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U.S. POSTAL SERVICE

New Focus on Improving Service Quality and Customer Satisfaction





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The Honorable John M. McHugh
Chairman, Subcommittee on the Postal Service
Committee on Government Reform and Oversight
House of Representatives

The Honorable Gary A. Condit
House of Representatives

This report responds to your request that GAO report on the Postal Service's efforts to measure, report, and improve customer satisfaction.

The report contains recommendations to the Postmaster General to improve the dissemination and use of customer satisfaction and other performance measurement data. Among other recommendations, the report recommends that the Postal Service consult with appropriate congressional oversight Committees to determine what business and residential customer satisfaction data and what other performance data should be regularly provided to Congress for its use.

We are sending copies of this report to other congressional Committees, the Postmaster General, and other interested parties.

The major contributors to this report are listed in appendix VI. Please contact me on (202) 512-8387 if you or your staff have any questions concerning the report.

A handwritten signature in black ink, reading 'J. William Gadsby'.

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Operations Issues

Executive Summary

Purpose

Above all, Postal Service customers want and expect prompt, reliable mail delivery. When dissatisfied with traditional mail services, customers increasingly seek and find alternatives, such as electronic communication or other suppliers. According to the Postal Service, based on current customer satisfaction levels and if customers could use another service at the same price, more than 40 percent of the residential customer market would be vulnerable to competition.

The Subcommittee on the Postal Service, House Committee on Government Reform and Oversight, and its predecessor requested that GAO report on the Postal Service's efforts to measure, report, and improve customer satisfaction. GAO's objectives were to determine (1) to what extent the Service distributes customer satisfaction data for use internally and by Congress; (2) whether the Service can improve the distribution of that data; (3) what steps it is taking to use customer satisfaction and other performance data to improve customer satisfaction by improving customer service; and (4) what additional steps, if any, it could take to improve customer satisfaction.

Background

The Postal Service is in a unique position of functioning as both an independent executive branch establishment accountable to Congress and a businesslike entity competing with technology and private companies to deliver mail. Therefore, the Service is necessarily concerned with accomplishing its mandate for universal mail service while also advancing and protecting its competitive interests.

The Service recognizes that both the competition it faces and its public service responsibilities dictate that it measure and continuously improve the quality of its services. The Service began its current systems of measuring residential customer satisfaction in 1991 and business mailer satisfaction in 1993. The Service also measures on-time delivery performance for First-Class mail, and those results are projectable for the entire class. It measures on-time delivery of second-class and third-class mail for some customers, but the results of these measures are not projectable to the entire classes.

The Service's Office of Consumer Advocate administers these measurement systems. Various vice presidents at postal headquarters and 10 postal area offices oversee 85 "performance clusters." A cluster denotes a geographic service area and includes a customer service district (responsible for overseeing post offices) and one or more mail processing

plants. Managers and employees in these clusters are to use customer satisfaction data and other measures to continuously improve performance and, in turn, service quality.

The Service placed renewed emphasis on customer service when restructuring itself in 1992 and has subsequently developed new policies, standards, and systems to focus greater attention throughout the Service on improving customer satisfaction. Congress, too, has continued to watch over the Service's performance in providing mail service to all communities.

Results in Brief

The Postal Service widely distributes residential customer satisfaction data internally for use in improving customer service. The Service has shared little of that data with Congress and in recent years reduced the amount of residential customer satisfaction and other performance data provided in required comprehensive reports filed annually with Congress.

Although the Service and Congress have found residential customer satisfaction data to be useful, those data do not tell the whole story. Business customers, not residential customers, generate most (about 90 percent) of the Service's mail volume and revenue, and the Service faces strong competition in serving these business customers. Because of concerns about hurting its competitive interests, the Service has not disseminated internally or externally any business customer satisfaction data, which it has gathered at considerable cost. GAO agrees that the indiscriminate release of detailed business customer satisfaction information to the public could harm the Service's competitive interests. However, GAO also believes that the risk of releasing some data must be balanced against the potential value to the Service and Congress of using that data, with appropriate safeguards, to help assess and improve customer service.

Since 1990, the Service has begun many innovative and promising efforts to improve customer satisfaction by improving the quality of its services. However, residential customer satisfaction increased, then dropped, nationally and in 1994 returned to about the same level as in 1991. During this same period, the Service's use of residential customer satisfaction data and related improvement initiatives did not follow a sustained and well-coordinated national strategy for improving customer service. For example, the improvements undertaken did not consistently focus performance clusters on the most significant causes of customer

dissatisfaction—late and inconsistent mail delivery. The Service also did not include available measures of delivery performance, such as on-time rates for overnight First-Class mail, in performance incentive plans for executives and employees. If the Service and its employee organizations could agree to use such delivery measures, along with measures now used, this might help to focus greater corporatewide attention on improving those internal processes that most affect the timeliness of mail delivery.

After starting some national improvement initiatives, the Service did not always make the best use of customer satisfaction data and other available performance data to evaluate the initiatives. Postal headquarters units did not have a common approach for using the data to measure and report on some national initiatives, such as efforts to adjust post offices' hours to better recognize customer needs and serve all post office customers in 5 minutes or less.

At the conclusion of GAO's review, the Service was studying ways to improve the use of all of its performance measures as part of a new initiative called *CustomerPerfect!*_{sm}. Toward that end, GAO is making several recommendations for improving the dissemination and the potential use of customer satisfaction data by both Postal Service management and Congress.

Principal Findings

Residential Customer Satisfaction Data Are Shared Widely Internally but Congress Receives Little of That Data

Postal leadership, particularly the Service's Consumer Advocate, who reports to the Postmaster General, has made significant progress in distributing and using residential customer survey results internally. This internal communication comes through oral briefings, quarterly written reports, and automated information systems. The Consumer Advocate did various analyses of the data every quarter for postal leadership. Management at all levels has access to up-to-date information on the satisfaction of these customers through detailed hard-copy reports and automated corporate information systems.

The Postal Reorganization Act of 1970 calls for comprehensive statements to be submitted by the Postal Service to Congress each year on its plans, policies, and procedures for carrying out its universal service mission. The statements are to describe postal operations generally and include, among

other data, the speed and reliability of service provided for the various classes of mail and types of mail service. However, the Postal Service provides information in those reports on only 1 of 39 questions regarding residential customer satisfaction nationally and excludes available data on on-time delivery performance that are most critical to the Service's success. In 1993 and again in 1994, following its efforts to downsize and reduce overhead costs, the Service reduced the amount of customer satisfaction information and other performance data that it provided in the required comprehensive statements to Congress.

Business Customer Satisfaction Data Not Distributed Within Postal Service or to Congress

In 1993, the Service began gathering information on business customer satisfaction under an \$11.9 million contract. However, the Service has distributed no data on business customer satisfaction. Under the contract, the Service was to receive quarterly information beginning in April 1994. Postal Service management officials from the national level down to performance cluster levels were to use the information for allocating resources to maximize customer satisfaction and better understand customer expectations and improve service.

However, after being briefed by the contractor on the business customer survey results, the Service became concerned that the data could become available to its competitors. The 1970 act allows the Service to withhold data from the public that are of a commercial nature. Top Postal Service officials told the contractor not to disseminate the information because of a concern that the information might be publicly released.

In a previous report,¹ GAO agreed with the Service that public disclosure of detailed customer satisfaction data for specific geographic areas or particular aspects of its services could harm its interests. That report also discussed the practice of some of the Service's competitors of collecting and using customer satisfaction data internally and releasing overall data to the public.

GAO did not review the business customer satisfaction data compiled by the contractor, but such data would seem useful to Postal Service management for improving customer service and to Congress for its oversight activities. Both the Service and Congress have found similar data on residential customer satisfaction useful. Moreover, business customers

¹See U. S. Postal Service: Tracking Customer Satisfaction in a Competitive Environment (GAO/GGD-93-4, Nov. 12, 1992).

are important to the Service's business success because they generate 88 percent of the Service's revenue, totaling \$49 billion in fiscal year 1994.

Given its experience with the external distribution of overall residential data, it appears that the Service could similarly share some overall business customer satisfaction results with Congress. This could perhaps be done by presenting indicators of business customer satisfaction nationally, for broad customer groupings and/or for large geographic areas. GAO believes that the Service should consult with Congress to determine what data will best serve its oversight needs.

Numerous Service Initiatives Under Way to Improve Customer Satisfaction

Since 1990, the Postal Service has begun or expanded many different efforts to improve customer service and reduce customer dissatisfaction. Its initiatives include programs to encourage, train, and reward employees across the board to focus more on serving customers. For example, the Service trained over 100,000 retail employees (postmasters, window clerks, and bulk mail acceptance clerks) on courtesy and product knowledge. It also set new policies, such as the use of debit and credit cards, and new standards, such as service in 5 minutes or less at post offices, to focus greater corporatewide attention on customer service. In line with national customer service goals, the postal field offices that GAO visited were all pursuing a broad array of local efforts to improve service.

Even though the Service was pursuing numerous improvement efforts, there still has been little overall change in the level of customer satisfaction. Nationally, 85 percent of all residential customers rated the Service's performance excellent, very good, or good in postal quarter 4, 1994 (May 28 to September 16).² This rating was identical to the first quarterly rating in 1991, although the national rating did increase but then decreased by 4 percentage points during this period.

Additional Steps That Might Help Focus More Attention on Improving Customer Satisfaction

GAO identified opportunities for the Service to make better use of customer satisfaction and other performance data for the purpose of improving customer service. Although many of the Service's improvement initiatives began as early as 1990, it had not yet developed and begun implementing at the performance cluster level a strategy to integrate the initiatives and focus them on aspects of the Service's operations that most relate to customer dissatisfaction.

²The postal fiscal year starts and ends in September of each year and includes a total of 13 four-week accounting periods. Postal quarters 1 through 3 include three accounting periods each, and postal quarter 4 includes the last four accounting periods.

Quarterly analyses done by the Consumer Advocate of customer satisfaction data show that improving the reliability of mail delivery offers the greatest opportunity to improve customer satisfaction. Managers and employees in mail processing plants, who affect on-time delivery rates for most mail, were often less involved than those at post offices in analyzing customer satisfaction data and identifying actions that could lead to improved customer service. While managers and employees in these plants used other performance measures, such as number of pieces left unprocessed each morning, the use of those measures and customer satisfaction data could help to emphasize the importance of timely mail processing to achieving customer satisfaction.

Further, performance pay incentives available to executives, managers, and some postal employees did not incorporate available measures of delivery service reliability, such as independent measures of First-Class on-time delivery rates, for determining annual changes in pay. Continued use of these measures, along with customer satisfaction and other performance measures, could help encourage employees to make delivery service more reliable, and form a basis for rewarding them. Such action would require the cooperation of unions and management associations within the Service.

In September 1995, Service officials said that as part of a new top-down, Service-wide effort called *CustomerPerfect!*, the Service will introduce a new compensation plan for all postal executives for fiscal year 1995 performance. Incentive payments for executives are to be determined on the basis of corporate financial performance, timeliness of mail delivery, and employee satisfaction. The officials said that a similar incentive plan will be proposed in future consultations with management associations and negotiations with the unions.

Finally, not all postal headquarters units overseeing service improvement initiatives followed a systematic approach for (1) monitoring field offices' progress in implementing certain national initiatives and (2) sharing information on the best customer service practices of post offices and processing plants. Customer satisfaction data and other available performance measurement data, such as on-time delivery rates, could be used to a greater extent in these efforts. Such data could help in assessing the extent to which changes in internal processes have improved customer satisfaction, both overall and with particular aspects of service, within performance clusters.

Performance Measures Under Study

In November 1994, a high-level Service study group, including officials who were briefed on the business customer survey results, was studying how to use business customer satisfaction and other performance data internally to improve customer satisfaction. This effort was part of the *CustomerPerfect!* initiative to apply widely accepted quality management criteria to enhance the Postal Service's competitiveness. No decision had been made as of September 1995 on whether or when any of the business customer satisfaction data would be disseminated within the Service and to Congress.

Recommendations

GAO is recommending in chapters 2 and 3 that the Postmaster General improve the dissemination and use of customer satisfaction and other performance measurement data. In particular, GAO recommends that the Service use its ongoing study efforts to develop a plan, safeguards, and timetable for distributing business customer satisfaction results to all appropriate management levels of the Postal Service for use in improving customer service. As part of its study efforts, the Service should also consult with appropriate congressional oversight committees to determine what business and residential customer satisfaction data and what other performance data the Service should regularly provide to Congress for its use.

Agency Comments

The Postal Service provided written comments on a draft of this report. The comments are discussed at the end of chapters 2 and 3. The Service said that GAO's report presents a generally accurate picture of what the Service was doing to measure customer satisfaction and delivery performance at the time of GAO's review and how the Service could better use the resulting data to improve service quality.

The Service believed that it had come a long way in the past 3 years toward achieving its goal of developing a customer-driven, customer-oriented, and customer-responsive organization. The Service said that its recent assessment of all functions and processes had helped it to identify actions necessary to make that goal a reality. The Service believed that GAO's recommendations regarding information sharing, employee performance incentives, systematic implementation and monitoring of improvements, and sharing best practices will be addressed in its newly established *CustomerPerfect!* program. For example, the Service pointed out that as part of that program, a team headed by the Consumer Advocate was studying the dissemination of customer

satisfaction results, both for business and residential customers, and is to develop a strategy for making survey results available to the public and Congress. Another team was looking at how to develop systems that will identify possible best practices and validate their effectiveness by measuring their results.

GAO believes that the Service's *CustomerPerfect!* initiative appears to be a reasonable approach to addressing its findings and recommendations. However GAO also notes that, at the time of its review, the Service had not obtained the involvement and commitment of labor union leaders in the *CustomerPerfect!* initiative. GAO believes that this involvement and commitment will be necessary to most effectively implement the new initiative.

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Abbreviations

APWU	American Postal Workers Union
BCSI	Business Customer Satisfaction Index
CFS	Computerized Forwarding Site
CSI	Customer Satisfaction Index
EAS	Executive and Administrative Schedule
EOS	Employee Opinion Survey
EXFC	External First-Class
FOIA	Freedom of Information Act
NPR	National Performance Review
PCES	Postal Career Executive Service
SET	Striving for Excellence Together
ZIP	Zone Improvement Plan

Introduction

Most Americans use the U.S. mail service. Their opinions of that service may depend on such factors as the timeliness of mail delivery compared to their expectations, the time spent waiting in line for window service, the availability of vending machines that work, and the helpfulness of window clerks who are there to serve postal customers.

Concerned about untimely mail service at post offices, the Chairman of the former Subcommittee on Information, Justice, Transportation, and Agriculture, House Committee on Government Operations, asked us to review selected aspects of the Postal Service's efforts to measure and improve customer service. Subsequently, we agreed to also report the results of our review to the Chairman of the Subcommittee on the Postal Service, House Committee on Government Reform and Oversight.

Background

Under the Postal Reorganization Act of 1970, as amended, the Postal Service is an independent establishment in the executive branch operated as a basic and fundamental service provided to the people by the government and accountable to Congress. It is to provide "prompt, reliable, and efficient services" to patrons in all areas and render these services to all communities. Over the years, the Service has increasingly functioned as a businesslike entity competing with electronic communication and private businesses to provide communication and merchandise delivery services to residential and business customers.

Today, the Postal Service's customer base is diverse, and the quality of mail service has many dimensions, such as whether the time to deliver mail meets standards, access to service is convenient, and service is timely and courteous at post offices. Until recent years, the Postal Service's measurement of service quality was internally focused. For example, it measured the time to process mail from points within the postal system; it did not measure the time from deposit of mail into the system to delivery of mail to customers.

The Service's customer orientation continues to change. Increasingly, it is focusing on customer needs, expectations, and perceptions. Its two principal measures of service quality are the Customer Satisfaction Index (CSI) and Business Customer Satisfaction Index (BCSI), which measure how residential and business customers, respectively, perceive the Postal Service's performance; and the External First-Class Measurement System (EXFC), a quantitative measure of total delivery performance. Both measurements are done independently of the Postal Service: residential CSI

by Opinion Research Corporation; business CSI by Gallup Organization, Inc.; and EXFC by Price Waterhouse and Co. The Vice President/Consumer Advocate, who reports directly to the Postmaster General, oversees the CSI survey process and the EXFC end-to-end measurement system and, until December 1994, was responsible for analyzing and disseminating CSI and EXFC results.¹

The quality focus of the Postal Service leadership team is consistent with current national objectives of making government more responsive to the American public. These objectives, outlined recently by the National Performance Review (NPR) task force,² emphasize the need to change the way government works by putting the customer first, giving the customer a voice, and setting customer service standards. The Postal Service is following the NPR guidance by recognizing the need to continuously improve customer service to remain competitive.

Establishing and maintaining consistently high levels of delivery and retail service are critical to the Service's success in an increasingly competitive communications marketplace. We previously reported³ that the Postal Service is losing profitable business to the private sector, especially in the parcel post and overnight mail markets. Private carriers dominate the profitable business-to-business segment because they offer cheaper and faster service and have left the Postal Service with the more dispersed and less profitable household market segment.

Postal Service Organized for a Customer Focus

Soon after taking office in July 1992, the Postmaster General outlined broad strategic goals that included improving service quality and empowering employees to act responsively when customer satisfaction is at stake. In 1992, the Postmaster General downsized the Postal Service but also reorganized it to focus greater attention on serving customers. The positions of vice president for customer services and vice president for processing, both reporting to the chief operating officer, were established at postal headquarters as part of the reorganization. The Postmaster General created 10 area customer service offices, which oversee 85

¹In December 1994, the responsibility for analysis and internal dissemination of CSI data was reassigned to the Vice President for Work Force Planning and Service Management.

²The NPR's report, From Red Tape to Results: Creating a Government That Works Better & Costs Less, was issued in September 1993.

³U.S. Postal Service: Pricing Postal Services in a Competitive Environment (GAO/GGD-92-49, March 25, 1992).

customer service districts, and 10 area processing offices, which oversee hundreds of mail processing plants in the field.

In 1994, to better coordinate customer service and mail processing functions, the Postmaster General eliminated the two above-mentioned vice president positions at headquarters. He also combined the two manager positions in each area into a single vice president position responsible for both customer service and mail processing. Below the area level, district and plant managers continue to report separately to the area vice president.

Postmasters report to customer service district managers, who report to an area vice president and oversee retail service operations of about 40,000 post offices, stations, and branches nationwide. Plant managers report directly to an area vice president and oversee about 500 air, bulk, and general mail processing plants.

Residential CSI Surveys Are Designed for Both Internal and External Needs

The Postal Service serves 125 million households 6 days a week. Its residential customer surveys are done every postal quarter⁴ to measure these customers' perceptions of virtually all postal services. Its surveys cover the Postal Service's 10 geographical areas; 85 service areas, which include customer service districts and processing plants (called "performance clusters"); and 170 metropolitan areas of the United States.⁵ Under the \$10.9 million contract with Opinion Research Corporation, through December 1994, the Service had received residential CSI results for 13 postal quarters dating back to April 1991.⁶ The results show the perceptions of residential customers regarding the Service's overall performance (question 1a of the CSI survey questionnaire) and other aspects of U.S. mail services (37 other questions) for the 3 months

⁴The postal fiscal year starts and ends in September of each year and includes a total of 13 four-week accounting periods. Postal quarters 1 through 3 include three accounting periods each, and postal quarter 4 includes the last four accounting periods.

⁵Subsequent to our review, for its reporting purposes, the Service consolidated two metropolitan areas, Anchorage and Juneau, Alaska, which changed the total from 170 to 169.

⁶The Postal Service also did CSI surveys for the first 3 quarters of fiscal year 1991, but the surveys did not cover some of the 170 metropolitan areas that were covered beginning with postal quarter 4, fiscal year 1991. Before the CSI surveys, the Service used other measures of customer satisfaction. One of these was a semiannual National Tracking Study that began in 1973 in which the general public rated its satisfaction with the Postal Service. In April 1990, the overall favorable rating was 83 percent, which, the Service reported to Congress that year, "approached its all-time high."

preceding the survey.⁷ (A copy of the CSI survey questionnaire is included as app. I.) Customers receiving the questionnaire are also asked to provide written comments on (1) especially good experiences with the Postal Service and (2) anything that the Service could do to increase customer satisfaction. We previously reported⁸ that the CSI surveys were designed to provide a statistically valid survey for measuring customer satisfaction with the quality of postal services.

The Service makes some residential CSI results publicly available each quarter showing overall customer satisfaction nationally and for the 170 metropolitan areas. The results are to be used internally to help track trends in customer satisfaction over time and by organizational component. The results also are to serve as a diagnostic tool for improving the quality of both delivery and retail services.

In April 1993, the Postal Service awarded a 4-year \$8.3 million contract to The Gallup Organization, Inc., to develop and operate for the Postal Service a Business Customer Satisfaction Index (BCSI) measurement system. Subsequent contract amendments increased the estimated total cost to about \$11.9 million, and the Service had spent about \$6.0 million under the contract through September 1995. The information from the system was to be used to measure the satisfaction of these customers and determine the allocation of resources needed to maximize customer satisfaction. The system was to produce valid and projectable data for each of 170 metropolitan areas and provide for aggregating the data for performance clusters and higher postal organizational levels.

Objectives, Scope, and Methodology

The Chairman of the former Subcommittee on Information, Justice, Transportation, and Agriculture, House Committee on Government Operations, requested that we review selected aspects of the Postal Service's efforts to measure, report, and improve customer satisfaction. Subsequently, the Chairman of the Subcommittee on Postal Service, House Committee on Government Reform and Oversight, requested that we report the results of our review to that Subcommittee.

Our objectives were to determine (1) to what extent the Postal Service disseminates residential and business CSI data internally and to Congress

⁷CSI surveys are generally mailed very early in a postal quarter. Many of the items on the questionnaire ask customers to respond on the basis of their experience "during the past three months." All of the quarterly CSI data in this report are for the postal quarter for which customers provided their perceptions, not the quarter in which the surveys were mailed and returned.

⁸U.S. Postal Service: Tracking Customer Satisfaction in a Competitive Environment (GAO/GGD-93-4, Nov. 12, 1992).

and (2) whether opportunities exist for the Postal Service to improve the dissemination of CSI data and their potential use by Congress and the Postal Service. We were also to determine (3) the steps that the Postal Service is taking to improve customer satisfaction using CSI and other data and (4) any additional steps the Service could take to improve customer service and thereby improve customer satisfaction.

Because the Postal Service had not made public any BCSI data at the time of our review, our work on the dissemination and use of customer satisfaction data was limited to residential CSI data. We reviewed the Gallup contract, analyzed Postal Service data on the relative importance of residential and business mail to the Service's overall mail volumes, and obtained explanations from Postal Service officials of the status of the Gallup contract and plans for dissemination of BCSI data.

As part of our work on residential CSI data collection, dissemination, and use, we interviewed Postal Service headquarters officials, including the Chief Operating Officer and the Vice Presidents for Customer Services, Consumer Affairs, and Quality. We interviewed various other headquarters officials responsible for customer retail service to find out how residential CSI data were used and what improvement initiatives were under way. We reviewed various materials and documents, such as reports, video tapes, and briefing documents, used by postal headquarters and selected field offices to disseminate CSI data. We analyzed annual reports sent by the Postal Service to Congress during fiscal years 1991 through 1994 as part of our efforts to determine any opportunities for the Service to improve the sharing of information on customer satisfaction and its performance with Congress.

Along with interviews with numerous headquarters and field postal officials, we reviewed CSI-related reports prepared by Opinion Research Corporation and the Postal Inspection Service to identify opportunities to improve the dissemination and potential use of CSI data. We used the results of all of these tasks to assess the planning and monitoring of initiatives undertaken to improve customer satisfaction by improving customer service.

To determine the extent of improvement in customer satisfaction with postal services, we obtained CSI metropolitan area data⁹ on question 1a responses relating to customers' perceptions of satisfaction with the "overall performance" of the Postal Service and 22 other questions on window, telephone, and related retail services. We also analyzed EXFC data to determine changes in on-time delivery rates since the measurements began in 1990 and compared EXFC data with CSI data for the nation and selected metropolitan areas.

We estimated sampling errors for the CSI results in each of 170 metropolitan areas using CSI data provided by the Service for the first quarter of fiscal year 1992 through the third quarter of fiscal year 1994. Estimates of sampling errors for each area are based on simple random sampling assumptions. Sampling errors are not reported for specific metropolitan areas because the Postal Service did not provide us with the names of specific metropolitan areas associated with the data. We also analyzed national and metropolitan area CSI results from the first quarter of fiscal year 1991 through the fourth quarter of fiscal year 1994. We could not calculate sampling errors for national CSI results using the data provided.

The Postal Service uses 95-percent confidence intervals as indicators of sampling errors for percentages. This means that the chances are about 95 out of 100 that the actual percentage falls within the confidence interval. For example, if 83 percent are reported to be satisfied with Postal Service performance and the sampling error is reported to be ± 3 percentage points, the chances are about 95 out of 100 that the actual percentage satisfied is between 80 and 86 percent.

To identify steps that the Service is taking to improve customer satisfaction using CSI and other data, we held numerous interviews at postal headquarters and selected postal field offices and, as appropriate, obtained supporting documentation. We visited six customer service districts—three having among the highest CSI ratings for retail services in the nation (Billings, MT; Central Plains in Omaha, NB; and Springfield, MA) and three having some of the lowest CSI scores for retail services (Chicago, IL; New York, NY; and San Francisco, CA). Our purpose in

⁹The Service's CSI sampling plan provides for random selection of households from each of 170 metropolitan areas each postal quarter. On average, about 1,200 households in each metropolitan area return questionnaires that are used for reporting customer satisfaction nationally and for 10 postal area offices, 85 performance clusters, and numerous 3-digit ZIP Code areas. Our earlier report on gathering CSI data, referenced in footnote 8, discusses the possible bias in interpreting CSI results because of low response rates and the Service's efforts to monitor the situation.

selecting a mix of high-scoring and low-scoring districts was to identify innovative service improvement initiatives in some districts with different levels of customer satisfaction.

We interviewed the six area managers for customer services with responsibility for the six districts we visited. We held discussions with the district manager and his/her key assistants, the consumer affairs manager, representatives of employee groups, retail specialists, and selected postmasters and/or station managers. We toured several post offices or stations in each district. Appendix II presents background data on the six districts.

Our review followed generally accepted government auditing standards. Our visits to postal field offices were made between November 1993 and May 1994. For a significant period of time during our review, a portion of our work was delayed because we did not have access to CSI data needed to analyze customer satisfaction with retail services. We requested the data needed for this work in January 1993. In February 1994, the Postal Service provided the data we requested, and we were then able to complete our CSI data analysis. Our analysis of CSI data was done between April 1994 and October 1995.

We received written comments on a draft of this report from the U.S. Postal Service. Summaries of these comments and our evaluation are included at the end of chapters 2 and 3. The comments are reprinted in appendix VI.

Opportunities Exist to Improve the Dissemination and Potential Use of Customer Satisfaction Data

The Postal Service makes extensive internal dissemination of residential CSI data to track customer satisfaction and identify opportunities to improve customer service. However, it has not disseminated much of that data to Congress and recently further limited the data provided in required reports to Congress. Moreover, the Service has gathered business CSI information but has not disseminated it internally or to Congress. Along with improving CSI data dissemination, the Postal Service can potentially improve use of the residential data by giving field offices more guidance on analyzing certain CSI results.

Residential CSI Results Are Widely Disseminated Within the Postal Service

Postal Service officials believe that the use of residential CSI results can help improve organizational and employee commitment to customer satisfaction. Accordingly, the Consumer Advocate and other officials have taken numerous steps to make Postal Service leadership and employees aware of and help them use CSI results. Soon after residential CSI results became available each quarter, the Consumer Advocate provided the results to the Postmaster General and other top postal leaders. The results were disseminated widely within the organization in several ways:

- The Postmaster General highlighted CSI results in his quarterly report to the Board of Governors.
- The Consumer Advocate provided more detailed briefings for the Board of Governors on the survey results each quarter, highlighting customers' ratings of the Service's overall performance and identifying the highest and lowest ranked customer service districts. The Consumer Advocate also visited postal facilities in metropolitan areas having the highest rating for the quarter to commend local management and employees.
- The Service's contractor, Opinion Research Corporation, provided quarterly written reports detailing CSI results for use by postal headquarters and each subordinate management level in Washington, DC, and field locations.
- The Postal Service made CSI results available electronically to executives, managers, and employees through automated information systems.

To further promote the use of CSI results, in November 1992, the Consumer Advocate established an Independent Service Analysis Group¹ to assist offices and individuals throughout the Service in using CSI and other customer service data, such as EXFC and customer complaint data. The group made various analyses and issued reports of CSI results periodically

¹In December 1994, the group and its function were transferred to the Vice President for Work Force Planning and Service Management.

and on demand for postal leadership, including the Board of Governors, and postal managers at all levels. Each quarter the group identified the top 10 and bottom 10 metropolitan areas of the total 170 metropolitan areas. The group also made comparisons each quarter to show whether and to what extent each performance cluster's CSI ratings differed from (1) the current median rating for all clusters and (2) the cluster's rating for the same quarter of the previous year. The Service made available to all management levels, through an automated information system, the results of these comparisons for those performance clusters and CSI questions having significant differences from the prior year.

Along with data analysis, the group provided instructions to field offices on how to use CSI results for changing internal processes that caused customer dissatisfaction. The manager and other members of the group had visited all 10 area offices and numerous district offices to assist with CSI data analysis. The group also developed and furnished video tapes on how to analyze and use CSI data.

Field Offices Further Disseminated CSI Results

At the time of our review, Postal Service headquarters had not prescribed specific procedures and methods for area, district, and processing plants to use in disseminating and using CSI results. The three area offices and six districts that we visited used a variety of means to provide CSI results to managers, supervisors, and employees. For example, the Central Plains District in Omaha, NB, published Newsbreak, a monthly information newsletter for its employees that periodically included CSI information. The Pacific Area Office in San Francisco, CA, had prepared a 12-minute videotape to be shown to employees in which area managers provided an overview of the CSI process and employees then spoke about their roles in improving customer service.

District managers said that they discussed CSI results in regular meetings with postmasters and employees. Local managers said that they found narrative comments included in CSI reports to be especially useful because the managers could identify customer concerns about service at specific post offices. For example, customer service managers in the New York District said that every quarter they analyze hundreds of narrative comments made by customers to better understand customers' perceptions of service quality in specific locations.

Little Residential Customer Satisfaction Data Provided to Congress

Although the Postal Service has generated valuable information from its residential customer surveys since 1991, it has provided relatively little of the information to Congress. The Postal Service also shares very little information on residential customer satisfaction with the public. In recent years, the Service has reduced the amount of residential customer satisfaction data and other performance data provided in required annual comprehensive statements to Congress.

The Service publicly discloses the responses to only 1 CSI question on the Service's overall performance for the nation and 170 metropolitan areas each quarter. The Service included data on only this one CSI question in comprehensive statements to Congress that are required annually by the 1970 act (39 U.S.C. 2401).

Provisions of the act calling for comprehensive statements specify several categories of data to be included in each statement. The statements are to cover the Service's plans, policies, and procedures for carrying out its universal mail service mission, which is stated in section 101 of the act. The statements are to also describe postal operations generally and include data on the speed and reliability of service provided for the various classes of mail and types of mail service, mail volume, productivity, trends in postal operations, and analyses of the impact of internal and external factors on the Postal Service. The act also says that the Senate and House postal oversight Committees of Congress are to hold hearings on the Postal Service in March each year.

As a stakeholder in the delivery of U.S. mail, Congress has not only described in the 1970 act certain information it needs from the Service but also has often expressed interest in particular aspects of the Service's performance and customer satisfaction. In 1994, this interest was manifested in congressional hearings and public statements of several Members of Congress regarding the quality of service in the Washington, DC, and Chicago, IL, areas. Typically, Members of Congress have responded after news accounts and complaints from the public regarding the quality of mail service in particular areas of the country. The Postal Service reacted to concerns about the quality of delivery service in testimony before Congress several times in 1994. More recently, the House oversight committee has held numerous general oversight hearings with a view toward determining the need for any changes in the 1970 act.

**Postal Service Reduced
Amount of CSI and Other
Performance Data in
Comprehensive Statements**

The Postal Service has submitted the required comprehensive statements, and the oversight Committees have held hearings on the Postal Service's operations and services. However, the usefulness of the comprehensive statements has been limited by the scant CSI and other performance data included in them, particularly in the statements for fiscal years 1993 and 1994.

Our review of the last four statements (fiscal years 1991 through 1994) showed that the Postal Service has reduced the amount of information on customer satisfaction and delivery performance provided to Congress. The 1992 statement tabulated on-time delivery rates from EXFC for overnight, 2-day, and 3-day delivery service for each quarter and the year. The 1992 statement also included CSI results for each quarter, with the results broken out into several categories of customer responses, i.e., excellent only; excellent and very good combined; good only; excellent, very good, and good combined; fair only; poor only; and fair and poor combined.

Following the Service's efforts to downsize and reduce overhead costs, the 1993 statement to Congress provided less CSI information than the 1992 statement. The 1993 statement showed only one rating for the year, which included the sum of all excellent, very good, and good responses for only the fourth quarter of 1993. For comparison purposes, the sum of these same responses was included for the fourth quarter of 1992. The 1994 statement had even less CSI information than the 1993 report. The 1994 statement showed one rating (excellent, very good, and good combined), and it was for the fourth quarter of fiscal year 1994 only. No comparison was presented of the 1994 rating with the same quarter of 1993.

The Postal Service provided more CSI information to the general public than was provided in its required comprehensive statements to Congress. In quarterly publications available to the public, the Service included CSI ratings for 170 metropolitan areas. In addition, the publications also provided the EXFC ratings for 96 of these same areas. Further, the Service recently added new measurements of its on-time delivery performance for the mailings of those publishers and mailers participating in the external second-class and third-class mail measurement systems. The Service is also participating with some foreign postal administrations in the development of processes for measuring international air letters. No data were provided in any of the four comprehensive statements that we reviewed relating to these new measurements.

**Analysis of CSI Results and
Other Performance Data
Could Be More Informative**

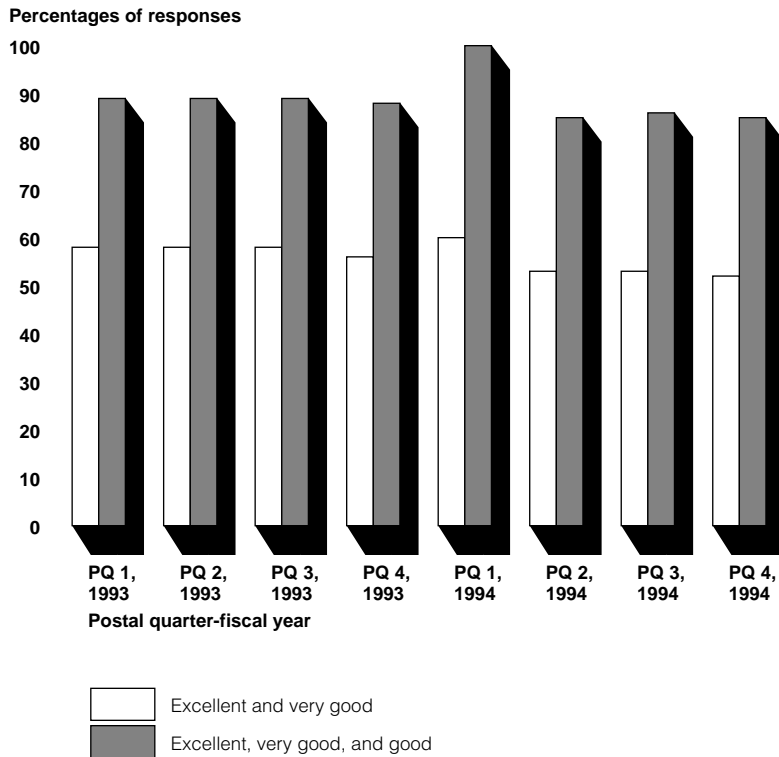
The Service could use data that it already routinely releases to the public and that it previously provided to Congress for more informative analysis and presentations in required comprehensive statements to Congress. Use of these CSI results and other performance indicators could provide a more complete picture of customer satisfaction and the Service's performance. No additional data-gathering would be necessary. CSI and EXFC results are available to the public in quarterly publications prepared by the Consumer Advocate, but the results are not compared, analyzed, and summarized for potential use by Congress. The following illustrates some ways in which the Postal Service might present additional CSI and EXFC results to Congress. Although the Service compiles data similar to EXFC for other mail classes, we did not include data on these classes because the Service does not release any of that data to the public.

**CSI Results Could Be Presented
for Past Periods and by
Geographic Areas**

Congress could use comparisons of CSI results for several years to review the progress the Postal Service has made in improving perceptions of its overall performance. The Postal Service's annual report for 1994 did not present comparative CSI results for the current year and preceding year. In future annual reports and other communications with Congress, the Service could use available CSI data that are currently or were previously made public to compare customer satisfaction, by postal quarter, for the current and previous years. (See fig. 2.1.)

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Figure 2.1: Comparison of National CSI Ratings, by Postal Quarter, Fiscal Years 1993 and 1994

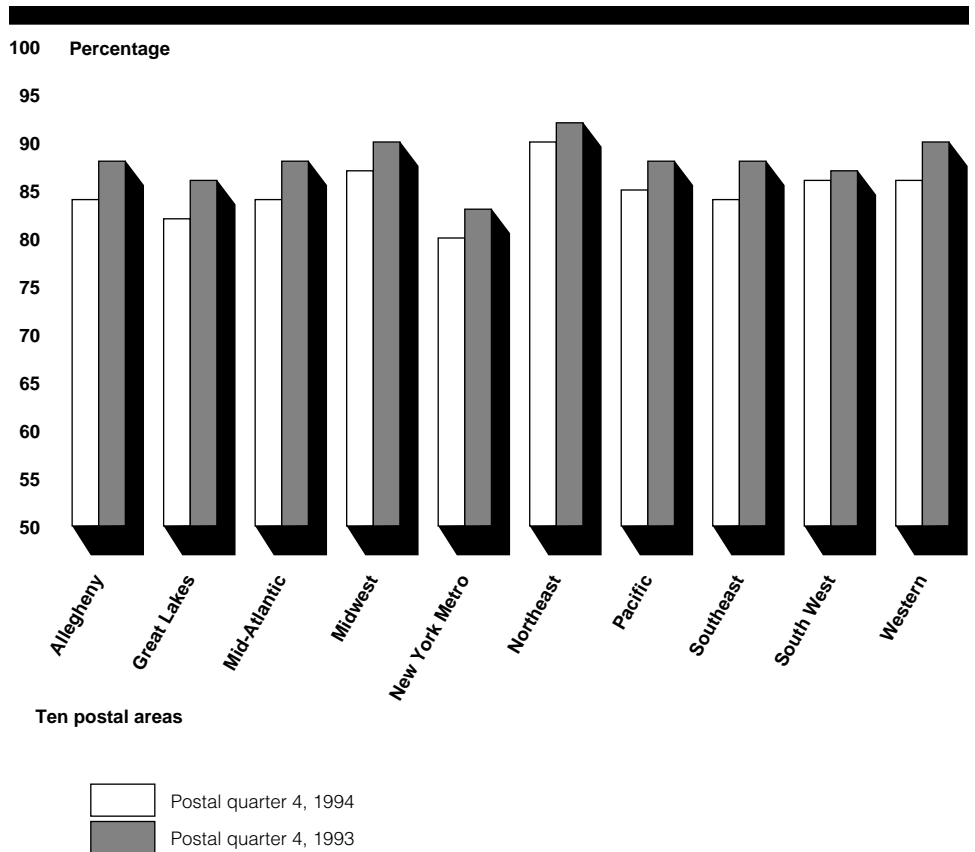


Source: CSI Surveys, U.S. Postal Service.

The Postal Service could also use tables or graphics to show how the results differ among the 10 postal area offices and 85 performance clusters. CSI ratings differ significantly among geographic areas of the country, and with better disclosure of the ratings, Congress could compare and contrast customer satisfaction levels and changes not only nationally but also for various regions and cities. For example, the Postal Service could show how the results compare among the 10 postal areas for selected periods. (See fig. 2.2.)

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Figure 2.2: Overall Satisfaction for 10 Postal Area Offices for Postal Quarter 4 of Fiscal Years 1993 and 1994



Note: CSI percentages include excellent, very good, and good ratings.

Source: CSI Surveys, U.S. Postal Service.

CSI results could also be presented for the Service’s performance clusters. For its internal use, the Postal Service arrays CSI results by cluster and compares current and preceding year results. Thus, the Service would need little additional effort to include such information in required annual reports to Congress. Although the Service does not currently present CSI data to the public in this manner, it does publish CSI ratings every quarter on smaller geographic areas—the 170 metropolitan areas. Presenting the data for larger geographic areas would not appear to pose any greater threat to the Service’s competitive interests than disclosing the data by metropolitan areas, as is done now.

**Differences in CSI and EXFC
Results Could Be Presented
and Explained**

CSI and EXFC are the Service's two most widely publicized externally developed performance measures. Although the two systems are very different and so are the results, the Service presented quarterly ratings from the two systems, both for metropolitan areas and nationally, side by side in its publicly disseminated documents. The Service could present CSI and EXFC data in a way that helps ensure that the extent of and reasons for differences in customer perception of the Postal Service's performance and measurement of delivery performance are understood.

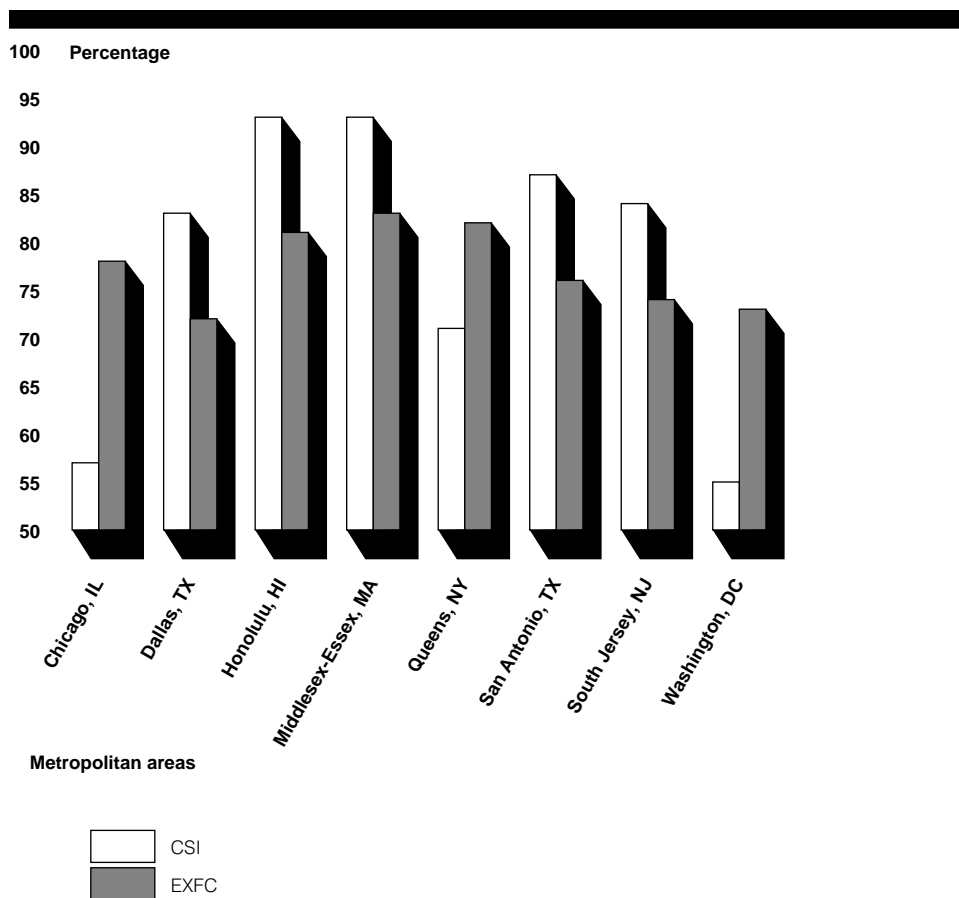
The Service has tended to focus much of its attention on publicizing customers' perceptions of the Service's overall performance and improving these perceptions. While the publicized ratings disclose perceptions of overall performance, various data compiled by the Service show that customers are most concerned about the length of time that the Service takes to deliver mail and the consistency of mail delivery service. However, the Service recognizes that a number of factors, not necessarily related to mail delivery, influence customer perception of the Service's overall performance, as measured by CSI surveys.

To illustrate how performance perceptions can differ from delivery measurements, in postal quarter 4, 1994, EXFC scores for 28 of 93 metropolitan areas varied by more than 5 percentage points from CSI scores for the same areas.² For 16 of the 28 areas, the CSI ratings were higher than the EXFC ratings. For 8 of these same 28 metropolitan areas, the difference between the EXFC and CSI ratings was 10 or more percentage points. For five of these eight, the CSI ratings were higher than the EXFC ratings. (See fig. 2.3)

²The Service considers any difference of more than 3 percent to be statistically significant.

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Figure 2.3: Comparison of CSI and EXFC Ratings for 8 Metropolitan Areas With Differences of 10 or More Percentage Points in Postal Quarter 4, Fiscal Year 1994



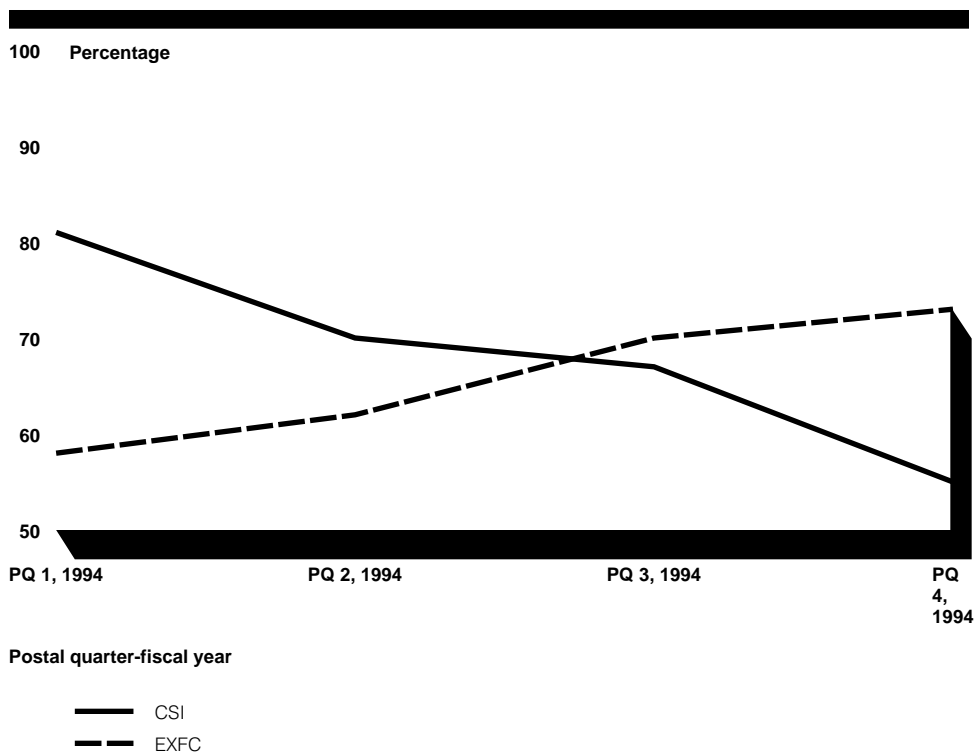
Note: CSI percentages include excellent, very good, and good ratings.

Source: CSI Surveys and EXFC System, U.S. Postal Service.

For the remaining three metropolitan areas (Chicago, IL; Queens, NY; and Washington, DC), the CSI ratings were lower than the EXFC ratings in postal quarter 4, 1994. Of the 170 metropolitan areas for which CSI results are reported, these 3 areas were the 3 lowest ranked in quarter 4. In all three of these metropolitan areas, the CSI ratings had dropped below the EXFC rating during 1994. The EXFC results improved in all three areas during the year, but the CSI ratings for all three were still well below their EXFC ratings at year's end. (See figs. 2.4-2.6.)

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Figure 2.4: District of Columbia CSI and EXFC Ratings by Postal Quarter, Fiscal Year 1994

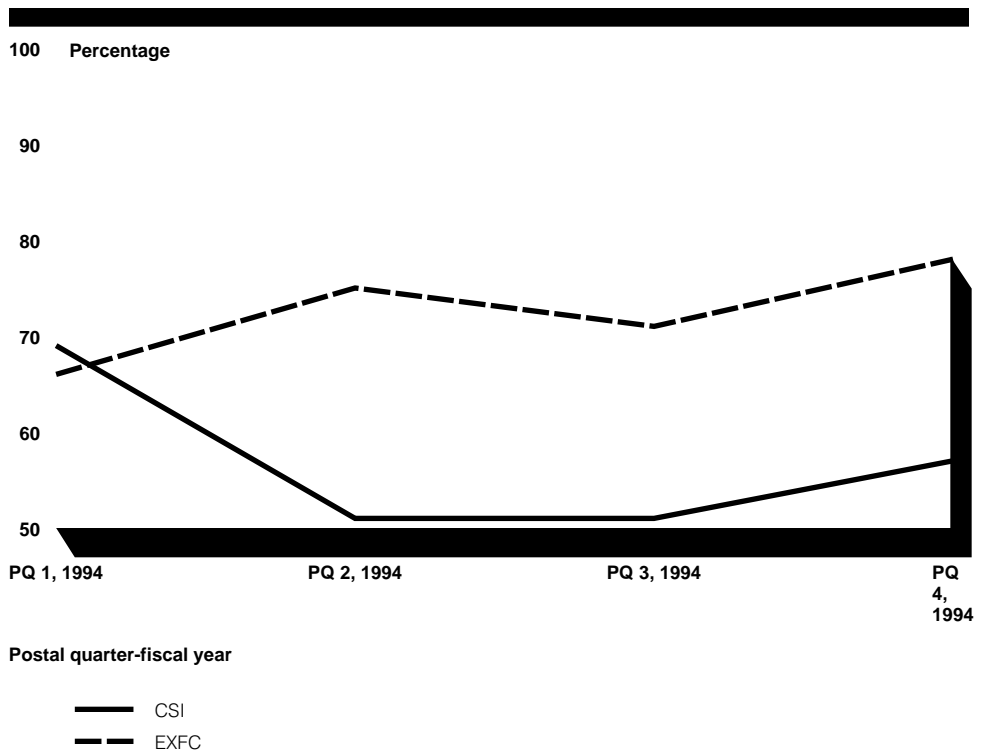


Note: CSI percentages include excellent, very good, and good ratings.

Source: CSI Surveys, U.S. Postal Service.

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Figure 2.5: Chicago, IL, CSI and EXFC Ratings by Postal Quarter, Fiscal Year 1994

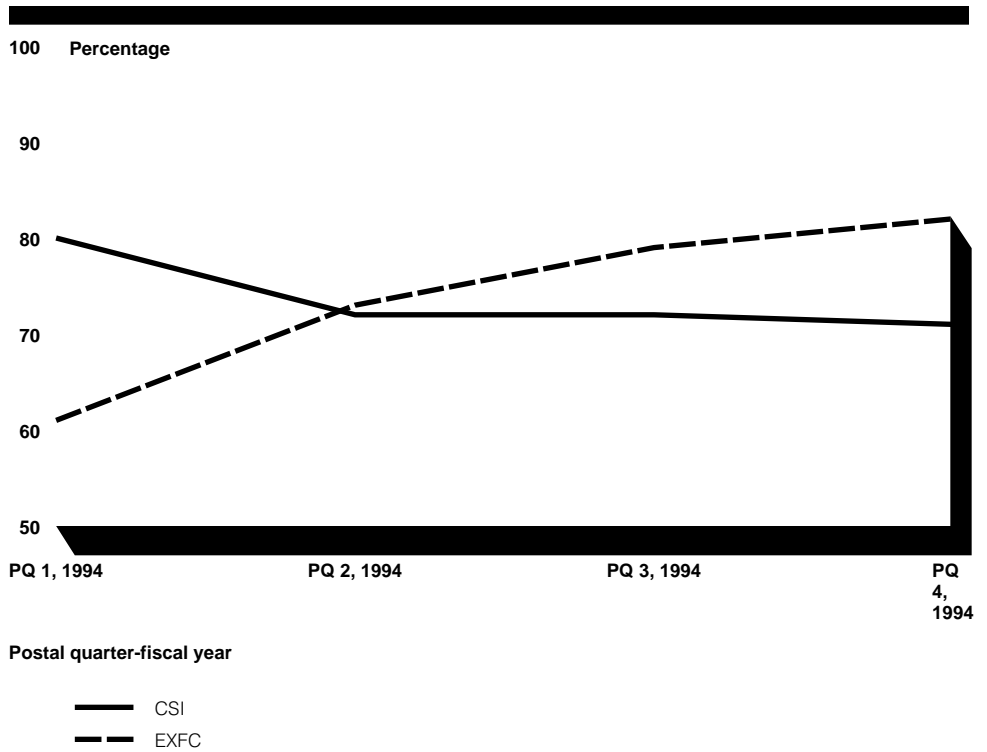


Note: CSI percentages include excellent, very good, and good ratings.

Source: CSI Surveys, U.S. Postal Service.

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Figure 2.6: Queens, NY, CSI and EXFC Ratings by Postal Quarter, Fiscal Year 1994



Note: CSI percentages include excellent, very good, and good ratings.

Source: CSI Surveys, U.S. Postal Service.

As indicated above, for some areas, customer perception of overall performance remained relatively low after overnight First-Class delivery performance improved. Because of such differences, it is important that the results of the CSI and EXFC systems be presented in a way that makes clear that they represent two very different measures of the Service’s performance.

A Postal Service manager responsible for CSI data analysis said that the Service does not expect a “match” between CSI and EXFC results, either overall or by specific CSI question or service attribute. He said there is a tenuous relationship between internally driven commitments, e.g., overnight delivery service, and customer expectations. He said that responses to CSI question 1a are affected by many factors, such as the

Service's announcements of postage rate increases and adverse publicity in the news media, and that on-time delivery explains about one-half of the question 1a results. After reviewing a draft of this report, the Vice President/Consumer Advocate agreed with the manager's comments summarized above. She said, however, that the impact of adverse publicity on CSI ratings is short-lived and does not affect the ratings in every metropolitan area across the nation.

We believe that the above comments by the manager and Vice President are all good reasons why CSI and other performance data need to be analyzed and presented to Congress in a way that provides as complete and accurate a picture as possible of both the Service's delivery performance and customer perceptions of its performance.

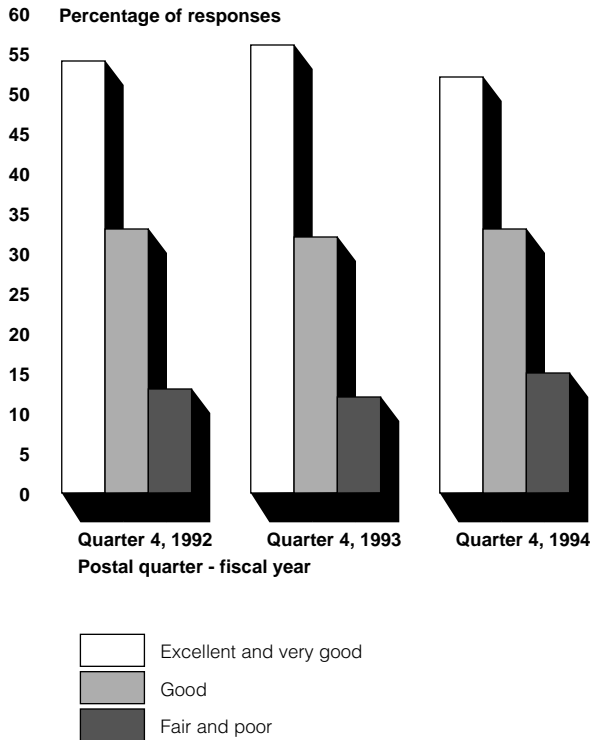
Customer Responses Could Be Broken Out to Better Disclose Levels of Satisfaction

In presenting CSI results to Congress, the Postal Service could break out the results to show more clearly how satisfied, in terms of specific response categories, customers are with the Service's overall performance. As stated previously, in some earlier reports to Congress such breakouts were provided.

Customers can rate the Service's performance as excellent, very good, good, fair, and poor. The Postal Service disclosed only what it termed "favorable" responses when presenting CSI information in quarterly pamphlets to the public. These responses were the sum of excellent, very good, and good responses for each of 170 metropolitan areas and the nation. If the Service disclosed the percentage of customers giving the higher ratings of excellent and very good combined, as it does for its internal reports, Congress would have a more precise picture of how customers' perceptions have changed over time.

For most of its internal purposes, including calculation of performance incentive payments for executives and employees (discussed in ch. 3), the Service uses excellent and very good ratings only. Most of its management reports use these two ratings alone or in combination with the overall favorable rating, which includes not only excellent and very good responses but also good responses. Disclosing excellent and very good responses is important because, as figure 2.7 shows, good responses alone accounted for almost one-third of all responses.

**Figure 2.7: Good Responses
 Accounted for Almost One-Third of
 Customers' Responses in Fiscal Years
 1992, 1993, and 1994**



Source: CSI Surveys, U.S. Postal Service.

Combining good responses with excellent and very good responses and reporting only the totals can mask shifts in customer satisfaction, and the changes can sometimes be statistically significant. This masking occurs when customers either increase their ratings from good to the higher ratings or drop ratings from excellent and very good to good. For example, for the San Francisco, CA, metropolitan area, the favorable rating increased by 4 percentage points, from 82 to 86, which the Service considers to be statistically significant, between quarter 4, 1993, and quarter 4, 1994. However, excellent and very good responses did not have a significant change, decreasing by 1 percentage point. Conversely, in 14 metropolitan areas, the percentage of excellent and very good responses together increased even though the overall favorable rating went down between these same 2 quarters.

Service officials include good responses in the publicized CSI ratings and disclose that excellent, very good, and good responses are combined. However, the sum of excellent and very good ratings alone, or together with the good ratings, nationally and for each of the 10 postal areas and 170 metropolitan areas, would give Congress a more complete picture of the status of and changes in customer satisfaction. In addition, such presentation would be more consistent with the Postal Service's internal reporting. This further breakout of customer responses would not appear to jeopardize the Service's commercial interests because the favorable ratings are already available to the public.

Improvement Potential Exists for Use of Residential Survey Results

Along with providing more comprehensive CSI information to Congress, the Postal Service could potentially improve the usefulness internally of residential customer survey results. CSI results for some questions have lower levels of precision. While the Service has taken steps to inform CSI users of the level of precision, written reports distributed by the CSI contractor do not fully disclose the level of precision.

Internal Users of CSI Reports May Not Fully Understand the Limited Precision of Some Results

Quarterly reports distributed by the CSI contractor to the Postal Service contain extensive CSI data, including various satisfaction percentages for 38 questions detailed to 3-digit ZIP code areas and metropolitan areas. The reports indicate which of these percentages are significantly higher or lower than the national results. However, the usefulness of some of the percentages is limited by the lower levels of precision. While the Service had provided some guidance to users on this data limitation, users of the contractor-generated reports may not be sufficiently aware of how to use those percentages having lower levels of precision. The reports give little guidance on how to interpret CSI data that are not as precise as some other CSI data in the same reports.

The Postal Service requires that the contractor survey enough customers in each metropolitan area each quarter to provide a margin of "sampling error"³ associated with the responses for each CSI question that is to be no greater than ± 3 percentage points for question 1a on the CSI survey questionnaire. Our review of response rates for the 11 postal quarters from postal quarter 1, 1992, through postal quarter 3, 1994, showed that the Postal Service obtained the number of responses necessary to provide this required precision each quarter.

³Sampling error is a measure of survey precision. The smaller the sampling error associated with a survey percentage, the more precise it is. For additional details on the effects of sampling error, see Objectives, Scope, and Methodology.

However, CSI results for some questions sometimes have sampling errors that are much greater than ± 3 percent. This occurs because customers who have not used a particular service are instructed not to answer questions about that service. Because of this, the number of responses for such questions, 22 of 38 in total, can be much lower, and the sampling error much higher, than for question 1a.

For example, customers who do not have any of their household's mail delivered to a post office box are instructed not to answer the two questions on this service. In one metropolitan area, satisfaction with delivery of mail to the correct post office box was 69 percent in 1 quarter and 79 percent in another metropolitan area for the same quarter. However, both ratings were based on a small number of responses: 29 responses in 1 metropolitan area and 36 responses in the other. The small number of responses results in a large margin of sampling error. (Details on sampling errors for metropolitan areas are included in app. III.)

Postal managers and employees are expected to use all CSI reports for tracking progress in improving customer service and analyzing processes at post offices and processing plants that affect customer satisfaction. However, high rates of sampling error for some questions can result in inappropriate inferences if users of CSI results compare one metropolitan area with another. To illustrate how this can happen, we will use the above example involving post office box services. After sampling errors are considered in this case, the rating is between 53 and 85 (69 percent, ± 16 percentage points) for one area and between 63 and 95 percent (79 percent ± 16 percentage points) for the other area. Thus, an inference that the 79 rating indicates higher satisfaction than the 69 rating may be inappropriate because the difference could be due to sampling error.

Consumer Advocate officials we contacted were aware that CSI results for some questions do not have the same degree of precision as the overall ratings that are published quarterly using question 1a responses. They said that they inform field personnel of this imprecision during all briefings and that the Corporate Information System shows whether changes in responses to each question are statistically significant. They believe that even the less precise results for some CSI questions can still be useful to managers, particularly when combined with other data and when the results are compared for several postal quarters or several years.

We agree that the CSI results can be useful but also believe that users of written CSI reports could be provided with additional information on how

sampling errors limit the precision of some CSI data. Because such errors can vary depending on the question, users might benefit from additional information in the reports on the sampling error for each CSI question. This might help to ensure more informed comparisons between metropolitan areas and over time.

Business Customer
Satisfaction Data Not
Disseminated in
Postal Service or to
Congress

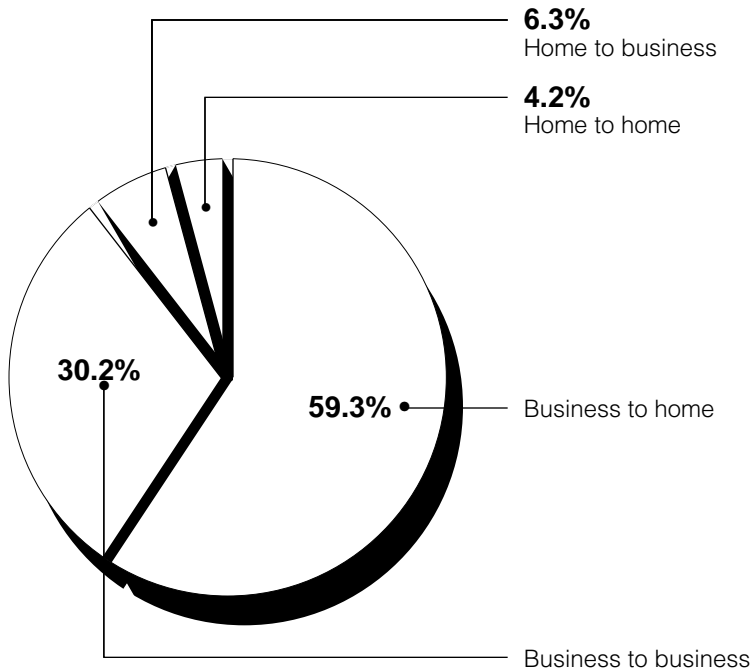
Although the Service disseminated CSI results for residential customers, these customers represent a small portion of the Service's mail volume. Under a contract with the Service, The Gallup Organization, Inc., gathers data on the satisfaction of business customers, who account for the vast majority of the mail. However, the Service has not disseminated the results within the Service or shared any results with Congress. The Service is concerned that the data might be made public if brought into the organization, thereby jeopardizing its competitive interests.

Business Customers
Generate Almost 90
Percent of Mail Volume

It is important that the Service regularly obtain, analyze, and use BCSI results, which are currently being generated for each postal quarter, because business customers account for most of the Service's mail volume. Further, Postal Service studies show that these customers are more likely than residential customers to switch to another supplier of mail services.

Most mail is a consequence of business transactions, including billings, payments, advertising, and other economically motivated activities. Studies by the Postal Service show that 59 percent of the total mail stream originates outside households and is sent to households. An additional 30 percent originates outside households and is sent to nonhouseholds. Overall, the flow of mail from nonhousehold customers accounts for almost 90 percent of the total mail. (See fig. 2.8.)

Figure 2.8: Business-Generated Mail Was Almost 90 Percent of the Total Mail Stream in May 1994



Source: U.S. Postal Service Household Diary Study, May 1994.

Similarly, almost 90 percent of the Service's revenue, totaling \$58 billion in fiscal year 1994, is generated by business mailers. The level of satisfaction of these mailers and their continued use of the U.S. mail service are critical to the Postal Service's financial viability. Residential customers have limited alternatives for letter mail service because of the Private Express Statutes⁴ requiring the delivery of nonurgent letters by the Postal Service. But business customers often can and do use other private carriers because of urgent delivery requirements, which are exempted from the Private Express Statutes, and because their mailings are not what the Service defines as letters for Private Express Statutes purposes.

⁴These statutes restrict the delivery of most letters to the U.S. Postal Service unless certain conditions that are specified in law and postal regulations are met.

**BCSI Data Are Gathered
but Not Reported to the
Service**

The Service began planning for quarterly surveys of business customer satisfaction in 1991 and awarded a contract for the surveys to Gallup in April 1993. Under the contract, the contractor is required to provide information for use by Postal Service management from the national level down to the performance cluster level. Management was to use the information to determine the allocation of resources needed to maximize customer satisfaction and analyze how to better understand customer expectations and improve service. During the first year of the contract, Gallup was to conduct research and do a pilot test of the measurement system. The results of the first BCSI survey were available to the Postal Service in April 1994. Through June 1995, Gallup said it had completed five quarterly surveys, but the Service had not obtained and disseminated data from any of the surveys for use in improving customer satisfaction.

According to the former Consumer Advocate, who left the Service in December 1994, some top Postal Service officials were briefed at least once by the contractor on the BCSI results in 1994. Subsequently, the contractor was directed not to provide the quarterly BCSI results to the Postal Service. She said that the Gallup surveys had produced “rich” data on business customer satisfaction, which she believed postal management could use to improve customer service. Under the contract, Gallup was to provide quarterly BCSI reports to all 170 performance clusters, 10 area offices, and the Service headquarters. Postal Service officials confirmed that these required reports were not being submitted by Gallup.

**The Service Is Concerned
About Harming Its
Competitive Interests**

Service officials believe that the indiscriminate sharing of customer satisfaction information with Congress and the public can be self-defeating. We agree that the Service’s commercial interests could be harmed by indiscriminate sharing where there is competition for its services. While most of the Service’s mail volume is protected by the Private Express Statutes, private companies compete with the Service to provide certain mail services, particularly expedited and parcel delivery, to residential and business customers. Competitors might use customer satisfaction and other performance data, which the Service had gathered to improve its service and become more competitive, to gain a competitive advantage over the Service. The 1970 act allows the Service to withhold from the public data that are of a commercial nature.

In particular, competitors might benefit from detailed CSI results showing specific aspects of service and particular geographic areas of the country where the Postal Service is not meeting customer expectations.

Competitors could target their market development efforts to these areas. We previously reported⁵ that the Service's decision to publicly report only overall residential CSI ratings, but not ratings of specific services, is permitted under the Postal Reorganization Act of 1970. Although the Postal Service is covered by the Freedom of Information Act (FOIA) (5 U.S.C. 552), the 1970 act does not require it to disclose information of a commercial nature, including trade secrets, that under good business practice would not be disclosed publicly.

In our earlier report, we also discussed the practices followed by some of the Service's competitors in measuring and reporting customer satisfaction. The four competitors we contacted (Federal Express, United Parcel Service, Associated Mail and Parcel Centers, and Tribune Alternative Delivery) used independent contractors to assess customer satisfaction. Their goal was to achieve 100 percent customer satisfaction for the specialized services they offered. In the highly competitive overnight and parcel business, only a customer rating of "completely satisfied" (very good and excellent) was acceptable to private carriers. These companies did not release detailed information on their customer satisfaction surveys because they believed the information would be used to the advantage of their competitors. One of the companies, Federal Express, was a 1990 Malcolm Baldrige National Quality Award winner. It released overall information on customer satisfaction, and we reported in 1992 that 94 percent of Federal Express' customers contacted were completely satisfied with the overall service.

Unlike its competitors, however, the 1970 act established the Postal Service as an executive branch establishment accountable to Congress. Since that time, it has increasingly functioned as a businesslike entity, competing with technology and private companies to deliver certain services in a competitive marketplace. However, the dual objectives of operating as both a public and private entity require that the Service balance the protection of its competitive interests with the potential value to the Service and Congress of using the data, with appropriate safeguards, to help assess and improve customer service. We did not review the business customer satisfaction data compiled by Gallup, but such data would seem useful to Postal Service management for improving customer service and to Congress for its oversight activities. Both the Service and Congress have found similar data on residential customer satisfaction useful.

⁵U.S. Postal Service: Tracking Customer Satisfaction in a Competitive Environment (GAO/GGD-93-4, Nov. 12, 1992).

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Customer Satisfaction Data

By not receiving any data on business customer satisfaction from the contractor, the Service and its customers are denied potential benefits of the Service using the data to improve customer service. The data are accumulated by Gallup at considerable cost (projected at \$11.9 million over 4 years). Meanwhile, as discussed in chapter 3, the Service is developing plans and has begun numerous national and local service improvement initiatives. This is being done without analyzing and using BCSI results to identify the aspects of service and the geographic areas indicating the greatest business customer dissatisfaction. Disseminating BCSI results to postal management and providing some of the results, with appropriate safeguards, to Congress would appear to require little additional cost.

The limited release of some customer satisfaction data to Congress, such as was done earlier for residential customers, would not seem to harm the Service's commercial interests. Given its experience with the external distribution of residential data, it appears that the Service may be able to similarly share some BCSI results with Congress. This could perhaps be done by presenting indicators of business customer satisfaction nationally, for broad customer groupings, and/or for larger geographic areas. Where it is determined that release of the data might hurt the Service, the data could be made available to appropriate congressional Committees using appropriate safeguards, such as an agreement with the Committee not to release the data to the public because it could jeopardize the Service's commercial interests.

Congressional oversight Committees for the Postal Service could use BCSI and other performance data for a variety of purposes, including ongoing postal oversight activities and consideration of changes to laws and regulations affecting the Service's performance. In this regard, the Postmaster General has said that changes are needed in aspects of the legislative and regulatory framework that constrain the Service in pricing its services, introducing new products, and managing its employees. Further, legislative proposals are now pending in Congress to fundamentally change the Service's governmental status and its responsibilities relating to universal mail service.

BCSI Distribution Under
Study

Concerning its plans to distribute BCSI data, Service officials told us that an officer-level team had been chartered to develop an overall plan and recommendation for the deployment of both internal and external measurements used to determine customer satisfaction and improve

customer service. As part of this effort, the Postal Service said that it would determine the most effective disposition of the BCSI. No date was provided on when the effort would be completed and whether any BCSI results would be disseminated within the Service or provided to Congress. Consequently, the Service did not have a plan and timetable for using business customer satisfaction data internally, disseminating the data as appropriate to congressional oversight Committees, and designing safeguards to protect against the improper release of sensitive data to competitors.

In commenting on a draft of this report, the Vice President and Consumer Advocate said that plans were under way to identify which managers will receive BCSI results and how frequently they will be distributed. She also said that the competitive nature of this information requires that great care be exercised in making the information dissemination decisions.

Conclusions

The Postal Service's residential customer surveys have provided valuable data for potential use within the Service and by Congress. Postal leadership, particularly the Consumer Advocate, has made significant progress in disseminating CSI results within the Service and promoting greater CSI use. However, opportunities exist to improve the dissemination and use of CSI results and mail delivery performance data.

Perhaps most important is the need for postal management and Congress to have some indication of how well business customers perceive the quality of mail service because these customers represent the vast majority of the Service's business. Postal leadership is developing plans, allocating resources, and implementing new service initiatives without analyzing and using business satisfaction data. By not using both business and residential customer satisfaction data, management attention and resources could be directed disproportionately at improving those processes that are not of the greatest importance to overall customer satisfaction and, ultimately, the Service's success.

It is not reasonable to expect the Service to disclose data on specific aspects of its services or particular geographic areas that could jeopardize its competitive interests. However, the Service's divergent roles as both a public entity and a business dictate that it strike a better balance between (1) obtaining and using business customer satisfaction data to identify and respond to areas of customer dissatisfaction and providing information to Congress and (2) protecting business interests by safeguarding against the

release of sensitive, proprietary information. More general measures of business and residential customer satisfaction, along with other performance data such as EXFC ratings, can provide useful yardsticks for Congress to use in its routine oversight activities and consideration of legislative proposals that relate to the Postal Service. Such data are already compiled and with appropriate safeguards could be included in the reports that the Service files annually with oversight and appropriation Committees.

Because of the Postal Service's investment in national CSI surveys and the importance of the results to its overall service improvement efforts, it is important that field offices know both the strengths and limitations of CSI results and are committed to using the results as intended by postal headquarters. CSI reports generated by the contractor can more fully disclose the level of precision and usefulness of data. Users of the reports need to be aware of the different levels of precision to avoid reaching unwarranted conclusions, particularly when comparing one organizational component or geographic area with another or making comparisons over time.

Recommendations

To improve the dissemination and potential use of CSI data, we recommend that the Postmaster General take the following steps:

- As part of the Service's ongoing performance data study, establish a plan, safeguards, and timetable for distributing business customer satisfaction results to all appropriate management levels of the Postal Service for use in improving customer service.
- Consult with appropriate congressional committees to determine what analyses of business and residential CSI data and other available performance data would be useful to them and, using appropriate safeguards, provide that data in periodic reports to and other communications with Congress for its use.
- Provide more information in the detailed internal CSI reports provided by the contractor, including the sampling errors for CSI questions and explanations to users on the level of precision and usefulness of customer data on certain questions.

Agency Comments and Our Evaluation

The Service said that our report presents a generally accurate picture of what the Service was doing to measure customer satisfaction and delivery

performance at the time of our review and how the Service could better use the resulting data to improve service quality.

The Service did not comment specifically on each of our recommendations but rather said that it had recently undertaken an extensive, systematic review of all of its functions and processes. The Service said that based on criteria and guidelines of the Malcolm Baldrige National Quality Award (which we discuss in chapter 3), the review helped the Service to identify and organize actions necessary to make its goal of a customer-driven, customer-oriented, and customer-responsive organization a reality. The assessment led to a program the Service calls *CustomerPerfect!*_{sm}

The Service said that our recommendations and concerns regarding information sharing will be addressed in that program. For example, the Service said that a team headed by the Consumer Advocate was studying the dissemination of customer satisfaction results, both for business and residential customers. The team was to develop a strategy for making survey results available to the public and Congress.

The Service expressed some minor disagreement regarding our comparison of CSI and EXFC ratings. The Service inferred that we anticipated more of a connection between the CSI and EXFC ratings than the data actually show and explained that the two ratings are different. We agree that CSI and EXFC are very different measures, and we had no preconceived notion that the results of the CSI surveys would “match” or closely relate to measures of on-time delivery performance under EXFC. Rather, our purpose was to show how the ratings differ and emphasize how the Service could explain the extent and reasons for differences in customer perception of the Service’s performance, as measured in CSI, and its delivery performance, as measured in EXFC. To help clarify this point, we made some changes to the section of the report comparing CSI and EXFC ratings.

The Service also said that its customer satisfaction and delivery systems are useful as measurement tools but less useful for diagnostic purposes. The Service wants to improve the systems to provide more precise and immediate feedback for making real-time improvements in service quality.

Postal Headquarters Can Strengthen Its Overall Planning and Monitoring of Service Improvement Initiatives

The Service has had many innovative and promising service improvement efforts under way but, as discussed in chapter 2, it has not used business customer satisfaction data as part of these efforts. Available residential CSI data show that the level of customer satisfaction remained about the same in 1994 as in 1991. Despite its many initiatives, most of which began in 1990 and 1991, the Service has not implemented at the performance cluster level a corporatewide strategy for improving customer satisfaction and focusing all field offices on the most significant underlying cause of customer dissatisfaction; namely, unreliable mail delivery. The Service's performance incentive plans for managers and employees did not include available measures of delivery service reliability, such as EXFC data. Further, postal headquarters did not follow a systematic approach for (1) monitoring field offices' progress in improvement initiatives and (2) sharing information among all field offices on the best customer service practices.

Numerous National and Local Initiatives Undertaken to Improve Customer Service

Using residential CSI data and other performance indicators, the Postal Service has begun numerous efforts to improve customer service and reduce significant levels of customer dissatisfaction. These efforts have included (1) encouraging, training, and rewarding employees to better serve customers; and (2) setting new policies and standards to focus greater corporatewide attention on customer service. In line with national customer service goals, field offices have pursued a broad array of efforts to improve service.

National Initiatives Are Employee and Customer Focused

The Service's employee-related efforts are designed to better recognize the importance of postal employees to substantial and sustained improvements to customer satisfaction. The influence of postal employees on customer satisfaction can be seen in CSI results. Customers indicate in the residential CSI surveys whether they have visited, phoned, or complained to their local post offices during the quarter covered by each survey. Analyses of CSI data done by the Office of Consumer Advocate and the Postal Inspection Service show that the more contact a customer had with the Postal Service, the lower the customer rated its overall performance. For example, the Inspection Service reported in December 1994 that customers who had not gone into a post office in the 3 months preceding the CSI survey gave the Service higher marks than those who had visited a post office during the same period.

The Postal Service, acting unilaterally in some cases and in cooperation with the unions in other cases, has taken numerous steps to stimulate greater employee commitment to serving customers. Its initiatives since 1990 include the following.

- Employee opinion surveys (EOS) are done annually to obtain and track over time the views of employees at all organizational levels regarding their jobs, the organization, customers, and other topics.
- New incentive payment plans were implemented to base employee rewards, in part, on the Postal Service's performance in improving customer satisfaction and meeting financial goals.
- As part of a corporatewide "Quality First!" initiative, training was provided to thousands of headquarters and field office employees to promote a total quality approach uniformly throughout the Postal Service. Subsequently, in lieu of the Quality First! initiative, the Service adopted the Malcolm Baldrige National Quality Award criteria¹ for encouraging, facilitating, and measuring the Postal Service's commitment to improving customer satisfaction.
- Courtesy and sales training was provided for both craft and management employees involved in retail operations to improve skills and the motivation that leads to greater customer satisfaction and revenue generation.

New Policies and Standards Are More Customer-Oriented

The Service has also adopted new corporatewide retail policies and standards and, at the time of our review, it was acquiring new retail equipment and facilities to improve responsiveness to customer needs and expectations. These efforts, begun or expanded since 1990, include the following.

- The Service increased customer convenience by expanding an "Easy Stamp" program to allow customers to buy stamps by phone, mail, a computer network, and automatic teller machines.
- Debit and credit cards are accepted for the purchase of stamps and certain other transactions.
- A national standard of "Service In Five Minutes or Less" was adopted to reduce customers' waiting time in line at some post offices, and post office hours were adjusted to better meet customer needs.

¹Named for former Secretary of Commerce Malcolm Baldrige, this award is presented annually to organizations that have demonstrated success in adopting quality principles, as measured against various performance criteria generally available to organizations.

- New retail service equipment was acquired, such as stamp vending machines, terminals for use by window clerks, and postage validation machines.
- A new postal retail store design was approved for post offices to be constructed or renovated, and a new design for lobbies in some existing post offices was also approved. Both efforts were intended to provide interior appearances more appealing to customers than traditional post offices and make services more readily accessible.
- Customer advisory councils were formed to solicit customer feedback from local community residents.
- “Customer care centers” were established to help improve receipt and handling of customer calls, and a 1-800 toll-free service was set up for resolving the complaints of customers who continued to have problems after contacting local post offices.

Some Field Offices Were Pursuing Promising Service Improvement Efforts

Our review, and two related reviews done by the Postal Inspection Service, revealed a wide array of imaginative and potentially successful efforts under way at some field offices. Following are brief summaries of some efforts that were under way in one or more of the six districts that we visited.

Box Call Project

The Postmaster of Springfield, MA, undertook a box call project at his main post office to enable post office box customers to call a central phone number to determine whether they had mail in their boxes. The basic premise for the project was that customers would appreciate saving a trip to the post office if they did not have mail. Post office employees input into a hand-held device the box numbers that have no mail. These numbers are then downloaded into a personal computer. Customers access the computer by telephone, key in their box numbers, and are told whether they have mail.

Parcel Lockers in Apartment Buildings

The New York, NY, District initiated a program to place parcel lockers in apartment buildings. When a tenant who is not at home receives a parcel, the parcel is put into one of the lockers and the key to the locker is put into the tenant’s mail box. After the tenant inserts the key into the parcel box to retrieve the package, the key has to be removed with the carrier’s master key.

One program objective was to serve senior citizens and disabled persons who may have difficulty getting to the post office or carrying heavy packages back to their homes. It also allows other customers who are not home during the day to obtain parcels conveniently without delay, and without having to wait in post office window service lines.

Criteria the Service used in deciding whether to install a parcel locker inside an apartment house included the number of undelivered packages on a carrier route and how far the post office was from the apartment building. As of August 1993, the District had more than 2,000 parcel boxes in 172 high-rise buildings in Manhattan.

Mystery Caller Program

Recognizing the need to improve CSI scores for telephone assistance, the New York, NY, District established a Mystery Caller Program in 1993 under its Customer Services Support group. The aim was to ensure quicker response time, improve the accuracy of answers to customers, and improve clerk courtesy. During each 2-week period, 4 calls were placed to each of the district's 117 stations. To achieve satisfactory performance, a station must score 26 out of 32 possible points, or a score of 80 percent. The program was nicknamed the "100 Club" to encourage stations to respond enthusiastically and to seek a perfect score. Any station receiving a perfect score of 100 for six consecutive rating periods receives a bronze plaque recognizing that accomplishment. Silver, gold, and platinum plaques are presented when a station receives a perfect score for two, three, and four consecutive rating periods, respectively. Plaques are displayed in the station lobby. On the other hand, a station receiving a score of 80 or less must submit a plan to improve its rating.

Reducing No-Record Mail

Retail units can accept change of address notices from customers who move so that First-Class mail arriving at their former addresses is forwarded to them for a period of 12 months. The Postal Service employs computerized forwarding sites (CFS) for keeping track of forwarding addresses and applying new address labels to mail to be forwarded. However, if a post office sends mail to a CFS for forwarding but the CFS finds no forwarding data in the computer, the CFS returns the mail to the post office as "no-record" mail. Mail is frequently returned when the customer's mail forwarding date has expired.

In February 1993, the Bellevue, NE, (Central Plains District) post office had a no-record rate of 17 percent (5 percent or below is considered

good). The Bellevue Postmaster agreed with the post office operations manager to whom he reports to reduce the post office's rate. A task force composed of management and craft employees was set up to work toward reducing the rate of no-record mail. The task force met to establish project objectives, develop an action plan, and set time frames. Subsequently, the task force visited the CFS to observe the processing of Bellevue's CFS mail. The CFS processed Bellevue's no-record mail during the visit and sorted it by carrier route so the task force could speak with the individual carrier about his or her mail. Later, the postmaster developed a procedure to double-check mail before it is sent to the CFS.

The task force evaluated the project through weekly reports from the CFS. It also planned an ongoing dialog with the CFS supervisor to correct future problems. As of June 1993, the no-record mail percentage at Bellevue had been reduced to the Postmaster's goal of about 10 percent. Appendix V provides information on other improvement initiatives that we identified in the six districts that we visited.

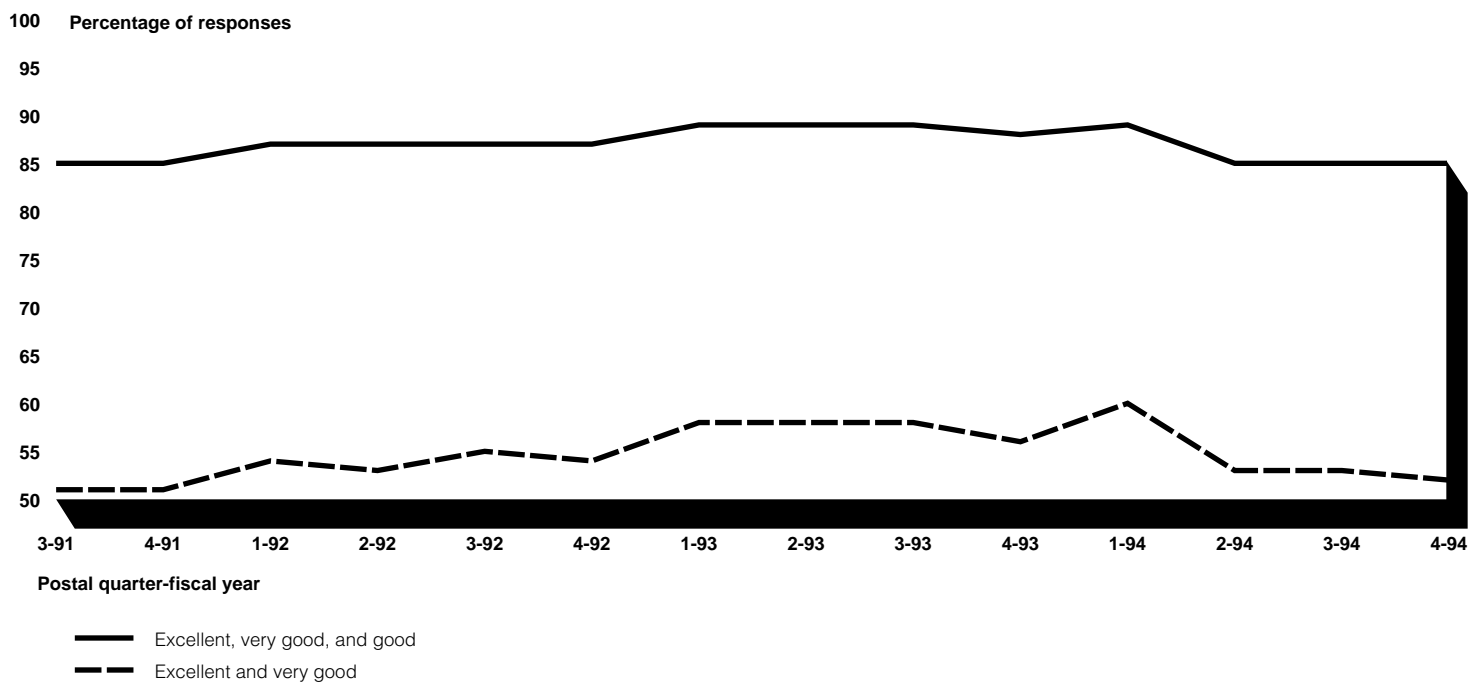
Significant Levels of Residential Customer Dissatisfaction Have Continued Since 1991

Many of the Service's improvement initiatives were still being implemented at the time of our review. Further, the Service believes that many more years of concentrated effort at all levels of the organization will be required before breakthrough improvements in customer satisfaction can be expected. The Service's measures of residential customer satisfaction and its delivery performance support this notion.

Through 1994, residential CSI data and other performance data show that the Postal Service is having little sustained success in its efforts to reduce customer dissatisfaction by improving customer service. In November 1993, the Postmaster General announced a favorable CSI rating (excellent, very good, and good responses) of 89 percent—the highest ever achieved. He said that actions were under way to improve that rating by 2 percentage points. Since that time, however, the favorable rating dropped to 85 percent in postal quarter 4, 1994 (May 28, 1994, to September 16, 1994). This was the same rating reported for the first quarter in which all 170 metropolitan areas were measured by CSI in 1991. During the 14 postal quarters through September 1994, the favorable ratings ranged from 85 to 89 percent nationally, and the excellent and very good ratings ranged from 51 to 60 percent, with a rating of 52 percent reported for postal quarter 4, 1994. (See fig. 3.1.)

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Figure 3.1: Customer Satisfaction Ratings Were About the Same at the End of 1994 and 1991



Source: CSI Surveys, U.S. Postal Service.

The 85 percent CSI rating meant that on the basis of the Service’s survey of a representative sample of about 90 million households, 13.5 million households rated the Postal Service’s performance as fair or poor—an increase of about 3.6 million from a year earlier. The national CSI ratings for postal quarters 1, 2, and 3, 1995, were 85 percent, 85 percent, and 86 percent, respectively. National CSI ratings differ from those for many metropolitan areas. The ratings for quarter 4, 1994, for some metropolitan areas were up to 6 percentage points above the national average. For some other areas, the ratings were as much as 34 percentage points below the national average.

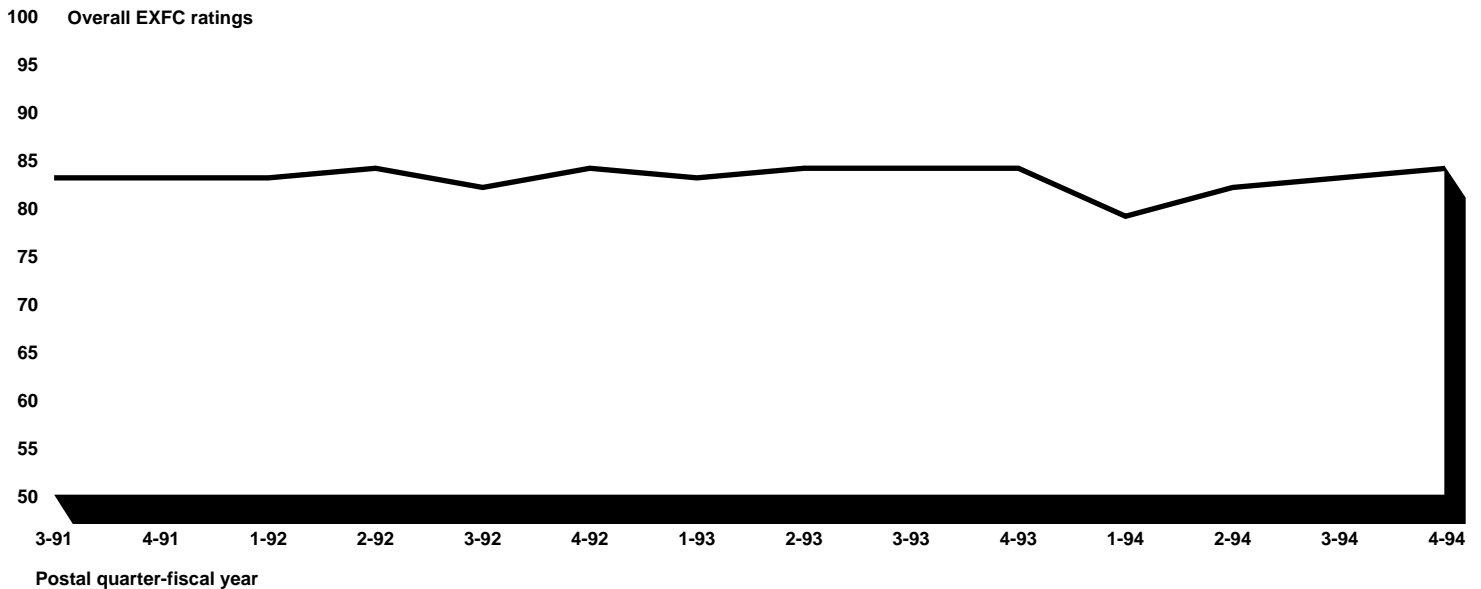
As discussed in chapter 2, neither we nor postal management have access to similar data on levels and trends of business customer satisfaction gathered by an independent contractor. As a result, we could not determine whether the satisfaction of these customers is better or worse

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than residential customers and if business customer satisfaction has improved since it was first measured in early 1994.

EXFC data show that the national rating for on-time delivery has yet to exceed 90 percent, even though the Service's goal is to deliver all First-Class mail on time 95 percent of the time. As indicated in figure 3.2, EXFC ratings have ranged from 79 to 84 percent nationally for the 14 quarters ended September 1994, with a rating of 83 percent reported for postal quarter 4, 1994.

Figure 3.2: External First-Class On-Time Delivery Ratings Have Ranged From 79 to 84 Percent During 1991 Through 1994



Source: EXFC System, U.S. Postal Service.

The national EXFC rating was 87 percent for postal quarter 4, 1995, ending in May 1995. This was the highest national EXFC rating ever reported by the Postal Service.

We also reviewed CSI and EXFC data to determine the number of metropolitan areas that had higher and lower ratings during postal quarter

4, 1994, compared with the same period 3 years earlier in fiscal year 1991. We identified those metropolitan areas with CSI and EXFC changes of more than 3 percentage points during this period because percentage changes of less than this could be due to chance. For most metropolitan areas, customer satisfaction and on-time delivery performance dropped. Specifically, CSI ratings dropped for 20 of 31 metropolitan areas and increased by more than 3 percentage points for the remaining 11 during the 3-year period. EXFC ratings dropped for 27 of 43 areas and increased for 16.

**Improved Customer
Satisfaction Is Important to
Customer Retention**

The Postal Service wants to reduce customer dissatisfaction because it is concerned that customers will shift to other suppliers of mail services, where they are available or should they become available. Postal Service data indicate that many customers would use other services if given the opportunity. According to the Postal Inspection Service's analysis of CSI data, 42 percent of all residential customers would be at risk of shifting to another service if another service were available.² The Inspection Service's analysis was based on responses to the following CSI question:

"Right now the only way to mail a First-Class letter is through the U.S. Postal Service, but if there were another mail service which you could use to mail a letter at the same price, would you switch to another service?"

According to the Inspection Service report, many customers who rated the Service's overall performance as excellent, very good, and good are at risk of shifting to another service. Postal Service management officials also said that many residential customers might switch to another service. They said that over 40 percent of the residential customer market is vulnerable to competition from another service, assuming that the postage charged is the same as that of the Postal Service.

²As previously stated in chapter 2, the Private Express Statutes place restrictions on customers' use of services other than the U.S. Postal Service for delivery of letters.

No Overall Strategy Yet Implemented to Focus All Field Offices on Key Causes of Customer Dissatisfaction

Our review, and related reviews done by the Postal Inspection Service, show that the use of CSI data and the development of related improvement initiatives have not followed an overall national strategy for focusing field offices' attention on the principal causes of customer dissatisfaction. To a large extent, the improvement efforts initiated on the basis of CSI results have focused on post office operations, such as window and lobby services. The efforts did not always encompass employees and operations in mail processing plants or focus on specific aspects of service, such as the consistency and reliability of mail delivery, that CSI results indicate offer the greatest opportunity to improve customer satisfaction.

Improving Reliability of Delivery Service Offers Greatest Opportunity to Improve Customer Satisfaction

Residential CSI data can be analyzed to identify aspects of service causing the greatest customer dissatisfaction. Such analyses show that improving the reliability (i.e., on-time delivery rates) of mail service offers the greatest potential for the Postal Service to improve customer satisfaction. Each quarter, detailed CSI reports prepared by the contractors rank responses to 37 questions in terms of their relative importance as "drivers" of customer satisfaction. The rankings represent the level of improvement potential calculated on the basis of the number of customers responding to each question and the number of good, fair, and poor responses to each.

Of the 37 questions on specific aspects of service, those on the reliability of delivery time for local and nonlocal mail represented the greatest opportunity for the Postal Service to improve customer satisfaction. Those aspects of service that offer the least potential for improvement are under the control of postmasters and include window and lobby services offered at post offices, mail forwarding, and telephone service.

While the Service has not obtained and analyzed BCSI data, as discussed in chapter 2, other data show that reliable delivery service is of greatest importance to all of the Service's customers, both business and residential. According to Consumer Advocate data, customers complained more about late and missent mail than any other aspect of the Postal Service's performance in fiscal year 1994 and other recent years. Moreover, we previously reported³ that the Postal Service has lost overnight and parcel delivery service, involving primarily business customers, to competitors, in part because those competitors offered faster and more reliable delivery.

³U.S. Postal Service: Pricing Postal Services in a Competitive Environment (GAO/GGD-92-49, March 25, 1992).

Processing Plants
Minimally Involved in
Using CSI Results to
Develop Improvement
Projects

How mail processing plants operate can significantly affect customer satisfaction, but the plants have been less involved than customer service districts and post offices in using CSI data to improve customer satisfaction. The work done at processing plants can have a major influence on the reliability of mail delivery, the most important aspect of service to customer satisfaction.

Postal Inspection Service reports on CSI issued in September 1992 and December 1994 showed that postal management had tended to focus improvement initiatives on processes and employees in customer service districts. In its December 1994 report, the Inspection Service reported that while all aspects of customer service require continuing attention, processing plants continued to be minimally involved in analyzing CSI data and planning and implementing activities to increase customer satisfaction. Customer service districts had taken the lead in using CSI data, and their actions generally included only post office and carrier services and not the operations at processing plants. The Inspection Service also reported that the districts tended to direct efforts at “quick fix” categories of CSI questions, such as complaint handling and telephone service, that have relatively low potential for improving customer service.

Managers in mail processing did, however, use EXFC data to emphasize timely processing of mail. They also used other performance indicators, such as volumes of mail left at plants at the end of processing cycles.

Some of our earlier reviews showed that the Postal Service’s principal improvement initiative in processing plants has been the automation of mail sorting, which began in 1982. In 1993, the Service began to automate the sorting of letter mail to each home and business address to relieve carriers of this workload. The Service’s automation goal has primarily been to reduce work hours and employees, not to improve delivery service by reducing mail cycle times. However, in December 1994, Postal Service officials did report to the Board of Governors for the first time that certain barcoded mail, which can be sorted automatically, was delivered faster to customers than nonbarcoded letters.⁴

Postal Service employee opinion surveys show that clerks, mail handlers, and other mail processing employees are less aware than employees in customer service districts of how their work affects customer satisfaction. However, the work that mail processing employees do affects the

⁴For more information on the Service’s automation program, see *Postal Service: Automation Is Taking Longer and Producing Less Than Expected* (GAO/GGD-95-89BR, Feb. 22, 1995).

reliability of mail delivery and, hence, customer satisfaction. These employees must receive, sort, and dispatch mail according to preestablished schedules for the Postal Service to meet delivery dates promised to customers. To emphasize the importance of the role played by mail processing employees in customer satisfaction, the inspectors' report included the following example:

"A mailhandler pulling a container of trayed mail to the dock for dispatch was asked how he affected customer satisfaction. He replied he doesn't see or deal with customers. It was pointed out to him if a carrier makes a misdelivery, that carrier has affected one, maybe two customers, but if a mail handler places a container of mail on the wrong truck, he may affect 50,000 customers in a detrimental way."

Several of the Service's initiatives, such as the EOS and Quality First! initiatives, did encompass managers and employees in mail processing plants. In providing Quality First! training, the Service instructed field employees on use of CSI and EXFC data in improving the reliability of mail service.

Unions and Management Have Generally Been Unable to Agree on Employee Involvement

Most of the employees at mail processing plants are members of the American Postal Workers Union (APWU), which in the past has not participated in the Service's initiatives to involve employees in service improvement efforts. In this regard, we recently reported⁵ that breakthrough improvements in customer service cannot be achieved unless the Postal Service and labor unions representing postal employees resolve long-standing workflow problems. Postal management has had difficulty getting labor unions to agree on the involvement of employees with each other and with management in solving customer service and other problems. For example, APWU is the largest postal union and did not participate in initiatives, such as Striving for Excellence Together (SET), Employee Involvement, and Quality of Work Life, which are described in our earlier reports. Neither APWU nor the National Association of Letter Carriers, which together represent about 85 percent of the total number of craft employees, participate in the SET program.

As we reported earlier, a lack of labor-management cooperation has been a serious limitation on the Service's ability to make significant, sustained improvements in customer satisfaction. As of July 1995, the Service and three of its four major unions (the rural letter carrier union being the

⁵D.C. Area Mail Delivery Service : Resolving Labor Relations and Operational Problems Key to Service Improvement (GAO/GGD-95-77, Feb. 23, 1995); U.S. Postal Service: Labor-Management Problems Persist on the Workroom Floor (GAO/GGD-94-201 A and B, Sept. 29, 1994).

exception) had not agreed to meet and begin developing new approaches to involve employees with union and management leaders in improving the processing and delivery functions of the Postal Service.

**Overall Plan Was to Be
Developed to Guide CSI
Improvement Efforts of All
Field Offices**

Although it had numerous improvement efforts under way, the Postal Service did not have at the time of our review an overall plan to guide and integrate all of its CSI-related improvement efforts at post offices and processing plants. During our review, the Postal Inspection Service issued its December 1994 report and recommended that the Service develop a plan involving all field offices in the use of residential CSI data to improve customer satisfaction.

In response to that recommendation, the Vice President for Work Force Planning and Service Management said that a corporate service plan would be developed, with emphasis on the role of processing and distribution as well as customer service in jointly improving service levels, as measured by CSI and other systems. The development of the plan was to begin in January 1995, and implementation was to begin within 120 days after the plan was finalized.

We did some follow-up after completing our field work to determine the status of the plan and were told that some effort had been made to develop a plan. This included identifying 108 separate headquarters service improvement efforts, relating to business and/or residential customers, under way in early 1995.

However, this effort to integrate all of the Service's CSI-related initiatives was discontinued as such. In June 1995, the Vice President responsible for developing the plan advised the Postal Inspection Service that major changes had occurred in the corporate approach to improving customer satisfaction. One such change was a decision to apply the Malcolm Baldrige National Quality Award Criteria to the Postal Service, mentioned earlier.

According to Service officials, the Baldrige initiative was started in 1994, with the guidance of a new Vice President for Quality and outside consulting services. In this initiative, the Service had set up 10 teams, including a team of senior leaders headed by the Postmaster General and an information and analysis team headed by the Vice President for Work Force Planning and Service Management. The functions of these teams

included those described in seven categories of Baldrige criteria.⁶ As a first step, an outside consulting firm worked with the 10 area offices and 10 of the 85 performance clusters to assess current conditions against the criteria and provide baseline data for future assessments. In March 1995, the 10 teams were created and began developing actions plans for applying the criteria to the particular deficiencies identified by the Baldrige assessment.

The Service's plan to apply the Baldrige criteria, in what it refers to as *CustomerPerfect!*, appears to be another innovative and promising initiative that could make a difference in future levels of customer satisfaction. However, as with some of the Service's past initiatives, labor unions representing postal employees are not a part of this new initiative. According to the Vice President for Work Force Planning and Service Management, leaders of major unions discontinued their participation in meetings with postal leadership when contract negotiations began in August 1994. He said that the unions are not represented on any of the 10 teams set up to implement the Baldrige criteria.

Employee Pay Incentive Plans Include CSI Results but Not Some Key Measures of Service Reliability

Along with developing an overall plan and pursuing other service improvement efforts, the Postal Service has continued to reward certain employees for their performance partly on the basis of CSI results. These performance incentives, which we consider an innovative approach to linking employee pay more closely to organizational performance, are used to focus greater management and employee attention on customer service.⁷ The incentive payments are based on residential customers' perceptions of the Service's overall performance and other measures relating to financial performance and employee relations. However, it seems to us that the plans may be more effective if they also incorporate some of the key measures of service reliability, such as EXFC delivery performance data. Moreover, because the Service has not yet obtained and used BCSI results, the incentive plans do not incorporate levels and changes of satisfaction among the business customers, representing about 90 percent of the Service's business.

⁶Malcolm Baldrige National Quality Award - 1995 Award Criteria published by the National Institute of Standards and Technology, Department of Commerce, list the seven categories of criteria as follows: leadership, information and analysis, strategic planning, human resource development and management, process management, business results, and customer focus and satisfaction.

⁷The incentive plans and payments discussed above are team-based and are in addition to the recognition of executives, managers, and supervisors under the Service's Exceptional Individual Performance Program. This program is designed to recognize a small number of employees whose performance is extraordinary.

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Some craft employees, all supervisors and managers, and most executives are all rewarded, in part, on the basis of CSI results. As part of union contract negotiations in 1990, the Service and 2 unions agreed to use 2 factors, CSI results by performance cluster and Service-wide financial (budget) performance, to make annual performance incentive payments to certain craft employees (92,852 employees, or about 15 percent of the craft work force in 1994) under the SET program.

Subsequently, in consultation with the management associations,⁸ the Service extended the performance incentive plan to all supervisors and managers, i.e., those covered by the Service's Executive and Administrative Schedule (EAS). In addition, the Service later began to base incentive payments to most executives (about 950) in the Postal Career Executive Service (PCES)⁹ on local and national CSI results, financial performance, and EOS results.

Customers' perception of the Service's overall performance, as indicated by responses to question 1a in the residential CSI surveys and reported by performance cluster, dictate the difference in incentive payments to those craft employees, supervisors, and managers covered by the incentive plans. Payments based on financial performance are the same for all of these employees. Incentive payments to executives vary depending on question 1a results for groups of performance clusters or nationally and national financial performance. In fiscal year 1994, the Service incorporated EOS survey results into the incentive program for PCES-I employees. (App. IV provides additional details on the incentive pay plans.)

None of the incentive plans include available EXFC data and other available delivery measures (e.g., measures of second- and third-class on-time delivery). We believe that the recognition of such delivery measures in the incentive plans is important because, as discussed previously, CSI data analysis shows that improving service reliability offers the greatest opportunity for improving customer satisfaction. Moreover, CSI and EXFC

⁸The Postal Service is required to consult with management associations on changes affecting postmasters and supervisors. The three associations are the National Association of Postal Supervisors, the National League of Postmasters, and the National Association of Postmasters of the United States.

⁹In 1994, the Service had 956 PCES-I executives covered by a performance incentive plan under which CSI results are one of the factors used for calculating incentive payments. These executives are responsible for national policies or major organizational units. There were 34 PCES-II executives not covered by the plan. These executives are officers (other than the Postmaster General and the Deputy Postmaster General) responsible for broad functional departments and the heads of the 10 postal area offices.

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data show that a wide gap often exists between customers' perceptions of the Service's performance and its actual delivery performance.

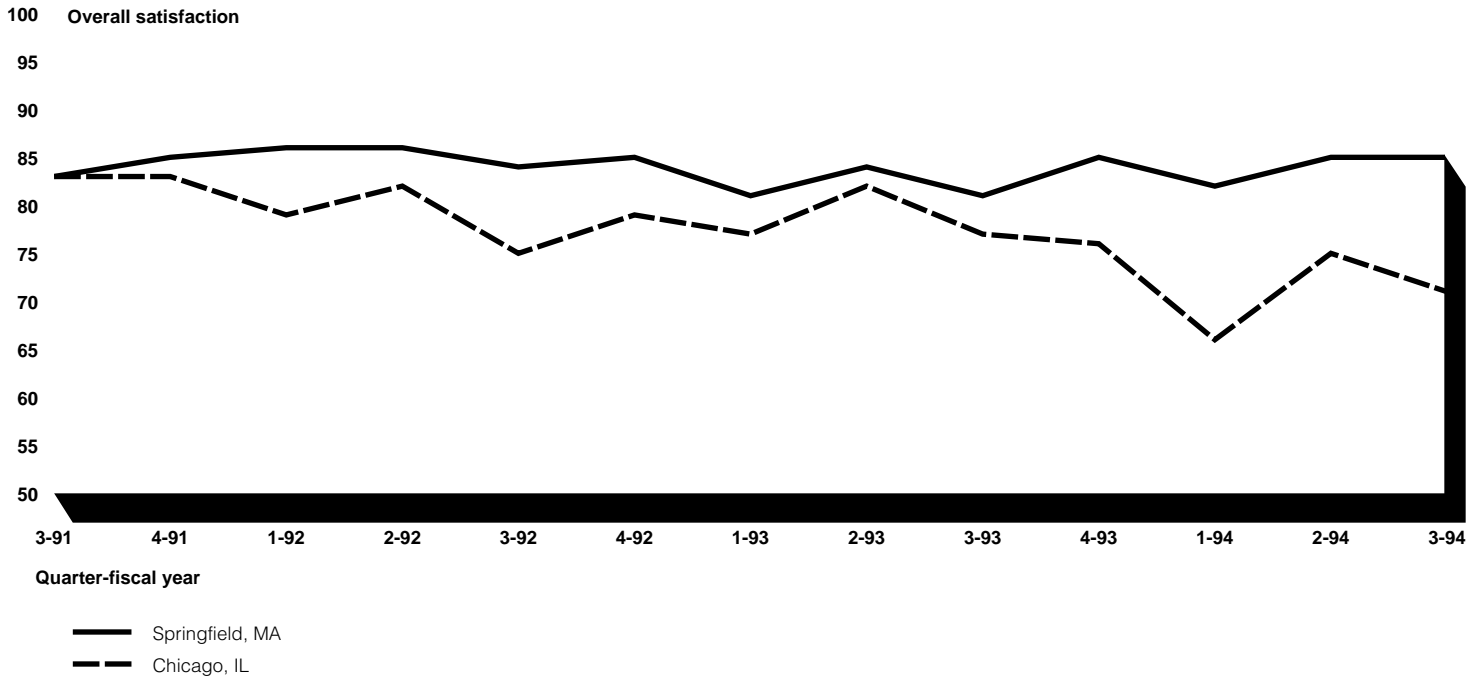
Consequently, in using only the overall CSI rating as one component in determining performance payments, the Service rewards employees on the basis of factors that are less under their control, i.e., perceptions of the Postal Service, than some other factors that are more under their control, i.e., mail collection, transportation, sorting, and delivery.

If CSI and EXFC ratings generally were consistent with each other, the use of CSI alone would not be nearly as consequential. However, the Service's delivery performance often differs significantly from customers' perceptions of its overall performance for many metropolitan areas.

We visited the Springfield, MA, and Chicago, IL, metropolitan areas because the former was among the highest-ranking of all clusters in CSI ratings and the latter was among the lowest. We found that management in both areas were using CSI results to emphasize the need to improve customer service and had a number of initiatives under way to improve service. Moreover, the differences in EXFC ratings for the two areas (shown in figure 3.3) were much smaller than differences in their CSI ratings (shown in figure 3.4).

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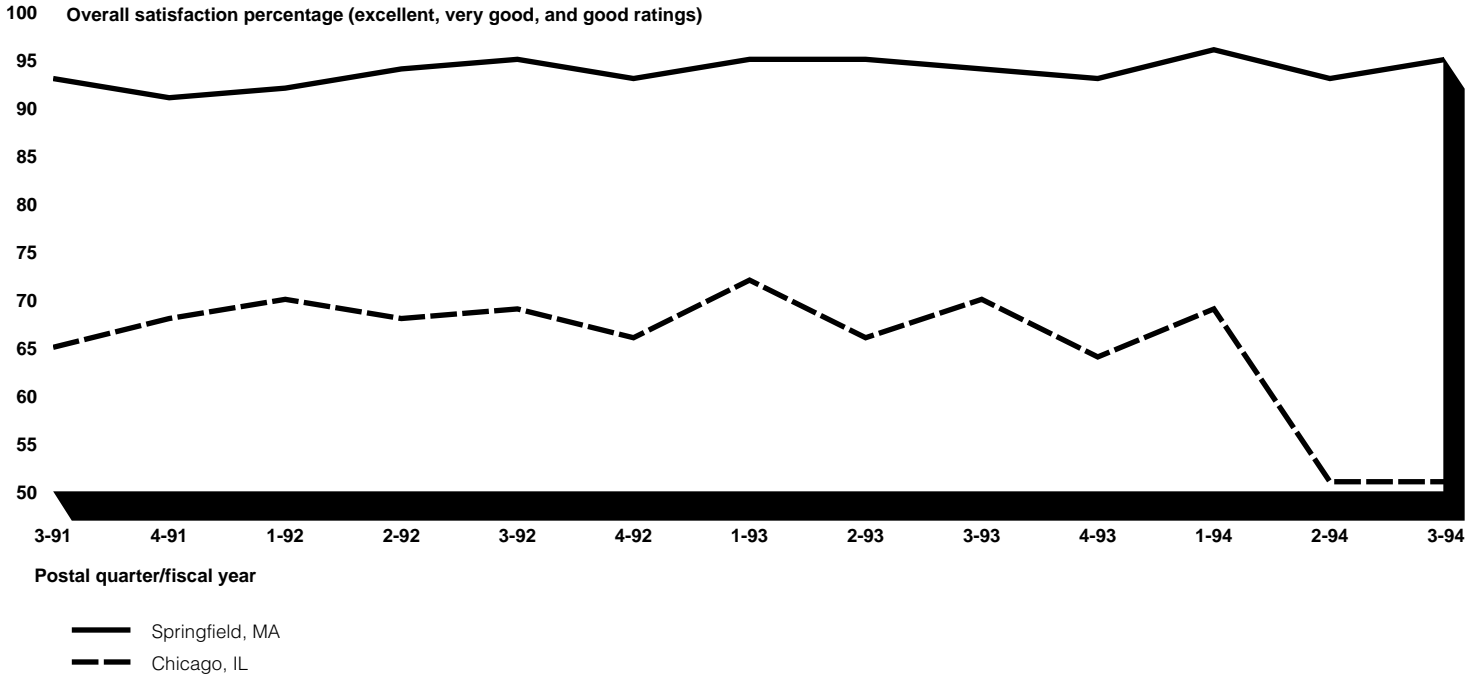
Figure 3.3: EXFC Ratings for Springfield, MA, and Chicago, IL, for 13 Postal Quarters Ended September 1994



Source: EXFC System, U.S. Postal Service.

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Figure 3.4: CSI Ratings for Springfield, MA, and Chicago, IL, for 13 Postal Quarters, Ending September 1994

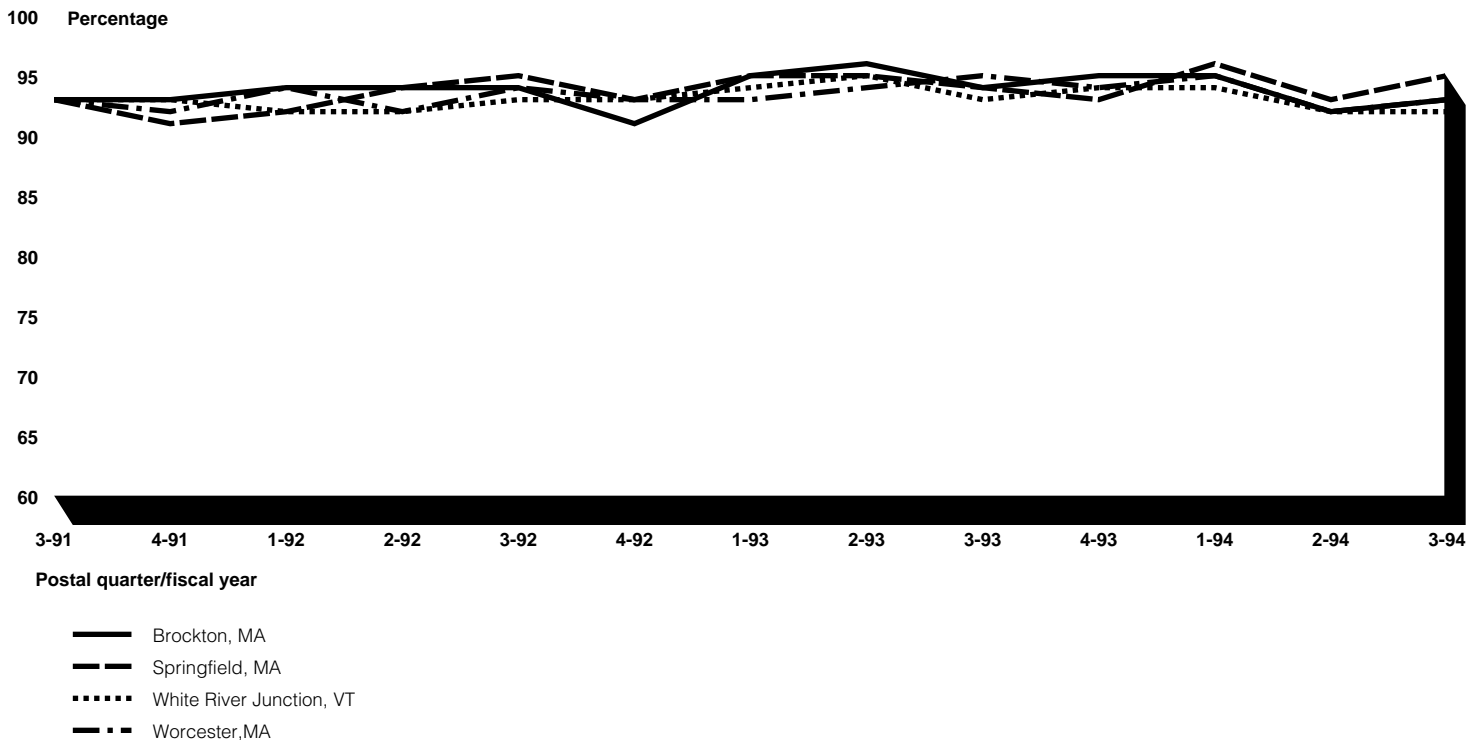


Source: CSI Surveys, U.S. Postal Service.

Our analysis showed that the relationship of EXFC and CSI ratings for some other metropolitan areas was similar to the above two areas. Further, many metropolitan areas having the highest CSI ratings in 1994 also had similarly high ratings at the time of the first CSI survey in 1991, before the Service began many of its current improvement initiatives. In contrast, some areas having the lowest ratings experienced significant change in CSI scores over the same period, as figures 3.5 and 3.6 show for selected high-ranking and low-ranking areas.

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Figure 3.5: Top Four Metropolitan Areas Had Relatively Little Change in Overall Satisfaction From Fiscal Year 1992 Through 1994

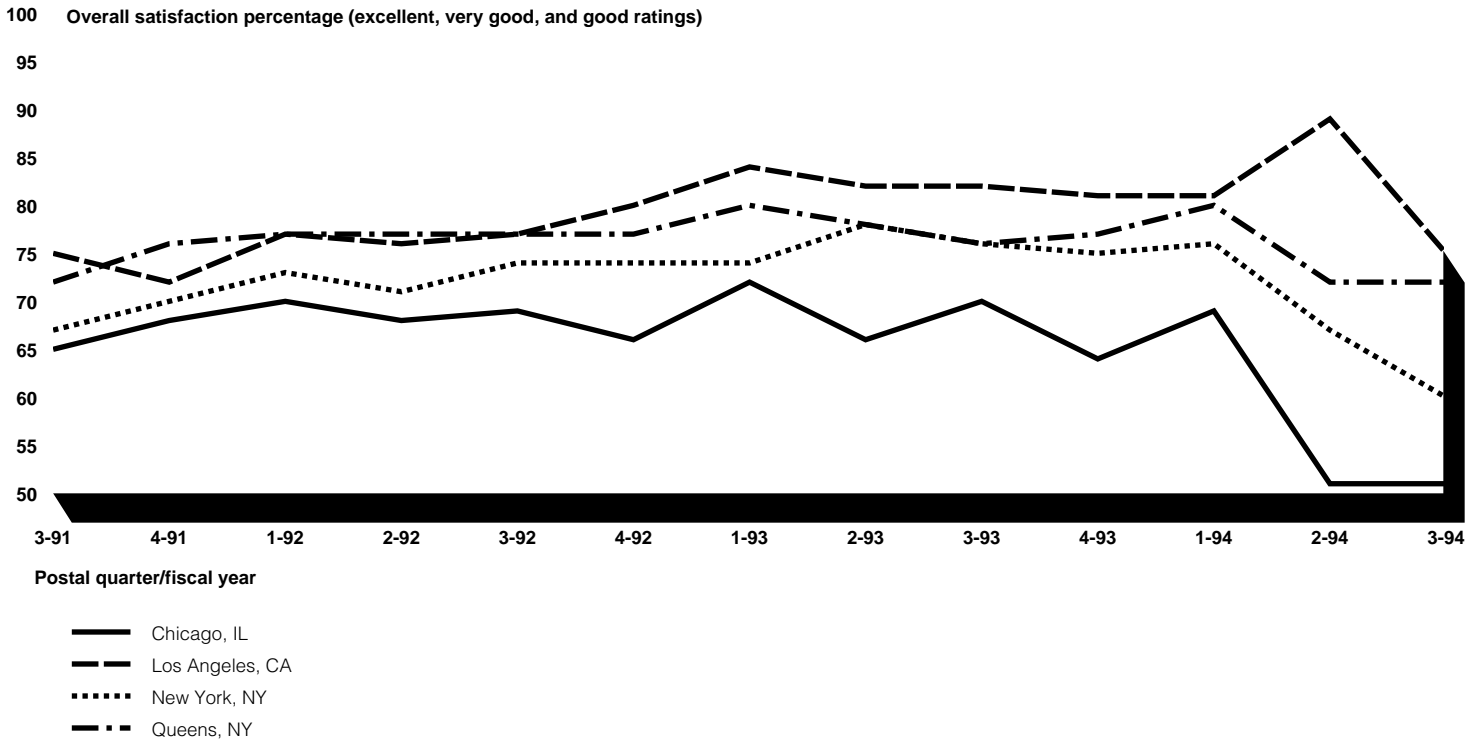


Note: CSI percentages include excellent, very good, and good ratings.

Source: CSI Surveys, U.S. Postal Service.

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Figure 3.6: Change in Bottom Four Metropolitan Areas in Overall Satisfaction From Fiscal Year 1992 Through 1994



Source: CSI Surveys, U.S. Postal Service.

Customer perception of the Service’s overall performance is only one indicator of its performance and service quality. Other indicators that are available to the Postal Service include not only the results of the Service’s independent measurements of First-Class, second-class, and third-class mail delivery service, but also customers’ responses to some of the specific CSI questions. CSI surveys include questions that relate directly to delivery performance; customers are asked about their satisfaction with both local and nonlocal mail delivery.

Including the Service’s available delivery performance measures, broken out by performance cluster, in the calculation of incentive payments would appear to provide a more direct link between the incentive payments and both (1) mail delivery processes that are most under

performance cluster employees' control and (2) the factors that are most important to customer satisfaction.

Postal officials administering the incentive plan said that the incentive payments for some employees were developed as a result of 1990 contract negotiations with unions, before the first CSI and EXFC results were available. These officials said that the objectives at that time were to get the plan adopted and to keep it simple. The Service's Vice President for Quality, who came to the Postal Service in July 1994, said that he was concerned about the Service's heavy reliance on customer perception as a single or principal performance measure. The Vice President said the Service is reexamining its collection and use of all externally generated data. He also said that several new efforts, including the application of Baldrige criteria, are under way to focus greater attention on those processes that employees can improve.

In September 1995, after reviewing a draft of this report, the Vice Presidents for Quality and Human Resources said that as part of *CustomerPerfect!*, the Service will be aligning the PCES compensation system for PCES employees. The Vice President for Quality said that this new compensation alignment will consider EXFC, CSI, and BCSI measurements. He also said that a similar alignment will be proposed in the next round of consultations with management associations and negotiations with the unions.

Some National Initiatives Not Systematically Tracked

After starting some national improvement initiatives in 1992, postal headquarters did not regularly follow up to determine the extent to which the initiatives were implemented and if they improved customer satisfaction. Such follow-up would allow headquarters to assess field offices' progress in implementing national initiatives in a timely manner and share with other field offices the best practices of post offices and processing plants in serving customers.

Current Approach Encourages Innovation and Recognizes Differences Among Field Offices

The Postal Service followed a decentralized approach to implementing new initiatives. Its approach encouraged employees in post offices and processing plants to be innovative in working together and with customers to solve service problems. This approach recognizes that the field structure is large and complex—hundreds of mail processing facilities and more than 40,000 post offices, branches, and stations. For example, the number of postal employees assigned to the 6 customer service districts

that we visited ranged from 2,300 in Billings, MT, to 10,800 in New York, NY. (See app. II for additional information on the relative size of the six districts.)

Post offices also operate in a variety of environments to meet a broad array of customer needs. For example, postal officials in Billings, MT, had relatively little concern about the security of postal customers, employees, and equipment, allowing them to provide convenient access to window and lobby services. In contrast, physical security was of great concern to some post offices in the New York City area. There, bullet-proof glass protected clerks from the public, and lobbies were locked after certain hours.

Without changing its decentralized approach to implementing improvement initiatives, Postal Service headquarters could use a more systematic and uniform approach for tracking field offices' implementation of national initiatives and reporting the impact of the initiatives on CSI ratings and revenue. As indicated above, field offices were pursuing numerous retail initiatives. The time projected for completing the initiatives spans many years, and a number of postal headquarters' offices were overseeing the initiatives.

Tracking of Field Office Progress Varied Among Headquarters Offices

The tracking of national initiatives that we reviewed varied among headquarters offices, with procedures and data on some initiatives being more extensive than for others. The Office of Consumer Affairs had gathered fairly extensive data for monitoring the status and results of efforts to improve telephone service. For example, for the centralized call centers, the Office had set time standards for resolving customer complaints and keeping customers informed. Each customer complaint was to be logged, and a case history and caller profile were to be developed so that the complaint could be tracked until final resolution. The office's data showed that about 60 percent of complaints received at the centralized call centers through December 1994 were resolved by employees at the center. The remaining calls required assistance from district or post office employees.

The Office of Consumer Affairs was also monitoring the use of Consumer Advisory Councils. Postmasters were to decide when they wanted to set up a council, and through December 1994, relatively few post offices had formed councils. The first council was established by the Honolulu, HI,

district in 1988, and 16 additional councils had been formed by the end of that year. By December 1994, 1,572 councils were operating nationwide.

Some other headquarters units were still developing procedures to track the implementation and results of national initiatives under their responsibility. For example, a retail support group under the Vice President for Marketing was responsible for overseeing several initiatives to be implemented by post offices. In June 1993, the group requested area and district offices to provide data on post offices that had announced the service in 5 minutes or less standard and that had adjusted window hours. However, the data provided were incomplete. Of the 85 customer service districts, only 56 districts responded to the request. The 56 districts reported that of the approximately 40,000 post offices, branches, and stations nationwide, about 5,000 post offices had posted the 5 minutes or less service standard. The retail support group did not have data to show if those post offices serving large numbers of customers each day, and thus possibly having the greatest difficulty providing service, had announced the standard and adjusted hours. Postal retail officials said that no further effort had been made to obtain data on the two initiatives.

The group was planning to track changes in CSI ratings as field offices implemented the 5 minute or less standard and expanded window hours. In addition, the group was considering different methods for determining whether post offices were meeting the service within the 5 minutes or less standard, and the group was considering methods for measuring the impact on postal revenue of adjusted window hours.

Headquarters staff were also developing a plan to track the implementation and results of the new retail store initiative. Evaluations were to include customer and employee responses to the new design as well as revenue analysis. The evaluations were expected to include a breakdown of revenue sources (e.g., packaging products and vending machines) and cost studies of various implementation approaches, contractor performance, and ease of implementation.

Although we obtained information mainly on initiatives of customer service districts, the recent planning efforts by the Vice President for Work Force Planning and Service Management discussed earlier showed that postal headquarters was not systematically tracking other national customer satisfaction initiatives. That office did a one-time survey of ongoing initiatives and identified 108 projects under way in early 1995. However, no further steps were taken at that time to integrate and assess

the projects because, as mentioned previously, that effort was superseded by other broader headquarters initiatives.

Procedures for Sharing
Local Innovations
Discontinued

Our review and Postal Inspection Service reviews revealed a wide array of efforts under way at post offices and districts. Although many of these efforts were innovative, postal headquarters had no systematic way of sharing the results of successful efforts. Two mechanisms to facilitate information-sharing across the organization had been developed but were not in use at the time of our review.

- An Innovations Network, a computerized database, was set up to allow certain employee groups to share information on successful initiatives. Coordinators at headquarters and in the field were to identify successful initiatives and submit descriptions of them for recording in the database.
- A Customer Advisory Council Newsletter, published by the Consumer Affairs Department, was designed as a networking tool to be used by headquarters, field offices, and customer advisory councils that some post offices had established. One purpose of the newsletter was to share the results of successful improvement efforts.

According to postal headquarters officials, both of these mechanisms were discontinued after the 1992 downsizing of the Postal Service. They said that after the downsizing, not enough employees were available to maintain and promote these information-sharing efforts. In addition, the officials responsible for the Innovations Network said that the procedures for maintaining and accessing the database were cumbersome and that coordinators did not always update the system to show new innovations. We recognize that developing and maintaining any system of sharing information on innovative approaches to improving customer service will require resources. The cost of sharing such information would need to be weighed against the benefits of giving all field offices the opportunity to implement proven techniques for improving customer satisfaction.

In our discussions with the former Vice President for Customer Services, he said that a “clearinghouse” for new ideas and projects was needed. However, neither he nor other headquarters officials had assigned responsibility for developing procedures to share information on successful local initiatives.

Related Inspection Service
Recommendations Not Fully
Implemented

In April 1993, the Postal Inspection Service reported a need for better communication within and among district offices on successful initiatives

to improve customer services. The report said that it was not uncommon to find that some post offices had not shared information on their improvement efforts with other post offices, often in the same district. The inspectors recommended in the April 1993 report that the Service take steps to permit sharing of such information among post offices and districts. They repeated the recommendation in a December 1994 report, suggesting that postal headquarters communicate CSI successes to offices nationwide via an electronic message system.

In responding to the latter report, the Vice President for Work Force Planning and Service Management acknowledged that creating a bulletin board for CSI users would potentially be useful. Subsequently, his office provided some information in the Service's automated information system on best practices. The system now identifies those metropolitan areas with the highest average CSI ratings for specific attributes, such as convenience of window service hours and waiting time in line. For example, 17 metropolitan areas were listed for postal quarter 1, 1995, as having the highest average rating for convenience of window service hours. Users of the system are advised that these areas are presumed to have put into place the best practices for consistently meeting the needs of customers for this service attribute. The purpose of the information is to give those interested in improving performance in particular attributes an idea of where to go and whom to talk with about benchmark procedures related to improvement efforts.

Although it appears that this procedure for sharing information can help, Service officials acknowledge that it falls short of fully sharing information across the organization on practices found to have worked best. For example, the automated system does not identify the practices followed by any of the metropolitan areas or recognize the specific work teams responsible for new and innovative practices that have proven successful.

Conclusions

Although residential CSI results indicate that significant levels of customer dissatisfaction continue to exist, the Postal Service is taking the important first steps of adopting a policy of measuring customer satisfaction to improve service. Its numerous and promising initiatives currently under way indicate a serious commitment to overcoming policy, operational, and cultural barriers to improving customer satisfaction by improving customer service.

Although poor union-management relations constrain the Postal Service, the development of a national strategy to focus all field offices, including mail processing plants, on improving the reliability of mail delivery service is a necessary step to addressing a key cause of customer dissatisfaction. Similarly, the current performance incentive plans, which are innovative and a move in the right direction, can be refined to give more emphasis to encouraging prompt and timely mail delivery—what customers have said that they want most from the Postal Service. The Service could do this by using measures of service reliability from EXFC and other systems. Because such data are already available, the added cost of using these measures might be justified by potential benefits of stronger focus by employees and management on improving service reliability. However, we recognize that the changes cannot be made unilaterally for some employees. For craft employees covered by SET, changing the basis for the incentive payments would require agreement with unions; for some other employees, the change would require consultation with management associations.

Many of the Service's national initiatives were relatively new, and postal headquarters needs to know whether its initiatives are being implemented and whether they are being done so in a timely manner. Without some system of tracking field offices' progress in implementing such initiatives, headquarters officials cannot be sure that field offices understand and are committed to the initiatives. Nor can officials systematically identify those offices most in need of assistance and those adopting best practices and demonstrating exceptional performance in implementing national initiatives. The Service would need to weigh the cost of implementing and maintaining a system of sharing such information against the potential benefits of improving customer satisfaction through better customer service.

Recommendations

As part of the development of the Postal Service's national service improvement strategy, and to achieve the greatest improvement in customer satisfaction, we recommend that the Postmaster General take the following steps:

- Incorporate BCSI results in the Service's initiatives and ongoing efforts to improve its performance and service quality, using safeguards as appropriate.
- Determine, in cooperation with unions and management associations, the feasibility of incorporating available measures of mail delivery service, along with CSI and other performance data, into employee pay incentive

plans to encourage a stronger commitment to prompt and reliable mail delivery and, as appropriate, use these performance data in incentive plans.

- Implement cost-effective procedures for headquarters units to use in monitoring and reporting the implementation and results of national service improvement initiatives to ensure that they are implemented as intended.
- Implement cost-effective procedures for (1) regularly recognizing at the national level the best practices and successes of field offices and employees in improving customer satisfaction and (2) sharing information on such efforts across the organization.

Agency Comments and Our Evaluation

In commenting on a draft of this report, the Service said that it believed that our recommendations and concerns regarding employee performance incentives, systematic implementation and monitoring of improvements, and sharing best practices will be addressed in its recently begun *CustomerPerfect!* program. To explain how that program will address our recommendations, the Service discussed its approach to identifying and sharing best practices. It said that in the past “best” had been a matter more of intuition than measurement, and a team is looking at how to develop systems that will identify possible best practices and validate their effectiveness by measuring their results. According to the Service, once a practice is determined to be truly a best practice, it will be shared with the field, possibly through electronic bulletin boards and presentations at national or area-wide managers’ meetings.

The Service’s *CustomerPerfect!* initiative appears to be a reasonable approach to addressing our findings and recommendations. Moreover, it is clear that the initiative has the commitment of the top-level Postal Service leadership. The program was just getting started at the conclusion of our review, and it was too early to determine how it will be implemented at lower management levels and by various employee groups and how the program might affect delivery performance and customer satisfaction.

As noted in this report and our earlier report on labor-management relations, the success of some earlier Service initiatives that were designed to affect pay, duties, and management-employee relationships of craft employees was limited by a lack of support from the unions representing those employees. At the time of our review, the Service had not obtained the involvement and commitment of labor union leaders in the *CustomerPerfect!* initiative. On the basis of the Service’s experience with

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similar past initiatives, we believe that this involvement and commitment will be necessary to implement aspects of the new initiative affecting craft employees and to address our recommendation relating to the use of CSI and other performance data, such as EXFC, in employee pay incentive plans.

Customer Satisfaction Index Survey Questionnaire

MARVIN RUNYON
POSTMASTER GENERAL, CEO



Dear Postal Customer:

Your opinions are important to the United States Postal Service. For that reason you are being asked to participate in a nationwide survey. By answering the enclosed questionnaire, you can tell us what you think of our services.

Your household has been randomly selected to represent your area. Your answers will give your local post office, and the national United States Postal Service, important information about where we need to improve service.

One person in the household should fill out the questionnaire--the person who most often mailed your letters, picked up the daily mail, went to the post office, or bought stamps in the last three months. Please answer the questions based on your *own* experiences in the last three months. Feel free to add another sheet of paper if you run out of space in the questionnaire.

Please don't delay; your responses are very important and will be kept confidential. Mail the completed questionnaire directly to our research consultants, Opinion Research Corporation, in the postage paid envelope provided.

We thank you in advance for your help.

Best regards,

A handwritten signature in black ink that reads "Marvin Runyon". The signature is written in a cursive style with a long, sweeping tail on the final letter.

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-0010

**Appendix I
Customer Satisfaction Index Survey
Questionnaire**

U.S. Postal Service Customer Survey

Q20

To Be Completed by the Adult Who Takes Care of the Mail

Directions:

- Mark **one** box for each item with a small "X" like this not with a check mark ✓
- If you don't know how to answer or the question doesn't apply, mark an "X" in the "Don't Know" box
- Base answers on your **household experience during the past three months**

Right Wrong ✓

1. Overall Performance (in the past three months)

We would like your opinion of the U.S. Postal Service's performance **during the past three months** on some general topics. Use a seven-point scale, where 1 means "Poor," 4 means "Good," and 7 means "Excellent." Please remember that you can mark any box between 1 and 7 or the "Don't Know" box.

Please rate the U.S. Postal Service on . . .

	(Poor-----Fair)			Good	(Very Good-Excellent)			Don't Know
	1	2	3	4	5	6	7	Know
a. Its overall performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Delivery of the mail in good condition (undamaged)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. The length of time it usually takes a letter mailed in your local area to be delivered in your local area	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. The length of time it usually takes a letter mailed in other parts of the country to be delivered in your local area	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Consistency of delivering local mail in the same number of days each time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Consistency of delivering mail from outside your local area in the same number of days each time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Having conveniently located mail deposit boxes where you can mail letters	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. Willingness to help customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Providing services which are a good value for the price	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j. Its ability to keep up with the times	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
k. Overall communication with customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. Receiving Your Mail (in the past three months)

Please rate the U.S. Postal Service on . . .

	(Poor-----Fair)			Good	(Very Good-Excellent)			Don't Know
	1	2	3	4	5	6	7	Know
a. Getting the mail to the correct street address	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Helpfulness of your local letter carrier	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Appearance of your local letter carrier	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. The time of day mail is delivered to your home	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Delivery of mail to your home at about the same time each day	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Appendix I
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3. Have you gone inside a post office during the past three months?

- Yes** → Continue with question 4 **No** → Go to question 5

4. Your Post Office (in the past three months)

Think about the post office you have *been to most often* during the past three months.

Please rate *this* post office on . . .

	(Poor—Fair)			Good	(Very Good-Excellent)			Don't Know
	1	2	3		4	5	6	
a. Courtesy of window clerks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Helpfulness of window clerks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Waiting time in line	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Convenience of window service hours	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Availability of stamps through vending machines	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Having vending machines in working order	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Convenience of hours that lobby is open beyond window service hours	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. General inside appearance of the building	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Availability of parking at or near the post office	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

What is the ZIP Code of this post office? _____ Don't Know

5. Is any of your household's mail delivered to a U.S. Postal Service post office box?

- Yes** → Continue with question 6 **No** → Go to question 7

6. Mail Delivery to Your Post Office Box (in the past three months)

Please rate the U.S. Postal Service on . . .

	(Poor—Fair)			Good	(Very Good-Excellent)			Don't Know
	1	2	3		4	5	6	
a. Delivery of mail to your box by the scheduled time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Delivery of mail to the correct PO box	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7. Have you or anyone else in your household filled out a change of address card within the past three months, so your First-Class Mail would be forwarded to a different address? This includes forwarding to a temporary or vacation address.

- Yes** → Continue with question 8 **No** → Go to question 9

8. Forwarding/Change of Address Service (in the past three months)

Please rate the U.S. Postal Service on . . .

	(Poor—Fair)			Good	(Very Good-Excellent)			Don't Know
	1	2	3		4	5	6	
a. Delivery of forwarded mail within a reasonable number of days	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Getting forwarded mail to the correct person	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Prompt start-up of delivery to your forwarding address	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

9. Have you telephoned the U.S. Postal Service within the past three months to complain or obtain information?

- Yes** → Continue with question 10 **No** → Go to question 11

**Appendix I
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10. Telephone Experience (in the past three months)

Please rate the U.S. Postal Service on . . .

	(Poor—Fair)			Good	(Very Good-Excellent)			Don't Know
	1	2	3	4	5	6	7	
a. Ease of getting through when you phoned	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Speed of answering the phone	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Ability of the person who answered the phone to help you or refer you to someone who could	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Courtesy of employees on the telephone	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Accuracy of information given on the phone	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

11. During the past three months have you had any problems with the U.S. Postal Service?

Yes → Continue with questions 12 and 13 **No** → Go to question 16

12. If "yes," please describe the problem(s) in detail. _____

13. Did you complain to the U.S. Postal Service?

Yes → Continue with question 14 **No** → Go to question 15

14. Complaint Handling

Please rate the U.S. Postal Service on . . .

	(Poor—Fair)			Good	(Very Good-Excellent)			Don't Know
	1	2	3	4	5	6	7	
a. Making it easy to complain or describe your problem	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Speed of response to your problem	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. How well they dealt with you	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

15. Would you like a U.S. Postal Service representative to contact you about this problem?

Yes → Complete the information below **No** → Go to question 16

Your full name: Mr. Mrs. Ms. _____
 Daytime phone: () Evening Phone: ()

16. Right now the only way to mail a First-Class letter is through the U.S. Postal Service. But if there were another mail service which you could use to mail a letter at the same price, would you switch to another service?

Definitely would switch Probably would **not** switch
 Probably would switch Definitely would **not** switch Don't know

Please do not write below line.

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**Appendix I
Customer Satisfaction Index Survey
Questionnaire**

17. During the past three months have you had any especially good experience(s) with the U.S. Postal Service?
 Yes → Continue with question 18 **No** → Go to question 19

18. If "yes" please describe the good experience(s) in detail.

19. What if anything, could the U.S. Postal Service do to increase your overall satisfaction with its employees, its post offices, or the quality of service it provides? Please be specific.

20. Is anyone in your household employed by the U.S. Postal Service?
 Yes No

21. Is anyone in your household employed by a national company that specializes in shipping or delivery of mail or packages?
 Yes No

22. Are you . . .
 Male Female

23. How many people, both adults and children, live in this household? Please include yourself.
 One Three Five or six Nine or ten
 Two Four Seven or eight Eleven or more

24. Your age:
 Under 25 years 35-44 years 55-64 years
 25-34 years 45-54 years 65 or older

25. Highest level of school you completed:
 Did not finish high school Some college/technical school/trade school
 High school graduate College graduate or beyond

26. Which of the following categories includes your total household income before taxes for 1994?
 Under \$10,000 \$20,000-\$29,999 \$40,000-\$49,999 \$75,000 or more
 \$10,000-\$19,999 \$30,000-\$39,999 \$50,000-\$74,999

Your answers to these questions will be kept confidential and will only be used to identify groups of similar people for statistical purposes. The United States Postal Service greatly appreciates your help in completing this questionnaire.

Please return your questionnaire in the enclosed postage-paid envelope to:
 Opinion Research Corporation, PO Box 15019, New Brunswick, NJ 08906-9968

Please do not write below line.

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(18)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(19)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Information on Six Customer Service Districts Visited by GAO

	Billings, MT	Central Plains, NB	Springfield, MA	San Francisco, CA	Chicago, IL	New York, NY
Post offices, stations, and branches	331	1,112	415	239	53	117
Employees ^a	2,300	9,100	6,900	7,400	6,300	10,800
Post office boxes ^b	152,000	341,000	180,000	218,000	72,000	123,000
Deliveries: ^b						
City	202,000	976,000	354,000	1,079,000	1,166,000	1,251,000
Rural ^c	90,000	371,000	180,000	65,000	0	0
Total	292,000	1,347,000	534,000	1,144,000	1,166,000	1,251,000

^aRounded to nearest hundred.

^bRounded to nearest thousand.

^cIncludes highway contract route deliveries.

Source: Compiled by GAO from U.S. Postal Service data.

Survey Results

Table III.1: CSI Results for Metropolitan Areas in Postal Quarters 1, 2, and 3 of Fiscal Year 1994 Include a Range of Sampling Errors

CSI question	Sampling Error	
	Smallest	Largest
Customer's post office		
Courtesy of window clerks	1.6	3.6
Helpfulness of window clerks	1.5	3.5
Waiting time in line	2.3	3.9
Convenience of window service hours	2.2	3.7
Availability of stamps through vending machines	2.8	4.6
Having vending machines in working order	2.7	4.9
Convenience of lobby hours	1.7	4.8
General inside appearance of building	1.2	3.5
Availability of parking at or near post office	2.2	3.9
Mail delivery to customer post office box		
Delivery of mail to box by scheduled time	2.8	16.4
Delivery of mail to correct box	3.0	17.3
Forwarding/change of address service		
Forwarding mail within a reasonable number of days	6.3	11.5
Forwarding mail to correct person	5.7	11.1
Prompt start-up of delivery to new address	5.7	10.7
Telephone experience		
Ease of getting through	3.7	6.7
Speed of answering phone	3.6	6.6
Ability of person who answered to help or refer call	3.6	6.4
Courtesy of employees	3.2	5.8
Accuracy of information given	3.2	6.1
Complaint handling		
Making it easy to complain or describe your problem	5.4	12.2
Speed of response to your problem	4.4	12.4
How well you were dealt with	4.9	12.7

Source: Compiled by GAO from U.S. Postal Service data.

**Appendix III
Survey Results**

Table III.2: Selected Survey Results for Metropolitan Areas With Sampling Errors in Quarter 3, 1994

Question on Postal Service performance in the past 3 months^a	Number of metropolitan areas with sampling error of...	
	At least ± 7.6 percent	At least ± 10.0 percent
Mail delivery to customer's post office box		
Delivery of mail to box by scheduled time	36	12
Delivery of mail to correct box	49	14
Forwarding/change of address service		
Forwarding mail within a reasonable number of days	155	14
Forwarding mail to correct person	133	7
Prompt start-up of delivery to new address	114	5
Complaint handling		
Making it easy to complain or describe your problem	159	53
Speed of response to your problem	155	68
How well you were dealt with	158	77

^aOther questions are not shown because no metropolitan area had sampling errors of at least 7.6 percentage points in the third quarter of 1994.

Source: Compiled by GAO from U.S. Postal Service data.

Information on Postal Service Performance Incentive Payments in 1994 and 1995

The Postal Service makes team-based performance incentive payments to certain craft employees, Executive and Administrative Schedule (EAS) employees, and most Postal Career Executive Service (PCES). The Service bases the payments to all three categories of employees in part on the results of quarter 4 CSI results, using only excellent and very good responses.

Craft Employees

The Postal Service and unions representing rural carriers, mail handlers, and postal police officers agreed to an incentive plan, called Striving for Excellence Together (SET), in 1991. The first payments under SET were made in January 1993 on the basis of fiscal year 1992 performance. For the most recent SET payments based on fiscal year 1994 performance, 92,854 rural carrier employees received incentive payments under SET. These employees account for about 13 percent of the Service's approximately 700,000 craft employees. Clerks, city carriers, and mail handlers account for most of those employees not participating.¹ The unions representing clerk and city carrier employees rejected the Service's proposal during 1990-1991 contract negotiations to join SET because they believed that such pay would replace negotiated wage increases and also encourage competition among employees.²

SET payments are in addition to regular wages, cost-of-living adjustments, and overtime pay available to craft employees. Employees receive varying SET payments each January on the basis of three factors: improvement in the Service's national financial performance compared to the prior year, as measured by increases in the ratio of total revenue to total paid hours; the performance cluster's ranking in the overall CSI rating compared to other clusters; and the extent of the cluster's improvement in CSI rating compared to the previous year.

We obtained information on SET payments in January 1994 and January 1995 for the two most recent fiscal years, 1993 and 1994. Payments under SET were higher in January 1994 than January 1995 primarily because of a general decline in CSI ratings between the quarter 4 ratings. The average SET payment was \$509 to participating employees in January 1994 and \$82.04 in January 1995 based on fiscal years 1993 and

¹In fiscal year 1993, additional craft employees, namely mail handlers and postal police, participated in the SET program along with rural carriers.

²Our report entitled *U.S. Postal Service: Labor-Management Relations Problems Persist on the Workroom Floor* (GAO/GGD-94-201 A and B, Sept. 29, 1994) provides additional information on the lack of union participation in SET and various other Postal Service improvement initiatives.

1994 results. The payment to each SET-covered employee for the Service's national financial performance was \$300 in January 1994. In January 1995, craft employees received no incentive payment based on financial performance. The total SET payments in January 1994 ranged from a low of \$335 for the Chicago, IL, and Philadelphia, PA, performance clusters to a high of \$730 for the Providence, RI, performance cluster. In January 1995, the total payments ranged from \$0 for nine performance clusters to \$365 for the Middlesex-Central, MA, cluster.

EAS Employees

In 1993, after consultation with management associations representing some of the affected employees, the Service began replacing its merit pay plan for EAS employees with a new plan linking merit pay increases to the SET payments discussed above.³ EAS employees include postmasters, supervisors, certain executives, and administrative personnel. Some EAS employees transitioned to the new plan beginning with payments in January 1994 on the basis of fiscal year 1993 performance, and all EAS employees were covered the following year. The payments under the plan include a one-time SET payment in January each year and a merit increase as a percentage of each employee's base pay, both of which are determined on the basis of the three SET factors mentioned earlier.

As a result of fiscal year 1993 ratings, in January 1994, about 13,500 EAS employees covered by the plan received a one-time SET payment, which averaged \$509 nationally and followed the payment ranges by cluster of the SET payments to certain craft employees. The permanent pay increase ranged from 3.9 percent—the minimum for any location—up to 5.6 percent for covered employees in Providence, RI. The January 1995 SET payments were made to about 77,000 EAS employees, averaged \$82.02, and ranged from \$0 for 9 clusters up to \$365 in 2 clusters (Middlesex-Central, MA, and New Hampshire). The permanent pay adjustment ranged from the minimum of 0.6 percent for 49 clusters to a high of 2.8 percent for 1 cluster (Middlesex-Central, MA).

PCES

The Postal Service began making performance incentive payments to career executives on the basis of CSI results and other measures in January 1993, based on fiscal year 1992 performance. PCES-I executives are covered by the incentive plan. These executives, totaling 956 in 1994, generally are managers responsible for national policies and managers

³The new merit pay plan also has a cash award provision for recognizing exceptional individual performance.

Appendix IV
Information on Postal Service Performance
Incentive Payments in 1994 and 1995

responsible for major organizational units. PCES-II executives, totaling 34 in 1994, who are the corporate officers and responsible for broad functional departments and the 10 postal area offices, are not covered by the plan. The incentive payments are based on local and national measures of financial performance, i.e., budgeted versus actual net income or deficit for the year as well as the results of CSI and EOS surveys.

In January 1994, all PCES-I executives received SET payments averaging \$509 for fiscal year 1993 performance and a minimum 3.9 percent merit payment, the same as EAS employees for that year. For fiscal year 1994 performance, the Postal Service incorporated several new design principles into the incentive payment plan for PCES-I executives. These principles included a measure of the “voice of the employee” as indicated through annual EOS results, factors relating to continuous improvement, and exclusion of payments to executives in areas with poor performance. Of 954 PCES-I executives, 922 received incentive awards in January 1995. The awards averaged 2.4 percent of base pay nationally and ranged from no increase for 32 executives up to 12.1 percent for 10 executives.

According to Postal Service officials, incentive payments to PCES-II corporate officers did not consider the same financial, CSI, and EOS results as used for PCES-I executives through fiscal year 1994. However, they said that the Board of Governors approved an incentive plan for PCES-II executives for fiscal year 1995 performance.

Selected Service Improvement Initiatives in Six Customer Service Districts Visited by GAO in 1994

Service factor and initiative	Description
Window service	
"Tax Night" hours	Maintain extra staff and extended hours on April 15 to assist customers in mailing their tax returns.
Sunday hours during holiday season	Provide window service on Sundays for the December holiday season.
Package pick-up when post office is closed	Allow customers to pick up packages and certified mail on Saturdays even though window service is not provided.
Lobby directors	Use an employee in the lobby to guide customers to the proper window service line or proper forms and sell stamp booklets.
Special lines for long transactions	Maintain separate window service lines for transactions that take a significant amount of time (i.e., setting postal meters, passport applications, and money order sales).
Appointments for setting meters	City post office reduces waiting time for postage meter customers and others by allowing the meter customer to come and have the post office reset the postage meter at an agreed time.
Disabled sent to front of line	Allow disabled customers to come to the front of the window service line.
Setting meters at place of business	Postal employee visits postage meter customer's place of business to reset meter.
Supervisors trained on integrated retail terminals	On the basis of a complaint from APWU, window service supervisors at one post office attended training to learn how to use the clerks' retail terminals so they could understand and help resolve clerk and customer problems.
Meters placed in parcel lockers when set	City post office allows postage meter customers to drop off their meters and pick up the reset ones from post office parcel lockers at their convenience.
Supervisors allowed to set meters	City post office allows supervisors to reset postage meters when window service lines become long.
Supervisor monitors lines through window or video	Post office supervisors monitor length of window service lines by looking through a window facing the window lines or a video camera.
Drive-through windows	Suburban post office allows customer to drive his or her car to the side of the post office to transact business (similar to a bank drive-through window).
Resource or unit reviews for adequate staffing	Post office operations managers conduct reviews of their post offices' staffing and scheduling to help postmasters put employees in the right assignments at the right time to serve customers.
Select additional window clerks	City post offices get authority to select additional window clerks to replace those who retired during the reorganization.
More clerks at busy times	During the busy times of the day, post office staffs additional windows to serve customers to reduce waiting time.
Redeploy vending machines off-site	District office allows postage vending machines to be placed at off-site locations instead of being retired. This increases customer convenience and keeps post office window service lines shorter.
Centralized stamps-by-mail unit	District provides a central location for district customers to call or to write for purchasing postage stamps.
Parcel lockers in apartment buildings	District places parcel mail lockers in high-rise apartment buildings so that if delivery to a customer cannot be made, the package is left in the locker for pick-up at customer's convenience.
Mystery shopping	District staff conducts surprise visits and monitors post office window service lines to determine if window clerks provide good customer service.
Lobby service	
Time locks on lobby doors	Vending machine and post office box lobby door electronically locks at a set time even though an employee is not present.

(continued)

**Appendix V
Selected Service Improvement Initiatives in
Six Customer Service Districts Visited by
GAO in 1994**

Service factor and initiative	Description
Card access to lobbies	Post offices provide customers with plastic cards that allow them to enter the post office lobby to use postal vending machines and have access to their post office boxes when post office is closed.
Vending machine placed outside of building	Placement of a postal vending machine outside of a suburban post office to allow customers to purchase postal products 24 hours a day and 7 days a week.
Some lobbies open 24 hours	Lobby doors kept unlocked 24 hours a day for customers to access their post office boxes and vending machines.
Self-service scales	City post office maintains a self-service weighing scale in the lobby for customers' convenience. This allows the customers to determine the correct postage before using a vending machine or window service.
Hire more technicians	Hire additional postage vending machine technicians to service the machines.
Mystery shopping/lobby inspections	District monitors post office lobby service by surprise inspection visits.
Telephone experience	
Postal service telephone training	District makes telephone courtesy and helpfulness training available to all local post offices on video tape.
Telephone company-provided training	Telephone equipment company provides training on courtesy and helpfulness when a new system is installed in an office.
Rollover and hold features installed	Office telephone systems are upgraded so customer calls "roll over" to a free telephone line that allows employees to place customers on hold. Customers hear information about Postal Service products while on hold.
Take advantage of national service contracts	District takes advantage of the Postal Service's national telephone equipment service contracts so that small post offices receive prompt repair service at the best possible price.
Install answering machines in offices that close for lunch	Small rural post office uses telephone answering machines to provide information to customers when postmaster is away for lunch.
Voice mail in larger offices	Allows customer to leave messages so that customer does not have to take time to call again.
"No transfer" policy	District policy prohibits postal clerks from referring customer calls for information to another postal employee.
Centralized telephone inquiry number	All calls to post offices or stations in a selected geographic area are answered at a central location where clerks have on-line computer access to ZIP Code and other Postal Service information.
"Answer book"	District office or work team summarizes answers to frequently asked customer questions and distributes to all post offices for reference.
Computerized ZIP code directory	Personal computer disk that contains all ZIP Codes with corresponding locations.
Computerized domestic mail manual	Personal computer disk that contains the domestic mail manual is formatted for easy access.
Postal answer line	Postal answer line tape is replaced with modern "touch tone" accessed system, or updated to reflect recent organizational changes.
Put telephone near integrated retail terminals	Window clerk does not need to leave his or her workstation to answer the telephone.
Survey post offices to determine telephone needs	District makes effort to determine telephone service availability and needs at its post offices.
Designate telephone service "experts"	District Management By Participation team designates district personnel who can expertly handle postmaster questions in a particular area.
Three-ring policy	District and post office policy is for staff to answer customer telephone calls within three rings.

(continued)

**Appendix V
Selected Service Improvement Initiatives in
Six Customer Service Districts Visited by
GAO in 1994**

Service factor and initiative	Description
Mystery calling	District staff makes a surprise call to a post office to determine if the telephone clerk provides good customer service.
Complaint handling service	
"45-day" automated follow-up letter	District Consumer Affairs Office's computer system automatically prints a letter to the customer asking whether his or her complaint has been satisfactorily resolved.
Personal contact by postmaster	Postmasters contact customers with complaints to show personal interest in resolving them.
Resolve complaints at lowest level	District policy for post offices is to resolve complaints at post offices rather than at the district level.
"Call back by 2" program	City post office has a pilot program in which complainants receive a personal telephone call by 2 PM on the day that the complaint is received. The postmaster sends a letter the same day if the customer cannot be reached by telephone.
On-line complaint data system	District Consumer Affairs Office maintains automated complaint data system to readily inform an inquiring customer of the status of his/her complaint.
Post office property	
"Modest" renovations to standardize lobbies	Post offices make a range of inexpensive improvements to their inside appearance, utilizing equipment and materials available in the post office, or nearby post offices. The renovations may include painting and standardized signs.
Retail specialist approval of all renovated retail space	Retail specialists at the district office approve all new or renovated retail space.
Move post offices out of substandard buildings	Postmasters request emergency exceptions to the USPS capital construction freeze to move, or extensively renovate, post offices with health and safety violations.
Lobby inspections	District monitoring effort to improve lobby appearance.
Postmaster self-evaluations	District postmasters self-evaluate their customer services through a checklist.
MBP "expert" assistance	District Management By Participation team designates district personnel who can expertly handle postmaster questions in a particular area.
Postmaster credit cards for cleaning and related supplies	Districts will formalize use of credit cards by postmasters for small purchases to bypass an extended procurement process.
"15-minute" parking	Customer parking at a post office or station is limited to 15 minutes to alleviate congestion.
Off-site parking for employees, leaving on-site parking for customers	The postmaster leases off-site space where his or her employees are to park so customers can park at the post office.
Left hand drops to reduce need for parking	Post offices have mail collection boxes accessible to driver's side window of a car so that the driver can deposit mail without parking or entering the post office.
Hiring additional custodians	District hires custodial workers to maintain clean post offices.
Post office box service	
Increased supervision to detect missorts	Post office supervisors look at post office box mail to determine if it was accurately filed.
Have plant sort box mail by sections to help meet "up time"	Plant sorting of mail in an effective manner helps the local post office fill the post office boxes by a set time.
Supervisors ensure there are sufficient clerks to meet "up time"	Supervisors monitor the amount of mail that needs to be put in post office boxes by a set time and obtain other post office clerks to complete the process if necessary.

(continued)

**Appendix V
Selected Service Improvement Initiatives in
Six Customer Service Districts Visited by
GAO in 1994**

Service factor and initiative	Description
Resource or unit reviews to ensure that clerks will be available to put up mail	Post office operations managers conduct reviews of their post offices' staffing and scheduling to help postmasters ensure that clerks are available to put mail in the post office boxes on time.
Parcel lockers for box section	Post office installs parcel mail lockers with regular post office boxes for customer convenience (no need to wait on window line).
Install additional box section	Provide more post office boxes during a lobby renovation.
6,000-box post office box station in area with large homeless population	A Postal Service station provides post office box and general delivery service in a community with a large homeless population.
"Box Call" program	Employees electronically record which post office boxes have mail so customers can use a touch tone telephone to find out whether or not they need to pick up their mail.
Wooden dowel or light marks sections that are "up"	Clerks mark a box section with a wooden dowel, or a light, when they have finished putting mail in the boxes so customers know that their mail is available.
Place boxes outside the building	Some or all post office boxes are physically accessible from outside the building so customers can pick up mail 24 hours per day.
"Box Activity Tracking System"	Personal computer program that records and tracks post office box availability, rent due date, and customer names. The system also prints rent due notices for customers.
Area-wide "up time"	Area office establishes a standard "up time" for all post office box service.
Forwarding/ change of address service	
Carrier manually forwards until CFS "catches up"	Letter carrier forwards customer mail to a new address if computer system does not list customer's new address for automatic mail forwarding.
Double-check mail before sending to forwarding unit	Post office supervisor or postmaster checks forwarding mail for accuracy before sending on to district's automated mail forwarding unit.
Change of address package with labels	District provides customer with new address labels in his postal change of address package.
Employee receiving change of address card from customers responsible for quality control	Employee reviews change of address cards for completeness and legibility before accepting them from customers.
No-record mail task teams	Team of employees and managers takes responsibility for reducing no-record mail volume by using quality improvement techniques, including visits to the mail forwarding sites and double-checking all mail to be sent to the sites.
Area CFS focus group	Area office sets up a group of managers from different district offices to brainstorm possible solutions to CFS problems.
Street address project with city	District effort to aid the city government in ensuring that it has the correct address for city residents.
Verify new addresses with utilities	Small rural post office ensures that public utilities have the correct addresses for post office customers.
Improve working conditions at forwarding site	Provide the mail forwarding site with adequate work space and air conditioning so employees can work effectively.
CFS training for carriers	Train letter carriers on proper change of address and mail forwarding procedures.

(continued)

Appendix V
Selected Service Improvement Initiatives in
Six Customer Service Districts Visited by
GAO in 1994

Service factor and initiative	Description
CFS training/assistance for postmasters	District arranges for postmasters with good no-record mail rates to provide guidance or training to those with higher rates.
CFS "rolodex" for carriers	All CFS cards are filed in a centralized rolodex for letter carriers.
File CFS cards directly in carrier cases	Clerks place CFS cards directly in letter carriers' cases instead of in a central file.
Miscellaneous (indirect CSI improvements)	
Local customer surveys providing 5-digit data, (including opinionmeter, lobby surveys, mail-out surveys)	District obtains customer feedback at the post office level.
Have postmasters/station managers in the lobby	Postmasters and station managers are in the lobby every day for a few hours to provide a better image to customers and provide personal feedback for their concerns.
CSI commitment worksheets	District staff visits post office and monitors customer service.
Clerks speak a second language	City post office with a large number of immigrant customers has a clerk available to translate for them.
Managers participate in civic activities	District post office managers participate in community affairs so that community perception of the Postal Service may be higher.
"Town Meetings" with customers	A postmaster plans to hold meetings for all customers—not just those who complain—at a different station each month to listen to their concerns.
"Pride in Delivery" misdelivery program	Postmaster presents awards to letter carriers who have no misdeliveries in a 6-month period. Customers call a special telephone number for reporting misdelivered mail, which a supervisor picks up and redelivers.
Hire postmaster reliefs for small offices	Post offices that are ordinarily staffed by one person—the postmaster—are allowed to hire a relief postmaster at an hourly rate to serve customers when the full-time postmaster is out of the office.
Focus groups	Postmaster or other manager convenes a group of customers to discuss a specific issue.
CSI video	A 12-minute videotape prepared by an area office is designed to explain CSI to craft employees who may not be familiar with it and who may not have direct customer contact.
Educational letters to customers	Postmasters send letters to their customers describing the steps that they are taking to improve service.

Comments From the U.S. Postal Service

MARVIN RUNYON
POSTMASTER GENERAL, CFO



October 13, 1995

Mr. J. William Gadsby
Director, Government Business
Operations Issues
United States General Accounting Office
Washington, DC 20548-0001

Dear Mr. Gadsby:

Thank you for the opportunity to comment on the draft report entitled, U.S. Postal Service: Using Customer Satisfaction to Improve Service Quality.

We find that the report presents a generally accurate picture of what we were doing at the time of the study to measure customer satisfaction and delivery performance and how we could better use that data to improve service quality. We are pleased that the report also notes that we have begun a variety of initiatives to better identify and meet the needs of our customers. In order to update the report's findings, we would like to provide a brief overview of where we stand in developing an overall framework that will help us focus on -- and measure -- our efforts to improve our customers' satisfaction with the whole range of services we provide.

As your report notes, the Postal Service is focusing greater attention on serving its customers. In the past three years, we have come a long way toward our goal of making the Postal Service customer-driven, customer-oriented, customer-responsive. We have recently undertaken an extensive, systematic review of all of our functions and processes. Based on the criteria and guidelines of the Malcolm Baldrige National Quality Award, the review has helped us identify and organize the actions we must take to make that goal a reality. Out of that assessment has come a program we are calling *CustomerPerfect!*sm.

We believe that the actions recommended in the report in the areas of information sharing, employee performance incentives, systematic implementation and monitoring of improvements, and best practices sharing will be addressed under the aegis of *CustomerPerfect!*. For example, the dissemination of customer satisfaction survey results, both for business as well as residential customers, is being actively studied by the Customer Determinants team, headed by the Consumer Advocate. This team, one of ten formed to oversee the spectrum of *CustomerPerfect!* efforts, will be assessing our measurement systems with the goal of improving the linkage between satisfaction results and the operational processes that drive those results. Included will be the development of a coherent strategy for making survey results available to the public and to the Congress. We are taking a similar approach regarding the seeking out and sharing of best practices. In the past, determining which practices were "best" had been a matter more of intuition than measurement. The Process Review team is looking at how to develop systems that will identify possible best practices and validate their effectiveness by measuring their results. Once a practice is determined to be truly a best practice, we will then share it with the field, possibly through electronic bulletin boards and presentations at national or area-wide managers' meetings.

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-0010
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Appendix VI
Comments From the U.S. Postal Service

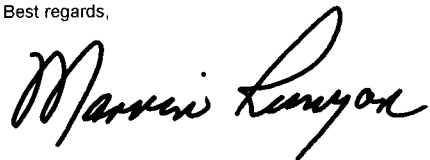
- 2 -

While we are in agreement with virtually all of the report's findings, we must express some minor disagreement with the finding that there ought to be more of a connection between scores from the Customer Satisfaction Index (CSI) and the External First-Class (EXFC) system. We would caution against trying to draw any firm conclusions from comparing CSI and EXFC scores for particular geographic areas. EXFC measures only the transit time of First-Class Mail deposited by customers in collection boxes (not all First-Class Mail) while CSI measures our customers' perceptions of all service dimensions -- from the timeliness and accuracy of mail delivery to the adequacy of parking at local post offices. Perhaps the most that can be said about the link between these two measurements is that since prompt and reliable delivery is very important to our customers, our efforts to improve mail transit speed is one of the primary factors that will lead to improved customer satisfaction and higher CSI scores.

One further point concerning our systems for tracking customer satisfaction and delivery performance: while we have found that they are useful as measurement tools, we are now finding that they are less useful as diagnostic tools. The current systems can, in general terms, tell us how we are doing but not how to do better. We are looking at enhancements that will give us more precise and immediate feedback that we can use to make real-time improvements in service quality. This is one example of how we are trying to be more responsive to the needs of our customers.

If you wish to discuss any of these comments or would like more information on our plans for implementing *CustomerPerfect!*, my staff is available at your convenience.

Best regards,



Major Contributors to This Report

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Division, Washington,
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Michael E. Motley
James T. Campbell
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