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SUBJECT: Management Advisory –
Commercial Internet Companies Offering
Change-of-Address Services
(Report Number OE-MA-03-003)

This report presents the results of our review of options provided by the Postal Service concerning commercial Internet companies offering change-of-address services (Project Number 02BG010EM001). This review is in response to the Postal Service's request for the Office of Inspector General (OIG) to focus attention on this issue as part of our audit of the Postal Service's MoversGuide.com initiative.¹ The objective of our review was to assess the three options provided by the Postal Service concerning change-of-address services offered by commercial Internet companies.

Results in Brief

We reviewed the options under consideration by the Postal Service. Option 1, leveraging commercial change-of-address services, offers the Postal Service numerous potential advantages, to include avoiding costs, increasing revenue, and improving customer service with potential drawbacks in the areas of privacy, security and risks to the

¹ MoversGuide.com is an Internet-based service that allows consumers to change their addresses with the Postal Service electronically or to print and submit a hardcopy change-of-address order to the Postal Service, and to access a variety of move-related products and services.

Postal Service's reputation. Option 2, not accepting change-of-address information from the commercial companies, would eliminate receiving potentially incorrect address information submitted by the companies. Option 3, informing commercial companies they are violating Postal Service policy, is not viable because the companies are operating within Postal Service policy.

Although ultimately a Postal Service business decision, we believe it would be more prudent for the Postal Service to explore Option 1. This option offers the Postal Service numerous potential advantages with few drawbacks. This option also supports Transformation Plan strategies to improve the overall accuracy of address information, reduce undeliverable-as-addressed mail,² and seek opportunities to create new services with minimal investment. In addition, while the Postal Service's Mover's Source³ alliance is in effect, the terms of the alliance may influence how the Postal Service could pursue this option.

Background

During our review of the MoversGuide.com initiative, we learned of commercial Internet companies offering move-related and change-of-address services to consumers, and submitting change-of-address information to the Postal Service on behalf of the consumers. The two companies we reviewed used the following process: A consumer submits their change-of-address information electronically to the commercial companies via the companies' Internet websites. The companies print and submit the hard copy change-of-address orders to the Postal Service, which processes the orders following its standard change-of-address procedures. (See Figure 1). Mail is subsequently forwarded to the consumer's new address.

² Mail the Postal Service cannot deliver as addressed and must forward to the addressee, return to the sender, or send to a mail recovery center. The Postal Service reports that it costs \$1.5 billion annually to process this mail.

³ Mover's Source is a family of moving programs established in an alliance between the Postal Service and Imagitas, Incorporated, to meet customers' moving needs. The alliance includes MoversGuide.com.

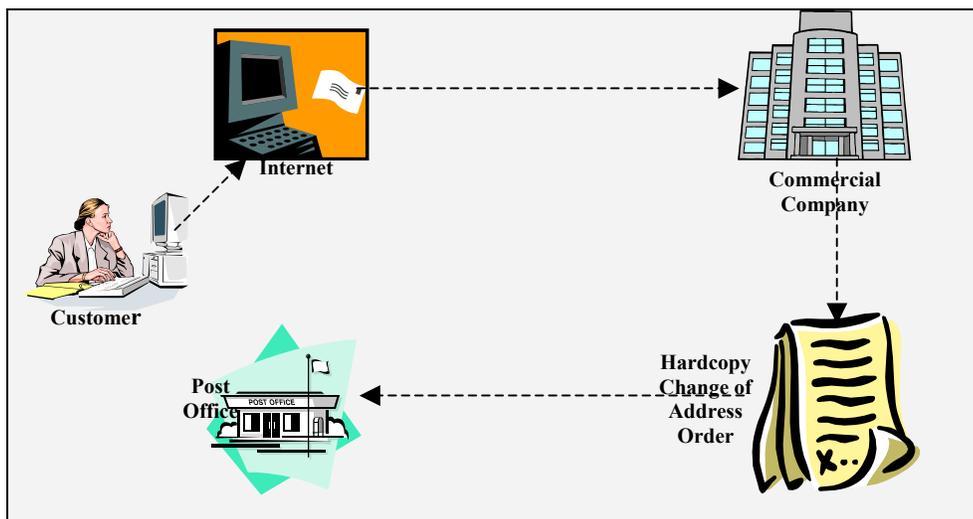


Figure 1. Commercial Change-of-Address Process

The OIG learned the Postal Service was aware of these companies, and that some companies had expressed an interest in partnering with the Postal Service to provide change-of-address orders electronically. The Postal Service had entertained ideas on how to address the companies.⁴ During our entrance conference in July 2002, we were informed the deputy postmaster general requested the Address Management office evaluate how to address these commercial companies. The manager, Address Management, identified three options for consideration. The options were for the Postal Service to:

1. Leverage the change-of-address services offered by commercial companies.
2. Not accept address changes submitted through commercial companies.
3. Inform the commercial companies they are violating Postal Service policy.

⁴ In February 2001, the Postal Service drafted a proposal to certify Internet change-of-address agents. In addition, the Postal Service sponsored an Internet Change of Address (ICOA) Strategy study, June 5, 2001, to analyze the economic benefits of increasing customer reach through Internet change-of-address services and the study included “next steps” for the Postal Service to consider.

The manager asked that during our audit of the MoversGuide.com initiative, we focus attention on the commercial companies offering change-of-address services via the Internet. In response, we assessed the viability of the three options being considered by the Postal Service.

Objective, Scope, and Methodology

Our objective was to review the three options being considered by the Postal Service concerning change-of-address services offered by commercial Internet companies. To accomplish this objective, we interviewed headquarters officials, program staff, and representatives of two commercial Internet companies who offer change-of-address services. We also reviewed Postal Service regulations and other pertinent documentation.

In assessing these options, we considered how to best protect Postal Service customers' personal information and the Postal Service's reputation, and potential improvements on Postal Service operations and revenues. We did not assess the potential impact of these options on commercial companies. In addition, we considered and included in our assessment information from a study the Postal Service sponsored in 2001 regarding an Internet change-of-address strategy.⁵ However, for the purposes of this report, we did not assess the accuracy of the information contained in the study, but rather considered the reasonableness of the information presented.

We conducted this review from June 2002 through February 2003 in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections. We discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

Prior Audit Coverage

The OIG published a report, Review of the Revised Rules Governing Commercial Mail Receiving Agencies (Report Number DE-AR-01-002, dated April 9, 2001).

⁵ The Internet Change-of-Address (ICOA) Strategy, dated June 5, 2001, (Booz-Allen Hamilton).

In this report, the OIG concluded the Postal Service did not show how revised rules governing commercial mail receiving agencies would curb fraud. In addition, the Postal Service did not assess the impact of the proposed rules on commercial agencies and consumers, or consider alternatives to revising the rules. The report made three recommendations addressing these rules.

Advantages and Drawbacks to Options Addressing Commercial Internet Companies Offering Change-of-Address Services

Option 1 – Leverage the Change-of-Address Services Offered by Commercial Companies.⁶

We concluded there are several potential advantages and drawbacks if the Postal Service leverages the services offered by the commercial companies. The potential advantages include:

- Creating revenue opportunities for the Postal Service. One of the goals of the Postal Service through its Mover's Source program was to target customers who move by implementing revenue sharing business development deals with online providers. Affiliating with other commercial Internet companies that provide change-of-address and other move-related services could be a potential revenue opportunity.
- Improving Postal Service operations through improved quality control measures placed on the commercial companies. The Postal Service most likely could not prevent commercial companies from submitting change-of-address information since the companies we reviewed are operating within Postal Service policy⁷ (see Option 3). However, by affiliating with the companies and receiving the address change information electronically, the Postal Service could require quality control measures, which could improve the accuracy and validity of change-of-address information it receives.⁸ The improved

⁶ The opportunity to obtain the greatest benefits from leveraging the companies' services would involve accepting the change-of-address orders electronically with address quality controls similar to the ones in place for MoversGuide.com. Therefore, these controls are the key elements on which we based our assessment of this option.

⁷ Postal Operations Manual, Issue 9, July 2002, Section 682.

⁸ The ability to provide information to the Postal Service electronically would have to be added.

information could help reduce undeliverable-as-addressed mail.

- Improving Postal Service operations and providing cost avoidance opportunities:
 - The commercial companies we reviewed offer Internet Mailer Notification services, which allow consumers to change their addresses directly with private entities.⁹ This process allows the private entities to change customer addresses before mailing correspondence, thereby reducing mail the Postal Service must forward. The Postal Service acknowledges Internet Mailer Notification services benefit its operations because it reduces undeliverable-as-addressed mail. The Internet Change-of-Address (ICOA) Strategy study indicated the two companies¹⁰ offered Internet Mailer Notification services with over 47,000 and 65,000 private entities respectively.¹¹ The Postal Service informed us it is in the process of developing a similar feature for MoversGuide.com.¹² However, very few private entities have expressed an interest in participating because of modifications they would have to make in their systems to accept the address change requests. By affiliating with commercial companies that offer Internet Mailer Notification services, the Postal Service could direct its customers from MoversGuide.com to these services. This would give Postal Service customers access to a greater number of private entities with which they could change their addresses.
 - The commercial company websites provide the Postal Service the opportunity for increased access to potential customers. If consumers, who might not otherwise visit the MoversGuide.com website, access the

⁹ The private entities include banks, credit card companies, newspapers, etcetera.

¹⁰ One of the companies acquired the other in September 2002.

¹¹ We did not assess the address change procedures for Internet Mailer Notification.

¹² The Postal Service refers to its Internet Mailer Notification feature as super change-of-address.

commercial company websites for other move-related services, they may also take advantage of the electronic change-of-address services. This supports the Postal Service Mover's Source objective to encourage customers to submit address changes online.

- Providing enhanced customer satisfaction. In comparing the services currently offered by MoversGuide.com with those offered by one of the companies we reviewed, we noted the commercial company offered a more extensive assortment of businesses that provide move-related services. The company also offers additional move-related services such as finding movers, storage facilities, real estate agents, home prices, and roommates; obtaining mortgage and insurance services; and locating childcare, repair and home maintenance services. Therefore, by affiliating itself with these commercial companies, the Postal Service could support its goals to provide customers with a broader array of move-related products and services. Ultimately, this could help the Postal Service with one of its primary Mover's Source program objectives to improve customer satisfaction, potentially improving its brand image.
- Supporting Transformation Plan strategies. Leveraging commercial change-of-address services could support the Postal Service Transformation Plan strategies to improve the overall accuracy of address information and reduce undeliverable-as-addressed mail. It also supports the Transformation Plan's strategy to seek opportunities to create new services with minimal investment.

The potential drawbacks include:

- By affiliating with commercial Internet companies, the Postal Service may increase its exposure to risks. For example:

- The additional Internet avenues for consumers to submit electronic address changes to the Postal Service inherently increase opportunities for breaches of security and privacy.
- The links from the commercial websites to other move-related websites raise issues related to Postal Service privacy policy¹³ and the Privacy Act of 1974. However, the Postal Service could mitigate these risks by requiring the companies to implement stringent security and privacy measures.
- If customers are defrauded as a result of using the move-related services or if the move-related companies offer customers less than satisfactory service, the Postal Service's reputation as a trusted third party could be damaged. The damage could occur because customers may think the Postal Service endorses the move-related companies.

In addition, to pursue this option, the Postal Service would have to address restrictions imposed by its Mover's Source alliance. Under the terms of the Mover's Source alliance, the Postal Service may not be able to enter into agreements in this area outside of the alliance.

Option 2 - Not Accept Address Changes Submitted Through Commercial Companies.

The advantages of this option are as follows.

- If the companies were not involved, the Postal Service would not have to be concerned with the potential negative impact on its reputation as a trusted third party. This impact could result from fraudulent activity or breaches of customer information via the commercial company websites, which consumers could mistakenly associate with the Postal Service. In fact, one of the companies we reviewed claimed it was a recognized change-of-address agent with the Postal Service, although the

¹³ Title 39, Code of Federal Regulations.

Postal Service does not endorse third parties as agents.

- The Postal Service could reduce its risk of processing inaccurate customer address information. One of the companies we reviewed did not verify the accuracy of the address information consumers entered. The lack of quality controls in this process could result in errors, which the Postal Service would have to correct. Ultimately, this could increase processing times and operating costs.

A potential drawback of selecting this option would be the Postal Service could expose itself to criticisms similar to those addressed in the OIG report on commercial mail receiving agencies.¹⁴ Those criticisms included the Postal Service created the appearance that it misused its regulatory authority to hinder competition.

Option 3 - Inform the Commercial Companies They are Violating Postal Service Policy.

Informing the commercial companies they are violating Postal Service policy was not a viable option because the companies are operating within Postal Service policy. Postal Service policy¹⁵ allows third parties, such as a customer's agent, to submit change-of-address orders on behalf of a customer. There are no limitations or restrictions on what constitutes a customer's agent.

Conclusion

Although ultimately a Postal Service management decision, we believe it would be more prudent for the Postal Service to explore Option 1, leveraging commercial change-of-address services. This option offers numerous potential advantages over Options 2 and 3 to include avoiding costs, increasing revenue, and improving customer service. This option also supports the Postal Service Transformation Plan strategies to improve the overall accuracy of address information and to seek opportunities to create new services with minimal investment. In addition, the option facilitates the Transformation Plan's strategy to reduce undeliverable-as-addressed mail. Furthermore, by meeting with these

¹⁴ The Review of the Revised Rules Governing Commercial Mail Receiving Agencies (Report Number DE-AR-01-002, dated April 9, 2001).

¹⁵ Postal Operations Manual, Issue 9, July 2002, Section 682.

companies, the Postal Service could avoid criticisms that it misused its regulatory authority to hinder competition. However, potential drawbacks to Option 1 include added privacy issues, a potential for increased vulnerability to security threats, and risks to the Postal Service's reputation. In addition, while the Postal Service's Mover's Source alliance is in effect, the terms of the alliance may influence how the Postal Service could pursue this option.

**Management's
Comments**

Management agreed with our conclusion that it would be prudent for the Postal Service to explore leveraging commercial change-of-address services, within the limitations of the current Strategic Alliance agreement.

Management's comments, in their entirety, are included in the appendix of this report.

**Evaluation of
Management's
Comments**

Management's comments are responsive to the information presented in this report.

We appreciate the cooperation and courtesies provided by your staff during our review. If you have any questions, or need additional information, please contact Robert J. Batta, director, Accepting and Processing, at (703) 248-2100 or me at (703) 248-2300.

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APPENDIX. MANAGEMENT'S COMMENTS



January 30, 2003

RONALD D. MERRYMAN

SUBJECT: Draft Management Advisory – Commercial Internet Companies Offering
Change-of-Address Services (Report Number OE-MA-03-DRAFT)

Thank you for your assessment of the options provided by the Postal Service concerning commercial Internet companies offering change-of-address services. In your report, you state that the Postal Service should consider leveraging commercial change-of-address services. You acknowledge, however, that the Postal Service's Strategic Alliance agreement with Imagitas, Inc., will affect any relationship with a potential partner as it relates to this business.

Management agrees with your conclusion that it would be prudent for the Postal Service to explore leveraging commercial change-of-address services, within the limitations of the current Strategic Alliance agreement. As we look at working with these commercial companies, we will need to assess ways to protect the data through additional privacy protections and data security. To that end, we have begun discussions with commercial Internet companies offering change-of-address services who express an interest in talking with the Postal Service.

If you wish to discuss any of our comments, our staffs are available at your convenience.


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