

Report of the Consumer Advocate on Quality of Services Provided by the Postal Service to the Public— Summary

I. Objectives of the Report

- OCA's mission is to "give a strong and consistent voice to the views of consumers" and "argue for equity on behalf of individuals and small businesses, both as senders and as recipients of mail and mail services."
- Service is the product offered by the Postal Service. Quality of service, the mix of product offerings, availability of service, and the customer/vendor interface are key components of the postal experience.
- In an increasingly competitive environment in which consumers have choices, Customer Equity is very important.
 - Brand Equity: The value (could be measured in terms of sales or profits, appropriately discounted) of a specific brand of product based on consumer preferences and spending patterns.
 - Customer Equity: Based on Brand Equity, Value Equity (perceptions of quality, price, convenience) and Retention Equity (customers choosing to do business with the organization, involving retention programs and relationship building activities).
 - Relevant to future financial health--could have high brand equity, low customer equity, and declining sales.
 - Relevant to contingency—can stanch decline in revenues.
- In a future rate case, determine whether the cost coverages proposed by the Postal Service for particular classes and services adequately reflect the "value of the mail service actually provided each class or type of mail."

II. How the Report was Developed

- A. OCA personnel developed and evaluated information on service quality by means of:
1. Interrogatories: information on achievement of service standards, product offerings, service availability, quality of service.
 2. Literature search of publicly available information.

B. Academic Contacts:

1. University of Southern California – Student surveys made part of the coursework in an honors course.
2. Purdue: Surveys performed by Center for Customer Driven Quality.

C. Input from the public.

1. Focus Groups
2. Telephone, e-mail, and correspondence from public to OCA

III. Key Findings and Recommendations**A. Priority Mail**

1. Key finding: First-Class Mail (which may be very inexpensive compared to Priority Mail, e.g. 34 cents for a one-ounce letter versus \$3.50 for the lowest-priced Priority Mail piece) appears to provide equal or better delivery times than Priority Mail.
 2. Key finding: The Postal Service withholds information on First-Class delivery times from the public.
 3. Key finding: The Postal Service pressures the public to purchase Priority Mail by stating that Priority Mail is transported on the Express Mail network; but this is highly misleading, as Express Mail is transported, processed, and delivered ahead of Priority Mail.
 4. Key finding: The Postal Service misleads the public by advertising Priority Mail as a 2-3-day service. A high percentage (12%) of all Priority Mail is not delivered within 3 days; approximately 33% of 3-day Priority Mail is not delivered by the end of the third day.
- **Recommendation:** (1) Give the public the information it needs to compare First-Class delivery times with Priority Mail delivery times; (2) cease making statements indicating that there is equivalence in the transportation of Priority Mail and Express Mail; and (3) advertise Priority Mail as a 2-5-day service, but include the parenthetical phrase that most Priority Mail is delivered in 2-3 days.

B. Certified Mail/Return Receipt

1. Key finding: In 1999, the Postal Inspection Service reported that the return receipts that customers had paid for often were never returned to the purchasers, or when they were returned, lacked the required signature. The poor execution of Certified Mail/Return Receipt service was most evident in the delivery of tax returns to tax authorities.
 2. Key finding: An Office of the Inspector General Report submitted to the House of Representatives in March 2001 reported similar failures to provide adequate Certified Mail/Return Receipt service. Postal Service staffing at tax season was far too low; Certified Mail delivery to tax authorities was excessively slow, causing cities, states and the federal government to lose substantial interest income.
 3. Key finding: According to Postal Service operations officials throughout the United States, the 2001 tax season was much improved. However, the Postal Service lacks a formal measurement system to monitor its Certified Mail performance.
- Recommendation: Institute practices to provide the service that mailers have paid for; measure and report service performance of Certified Mail/Return Receipt service.

C. Insurance

1. Key finding: Postal Service policy is to process insurance claims within 30 days; but the Postal Service routinely violates its policy by taking 62 days for processing.
 2. Key finding: The Postal Service does a poor job of informing purchasers about the limitations on insurance coverage and the type of documentation that will be necessary for reimbursement. The Postal Service requires the public to read a long technical regulation to understand the limitations on coverage.
- Recommendation: Provide potential purchasers of insurance a comprehensive description of requirements, exceptions, and limitations; the written material should use clear, simple language.

D. Public's Major Complaints about the Postal Service

1. Key finding: Most frequently voiced complaint – long lines at the post offices.
2. Key finding: There is a great deal of confusion about what the difference is between First-Class Mail, Priority Mail, and Express Mail. Few consumers seem to have a firm idea about what the delivery times will be for these services; and they find the service names confusing – all of them sound like high-speed, high-quality services.

Recommendation: (1) Add personnel to decrease wait times; expand retail hours; offer more products at vending machines, such as coils of stamps; allow credit card purchases at vending machines; install more self-service equipment; use a take-a-number system. (2) Develop a simple chart that compares the most commonly used consumer services, i.e., First-Class Mail, Priority Mail, Express Mail, and Parcel Post. Include in this chart the number of days for delivery for each service, whether there is a money-back guarantee, and the price range. Post this chart prominently at post offices, on the Postal Service's website, and in mailings regularly made to postal residences and businesses.

IV. Analysis of Consumer Perceptions of Postal Service Performance.

A. Literature Survey

1. Associated Press Poll, 1999: Shows satisfaction, but not strong satisfaction.
2. American Customer Satisfaction Index: Customer satisfaction can be shown to be linked to financial success. The Postal Service scores below UPS and FedEx.
 - Major recognized survey produced by University of Michigan Business School
 - Postal Service score of 70 comparable to other government agencies but below United Parcel Service (78) and Federal Express(82).
3. Consumer Federation of America: A “very favorable” rating by 65 percent of customers in terms of service--suggesting that there is a lack of customer equity for 35%.

- Major Conclusion: The Postal Service gets overall favorable ratings for quality of service and performance; however, rated against competitors its scores are less favorable. The ratings by consumers are generally not “top box” when consumers are given a choice.¹

B. Focus groups

1. Two groups consisting of consumer professionals, concentrated in government oriented businesses, professions, or occupations. A third group was representative of low income consumers attempting to enter the work force.
2. Major findings:
 - First Class Mail: A good value, but not reliable if the mailed item really must arrive by a specific date. E-mail is an increasingly acceptable alternative.
 - Priority Mail: Great packaging, but does not appear to have a time advantage in terms of delivery.
 - Service: Mediocre; waiting in line is excessive; bureaucratic management attitudes; insufficient concern about whether good service was delivered; favorable impressions of letter carriers.
 - Express Mail: Lacks the quality and value of FedEx.

C. Purdue Survey Efforts--Center for Customer Driven Quality

1. One-Minute Internet Survey: Sent via Internet to 500 members of a panel of consumer contact personnel; 87 respondents, considered to be a good for this type of survey.
 - The majority of customers indicated satisfaction with mail delivery and service; however, the majority of consumers did not indicate the top satisfaction level. This suggests there is room for improvement, and business may be at risk to competitors.
 - 88 percent of consumers are satisfied or very satisfied with mail delivery.
 - 86 percent of consumers are satisfied or very satisfied with service received at postal facilities.
 - 70 percent of consumers believed a three-cent increase in the cost of a stamp is reasonable.

¹ Generally a survey question will offer three to five possible responses. A reply is considered “top box” if it ranks as choice 1, e.g. most favorable or highest. “Top Box” replies show a high level of consumer commitment.

- 74 percent of consumers believe that the cost of a First-Class stamp is right or a bargain.
2. Second phase, Internet survey. Sent to 2036 consumer affairs professionals in a database maintained by the Center for Customer Driven Quality.
- Consumers believe their mail service to be excellent or good, but the top box score was relatively low: only 24 percent of respondents believed service to be excellent. This suggests some longer-run potential for problems, although in the short run it appears that there is substantial satisfaction.
 - Only 13 percent of consumers were “top box” satisfied with their experience in visiting a post office facility. Thirty-five percent were dissatisfied to some degree.
 - 27 percent of those who had used Priority Mail were “top box” satisfied.
 - Only 10 percent of consumers who have complained believe that the post office is always responsive to their complaints.
 - In replying to open ended questions consumers noted problems with long lines, poor service, inconvenient business hours, and inconsistent delivery times. Items identified as favorable included customer service, dependability/reliability, delivery services, and price. Recommendations included increased focus on customer satisfaction and service, more staff/shorter lines, extended hours.
3. Phase three: Telephone survey of a random and representative sample of adults in the Lafayette/West Lafayette, Indiana community; 197 replies to 200 contacts.
- 58 percent believe that the cost of a First-Class stamp is about right; the average thought to be reasonable for a rate increase was 1.6 cents.
 - 23 percent of consumers were satisfied top box with their experience in visiting a post office facility. 69 percent were dissatisfied to some degree.
 - 37 percent of consumers knew what Priority Mail service was; 18 percent of those who had used the service were top box satisfied.

- 51 percent of respondents believed that a 3-cent rate increase was too expensive.

D. University of Southern California Survey: “Business Decisions under Uncertainty” class project.

1. Method: Student surveys. Conclusions are based on approximately 460 responses, generally in sub-samples of approximately 40 responses each.
2. Products: Percent of customers placing customer satisfaction in top two categories.
 - Express mail: 53 percent
 - First-Class 64 percent
 - Priority Mail: 60 percent
 - Certified Mail: 49 percent
 - Delivery Confirmation: 41 percent

Finding: The ratings suggest that between 30 percent and 60 percent of Postal Service business is somewhat at risk to competitors, based on those customers who perceived postal services as average or below average.

3. Service: Percent of customers placing customer satisfaction in top two categories.
 - Timeliness: 48 percent
 - Responsiveness: 22 percent
 - Insurance Claims: 27 percent
 - Buying Stamps: 58 percent
 - Mailing a Package: 44 percent
 - Picking up a Package: 36 percent

Finding: The implications for Retention Equity are negative. In general, the surveys indicate a mediocre degree of consumer satisfaction with the Postal Service.

E. Major Conclusions

- The Postal Service has strong Brand Equity but potentially weaker Customer Equity.

- Postal Service Brand Equity is clearly high--a trusted institution that delivers everywhere. Similarly, AT&T's Brand Equity was high--a technology leader with the best product.
- One could hypothesize that the Postal Service may be in a position similar to that of AT&T prior to deregulation.
- Customer Equity, the value of future business brought by the customer, is based on Brand Equity (consumer acceptance of the product) as well as customer relationships (Retention Equity) and customer perceptions of value (Value Equity).
- In terms of Customer Equity, the Postal Service may have both retention and value problems, being viewed as difficult to do business with, ponderous and bureaucratic, and providing less value (in terms of perceived service, promptness, and overall experience) than its competitors.
- None of this is a problem for a monopoly in a stable, unchanging environment; however, the environment is highly susceptible to change.
- Consumer experiences appear to show relatively low Customer Equity based on perceptions of low value, slow deliveries, and failing to meet consumers' expectations.