OFFICE OF
INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

Market Intelligence

Audit Report

August 10, 2011

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

August 10, 2011

Market Intelligence

Report Number MS-AR-11-005

IMPACT ON:
U.S. Postal Service customers, management's decision-making process, and revenue generation.

WHY THE OIG DID THE AUDIT:
Our objective was to determine whether the Postal Service uses best practices to gather market intelligence to make informed business decisions.

WHAT THE OIG FOUND:
The Postal Service could benefit from a stronger integrated market intelligence strategy that incorporates best practices used by leading companies to target new and existing customers and make more informed business decisions. Additionally, management could be missing key marketing opportunities because of incomplete or inaccurate customer data. In fiscal year 2010, the Postal Service could not accurately assign $3 billion in commercial revenue to corporate customers to obtain additional market intelligence and adequately market to those customers.

WHAT THE OIG RECOMMENDED:
We recommended management appoint a group responsible for transforming and aligning market information, develop an automated mechanism to enter and validate consistent and complete customer information, encourage mail service providers (MSP) to provide mail owner information at mail entry, and consider using the Customer Experience Measurement (CEM) survey form to obtain information on customer needs and wants for new postal products and services.

WHAT MANAGEMENT SAID:
Management did not specifically state whether they concurred with the findings. Management disagreed with our recommendation to establish a group responsible for transforming and aligning market information. Management also disagreed with updating the CEM survey form. Management agreed with our recommendations to develop an automated mechanism to enter and validate consistent and complete customer information and to encourage MSPs to provide mail owner information at mail entry.

AUDITORS' COMMENT:
The U.S. Postal Service Office of Inspector General (OIG) considers management's comments to establishing a new group and updating a survey form non-responsive but will not pursue through the resolution process. The OIG considers managements comments to other recommendations responsive and management's corrective actions should resolve the issues identified in the report.

Link to review the entire report

August 10, 2011

MEMORANDUM FOR: PAUL E. VOGEL
PRESIDENT AND CHIEF MARKETING/SALES OFFICER

JOSEPH CORBETT
CHIEF FINANCIAL OFFICER AND
EXECUTIVE VICE PRESIDENT

ELLIS A. BURGOYNE
CHIEF INFORMATION OFFICER

SUSAN M. LACHANCE
VICE PRESIDENT CONSUMER AND INDUSTRY AFFAIRS

E-Signed by Darrell E. Benjamin, Jr
VERIFY authenticity with e-Sign

FROM: Darrell E. Benjamin, Jr.
Deputy Assistant Inspector General
 for Revenue & Systems

SUBJECT: Audit Report – Market Intelligence
(Report Number MS-AR-11-005)

This report presents the results of our audit of the U.S. Postal Service's market intelligence efforts (Project Number 10RG012MS000).

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

Attachments

cc: Corporate Audit and Response Management

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Introduction

This report presents the results of our audit of the U.S. Postal Service's market intelligence efforts (Project Number 10RG012MS000). Our objective was to determine whether the Postal Service uses best practices to gather market intelligence to make informed business decisions. This self-initiated audit addresses strategic risk. See Appendix A for additional information about this audit.

To enhance their understanding of their business environment, companies gather and analyze market, customer, and competitive intelligence.[1] When acted upon, such information improves planning, decision-making, operations, and performance — all of which are essential to ensuring that products and services successfully meet customer needs. Focusing on customer needs using appropriate market intelligence can help the Postal Service increase mail volume, revenue, and profitability. Customers are more likely to choose the Postal Service as their primary supplier of mail products and services if the Postal Service gathers appropriate data to understand customers' needs and desires and offers them relevant solutions. The economic downturn and revenue stagnation exacerbates the need for the Postal Service to effectively manage and enhance its market intelligence.

Conclusion

The Postal Service could benefit from a stronger integrated market intelligence strategy that incorporates best practices used by leading companies to target new and existing customers and make more informed business decisions. Overall, the Postal Service has not fully implemented a cohesive, structured market intelligence strategy, making it difficult to fulfill the customized needs of senior Postal Service managers and manage the wealth of information that can be leveraged to further inform decision-making.

Additionally, management could be missing key marketing opportunities because of incomplete or inaccurate customer data. Although the Postal Service collects customer transaction data and conducts opinion polls and market research, it lacks the ability to fully integrate and transform this data into meaningful information to fully know its customers and their needs and offer enhanced products and services to meet those needs.

Gathering appropriate market intelligence can better position the Postal Service for success against its competitors, highlight potential new products and services, assist sales and marketing personnel in structuring appropriate offerings to customers, and

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[1] Market intelligence is the information gathered and analyzed specifically for the purpose of accurate and confident decision-making in determining market opportunity, market penetration strategy, and market development metrics. Customer intelligence is information on customers gathered (their details and activities) gathered to build deeper and more effective customer relationships and improve strategic decision making. Competitive intelligence describes the broader discipline of researching, analyzing, and formulating data and information from the entire competitive environment of any organization.

ultimately increase revenue. Market intelligence is also a key factor for the Postal Service in achieving its core business strategies — improving the business-to-consumer channel; improving the customer experience; competing for the package business; and becoming a leaner, faster, and smarter organization.

Integrated Market Intelligence Strategy Needed

The Postal Service could benefit from a stronger integrated market intelligence strategy that incorporates a top-down approach to defining needs, gathering and analyzing data, interpreting results, and making more informed business decisions. Although the Postal Service conducts market research, gathers customer survey information, and collects customer transactional data, its current approach does not provide the structure necessary to fully transform this information into market intelligence.

Specifically, the Postal Service has not assigned overall accountability to a specific group for collecting and analyzing information and transforming it into market intelligence. Rather, several Postal Service groups participate in collecting and using market information based on individual needs, including:

- Market research group.
- Business Customer Intelligence (BCI) group.
- CEM survey team.
- Online Internet and mobile channels staff.
- Revenue and Volume Forecasting team.
- Strategic planning group.
- Individual product managers.

The efforts of these various groups are not fully integrated to provide a comprehensive view of market intelligence. For example, the BCI group has ownership and centralized control of customer, industry, and sales employee information; and the market research group conducts market research for the product, channel, pricing and advertising groups. However, these groups do not have specific responsibility for market intelligence within the Postal Service. Further, they do not take an integrated approach to collecting and analyzing customer and market data and transforming it into valuable intelligence to help senior management throughout the organization with corporate strategies and decision-making. Rather, these groups gather ad-hoc data for their own use or provide ad-hoc reporting to other functional areas within the Postal Service.

Additionally, the Postal Service has not established a method for measuring the success of its market intelligence efforts, therefore, has no way to determine whether the resources spent on customer and market research provide an adequate return on investment.

Management has not established a fully integrated market intelligence strategy because the Postal Service's culture and business model have traditionally been driven by operational demands with less emphasis on gathering and using market intelligence.

Management has focused more on servicing existing customers with current products and services and less on identifying and meeting new customers' needs.

Without a fully integrated market intelligence strategy focused on providing key customer and market insights to management, the Postal Service is at risk of limiting its management decision-making capability. Further, it could be forgoing opportunities to enter untapped markets, grow its business, and, ultimately, increase revenue.

Management Actions

In FY 2007, the Postal Service established the Business Insights Group (BIG), which is an internal cross-functional team that meets regularly to discuss strategic trends and opportunities. The group is sponsored by Strategic Business Planning, with the objective of sharing information on the external business environment. The BIG, which is still evolving, issues the quarterly *Business Insights Report* on demographic, customer, and market trends.

Although the BIG represents a positive forum for sharing ideas, the Postal Service could further benefit from fully integrating customer, market, and competitor data gathered by various postal groups to provide a comprehensive view of market intelligence for the organization.

Market Intelligence Hindered By Incomplete Data

The Postal Service's ability to gather market intelligence is hindered due to incomplete customer data. Specifically, we noted that integral postal systems do not contain consistent customer profile information to accurately attribute volume and revenue and do not always contain data necessary to determine customer industry information. In addition, the Postal Service cannot identify all business mail owners or the services they need or may need in the future. Because the Postal Service does not know who some of its business customers are when mailings are presented by mail service providers (MSP),[2] it cannot fully understand their needs or how they make money. Such market intelligence is critical in determining which products and services to market to current and potential customers.

Incomplete Customer Information

In FY 2010, the Postal Service generated $67.1 billion in total operating revenue, $50.2 billion of which (75 percent) was commercial revenue. However, it could not match customer records associated with $3 billion (6 percent) of commercial revenue in the Corporate Business Customer Information System (CBCIS)[3] to Equifax records[4] to

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[2] MSPs offer discounted mailing services to customers by commingling the mailings of several companies into one, consolidated mailing to reap the benefits of discounted Postal Service workshare rates.
[3] A repository of Postal Service customer profile information, volume and revenue data, and product information.
[4] The BCI group, through a contract with Equifax Information Services, uses an Equifax file to match customer records in CBCIS. The records include name, street number, city/Zip Code, Post Office Box™, and phone/fax numbers. The Equifax file contains about 26 million customer information records.

accurately assign revenue and obtain additional market intelligence on corporate customers. This occurred because postal employees did not always enter or verify customer information — including name and address information — correctly in the source systems[5] that feed CBCIS. Specifically, no process is in place for the postal employee to verify the completeness and accuracy of the customer's name and address when adding a new business site. For example, the customer may provide an abbreviated name instead of a full name on a permit application. In addition, clerks sometimes enter data into the systems without verifying the information with the customer or the Equifax file, which contains more than 26 million customer records. Although postal employees added 302,342 new business sites to CBCIS from the source systems in fiscal year (FY 2010), more than 80 percent were either unmatched[6] or only partially matched with Equifax data. We consider the $3 billion in unmatched revenue as Other Impact – data integrity.[7] See Appendix B for details of Other Impact.

In addition, the Postal Service cannot identify industry information for all businesses listed in CBCIS. This information would categorize businesses into functional areas such as financial services, retail, transportation, and publishing. In a separate analysis, the Postal Service matches customer records to an Equifax file based on the standard industrial classification code (SIC)[8] to obtain the industry type for businesses to market the appropriate products and services to meet the needs of the specific industry. In FY 2010, the Postal Service could not identify the SIC code for businesses that generated commercial revenue totaling $5 billion of the total commercial revenue of $50.2 billion (or 10 percent). These discrepancies have increased by 30 percent annually[9] over the last 2 years. Management has implemented a manual matching process to assist with resolving some of these discrepancies.

Management Actions

In FY 2010, the Postal Service created the Enterprise Customer Information Management (ECIM) initiative to address how to improve the quality of data gathered by postal systems and to identify gaps in procedures. However, the ECIM initiative has not moved forward because of other competing priorities. During our review, the Postal Service recognized the significance of this issue and developed a manual process in June 2010 to research unmatched records to identify correct customer information needed for matching these records with Equifax. Using this manual matching process, management reduced the revenue associated with unmatched records by $945 million.[10]

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[5] There are four systems that feed revenue data to CBCIS: Electronic Marketing Reporting System (EMRS), Official Mail Accounting System (OMAS), National Meter Accounting and Tracking System (NMATS), and *PostalOne!*.
[6] An unmatched record occurs when the customer's name and address in CBCIS cannot be matched to the Equifax reference file.
[7] This represents the amount of commercial revenue in the CBCIS that is not matched to Equifax records to accurately assign revenue and obtain additional market intelligence on corporate customers.
[8] A four-digit code that classifies a business according to industry as defined by the U.S. Department of Commerce.
[9] The 30 percent revenue growth rate is based on 2-year compound annual growth rate.
[10] We did not estimate the cost of manually researching the records.

The Postal Service will retire CBCIS during Quarter 1, FY 2012 and replace it with the Customer Data Mart (CDM).[11] However, even with the migration to CDM, the incorrect name and address issues in the feeder systems will continue to occur because the Postal Service has not focused on improving the source data. Accurate customer information will be even more critical to building valuable market intelligence as the Postal Service migrates from individual customer mailing permit accounts to a national account payment system, as discussed recently by the postmaster general. In addition, the Postal Service will continue to use the Equifax file as it does in the current environment. As a result, unmatched records will remain an issue until management fully implements a solution to improve the source data.

Incomplete Mail Owner Data

The Postal Service does not always know the identity of the customers who use MSP unless the MSP provides that information at the time of mailing.[12] Therefore, when the MSP does not identify the mail owner at the time of mailing, which they are not required to do, the mailing is assigned to the MSP, which results in an inaccurate attribution of the source of the revenue.

In FY 2010, $33.6 billion of the $50.2 billion in commercial revenue (67 percent) resulted from MSP mailings. Of the total mailings by MSPs, $25.3 billion (75 percent) was attributed to the actual mail owners. However, the remaining $8.3 billion (25 percent) was attributed to the MSPs rather than the actual mail owners.

Insufficient Retail and Small Business Customer Data

The Postal Service collects information about residential and business customers via CEM surveys,[13] which capture responses to open-ended questions. The Postal Service also uses event-based surveys to capture customers' experiences with the business service network.[14] Management has the ability to analyze the data collected but does not translate the information obtained from the surveys into market intelligence to market to these customers. Such surveys are used to translate data to internal stakeholders and target resources to improve customer experiences in specific locations where customers rate performance the lowest. Additionally, the Postal Service does not always collect sufficient information on customer needs and desires through these surveys to improve its marketing capabilities.

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[11] The CDM is a reporting solution that provides insight into Postal Service customers and tracks their activities across multiple service channels. It is near real-time information about customers and their business.

[12] If the permit holder or mailing agent/preparer is using his or her own permit on mail prepared for another entity, the mail owner field must be populated with the appropriate permit and/or ghost number. If a mailing agent/preparer presents a mailing using the mail owner's permit number, he or she must complete the Permit Holder and Mailing Agent fields of the postage statement in *PostalOne!* This is a BY mailing, made BY the mailing agent for another permit holder.

[13] CEM surveys are organized across common categories to capture feedback and provide a comprehensive understanding of the end-to-end customer experience.

[14] A nationwide network dedicated to providing support to the Postal Service's largest customers for service issues, information, and request needs. The Business Service Network is strategically positioned to have an impact on customer satisfaction and revenue growth and retention.

The more organizations understand their customers, the better they can serve them. This includes having the technology and processes in place to analyze and understand met and unmet customer needs. Without robust customer data and market intelligence, the Postal Service is disadvantaged in developing solid growth platforms and generating new business through customer satisfaction and loyalty. As the product portfolio of the Postal Service continues to evolve into a marketing channel, the lack of customer-centric analytics becomes an even greater competitive weakness.

Recommendations

We recommend the president and chief marketing/sales officer, in coordination with the chief financial officer and executive vice president:

1. Appoint a group that is responsible for transforming and aligning market information and initiatives into new products and services which align with the corporate strategies.

We recommend the president and chief marketing/sales officer, in coordination with the chief information officer:

2. Develop an automated mechanism to enter and validate consistent and complete customer information (including name and address) when opening a new mailing account.

3. Encourage mail service providers to provide mail owner information at mail entry.

We recommend the vice president, Consumer and Industry Affairs:

4. Consider using the Customer Experience Measurement survey form to include questions to obtain information on customer needs and wants for new postal products and services.

Management's Comments

Management did not specifically state whether they concurred with the findings. Management disagreed with recommendations 1 and 4. Regarding recommendation 1, management stated that a new group is not needed, as gathering, reporting, and analyzing market intelligence is aligned into its existing organizational structure. A cross-functional group meets every 2 weeks to discuss relevant issues.

Regarding recommendation 4, management stated they do not believe the CEM survey form is an appropriate vehicle for obtaining information on customer needs. This is primarily because the form is designed to measure postal performance, is very lengthy, and already contains open-ended questions for customers to suggest opportunities for improvement. Further, management stated that the market research team is responsible for determining customer response to new products and services.

Management agreed with recommendation 2 and stated that they continue to make significant strides in improving data quality of customer information. The Postal Service launched the Customer Registration ID (CRID), which will improve customer data across Postal Service applications. The Postal Service deployed enhancements to *PostalOne!* in June 2011 to identify parties in postage transactions. Further, deployment of the Enterprise Payment system will require all integrating units to use the CRID for customer identity. These efforts will be completed by January 31, 2014.

Management agreed with recommendation 3 and stated that customers participating in Full-Service discount mailings are required to provide mail owner and preparer information in their electronic submission. The Postal Service is working to provide additional value to grow participation in Full-Service mail. See Appendix C for management's comments in their entirety.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments to recommendations 1 and 4 non-responsive. Regarding recommendation 1, we continue to believe the Postal Service would benefit from creating a specific group that is responsible for transforming and aligning market information and initiatives into new products and services which align with the corporate strategies.

Regarding recommendation 4, we continue to believe the Postal Service does not always collect sufficient information on customer needs and desires to improve its marketing capabilities and could benefit from enhancing existing surveys such as CEM or similar vehicles. The OIG considers managements comments to recommendations 2 and 3 responsive and management's corrective actions should resolve the issues identified in the report. We view the disagreements on recommendation 1 and 4 as unresolved, but do not plan to pursue them through the formal audit resolution process. We consider these recommendations closed.
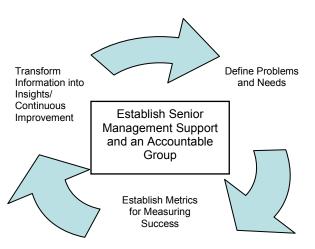
Appendix A: Additional Information

Background

The Postal Service's financial position has deteriorated over the past few years and its target markets and the fortunes and requirements of its customers have changed. Market intelligence is essential to understanding customers' attitudes, needs, wants, preferences, excitement attributes, and behaviors. It can help identify significant shifts and trends in the marketplace, such as, social, technological, economic, and regulatory changes. Market intelligence attempts to discern the big picture of various actions of market players for future scenarios and draws a reasonable conclusion for immediate action.

Components of a Market Intelligence Strategy

Studies have shown that a fully integrated market intelligence strategy, as illustrated in Chart 1, establishes accountability to specific groups supported by senior management, defines problems and needs, establishes metrics for measuring success, and seeks continuous feedback and improvement. The market intelligence strategy should align with the corporate strategies and initiatives and the information gathered should be transformed into valuable insights.

Chart 1. Components of a Successful Market Intelligence Strategy

- <u>Establish Senior Management Support</u>: The key to a successful market intelligence initiative is to obtain senior management support, define the formal and informal practices and structures, and identify the linkages needed to the rest of the company. Best-in-class companies fit into this category, where market intelligence is organized formally as a clear management function.

- <u>Establish a Specific, Accountable Group</u>: Best-in-class companies have developed a structured, formal market intelligence system that concentrates intelligence in a distinct group empowered by senior management. Because market intelligence crosses functional and business lines, these organizations have established the mechanisms, resources, and technologies to channel intelligence through a group that unifies the process and is responsible for its results.

  Benchmarking studies reported that successful firms ensure that intelligence remains free of bias and internal organizational pressures to support an existing or accepted management decision. One way to ensure that the market intelligence group is impartial is to make it independent.

- <u>Define Problems and Needs</u>: The basic starting point for market intelligence is the continual definition of the problems or issues of importance to senior executives. Key intelligence topics (KITs) direct and guide the market intelligence focus and analysis. The primary output of this process is the ability to make sound, forward-looking, strategic decisions. Best-in-class companies have found that several waves of users' needs and requirements analysis are necessary for users and decision-makers to define the KITs and sharpen the information that would be useful and add substantial value.

- <u>Establish Metrics for Measuring Success</u>: Metrics used to measure the success of market intelligence efforts should be defined early in the planning stage and be continually adjusted based on insights. These metrics determine the success of the program in meeting business objectives as defined by the KITs. When the business units and senior management agree on common metrics for setting benchmarks, the market intelligence team can work effectively in implementing the agency's strategies. As intelligence gathering identifies customer potential and market opportunity, the cohesiveness among groups will likely create a synchronized approach to product development, sales, marketing and other customer-facing functions and will result in an optimal execution of the overall business development efforts.

- <u>Transform Information into Insights</u>: Best-in-class companies use processes to convert information into insights. Continuously monitoring and transforming internal data into market intelligence can go a long way toward helping to reverse the negative financial trends the Postal Service has experienced over the past few years. With the steady decline in Postal Service mail volume and revenue in most industry segments, determining the specific causes and alternative measures to offset the declines could provide the Postal Service with valuable insights.

- <u>Continuous Improvement</u>: An important element of market intelligence is continuous improvement in reporting and communicating the results and insights of intelligence. Brief, impactful reports can be sufficient in some instances. However, augmented, early warning digests can notify top management of impending changes in the marketplace. Decision making can be enhanced through advanced presentations

that have increased specificity, timeliness, and actionability. Frequent, almost weekly inputs are beneficial to the organization in providing meaningful improvement pointers.

A well-organized market intelligence process can increase a company's revenue and protect it from losing business to competitors and other alternatives. Best-in-class organizations have a singular focus on gaining insights about market intelligence to influence decision making. When organized, filtered, and analyzed in a cohesive and integrated manner, market intelligence can be extremely powerful in providing insights to management, and can lead to developing new products and services that satisfy customer needs.

Within the Postal Service, the BCI group has ownership and centralized control of customer, industry, and sales employee information. There are three functions within the BCI group: Business Intelligence (BI), Sales Performance Management, and Sales Services.

The BI group manages all of the BCI systems, which include:

- CBCIS.
- Customer Identification (CID) application.
- CDM.
- Marketing Information System (MIS).
- Customer Data Master.
- Customer Registration.
- Business Customer Gateway.

The BI group plans, develops, and implements business requirements and design specifications for the BCI systems and coordinates with the Sales Performance team to ensure design requirements are compatible with and connected to CustomerFirst!,[15] the Business Connect Data Center (BCDC),[16] and the other 20 customer data source systems that have connectivity with BCI systems. This group also acts as the liaison between BCI and USPS.com staff for Customer Registration and is a liaison with Business Mail Entry and Payment Technology for Full-Service, Business Customer Gateway, and the administration applications. The BI group manages the Equifax industry data and its integration with Postal Service internal customer data and provides industry analytics and customer segmentation to internal functional areas.

The CBCIS is the main database, a repository of customer profile information, volume and revenue data, and postal product information. There are four systems that feed revenue and volume data to CBCIS: EMRS, OMAS, NMATS, and *PostalOne!*. MIS brings together diverse data elements such as revenue, sales opportunities, service

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[15] The primary sales management system. Sales opportunities are created, maintained, and closed within this system.
[16] The application that enables the postal employee to capture and record customer activity and revenue information for the following programs – Business Connect, Customer Connect, Rural Reach, Mailhandler, Submit a Lead, and other lead-generation initiatives.

issues, and product use to give a complete view of customers. It provides easy and quick access to sales and marketing reports in a presentable format with drill-down capabilities on important data elements.

Objective, Scope, and Methodology

Our objective was to determine whether the Postal Service uses best practices to gather market intelligence to make informed business decisions. To accomplish our objective, we reviewed existing policies, procedures, and documentation related to market intelligence. We interviewed key Postal Service officials and subject matter experts within the BCI group and identified the mechanism the Postal Service uses to gather information about its customers and their needs.

In addition, with the assistance of a contractor, we conducted a benchmarking and best practices analysis to gather industry information on customer, market, and competitive intelligence; and to contrast the Postal Service's practices against those best-in-class companies. We interviewed 20 companies and analyzed how leading organizations use market intelligence to manage and grow revenue, tailor their product and service offerings, and satisfy the needs of targeted customers.

We conducted this performance audit from February 2010 through August 2011 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on June 2 and 23, 2011, and included their comments where appropriate.

We assessed the reliability of CBCIS and other customer data by interviewing Postal Service officials knowledgeable about the data. We have noted some data deficiencies in the report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Report Results
Postal Service's Use of Ghost Numbers	MS-MA-06-002	9/19/2006	The Postal Service could improve its collection and use of customer information. Specifically, the Postal Service should clarify mail acceptance procedures and revise Postal Service Form 3615, Mailing Permit Application and Customer Profile, to include a privacy notice statement that would make public the intended use of customer data collected. Management agreed with our findings and recommendations.
The Role of Marketing in the Postal Service	EM-AR-02-007	3/29/2002	An overall marketing plan outlining marketing strategies, tactics, and initiatives related to the Postal Service strategic plan had not been developed since FY 2000. The Postal Service had not established specific measurable objectives for advertising messages they wanted to convey. As a result, the Postal Service was unable to measure the level of change advertising campaigns had on customer awareness, knowledge, or attitudes. Management agreed with our recommendations and stated that they would develop an integrated marketing plan for FY 2003.

Appendix B: Other Impacts

Other Impacts

Finding	Impact Category	Amount
Market intelligence hindered by incomplete or inaccurate data.	Data Integrity[17]	$3 billion

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[17] This amount represents the amount of commercial revenue in the CBCIS that is not matched to Equifax records to accurately assign revenue and obtain additional market intelligence on corporate customers.

Appendix C: Management's Comments

OIG Audit

MARKET INTELLIGENCE

Report Number MS-AR-11-DRAFT

Following is the U.S. Postal Service management response regarding recommendations cited in the above referenced report dated July 11, 2011:

1. *Appoint a group responsible for transforming and aligning market information and initiatives into new products and services that align with the corporate strategies*

Disagree: The Postal Services agrees that gaining the knowledge and insights from the marketplace in order to support the development of product and channel strategies is a critical requirement. However, the Postal Service does not agree that a new group is needed as an existing organization has been designed to align "market information and initiatives into new products and services that align with the corporate strategies."

Within Marketing and Sales, the Market Research business unit provides all marketing business units with needed marketplace information by conducting primary qualitative and quantitative market research. The research allows us to assess new product and channel initiatives, evaluate current services, and project marketplace responses and trends.

Market Research, along with the product and channel business units, also undertakes a variety of market intelligence assessments on market sectors, customer segments, and marketplace developments. In support of this effort, Marketing and Sales has contracted with outside sources for marketplace intelligence. Finally, other business units (Sales, Customer Experience Management, Demand Forecasting, and Strategic Planning also provide marketplace intelligence.

Within Marketing and Sales, the Domestic Products, Global Business, and Channel Access business units are responsible for taking all relevant marketplace information, provided by Market Research, Sales, Customer Experience Management, Demand Forecasting, and Strategic Planning, and using this information in the development of product and channel strategies.

It should be noted that Strategic Planning also gathers and integrates business intelligence across the organization in support of business strategies. This group's responsibilities include:

- Development of business intelligence on emerging external trends to assess business risks and opportunities.

- Sharing of insights to support future scenarios and assist senior management and program managers in making informed, effective decisions.

- Communication of external trends that impact forecasting methods

- Communication of changing needs of customers to help sales and product management

- Sharing of best practices for improving the value of mail

- Evaluation and documentation of high level market business cases

A cross-functional group meets every two weeks to promote discussion of these topics. *A Business Insight Report* is issued (this report has been annual, but we are developing processes

to distribute the information more frequently.   All research and documentation is available for use on a Postal Blueshare site.

Responsible Manager: Ray Van Iterson

2.   *Develop an automated mechanism to enter and validate consistent and complete customer information when opening a new mailing account;*

Agree/In Process. The USPS continues to make significant strides in improving data quality of customer information.

The USPS launched the Customer Registration ID to improve consistency of customer identification data across customer facing applications. The use of the CRID among USPS systems continues to grow as the number of systems sharing information regarding customers expands and additional systems are integrated with the Gateway.

Enhancements to *PostalOne!* were deployed in June 2011 to identify parties in a postage transaction (permit holder, mail service provider, and mail owner) by CRID to more accurately attribute revenue. *PostalOne!* now includes the CRID in the file transmission to CBCIS and CDM. We plan additional enhancements to *PostalOne!* in future releases where CRID will replace permit as the identifier for customers.

The deployment of the Enterprise Payment system will require all integrating systems to utilize the CRID for customer identity. In addition mailers will be required to create and maintain accounts on-line with strict address validation approach.

Date of Completion: Jan, 2014
Responsible Manager – Pritha Mehra

3.   *Encourage mail service providers (MSP) to provide mail owner information at mail entry;*

Agree. Albeit, with sensitivity regarding the additional burden/cost to the mailer to provide this information: While Mail Owner information is not required for all postage transactions, customers participating in Full-Service discount mailings are required to provide Mail Owner and Mail Preparer information in their electronic documentation. The Postal Service is working to provide additional value to Full Service mailers in an effort to grow this base. The Postal Service is actively working with mailers engaged in Full Service to ensure accuracy of Mail Owner and Mail Preparer data. The desire of Mail Owners to participate in incentives will drive mail owner identification in postage statement transactions.

Responsible Manager – Pritha Mehra

4.   *Consider using the Customer Experience Measurement survey form to include questions to obtain information on customer needs and wants for new postal products and services.*

Disagree: There are five key reasons why we disagree:

(1) Customer Experience Measurement (CEM) surveys are designed to measure postal performance - whether the Postal Service is delivering a positive experience for its customers – not to market-test new product concepts.

(2) Although not specifically designed to ask customers about new products and services, CEM surveys already offer an opportunity through open-ended questions for customers to tell us what we can do to improve their satisfaction with us in the future.

(3) Given the extensive postal product line and the multiple points at which customers come in contact with the USPS, CEM surveys are already lengthy (about four pages). To add questions to these surveys about new products and services would have an adverse effect on response rates and reduce the information we receive from our customers that we can use to formulate service improvement efforts.

(4) The design and formatting of marketing questions about new products and services is very different from the content and formatting of a customer experience survey. To be meaningful, evaluation of customer receptivity to a new product requires a carefully tailored description of the proposed product/service and a series of questions to assess customer interest in the product/service described. An extensive evaluation of a new product/service usually commands a separate survey of its own.

(5) The Postal Service already has a Market Research team in place to determine customer response to new products and services. To add questions to the CEM survey would be a duplication of effort and would not yield the extensive information required to evaluate product viability in the marketplace.

Responsible Manager – Yvonne Gonzalez

There are no FOIA concerns.

Paul E. Vogel