



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

Relationship Between Business Connect and Post Office Performance

Management Advisory Report

December 9, 2013

Report Number MS-MA-14-001



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HIGHLIGHTS

December 9, 2013

Relationship Between Business Connect and Post Office Performance

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BACKGROUND:

Postmasters can play a key role in growing the U.S. Postal Service's mail volume and revenue. The Postal Service's Business Connect[®] program was designed to engage postmasters, station managers, and branch managers in generating revenue and strengthening relationships with small business customers. Under Business Connect, postmasters are encouraged to contact local businesses each year via group meetings, lobby events, or face-to-face customer meetings. Postmasters reported about \$265 million in estimated annualized revenue through this program in fiscal year (FY) 2012 and about \$247 million in FY 2013.

In a June 2013 audit, the U.S. Postal Service Office of Inspector General reported on small business growth and identified low- and high-performing postmasters in the Business Connect program. When asked about the variation in postmasters' performance, Postal Service officials asserted that operational challenges limited the time certain postmasters had available to conduct Business Connect activities. These challenges included responding to customer complaints and staff grievances, managing overtime hours and leave, and ensuring timely completion of carriers' routes.

This report analyzes in greater detail the assertion that time constraints imposed

by operational challenges affect postmasters' Business Connect performance. Our objective was to evaluate the relationship between Post Office performance and Business Connect performance.

To accomplish our objective, we collected and analyzed data comparing Post Office operational performance, such as the number of customer complaints, wait time in line, and employee grievances, to Business Connect performance metrics, including the number of Business Connect contacts and estimated generated revenue.

WHAT THE OIG FOUND:

We found no relationship between Post Office operational performance and Business Connect performance for the variables we selected. Therefore, neither lower nor higher performance in these Post Office operational areas necessarily precludes postmasters from achieving success in their Business Connect activities.

WHAT THE OIG RECOMMENDED

We did not make any recommendations in this report. Management agreed with this report and they are not required to comment on its contents since there were no recommendations.

[Link to review the entire report](#)



December 9, 2013

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

E-Signed by Inspector General
VERIFY authenticity with eSign Desktop

FROM: Darrell E. Benjamin, Jr.
Deputy Assistant Inspector General
for Revenue and Performance

SUBJECT: Management Advisory Report – Relationship Between
Business Connect and Post Office Performance
(Report Number MS-MA-14-001)

This report presents the results of our review of the Relationship Between Business Connect and Post Office Performance (Project Number 13RO009MS000).

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

Attachment

cc: Corporate Audit and Response Management

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Introduction

This report presents the results of our review of the relationship between Business Connect and Post Office performance (Project Number 13RO009MS000). Our objective was to evaluate the relationship between Post Office performance and Business Connect performance. See [Appendix A](#) for additional information about this review.

In a June 2013 report on the U.S. Postal Service's efforts to grow small business revenue, the U.S. Postal Service Office of Inspector General (OIG) found a wide range of performance from postmasters in the Business Connect[®] program.¹ The Business Connect program was designed to engage postmasters in generating revenue and strengthening relationships with small business customers.² As part of the program, postmasters are encouraged to contact local businesses each year via group meetings, lobby events, or face-to-face customer meetings. Postmasters reported about \$265 million in estimated annualized revenue through the Business Connect program in fiscal year (FY) 2012 and about \$247 million in FY 2013.

We identified a large segment of postmasters with low performance in the Business Connect program. For example, 13,050 postmasters reported an average of \$10 of revenue per Business Connect contact in FY 2012 compared to \$26,724 per contact for a separate group of 196 postmasters. Furthermore, 9,639 postmasters in the group with lower revenue reported no Business Connect revenue and 1,204 reported no Business Connect contacts.

When asked about this wide variation in performance, Postal Service officials asserted that operational challenges limited the time certain postmasters have available to conduct Business Connect activities. These challenges include responding to customer complaints and staff grievances, managing overtime hours and unscheduled leave, and ensuring timely completion of carriers' routes.

This report analyzes in greater detail the assertion that time constraints imposed by operational challenges affect postmasters' Business Connect performance. Specifically, we collected data and performed regression analyses³ on various office operational and Business Connect performance variables described in [Figure 1](#).

¹ *Small Business Growth* (Report Number MS-AR-13-009, dated June 20, 2013) analyzed Business Connect data from 17,658 postmasters at Level 18 and above post 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. The report divided the results into three groups according to average revenue generated per Business Connect activity. The top 1 percent of postmasters generated more than \$10,000 of revenue per activity, 25 percent generated between \$78 and \$10,000 per activity, and 74 percent generated less than \$78 per activity.

² *Employee Engagement Program Guidebook*, Version 14, page 4, November 16, 2012.

³ A statistical tool for investigating relationships between variables to ascertain the causal effect of one variable on another. We used regression analyses to investigate possible relationships between selected operational factors and Business Connect performance.

Figure 1: Summary of FY 2012 Data Used in the OIG Analysis

Post Office Operational Performance	Business Connect Performance
<p><i>Description:</i> Post Office operational factors that could reasonably be expected to impact a postmaster's ability and time to conduct Business Connect activities.</p> <p><i>Basis for selection:</i> Information from Postal Service officials and our own analysis.</p> <p><i>Post Office operational performance variables:</i></p> <ul style="list-style-type: none"> ▪ Number of employee grievances. ▪ Percentage of carriers returning after 5 p.m. ▪ Unscheduled leave hours. ▪ Customer wait time in line (WTIL). ▪ Retail window staffing efficiency. ▪ Overtime hours. ▪ Penalty overtime hours. ▪ Number of customer complaints. 	<p><i>Description:</i> Factors that reflect the performance of postmasters in conducting Business Connect activities.</p> <p><i>Basis for selection:</i> Information from Postal Service officials and our own analysis.</p> <p><i>Business Connect performance variables:</i></p> <ul style="list-style-type: none"> ▪ Number of Business Connect contacts. ▪ Estimated annual Business Connect revenue.

Source: OIG analysis of Postal Service data.

As part of this analysis, we ran regressions on individual metrics (for example, number of grievances) as well as for combinations of multiple metrics (for example, grievances, WTIL, and customer complaints). Additional information on this data and our methodology is included in [Appendix A](#).

Conclusion

We found no relationship between Post Office operational performance and Business Connect performance for the variables we selected; therefore, neither lower nor higher performance in these Post Office operational areas necessarily precludes postmasters from achieving success in their Business Connect activities.

Therefore we are not making any recommendations in this report. Management agreed with this report and they are not required and did not choose to comment on its contents since there were no recommendations.

Relationship Between Operational Factors and Business Connect

Our statistical analysis shows no causal relationship between the selected Post Office operational factors and Business Connect performance. In regression analysis, values

demonstrate correlation⁴ as they approach either 1 or -1. A value of 0 means the variables tend to be unrelated — that is, there is no relationship between movement in one variable and movement in the other. Table 1 shows correlation results with a maximum value of 0.223 and a minimum value of -0.185.

Table 1: Summary of Correlation Results

Operational Factors	Correlation			
	Office Business Connect Score	Average Revenue per Business Connect Activity	Estimated Annual Revenue from Business Connect Activities	Number of Business Connect Activities
Individual Factors				
Grievances	0.023	0.100	0.073	0.008
Carriers Returning After 5 p.m.	-0.097	0.038	0.032	-0.096
Unscheduled Leave	0.026	0.040	0.057	0.008
WTIL	-0.015	0.035	0.046	-0.023
Retail Window Staffing Efficiency	-0.185	-0.068	-0.118	-0.029
Overtime	0.223	0.060	0.140	0.044
Penalty Overtime	-0.017	0.015	0.033	-0.029
Complaints	0.106	0.080	0.147	0.057
Combinations of Factors				
Average Office Score For All Factors	0.071	-0.024	-0.038	0.055
Average Office Score For Unscheduled Leave/WTIL/Retail Window Staffing Efficiency	0.013	-0.028	-0.046	0.003
Average Office Score For Carriers Returning After 5 p.m./Overtime	0.05	-0.044	-0.059	0.064
Average Office Score For Grievances/WTIL/Complaints	-0.014	-0.036	-0.07	-0.007

Source: OIG analysis of Postal Service data.

Therefore, neither lower nor higher performance in the Post Office operational areas cited in [Table 1](#) necessarily precludes postmasters from achieving success in their Business Connect activities.

⁴ A measure of the extent to which two measurement variables "vary together."

Appendix A: Additional Information

Background

Postmasters play a key role in growing Postal Service mail volume and revenue. They 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 Postal Service's Business Connect program was designed to engage postmasters, station managers, and branch managers in generating revenue and strengthening relationships with small business customers. Specifically, postmasters are to conduct a certain number of activities — face-to-face meetings with a business customer or a group of customers about Postal Service products and services — each year. These targets vary by Post Office level, with those postmasters at Level 18–22 offices expected to conduct two activities per month and those at Level 23 and higher offices expected to conduct three activities per month.⁵ The 17,658 postmasters at Level 18 and above post offices reported 404,367 total activities in FY 2012. When postmasters have a business connect meeting that results in a sale, they are expected to report the anticipated revenue from that sale into the Business Connect system. Postmasters reported about \$265 million in estimated annualized revenue through the Business Connect program in FY 2012 and about \$247 million in FY 2013.

As part of the OIG's June 2013 report (*Small Business Growth*), we surveyed 9,073 postmasters at Level 18 and above post offices regarding their Business Connect activities. Forty-nine percent of the 2,549 postmasters who responded to the survey said they do not have time to pursue new small business revenue. We also met with 34 judgmentally selected postmasters to follow up on resource limitations identified in the survey.⁶ These postmasters raised issues about constraints placed on the time they had available to generate revenue, including being required to provide support for, or monitor, window clerks; perform lobby sweeps;⁷ or input customer complaints.

Postal Service officials said that many postmasters do not have time to interact with small businesses because of operational priorities or because they are not equipped or trained to do so. They said the actions postmasters identified as putting time constraints on them are important for operational and management purposes and not performing them would hurt performance.

⁵ 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.

⁶ We selected high- and low-performing postmasters based on the revenue generated and the number of Business Connect activities they reported.

⁷ 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.

Objective, Scope, and Methodology

Our objective was to evaluate the relationship between Post Office performance and Business Connect performance. To accomplish our objective, we reviewed information from Postal Service officials and conducted our own analysis to determine what factors for each category (office operational and Business Connect performance) should be included in our analysis. Specifically, we selected factors based on the following:

- *Post Office operational performance*: factors that could reasonably be expected to impact a postmaster's ability and time to conduct Business Connect activities.
- *Business Connect performance*: factors that reflect the performance of postmasters in conducting Business Connect activities.

We selected the following Post Office operational factors for use in our analysis:

- *Number of grievances*: total number of grievances for each office by finance number.
- *Carriers returning after 5 p.m.*: percentage of carriers returning after 5 p.m. for each office by finance number.
- *Unscheduled leave*: ratio of unscheduled leave hours to total workhours for each office by finance number.
- *WTIL*: score and time for each office by finance number.
- *Retail window staffing efficiency*: total retail window hours earned compared to the actual workhours for each office by finance number.
- *Overtime*: ratio of overtime hours to total workhours for each office by finance number.
- *Penalty overtime*: ratio of penalty overtime hours to total workhours for each office by finance number.
- *Complaints*: total number of complaints received for each office by ZIP Code.

We selected the following Business Connect factors for use in our analysis:

- Number of Business Connect activities completed.
- Estimated annual revenue.
- Average revenue per Business Connect activity — we calculated this by dividing the estimated annual revenue by the number of Business Connect activities for each Post Office.

Next, we gathered FY 2012 data by office finance number for each of the aforementioned factors and ranked the offices by each factor. Then we used regression analysis to determine whether there were relationships (correlations) between the various Post Office operational factors and Business Connect factors. We ran regressions on individual metrics (for example, number of grievances) and combinations of multiple metrics (for example, grievances, WTIL, and customer complaints).

We conducted this review from July through December 2013 in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*. We discussed our observations and conclusions with management on December 4, 2013.

We assessed the reliability of Business Connect and operational data by reviewing existing information about the data and the systems that produced them. We determined the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

The OIG issued *Small Business Growth* (Report Number [MS-AR-13-009](#), dated June 20, 2013), which evaluated the effectiveness of the Postal Service's efforts to grow small business revenue and identify opportunities for growth. The report concluded that postmasters and sales staff were not always effective because the Postal Service has not made generating small business revenue a high priority for these groups. The OIG made four recommendations, including recommending that the Postal Service develop a strategy to increase the priority that postmasters and sales staff place on generating small business revenue. The report estimated implementing the recommendations could result in \$810.3 million in increased revenue over 3 years. Management disagreed with the recommendation above and the monetary impact.