

Comments

United States Postal Regulatory Commission

Initial Comments

Service Standards and Performance Measurement

Submitted by

The Direct Marketing Association Nonprofit Federation

**I. Overview**

The Direct Marketing Association Nonprofit Federation ("DMANF") represents a broad cross section of the charitable fund raising community. The DMANF's more than 400 members consist of nonprofit religious, educational, and charitable organizations and professional fund raising consultants with particular expertise in direct response fund raising.

The nonprofit mailers that make up the DMANF membership are a broad cross section of the more than 200,000 nonprofits that are authorized to mail at the nonprofit rates of postage. Together, nonprofit mailers account for about 12 percent of the total mail volume.

The DMANF membership consists of very large national organizations whose names are household words; smaller but still good-sized nonprofits with a high level of name recognition nationwide; and medium-sized, small, and local nonprofit organizations, even individual churches and synagogues.

The professional fund raisers who are also DMANF members are under contract with nonprofit mailers to design, test, manage the production of, and track the results of direct mail fund raising packages.

The nonprofit community that the DMANF represents is vital to the well-being of this Nation both at this very moment and in the future. These organizations are committed to provide safety net social and spiritual services, to support education,

and foster the arts and science without any government funding or in the face of government cutbacks.

The United States Mails, particularly Standard Regular Nonprofit Mail, is the lifeblood of these organizations. Nonprofits use Standard Regular Nonprofit Mail to solicit contributions from the public, disseminate news and information, and communicate with donors, supporters, and the public at large. The list of how our society has come to rely increasingly on nonprofit organizations is lengthy. Suffice it to point out that this reliance that we all place in nonprofit organizations means that their funding needs should be taken seriously.

The ability of those organizations to raise funds efficiently in order to maintain current levels of programming and to grow their programs, such as to build more houses for homeless people, fund more cancer research, etc, is in part dependent on reliable, predictable time of transit.

## **II. Needs of nonprofit mailers**

An easy illustration of the need for predictable time of transit is raising funds in response to a natural emergency such as Hurricane Katrina. Relief to victims would be so much quicker if postal management could achieve its standard to deliver Standard Regular Mail in ten days nationwide. Other examples are solicitations geared to Thanksgiving, Christmas, and other holidays.

Predictable time of transit is equally important for the success of nonprofits' ongoing donor renewal campaigns. A community-wide practice is to solicit donors eight times each year. Solicitations that don't get delivered for thirty or forty days mean that the next round of solicitations can fall so close to the preceding round that donor-recipients are unlikely to give twice. This assumes that the postal system came closer to meeting its time of transit standard on the second wave or even did better than the ten day standard.

The need for predictable, reliable time of transit is vital for the success of nonprofits' direct mail fund raising campaigns and to minimize waste and loss. Direct mail is an expensive medium; nonprofits use it, however, because there are no alternatives. Nonetheless, every wasted direct mail package represents dollars that could have been spent on charitable and educational programming.

**A. Actual level of service, degree of customer satisfaction**

The salient experience of Standard Regular Nonprofit mailers is that there is a wide variation in time of transit between given origin and destination pairs--so wide that it has become unpredictable.

Most serious mailers or their professional consultants have ongoing programs to track the postal quality-characteristics that are important to their respective enterprises or marketing efforts. Commonly these quality-characteristics are time of transit and non-delivery.

Until the Postal Service instituted the PLANET Code, mailers tracked their mail in-house (insert "seeds" into a mail list) or retained commercial services that specialized in reporting time of transit and non-delivery. Many mailers now use two or all three of these methods in order to determine how long it takes the postal system to deliver mail between a specific origin-destination pair or to determine if a piece of mail never gets delivered to a specific destination (reporter).

Some of these mail monitoring efforts, such as PLANET Code, may not be random samples, but they are empirical. The results form the basis for a mailer's understanding of the level of service that the Postal Service actually achieves relative to the quality-characteristics that the mailer tracks, namely a wide variation.

**B. Data reported by The Flute Network in R2006-1 describes wide variation in time of transit.**

The Commission itself cited this type of empirical data in its *Opinion and Recommended Decision* in Docket No. R2006-1.

The Flute Network argues that the value of service for Standard Regular and in particular, Standard Nonprofit Regular letter mail, is low since the Postal Service does not meet its published delivery performance standards. Witness Pritchard testifies regarding data she collected about the quality of service for the delivery of The Flute Network's Standard Mail. She notes that 'there is nothing unusual about The Flute Network which would allow one to imagine that the experiences we've had are a problem unique to us.'

Flute-T-1 at 48. She argues that her data shows (sic) that 'both senders and receivers are getting very poor service, and it has been deteriorating for at least two and one half years that I can document.' Flute-T-1 at 19.

Postal Service service standards call for The Flute Network's mailings to be reaching addresses nationwide within 10 days, and locally in 1 or 2 days. However, her data show that actual experience has been much worse. Specifically, her research shows that for the bulk of those 228 subscribers reporting the date that the February 2006 issue was received, it took between 12 and 19 days to deliver. Further the bulk of the 307 subscribers who reported the March 2006 issue received said that it took between 32 and 41 days to deliver. Witness Pritchard also kept track of the delivery of The Flute Network's issue from January 2005 to the May/June 2006 issue to her personal residence. Her experience was that the delivery time from Waynesville, NC to San Bernardino, CA took between 7 and 46 days depending on the issue. She concludes that the Postal Service is not living up to its own standards with respect to Standard Mail, and 'one must question the kind of value in the so-called "value added" service that would substantiate an increase in postal rates . . . when services are not provided as promised, and when the value of a piece of mail is so degraded by its late delivery that the service ends up being totally useless.' Flute-T-1 at 48.

The Commission's *Recommended Opinion* goes on to cite witness Pritchard: "The Flute Network submits that consistent and reliable service is at the core of what is value of service." Opinion at 217. The Commission also cites her characterization that the degree of service that "Standard Mail customers (especially Standard Regular Nonprofit letter mail customers) have been experiencing, as demonstrated by witness Pritchard's testimony, is 'dismal.'" Opinion at 217-218.

The Commission concluded in its Opinion as follows:

Although the data collected can not be considered a random sample or even close to a scientific analysis, the data unquestionably shows (sic) that service provided to The Flute Network newsletter is severely

lacking, and it raises serious questions as to the delivery performance for other Standard Regular origin-based national mailings. It can not be dismissed as pure coincidence, especially given that the Postal Service has never presented any data showing delivery performance of Standard Regular Mail, let alone any better, more statistically unbiased data than The Flute Network's. Opinion at 219.

**C. Further empirical evidence tends to corroborates The Flute Network testimony of wide variation of quality during the same period.**

Other examples of these kinds of data, previously unreported publicly, are found in a study that the Association of Direct Response Fundraising Counsel ("ADRFCO") conducted of its own members a year ago. Interestingly, the period in which ADRFCO members reported tracking their mail overlaps with the period the witness Pritchard covered.

ADRFCO consists of about forty professional firms that nonprofits engage in order to design, create, produce, and mail fund raising solicitations and to analyze results of those efforts. ADRFCO also advise on mailing lists and conduct feasibility studies and tests.

In April, 2006, ADRFCO sent a questionnaire to its members in order to elicit data member firms may have collected relative to time of transit and non-delivery. Nine member-firms responded. Eight supplied delivery results either quantitatively or anecdotally. Four cited time of transit delays between origin and destination pairs, and all four cited the same origin and destination regions, East to West Coast. Two member-firms reported a specific non-delivery problem that went beyond mail that was undeliverable as addressed. Six of the nine respondents used one or more mail tracking services.

Of the eight firms that supplied delivery results either quantitatively or anecdotally, two supplied sufficient detail to present an almost complete picture of time of transit experience as shown in Table 1 on the next page. Those two firms are indicated by the numbers "1" and "2" in Table 1.

Table 1

Time of Transit by Class of Mail and Date of Entry

ADRF Member	Mail Date	Volume (Pieces)	Time of Transit	Origin/Destination
First Class: =====				
1.	1/5/06	10K	6 days	Chicago/BMC to LA/BMC
2.	1/6/06	NDP	5-19 days	Dest: VA, ME, NY
2.	1/30/06	NDP	11 days	Dest: VA, ME, NY
Standard Nonprofit: =====				
1.	1/5/06	102K	23 days	Chicago/BMC to LA/BMC
2.	1/6/06	NDP	25-33 dys	Dest: VA, ME, NY
2.	1/30/06	NDP	8-16 dys	Dest: VA, ME, NY

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"NDP" = no data provided

A third member firm submitted a report produced by scans of the PLANET Codes on 208 pieces of a mailing that contained a total of 53,400 pieces. Of the pieces that bore a PLANET Code, the Postal Service scanned and read 100. The mailing was dropped February 7, 2006 at the Standard Regular Nonprofit Mail rate.

About twenty percent of the scanned pieces were scanned at the Destination Delivery Unit between 1-14 days after entry. Forty percent were scanned on days 15 and 16. A little more than one-quarter wasn't scanned until 17 to 21 days after entry. It took the postal system between 22 and 30 days or more to scan the remaining ten percent.

Thus, postal management's system took between 15 and 30 days to deliver 80 percent of the mail pieces in the example of mail entered in early February, 2006.

The results of this one mailing seem to be in line with those of the two listed in Table 1 above and suggest that delivery problems in the winter of 2006 were not just a function of volume spikes in anticipation of the change in rates on January 8, 2006.

With respect to the question concerning the quality of delivery during the winter months of 2006, four member firms noted delivery delays between specific origin and destination pairs, and all four observations cited mail moving from the East to West Coast. Two named specific origins and destinations as shown below.

ADRFCO Member -----	Observation (verbatim) -----
1.	Window of acceptance by the USPS caused delays in shipping and the ability to make appointments at the BMCs. Springfield BMC - LA BMC
3.	Extensive delays in January [even after new rates took effect]; seemed to particularly impact West Coast returns.
4.	Poor delivery from Nov to March; terrible delivery from SE PA to LA BMC both First Class and Nonprofit Standard presort
5.	A longer time specifically from East to West than normal; longer delivery time from East to West Coast

Two other member-firms observed delivery delays but did not give specifics. One firm noted: "Several mailings had the wide variation in transit time based on our internal seed tracking." Another firm observed: "a wide variation in time of transit within a specific mailing" but did not elaborate.

Two firms noted complete delivery failures. Both responded to the question: "Which of the following delivery problems do you believe your firm's clients experienced this winter?"

One firm noted: "An unusually large number of mail pieces that were not delivered at all." (Emphasis in the original) The second firm stated: "[W]e have one specific example of a large number that appear to have not been delivered."

#### **D. Conclusion**

The Flute Network testimony and the ADRFCO study suggest that the postal system is simply not performing for the nonprofit community. The system is not capable of reliably meeting the time of transit standards that postal management has set and, therefore, that nonprofit mailers expect. Nor can mailers predict reliably the actual level of service they will receive at any given time between a particular origin-destination pair.

Planning is the modern tool of business. Even worse than failure to meet published time of transit standards is unpredictability.

### **III. Action Items**

Postal management must take steps to minimize the variation of time of transit; 10-30 days or 7 to 46 days is totally unacceptable. To penalize management for failure to deliver mail in accordance with published standards, however, will not reduce the variation in quality over the long run.

Postal management must use statistical methods. Without statistical methods, attempts to improve a process are hit and miss, with results that usually make matters worse.

There are simple but powerful statistical techniques that point to the type of action that will lead to reduction of variation.

A statistical chart detects the existence of a cause or variation that lies outside the system. It does not find the cause. A control chart of  $\bar{x}$ - and R-charts (say:  $\bar{X}$  bar and R)

will usually detect a special cause or a change in the system.<sup>1</sup> For example,  $\bar{x}$ - and R-charts will detect shrinkage in spread or greater uniformity--that is, less variation.

Sound understanding of statistical control is essential to management, engineering, purchase of materials and service. Stability, or the existence of a system, is seldom a natural state. It is an achievement, the result of eliminating special causes one by one on statistical signal, leaving only the random variation of a stable process.

Once management achieves a fair state of statistical control, the control charts will show upper and lower limits. Those limits will tell management what the process is, what it will do tomorrow but not necessarily where we wish the limits to be. The control chart is the process talking to us.

The distribution of a quality-characteristic, such as time of transit that is in statistical control is stable and predictable, day after day, week after week. Output and costs are also predictable. The important problems of improvement commences once you achieve statistical control.

Once a process has been brought into a state of statistical control, it has a definable capability. It will show sustained performance on the  $\bar{x}$ - and R-charts. The specifications that it can meet are predictable. Those specifications may not meet customers' needs, but management is unable to move to address those needs until it knows the capability of the system.

"Measuring performance," "try this or that" and hope for improvement are useless. Instead, management must use statistical methods as referenced above. It's the only rational way to meet customer needs over the long run.

Respectfully Submitted,

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<sup>1</sup> The computer software used to prepare these comments does not offer the "x bar" symbol, that is the letter "x" with a bar over the top of the x. In lieu thereof, the underscore of the letter directly above the "x" is intended as the bar over the x.