

PostalOne!

1.0 Executive Summary

PostalOne! is a suite of business capabilities that allows the Postal Service to efficiently collaborate with its business mail customers who generate over 73% of all mail volume and over \$34 billion of revenue annually. *PostalOne!*'s electronic collaboration allows business mailers to integrate their mail planning and production processes with those of the Postal Service for efficient and streamlined mail induction. It helps to protect revenue and avoid costs due to unnecessary rework. *PostalOne!* is primarily focused on business mail as it enters the Business Mail Entry channel. This channel is the origination point for much of the information about business mail that is used by the Postal Service.

PostalOne! Phase One (Development and Testing) was approved by the Board of Governors February 7, 2000 for \$10.1 million and successfully piloted several key business capabilities. Initial *PostalOne!* functions allowed business mailers to electronically send detailed mailing data. This facilitated job forecasting, rapid and accurate mail verification and acceptance, and eliminated some tedious hardcopy documentation requirements. Pilot testing for electronic postage statements was also started in Phase One of this program.

PostalOne! BCSS Phase Two will expand the functionality successfully developed in Phase One, re-engineer the Permit application, and replace obsolete Permit equipment. Phase Two will develop electronic postage statements for all types of business mail and electronically process payments. These electronic capabilities will promote consistent rate implementation, reduce data entry errors, and help protect revenue. Functionality will be developed for small to medium mailers to enable an electronic interface for mail verification and acceptance. Several other manual processes will be automated into an electronic medium. Unlike the current manual processes, information collected electronically will be available to all units that require this data.

The 20-year-old mission critical Permit system, which handles all USPS business mail transactions, is approaching technical obsolescence and has a number of significant technical and business limitations. Its functional deficiencies and architectural limitations will be corrected and the system will be refocused from an internal finance unit based system into an enterprise-wide, customer-focused system.

The Information Platform (IP) will integrate *PostalOne!* with other corporate initiatives, such as Surface and Air Management System (SAMS), to provide an integrated view internally and externally to business mailers.

PostalOne! BCSS will achieve savings by reducing errors made during mail acceptance and from avoiding the cost for maintaining the Permit system. Savings from reducing mail acceptance errors were initially identified in a Cost of Poor Quality study and were recently corroborated by collecting and analyzing data obtained from sample business mail acceptance units. Software maintenance savings for the Permit system will occur when Permit functionality is incorporated into *PostalOne!* and the old system is subsequently retired.

A range of projected savings was calculated to account for various levels of revenue that would be captured over the life of the project. The results of the analysis show that if only 60 percent of the captured revenue claimed in the DAR were achieved, the financial analysis would be at the break-even point.

2.0 Introduction

At a high level, *PostalOne!* BCSS makes it easier for Postal Service business mail customers to conduct business with the Postal Service while improving customer service, protecting revenue, and enabling employees to better manage the business. It establishes a single repository for business mail information allowing the Postal Service to better identify, understand, manage, and serve business mail customers. *PostalOne!* acts as the electronic gateway into the Postal Service for business mailers, providing essential status information about their mail so they can more easily plan and monitor their programs. As the initial collection point within the Postal Service for detailed business mail information, *PostalOne!* provides critical business mail volume, mail makeup, and logistics information to help the Postal Service better manage its corporate resources. It provides detailed information for other downstream organizations and fully participates in the Postal Service vision for collecting information once and sharing it within the corporation.

Phase One, which was approved February 7, 2000 in the amount of \$10.1 million, provided initial infrastructure capabilities, such as electronic information access and documentation, and these capabilities have been validated through successful pilot testing. Phase Two, the subject of this DAR, continues the development and implementation of Phase One of *PostalOne!* BCSS, a suite of business capabilities that allows the BME channel to electronically collaborate with its business mail customers. Electronic collaboration facilitates forecasts of mailing jobs from mailers, enables efficient and accurate mail acceptance and verification, and helps to ensure that full revenues are collected for business mail inducted into the Postal Service. Phase Two allows postage statements to be generated from electronic information, enables payments to be processed electronically, and re-engineers the mission critical but obsolete Permit system to incorporate its functionality into *PostalOne!*. It establishes the information infrastructure to help protect revenue at acceptance and verification time and avoid additional costs from poorly or improperly prepared mail. Phase Two also establishes a proof of concept effort for electronic in-line verification so that mail can be verified in Mailer's plants during production.

3.0 Background/Problem Definition

The Postal Service handles over 208 billion pieces of mail annually generating \$66 billion in revenue. Over 73 percent of that volume and 52 percent of that revenue is business mail, which includes bills, catalogs, flyers, advertisements, solicitations, periodicals, parcels, and many other forms of business communication. Over 861,000 business mailers conduct business with the Postal Service through the business mail entry channel.

The complexity of business mail acceptance continues to increase while business mail owners, mailers, and related organizations demand the best possible service and optimum delivery performance, all at the lowest possible cost. The Postal Service employs over 4,000 BME personnel to induct business mail at approximately 2,750 Business Mail Entry Units (BMEUs) and Detached Mail Units (DMUs). BMEUs are offices located at Postal Service facilities that accept business mail. DMUs are offices that accept business mail but are located at large business mail customer sites. BME personnel are responsible for ensuring that business mail is properly inspected and accepted in accordance with all rules and regulations of the Domestic Mail Manual (DMM) and International Mail Manual (IMM). Most importantly, they must accurately determine the correct postage due and record the associated business transactions to allow the Postal Service to collect payment for processing, transporting, and ultimately delivering the mail.

The key issues concerning the Postal Service business mail entry channel are as follows:

- 1. Stringent Customer Demands and Expectations** - Our business mailers are highly automated and use electronic information extensively. Based on mailer feedback, mailers requested that the Postal Service adopt fast, efficient, and consistent mail induction processes. In addition, the mailers would like to collaborate with the Postal Service electronically to eliminate the need to produce, handle, and archive hardcopy acceptance process documentation. Mailers want a single, consistent view into the Postal Service for all

their information including account, payment, acceptance status, delivery and performance. Mailers want superior levels of customer service and improved billing systems that provide them with details of their transactions.

2. **Labor intensive processes** - Business mail acceptance and verification is labor intensive. Acceptance clerks at BMEUs and DMUs must physically inspect, verify, handle, and route business mail presented in trays, sacks, and pallets. Additionally, acceptance clerks must interpret dozens of complicated postage statements, accurately determine the revenue due USPS, and manually enter (keyboard entry) all postage statement transactions into the Permit system, the USPS system for business mail.
3. **Revenue protection/cost avoidance** - BMEUs and DMUs are the channel for the \$34 billion of business mail that enters the Postal Service annually. The Postal Service presently relies on its acceptance clerks, versus technology or electronic information, in these facilities to accurately inspect, verify, rate, and record business mail transactions in an effort to obtain all revenues due. Unfortunately, as studies have pointed out, there are many instances in business mail acceptance and verification where the Postal Service fails to collect full revenues due, or incurs extra transportation and/or processing costs once mail is accepted. In other instances the Postal Service has lost significant revenue due to fraud.
4. **Unanticipated demand on Postal Service resources** - The Postal Service employs several forecasting systems to predict business mail volume and revenue. However, for the most part, business mail demand upon BME (and downstream) personnel and facilities is largely unanticipated, although acceptance clerks may receive advance notice of large mailings. When mail arrives up at entry units, it must be verified, accepted, processed, transported, and delivered in a timely manner. Consequently, BME units and downstream operations in processing, transportation, and delivery are often unaware of mail volume and must rush to adjust resources to process the mail in a timely manner.
5. **Lack of detailed business mail information** - Business mail owners and mailers make extensive use of electronic information in the planning and production of business mail. This information is extremely detailed and rich in business information and could be made available to the Postal Service. Currently, when mail is presented to the Postal Service for verification, acceptance, and payment, a summary compilation of that detailed data is made on a hard copy postage statement form. Acceptance clerks manually enter the summary data from the hard copy postage statement form into the Permit system. Consequently, rather than having detailed, electronic, business mail information, the Postal Service manually captures only summary information and then distributes it to other Postal Service systems.
6. **Reliance upon an outdated system** - As indicated above, \$34 billion of business mail revenue is recorded in the Permit system. However, this 20 year-old system is in dire need of replacement as detailed below.

Problems with the Permit System

The Postal Service has deployed a number of information processing systems to carry out the mission of business mail entry such as the Permit system, the Corporate Account Payment Systems (CAPS), Multiple Entry Point Payment System (MEPPS), and the Corporate Business Customer Information System (CBCIS). The Permit system supplies data to many other postal systems, such as Standard Field Account System (SFAS), Revenue Pieces Weight (RPW), and provides much of the information for the annual report. While the Permit system has served the Postal Service well, it needs to be replaced for the following reasons.

- **Obsolescence jeopardizes the Permit system** – Some Permit equipment is no longer available and can not be replaced. Terminals are reaching the end of their service life and some printers are no longer being manufactured. At least one software component used in the construction of the Permit application is also reaching end of life and vendor support will eventually cease. The Permit system was written in an old programming language, for which

there is a decreasing pool of professional programmers. In addition, a vendor maintains this system for the Postal Service.

- **Permit is unable to share data, limiting the Postal Service's ability to track customer business activity** – Permit system data is segregated into over 2,750 finance units and cannot be shared between those finance units. This makes fundamental questions like ' how much business has ABC customer done with us' difficult, and in many cases, impossible to answer. Results from business questions or queries can be inconsistent and inaccurate, impairing decision-making and damaging our relationship with our customers. Furthermore, the Permit system's proprietary (and obsolete) method of storing data does not allow it to integrate with other Postal systems. Permit data must be extracted and formatted for use in other systems. As a result of this technical limitation, critical data is not available until after the end of the accounting period in which it occurs.
- **Inability to share data created complexity** - Efforts to work around some of the Permit system's limitations resulted in the development of MEPPS, CAPS, and other systems. Permit system data is not truly shared outside of the Permit system. It is often simply duplicated and shipped to other systems creating additional complexity, cost, and redundancy. Occasionally, situations occur when the Permit system and the systems it feeds report financial information inconsistently. When this happens, it takes a great deal of manual effort to fix the problems to ensure that the data is consistent between the systems.

The Permit system is reaching the end of its useful life and inhibits the organization's ability to offer new products and services or understand and address customer's needs. This DAR recommends that the Permit application be re-engineered and incorporated into the *PostalOne!* environment and the obsolete equipment replaced. Since this effort will take several years to accomplish, it is essential that this re-engineering begin soon.

4.0 System Description

PostalOne! is a business-to-business system that allows the mailers to electronically collaborate and conduct business with the Postal Service. Mailers electronically send detailed mailing information to the Postal Service that will be used for demand forecasting, mail acceptance and verification, postage payment processing, and revenue forecasting. This information which includes detailed mail volume, makeup, packaging, origin, and destination specifications can be made available to all downstream organizations in processing, transportation and delivery, for planning purposes, revenue protection, and cost avoidance purposes.

Phase Two will complete development of all of the remaining postage statements. There are approximately 30 different postage statements that can be used by mailers during the presentation of mail for acceptance. Phase Two will also accomplish electronic payment processing of those postage statements. A Postal 'Wizard' will also be developed to provide small to medium business mailers with a simple method for collaborating with BMEU and DMU units. The current manual mail irregularity reporting process (Irregularities in the Preparation of Mail PS form 3749) for reporting, analyzing, and correcting mail irregularities will be automated to help the Postal Service avoid the high cost of reworking poorly prepared mail. A proof of concept effort will be performed during this phase for electronic in-line verification. This capability verifies mail in mailer's plants as it is being produced.