

# RESEARCH INTERNATIONAL

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United States of America Postal Regulatory Commission  
901 New York Avenue NW, Suite 200  
Washington DC 20268-0001  
U.S.A.

8<sup>th</sup> July 2008

Dear Sirs

## **Docket No. PI2008-1: Second Notice of Request for Comments on Service Performance Measurement Systems for Market Dominant Products**

The USPS proposal for Service Performance Measurement Systems for Market Dominant Products is irrevocably connected to the implementation of Intelligent Mail Barcodes (IMBs). There has been a lot of correspondence and comment on many of the practical issues relating to the implementation of IMBs. These issues should not cloud or diminish attention from the fundamental requests that USPS are making to measure performance of market dominant products and the potential effect that they will have on the integrity and objectivity of the performance results.

At its core, the proposal is requesting to use internal systems and other proxies to report quality of service results which will be used to govern and assess the performance of USPS for many years to come.

Research International would like to draw attention to some areas of weakness relating to the proposal and offer some alternatives. Firstly we detail our support for IMBs as a concept but then detail why we have concerns over their use in overall performance measurement of standard mail. Finally we detail some concerns we have with the proposals relating to periodical measurement.

### **Intelligent Mail Barcodes and performance measurement**

There is little argument that IMBs will increase the value of the mail stream. If used to its full potential the IMBs have the possibility to;

- Ensure follow up activity can be planned more accurately – knowing when advertising material is delivered will help companies better manage call center activity for example
- Ensure addresses are correct - address correction will add value and reduce costs of mailings
- Environmental impact lessened – if mail is more targeted and sent to the correct address then environmental impact is reduced

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- Report transit times – in theory IMBs bring the power to report on the delivery of single mailpieces and their transit through the USPS network, although no firm commitment or specification has been created for this

These advantages are significant and are a genuine improvement on current mail formats and will help mail fight for market share with electronic substitutes and other marketing mediums.

Therefore our comments do not relate to the benefit of using IMBs per se, rather the usage of IMBs to measure quality of service and the fundamental methodological flaws associated with this.

### **Measurement approach to Standard Mail**

Standard mail is the largest mail flow in America but it is also the mail flow that is most under threat from electronic substitution and price pressures. Such a mailflow requires accurate objective measurement to persuade marketers and the public that it is a viable medium for speedy delivery.

The impact of poor delivery performance could be catastrophic to the industry and therefore the importance of performance data is such that a scientific flawless system of measurement needs to be put in place.

The proposals for measurement of Standard mail are broadly summarized as;

- Mailers will be required to use Full Service IMBs for data to be included in overall service measurement performance figures
- External panelists will record the delivery date and time of live mail that contains Full Service IMBs
- If those mailings have passed relevant validation checks then an average of delivery times vs. last sorting machine reads for each letter will be used to create a delivery factor
- The delivery factor defined by the sample of external panelists will be applied as a proxy for measurement of all Full Service IMB items that do not have an external final delivery confirmation

The above points raise serious questions about the representativity of the measure in relation to the actual mail that USPS processes;

- **What will be the take up of Full Service IMB product?** - The take up rates of Full Service IMB product can only be predicted. There are a number of issues relating to its implementation, cost and complexity that suggest an acceptance rate of some way below 100%. It is possible that natural IMB adoption could be narrow, and would affect the representativeness of the measurement. Adoption would be likely to be skewed by geography, size of mailer, type of mailing or other factors. Therefore the data being used to measure USPS performance is unlikely to be represented by the actual cross section of the mailing industry.
- **What quality of service is being proposed for Basic Service IMBs?** – The use of Full Service IMB in the measurement raises the question as to what service will be provided to Basic IMB users. If the data is not included in performance figures then what obligation does USPS have to this service?
- **How are panelists selected to receive live mailings that are representative of the general population?** - It is likely that a panel recruited to record and report back delivery dates of mail will be of a certain social and economic background. These panelists are likely to be targeted to receive specific types of mail relating to their demographic.

Therefore mail types not targeted towards these panelists may not be represented in the delivery factor.

- **Will the delivery factor be applied only to other mailings that have similar mail characteristics?** - The data collected by panelists will be attributed to all other mailings using Full IMB that do not have external delivery confirmation. Therefore a financial mailing may have a delivery factor applied to it that is created from predominantly catalogue mailings for example. This does not seem to be appropriate in an environment where some mail is more highly valued than others and could be prioritized for delivery.
- **Is there any possibility of manipulating IMB sorting machine reads to prevent measurement of shipments that maybe “late”?** - One assumes that there are no means of bypassing sorting machines to prevent mail being part of the mail measurement.

The issues of representativity are merely a symptom of the approach being taken towards measurement for standard mail. The approach being taken is to measure delivery of mail to a sample of the population and hope that the mail being measured matches the mail characteristics of all mail being sent. Obviously a weighting factor could be applied to try and correct over representation of some types of mail. However weighting factors should only be used to “fine tune” results of a planned sample. If the data does not match reasonably closely to actual mail volumes then weighting will overplay performance of mail types with small volume.

The approach to measurement being taken on standard mail is in stark contrast to that being taken on First class mail. The EXFC survey goes to great lengths to mimic real life mail. Factors such as color, size, weight and geography are taken into account to design a study that is representative of the real market. Test items are prefabricated to meet USPS design and addressing guidelines to ensure that all test mail is eligible for inclusion in the survey. The EXFC is therefore generally recognized as a valid and representative measure of USPS performance.

Research International propose that the EXFC approach to monitoring should be applied to standard mail. It is possible to design a survey that measures a sample of mailers to represent the different types of mailer and mailing characteristics. Test letters can be created to mimic the mailing or addresses of external panelists can be inserted into mailer databases. Test mail routings can be devised to represent real mail flows. External panelists would receive a representative cross section of mailings and be located in geographically representative locations.

Furthermore if RFID technology is added to test letters and installed in key USPS installations then the mail movement through the USPS network can automatically be followed and diagnostic measure made of the flow that is an objective measure of USPS performance. Potentially the delivery at panelists could be objectively verified using an RFID reader located in their homes and businesses.

The proposition above mirrors the EXFC methodology by intelligent representative sampling of actual mail flows and characteristics that can be viably aggregated to become a full representation of regional and national performance.

### **Measurement approach to Periodicals**

Whilst the mail volume and associated revenues of periodical mail are relatively small the need for prompt delivery of periodical mail is higher than other types of mail not least because it is very obvious to the customer if a weekly magazine is delivered late or is on general sale prior to delivery to a subscriber.

The proposal made for measurement of Periodical mail is to use Deltrak and Red Tag monitoring systems to collect postal and delivery information and for an external supplier to aggregate and report on the data. Again, Research International has concerns on the representativeness and objectivity of such a proposal;

- Mailers must pay to participate in Red Tag monitoring which could limit involvement from certain sections of the mailing community
- Listings of monitored mailings are posted on the Red Tag website. The objectivity of such a measure therefore has to be questioned as these mailings could get priority service. Therefore the quality of service attributable to non monitored mailings can not be factored on the basis of these results
- We understand that all mail participating on Red Tag actually carries a red tag and therefore can also be identified by USPS. Again, this could lead to preferential service which does not represent non monitored mailings
- Receiver panelists who participate in Red Tag measurement are volunteers. They take part in the survey only to receive magazines they want to receive. This could limit participation of less popular magazine titles. It is not clear how representative these people are of the geography of periodical mail as a whole
- It is not clear what vetting is made on new volunteers. It is possible that volunteers have a conflict of interests in terms of the resultant data that is reported

Similar to the comments relating to Standard Mail measurement, a more scientific and objective methodology should be used if data is to be used to measure ongoing performance standards accurately.

At the very least, the survey should be designed to represent mail characteristics and mail flows and be anonymous to USPS.

### **Summary**

We believe that world-wide practice suggests that measuring quality performance with test letters can be applied within the standard mail and periodical mail market. Moreover, such an approach would give a more representative and independent view of the true quality of service of various mail types that eliminates any bias or data inconsistencies that the proposal for performance measurement systems seems to include.

Yours faithfully,

Nick Brice  
Director – Service Measurement  
Research International

## **Background Information**

Research International is the world leader in custom market research services. Our experience in running transit time measurements in the postal and logistics sector is second to none. We played a key role in designing and developing appropriate methodologies in the late 80s, which have formed the basis for such measurement around the world today. We have continued to develop these in line with advances in technology and changes in focus for the measurements.

We run a number of surveys around the world. In fact since 1987, Research International have generated and analyzed over 30 million test mail items on behalf of our postal sector clients.

Our wealth of experience has taught us to understand fully:

- How to measure and validate the Date of Posting;
- How to measure and validate the Date of Delivery;
- How to calculate transit time and hence Quality of Service;

We have considerable experience, both domestically and internationally, in terms of:

- Setting up surveys including statistical design and sampling, and in compliance with internationally accepted principles and standards;
- Sampling, recruiting, maintaining and monitoring the performance of panels of nearly 20,000 senders and receivers, private and business, across the world;
- Generating, preparing and distributing test items, with strict quality control over weights, sizes and addressing according to the survey design;
- Processing and entering large quantities of data accurately and efficiently through a variety of methods – scanning, manual data entry, Internet data entry;
- Managing large numbers of transponders (RFID-technology) and ensuring loss rates remain at a minimum. The use of transponders enables our clients to identify operational deficiencies in the pipeline;
- Delivering tailor-made, interactive client output via a variety of media;
- Creating state-of-the-art customized systems to manage the surveys in a robust way.

Our specific survey experience is discussed below.

### **International end to end Measurement – UNEX**

Research International won the International Post Corporation UNEX survey of priority mail in 1997. The study incorporated the use of transponders embedded in a sample of one million test items mailed each year between 23 countries including the USA, where we coordinated a continuous panel of over 300 individuals. Working closely with our clients and our sister Research International agencies, we were responsible for developing and managing all aspects of the survey including initial design, panel recruitment and management, building of customized systems, Internet data entry and transponder tracking and management systems. We have recently been re-awarded the survey for a further 5 years from July 2006, and it has been extended to 43 countries, again including the USA. Specifically in the USA, we now operate an innovative professional sender approach, giving an excellent random spread of seeding across the country.

### **Service Performance measurement experience world-wide**

Various Research International units around the world also carry out a number of other domestic and international end to end surveys including:

–Canada

We have been awarded the main domestic end to end survey from 2008 onwards for mail measurement in Canada for Canada Post. The project involves approximately 450 panelists and 95,000 mail items annually.

–Austria

Domestic mail measurement in Austria for Österreichische Post AG. The project involves approximately 150 panelists and 45,000 mail items annually.

– France

Domestic measurement of bulk mailing in France for La Poste. The project covers the major clients for La Poste and includes 5,500 receiver panelists.

– Greece

Domestic mail measurement in Greece for the Postal Regulator – EETT. The project is aimed to replicate the domestic survey for the Greek Postal Office and involves 32,000 items of mail sent & received by over 100 panelists.

–Australia

Research International undertake the main domestic end to end survey for Australia Post covering stamped, metered, PP, Express and bulk standard mail.

International mail monitor for Australia Post involving the dispatch of standard sized business envelopes to 18 overseas cities from five Australian cities.

– New Zealand

Domestic fastpost, standard and business mail monitor for New Zealand Post involving 40 sending points and 142 receivers.

### **Domestic end to end Measurement in the UK**

Research International has carried out service performance measurement for Royal Mail since 1987, firstly on their stamped and meter franked mail (both 1<sup>st</sup> and 2<sup>nd</sup> class), and later on other products. We are the contract holders for the following end to end measurement surveys:

- 1<sup>st</sup> and 2<sup>nd</sup> class stamped mail
- 1<sup>st</sup> and 2<sup>nd</sup> class meter franked mail
- 1<sup>st</sup> and 2<sup>nd</sup> class unsorted PPI mail
- 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> class Bulk Mail products
- 1<sup>st</sup> and 2<sup>nd</sup> class Bulk Mail with editorial content, i.e. magazines
- 1<sup>st</sup> and 2<sup>nd</sup> class Reply paid services
- Parcels mail

All current contract surveys for licensed products have been successfully audited by KPMG, the auditors commissioned by the UK consumer organization.

Research International has carried out a variety of other Service performance measurement exercises, including:

- Mis-delivery of mail
- Courier Challenge, covering Q of S and customer care of Express services
- Survey of a customized high profile subscription magazine delivery service
- Election monitoring for Welsh Assembly and Scottish Parliament elections and European elections

- UNEX Add on study to measure Q of S for international items to Melbourne, Sydney, Dubai, Buenos Aires, Sao Paulo, Hong Kong, Tel Aviv, Delhi, Kuala Lumpur, Auckland, Singapore and Johannesburg.