OFFICE OF
INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

Carrier Contributions to Revenue Generation and Customer Service

Audit Report

June 19, 2012

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

June 19, 2012

Carrier Contributions to Revenue Generation and Customer Service

Report Number MS-AR-12-005

IMPACT ON:

The revenue generation and customer service efforts of U.S. Postal Service letter carriers (carriers).

WHY THE OIG DID THE AUDIT:

Our objective was to evaluate carrier contributions to revenue generation and customer service.

WHAT THE OIG FOUND:

Carriers contribute to Postal Service revenue through the Customer Connect® and Rural Reach® programs by identifying sales leads for the Postal Service's Sales staff. Carriers' level of participation in these programs varies among districts, but if districts with low participation adopt the best practices of districts with high participation, there might be an opportunity to increase the number and quality of sales leads and, thus, revenue. We estimate that if the Postal Service could grow these programs by 5 percent, it could increase revenue by $18.7 million annually.

Management also might be missing key opportunities to grow revenue due to incomplete data on sales leads. Management could also enhance the process for collecting data on the services carriers provide, including rural carrier stamp sales and community service efforts to allow better evaluation of delivery changes and measure rural customers' needs. Although such information would be useful, we agree

with management that this would not significantly impact sales efforts or revenue and would not be cost effective to implement. Therefore, we are not making a recommendation on this issue.

WHAT THE OIG RECOMMENDED:

We recommended management implement best practices for sales lead programs and enhance data collection and reporting efforts to identify whether a lead results in new revenue for the Postal Service or diverts revenue from another product.

WHAT MANAGEMENT SAID:

Management agreed with our findings and recommendations and set forth its plan to implement best practices for Customer Connect and Rural Reach programs in districts throughout the country. Management stated they have begun efforts to improve the value of the CustomerFirst System and its data consistent with our recommendation. Management agreed with the other impact of $56.1 million reported.

AUDITORS' COMMENTS:

Management's comments were responsive and the corrective actions should resolve the issues identified in the report.

Link to review the entire report

June 19, 2012

MEMORANDUM FOR: CLIFF RUCKER
VICE PRESIDENT, SALES

FROM: Darrell E. Benjamin, Jr.
Deputy Assistant Inspector General
 for Revenue & Systems

SUBJECT: Audit Report – Carrier Contributions to Revenue Generation
and Customer Service
(Report Number MS-AR-12-005)

This report presents the results of our audit of carrier contributions to revenue
generation and customer service (Project Number 12RG014MS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any
questions or need additional information, please contact Janet M. Sorensen, director,
Marketing and Service, or me at 703-248-2100.

Attachments

cc: Megan J. Brennan
Nagisa Manabe
Paul E. Vogel
Corporate Audit and Response Management

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Introduction

This report presents the results of our audit of carrier contributions to revenue generation and customer service (Project Number 12RG014MS000). Our objective was to evaluate letter carriers' (carrier) contributions to revenue generation and customer service. This self-initiated audit addresses strategic risks. See Appendix A for additional information about this audit.

There are two types of carriers: city and rural. City carriers deliver mail in populated areas, while rural carriers deliver mail in areas more traditionally considered rural or remote. Carriers can leverage their relationships with customers to identify new opportunities to grow revenue through two programs: Customer Connect® and Rural Reach® Customer Connect, implemented in 2003, is a partnership between the National Association of Letter Carriers (NALC) and the U.S. Postal Service. Rural Reach, implemented during 2008-2009, is a partnership between the National Rural Letter Carriers' Association (NRLCA) and the Postal Service. Carrier participation in these programs is voluntary and encouraged through a memoranda of understanding between the Postal Service and the unions.

While delivering mail, carriers have the opportunity to interact with business and residential customers. These interactions present opportunities in which carriers can inform customers about other services the Postal Service offers and introduce new products. In addition, carriers are familiar to the people they serve, often helping in dramatic ways while making their mail deliveries. For example, carriers have sent for help when senior citizens fail to collect their mail, alerted residents to fires, aided accident victims, and even prevented burglaries. These unofficial duties are difficult to quantify but contribute to a general sense of community well-being and Postal Service brand recognition.

Conclusion

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Management also might be missing key opportunities to grow revenue, because they lack complete data about the number and quality of sales leads. The Postal Service collects data about sales leads, including reasons why the leads do not result in sales. However, the data do not include sufficient information to determine whether the leads result in new revenue or whether the revenue was diverted from one Postal Service product to another. If additional information was gathered, it could increase management's ability to identify opportunities to enhance the lead programs thus increasing their effectiveness.

We also determined enhancements could be made to the data collection on services that carriers provide, including community service efforts and rural carrier product sales. Although such information would be useful, we agree with management that this would not significantly impact sales efforts or revenue and would not be cost effective to implement. Therefore, we are not making a recommendation on this issue.

Sales Lead Program Best Practice

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Our review of districts with low and high carrier participation in the sales lead programs revealed several best practices similar to those developed by Postal Service officials. Adoption of these best practices varied by district and correlated with their carrier participation levels — districts with higher participation rates consistently adopted these best practices, while use of the best practices in districts with lower participation rates lacked uniformity in usage of the best practices. Best practices from districts with high participation in carrier sales lead programs are described as follows. See Appendix C for additional information.

- Top-down commitment to the carrier sales leads program: a coordinated effort between the district managers; the Sales, Marketing, Station, and Branch managers; and postmasters was associated with higher carrier participation.

- Bottom-up commitment: delivery supervisors and carriers in high-performing districts expressed their ownership of the sales leads programs, often stating that they consider growing the business as beneficial for the Postal Service.

- Ongoing training and motivational efforts: carriers, Customer Connect and Rural Reach coordinators, postmasters/station managers, and customer service managers received regular input and training from Marketing and Sales personnel about new products and quality sales leads.

- Communication of success: managers provided station- and district-wide appreciation as well as area updates through district newsletters and websites.

Additional Data on Carrier Sales Lead Programs

While the Postal Service collects data about carrier participation, the number of leads generated, and the total revenue that results from sales leads, the collection of additional data might help to measure the actual effectiveness of the Customer Connect and Rural Reach programs in generating new revenue. Such information is not captured by the Sales force in CustomerFirst!, the system used to track sales leads. Further, comments entered into the system by the Sales force do not always explain whether the customer selected the Postal Service over competitors. Consequently, the Postal Service cannot determine whether revenue generated from sales leads under these programs

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[4] We consider this estimate conservative, even in view of proposed changes to Saturday delivery service. Most leads are generated during weekdays, and a reduction in the number of delivery days would not significantly impact the carrier sales lead programs.

is revenue the customer previously spent on a competitor's product or simply revenue diverted from one Postal Service product to another. Such additional information could increase management's ability to identify opportunities to enhance the lead programs thus increasing their effectiveness.

Enhanced Data for Carrier Services

Carriers provide official and unofficial customer service: official duties for city and rural carriers include the delivery and collection of letters, flats, and parcels; and rural carriers can sell stamps and money orders to the customers along their routes because customers might have limited access to postal facilities. Unofficial duties include community service efforts, such as sending for help when senior citizens fail to collect their mail, alerting residents to fires, aiding accident victims, and even preventing burglaries while on their routes. Instances of community service assistance are often reported in publications and on websites; however, no comprehensive tracking program is in place. In addition, data are not available to determine the amount of revenue rural carriers generate through stamp services on their routes, or the day the services are provided. Such data would allow the Postal Service to understand the full impact of customer service efforts and provide more complete information to inform decision making, including delivery changes. Enhanced data would also allow the Postal Service to better measure rural customer needs, to attract new customers and expand the use of postal products and services to existing customers.

Although such information would be useful, we agree with management that collection of this data would not significantly impact sales efforts or revenue and would not be cost effective to implement. Therefore, we are not making a recommendation on this issue.

Recommendations

We recommend the vice president, Sales:

1. Implement best practices for Customer Connect and Rural Reach programs in districts throughout the country.

2. Enhance data collection and reporting to identify whether a lead results in new revenue for the Postal Service or diverts revenue from another Postal Service product.

Management's Comments

Management agreed with our findings and recommendations. Regarding recommendation 1, management agreed with implementing best practices throughout the country. Management is taking steps to support closing gaps

between high-performing and low-performing districts, including conducting teleconferences with area coordinators to outline a plan of action to reenergize the programs and quarterly teleconferences to discuss best practices, share successes, and review iterative processes for success. Management's target implementation date is September 30, 2012.

Regarding recommendation 2, management stated in their response and in subsequent correspondence that they have begun efforts to improve the value of the CustomerFirst! System consistent with our recommendation and have initiated an external consulting evaluation to determine how to better align the system with industry best practices. In October, 2011, management instituted data integration of the CustomerFirst! and Business Connect Data Center (BCDC) systems. Combining the data provided by two separate sources has improved the ability to determine why a sale was lost or won. Management plans to complete the system and data requirements by September 30, 2012, and complete target implementation by January 31, 2015. See Appendix F for management's comments, in their entirety.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report.

Appendix A: Additional Information

Background

Since 1775, the Postal Service has connected families, friends, and businesses by mail. Mail delivery is central to the Postal Service's mission and role in providing services that bind the nation together through the personal and business correspondence of the people. The Postal Service is required by law to provide prompt, reliable, and efficient delivery and collection services to the entire U.S. population. These and related requirements are commonly referred to as the "universal service obligation."[5] Currently, carriers primarily deliver mail to three delivery points: door-to-door, curbside, and centralized. There are two types of carriers: city and rural. City carriers deliver mail in populated areas, while rural carriers deliver mail in areas more traditionally considered rural or remote.

Both city and rural carriers have direct access to small to mid-size business customers while on their routes. Carriers have the opportunity to initiate conversations with customers, potentially attracting new customers or expanding the use of Postal Service products and services for existing customers. Additionally, through their experience and knowledge about the dwellings, businesses, and customers on their routes, carriers are uniquely positioned to aid the Postal Service in generating revenue.

Carriers provide official and unofficial customer service. Official duties for city and rural carriers include the delivery and collection of letters, flats, and parcels. In addition, rural carriers provide stamp and money order sales to their customers, who may not have easy access to postal facilities. The Postal Service, with the carrier unions, has developed the Carrier Alert Program, which connects carriers to official caregivers and rescue workers to address issues along carrier routes. Carriers are recognized for their community service in this unofficial capacity by the Postal Service and union leadership through publications and websites. The Postal Service also recognizes employees for heroic acts through its Postmaster General Heroes Program. Any Postal Service employee can nominate an individual for what he or she considers a heroic act. These usually include assisting customers in a health crisis or accident, reporting crimes in progress, reporting fires or utility problems, and

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[5] Title 39 U.S.C. §101.

assisting lost children. The act can occur during the work day or any other time. In FY 2011, the Postal Service recognized 301 employees for heroic acts.

Objective, Scope, and Methodology

Our objective was to evaluate carrier contributions to revenue generation and customer service. Our scope included Customer Connect and Rural Reach program contributions to the Postal Service's revenue for FYs 2009 through 2011. To accomplish our objective, we:

- Interviewed Postal Service officials in Sales, Marketing, and Delivery Operations to gather information regarding the services carriers provide.

- Interviewed NALC and NRLCA leadership and reviewed documentation about the services carriers provide postal customers.

- Analyzed the financial and nonfinancial impacts of the Customer Connect and Rural Reach programs.

- Identified whether additional opportunities exist for carriers to provide service or assistance to customers at little or no additional cost to the Postal Service.

- Performed a correlation analysis to observe any potential relationship within the data such as sales leads and percentage of participation and sales leads and revenue generated by Customer Connect and Rural Reach programs.

- Compared the districts' percentage of participation target attained against their National Performance Assessment (NPA) score to determine correlation between the two.

In addition, we compared carrier participation rates in the sales lead programs among the districts and identified the districts with the highest and lowest participation rates.

Site Selection

To determine best practices, we obtained a list of districts participating in the Customer Connect and Rural Reach sales lead programs in FY 2011,[6] total carrier participation with the achieved annual carrier participation goal, total annual number of leads, total annual number of sales, and total annual revenue.
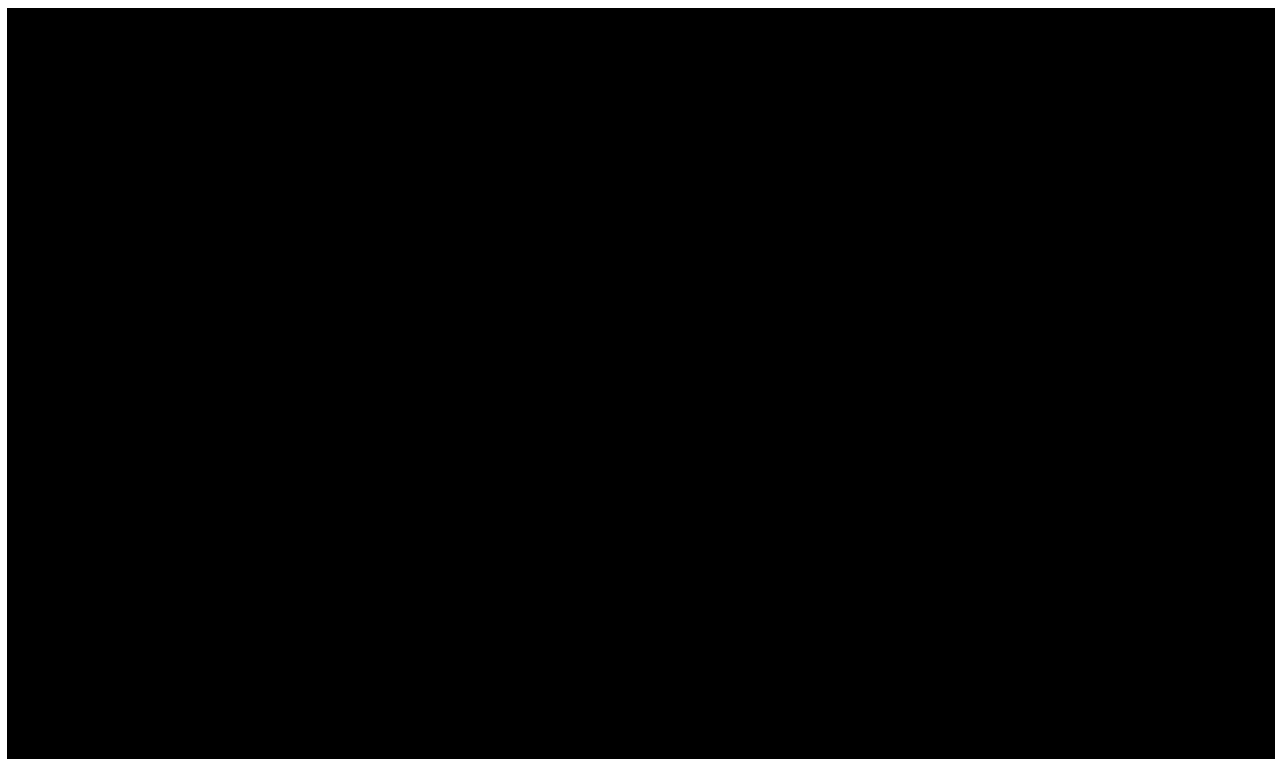
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[6] In FY 2011, all 67 districts participated in the Customer Connect Program and 64 districts participated in the Rural Reach Program.

We performed various correlation analyses to determine potential relationships within the data, including:

- The number of leads versus the percentage of carrier participation.
- The number of leads versus total revenue generated from the leads.
- The number of leads versus the total number of sales.

Based on the results of our analysis, we determined the strongest correlation within the data was between the number of leads and the percentage of participation achieved. Using the percentage of participation target attained as the basis for ranking all of the districts, the team selected the four districts with the highest percentage of carriers participating and the four districts with the lowest percentage of carriers participating in the Customer Connect and Rural Reach programs. We judgmentally selected a total of 12 districts from our sample, six districts for each sales lead program with high and low carrier participation (see Table 1). See Appendix D and Appendix E for additional data.

Table 1. Facilities Visited — FY 2011

We conducted this performance audit from November 2011 through June 2012 in accordance with generally accepted government auditing standards and included such tests of internal controls, as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our

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[7] The participation goal is 35 percent of the number of carriers with routes with 10 or more businesses.
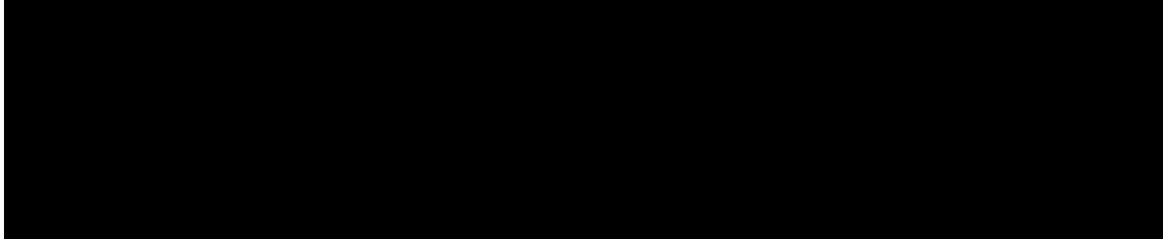
findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on May 22, 2012, and included their comments where appropriate.

We assessed the reliability of BCDC and other sales lead data by interviewing Postal Service officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
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Appendix B: Other Impacts

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[8] Revenue the Postal Service could potentially generate for goods delivered or services rendered based on suggested improvements.

[9] If the quality of leads improved and increased sales by 5 percent in FY 2012, there could be resulting additional revenue.

[10] The Postal Service could gain additional revenue in FYs 2013 and 2014 if the quality of leads improved and increased sales ($18.7 million for both FYs 2013 and 2014).

Appendix C: Best Practices

Table 3. Identified Best Practices

| |
|---|
| ***District leadership actively demonstrates support of the carrier sales lead programs as critical to revenue generation.*** |
| The district manager and other district officials continually monitor program targets and progress to provide support and resources, such as training, where needed. The district manager holds postmasters and unit coordinators responsible for carrier participation and lead generation. |
| ***Business development specialists connect units, unions, and district leadership; and provide ongoing support***. |
| The business development specialist:

 ▪ Regularly shares all program processes, targets, and performance data with district leadership, including perceived needs and special successes.

 ▪ Assures that Customer Connect and Rural Reach coordinators are designated by unions.

 ▪ Provides training at least quarterly to unit program coordinators, postmasters, or station managers, and managers of Customer Service, either by visiting carrier units or via webinar. Training includes processes for filling out lead cards, entering leads in BCDC, reporting, and keeping carriers motivated and participating in the sales lead programs.

 ▪ Identifies a location and mechanism for carriers to submit leads in the station or carrier unit.

 ▪ Assures that lead cards are available to carriers.

 ▪ Periodically visits stations, especially those with low participation, to motivate and educate carriers. |
| ***Carriers commit to the sales lead programs.*** |
| Carriers consider their part in 'growing revenue' integral to the success and future of the Postal Service. |
| ***Successes are celebrated.*** |
| Sales resulting from the carrier programs are recognized locally, in districts and areas, nationally, and by the unions by a variety of means:

 ▪ A certificate of appreciation signed by the district manager.
 ▪ Breakfast or lunch recognition for carriers.
 ▪ Communication of carrier successes through publications and websites. |

Source: *Employee Engagement Programs Official Playbook*, Version 1, dated March 1, 2010, pages 7- 8.

In some instances, personnel in districts with low carrier participation cited challenges to the program, including:

- Lack of continuity of the business development specialist position. There has been a pattern of low-performing districts having inexperienced business development specialists because of organizational changes.

- Minimal support from district leadership in sales lead programs. Although carrier participation in sales lead programs contributes to overall revenue generation, carrier participation rates are not specifically included in district's NPA's goals, so these programs do not receive sufficient attention or support from district managers.

- Participation in sales lead programs is voluntary for carriers, so there is no incentive for them to participate. As a result, carriers focus on other operational priorities.

- Limited availability of Sales staff for coaching and training carriers and other supporting personnel.

Appendix D: Fiscal Year 2011 Carrier Leads for Customer Connect
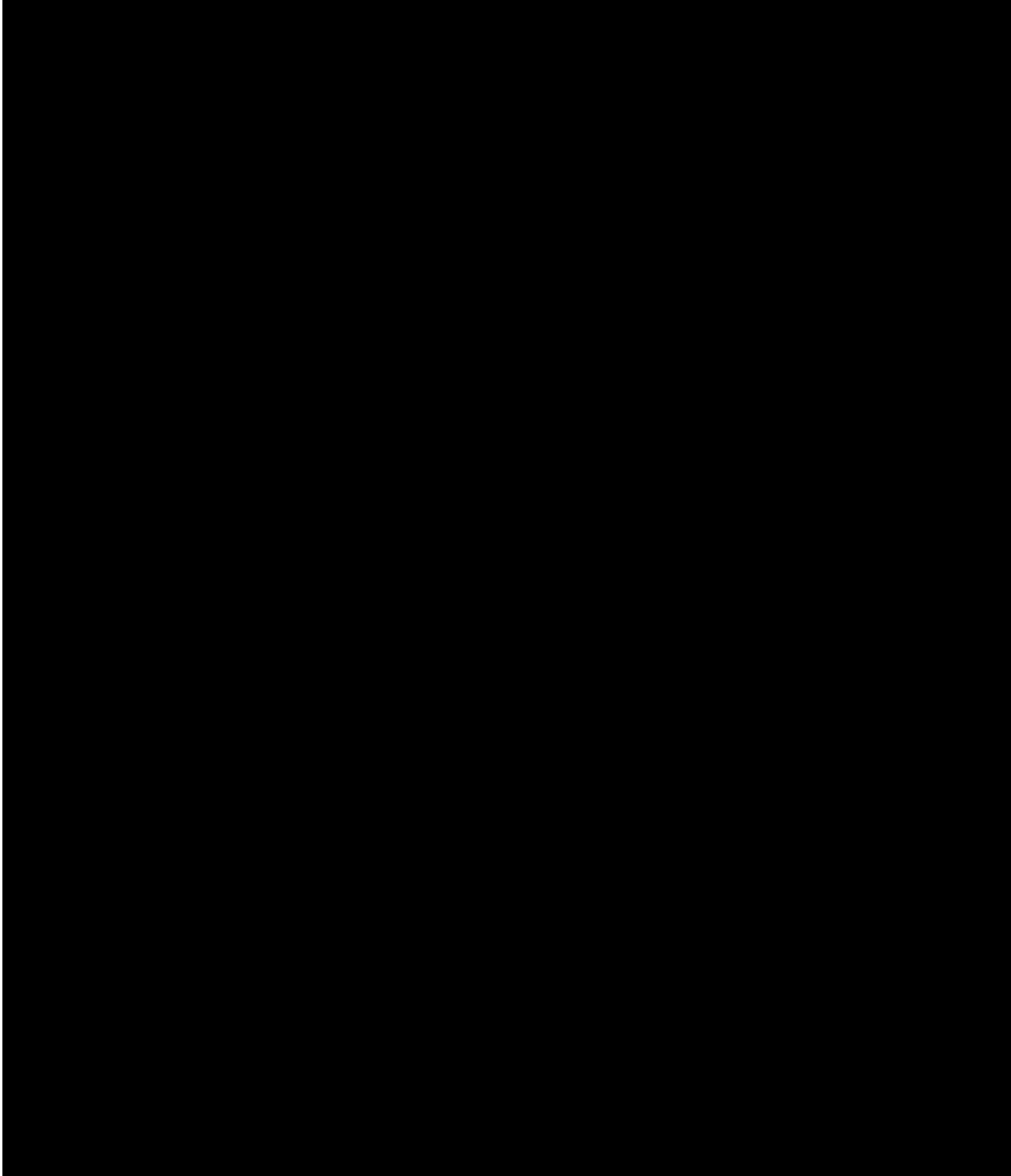
Appendix E: Fiscal Year 2011 Carrier Leads for Rural Reach
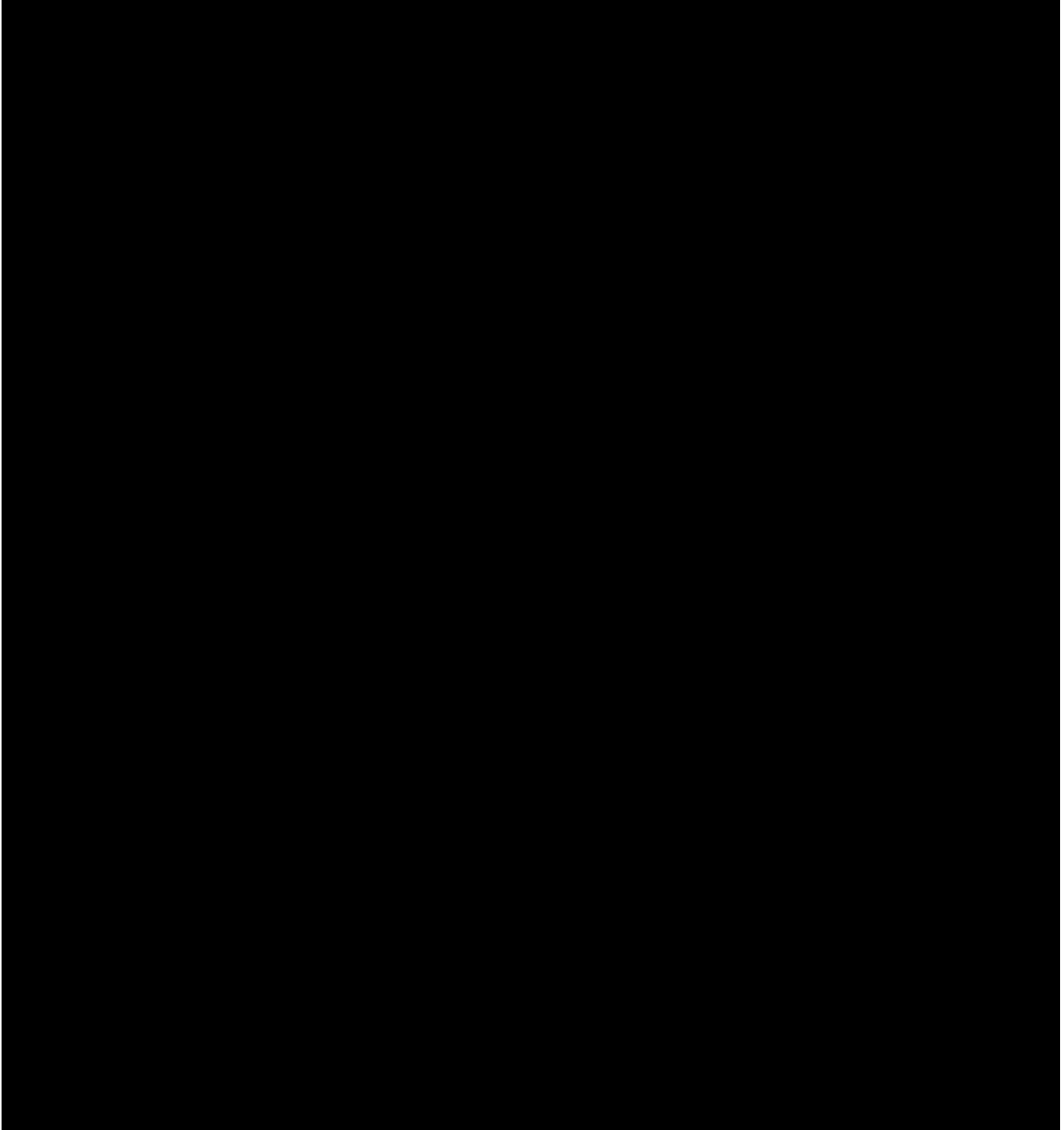
Appendix F: Management's Comments

CLIFF RUCKER
VICE PRESIDENT, SALES

UNITED STATES
POSTAL SERVICE

June 14, 2012

LUCINE WILLIS
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Carrier Contributions to Revenue Generation and Customer Service,
Report Number MS-AR-12

Recommendation [1]

Implement best practices for Customer Connect and Rural Reach programs in
districts through-out the country.

Management Response/Action Plan:

Agree. Management will continue to communicate best practices for program
success.

The following steps will be taken to support closing gaps swiftly:
- Teleconference with Area Coordinators conducted Thursday, June 7th to
  outline plan of action to reenergize the programs.
- Follow up teleconference Monday, July 9th to review the status and
  outline next steps.
- Conduct quarterly teleconferences to discuss best practices, share
  successes and review iterative processes for success.

Target Implementation Date:

Quarter 4 FY12

475 L'ENFANT PLAZA SW
WASHINGTON, DC 20260-5657
WWW.USPS.COM

<u>**Responsible Official:**</u>

De-Borah Honore', Manager, Sales Operations and Planning

<u>**Recommendation [2]**</u>

Enhance data collection and reporting to identify whether or not a lead results in new revenue for the Postal Service or diverts revenue from another Postal Service product.

<u>**Management Response/Action Plan:**</u>

Agree. Efforts around improving the value of CustomerFirst! are currently in progress. Recommendations provided will be included in further improvement endeavors. In October, 2011, data integration of CustomerFirst! and Business Connect Data Center (BCDC) was instituted. By combining the data provided by two separate sources into one, the ability to determine why a sale was lost or won has been improved. Sales has also initiated an external consulting evaluation of CustomerFirst! to determine whether the system can be modified or must undergo a major overhaul in order to be better aligned with industry best practices. Once the assessment has been completed, a cost/benefit evaluation will be performed to determine next steps in regards to the future/end state of CustomerFirst!

<u>**Target Implementation Date:**</u>

Further actions to be determined upon evaluation and recommendations of CustomerFirst! system.

<u>**Responsible Official**</u>:

Cliff Rucker, Vice President, Sales

This report contains information that we want exempt from disclosure under FOIA. Please see attachment.

For Cliff Rucker
Vice President, Sales

cc: *CMSO*
    CARM Manager

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