



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

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**Funnel Management Program  
Management Advisory Report**

March 20, 2013

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**Report Number MS-MA-13-001**



OFFICE OF  
**INSPECTOR  
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UNITED STATES POSTAL SERVICE

# HIGHLIGHTS

March 20, 2013

## Funnel Management Program

Report Number MS-MA-13-001

### **BACKGROUND:**

U.S. Postal Service sales leads are generated by several sources, including sales staff, letter carriers, postmasters, and other officials. The Postal Service records and tracks sales leads in the CustomerFirst! System. Designated sales staff must review leads and determine whether to follow-up or close each lead. Action must be taken on all sales leads within 48 hours, regardless of the leads' prospects for revenue or successful closing. The Postal Service recorded about 120,000 sales leads in fiscal year (FY) 2012.

Due to the large number of incoming sales leads and limited staff, the Postal Service developed the Funnel Management Program in FY 2011. This system uses a computer model and manual processes to prioritize sales leads.

The objective of our review was to evaluate potential enhancements to the Funnel Management Program.

### **WHAT THE OIG FOUND:**

Opportunities exist for the Postal Service to enhance the Funnel Management Program by enhancing the automated process to divert lower priority leads to lower cost sales channels that meet predetermined criteria. For example, sales leads with lower revenue and lower prospects for closing can be diverted to sales

personnel who reach customers by phone, interested mail service providers, or other Postal Service officials, such as postmasters.

By diverting and processing sales leads with lower priorities, sales specialists can focus their efforts on those opportunities most likely to result in significant sales. We estimate that enhancing the Funnel Management Program to divert and process low probability sales leads through alternative channels would increase sales revenue by \$2.4 million per year.

### **WHAT THE OIG RECOMMENDED:**

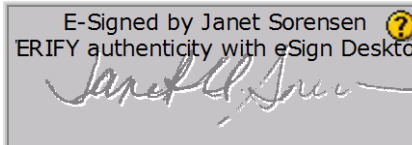
We recommended the vice president, Sales, enhance the Funnel Management Program to automatically identify lower priority sales leads with lower revenue and lower prospects for closing, and divert them to more cost-effective channels.

[Link to review the entire report](#)



March 20, 2013

**MEMORANDUM FOR:** WILLIAM C. RUCKER III  
VICE PRESIDENT, SALES



**FROM:** *for*  
Darrell E. Benjamin, Jr.  
Deputy Assistant Inspector General  
for Revenue and Performance

**SUBJECT:** Management Advisory – Funnel Management Program  
(Report Number MS-MA-13-001)

This report presents the results of our review of the Funnel Management Program (Project Number 12RG028MS000). The objective of our review was to evaluate potential enhancements to the program.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Janet M. Sorensen, director, Sales and Marketing, or me at 703-248-2100.

Attachments

cc: Nagisa M. Manabe  
Corporate Audit and Response Management

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## Introduction

This report presents the results of our review of the Funnel Management Program (FMP), which the U.S. Postal Service's Sales organization uses to prioritize sales leads (Project Number 12RG028MS000). The objective of this review was to evaluate potential enhancements to the FMP. This review was self-initiated and addresses strategic risk. See [Appendix A](#) for additional information about this review.

The Postal Service collects sales leads from a variety of sources — including sales staff, letter carriers, postmasters, and other Postal Service officials — and routes them to its Sales organization. Sales is responsible for analyzing these leads to determine, among other things, which sales employee is responsible for the lead, the revenue potential of the lead, and the lead's priority. The Postal Service recorded about 120,000 sales leads in fiscal year (FY) 2012.

The Postal Service piloted Funnel Management in April 2011 in six districts to provide predictive analytics to increase the effectiveness of the sales force and generate more revenue. The agency developed it due to limited sales staff resources and an overwhelming demand on the Sales force to follow-up on all sales leads. Furthermore, solutions specialists<sup>1</sup> must follow-up all leads within 48 hours regardless of the leads' prospects for revenue or a successful closing. This program uses an analytical model that incorporates Sales' lead data from the two primary systems that contain this data — CustomerFirst!<sup>2</sup> and Customer Data Mart<sup>3</sup> — to evaluate how likely it is that a lead will result in a sale. The Postal Service reported<sup>4</sup> that pilot districts demonstrated a 25 percent increase in sales conversion rates,<sup>5</sup> resulting in an additional \$49 million in revenue. The FMP was launched nationwide to the 360 Business Solutions Specialists (BSS) in FY 2012. The Postal Service's Sales managers have been pleased with the progress of the FMP and have recently deployed it to the remaining 280 Sales personnel.

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<sup>1</sup> A sales person with a sales territory assigned by the district sales manager and approved by the area manager for Shipping & Mailing Solutions.

<sup>2</sup> CustomerFirst! is the system Postal Service Sales employees use to manage sales leads. It includes customer information such as point of contact, service requests, and sales activities.

<sup>3</sup> A single repository of customer transactions and activities across multiple service channels that improves management of customer relationships. It includes data files from 13 systems, such as CustomerFirst! and *PostalOne!*, and includes information such as volume and revenue data.

<sup>4</sup> Based on the Lead Management Decision Analysis Report (DAR) dated December 6, 2011. A DAR explains the background and purpose of the program and fully documents costs and benefit estimates.

<sup>5</sup> The number of sales divided by the number of sales leads.

## Conclusion

Opportunities exist for the Postal Service to enhance the FMP by enhancing automated processes to divert lower priority leads to lower cost sales channels that meet predetermined criteria. For example, lower priority sales leads with lower revenue and lower prospects for closing can be diverted to Sales personnel who reach customers by phone, interested mail service providers,<sup>6</sup> or other Postal Service officials, such as postmasters. By diverting and processing lower quality and revenue sales leads that meet predetermined criteria, specialists can focus their efforts on opportunities most likely to result in significant sales. We estimate that enhancing the FMP to divert these sales leads would increase sales revenue by \$2.4 million in FY 2013. See [Appendix B](#) for monetary impact.

## Enhancements

The funnel management system uses a computer model and manual processes to prioritize sales leads which are then provided to each BSS twice per week by email. Specialists are directed to focus their attention on the highest priority leads. Sales solution specialists make initial customer contact, assess the opportunity, and record their activities in CustomerFirst!.

Based on discussions with Sales personnel and a recent audit report,<sup>7</sup> we determined that many of the lower priority sales leads may not be cost effective for Sales representatives to pursue, particularly sales leads with incomplete or inaccurate data, or one-time sales with relatively low revenue. For example, lead opportunities from the Employee Engagement Program<sup>8</sup> are often incomplete and do not contain detailed contact information. While some sales leads are fruitful and result in much needed revenue, Sales specialists may expend valuable time obtaining information and following up on sales leads with relatively low revenue or low prospects of generating additional revenue. Sales representatives may be more effective focusing on opportunities with potential for higher revenue, including prospecting for new leads. Many of the most productive leads are generated by BSSs conducting their own research.

The Postal Service has taken some action to improve the effectiveness of the Sales force by assigning some leads to more cost-effective channels. For example, the Postal Service is piloting inside Sales<sup>9</sup> teams staffed by Postal Service employees who review

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<sup>6</sup> Company or entity that creates, prepares, processes, and presents or inducts mail for other companies into the U.S. Postal Service network.

<sup>7</sup> *Carrier Contributions to Revenue Generation and Customer Service* (Report Number MS-AR-12-005, dated June 19, 2012) reported management might be missing opportunities to grow revenue due to incomplete data on sales leads.

<sup>8</sup> These programs generate sales leads from Postal Service employees. The programs include Customer Connect, Rural Reach, and Submit-a-Lead. Sales leads can also be generated by the Business Connect Program.

<sup>9</sup> The sale of products or services by Sales personnel who reach customers by phone or online rather than traveling to meet them face to face.

and follow-up Employee Engagement Program sales leads. The Postal Service also has a pilot that sends certain sales leads for Every Door Direct Mail (EDDM) to a sales call center staffed by contractors. The intent of the pilot is to increase EDDM sales, with a focus on relatively low revenue<sup>10</sup> sales to small businesses. Preliminary results indicate that these pilots are cost-effective alternatives to using Sales specialists for leads with lower revenue prospects. We believe management could expand and facilitate this approach with the FMP by using the FMP to prioritize sales leads and divert lower priority leads (such as leads from the Employee Engagement Programs and Every Door Direct Mail – Retail) to inside sales or to other more cost-effective sales channels. In addition, these alternative channels could include interested mail service providers or local Postal Service officials, such as postmasters. By automating the process, Sales specialists will be able to focus on the highest priority opportunities and pursue leads most likely to result in sales and increased revenue.

We estimate that enhancing the FMP to divert these sales leads would provide sales solution specialists with [REDACTED] and increase sales revenue by \$2.4 million in FY 2013.

## Recommendation

We recommend the vice president, Sales:

1. Enhance the Funnel Management Program to identify sales leads that meet predetermined criteria with lower revenue and lower prospects for closing and divert them to more cost-effective channels.

## Management's Comments

Management agreed with our finding and recommendation. Management stated they will evaluate the potential for enhancement of the FMP to automatically identify lower priority sales leads with lower revenue and lower prospects for closing and divert them to more cost-effective channels. Management stated that they will complete their evaluation of the program and determine the next steps to take by March 2014.

After further discussion with Postal Service management, they agreed with the reported estimated \$7.2 million in revenue loss.

See [Appendix C](#) for management's comments in their entirety.

## Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General considers management's comments responsive to the recommendation in the report.

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<sup>10</sup> Less than \$30,000.

## Appendix A: Additional Information

### Background

The Postal Service collects sales leads from a variety of sources, including Sales staff, letter carriers, postmasters, and other Postal Service officials. Sales leads are transitioned to the appropriate Sales force, resulting in an initial customer contact and opportunity assessment. Depending on the type and complexity of the lead, it will be assigned to the appropriate Sales personnel.

The Postal Service developed the FMP in 2010 to prioritize sales leads due to the overwhelming demand on the Sales force and limited Sales staff resources. To prioritize leads, the FMP uses an analytical model that incorporates data points from Postal Service data systems to evaluate a sales lead's likeliness to convert into a sale. Management created the predictive analytical model by evaluating 2 years worth of Postal Service sales data and over 1,800 variables, such as revenue, product, and lead source. Patterns and trends in this data were used to identify characteristics of successful sales. The predictive analytical model uses these indicators to evaluate current opportunities and determine their likelihood of converting to a closed sale. The system provides each Sales specialist with a prioritized list of assigned open sales leads based on their probability of converting into a sale. Specialists are directed to focus on the highest priority leads.

### Objective, Scope, and Methodology

Our objective was to evaluate potential enhancements to the FMP. To accomplish our objective we:

- Interviewed headquarters officials and area and district managers to obtain background knowledge about the FMP and its effectiveness.
- Conducted site visits in Northern New Jersey to gather information on the FMP and observed BSS daily planning as it pertains to the FMP list of prioritized opportunities.
- Reviewed reports related to the implementation and effectiveness of the FMP.
- Reviewed the *Sales Management Process Manual* and related policy documents.

We conducted this review from June 2012 through February 2013 in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*. We discussed our observations and conclusions with management on February 7, 2013 and included their comments where appropriate.



## Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Carrier Contributions to Revenue Generation and Customer Service</i>	MS-AR-12-005	6/19/2012	\$56.1
<b>Report Results:</b> Carriers' level of participation through the Customer Connect and Rural Reach programs varies among districts. If districts with low participation adopt the best practices of districts with high participation, there might be an opportunity to increase the number and quality of sales leads and, thus, revenue. Management agreed with the findings and recommendations and set forth its plan to implement best practices for Customer Connect and Rural Reach programs in districts throughout the country.			
<i>Package Delivery Growth</i>	MS-AR-12-003	5/4/2012	\$647
<b>Report Results:</b> Although the Postal Service's strategies for growing its package business are sound, their effectiveness has been impacted by (1) lack of a strategic decision-making process for evaluating new sale opportunities, (2) sales tracking system shortcomings, and (3) chronic Sales staff vacancies. The Postal Service can grow its package business by stabilizing Sales staffing levels and adding new products. Management agreed with the findings and recommendations and set forth its plans for corrective actions. Management disagreed with the monetary impact stating that, even with a reduced Sales force, they have been able to increase sales by focusing on higher value sales and sales execution.			

**Appendix B: Monetary Impact**

Recommendation	Impact Category	Amount
1	Recoverable Revenue Loss <sup>11</sup>	\$7,200,000

Based on Postal Service data,<sup>12</sup> the FMP will generate [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] for FYs 2014-2015 for a total of \$7.2 million.

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<sup>11</sup> Amounts USPS is (or was) entitled to receive but was underpaid or not realized because policies, procedures, agreements, requirements, or good business practices were lacking or not followed. May be recoverable or unrecoverable. May apply to historical events or a future period (in the sense perceived future losses may be prevented by the implementation of a recommendation).

<sup>12</sup> Data was based on the Lead Management DAR dated December 6, 2011.

## Appendix C: Management's Comments

CLIFF RUCKER  
VICE PRESIDENT, SALES



March 12, 2013

JUDITH LEONHARDT  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Management Advisory – Funnel Management Program (Report Number MS-MA-13-DRAFT)

The findings and recommendations outlined in the Funnel Management Program Draft Audit report have been reviewed and the response is as follows. We also request that all confidential and contract related data be redacted from the audit report as noted below.

**Recommendations for Vice President, Sales in coordination with the Vice President, New Products and Innovation:**

**Recommendation [1]:**

OIG recommended that the vice president, Sales, enhance the Funnel Management Program to automatically identify lower priority sales leads with lower revenue and lower prospects for closing, and divert them to more cost-effective channels.

**Management Response/Action Plan:**

Management is in agreement with the recommendation and will evaluate the potential for enhancement of the Funnel Management program to identify sales leads that meet predetermined criteria with lower revenue and lower prospects for closing, and divert them to more cost-effective channels.

Target Implementation Date:

Pending evaluation. Will make a determination on next steps within 12 months.

Responsible Manager:

Cliff Rucker, Vice President, Sales

**This report and management response contains information that may be exempt from disclosure under the FOIA. It is requested that revenue and calculations in **Appendix B** be redacted.**



Cliff Rucker  
Vice President, Sales



Gary C. Reblin  
Vice President, New Products and  
Innovation

cc: Nagisa Manabe