



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

**Residential Customer Service
Experiences**

Audit Report

March 18, 2013

Report Number MS-AR-13-005



HIGHLIGHTS

BACKGROUND:

The U.S. Postal Service's ability to facilitate positive experiences for its customers and enhance their perceptions of the Postal Service is critical to growing revenue at a time when customers have many service options available from competing sources. Residential customers represent a crucial component of the Postal Service's customer base.

The Postal Service's Consumer and Industry Affairs Office is responsible for monitoring, analyzing, and improving customer service experiences. It collects data on customer service experiences and public perceptions via the Customer Experience Measurement survey, which is sent to random residential customers throughout the country. The postmaster general stated that a core business strategy is to improve the service experience of its customers.

Our objective was to evaluate the Postal Service's actions for improving and measuring the service experience of its residential customers.

WHAT THE OIG FOUND:

The Postal Service's actions for measuring and improving the service experiences of its residential customers are sound, but could be enhanced. Specifically, management could enhance the Customer Experience Measurement survey by linking

responses to the actual location of the recipient's experience rather than the recipient's mailing address, as they may differ. In addition, the Postal Service would benefit from measuring customer experiences at alternate access channels such as self-service kiosks, as use of these channels has grown significantly.

The Postal Service has taken positive actions to improve residential customer service experiences; however, additional attention is needed to ensure the agency implements corrective actions promptly and its Customer Experience Measurement goals are met. It is also important that the Postal Service monitors residential customer experiences as it implements operational changes that may impact those experiences.

WHAT THE OIG RECOMMENDED:

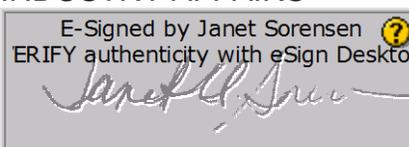
We recommended the Postal Service update the Customer Experience Measurement survey to identify the location of the recipient's experience, measure experiences at other access channels, develop a strategy for implementing corrective actions in a timely and responsive manner, and ensure monitoring of residential customer experiences as operational changes are implemented.

[Link to review the entire report](#)



March 18, 2013

MEMORANDUM FOR: MAURA ROBINSON
VICE PRESIDENT, CONSUMER AND
INDUSTRY AFFAIRS



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

SUBJECT: Audit Report – Residential Customer Service
Experiences (Report Number MS-AR-13-005)

This report presents the results of our audit of Residential Customer Service Experiences (Project Number 12RG033MS000).

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

Attachments

cc: Corporate Audit and Response Management

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Introduction

This report presents the results of our audit of the U.S. Postal Service's Residential Customer Service Experiences (Project Number 12RG033MS000). Our objective was to evaluate the Postal Service's actions for measuring and improving the service experience of its residential customers. This self-initiated audit addresses strategic risk.

Postal Service customers access Postal Service products and services across a wide range of channels and touch points, including the carrier, retail window, and the Internet via usps.com. The Postal Service's ability to facilitate positive customer experiences and enhance customer perceptions of the Postal Service are critical to growing revenue at a time when current and prospective customers have an increasing number of alternative service options available.

The Postal Service's Consumer and Industry Affairs Office is tasked with monitoring, analyzing, and improving customer service experiences. To help carry out these responsibilities, the Postal Service has contracted with a major research corporation¹ to develop the Customer Experience Measurement (CEM) system. The CEM system uses random surveys the contractor sends to residential customers² nationwide (about 2.1 million annually) asking about their most recent experiences sending and receiving mail, visiting post offices, and contacting Postal Service personnel. The contractor is responsible for distributing the survey and collecting, inputting, analyzing, and presenting the results to the Postal Service. This includes providing insight on customers' perceptions of the Postal Service's reputation and performance, determining what experiences most impact overall customer relationships, and identifying gaps where customer expectations are not being met. The Postal Service takes appropriate action based on these results.

The Postal Service has taken action emphasizing the importance of positive customer experiences and has included a specific initiative on improving customer experiences as part of its Delivering Results, Innovation, Value and Efficiency (DRIVE) program.³ As part of this specific initiative, the Postal Service has focused on increasing CEM scores and understanding, measuring, and improving customer experience across all channels or touch points. While the Consumer and Industry Affairs group is DRIVE'S 'Initiative Lead,' other groups, such as Operations and Corporate Communications, are also involved. Consumer and Industry Affairs has implemented action targeted at improving the experiences of all of its customers, including recently developing a program called

¹ The Postal Service spent more than \$10 million on this contract from April 2009 to March 2012 and almost \$4 million from April 2012 to March 2013.

² CEM surveys are sent to residential and small business customers. For the purposes of this review, we are focusing on the survey and results for the residential customer segment.

³ The DRIVE program focuses on helping the Postal Service meet its performance and financial goals.

Customer Essentials, which incorporates four basic principles:

- Telephone Courtesy – targets local post offices and focuses on a basic contact point, the telephone. The initiative reminds every employee about the behavior that customers expect when doing business with the Postal Service.
- It Begins with a Smile – targets the retail counters with the intent of having employees begin every customer interaction in a friendly and courteous manner to let customers know the Postal Service wants to help them. Employees play a key role in the success of any interaction based on how they greet and thank customers.
- Delivery Done Right – targets delivery and emphasizes that all employees are responsible for delivering the mail safely and accurately and making sure it is scanned when appropriate. Customers expect the Postal Service to deliver mail correctly to improve their confidence and overall experiences.
- We Value Your Business – targets commercial customers and focuses on the necessity of business mail entry employees providing accurate information about Postal Service products, services, and regulations to customers preparing to send mail.

The extent to which customers are receiving positive service experiences is a key component of the public's overall perception of the Postal Service. See [Appendix A](#) for additional information about this audit.

Conclusion

While the Postal Service's actions for measuring and improving the service experiences of its residential customers are sound, additional actions could enhance these efforts. The CEM survey is a valuable method for collecting information, is statistically valid, and the response rate is considered very good compared to the survey response rate of other organizations. However, the Postal Service could better understand and enhance the measurement of residential customers' service experiences by linking responses to the actual location where the recipient's experience took place and obtaining data on experiences at alternate retail access channels, including self-service kiosks⁴ and Contract Postal Units (CPU).⁵

The Postal Service has taken positive action to improve residential customer service experiences. According to Postal Service management, the Customer Essentials Program led to improved scores for all key CEM categories and for specific customer

⁴ Self-service kiosks (formally automated postal centers) enable customers to perform a variety of transactions conducted at full-service retail counters.

⁵ Post offices that provide a range of services beyond stamps and are located inside retail establishments and operated by the retailer's employees.

essentials metrics during fiscal year (FY) 2012. Additional attention, however, is needed to ensure that:

- Initiatives are implemented promptly — corrective action was not taken in a timely and responsive manner to address low residential customer experience scores.
- CEM goals are met — CEM scores for each key residential CEM category were below target scores in FYs 2011 and 2012.

The Postal Service must continue to enhance efforts to measure and improve residential customer experiences. These efforts will become increasingly important as the Postal Service implements operational changes regarding its financial challenges that might impact those customer experiences.

Customer Experience Measurement Enhancements

The Postal Service's CEM system for measuring the service experience of residential customers is sound; however, enhancements could improve the effectiveness of its measurement processes. The CEM survey collects valuable information about multiple postal services (for example, receiving and sending mail, visiting post offices, and contacting Postal Service officials) and is statistically valid. In addition, the CEM has a 15 percent response rate — a rate the contractor considered to be very good for similar sized organizations. This response rate might indicate that, generally, customers have a positive view of the survey and value the opportunity to provide feedback to the Postal Service on their service experiences. However, the Postal Service could better understand and enhance the measurement of residential customers' service experiences by:

- *Linking CEM Data to Where the Customer Experience Took Place.* The Postal Service currently links CEM residential survey results to the recipient's mailing address and the corresponding Postal Service facility (for example, the Post Office and district office responsible for serving the customer's residential address). However, customer experiences often occur at a Postal Service location other than the postal facility servicing a recipient's mailing address, such as at a Post Office close to the recipient's work place or a shopping center. In these cases, CEM scores may be somewhat misleading because they would not account for the different locations. We reviewed the practices of leading organizations and found that when they collect customer experience information, they typically try to link the experiences to the location where the experiences occurred. This allows these organizations to respond accordingly by recognizing well-performing locations or implementing improvements at lower-performing locations; therefore, the Postal Service's CEM results could be more accurate if the survey asked recipients to identify where their most recent experience took place. This would allow the Postal Service to more accurately link the reported customer service experience to the actual Postal Service location where the service was provided.

- *Collecting Data on Experiences at Alternate Access Channels.* The Postal Service continues to promote the use of alternate access channels, such as self-service kiosks, CPUs, and village post offices (VPO)⁶ for its customers. The Postal Service recognized the importance of measuring the experiences of customers when using these alternatives and has included “*understanding and measuring the customer experience across all channels or touch points*” as a key action in its DRIVE initiative for improving customer experience. This action is consistent with the practices of leading organizations in that they try to collect customer experience information from all access points. However, Postal Service efforts to collect such information at alternative access points have been tabled and the following issues raised:
 - Self-service kiosks (formally automated postal centers) — the response rate for customer experience surveys may be very low and its results may lack statistical validity. Postal Service officials stated that software changes would be required to conduct the surveys and their implementation would need funding.
 - CPUs — software interfaces, updating, and funding issues prevent the Postal Service from conducting event-based customer experience surveys.
 - VPOs — survey responses might lack statistical validity because there are so few of them since the VPO program just began.

While we recognize the challenges the Postal Service faces in gathering customer information from alternative access channels, we believe it should evaluate options to overcome such barriers in attempting to move more transactions to alternative access channels. Otherwise, the Postal Service may miss the opportunity to collect critical information on all of its customers' experiences.

Implementing Initiatives

Additional attention is needed to (1) promote more timely responses to low customer experience scores and (2) continue improving CEM scores to reach its customer experience goals. The Postal Service started the Customer Essentials Program in FY 2012 to improve customer experiences, and Postal Service officials stated they believe this program led to improved CEM scores across all key CEM categories (see [Table 1](#)). Furthermore, Postal Service officials stated that key metrics for select Customer Essentials categories — Telephone Courtesy, It Begins With a Smile-Clerks, and It Begins with a Smile-Carriers — increased gradually throughout FY 2012.

⁶ A new retail offering tailored to meet the needs of small communities without a regular Post Office and provide customers with greater access to select products and services because they are housed in businesses that have longer hours, weekend service, and convenient locations.

Table 1: Residential Customer Experience Measurement Scores and Goals⁷

Experience Category ⁸	FY 2011	FY 2012	Goals ⁹
Receiving Experience	90.34	91.21	94.00
Sending Experience	89.97	90.85	94.00
Post Office Experience	83.27	84.96	87.00
Contact Experience	60.93	63.10	65.00
Residential Experience	81.13	82.53	85.00
Overall Perception	87.16	88.38	93.00

Source: U.S. Postal Service Office of Inspector General (OIG) analysis of data and Postal Service CEM Dashboard.

While we are encouraged by the results of the Customer Essentials Program, we believe additional attention is warranted to ensure that corrective action is taken in a timely manner and that the Postal Service strives to reach its CEM goals. For example, we found that, although scores for a key CEM category — Contact Scores — have been low since FY 2010, the Postal Service did not take corrective action in FYs 2010 and 2011. Consumer and Industry Affairs management recognized that actions were not taken in a timely and responsive manner and attributed this inactivity in part to a lack of organizational focus. Officials also stated that resources were used to analyze CEM data before creating the Customer Essentials strategy. We recognize that analysis is time-consuming, but are concerned that inaction or delays in setting improvements may alienate customers and drive them to alternatives.

⁷ The scores and goals the Postal Service uses reflect the percentage of recipients who answered “Strongly Agree” or “Somewhat Agree” and “Very Satisfied” or “Mostly Satisfied” on the CEM survey.

⁸ The categories the Postal Service determined are most important to customer experiences and use to measure residential CEM scores. Generally speaking, these categories represent the customer’s satisfaction regarding the following: Receiving – Receiving Letters or Packages; Sending — Sending Letters or Packages; Post Office — Visiting the Post Office; Contact — Contacting the Postal Service; Residential Experience – Overall score of Receiving, Sending, Post Office, and Contact experiences; and Overall Perception — Overall satisfaction with the Postal Service.

⁹ The targeted scores percentages for residential CEM determined by the Postal Service.

We also noted the following which indicates further attention is needed in this area:

- Each of the key FY 2011 and 2012 CEM categories were below the targeted goal (see [Table 1](#)). Postal Service officials attributed this performance, in part, to the following:
 - Customer service issues – for example, customers not receiving courteous or friendly service from window clerks at the Post Office or on the telephone.
 - Service limitations and operational issues – for example, customers report unfavorable experiences when mail tracking problems cannot be resolved because the Postal Service does not have total mail tracking visibility.

Consumer and Industry Affairs officials anticipate that the Customer Essentials Program will facilitate the changes needed to help reach these targets. In addition, they recognize that other parts of the organization play a key role in driving CEM improvements. For example, carriers and processing staff are critical to providing timely and accurate mail delivery service and postmasters and retail clerks are key to providing high-quality, customer-friendly retail service.

- Certain Postal Service districts continue to have low CEM scores. In FYs 2011 and 2012, the Triboro, New York, Los Angeles, and Chicago districts' scores remained well below average and at the lower end of the CEM residential score rankings. While some of these districts have made recent improvements (for example, the Chicago District recorded the fifth largest improvement in its Overall Residential Customer Service Experience score between FYs 2011 and 2012), the OIG recently identified these districts as four of five districts ranked 'most at risk' from a retail customer service risk standpoint.¹⁰

The Postal Service must quickly review CEM data and take action in a more timely and responsive manner to begin improving residential customer experiences, especially in those districts with low CEM scores.

Future Considerations

The relationship between the Postal Service and its customers continues to evolve. Customers have increasing access to other mailing and communication alternatives and their service expectations continue to change (for example, some prefer free or low-cost delivery, while others prefer next day delivery). Furthermore, while the Postal Service improves customer service and expands service options, it is implementing initiatives such as reduced Post Office hours or changes to mail delivery and collection schedules to address larger financial challenges that might impact customer experiences.

¹⁰ This information was included in our retail customer service Performance Analysis and Risk Indicators Scans (PARIS) Model that summarizes data analyzed by the OIG to identify Postal Service districts that indicate high risk for developing customer service issues.

The Postal Service must continue to enhance efforts to measure and improve residential customers' experiences. These efforts will become increasingly important as the Postal Service implements operational changes regarding its financial challenges that might impact those customer experiences. It will be important not only to measure and analyze customer services at those immediate locations, but also at surrounding locations and access channels that could be affected by these changes.

Recommendations

We recommend the vice president, Consumer and Industry Affairs:

1. Update the residential Customer Experience Measurement survey to allow customers to provide more definitive location identifiers (for example, Post Office™ name, city, and ZIP Code) that relate to their experiences.
2. Develop a process to collect and analyze residential customer experience information from other access channels.
3. Develop a strategy to design and implement corrective actions in a more timely and responsive manner when poor customer service experience scores are identified.
4. Ensure that mechanisms are developed and implemented to track residential customer experiences as key operational initiatives are taken to improve the Postal Service's financial condition.

Management's Comments

Management agreed with the findings and recommendations. Regarding recommendation 1, management stated they are currently reassessing all CEM survey tools and will evaluate the proposed survey change to add specific customer service time and location data by March 2014. Regarding recommendation 2, management stated they will assess the feasibility of developing cost effective and actionable data across all postal channels by March 2014.

Regarding recommendation 3, management stated they will build upon the foundation of the Customer Experience Essentials program and develop a strategy to design and implement actionable programs to improve the customer experience by December 2013. Regarding recommendation 4, management stated they will implement a program to generate data that will identify and resolve customer concerns associated with operational changes by December 2013.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report.

The OIG considers all recommendations significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendix A: Additional Information

Background

Postal Service customers access its products and services across a wide range of channels and touch points, including the carrier, retail window, usps.com, CPUs, self-service kiosks, and 1-800-ASK-USPS. The Postal Service's ability to facilitate positive customer experiences and enhance customers' perceptions of the Postal Service are critical to growing revenue at a time when current and prospective customers have an increasing number of alternative service options available.

The Postal Service's Consumer and Industry Affairs Office is tasked with monitoring, analyzing, and improving customer service experiences. To help carry out these responsibilities, the Postal Service has contracted with a major research corporation, to develop the CEM system. The CEM system uses random surveys the contractor sends to residential customers nationwide (about 2.1 million annually). The survey questions customers about their most recent experiences sending and receiving mail, visiting post offices, and contacting Postal Service personnel. The contractor is responsible for distributing the survey and collecting, inputting, analyzing, and presenting the results to the Postal Service. This includes providing insights on customers' perception, reputation and performance; determining what experiences most impact overall customer relationships (for example, if customers have long wait times in line, they likely have a poor overall retail experience), and identifying gaps where customer expectations are not being met. The Postal Service takes action based on these results to emphasize the importance of positive customer experiences.

The postmaster general stated that a core business strategy is to improve the customer experience. He further stated, "I want every experience to be a positive experience. Satisfied customers come back." The Postal Service has included a specific initiative on improving customer experiences as part of its DRIVE program. As part of this specific initiative, the Postal Service has focused on increasing CEM scores and understanding, measuring, and improving customer experience across all channels or touch points. For example, one DRIVE metric states a goal of 82 percent positive responses for Overall Customer Experience scores in CEM for residential and small business customers.

While the Consumer and Industry Affairs group is the 'Initiative Lead' for the customer experience DRIVE initiative, other groups, such as Operations and Corporate Communications, are also involved. Consumer and Industry Affairs implemented actions targeted at improving customer experience, including recently developing the Customer Essentials Program.

Objective, Scope, and Methodology

Our objective was to evaluate the Postal Service's actions for improving and measuring the customer service experience of its residential customers. To accomplish our objective, we:

- Reviewed CEM reports, goals, and processes.
- Reviewed CEM system data for collecting, compiling, and scoring residential customer experience surveys and analyzed CEM scores for FYs 2011 and 2012.
- Interviewed headquarters Consumer and Industry Affairs, Customer Engagement and Strategic Alignment officials, and district officials.
- Analyzed CEM data, metrics, and results, as well as other related data.
- Reviewed other customer satisfaction data, surveys, and reports that other companies conducted on the Postal Service.
- Reviewed Postal Service CEM contracts and related documents.
- Reviewed related OIG reports.

We conducted this performance audit from September 2012 through March 2013 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on February 7, 2013, and included their comments where appropriate.

We assessed the reliability of CEM data by validating published residential survey scores for accuracy using 100 percent of system detail records for the period reviewed. We interviewed agency officials knowledgeable about the data and determined the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Postal Service Retail Facilities Optimization Options</i>	CI-MA-12-002	9/17/2012	None
<p>Report Results: The Postal Service's plan to preserve post offices helps balance service with cost-saving opportunities by matching retail hours to workload. However, there would be customer inconveniences, such as reduced hours of operation, traveling new distances to alternate retail locations, and access to alternate retail options. The Postal Service plans to explore other options, such as expanding partnership with local businesses and staggering the open and close times of surrounding post offices, to mitigate the reduced retail service hours. The report did not contain any recommendations.</p>			
<i>Customer Complaint Resolution Process</i>	MS-AR-12-007	9/10/2012	\$26.4
<p>Report Results: The Postal Service is not efficiently and effectively resolving customer complaints. Specifically, the Postal Service is closing complaints before customers consider their cases resolved. The Postal Service is not adequately monitoring complaint resolution by consistently conducting follow-up surveys with customers and quality control reviews. Postal Service management agreed with our recommendations.</p>			

Appendix B: Management's Comments

MAURA ROBINSON
VICE PRESIDENT
CONSUMER & INDUSTRY AFFAIRS



March 13, 2013

JUDITH LEONHARDT
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Residential Customer Service Experience (Report Number MS-AR-13-DRAFT)

The Postal Service is currently evaluating the Customer Experience Measurement (CEM) program and associated metrics to determine best practices for data collection, data analysis and the design of appropriate programs to drive improvement and influence business decisions. Management agrees with the recommendations in this report and will explore them as part of its overall evaluation of our CEM program. Management is committed to driving improvements in customer service and is working to communicate the importance of an excellent customer experience. Clearly, our CEM scores show that additional work needs to be done to provide our customers with the excellent service they expect and we appreciate the insights provided in this report.

Recommendation 1

Update the residential Customer Experience Measurement survey to allow customers to provide more definitive location identifiers (for example, Post Office name, city, and ZIP Code) that relate to their experiences.

Management Response/Action Plan

Management agrees with this recommendation. Data tied to a specific time and location of service would provide invaluable diagnostic information that could be used to improve the customer experience. We are currently reassessing all CEM survey tools and as a part of that effort, we will evaluate this proposed survey change.

Target Implementation Date

March 2014

Responsible Official

Gregory Hall, Acting Manager, Customer Engagement and Strategic Alignment

Recommendation 2

Develop a process to collect and analyze residential customer experience information from other access channels.

Management Response/Action Plan

Management agrees with this recommendation. The Postal Service agrees that developing cost-effective and actionable data across all postal channels would be valuable and will assess the feasibility of this recommendation as part of our ongoing work to improve the customer experience.

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Target Implementation Date

March 2014

Responsible Official

Gregory Hall, Acting Manager, Customer Engagement and Strategic Alignment

Recommendation 3

Develop a strategy to design and implement corrective actions in a more timely and responsive manner when poor customer service experience scores are identified.

Management Response/Action Plan

Management agrees with this recommendation. The Postal Service intends to build upon the foundation created with the implementation of the Customer Experience Essentials program in fiscal year 2012 and will develop a strategy to design and implement actionable programs to improve the customer experience based on analysis of CEM scores and other customer data.

Target Implementation Date

December 2013

Responsible Official

Gregory Hall, Acting Manager, Customer Engagement and Strategic Alignment
Krista Finazzo, Consumer Advocate and Manager, Customer Relations

Recommendation 4

Ensure that mechanisms are developed and implemented to track residential customer experiences as key operational initiatives are taken to improve the Postal Service's financial condition.

Management Response/Action Plan

Management agrees with this recommendation. An effective program to improve the customer experience must generate data that will allow the Postal Service to identify and resolve customer concerns associated with identified operational changes.

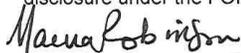
Target Implementation Date

December 2013

Responsible Official

Gregory Hall, Acting Manager, Customer Engagement and Strategic Alignment

This report and management's response do not contain information that may be exempt from disclosure under the FOIA.


Maura Robinson

cc: Ronald Stroman
Sally Haring