which 3 were voided prior to analysis. Overall, 807 interviews pertained
5 to the Fixed-Fee version and those are the interviews that form the basis of the results
6 presented below. See USPS-LR-1/MC2005-1, page 16, for the distribution of interviews
7 by sampling strata.

8

9 In order to calibrate the survey-derived estimates, we included a question about
10 awareness of existing Postal Service products for those who temporarily relocate. In
11 addition, we asked respondents their likelihood of using Premium Forwarding at each
12 price level both overall, and in the next twelve months, on a scale from 0 to 100 percent.
13 Based upon instructions from the Postal Service, we applied the following two
14 adjustments to reduce the estimates of likely Premium Forwarding annual users.

15

16 • Only those who were aware of either Temporary Forwarding or Bundled
17 Reshipping in the screening were eligible to be counted in our estimates as
18 users of Premium Forwarding.

19

20 • In addition, only those individuals who said they were 70 percent or more likely
21 to use Premium Forwarding in the next 12 months were included.

22

23 Six estimates corresponding to the total number of users, average number of weekly
24 shipments per user, total number of shipments per week and per year, average number
25 of weeks the service would be used per user and the total number of weeks per year
26 are shown for the Fixed-Fee low price point. The associated standard errors are also
27 displayed in the table.

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Fixed-Fee Premium Forwarding Service

\$10 Price Level: Estimated Users, Shipments & Weeks

\$10 PRICE LEVEL	Estimate	Standard Error	Lower Limit (90% CI)	Upper Limit (90% CI)
Total Estimated Users	1,711,544	246,901	1,305,392	2,117,696
Average Number of Shipments per Week per User	1.4	0.157	1.1	1.7
Total Number of Shipments per Week	2,683,170	515,423	1,835,299	3,531,041
Total Number of Annual Shipments	22,841,563	5,084,659	14,477,299	31,205,827
Average Number of Weeks Likely Used per User	9.7	1.927	6.5	12.9
Total Number of Weeks Annually	16,524,772	4,100,239	9,779,879	23,269,665