



Develop a Strategy to Optimize the Postal Network for Customer Value, Pricing, Security and Reliability

Report Recap

The October 2001 report of the Mailing Industry Task Force urged the industry and the Postal Service jointly to develop a strategy to optimize the total postal network so that customers receive the best value and pricing with the assurance of security and reliability. To achieve that objective, the Task Force recommended 1) that the strategy focus on creating savings from the most efficient presentation of mail into the system, 2) that necessary capital spending and human resources strategies be identified, 3) development of a best-value solution-driven pricing system, 4) linkage with a postal value chain analysis, and 5) adherence by the USPS to best-in-class, best-value service.

The Network Optimization Vision

Last fall, the Task Force stated that a key fact that had to be acknowledged before the combined USPS-private sector postal network could be optimized: that these two networks are not, in fact, currently separate but rather interdependent parts of a partnership that constitutes the nation's complete end-to-end mail delivery stream. The goal is that the combined USPS-private sector postal network should be configured in a way that incents the mailing industry to present mail at that point in the postal stream where the USPS and the industry operate in combination with maximum efficiency.

The Task Force determined that to realize this vision of optimization, the first step to be taken is the development of a system model by which optimization schemes can be tested.

Progress To Date

Optimization's First Phase – USPS System Modeling. The Task Force was briefed on – and subsequently endorsed – the Postal Service's undertaking to redesign its distribution and transportation networks to more effectively respond to changing business requirements, customer demands, and any national crisis. The initiative – Network Integration and Alignment (NIA) – has as its charter creation of a flexible logistics network. The network's objectives are to reduce both USPS and customer costs, to increase overall operational effectiveness, and to improve consistency of service. The initiative will lead to a "blueprint" for future network operations management.

The initial phase of NIA has been an investment commitment to develop a network strategy using leading-edge optimization and simulations technologies. "We are leveraging the collective intellectual capital of USPS operations subject matter experts," NIA manager Pranab Shah told the committee, "the mailing industry, the premier postal supply chain management consulting firm, and world-renowned network optimization experts from industry and academia. The output of this process will produce a set of network optimization and simulation models that will enable the USPS to analyze a variety of network alternatives that address the complexities and uncertainties of our operating environment."

The Postal Service intends to use the models to determine which facilities remain viable and necessary within the future infrastructure. The modeling will also help determine what distribution and transportation roles will be performed by those facilities that remain as parts of an optimal, fully integrated network. The Postal Service believes that NIA will allow it to balance various distribution strategies against service needs and transportation costs. Of specific benefit to the mailing industry may be enhanced Postal Service ability to accurately identify and quantify impacts of alternative workshare concepts within a simulated environment. NIA is designed to integrate its scope and timelines with current Task Force recommendations, the Postal Service Transformation Plan, the Information Platform initiative, and to-be-determined facility consolidations.

Planned Actions

A baseline model is completed and testing will continue in the summer. A complete report on the model's capabilities and opportunities will be presented at next fall's Forum.

During the summer, focus groups will be conducted by the Postal Service to generate ideas for changes to the baseline model. Issues expected to be under consideration include service standards, package returns, seasonal space, productivity, capacity, critical entry times and continuous processing vs. batch processing. The Task Force will request information on mailers' costs associated with the new models. Moving forward, the Task Force intends to expand the model to capture total (USPS and mailers) system-wide costs. Mailers may be requested to provide data and to participate in the development of the extended model.

Task Force Process

Because the network optimization initiative was so closely aligned with the work to be done on preparation and entry, the Task Force asked the same committee to address both recommendations. That committee – co-chaired by William Davis, Chairman and CEO of R.R. Donnelley and by Postal Service Senior Vice President for Operations, John Rapp – included representatives from R.R. Donnelley, ADVO, Automated Data Processing, Mid-America Mailers, Quad Graphics, Time Customer Service, Inc., Time Inc., Gruner & Jahr, McGraw Hill, JC Penney, Capital One, Advance Presort Services, Inc., Neiman Marcus, DFS/Spiegel, Publisher's Press, Fingerhut, Coldwater Creek, and the PSI Group. A team of postal network specialists supported the committee.

Meeting in Chicago, Illinois and Washington, DC, committee members determined that their best approach to advancing the recommendation would be to advise and support the Postal Service's Network Integration Alignment (NIA) team and its efforts to construct a computer-based model of the entire postal system.