





## **APPENDIX K — Growth- and Value-Based Strategies**

In today's economy, creating customer value means both improving quality and affordability of products and services and providing the ability to access and use these products and services at times and places most convenient to the customer. For major mailers, the Postal Service will emphasize an increasingly wide range of customizable products that respond to the specific needs of these businesses. For small businesses and consumers, the Postal Service will improve the simplicity and accessibility of its products and services.

This Appendix to the *Transformation Plan* contains additional explanations, details and examples of near-term strategies that are customer-focused. This is not meant to be a comprehensive list of postal projects, but meant to outline those that will contribute to the transformation of postal products and services.

Strategies in the Appendix include:

### **Retail: Expand Access to Postal Services**

- Move Simple Transactions Out of Post Offices
- Create New, Low-Cost Retail Alternatives
- Optimize the Retail Network Optimization

### **Products and Services: Improve Value and Growth**

- Use Technology to Enhance Value
- Design Rates and Mail Preparation to Match Customer Capabilities and Needs
- Position Mail as a Key Communications Medium and a Customer Relationship Management Tool
- Enhance Package Services
- Generate New Revenue by Retaining and Increasing International Market Share
- Promote Greater Ease of Use
- Develop A Corporate Pricing Plan

## Strategy 1: Move simple transactions out of post offices

### Trends/Supporting Data

- 450 million stamps only transactions conducted in post offices annually
- 31.7 percent of customer visits to post offices are for stamp purchases only
- Comparable Stamp Channels Cost Per Revenue Dollar  
(SOURCES: FY'01 - PSFR, NWRS,CRA, VESS)

Retail Counter	.....	\$.024
Consignment	.....	\$.01624
Contract Postal Unit	.....	\$.10
Vending	.....	\$.14

- Percent Share of Stamps Revenue by Channel  
(SOURCES: FY'01 - PSFR)

Retail Counter	.....	.80%
Consignment	.....	7%
Vending	.....	6%
Contract Postal Units	.....	5%
Stamps by Mail	.....	1%
PC Postage	.....	1%

### Substrategy 1: Communications on alternative services

#### Description

Informing customers of alternative means of conducting simple transactions will result in increased convenience for the customer and cost savings for the Postal Service. This will be achieved through an aggressive and continuous advertising campaign of the Postal Service's basic product information and how best to use the postal products and services.

#### Benefits

- Shorter lines in post offices
- Reduction in window staffing needs

#### Metrics

- Change in window hours relative to same period last year
- Customer Service Measurement (CSM) scores
- Increase the percent of stamps sold through alternate channels

## Strategy 2: Create new low-cost retail alternatives

### Substrategy: Expand self-service

#### Description

Vending Operations—The Smart Vending strategy seeks performance improvement by:

- Offering self-service space as part of kiosk services (e.g., partnering with banks – ATMs); and
- Investing only in technology solutions that are obtained through fee for service contracts and that offer debit/credit capable machines supported and maintained by third-party providers.

#### Benefits

- **Vending Operations.** In 2002, the target is set for a \$1.5 million reduction in stamp packaging costs. Additionally, the target is set for a reduced cost per revenue dollar – down to \$0.12. Potential savings are estimated at \$13 million based on reduced cost to support same period last year (SPLY) revenue.
- **Smart Vending.** The strategy will be implemented during 2002. It is anticipated that costs will be approximately \$0.03 to \$0.05 for basic stamp purchase capabilities and approximately \$0.10 to \$0.12 for mailing and stamp capabilities. Traditional vending will continue to be offered for at least another five to seven years based on expected machine lifetime.

#### Milestones

- |  |          |      |
|--|----------|------|
| ■ New technology for basic stamp purchases | RFP      | 2002 |
| ■ Automated postage printers               | Installs | 2003 |
| ■ New technology for mailing services      | RFP      | 2002 |
| ■ Automated postal center                  | Installs | 2003 |

#### Metrics

- Reduced cost/revenue dollar for vending
- Reduced costs for packaging stamps for vending
- Increased market share of stamp sales versus counter

## Strategy 3: Optimize the Retail Network

#### Description

Today, the postal retail network design is fundamentally driven by local considerations and is influenced by decisions related to delivery operations. As such, retail demand does not always match the appropriate retail channel.

To determine how best to provide public access to retail services, the Postal Service will employ a more consistent and systematic methodology. We will use a national database that contains cost, revenue, and demographic data, along with specific evaluation criteria, to determine when and how to add to or to subtract from the retail network. This network design process will result in equal to or better retail services value for our customers in addition to avoiding unnecessary future postal expenditures.

The specific components of this sub strategy are:

- To baseline current retail network;
- To accommodate retail growth demand via a logical system that matches appropriate channel with demonstrated marketplace needs;
- To replace redundant post offices, stations, and branches that do not supply appropriate value with alternative retail channels.

### **Trends/Supporting Data**

Fixed infrastructure: The Postal Service has reduced incremental expenses for new retail infrastructure. In 1999 and 2000, the capital expenditure for combined customer service/retail and delivery facilities construction averaged \$636 million per year. In 2001, only \$65 million was committed to capital expense for facility construction.

### **Benefits**

Upon implementation, the Postal Service will have a market-based, multi-channeled network that:

- Provides high customer value (required retail services for reasonable cost);
- Is flexible and easily modified for rapid expansion or contraction as dictated by marketplace conditions; and
- Is aligned to local demographics and market segmentation opportunities.

### **Milestones**

- Complete network database (2002)
- Validate critical data, criteria, and threshold values at the area and district level (2002)
- Implement network restructuring

### **Metrics**

- Cost per revenue dollar
- Net cost savings over a five-year period

## **Products and Services: Improve Value and Growth**

### **Overarching Objective**

To increase the use of traditional products, the Postal Service will use technology to add value to the mail and develop new features and services. The Postal Service will enhance the capabilities of traditional products to complement and compete effectively with other communications methods. To address the raised expectations on the part of both the sender and the receiver for richer information and higher levels of service, the Postal Service will leverage technology to provide information-based services surrounding traditional products.

## **Strategy 1: Use technology to enhance value**

Embrace technology that will use data and information embedded in the mail to generate a rich stream of information for both individual consumers and commercial mailers to better equip them to promote their business objectives.

### **Substrategy 1: Identify and track mail pieces**

#### **Background**

There is a need to track mail from induction into the mail stream to delivery, make each piece of mail unique throughout the mail stream, and have data about the mail piece available before the arrival of the physical piece. The Confirm™ service is developed to address a key customer need—the ability to track First-Class Mail, Standard Mail and Periodical mail pieces through the mailstream. Using Confirm, mailers receive near real time intelligence from the mailstream that can help improve marketing efforts to increase profitability, growth, and customer retention. By integrating Confirm into their business processes, postal customers can improve order fulfillment, customer support staffing, and cash management, as well as their ability to measure the effectiveness of advertising campaigns. Confirm will also allow for the capture of accurate performance measurement data. These benefits make Confirm a vital contributor to the Postal Service's efforts to stem the erosion of letter and flat mail volume to electronic alternatives.

### **Substrategy 2: Use technology to improve the response mechanism**

#### **Background**

Business Reply Mail and Courtesy Reply Mail response cards are an integral part of the Postal Service's product offerings and provide customers a simple and convenient mechanism to respond to offers. Processing these response cards, however, requires intensive manual labor. The Postal Service is exploring Image Lift technology to automate the processing of response cards. The concept is to electronically capture images of reply mail cards and to facilitate electronic access by mailers for faster processing. Image Lift technology will reduce processing costs and processing time, and will greatly improve accountability.

### **Substrategy 3: Use technology to improve the access, speed, and reliability of accountable mail services**

#### **Background**

The Certified Mail service has not kept pace with the changing demands of its customers. For years, the service has been a rather slow, manual, paper-based service with escalating costs and price. The overall service value has declined at a time when customer expectations are changing and competitive alternatives are proliferating from both electronic and physical delivery services. Recent Postal Service Information Platform developments have created a new opportunity to reverse this trend by upgrading the speed, reliability, and access for the Certified Mail service. The upgrade opportunity will come about by tailoring new customer features using the electronically captured delivery data and signatures now captured and held in the Product Tracking System (PTS). The planned upgrade is an enhanced Certified Mail service that includes Internet access to delivery date and time.

In addition, customers will be able to purchase return receipts via the Internet for mail that was sent using the Certified Mail, Registered Mail, Insured Mail, or Collect on Delivery (C.O.D.) service. Return receipts will provide customers delivery dates, times, and ZIP Codes for their accountable mail as well as the recipients' signatures. When a customer purchases a return receipt from the Internet, they may choose how information is sent: by fax, mail or e-mail.

### **Metrics**

- Volume of tracked mail
- Adoption rates
- Customer satisfaction
- Incremental revenue
- Cost avoidance and savings
- Service performance indicators
- Data reliability and capture rates

### **Milestones**

A rate filing to establish fees for customers who subscribe to the Confirm service will be filed in the Spring of 2002 with the Postal Rate Commission. The Postal Service expects to offer Internet access to the Certified Mail service in the Spring of 2002 and to the Return Receipt service in the Fall of 2002.

### **Interdependencies**

These services are dependent on the regulatory process.

## **Strategy 2: Design Rates and Mail Preparation to Match Customer Capabilities and Needs**

### **Overarching Objective**

The Product Redesign initiative will tailor traditional Postal Service products to better meet customer needs, to reduce Postal Service and customer costs, to design products to fit future postal operations, and to price products to encourage growth in volume and contribution.

### **Substrategy 1: Simplify the rate structure, preparation, and acceptance requirements in accordance with differing customer needs**

### **Background**

There has been a significant change in customer needs and capabilities relating to postal products and services. The Postal Service's processing capabilities are greatly enhanced with increased reliance on automation. Both the Postal Service and its customers face increased competition and recognize the need to tailor products and services to make the mail channel more competitive.

The Postal Service recognizes that mailers differ considerably in their needs and capabilities. At one end of the spectrum, mail is a central part of business for mail-intensive customers. They want to be completely informed about mailing options and workshare requirements, so they can optimize their use of postal products according to their particular needs. At the other end of the spectrum, there are the moderate users who mail in bulk, but for whom mail is not a central component of their business. As it stands today, due to the complexities in postal regulations and requirements, these moderate mail users expend considerable resources to meet their mailing needs.

The Product Redesign initiative will simplify the rate structure and the mail preparation and acceptance requirements across all mail classes for the moderate users. For intensive mail users, this initiative will continue to explore ways to reduce costs for both the Postal Service and the industry.

Major opportunities exist in the flats product line to replicate the successes achieved through letter automation. The Postal Service has invested in automation equipment that will greatly improve flats processing and the Postal Service will restructure rate categories and preparation requirements to fully realize the benefits of this investment. Higher throughput of the automation equipment implies that bundle and container handling costs represent the larger share of total processing costs. The Postal Service and the industry will look to modernize preparation, employ container-based rates, and fully leverage workshare discounts.

Several initiatives are also underway in the First-Class Mail, Standard Mail, and Package product lines to redesign the products to meet the differing needs of customers, both large and small.

### **Metrics**

- Rates
- Customer satisfaction
- Reduced Postal Service and customer costs
- Contribution and volume growth

### **Milestones**

The Product Redesign initiative will take approximately three years. The Postal Service is currently meeting with customers to refine the proposals and new ideas. It will then engage in a detailed cost analysis, market research, extensive documentation, and written testimony in preparation for a rate filing. The expected implementation is the Summer of 2004.

### **Obstacles**

Regulatory process

## **Substrategy 2: Simplify the rate structure for mailing books and parcels from nine rates to two rates**

Simplifying the rate structures will make it easier for all sizes of mailers to do business with the Postal Service. Rate case proceeding will be easier, will consume less time, and therefore, will be less expensive. Small businesses and mailers, as well as large mailers, will find it easier to mail their packages.

### **Overarching Objective**

Customer ease of use. The Postal Service has nine different rates for mailing a book—Express Mail, Priority Mail, First-Class Mail, Standard Mail, Parcel Post, Parcel Select, Bound Printed Matter, Media Mail, or Library Mail. The objective of this proposal is to simplify doing business with the Postal Service.

This strategy works in conjunction with the “New Parcel Categories” substrategy. The strategy is for rates to mirror the simplified processing and transportation networks. As processing of packages becomes more standardized, the rates will become more simple and standardized as well. The content of packages will not determine the rate, except for hazardous materials or other special concerns. Instead the method of processing will determine the rate.

### **Background**

As with “Small Parcel Processing and Transportation”, this idea has evolved out of the Product Redesign initiative with the Parcel and Bound Printed Matter workgroups.

### **Metrics**

- Rates
- Customer satisfaction
- Volume growth

### **Interdependencies**

Dependent upon agreement from most, if not all, the major mailers and the Office of the Consumer Advocate within the Postal Rate Commission. Large dependency on the regulatory process.

### **Milestones**

The timelines are dependent on the Product Redesign initiative schedules.

### **Obstacles**

A substantial change like this would face a long process with the Postal Rate Commission. Although this concept makes sense for many mailers, the mailers who take advantage of the low cost subclasses would most likely oppose such a concept, unless the new rates were equal to or less than current rates.

### **Strategy 3: Position mail as a key communications medium and as a customer relationship management tool**

The Postal Service will enhance its traditional product features and services and improve access to them to promote mail as a key communications medium and as a customer relationship management tool.

#### **Substrategy: Adopt optimal channel strategies to improve access to postal products and services**

Customize postal products to enable small- and medium-sized business customers to leverage the mail channel for promoting their business objectives.

#### **Background**

Customer acquisition, retention, and service fulfillment are a focus of marketing efforts for most businesses. Major mailers have long used traditional postal products to acquire new customers, to maintain and to grow relationships with existing customers, and to fulfill customer service needs. However, small and medium customers find it increasingly difficult to use postal products. The Postal Service employs numerous customer facing channels such as a direct sales force, retail outlets, mail acceptance units, carriers, and the Internet. The Postal Service will optimize its channel strategies to target the under-penetrated small and medium market segments.

The Postal Service is engaged in several efforts to make traditional products more convenient and more powerful as customer acquisition, retention, and fulfillment tools for small and medium businesses. It will leverage technology and the increased use of the Internet to provide greater access to the small and medium market segments and to generate a rich stream of information for customers on the status and effectiveness of mail. An example of this is the effort to leverage the Internet to help customers prepare Reply Mail. The Confirm and Certified Mail services, described previously, enrich traditional products by providing trackability and security, and by improving delivery predictability and reliability. Electronic access to these value-added features will serve to enhance customer convenience and ease of use.

The Product Redesign initiative bears testimony to Postal Service efforts to understand its customers' differing needs and capabilities and to tailor its products and services accordingly. The Postal Service will simplify the rate structure and the preparation and acceptance processes to make it easy and more convenient for smaller mailers to use the mail channel.

The Postal Service is engaged continually in efforts to analyze customers' value chains in order to understand how traditional Postal Service products affect customers' business processes. It will identify innovative ways to help customers optimize these processes and will educate customers on the effectiveness of the mail channel.

#### **Metrics**

- Growth in mail volumes and revenue
- Increased penetration in small and medium market segments

## Milestones

The Postal Service is engaged in ongoing efforts to understand customer value chains and to position its traditional products accordingly. It is continually involved in enhancing products and services, and extending access to them in order to keep the mail channel viable and competitive, and to increase market penetration.

## Strategy 4: Enhance Package Services

This strategy consists of three key categories of substrategies:

- Merchandise return
- New parcel categories
- Online postage label application

### Overarching Objective

Improve existing merchandise returns service. This can be achieved through value-added services and competitive rates.

Conducting business either online or by means of a traditional mail order catalog involves a complicated series of obstacles for even the most experienced businesses. Selling merchandise to customers through the mail inevitably results in a portion of the merchandise being returned; and the volume and cost of returns is growing as online commerce and mail order sales continues to grow. The Postal Service can 1) offer free en route carrier pickup service and 2) develop a reverse rate for the Parcel Select service.

### Substrategy 1: Merchandise return — Implement acceptance scanning of return parcels

#### Background

By 2003, an estimated 2.8 billion residential parcels will be shipped from online storefronts and approximately 360 million parcels will be returned. In a consumer panel conducted by PricewaterhouseCoopers, 41 percent of online purchasers have wanted to return a product they purchased online but thought it was too much of a hassle to do so. Nearly 50 percent of respondents, and women in particular, identified the fact that returning an online purchase requires a trip to the post office, UPS or FedEx pickup location, and was deemed problematic. According to an article in Business2.com regarding customer demographics, women accounted for roughly 51 percent of the total population last year and 41 percent of the online shoppers. The number is expected to increase with the growth in the online community.

Package pickup service is a way to address returns from a consumer ease-of-use viewpoint. With advance notice, a delivery unit could be notified that a package pickup is necessary at a specific address. A carrier would pick up merchandise return packages (with postage due by permit holder or prepaid postage) while en route, provided there is sufficient capacity in the vehicle. This service would be offered free-of-charge versus a costly scheduled pickup, which sends a vehicle to the location at a particular time.

A reverse rate for the Parcel Select product would provide a rate for large return mailers. The rate, perhaps below the intra-Bulk Mail Center rate would encourage consolidators to pickup returns at the destinations they are delivering Parcel Select for their customers. In essence, the outbound Destination Bulk Mail Center or Destination Delivery Unit would become the inbound origin Reverse Bulk Mail Center or Reverse Delivery Unit for returns. Through limiting the number of return acceptance units, consolidators can pick up returns in the high-volume locations in which they deliver.

### **Metrics**

Ease-of-use indicators will be developed for package pickup; volume and revenue will be tracked upon reverse rate implementation.

### **Milestones**

- Meet with industry to ensure offering meets their needs
- Develop a preliminary cost and rates structure
- File a rate case with the PRC proposing the category and rate structure

### **Interdependencies**

As these initiatives are being pursued, other opportunities exist: Data information exchange between the Postal Service and the mailing industry; track, trace and payment initiatives; and the alignment of package refusals and package delivery attempts initiatives.

## **Substrategy 2: New parcel categories — Make it easier for customers to mail with the Postal Service by reducing the number of mail categories, rate structures, and confusing requirements**

By processing all packages the same, the customer has an easier time understanding our rates and delivery times, which allows them to better anticipate their costs.

In addition, parcel consolidators will now have access to more packages, which will grow their business. By merging nonbulk retail packages, delivery units will have greater economies of scale for consolidators.

### **Overarching Objective**

More than 85 percent of the packages the Postal Service carries are less than five pounds. Regardless of whether a package is Parcel Post, Library Mail, or Standard Mail, a package should be processed as a package. Therefore, the Postal Service proposes to merge the processing of deferred packages regardless of their mail category. In the long term, the Postal Service is exploring combining all non-expedited ground packages in only two categories—packages under five pounds, and packages between six and seventy pounds.

### **Background**

Deferred packages exist in six different mail classifications—Parcel Post, Parcel Select, Library Mail, Bound Printed Matter, Media Mail, and Standard Mail. That's six different rate structures, six different requirements to understand, and six different manifests. Yet from an operational perspective, if it's a package, it will be processed as a package regardless of its mail classification.

### **Metrics**

- Customer satisfaction
- Ease of Use for customers and postal operations, retail, carriers, and clerks
- Productivity – pieces per hour (PPH)
- Reduced costs and labor hours

### **Milestones**

Product Redesign

### **Interdependencies**

Dependent upon the customer's agreement and the Office of the Consumer Advocate within the Postal Rate Commission. Large dependency on the regulatory agreement.

### **Substrategy 3: Online postage label application — Design and implement online postage label for mailing package**

Direct consumers to the Postal Service Web site for online postage application.

### **Overarching Objective**

To improve Ease-of-Use in package mailing for small business and consumers and reduce transactions at the retail window.

### **Background**

Directing small businesses and consumers to the Postal Service's Web site can create an awareness of the Ease-of-Use option in online postage labels. This label option would be made available through prepaying postage with a credit card or debit card. The online postage label can be downloaded for printing and placed on the package. Finally, the package can be dropped in a post office box, handed to a carrier, or picked up by the carrier en route.

### **Metrics**

- Develop Ease-of-Use indicators for package pickup
- Track number of labels generated with online postage

### **Milestones**

Operational by the Fall 2002 mailing season.

### **Interdependencies**

As these initiatives are being pursued, they can easily be adapted for use with merchandise returns and en route carrier pickup.

### **Strategy: Promote Greater Ease-of-Use**

#### **Overarching Objective**

The Postal Service is transforming the *Domestic Mail Manual* (DMM) into a series of hard copy documents and electronic systems that will be designed around how customers perceive and use the mail. By organizing its mailing standards around the shape of the mail piece—letter, flat, or parcel—the Postal Service will focus on the key decisions that customers make while doing business with the Postal Service.

## **Strategy: Make rules and regulations more market-responsive**

Working with postal customers, the Postal Service will transform the information in the DMM using a user-centered design that will be specialized to serve different customer and employee segments (e.g., retail customers, nonprofit organizations, small businesses, bulk mail clerks, Postal Service administrators). The design solutions will make it easier for business mailers and consumers to do business with the Postal Service in order to improve customer satisfaction and increase sales.

## **Substrategy: Improve access to and ease-of-use of postal products and services as a way to build additional customer loyalty and penetrate new markets**

The information in the DMM is necessarily complex, in that the Postal Service offers many mailing alternatives to many kinds of customers. The DMM Transformation Project will clarify these complex alternatives. The design solutions will focus on structuring information in new ways by clarifying alternatives, using common sense language, and applying a variety of intuitive and logical navigational devices.

The Postal Service believes that this new approach to its mailing standards will:

- Articulate the key decisions that different customers must make when doing business with the Postal Service, then connect those decisions to the procedures required to transact the mailing;
- Create a system of information that will support Postal Service marketing efforts by providing consistent, clear information that employees can use to explain Postal Service products and services to retail and business customers;
- Reduce redundancy in the Postal Service workplace by creating an information system that is easy to use and understand, thus eliminating the need for information subsystems;
- Increase customer confidence in the mail by making it clear which mailing alternatives will best suit their needs and provide the most value for their business;
- Protect revenue by helping customers make the right decisions about the level of service they need and ensuring that customers pay the correct postage rate for that service; and
- Identify mailing standards or Postal Service procedures that can be eliminated or improved.

## **Background**

The current DMM codifies the rules and regulations that support the Domestic Mail Classification Schedule (DMCS). The complexity of the current DMM and its underlying information structures and regulations tends to frustrate employees and customers and deters some potential customers who wish to use the Postal Service but then find other channels of communication more user-friendly. In publishing mailing standards, the Postal Service has placed emphasis on compliance with the law, engineering requirements of Postal Service equipment, and the operational flow of mail through its system. While these are important objectives, there has been no comparable attempt to present mailing standards in a way that allows different groups to get the information they need in a manner that is convenient and easy to understand.

### **Metrics**

If successful, this strategy will be reflected in greater volumes, and in greater customer satisfaction ratings, particularly among small- and medium-sized business customers by providing:

- Greater convenience and clarity, particularly for consumer and small business customers;
- Improved communication between Postal Service representatives and customers; and
- More uniform application of rules, regulations, and standards, with greater efficiencies expected to result.

### **Strategy: Develop a Corporate Pricing Plan**

Develop a plan and set of strategies designed to develop market-based pricing in the Postal Service.

### **Overarching Objective**

The Corporate Pricing Plan will identify the range of activities that either affect or are affected by pricing in order to define the scope of change needed to transform the Postal Service's approach to pricing. In addition it will serve as the main policy document through which pricing strategies are communicated throughout the organization and will present a timetable for completing the steps identified as necessary.

### **Background**

Pricing is not independent of other organizational activities, and changes in other parts of the Postal Service will be necessary in order to make the best possible use of whatever pricing freedoms are available.

The Postal Reorganization Act of 1970 created the modern Postal Service and has had a profound impact on the way its rates are set. The Act established the Postal Rate Commission and the laws that govern the rate-making process. Since then, a series of rates and classification cases have established rules and precedents that further govern the rate-making process.

Under the Act, the Postal Rate Commission has to consider a set of nine pricing criteria. These criteria ensure, among other things, that prices are set so that revenues exceed costs and that the resulting rates are fair and equitable. Much of the pricing strategy is to apply mark-ups over subclass costs to achieve break-even results. Deciding the level of mark-up for each product has been one of the most contentious issues in rate cases and has been heavily influenced by dominant outside interests, including mailers and competitors.

If the Postal Service gains pricing freedoms, it will strive to price like a commercial entity. Leading pricing practices in the commercial sector are driven much more by market factors, by what customers value, and by what the competition offers, rather than by costs. Costs are clearly a factor but are treated more as a threshold factor in the pricing decision.

## Metrics

The Corporate Pricing Plan will include high level timelines and action plans against which progress will be measured.

## Strategy: Generate new revenue for the Postal Service by retaining and increasing international market share

The Postal Service will retain and increase international market share by:

- Developing business relationships between the Postal Service and major international postal operators;
- Improving service quality by elevating service in the international exchange offices and also by introducing end-to-end services that consistently meet or exceed customer needs; and
- Redefining the existing product offering and developing, testing, and introducing new services and line extensions that continue to meet the value chain requirements of customers while expanding more deeply into the value chain.

## Background

In 1995 the U.S. Postal Service established its International Business Unit (IBU) in order to participate in the development of a global postal network. Since then, the IBU has formed strategic business alliances with a select group of postal administrations and Universal Postal Union-affiliated commercial firms around the world. It is also working to continuously improve baseline products, to introduce new services to fill gaps in the value chain, and to promote the Postal Service's ability to provide seamless international services. The IBU's efforts are designed to generate revenue while supporting the Postal Service's business objectives and strategic goals.

## Trends/Supporting Data

The Postal Service has significant competition in every major category of service, not only from traditional carriers from deregulated and privatized foreign postal operators such as those of the Netherlands, Germany, Canada, and Great Britain. FedEx and UPS now offer new residential delivery options. Many foreign postal operators have entered the U.S. market and are contesting the package delivery market, and have been open about their interest in serving U.S. customers in more fundamental ways. All are free to enter the U.S. market and offer services that would be regulated if offered by the Postal Service.

In 1999, less than 3 percent of the Postal Service's revenue came from international mail. In comparison, Deutsche Post World Net and TNT made approximately 50 percent of their revenue internationally. Of a \$4 billion worldwide market for packages weighing seventy pounds or less, the Postal Service captures less than \$100 million.

The German and Dutch posts have been aggressively developing global networks in order to obtain end-to-end control of their distribution networks. The Postal Service's ability to develop a similar end-to-end network is inhibited by current law. Instead, the Postal Service focuses its efforts on international outbound mail, partnering with third-party operators, such as Consignia and DHL.

## Existing Plans

**Global Direct.** Ships mail from the United States to foreign countries, bearing the appearance of the destination country's domestic mail. Services include premail assistance, acceptance, transportation, customs clearance, and entry into the destination country's mail system. Available in Canada and Mexico.

**Prequalified Wholesaler Program (PWP).** Establishes relationships with consolidators, extending the Postal Service's reach to many small and mid-size mail order companies. The PWP allows approved Postal Service consolidators to prepare customers' direct mail for bulk delivery overseas.

**Import Boutique Kiosks.** In cooperation with the SANYO Corporation, a market test of this new retail sales channel is underway in Japan with several U.S.-based mail order customers based in the United States participating in a pilot test.

**Global Marketing Solutions (GMS).** Provides the framework necessary for companies to systematically "approach" specific country markets, to provide access to peripheral services needed for success and to directly provide catalog distribution, product fulfillment and merchandise return services.

**International Business Reply Service.** Uses prepaid business reply cards and envelopes to lift customer responses from international direct marketing campaigns.

**Global Priority Mail® (GPM).** Ships to more than fifty countries and territories through agreements with foreign operators, meaning correspondence, documents, and merchandise receive priority handling along the way. Priced lower than competitors' published rates for international expedited service.

**Global Airmail™ Letter-post and Global Airmail Parcel Post.** Provide convenient ways to ship items to virtually every country in the world.

**Global Express Mail™ (GEM).** Delivers documents or packages to more than 180 countries and territories on an expedited basis in the destination country.

**Global Express Guaranteed™ (GXG).** Offers guaranteed, time definite, international expedited delivery service to more than 200 countries and territories, through an alliance with DHL Worldwide Express, Inc.

**Global Economy™ Parcel Post and Global Economy Letter-Post.** Offers lower postage rates when shipping eleven pounds or more of printed matter to the same addressee. Delivery is available to nearly every country in the world.

**International Surface Airlift™.** Transports virtually all types of mail weighing up to four pounds to global markets.

## **Benefits**

By introducing new products and services, the Postal Service will both retain and gain revenues from customers who would otherwise have sought alternatives offered by competitors. The new products and services also amplify the value proposition the Postal Service offers U.S. companies.

## **Risks**

These products and services will increase the Postal Service's reliance upon outside entities and increase the need for effective alliance management.

## **Future Plans**

**International Service Centers.** Move international processing operations that are now co-located in domestic mail processing plants to a new network of centers dedicated to international mail, packages, and services.

**Global Business Systems.** Collect and store mail/transportation pipeline, financial, and customer data in a data warehouse to enable managers to make timely and informed decisions.

## **Benefits**

These new services offer new sources of revenue, improve customer satisfaction, and expand the Postal Service's product portfolio as customer demand for global products increases.

