OFFICE OF
INSPECTOR
GENERAL
UNITED STATES POSTAL SERVICE

Small Business Growth

Audit Report

June 20, 2013

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

June 20, 2013

Small Business Growth

Report Number MS-AR-13-009

BACKGROUND:

There are 23 million small businesses in the U.S. and they play a vital role in the national economy and the mailing industry. They are one of the U.S. Postal Service's key customer segments, generating more than $9 billion in annual revenue, and the small business mailing and shipping marketplace continues to grow. The Postal Service has focused on growing small business revenue and has a variety of ongoing initiatives. Two initiatives are a program for postmasters to build contacts, leads, and relationships with small businesses and a contracted sales staff (telesales) to reach the small business market.

Postmasters and sales staff are central to these initiatives — postmasters often are the link to local small businesses while sales staff members manage and implement many small business-related programs. Our objectives were to evaluate the effectiveness of the Postal Service's postmasters' and sales staff's efforts for growing small business revenue and identify opportunities for growth.

WHAT THE OIG FOUND:

There is an opportunity for the Postal Service to retain and grow revenue from its existing and prospective small businesses by improving the efficiency of its postmasters' and sales staff's efforts. The Postal Service can improve the effectiveness of growth in the small business market by developing and implementing a strategy to place organizational priority on generating small business revenue; further leveraging the relationship postmasters have with local small businesses by establishing a process for postmasters to obtain funding to join local civic organizations; enhancing collaboration between postmasters and sales staff and developing clear communication paths to support postmasters; and improving the availability and usage of quality sales-related tools, data, and training.

We estimate these collective improvements could result in additional small business revenue of $122 million in fiscal year 2013.

WHAT THE OIG RECOMMENDED:

We recommended the Postal Service develop a strategy to increase the priority that postmasters and sales staff place on generating small business revenue. We also made recommendations regarding postmaster involvement in civic organizations; sales staff interaction with postmasters; and the availability and use of sales-related tools, market data, and training.

Link to review the entire report

June 20, 2013

MEMORANDUM FOR: WILLIAM C. RUCKER III
VICE PRESIDENT, SALES

EDWARD F. PHELAN, JR.
VICE PRESIDENT, DELIVERY AND POST OFFICE
OPERATIONS

E-Signed by Inspector General
VERIFY authenticity with eSign Desktop
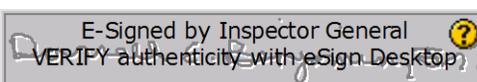
FROM: Darrell E. Benjamin, Jr.
Deputy Assistant Inspector General
for Revenue and Performance

SUBJECT: Audit Report – Small Business Growth
(Report Number MS-AR-13-009)

This report presents the results of our audit of the U.S. Postal Service's Small Business[1] Growth (Project Number 12RG032MS000).

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

Attachment

cc: Nagisa Manabe
Megan J. Brennan
Jeffrey C. Williamson
Sean M. Lacey
Corporate Audit and Response Management

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[1] For the purpose of this audit we consider businesses with less than 500 employees.

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Introduction

This report presents the results of our audit of the U.S. Postal Service's Small Business Growth (Project Number 12RG032MS000). Our objectives were to evaluate the effectiveness of the Postal Service's postmasters'[2] and sales staff's efforts for growing revenue from small business customers and identify opportunities for growth. This audit addresses financial and operational risk. See Appendix A for additional information about this audit.

Small businesses[3] play a vital role in the national economy and the mailing industry. Currently, there are about 23 million small businesses in the U.S. Small businesses are one of the Postal Service's key customer segments and they contribute about $9 billion in revenue (about 14 percent of operating revenue) to the economy annually. The shipping and mailing market for small businesses continues to grow, in part, from the rise in e-Commerce related-transactions. The Postal Service has estimated a potential opportunity for ▮▮▮▮▮▮ in new revenue from small businesses.[4]

The Postal Service has recently renewed its focus on small business customers stating, "Small businesses are the backbone of the American economy, and the Postal Service plays an important role in enabling their growth and commercial success."[5] The Postal Service has focused on growing small business revenue as part of various Delivering Results, Innovation, Value, and Efficiency (DRIVE) initiatives related to preserving and growing its shipping and mailing (in other words, marketing, transaction, and commercial) products and services.

Postmasters and sales staff are both responsible for reaching out to current and prospective small business customers. Postmasters are typically at the forefront of interactions with local small business customers, either by providing service, addressing service issues, or selling Postal Service products and services. The Business Connect Program was designed to engage postmasters in generating revenue and strengthening relationships with small business customers.[6] Under this program (which is managed by the sales organization), postmasters are encouraged to contact at least 24 local businesses each year via group meetings, lobby events or face-to-face customer meetings. Postmasters are also encouraged to contact sales staff if they require assistance performing these activities.

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[2] For the purposes of our report, "postmaster" includes station managers and other field staff designated to handle small business sales at a Post Office or Branch Office.
[3] The Small Business Administration (SBA) recently defined a small business as "an independent business having fewer than 500 employees." See *Small Business Administration - Office of Advocacy* (2012 September), Frequently Asked Questions.
[4] Decision Analysis Report Business Case, *Every Door Direct Mail (EDDM) - Inside Sales*, February 2012.
[5] Usps.com/News Release No. 12-036, March 20, 2012.
[6] *Employee Engagement Program Guidebook*, Version 14, page 4, November 16, 2012.

Sales staff are responsible for managing and implementing many of the support functions which promote small business growth, including managing a contracted call center;[7] providing tools, data, and training to postmasters; following up on leads from other Employee Engagement Programs (EEP),[8] and inviting postmasters on sales calls. At the district level, business development specialists (BDS) (which report to district marketing managers) are often the link between postmasters and sales staff.

Conclusion

There is an opportunity for the Postal Service to retain and grow revenue from its existing and prospective small businesses by improving the efficiency of postmasters' and sales staff's efforts. The Postal Service has taken a variety of steps to grow small business revenue, including building contacts, leads, and relationships with small business customers through the Business Connect and Inside Sales programs. The Postal Service can improve the effectiveness of these actions by:

- Developing and implementing a strategy to increase the organizational priority placed on generating small business revenue.

- Further leveraging the status of postmasters with local small businesses by establishing a process for encouraging postmasters to submit, and management to approve, funding requests to join local civic organizations.

- Requiring enhanced collaboration between postmasters and sales staff and developing clear communication paths to support postmasters.

- Improving the availability and use of quality sales-related tools, data, and training.

Considering that Postal Service and other market research has shown a multi-billion dollar opportunity for the Postal Service in the small business market, we estimate that these collective improvements could result in additional small business revenue of $122 million in fiscal year (FY) 2013. See Appendix B for our detailed calculation of the monetary impact.

Organizational and Operational Issues Hinder Small Business Efforts

Opportunities exist for the Postal Service to increase small business revenue by more effectively using postmasters and sales staff. The Postal Service has undertaken a range of efforts to grow small business revenue — including the Business Connect and Inside Sales programs — which focus on building contacts, leads, and relationships with

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[7] Inside Sales is a contracted call center program aimed at selling EDDM and other products to small business customers.
[8] EEPs are initiatives designed for Postal Service employees to identify new business opportunities and leverage customer relationships to generate new revenue.

customers. These actions are consistent with the best practices[9] of leading organizations. However, we found that postmasters and sales staff — the two groups primarily responsible for generating revenue from small businesses — were not always effective because the Postal Service has not made generating small business revenue a high priority for these groups. In addition, the postmaster's community status is not being leveraged effectively to build relationships with local businesses. Further, the collaboration between postmasters and sales staff is not always effective and sales-related tools, data, and training for postmasters is not readily available or used effectively. These cumulative organizational and operational issues not only hinder the effectiveness of the postmasters' and sales staff's efforts, but also the Postal Service's overall ability to generate revenue from current and potential small business customers. We estimate these collective improvements could result in additional small business revenue of $122 million in FY 2013. See Appendix B for monetary impact and our detailed calculations.

Small Business Revenue Priority

The postmaster general recently testified[10] on the importance of retaining existing revenue streams and seeking out new sources of revenue and the chief operating officer informed postmasters that everyone is part of the sales force.[11] These messages reinforce the importance of postmasters' and sales staff roles in increasing small business revenue. However, the Postal Service has not placed a high priority on generating small business revenue due to a variety of reasons including time constraints, resource and staffing limitations, and conflicting management priorities. While we recognize that these challenges are similar to those faced by other leading service companies,[12] we found that other companies place a high priority on generating revenue from small business customers.

Postmasters

We surveyed 9,073 postmasters at Level 18 and above post offices[13] (see Appendix C for an example of the survey sent). We received 2,549 responses (a 28 percent response rate), which are summarized throughout this report.

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[9] We gathered additional perspective on best practices identified in this report from researching leading organizations including the Audit Director's Roundtable, Corporate Executive Board, FedEx, United Parcel Service (UPS), IBM, Accenture, Wharton Business School, Booz-Allen, and the Sales Executive Council.

[10] Statement of the Postmaster General and Chief Executive Officer Patrick R. Donahoe before the Committee on Oversight and Government Reform, U.S. House of Representatives, April 17, 2013.

[11] Megan Brennan, chief operating officer and executive vice president, address at the National Association of Postmasters convention in September 2012.

[12] We reviewed practices used by other leading service-related companies — FedEx, UPS, and IBM — to show that they place a priority on generating revenue from small businesses.

[13] Includes post offices, stations or branch offices. The Postal Service determines Post Office levels based on factors such as workload, revenue, delivery points, and number of employees – generally, the higher the level, the larger the office. We judgmentally chose Level 18 and above offices to obtain responses from postmasters in offices with the greatest opportunities for small business growth.

The responses below reflect the current level of priority given to generating small business revenue.

- Forty-eight percent said the Postal Service has not conveyed the message that a dollar earned in revenue is equal to a dollar saved in operations.

- Forty-nine percent said they do not have time to pursue new small business revenue.

- Fifty-five percent said they spent 1 hour or less each week seeking small business sales and 75 percent said they do not have a revenue goal for Business Connect meetings.

The following are examples of comments we received from the survey:

- "If generating revenue was persued [sic] like making budget, the Postal Service would be rich. If I cost the Postal Service 3 hours of clerk time to sort the parcels for dispatch, but made a million dollar sale, I would get negative feedback."

- "All efforts are aimed at cost savings. When new business is generated it is looked upon as a burden instead of an opportunity."

- "There are 10-1 times many more telecoms to discuss past operational performance than there are those directed at growing the businesses or bringing in new revenues. The majority of the manager's time is spent preparing for the next report/email wanting information yesterday or by COB or to get ready for another telecom. The sales and lead generating activities need to be brought to the forefront of daily activity if we are to grow the business and cut out some of the other redundant things we report on."

- "I make the time by considering it to be part of my job. Each day (with the exception of Monday when I'm postmaster and delivery supervisor) I spend at least 30 minutes on employee engagement programs – I try to have four leads a week. . . I also try to group businesses to visit – if I have 30 minutes to go for a drive – I will try to visit two or three businesses that are close. I try to always go out and meet people when they first open a new business. I think by reaching out to them and actually meeting them and showing concern about their shipping needs, it puts us first in their mind. I think the main thing for people to do is that they have to consider growing revenue as part of their job. It should not be optional – because revenue is what we need, now."

- "In the operations side of the postal service, it seems that higher level management has no accountability in regards to revenue generation. The only concern is productivity and making the budget. If I were to send out a carrier on overtime to provide a customer with a pick up that brought in revenue, I would be receiving a

phone call reprimanding me for using overtime and the reasoning for the use of that by generating revenue would be laughed at and disregarded."

We met with 34 judgmentally selected postmasters based on Business Connect data[14] to obtain additional information related to conflicting management priorities and resource limitations identified in our survey. Specifically, postmasters raised issues about how effectively they were using their time, from a revenue and operations perspective, including being required to:

- Provide support activities for window clerks, such as going to the bank for change and performing lobby sweeps.[15]

- Perform lobby director duties.[16]

- Spend 8 hours watching window clerks after failing a mystery shop wait time in line.

- Input 10 customer complaints per week into the Enterprise Customer Care system.[17]

In discussing these survey results and findings with Postal Service managers, they stated these actions are important for operational and management purposes and not performing these functions would negatively impact performance. These officials also stated that many postmasters do not have time to interact with small businesses because of operational priorities or are not being equipped or trained to do so. They also stated that small business revenue generation should be on hold until the infrastructure is right-sized, largely because the savings derived from cutting routes or other cost-saving actions would greatly offset any small business revenue-generating efforts. Furthermore, these officials stated that postmasters' primary focus should be on operations, as they were not hired to generate revenue.

While we recognize that managing operations is important, discounting a postmasters' priority for generating small business revenue may not be financially prudent. Furthermore, such actions are inconsistent with the aforementioned statements of the postmaster general and chief operation officer who stressed the importance of generating revenue, and the postmasters' role in doing so, as well as the requirements as described in the postmasters' job duties.[18] Postmasters are in an advantageous

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[14] We judgmentally selected high- and low-performing postmasters based on their number of Business Connect activities and revenue.
[15] Lobby sweeps should be conducted when lines are long due to retail associates conducting lengthy transactions. A supervisor, postmaster or retail associate can conduct a lobby sweep for customers who are conducting non-revenue transactions, such as picking up mail.
[16] The lobby director is a friendly, knowledgeable clerk in the lobby who greets customers, determines what they need, and assists them in selecting services and preparing paperwork before they reach the service counter.
[17] The Enterprise Customer Care application is a case management system that is used to manage customer inquiries and provides Consumer Affairs Offices and local post offices with email functionality for resolving customer inquiries.
[18] According to the postmaster (Executive and Administrative Schedule-18-26) job description online on the Postal Service Blue Pages in April 2013, postmasters are expected to identify with and be appropriately involved with their community; present a favorable Postal Service image to the community; and have the ability to sell ideas, positions, and recommendations to others.

position, based on their community status, for reaching out to small business customers. Emphasizing revenue generation as a priority to postmasters could help increase their focus and effectiveness during the limited time they have available to pursue sales.

Sales Staff

Postal Service sales staff also face challenges with making small business growth a sufficient priority. Staffing limitations and other financial considerations hinder the sales staff's efforts to pursue small business revenue. Specifically, sales management officials stated that it is not cost effective for sales staff to reach out to small business leads and that available sales staff should focus on larger customers. Consequently, leads submitted to the sales group as part of the Employee Lead Program may not be fully pursued by the sales staff. As such, the Postal Service may be missing revenue opportunities that could result from current leads in the program. In addition, our survey indicated that 27 percent of postmasters responding said that employees have raised concerns about a lack of feedback from sales staff regarding the leads they have submitted. This lack of feedback could prevent employees from pursuing quality leads in the future.

The Postal Service should develop a clear strategy to ensure that generating small business revenue is considered a priority for postmasters and sales staff. When developing this strategy, the Postal Service could emphasize this priority by:

- Evaluating ways to allow postmasters sufficient time to generate sales – this would help postmasters prioritize and build revenue-generating responsibilities into their workload.

- Setting revenue targets in the Business Connect Program – currently postmasters only have targets for the number of Business Connect meetings. Incorporating revenue targets into the Business Connect Program could help increase the priority on revenue generation.

- Increasing the number of small businesses that postmasters are encouraged to contact as part of the Business Connect Program – currently postmasters are encouraged to contact 24 small businesses a year (two per month). Increasing this target would strengthen the priority on generating revenue from small businesses.

Leveraging Postmaster Relationships

The Postal Service could further leverage the status of its postmasters with local businesses by actively funding postmaster memberships to local business organizations, such as Chambers of Commerce. These organizations are often productive avenues for building relationships with local businesses and more actively funding these memberships could help postmasters build relationships that are useful for retaining and growing small business customers.

The Postal Service has emphasized that the postmaster title weighs heavily in the community as a valued resource to assist customers with their mailing and shipping needs.[19] Applicable research also supports this conclusion and states the following regarding the power of relationships in generating revenue:

- Relationships are the greatest "off-balance sheet" asset a business has, and businesses need to leverage these relationships instead of reinventing them.[20]

- Businesses are 10 times more likely to grow revenue from an existing customer than a new customer. Keeping existing customers is a part of the revenue-generating process that is often undervalued.[21]

- Positive relationships with existing customers can create a strong barrier of entry to its competitors.[22]

- Having established relationships with prior customers can be a useful tool for winning these customers back — businesses are twice as likely to successfully sell to a lost customer than to a brand new customer.[23]

Current Postal Service policy allows for expenditures that further the business and competitive interests of the Postal Service[24] — and fees or membership dues to local business organizations are allowable under that policy. We identified 143 post offices[25] which had membership fees in local business organizations paid by the Postal Service in FY 2012. The total fees paid were $39,722, while corresponding Business Connect data showed that these offices reported revenue of $8.9 million. This is a significant return on investment (ROI). According to our survey results, only 8 percent of the responding postmasters have a Postal Service-sponsored membership. Some postmasters stated they were denied funds for membership or were not aware that the Postal Service would sponsor their membership. We also found that some postmasters were paying membership fees from their personal funds because they felt the membership was important.

Encouraging postmasters to submit, and management to approve, funding requests to join appropriate local civic organizations could be an effective mechanism for gaining new revenue by leveraging and building relationships with current and prospective small businesses in the community. Furthermore, these relationships may be useful for offsetting other considerations that small businesses make when deciding to conduct business with the Postal Service. For example, a previous eBay manager pointed out

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[19] *Employee Engagement Program Guidebook*, Version 14, page 4, November 16, 2012.
[20] David Nour, "Relationship Economics," John Wiley & Sons © 2011.
[21] David Nour, "Relationship Economics," John Wiley & Sons © 2011 pages 117-118.
[22] David Nour, "Relationship Economics," John Wiley & Sons © 2011 pages 117-118
[23] Jill Griffin, "Customer Loyalty," Jossey-Bass A Wiley Imprint © 2002, page 220.
[24] *Administrative Support Manual*, Section 7, November 29, 2012.
[25] We identified the 143 offices based on a review of accounts payable data for civic organizations recorded in the Accounting Data Mart.

that, typically, small businesses start with the Postal Service, but then leave for discounts offered by UPS and FedEx.[26] The Postal Service could reduce defection and bring back lost customers by encouraging postmaster relationships with small businesses in their community.

Partnership Opportunities Between Postmasters and Sales Staff

The collaboration between postmasters and sales staff is not effective in generating small business revenue. The FY 2012 Sales Management Process states that local sales staff should routinely invite postmasters to accompany them to customer meetings and request the postmasters to follow-up with customers. In addition, postmasters are encouraged to contact their local sales team for assistance with their Business Connect opportunities.[27] This effective partnership is consistent with that of leading organizations, which found that collaborative relationships between sales staff and other staff who interact with customers (similar to how postmasters would) is useful for retaining current customers and capturing new customers.

However, our survey results found the following issues related to the current partnerships between the postmasters and the sales staff:

- Seventy-two percent of postmasters had not been invited to accompany a sales representative to a sales meeting in the past year.

- Forty-five percent of postmasters did not know who their sales representatives were.

- Fifty-one percent of postmasters had not met with a sales representative within the past year.

In discussing these survey results and findings with Postal Service sales managers, they agreed that many postmasters may not know their sales representative, but instead may be contacting a BDS in their respective district office in lieu of their sales representative. We found that the sales-related duties and responsibilities of a BDS, who is a member of a district marketing team and not the sales organization, vary throughout the organization. For example, some are heavily involved in reviewing EEP leads, while others are more focused on promoting involvement in, and educating postmasters on, EEP programs. Developing clear communication paths for postmasters to get support from either a BDS or sales representative would benefit postmasters in their small business revenue-generating efforts.

We also found that many postmasters misunderstand the collaborative element of the Business Connect Program, which may have resulted in revenue opportunities that were not fully pursued. Based on our survey results, 59 percent of postmasters stated they believed that sales staff would follow up on information they enter into Business Connect. However, based on a review of Postal Service documents and conversations

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[26] Jeff Jordan, "Avoiding Financial Armageddon at the Post Office," *The Atlantic.*
[27] FY 2012 *Sales Management Process*, April 2012, page 43.

with the sales staff, we found the sales staff does not follow-up on Business Connect entries unless they are contacted by the postmaster and Business Connect is not considered a sales lead-generating program. Thus, in instances where postmasters did not take it upon themselves to contact a member of the sales staff, the meetings logged in Business Connect were not reviewed or acted upon — a condition that likely resulted in lost revenue opportunities.

In FY 2012, we found that 1,694 of the 653,000 meetings logged into Business Connect were later logged by sales staff into CustomerFirst![28] as leads after being contacted by postmasters. We analyzed the 1,694 leads and compared them to other categories of leads recorded by sales staff. We found that close rates and average sales for a Business Connect lead source —when a postmaster contacts and collaborates with the sales staff — are higher compared to other lead sources recorded by the sales staff (see Table 1).[29]

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[28] The CustomerFirst! system is used by sales staff to manage business customer accounts and service requests.
[29] Table 1 represents lead sources that make up at least 1 percent of the total.

Table 1: Highest Close Rates by Sales Lead Source for FY 2012

Lead Source	Lead Count[30]	Percentage of Total Lead Count[31]	Sold Revenue[32]	Average Sold Revenue/ Lead[33]	Sold Lead Count[34]	Close Rate[35]
Business Connect	■	■	■	■	■	■
Territory	■	■	■	■	■	■
Business Service Network	■	■	■	■	■	■
Clerk Craft	■	■	■	■	■	■
Grow Your Business Day's – EDDM	■	■	■	■	■	■
Priority Mail Regional Rate Campaigns	■	■	■	■	■	■
Priority Mail Flat Rate Box Campaigns	■	■	■	■	■	■
International Shipping 2012 Campaigns	■	■	■	■	■	■
Submit a Lead	■	■	■	■	■	■
Customer Connect	■	■	■	■	■	■
Rural Reach	■	■	■	■	■	■
New Mailing Opportunity Program	■	■	■	■	■	■
e-Commerce	■	■	■	■	■	■

Source: CustomerFirst!

We also conducted discussions with 24 postmasters who recorded significant revenue in Business Connect and stated that they felt confident about selling postal service products and services to small businesses. The confidence was due to awareness of their role in building customer relationships and getting to know the customers' businesses and not needing to know everything about products and services because they could rely on their sales representatives. These strong relationships are beneficial to growing small business revenue. For example, one postmaster stated that when a local business person came into the Post Office to complain about missing and damaged packages, the postmaster asked questions specific to their business. The postmaster then contacted a sales representative for assistance and, after some collaboration, generated a $2.5 million sale.

The Postal Service could promote these types of relationships, which would increase postmaster confidence to generate more small business revenue by establishing a process for requiring periodic meetings between postmasters and sales staff. As part of

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[30] The total number of leads recorded by sales staff for that category.
[31] The percentage of leads for a particular category compared to the total number of leads.
[32] The total amount of sold revenue for a particular lead category.
[33] The average sold revenue per lead that is calculated by dividing sold revenue by lead count.
[34] The total number of leads that resulted in a sale.
[35] The number of leads converted to a sale. This is calculated by dividing the sold lead count by the lead count.

this effort, it may be useful to develop clear communication paths for postmasters to get needed support from either BDSs or sales staff to assist in their small business revenue-generating efforts.

Sales Tools, Data, and Training

Sales-related tools, data, and training for postmasters are not readily available or used effectively, which may limit a postmaster's ability to generate small business revenue. For example:

- The Business Connect Opportunity Tool Kit on the sales web page that provides information to postmasters about businesses to contact in their area is outdated. Specifically, we found that some businesses identified as "new" were established years ago. We also found that the Tool Kit does not provide other information that may be useful, such as market data on potential Express Mail® customers.

- Market data already being collected, purchased, and used by the sales group was not provided to postmasters. For example, 33 percent of surveyed postmasters said they did not know the business segments or industries they should target. Instead, 65 percent rely on input from carriers and 16 percent rely on the *Yellow Pages* for sales leads.

- The sales organization has established a web page to provide guidance to postmasters when reaching out to small businesses as part of the Business Connect Program. However, we found the web page does not provide product-specific scripts, which could aid postmasters in conducting effective Business Connect meetings.

- Postmasters stated that they do not feel they have been sufficiently trained to be effective at generating small business revenue. According to our survey, 93 percent of postmasters stated they had less than 10 hours of training related to making sales to small businesses in the last year and 63 percent stated the Postal Service would benefit from providing them with additional training to close small business sales. In addition, 42 percent do not feel they are an effective sales representative for the Postal Service. Our survey also revealed the following responses:

  o "I think we, as postmasters, should all have sales training to learn how to talk to small business owners. We should shadow a sales representative so we know what we are doing and how to discuss their options with them."

  o "Yes, time is an issue for many postmasters, but I also think that I feel inadequate to give a knowledgeable presentation. Instead of the sales department hammering us with emails, they should have workshops for the employees. They could also bring postmasters along when they give presentations to customers. Give us real training, not a bunch of papers and a website."

- o "I think that if we are supposed to visit small business customers, then we need to be provided with adequate hands on training to show us how to execute a sale, what resources are available for us, and what products are to be targeted for small businesses."

Postal Service sales officials stated that sales tools, data, and training are available and gave the example that postmasters are given key sales guidance on a quarterly basis. However, after being briefed on our survey results, management recognized that the current tools, data, and training may not be resonating with the postmasters.

The Postal Service could take action to establish a process for improving the availability and usage of its sales-related tools, market data, and training. Specifically, the Postal Service could provide postmasters with additional training on selling Postal Service products and services, update the data in the Business Opportunity Tool Kit, and provide postmasters with product sales scripts and market data.

Recommendations

We recommend the vice president, Sales, in coordination with the vice president, Delivery and Post Office Operations:

1. Develop a clear strategy to increase the priority that postmasters and sales staff place on generating small business revenue, such as evaluating ways to allow postmasters more time to sell Postal Service products and services, setting Business Connect revenue targets, and increasing Business Connect meeting targets.

2. Establish processes for requiring periodic meetings between postmasters and sales staff and developing clear communication paths for postmasters to get needed support from either business development specialists or sales staff to assist in their small business revenue-generating efforts.

3. Establish a process for improving the availability and use of sales-related tools, market data, and training. The process should include providing postmasters additional training on selling Postal Service products and services, updating data in the Business Opportunity Tool Kit, and providing postmasters with product sales scripts and market data.

We recommend the vice president, Delivery and Post Office Operations:

4. Leverage the postmasters' community status by encouraging postmasters to submit, and management to approve, funding requests to join local civic organizations.

Management's Comments

Management disagreed with recommendations 1, 2, and 4, as well as the monetary impact. Management agreed with recommendation 3.

Regarding recommendation 1, management stated that they have a successful set of well-defined processes in this area. They also stated that postmasters continue to log sales and increase revenue significantly, and that they continue to evaluate the use of postmasters' time.

Regarding recommendation 2, management stated the OIG failed to demonstrate that current processes are inadequate or that there is a valid need for additional support.

Management agreed with recommendation 3 and stated that, as part of the small business strategy, the sales organization will support postmasters in building a connection with their local business communities. Management stated that Sales and Delivery and Post Office Operations will work together to determine the strategy and communications for this effort, which should be completed by June 2014.

Management disagreed with recommendation 4 and stated that the audit failed to demonstrate through data that there is a causal relationship between postmasters belonging to civic organizations and revenue generation.

In response to the monetary impact estimate, while management stated they agreed with the OIG's methodology and assumptions around the revenue gain, they do not agree with all of the recommendations and, therefore, do not believe the revenue gain can be achieved. See Appendix D for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments for recommendation 3 responsive. However, the OIG considers management's comments for recommendations 1, 2, and 4 to be unresponsive. Since management does not plan to take corrective action on these three recommendations, the associated issues identified in the report will continue to exist.

Regarding recommendation 1, while management stated that a well-defined set of processes is in place, our audit work, particularly the survey results collected from 2,549 postmasters, showed that revenue generation was not considered a high priority for the majority of postmasters. We continue to believe that developing and implementing a strategy to increase the organizational priority placed on generating small business revenue is needed.

Regarding recommendation 2, while management asserted that the OIG failed to demonstrate that current processes are inadequate or that there is a valid need for additional support, our survey results from 2,549 postmasters clearly showed that the

collaboration between postmasters and sales staff was not effective in generating small business revenue. Specifically:

- Seventy-two percent of postmasters had not been invited to accompany a sales representative to a sales meeting in the past year.

- Forty-five percent of postmasters did not know who their sales representatives were.

- Fifty-one percent of postmasters had not met with a sales representative within the past year.

These results are concerning because (a) the *FY 2012 Sales Management Process* states that local sales staff should routinely invite postmasters to accompany them to customer meetings and request the postmasters to follow-up with customers and (b) postmasters are encouraged to contact their local sales team for assistance with their Business Connect opportunities. We believe these findings highlight issues with the partnership between postmasters and sales staff, and that corrective actions would be beneficial.

Regarding recommendation 4, while management asserted that the audit failed to demonstrate through data that there is a causal relationship between postmasters belonging to civic organizations and revenue generation, our analysis of 143 post offices with membership fees to local business organizations paid by the Postal Service in FY 2012 showed a significant ROI. Furthermore, fees or membership dues paid to local business organizations can, and are, being funded under current Postal Service policy for expenditures that further the business and competitive interests of the Postal Service. We continue to believe that further leveraging the status of postmasters with local small businesses through local civic memberships should be considered for growing relationships and revenue with local small businesses.

In regard to management's disagreement with our monetary impact estimate, we had multiple discussions with management on the methodology, assumptions, and resulting monetary impact. We also provided management with a possible revision to our original estimate after issuing the draft report. However, we were unable to agree on a revision, thus, believe our estimate is the best estimation of additional revenue if management implemented the recommendations. We consider our proposal to be reasonable, particularly if corrective actions are taken in response to our recommendations.

Management plans to take corrective action on recommendation 3. The OIG does not consider management's comments responsive to the finding and recommendations 1, 2, and 4 in the report, but does not plan to pursue them through the formal audit resolution process. The OIG considers all the recommendations significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed for recommendation 3. This recommendation should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

Recommendations 1, 2, and 4 will be closed with the issuance of this report since management does not plan to take correction action.

Appendix A: Additional Information

Background

Small businesses[36] play a vital role in the national economy and mailing industry. In 2013, there were about 23 million small businesses in the country. Small businesses are one of the Postal Service's key customer segments and, according to the Postal Service, annually contribute about $9 billion in revenue. Postal Service data show that in FY 2011 there were about 277,000 businesses with less than 500 employees which spent between $5,000 to $30,000 on Postal Service products and services.

Developments in the small business and mailing and shipping marketplace provide an opportunity for the Postal Service to grow its small business revenue. The small business market, particularly those companies shipping between one and five packages a day, represents a major opportunity because the Postal Service already offers many products and services that meet companies' mailing and shipping needs. Recent analysis of small businesses performed by the Postal Service's sales organization estimated that about ███████ small businesses match their current customer profiles and represent a potential ███████████████.[37] Furthermore, projected growth in e-Commerce represents a major opportunity for the Postal Service, as domestic and international web sales continue to grow.

The Postal Service has recently renewed its focus on small business customers and has facets of increasing small business revenue as part of various DRIVE initiatives, including the following:

- Initiative 10: Shipping Growth — includes a focus on growing shipping products solutions for small businesses.

- Initiative 11: Transaction Mail Preservation — includes a focus on increasing revenue among small businesses and consumers.

- Initiative 12: Marketing Mail Growth — includes a focus on growing advertising mail and introducing small business customers to direct mail.

- Initiative 17: Commercial Mail Acceptance Transformation — includes deploying a tool to help small businesses prepare full-service mailings.

The Postal Service's postmasters and sales staff both have responsibility for reaching out to current and prospective small business customers. Sales staff are responsible for program development, management, and support of various EEP. One of these programs, Business Connect, focuses on encouraging postmasters to reach out to

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[36] The SBA recently defined a small business as "an independent business having fewer than 500 employees."
[37] Decision Analysis Report Business Case, *EDDM - Inside Sales*, February 2012.

small businesses to inform them of Postal Service products and services, build relationships, and generate revenue.

The Postal Service's Sales Department recently piloted a program called Inside Sales, consisting of a group of about 100 employees from three outside contractors. During the pilot program, these contractors were responsible for making outbound calls to sell Every Door Direct Mail to small business customers. The Postal Service has been pleased with the pilot and is in the process of expanding the program.

Objectives, Scope, and Methodology

Our objectives were to evaluate the effectiveness of the Postal Service's postmasters' and sales staff's efforts to grow revenue from small business customers and determine opportunities for growth. To accomplish our objectives, we:

- Conducted a survey of 9,073 postmasters at Level 18 and above offices to collect information on their role in generating revenue from small business customers.

- Analyzed the survey results to determine the effectiveness of postmaster activities in achieving sales from small businesses.

- Obtained and analyzed FY 2012 data from the CustomerFirst!, Business Connect, and Accounting Data Mart databases.

- Judgmentally selected sites from Business Connect data with high and low revenue per activity performance and followed-up to determine opportunities and best practices.

- Interviewed key officials and subject matter experts on initiatives for growing revenue from small businesses and current operating procedures.

- Obtained and reviewed market research from The Colography Group, Inc.[38]

- Obtained and reviewed data from the February 2012 Decision Analysis Report Business Case *EDDM — Inside Sales*.

- Reviewed research and reports on best practices for sales organizations and strategies from leading organizations including the Audit Director's Roundtable, Corporate Executive Board, FedEx, UPS, IBM, Accenture, Wharton Business School, Booz-Allen, and the Sales Executive Council.

We conducted this performance audit from September 2012 through June 2013 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate

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[38] *Target Market for Express Mail Packages*, The Colography Group, Inc., October 25, 2011.

evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on May 9, 2013, and included their comments where appropriate. We assessed the reliability of Business Connect and CustomerFirst! data by judgmentally following up on selected sites. While we did not assess the reliability of data in the Accounting Data Mart, the OIG tests the financial information as part of its annual financial statement audits. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Report Date	Monetary Impact
Carrier Contributions to Revenue Generation and Customer Service	MS-AR-12-005	6/19/2012	None
Report Results: Both city and rural carriers have direct access to small to mid-size business customers while on their routes. Carriers have the opportunity to initiate conversations with customers, potentially attracting new customers or expanding the use of Postal Service products and services for existing customers. Management might also be missing key opportunities to grow revenue because they lack complete data about the number and quality of sales leads. We recommended management implement best practices for sales lead programs and enhance data collection and reporting efforts to identify whether a lead results in new revenue for the Postal Service or diverts revenue from another product. The Postal Service agreed to take corrective action.			
Survey of Postmasters' Paperwork and Reporting Requirements	DR-MA-12-001	5/25/2012	None
Report Results: Overall, postmasters' survey responses indicated that reporting requirements were appropriate. However, 32 percent indicated that some reports were excessive and contained redundant information. Some postmasters also stated they never used certain reports and indicated that headquarters, area, and district officials required them to prepare additional reports with information already contained in the daily reports. We recommended the Postal Service evaluate postmaster-required reports to assess duplication and determine whether reports can be combined or modified, as necessary, to enhance office operations. We also recommended the Postal Service review and reduce additional reporting requirements at post offices. Management stated they agreed with the concept, however, they implemented actions when the reporting problem surfaced by issuing a directive to field managers to eliminate manual reports and checklists where data was already available. Management also stated they would continue to assess area and district officials' additional reporting requirements to reduce duplicative requests.			
Package Delivery Growth	MS-AR-12-003	5/4/2012	$90,000,000 Revenue Loss (1 year); $557,000,000 Increased Revenue (2 years)
Report Results: This report identified forecasted growth in specific market segments where the Postal Service has a competitive advantage, such as the low-cost, lightweight, B2C market segments. Furthermore, we recommended the Postal Service develop enhancements to the CustomerFirst! System to ensure the data and information within are reliable and useful and to reassess Sales staffing levels and hiring processes to ensure there are sufficient numbers of qualified staff to identify and capture package sale opportunities. The Postal Service agreed with our findings and recommendations and set forth its plans for corrective actions.			

Appendix B: Monetary Impact

Recommendation	Impact Category	Amount
1	Increased Revenue Year 1[39]	$122,308,895
1	Increased Revenue Years 2-3	$687,965,057
Total		**$810,273,952**

To calculate the monetary impact above, we reviewed data in the Business Connect Data Center (BCDC) for FY 2012. We focused our attention on 17,658 postmasters and managers that were Level 18 and above. They recorded 406,142 Business Connect meetings ("activities") and nearly $244 million in "estimated annualized revenue" in FY 2012 (over 92 percent of Business Connect revenue in BCDC). We determined that this range of postmasters and managers would be stationed where the majority of the ▆▆▆▆▆▆ in small business opportunity revenue identified earlier by the Postal Service would be located.

After reviewing this data, we grouped these postmasters into three segments based on their performance in Business Connect for FY 2012:

Table 2: Business Connect Performance of Select Postmasters, FY 2012

	Group 1 (above $10,000 in revenue per activity)	Group 2 (between $78 and $10,000 in revenue per activity)	Group 3 (between $0 and $77 in revenue per activity)[40]	Total
Number of Postmasters	196	4,412	13,050	17,658
Percentage of Total	1%	25%	74%	100%
Total Number of Business Connect Activities	3,898	128,342	273,902	406,142
Average Activities per Postmaster	20	29	21	23
Total Estimated Annualize Revenue	$104.2 M	$137.1 M	$2.6 M	$243.9 M
Range of Revenue Per Activity (low)	$10,061	$78	$0	$0
Range of Revenue Per Activity (high)	$604,075	$10,000	$77	$604,075
Average Revenue Per Activity	$26,724	$1,068	$10	$601

Source: BCDC, FY 2012.

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[39] Increased revenue from existing functions or revenue generated from new sources, perhaps because of implementing a new marketing initiative.
[40] Of the 13,050 postmasters in Group 3, 9,639 reported $0 and 1,204 logged zero activities.

We then estimated that corrective action taken to respond to recommendations 1-4 would gradually increase the effectiveness of the postmasters in Group 3. Specifically, over a 3-year period, all Group 3 postmasters should be able to achieve average revenue results ($1,068) comparable to those from Group 2.

To calculate the monetary impact associated with this proposal, we multiplied the number of postmasters in Group 3 (13,050) by the 24 activities each postmaster is asked to complete each year per the sales guidance. This results in an expected 313,200 activities each year. We then multiplied the 313,200 activities by the target sales level for each activity from Group 2 ($1,068), which results in an overall revenue increase target of $334,497,600.

We then made the following adjustments to this revenue target:

▪ Adjustment 1: Each year, reduced this target by the revenue achieved by this group in FY 2012 ($2,649,532).

▪ Adjustment 2: To factor in expected incremental improvement, we phased in the revenue over a 3-year period.

▪ Adjustment 3: We subtracted the expected annual training costs for *all* Level 18 and above postmasters.[41]

▪ Adjustment 4: We subtracted the estimated annual civic organization fee for *all* Level 18 and above postmasters.[42]

Based on those calculations and adjustments, we estimate that the Postal Service could increase revenue by a total of $529 million over this 3-year period ($65.8 million + $176.4 million + $287.0 million).

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[41] We accounted for 40 hours of training for all postmasters for each of the 3 years. We multiplied the average rate of $51 per hour by the 40 hours per postmaster for all 17,658 Level 18 and above postmasters for annual training costs of $36,022,320 (40 x 17,658 x $51). Per hour costs were taken from the average FY 2012 pay rate for postmasters from the Enterprise Data Warehouse's *Payroll Hours Summary Report*.

[42] We accounted for the estimated annual civic organization fee for all postmasters for each of the 3 years. We multiplied our estimate of $500 for all 17,658 Level 18 and above postmasters for an annual fee of $8,829,000.

Table 3: Estimated Monetary Impact for Group 3 Postmasters

Group 3 Monetary Impact Estimate	Fiscal Year 1	Fiscal Year 2	Fiscal Year 3
Original Revenue Target	$334,497,600	$334,497,600	$334,497,600
FY 2012 Revenue - Adjustment 1	(2,649,532)	(2,649,532)	(2,649,532)
Revised Revenue Target	$331,848,068	$331,848,068	$331,848,068
Incremental Improvement Factor (one-third each year) – Adjustment 2	$110,616,023	$221,232,045	$331,848,068
Annual Training Costs – Adjustment 3	($36,022,320)	($36,022,320)	($36,022,320)
Annual Civic Organization Fees – Adjustment 4	($8,829,000)	($8,829,000)	($8,829,000)
Expected Monetary Impact	**$65,764,703**	**$176,380,725**	**$286,996,748**

Source: OIG estimate based on Postal Service data.

We then propose that, based on the actions taken above, it is reasonable to assume that additional Business Connect activities would result in additional revenue for the Postal Service. First, we estimate the potential impact of an additional 12 Business Connect activities each year for postmasters in Group 2. If each of these 4,412 postmasters completed one more activity a month (12 more per year), and each activity resulted in, on average, $1,068 in revenue, then the Postal Service could expect additional revenue of $56,544,192 each year.

Next, we estimated the potential impact of additional Business Connect activities for postmasters in Group 3. Factoring in a similar phased-in approach from above, we estimated the following:

- Year 1:

  o No additional activities.

- Year 2:

  o Six additional activities for one-third of the postmasters in the group (4,350) would result in an additional $28 million in revenue (4,350 postmasters with six additional activities, at $1,068 average revenue per activity, is $27,874,800).

- Year 3:

  o Six additional activities for another third of postmasters (another 4,350) that would generate another $28 million in revenue.

  o Six additional activities (resulting in 12 total additional activities) for the postmaster segment from Year 2. This would result in $56 million (4,350 postmasters with 12 total additional activities, at $1,068 average revenue per activity, is $55,749,600).

Based on those calculations, we estimate that the Postal Service could increase revenues by a total of $281 million over this 3-year period.

Table 4: Estimated Monetary Impact for Additional Business Connect Activities for Postmasters in Groups 2 and 3

Actions	Year 1	Year 2	Year 3
Group 2			
Twelve additional activities for 4,412 postmasters in each year	$56,544,192	$56,544,192	$56,544,192
Group 3			
A total of six additional activities in Year 2 and 12 additional activities in Year 3 for 4,350 postmasters	0	27,874,800	55,749,600
A total of six additional activities in Year 3 for a second set of 4,350 postmasters.	0	0	27,874,800
Expected Monetary Impact	**$56,544,192**	**$84,418,992**	**$140,168,592**

Source: OIG estimate based on Postal Service data.

Based on the above analysis, we estimate over $810 million in monetary impact over this 3-year period:

- Year 1 - $122 million ($65,764,703 + $56,544,192).
- Year 2 - $261 million ($176,380,725 + $84,418,992).
- Year 3 - $427 million ($286,996,748 + $140,168,592).
- Total - $810 million.

Appendix C: Postmaster Survey

The U.S. Postal Service Office of Inspector General is conducting this anonymous survey of select Postmasters to collect information on their roles in generating revenue from small business customers. For the purpose of this survey, we are defining small businesses as those with less than 500 employees. We estimate this survey should not take more than 15 minutes to complete. We understand and appreciate your very busy schedules and would like to thank you in advance for your timely responses. If you have any questions about this survey, please contact Doralyn Wilson, Auditor, at dwilson@uspsoig.gov or Chad Stroup, Auditor, at cstroup@uspsoig.gov

1.	_____	How many Business Connect contacts are you required to make each year?
2.		Is it your understanding that the Business Connect program is a lead generation program similar to Customer Connect and Rural Reach and Submit a Lead? In other words you believe that once you put the Business Connect info into the system someone from the Sales group will follow up on that lead.
	☐	Yes
	☐	No
3.	_____	When recording your Business connect activities, is it important to report revenue from those activities?
		Yes
		No
4.		Do you have a sales revenue goal for Business Connect?
	☐	Yes
	☐	No
5.		Has the Postal Service conveyed the message that a new dollar of revenue (making a sale) is equal to a dollar saved in operations?
	☐	Yes
	☐	No
6.		What challenges, if any, do you face in generating small business revenue from your Business Connect contacts? Select all that apply.
	☐	I do not have time to meet with prospective small business customers.
	☐	I have not been properly trained to sell USPS products and services to small businesses.
	☐	Prospective small business customers have been unwilling to discuss USPS products and services.
	☐	Closing sales with small businesses is not communicated as something I need to make a priority in my day.
	☐	I am unable to meet small businesses' request for pick up.
	☐	Other; please explain. _____
	☐	I do not face any challenges.
7.	_____	On average, how many hours a week do you spend seeking small business sales? This would include time looking for small business opportunities and meeting with current and prospective small business customers.
8.		How have you identified the small businesses you have contacted? Select all that apply.
	☐	Check the Yellow Pages
	☐	Ask carriers
	☐	Ask other employees
	☐	Use Business Connect 5 Digit Zip Code Opportunity Tool
	☐	Personal knowledge
	☐	Grow Your Business Days
	☐	Other - please state. _____
9.		From question 7, if you did not select the Business Connect 5 Digit Zip Code Opportunity Tool, why? Select all that apply
	☐	Not aware of this tool
	☐	Aware of this tool, but the tool is not helpful
	☐	I am very familiar with the businesses in my area - do not need to use the tool
	☐	Other - please explain. _____

10.	☐	Does the Postal Service sponsor your membership to any civic organization such as the Chamber of Commerce?
	☐	Yes
	☐	If yes, please list organizations _____
	☐	No
		If no, please list reason _____
11.		How are you encouraged to generate small business revenue?
	☐	Recognition
	☐	USPS paid small business organization membership
	☐	Regular reporting of performance
	☐	Gaining small business sales has not been communicated to me as a priority
	☐	Other - please list
12.		Have you contacted customers that operate small businesses in the USPS's identified target industries?
	☐	Yes
	☐	No
13.		If you answered no to question # 12, please select all that apply: (If you answered yes please skip this question)
	☐	I do not know what the targeted industries are.
	☐	I know the targeted industries but I do not have time to devote to finding these customers
	☐	There is no easy way to know who or where they are
	☐	Other - please explain. _____
14.		Have you contacted customers that operate small home based businesses?
	☐	Yes
	☐	No
14a.		If you answered yes to question # 14, how did you contact them, please select all that apply:
	_____	Phone Calls
	_____	Emails
	_____	Postcard/Letter in a business customers P.O. Box
	_____	Face-to-face Meetings
	_____	Grow Your Business Days
	_____	External events such as conferences or local organizations (Rotary Club)
14b.		If you answered yes to question # 14, how did you learn of them, please select all that apply:
	☐	Carriers
	☐	Other employees
	☐	Personal knowledge
	☐	Grow Your Business Days
	☐	Other - please state. _____
14c		If you answered no to question # 14, please select all that apply:
	☐	There is no easy way to know who or where they are
	☐	Gaining small business sales has not been communicated to me as a priority
	☐	These leads would come from carriers and are entered into Customer Connect for the Sales group to follow up on
	☐	Other - please explain. _____

15.		Please rate each of the following for how often you use them to complete your Business Connect activities? Rate them on a scale of 0-5 with 0 - Never, 3 - Sometimes, and 5 - Always.
	_____	Phone Calls
	_____	Emails
	_____	Postcard/Letter in a business customers P.O. Box
	_____	Face-to-face Meetings
	_____	Grow Your Business Days
	_____	External events such as conferences or local organizations (Rotary Club)
16.		How effective do you think each of the following methods are in promoting small business sales? Rate them on a scale of 0-5 with 0 - Not Effective, 3 - Sometimes effective, and 5 - Always Effective.
	_____	Phone Calls
	_____	Emails
	_____	Postcard/Letter in a business customers P.O. Box
	_____	Face-to-face Meetings
	_____	Grow Your Business Days
	_____	External events such as conferences or local organization meetings such as Chamber of Commerce
17.		Do you believe that you are an effective sales representative for the USPS to the small business customer?
	☐	Yes (*please go to question 17a*)
	☐	No (*please go to question 17b*)
17a.		If you answered yes to question #17, why?
	☐	The Postal Service has provided sufficient training for making sales.
	☐	I have had an opportunity to work with and learn sales techniques from my local sales representative.
	☐	I have had past sales experience within the Postal Service.
	☐	I have had past sales experience outside of the Postal Service.
	☐	Other - please explain. _____
17b.		If you answered no to question #17, why?
	☐	Have not received sufficient training for making sales.
	☐	Have not had enough experience in making sales.
	☐	Has not been a focus during my time as a postmaster.
	☐	Other - please explain. _____
18.		In the last year, how much training have you received related to making sales to small businesses?
	☐	less than 10 hours
	☐	10 - 40 hours
	☐	More than 40 hours
19.		Do you think the USPS would benefit from providing you with additional training to close sales to small businesses?
	☐	Yes
	☐	No
20.		Do you know who your Sales representative is?
	☐	Yes (*please go to question 20a*)
	☐	No
20a.		Please provide name and/or title. _____

21.	☐	When was the last time you had a face to face meeting with a representative from the Sales group?
		Have not met a Sales employee
	☐	0-3 months ago
	☐	3-6 months ago
	☐	6-9 months ago
	☐	9-12 months ago
	☐	More than one year ago
22.	_____	In the past year, how many times has your sales representative invited you to accompany them to a meeting with a small business customer?
23.		Are you aware of a small business customer(s) that would use USPS products and services, but there is a road block that is preventing them from doing so?
	☐	Yes (*please go to question 23a*)
	☐	No
23a.	☐	If Yes to question 23, what is(are) the road block(s)?
		No staff available to pick up mail at the time the customer requested
	☐	No hours in my budget to provide pick up service
	☐	Support needed from Plant or District to close sale
	☐	Other - please explain. _____
24.	☐	How much annual revenue was lost because the road block could not be successfully removed?
		Please provide estimated loss of annual revenue _____
	☐	Do not know amount.
25.	☐	How often do you have stand up talks with your employees promoting the employee engagement programs?
		Weekly
	☐	Bi-weekly
	☐	Monthly
	☐	Quarterly
	☐	Annually
	☐	I do not have stand up talks promoting the employee engagement programs
	☐	I do not have employees
26.	☐	What feedback do you receive most often from employees about employee engagement programs? (Select all that apply)
		Excitement and willingness to generate leads
	☐	Do not have time.
	☐	I am not trained.
	☐	What's in it for me?
	☐	Lack of feedback from previous leads
	☐	Other - please explain. _____
27.		Any other comments you would like to make regarding small business revenue generation that you think may be helpful.

Appendix D: Management's Comments

UNITED STATES
POSTAL SERVICE

June 10, 2013

JUDITH LEONHARDT
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Small Business Growth
          (Report Number MS-AR-13-DRAFT)

The findings and recommendations outlined in the Small Business Growth Draft
Audit report have been reviewed and the response is as follows.

**The OIG estimates that $122 million in additional small business revenue can
be achieved. While we agree with the OIG's methodology and assumptions
around the revenue gain, we do not agree with all of the recommendations
provided, and therefore do not believe $122M can be realized.** We also request
that all confidential and contract related data be redacted from the audit report as
noted below.

**Recommendations for Vice President, Sales, in coordination with the Vice
President, Delivery and Post Office Operations:**

Recommendation [1]:
Develop a clear strategy to increase the priority that postmasters and sales staff place
on generating small business revenue, such as evaluating ways to allow postmasters
more time to sell Postal Service products and services, setting Business Connect
revenue targets, and increasing Business Connect meeting targets.

Management Response/Action Plan:
Management is in disagreement with this recommendation. USPS has a well-defined
set of processes to achieve this goal that has proven to be very successful. They
continue to log sales and increase revenue significantly. The evaluation of a
Postmasters' time is an on-going effort and is subject to USPS optimization studies.

475 L'Enfant Plaza SW
Washington DC 20260
www.usps.com

Target Implementation Date:
N/A

Responsible Manager:
Edward Phelan, Vice President, Delivery and Post Office Operations

Recommendation [2]:
Establish processes for requiring periodic meetings between postmasters and sales staff and developing clear communication paths for postmasters to get needed support from either business development specialists or sales staff to assist in their small business revenue-generating efforts.

Management Response/Action Plan:
Management is in disagreement with this recommendation. The OIG failed to demonstrate that current processes are inadequate or that there is a valid need for additional support.

Target Implementation Date:
N/A

Responsible Manager:
Edward Phelan, Vice President, Delivery and Post Office Operations

Recommendation [3]:
Establish a process for improving the availability and use of sales-related tools, market data, and training. The process should include providing postmasters additional training on selling Postal Service products and services, updating data in the Business Opportunity Tool Kit, and providing postmasters with product sales scripts and market data.

Management Response/Action Plan:
Management is in agreement with this recommendation. As part of the Small Business strategy, sales will support postmasters in building a connection with their local business communities in order to promote the Postal Service's products and services to small businesses. Sales and Delivery and Post Office Operations will work together to determine the strategy and communications for this effort.

Target Implementation Date:
To be implemented within 12 months.

Responsible Manager:
Cliff Rucker, Vice President, Sales

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Recommendations for Vice President, Delivery and Post Office Operations:

Recommendation [4]:
Leverage the postmasters' community status by encouraging postmasters to submit, and management to approve, funding requests for postmasters to join local civic organizations.

Management Response/Action Plan:
Management is in disagreement with this recommendation. This audit has failed to demonstrate through data that there is a causal relationship between Postmasters belonging to civic organizations and revenue generation.

Target Implementation Date:
N/A

Responsible Manager:
Edward Phelan, Vice President, Delivery and Post Office Operations

This report and management response contains information that may be exempt from disclosure under the FOIA. It is requested that highlighted redactions be made per the attached document.

Cliff Rucker
Vice President, Sales
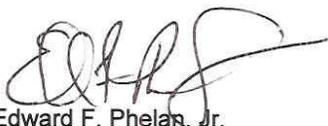
Edward F. Phelan, Jr.
Vice President, Delivery and Post Office Operations

cc: Nagisa Manabe