Background

In fiscal year (FY) 2013, the U.S. Postal Service’s retail network of about 32,000 facilities handled 1.7 billion transactions, a reduction of about 5.2 percent from FY 2012. These transactions typically included the sale of stamps, shipping supplies or services, and money orders. A positive customer experience during retail counter transactions enhances the Postal Service’s brand and increases loyalty and revenue.

Over the course of FYs 2012–2013, the Postal Service had an 8.9 percent increase in negative customer feedback regarding retail counter experiences. The Postal Service uses several tools to measure and improve overall customer satisfaction, including observations by retail managers, mystery shoppers, and customer surveys.

Our objective was to evaluate customer service at retail counters. During our review, we identified issues related to customer surveys, which we communicated to management in a separate management alert.

What the OIG Found

Between FYs 2012 and 2013, an increasing number of customers expressed dissatisfaction with the service they receive at retail facilities. While the Postal Service’s goal is 90 percent customer satisfaction, in FY 2013 more than 20 percent of customers who responded to surveys stated they had been treated “worse than other retailers” at Postal Service retail counters.

Dissatisfied customers exist, in part, because procedures for improving customer service are not functioning as intended. Although management communicates with sales associates periodically via service briefings known as “stand-up” talks and provides video instructions, there is a lack of continual, formal customer service training. Further, sales associates are selected based on seniority rules, rather than suitability for the position, as suggested by best practices. In addition, the Postal Service does not have a mandatory process to ensure managers regularly observe sales associates and provide feedback. Regular observation would help sales associates recognize where they need to improve their performance.
Retail Operations managers use several tools to measure and improve customer service at the retail counter. However, they do not consistently conduct observations of their sales associates. Additionally, supervisors have not made decisions based on Point of Service (POS) survey results, primarily due to the lack of communication of these results.

We estimated the Postal Service risks losing $288.5 million in FY 2015 due to less than satisfactory treatment of customers during retail transactions.

What the OIG Recommended
We recommended the Postal Service provide continual, formal customer service refresher training to sales associates to improve customer service; create a mandatory process for observing, tracking, and providing feedback on performance; and develop a plan to leverage POS customer survey results to improve customer service at retail counters.
January 29, 2015

MEMORANDUM FOR:  
KELLY M. SIGMON  
VICE PRESIDENT, RETAIL AND CUSTOMER SERVICE OPERATIONS

JAMES A. NEMEC  
VICE PRESIDENT, CONSUMER AND INDUSTRY AFFAIRS

FROM:  
Janet M. Sorensen  
Deputy Assistant Inspector General  
for Revenue and Resources

SUBJECT:  
Audit Report – Window Retail Customer Service  
(Report Number MS-AR-15-001)

This report presents the results of our audit of the U.S. Postal Service’s Window Retail Customer Service (Project Number 14RG019MS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Joseph Wolski, director, Retail, Sales, and International, 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 audit of the U.S. Postal Service’s Window Retail Customer Service (Project Number 14RG019MS000). The objective of this self-initiated audit was to evaluate customer service at retail counters. See Appendix A for additional information about this audit.

In fiscal year (FY) 2013, the retail network handled 1.7 billion transactions, a reduction of about 5.2 percent from FY 2012. Positive customer experiences during retail counter transactions enhance the Postal Service brand and increase loyalty, revenue, and customer satisfaction. Over the course of FYs 2012–2013, the Postal Service experienced an 8.9 percent increase in negative customer feedback regarding the retail counter experience.

The Postal Service uses several tools¹ to measure overall customer satisfaction at retail counters, including:

- Postal Service (PS) Form 4000-B, Employee Observation, used by local retail managers to evaluate postal sales and service associate (sales associate) performance.
- The Retail Customer Experience (RCE) Program, which is conducted through independently contracted customers, or mystery shoppers, at larger retail locations.
- Point-of-Service (POS) survey information collected when customers visit a uniform resource locator printed at the bottom of the customer receipt. The POS survey is meant to be an exclusive conduit for feedback from customers who use Post Office retail counters.

According to the National Performance Review (NPR),² courtesy and associated behaviors such as eye contact and clear communication are critical customer satisfaction elements. The NPR report noted³ that organizations should not tolerate discourteous service. The report concluded that, of the three most important elements of customer service – timeliness, quality, and courtesy – lack of courtesy has the highest probability of causing customers to choose alternatives, regardless of the timeliness or quality of service provided.

The NPR reported that, while intentional lack of courtesy is rare, behavior customers perceive as discourteous is more prevalent – and perception is reality. For every customer who complains directly to management, there are at least 10 more who complain to their friends and associates. The NPR also contends that courtesy is measurable and all the successful organizations the NPR interviewed had systems for measuring courtesy within the context of their customer service initiatives.

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¹ The RCE Program is administered by the Postal Service Customer Services Operations and Retail; and the POS survey is administered by Customer Engagement & Strategic Alignment (CE&SA), with the results available on the Customer Insights Measurement website.
² Executive Order 12862 dated September 11, 1993, directs the NPR and President’s Management Council to instruct government agencies on smarter and better ways of doing business.
³ World-Class Courtesy: A Best Practice Report, NPR, led by Vice President Al Gore. The purpose of this report was to identify courtesy best practices in “best-in-class” organizations.
Conclusion

Between FYs 2012 and 2013, an increasing number of customers expressed dissatisfaction with the service they receive at retail facilities. While the Postal Service’s goal is 90 percent customer satisfaction, we found that more than 20 percent of its customers in FY 2013 responded to the POS survey that they have been treated “worse than other retailers” when visiting Postal Service retail counters. Dissatisfied customers exist, in part, because procedures for improving customer service are not functioning as intended. Although management communicates with sales associates periodically via service briefings known as “stand-up” talks and provides video instructions, there is no formal, in-class refresher customer service training. Further, sales associates’ positions are based on seniority rather than suitability, as suggested by best practices. Also, follow-up customer service training is informal and there is no mandatory process for ensuring that managers regularly observe sales associates and provide feedback. Although Retail Operations managers use several tools to improve customer service at the retail counter, they do not consistently conduct observations of their sales associates. Additionally, supervisors have not made decisions based on POS survey results, primarily due to the lack of communication of these results. We estimate the Postal Service could risk $288.5 million in FY 2015 by failing to improve customer experiences at postal retail counters.5

Retail Customer Service

About 20 percent of postal customers who responded to the POS survey in FY 2013 indicated the Postal Service was “worse than other retailers” in its customer service at retail counters. This represents an 8.9 percent increase in negative feedback over FY 2012 survey results. In FY 2013, the negative customer response rate increase climbed from 11.8 percent during Quarter (Q) 2 to 27.7 percent in Q4 (see Figure 1).

![Figure 1. Negative Customer Service Feedback Comparison](image)

Source: POS survey results.

---

4 In FY 2013, about 1.7 billion retail transactions took place at postal retail counters and about 51,000 customers responded to the POS survey.

5 Inclusive of those who described their Postal Service experience as “worse than other retailers.”
Despite all the measures to improve the customer experience, the Postal Service’s retail network experienced an 8.9 percent increase in the amount of negative customer feedback from FY 2012 to FY 2013. Figure 2, generated from POS survey information, shows words frequently associated with customer service used in survey comments. The size and density of the font is proportional to the number of times the word appears.

**Figure 2. Customer Feedback at Retail Counters**

![Word cloud diagram showing frequent words associated with customer feedback. Words include problem, horrible, courteous, pleasant, rude, understand, helpful, experience, attitude, professional, police, please, polite, fast.]

Source: FY 2013 POS survey results.

The POS survey underwent major changes in December 2013. The Postal Service made these changes to the POS survey partially as a result of a report conducted by the Boston Consulting Group (BCG) to review the usefulness of POS survey data. BCG concluded that the Postal Service had been collecting too much “noise” and non-actionable data. As a result, the Postal Service focused on the utilization of Wait Time in Line data from the RCE Program to improve customer service at the retail counter in FY 2012 and 2013. For FY 2014, the Postal Service shortened the survey from more than 50 questions to six questions. It also made modifications to the scale used to answer the questions on the survey and enabled the use of Quick Response codes that allow more immediate participation by customers. The changes to the survey resulted in a significant increase in the number of customer responses received. Postal Service management is pleased with the quality of data they are receiving and acknowledge that the new POS survey reveals the need for further improvements to customer service at the retail counter. We will consider evaluating these changes in the future.

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6 The number of negative responses to the POS survey increased in FY 2013 (51,467) from FY 2012 (47,275) by 8.9 percent.
FY 2014 POS surveys ask customers which of four issues is most important regarding the sales associates during their visits (see Figure 3).

**Figure 3. Issues Most Important to Customers Interacting with Sales Associates**

- Be knowledgeable about postal products and services
- Work efficiently
- Have a positive attitude
- Treat you with courtesy

Source: FY 2014 POS survey results.
Note: This data is limited to December 2013-September 2014.
The customers were then asked how satisfied they were during their recent experience with the sales associate based on the issue most important to them. Being treated with courtesy had the highest negative response rate at 16.3 percent (see Figure 4).

**Figure 4. Negative Customer Service Feedback**

<table>
<thead>
<tr>
<th>POS Survey Question</th>
<th>0%</th>
<th>6%</th>
<th>12%</th>
<th>18%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treated you with courtesy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Had a positive attitude</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Worked efficiently</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Was knowledgeable about postal products and services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: FY 2014 POS survey results. Note: This data is limited to December 2013-September 2014.

The Postal Service established Delivering Results, Innovation, Value, and Efficiency (DRIVE) Initiative 25 to understand and measure the customer experience across all channels and to complete extensive customer experience assessments. NPR research established that the damage done to an organization by discourteous behavior is severe and lasting. The NPR report notes that lack of courtesy endangers an organization’s reputation and, ultimately, its survival; it causes an organization to lose business even if it provides services customers cannot easily obtain elsewhere.

The Postal Service, in response to a recently issued management alert, *Retail Customer Service Management* (Report Number MS-MA-15-002, dated October 17, 2014), will be taking corrective actions to improve customer service by promoting consistent instructions on using and sharing POS survey information. Until recently, its focus was on increasing feedback by streamlining and shortening the survey questionnaire. As a result of this improvement in FY 2014, the Postal Service will be able to more accurately analyze its customer service metrics and take the appropriate corrective actions.
We also determined that current procedures for improving customer service are not functioning as intended. This may be impacting customer service and contributing to the decrease in customer satisfaction. Specifically, there is no continual, formal customer service training for sales associates. Further, sales associates’ positions are based on seniority rather than suitability, as suggested by best practices. In addition, follow-up customer service training is informal and ad-hoc and there is no mandatory process to ensure that managers are regularly observing sales associates and providing feedback. Additionally, Retail Operations managers do not consistently use all the tools at their disposal, such as observations by retail managers, to improve customer service at retail counters.

Sales and Services Associate Selection and Training

Sales associates’ positions are based on a seniority bidding process established in an agreement with the American Postal Workers Union rather than on customer service skills. Once an employee becomes a sales associate, resolving serious issues related to that employee, such as persistent discourteous behavior, can be difficult and time-consuming.

According to customer service best practices, successful organizations assure that frontline employees are suited to working with customers before placing them in positions that involve face-to-face customer interaction. Postal Service management recognizes the importance of superior customer service and noted that employees who work directly with customers should understand and empathize with them, as depicted in Figure 5.

Figure 5. Sales Associate Training Materials

The agreement between the Postal Service and the union representing sales associates dictates that the Postal Service must select most sales associates through a seniority-based bidding process. Because the Postal Service is bound by this agreement, management has limited flexibility in staffing sales associate positions. However, it can build the desired customer service skills and behavior through continual, formal training.

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7 PS Form 4000-B, which local retail managers use to evaluate sales associates’ performance.
While the Postal Service provides new sales associates with detailed training, it does not, as a rule, provide follow-up training on the importance of courteous service. Any subsequent training is informal and ad-hoc and, as a result, it is possible for a sales associate to spend a career at the retail counter without any formal refresher training.

According to management, sales associates must have about 40 hours of training prior to working at retail counters, with the majority of this time spent in the classroom. Historically, once the initial training is completed, management provides formal, interactive refresher training to units only in specific instances, such as a retail channel operations training for all sales associates. But it does not use refresher training to address individual needs.

The NPR’s *World-Class Courtesy* report offers insight into how world-class companies and federal agencies, such as FedEx and United Services Automobile Association, use courtesy to improve customer satisfaction and their own bottom lines.

Each of the organizations studied in the report exhibited a commitment to:

- Meeting and exceeding customer expectations.
- Empowering employees to meet the needs of their customers.
- Providing specific and ongoing training in courtesy.
- Screening for and hiring employees who are exceptionally courteous.
- Providing seamless customer service from the customer’s perspective.
- Having zero tolerance for discourteous service.

The NPR states that the organizations it visited used a number of innovative training approaches to ensure that employees are prepared to be exceptionally courteous to their customers. All of the organizations studied expressed the importance of continual training and see a trained employee as their best asset. Some of the organizations the NPR studied dedicate 80 percent of their training budgets to continually improving courteous behavior towards customers.

Sales associates working at Premier Post Offices must take formal refresher training on providing courteous customer service, both online and in the classroom. When asked why only these select sales associates receive this formal refresher training, management stated that their priority for this training has been those offices with the highest revenue, namely Premier Post Offices. Currently, the Postal Service does not have an official plan in place to expand these training opportunities to all of the remaining 28,900 non-Premier Post offices. The NPR found that world-class organizations do not see training as an unnecessary expense but as an investment. In addition, the research indicates that employees who are highly valued and well-trained provide a higher level of service to their customers.

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9 The intent of the Premier Post Office Program is to focus the Postal Service’s limited resources on the vital few post offices that have high customer traffic; 3,100 sites have been selected to provide geographic coverage throughout the country.
Sales and Services Associate Performance Observations and Feedback

The Postal Service does not have a mandatory process to ensure that managers are regularly observing their retail sales associates and providing feedback. To standardize this process for managers, the Postal Service created PS Form 4000-B, which is designed to help managers observe and record the level of customer service skills and product knowledge of each sales associate. These observations and records serve as a communication/coaching tool between management and the sales associate. However, current Postal Service guidance, (including Form 4000-B\textsuperscript{10} and an agency publication\textsuperscript{11}) only suggests that at least once a month unit managers, or their designees, should observe each retail sales associate. Since completing PS Form 4000-B is not mandatory, there is no accountability for performing this oversight function.

We interviewed retail managers and sales associates at eight post offices in four of the seven Postal Service areas. Based on our interviews with area and district managers, and our visits, we determined that most managers at the unit level were not consistently conducting employee performance evaluations, nor providing sales associates with feedback. Best practices suggest that employees do what is measured, incented, and celebrated.\textsuperscript{12}

Although most managers stated that they or their supervisors performed retail sales associate observations anywhere from twice a week to once a month, managers were unable to provide documentation of completed observations. PS Form 4000-B instructs unit managers to provide a copy of the completed form to their district retail manager. But none of the district retail managers were able to produce any documentation showing that unit managers at the eight post offices were regularly observing and providing feedback to their sales associates.

During interviews with the district managers we were consistently told that the district did not track whether unit managers performed regular observations and provided feedback to sales associates; as a result, the districts did not require any of their units to submit a PS Form 4000-B or other documentation showing that observations were completed. Consequently, there is no record of what, or even if, these managers regularly observed their sales associates or provided feedback. This limited our ability to compare an individual sales associate’s performance over multiple observations to determine if managers were congratulating sales associates who achieved their customer service skills goals, or coaching sales associates who were not meeting expectations.

\textsuperscript{10} The observation should include interaction with five consecutive customers. Units not meeting targets should conduct more frequent observations. The manager should also review the results with the employee within 24 hours, then file and retain the observation for 2 years.

\textsuperscript{11} Handbook PO-209, Retail Operations Handbook, October 2012.

\textsuperscript{12} The Five I’s of Employee Engagement, page 10, The Temkin Group, November 2012.
Most sales associates we interviewed stated that when managers or supervisors observed them, the managers discussed the results with employees within 24 hours. Other cases were inconsistent:

- At one location, the manager stated that he did not know whether the supervisor performed the observations and used Form 4000-B. The two sales associates from the same location stated that it had been 1 year since the supervisor used the form to perform his retail sales associate observations.

- At a second location, the manager stated that he had performed the observations but stopped. He recently started the observations again due to increased emphasis by the Postal Service. The postmaster told the manager to perform the observations weekly, but he could not show documentation of the completed forms.

Best practices\(^\text{13}\) suggest that proper monitoring of employees creates an environment that encourages employees to exhibit good customer service and professionalism. Regular monitoring would likely improve customer service by allowing sales associates to more easily recognize areas that need improvement.

**Point-of-Service Survey Results**

Retail Operations managers do not consistently use all tools at their disposal to improve customer service at retail counters, such as POS survey results. POS survey information is “owned” by the Postal Service’s Consumer and Industry Affairs component, based out of headquarters, and is available on its web page, which is accessible to anyone with rights to the Postal Service’s intranet. We learned during interviews with retail unit managers that POS survey information is not directly communicated to them and they are not aware that their units’ results are available. This occurs due to a lack of consistent guidance from headquarters to the areas and districts about the use and communication of POS survey information.

As a result of these inconsistencies, the Postal Service is not fully leveraging the value of the POS survey information to improve customer service at retail counters. Best practices suggest\(^\text{14}\) that, while sharing internal information with employees is important, exposing employees to customer feedback can be even more impactful.

The Postal Service has made considerable improvements to the survey and we recognize that participation has increased significantly as depicted in Figure 6. Due to the critical nature of our recommendations related to the POS survey, we issued a management alert to notify management of our concerns so they could take quick action to improve the customer experience at retail counters.

During the course of our audit work, management took steps to track POS survey customer participation and is reaching out to those offices with 0 percent participation. To improve customer participation, management has conducted stand-up talks and made videos to encourage sales associates to promote the survey. The impact of their efforts was demonstrated by increased survey responses in FY 2014.

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\(^\text{13}\) The Five I’s of Employee Engagement, page 10, The Temkin Group, November 2012.

We recommend management provide continual, formal customer service refresher training and create a mandatory process for observing, tracking, and providing managerial feedback. We also recommend management develop a plan to leverage Point-of-Service survey information to improve customer service.

Management’s Comments

Management disagreed with the findings and recommendations 1 and 3, and agreed with recommendation 2. Management also disagreed with the revenue at risk.

Management stated the data findings are irrelevant since all of the analysis is based on a previous POS survey, noting that the new survey is less lengthy, asks only the most salient customer service questions, and has increased participation.

Regarding recommendation 1, management did not agree that no continuous training is provided to sales service associates and observed that, in FY 2013 and FY 2014, several courses were offered to and completed by retail employees. Management has scheduled training for FY 2015.

Regarding recommendation 2, management agreed and stated they will modify the existing policy for monitoring sales associates’ customer service performance. Management noted that they will base the new policy on POS survey and Retail Customer Experience (RCE) results to determine which units warrant additional observation. The target implementation date is September 30, 2015.

Regarding recommendation 3, management disagreed and stated that they had identified opportunities to improve customer service using POS survey results and noted that participation in the survey had increased. Both prior to and during this audit management took specific actions to improve the POS survey, including:

- Publishing POS survey data on the Customer Insights website on a weekly basis (implemented in December 2013).
- Weekly “push” reports to field for district POS sites with zero surveys received (implemented in August 2014).
- Weekly “push” reports to area managers with the percentage of satisfied/dissatisfied customers and the number of completed surveys (implemented in August 2014).
- Regular internal newsletters and video messaging explaining to managers and sales associates the importance of customers responding to POS survey.
Management disagreed with the calculation of the total retail revenue at risk and stated that the OIG overstated the number of customers who would choose a competitor as a result of poor customer service. Specifically, they stated that the OIG failed to provide empirical data that validates all these customers would, in fact, defect.

See Appendix B for management’s comments, in their entirety.

**Evaluation of Management’s Comments**

The OIG considers management comments partially responsive to the recommendations and corrective actions should resolve the issues identified in the report.

Regarding management’s disagreement with our findings, as discussed during our audit, the analysis of FY 2013 data was the most complete data available. Rather than mix results of a complete year for one survey and a partial year for another, we opted to consider the 2013 survey results. We appreciate that, since that time, management has updated and streamlined the POS survey and realize that this could increase customer participation and insight. We will consider evaluating the updated POS survey information more fully in future reviews when more comprehensive data are available.

Regarding recommendation 1, we recognize the efforts the Postal Service has taken to improve employees’ customer service skills. Our report does not state that “no continuous training” is provided to sales associates. Rather, it states that, while the Postal Service provides new sales associates with detailed training, it does not, as a rule, provide follow-up training on the importance of courteous service. Any subsequent training is informal and ad-hoc and, as a result, it is possible for a sales associate to spend a career at the retail counter without any formal refresher training. Based on our research into industry standards, we are concerned that informal and ad-hoc training may not be sufficient to ensure that all sales associates are continually refreshing and enhancing their customer service skills.

Our finding reflects the spirit of the Postal Service’s *Retail Operations Handbook* (PO-209) when it states that:

> “[the] failure to provide formal, informal, or ongoing training could result in poor employee productivity, higher operational costs, and loss of revenue by the Postal Service.”

As far as we were able to establish, only some sales associates, such as those working at premier post offices, are mandated to receive regular formal training. We based our recommendation on the idea that all, not just some, sales associates could benefit from regular formal training in addition to the informal and ad-hoc training they are already provided. We believe the training planned in 2015 is sufficient to correct the issues noted in our report; therefore the OIG does not plan to formally pursue audit resolution. This significant recommendation will be closed with the issuance of this report; however, we will continue to evaluate opportunities for formal training to improve customer service for all sales associates.

Regarding recommendation 3, during the course of our audit, we learned of actions management took to publicize the POS survey; however, our finding is primarily concerned with how management uses the survey information rather than how they collect it and make it available. The report credits management with greatly improving the POS survey customer response rate over the last year but found that areas, districts, and units vary on how, or even if, they should use survey data to improve retail counter operations. As a result of these inconsistencies, some of the areas and districts may not be fully leveraging the value of the POS survey information to improve customer service at retail counters. We based our recommendation on the idea that providing
detailed guidance to areas, districts, and units on how to communicate and use POS survey information to improve operations would maximize the information’s potential impact on improving retail operations across the Postal Service. Given the measures management has taken during the course of our audit, the OIG does not plan to formally pursue audit resolution. We will, instead, communicate informally with management about steps they pursue related to this recommendation in the future. This significant recommendation will be closed with the issuance of this report. We will continue to evaluate opportunities to fully leverage the POS survey results to improve customer service.

Regarding the revenue at risk of $288,543,330, we based our risk analysis on POS survey data – notably that 20.5 percent of customers feel they are not treated with courtesy. The choice of another provider describes risk – risk in itself is subjective (rather than objective) and does not lend itself to empirical data. In this instance, the empirical data we used (POS survey results) is based on customer responses which are, by their very nature, subjective. We carefully considered this when weighing the risk of poor customer service on customer retention.

We consider all the recommendations significant, and therefore require our concurrence before closure. All recommendations should be entered into the Postal Service’s follow-up tracking system. Recommendations 1 and 3 can be closed with the issuance of this report. However, we request written confirmation from management when corrective action is completed for recommendation 2. This recommendation should not be closed in the Postal Service’s follow-up tracking system until we provide written confirmation that the recommendation can be closed.
Appendices

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Background

The Postal Service has a substantial retail network of about 32,000 facilities, including post offices, stations, and branches. In FY 2013, the retail network handled 1.7 billion transactions, a decrease of 5.2 percent from FY 2012.

About 20.5 percent of postal customers in FY 2013 who responded to POS surveys replied that they have been treated “worse than other retailers” when visiting Postal Service retail counters (see Table 1).

<table>
<thead>
<tr>
<th>Survey Question</th>
<th>FY 2012</th>
<th>FY 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>3a. Greeting you in a friendly manner</td>
<td>18.4%</td>
<td>20.0%</td>
</tr>
<tr>
<td>3b. Being pleasant</td>
<td>19.6%</td>
<td>21.5%</td>
</tr>
<tr>
<td>3g. Treating you with courtesy</td>
<td>18.8%</td>
<td>20.5%</td>
</tr>
<tr>
<td>3o. Treating you as a valued customer</td>
<td>22.7%</td>
<td>24.9%</td>
</tr>
<tr>
<td>3q. Treating you with respect</td>
<td>18.7%</td>
<td>20.3%</td>
</tr>
</tbody>
</table>

Sources: POS survey and OIG calculations.

Positive experiences at these retail counters are critical to customer satisfaction. The Postal Service uses the following tools to measure and improve overall customer satisfaction at retail counters and across all channels:

- The RCE Program, previously called the Mystery Shopper Program, conducted through independently contracted customers, evaluates the experiences of its customers and provides an objective view of the Postal Service’s larger retail locations. It evaluates experiences through a standardized questionnaire for the following categories: (1) Wait Time in Line, (2) Hazardous Materials, (3) Sales Skills and Product Offerings and Product Knowledge and Product Explanations, (4) Promotion and Merchandising, and (5) Image. The Postal Service uses the evaluation results to improve employees' customer service skills and the Postal Service’s image, which should contribute to a better experience for customers when they visit Postal Service retail locations.

- PS Forms 4000-B, which are completed by local retail managers to evaluate sales associates’ performance at retail counters. The Postal Service’s tools are intended to help improve employees’ skills and improve customers’ experience at its retail counters.

- DRIVE Initiative 25, which seeks to understand and measure the customer experience across all channels and to complete extensive customer experience assessments. Implementation of DRIVE 25 will help the Postal Service retain and grow retail customer revenue, thus fostering an environment for the future growth of the organization.
According to the vice president of the U.S.’ NPR, changing organizational behaviors in the federal sector is not only possible, but essential. The difference between organizations that succeed and those that fail often comes down to how they treat their customers.

**FY 2014 Point-of-Service Survey Responses**

In a recent effort to improve POS survey response numbers, the Consumer & Industry Affairs\(^\text{17}\) group has provided videos explaining the importance of the survey and encouraging retail employees to promote it to customers. The number of surveys received significantly increased beginning in July of FY 2014 totaling 173,290, compared to 47,278 completed in FY 2013, indicating increased customer participation (see Figure 6). The Consumer & Industry Affairs group’s goal is to have 270 surveys completed within each district for each quarter to establish a statistical confidence level. The group plans to achieve this goal through a series of service talks to the field. The minimum goals\(^\text{18}\) are established to obtain statistically significant results within a reasonable industry-accepted confidence interval.

**Figure 6. New POS Surveys Received In FY 2014**

![Graph showing POS survey responses by month]

Source: POS survey results.
Note: This data is limited to December 2013-September 2014.

**Objective, Scope, and Methodology**

Our objective was to evaluate customer service at the retail counters. To accomplish our objective, we:

- Reviewed Postal Service manuals, guidelines, training materials, and databases to determine the criteria for providing customer service at the retail counters.

---

17 Consumer and Industry Affairs is responsible for all Postal Service customer interaction and support, from small businesses to individual consumers, to large corporations and commercial mailers; including overseeing the office of the Consumer Advocate as a vital part of customer service.

18 The CE&SA group stated that its vendor used Exxon Corporation as a comparison to find a similar response rate (.01 percent) for a receipt survey with no tangible gift/coupon incentive.
Compared how often retail sales associates received formal training to how often they should receive training. We also identified customer service-related training (both in person and online), including “service talks” from managers.

Reviewed the Temkin Group’s research papers to identify best practices suitable for potential implementation in the Postal Service’s retail post offices.

Consulted with the Marketing & Sales Data Analytics manager and OIG Operations research analyst to finalize site selection methodology for fieldwork visits.

Conducted site visits at selected post offices and met with postmasters and retail sales associates for in-depth discussions of their knowledge and usage of the available customer service tools, including POS survey information and PS Form 4000-B. We visited post offices in the Northeast, Great Lakes, Eastern, and Capital Metro areas.

Met with the Postal Service’s CE&SA analysts to discuss how they use the POS survey information to gain insight on customers’ experiences.

Met with the industry engagement specialist who was acting as manager, Retail & Post Office Operations, to discuss how the group uses POS survey information to improve customer experience at the retail counters.

Met with Postal Service union management to identify any issues or concerns they have regarding customer service.

Created word cloud analysis using POS survey information for FY 2013 that consisted of all comments received. The audit team judgmentally selected 39 key words relevant to customer service. Using a script, all occurrences of those 39 key words were extracted from the survey results file into a separate output text file. We used the resulting output file to create the word cloud.

Our scope included POS survey information from FYs 2012-2013, the most complete annual information as of the time of our audit. We also evaluated available FY 2014 POS survey information (from December 2013 to September 2014) to determine issues most important to customers, other customer service feedback and changes in survey participation. At the time our audit commenced there was only four months of information available. Due to the significant modifications to the FY 2014 POS survey, including changes to the phrasing of the questions and scale used, we were not able to compare this data with past fiscal years.
We conducted this performance audit from April 2014 through January 2015, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on December 11, 2014, and included their comments where appropriate.

We assessed the reliability of POS information. 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

<table>
<thead>
<tr>
<th>Report Title</th>
<th>Report Number</th>
<th>Final Report Date</th>
<th>Monetary Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Customer Experience Program</td>
<td>MS-AR-13-010</td>
<td>7/9/2013</td>
<td>$54.4</td>
</tr>
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</table>

**Report Results:** The Postal Service could improve the effectiveness of the RCE Program by emphasizing customer satisfaction and revenue generation variables in its scoring system. The program scoring system focuses mainly on compliance and does not sufficiently factor in customer satisfaction and revenue growth variables. We estimated the Postal Service could generate $15.4 million in additional revenue in FY 2014 if it placed greater emphasis on revenue generation and customer satisfaction variables in the scoring system. We recommended the Postal Service place greater emphasis on customer satisfaction and revenue generation. Key considerations should include updating the scoring system to increase emphasis on the personal interaction between the counter sales associate and customer to improve customer satisfaction and revenue generation, reassessing the 5-minute wait time in line standard, and updating guidance to reflect the objective of the program. Management disagreed with the finding, recommendation, and monetary impact.

| Customer Complaint Resolution Process | MS-AR-12-007  | 9/10/2012          | $8.8 in Questioned Cost; $17.6 in Funds Put to Better Use |

**Report Results:** The Postal Service is not efficiently and effectively resolving customer complaints and is closing complaints before customers consider their cases resolved. We found nearly 6 percent of complaints (180,000 cases) where customers lodged follow-up complaints after the Postal Service “closed” their initial complaint. We estimated the Postal Service could have avoided costs of $8.8 million for the 12-month period ending March 31, 2012, if it handled complaints more efficiently. The Postal Service also did not adequately monitor complaint resolution. We identified similar concerns in a 2009 audit and the Postal Service agreed to take corrective action at that time, but discontinued the action later. Lastly, system performance and data issues have hindered the Postal Service’s ability to efficiently address and resolve complaints. We recommended the Postal Service develop a mechanism to incorporate customer feedback regarding complaint resolution into the system; require current policies and procedures to be followed until planned updates are finalized; identify system deficiencies and desired enhancements and work to correct them; develop a strategy for reducing repeat complaints; and develop a mechanism for tracking system usage and response wait times and ensuring that ongoing actions related to archiving data and monitoring outages continue. Management agreed with the findings, recommendations, and monetary impact.
Appendix B: Management’s Comments

January 23, 2015

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Revised Response - Window Retail Customer Service Report Number MS-AR-15-DRAFT

The Postal Service believes the data findings within this report are irrelevant since all of the analysis is based on the Postal Service’s previous POS survey.

We also disagree with the calculation regarding total retail revenue at risk of $288M as this was calculated on a previous POS survey that has been retired. One reason for retiring the previous POS survey was its lengthiness. This discouraged customers from giving the USPS feedback on its retail operation and resulted in a low response rate. For this reason, using outdated information from a survey does not produce significant and statistically valid responses to accurately reflect how much USPS revenue is at risk.

Furthermore, the 20.5% used by the OIG, i.e., their percentage of customers not treated “with courtesy”, likely grossly overstates the number of customers who would actually choose a different provider. The OIG failed to provide empirical data to that validate that all of these customers would indeed defect. What they did instead, was to provide a quasi-Delphi forecasting method to discount the risk factor. However, according to the risk analysis literature, Delphi forecasting is successful only when a panel of experts weighs in on the risk, which in our case is the likelihood of customer defection. The panel was, however, entirely made up of OIG auditors, not industry experts on customer defection.

The improved customer survey asks customers only the most salient questions regarding their experience with the USPS. We have since seen a tremendous increase in survey responses. Using this new survey will likely produce better results in terms of forecasting the revenue at risk.

The report also states that there is no continuous training provided to Sales Service Associates. This is completely untrue. In FY13 and FY14, several courses have been offered and completed by our retail employees, including

**Recommendation #1:**
Provide continual, formal customer service refresher training to sales associates that focuses on improving customer service.

**Management Response/Action Plan:**
We disagree with this recommendation since this is already completed as highlighted above. In addition, there is training scheduled for FY15.

**Target Implementation Date:**
N/A

**Responsible Official:**
Vice President, Retail and Customer Service Operations

**Recommendation #2:**
Create a mandatory process for observing, tracking, and providing managerial feedback concerning individual sales associate’s customer service performance.

**Management Response/Action Plan:**
The Postal Service agrees to this recommendation. The Postal Service will modify the existing policy for monitoring Sales Service Associates’ customer service performance. The new policy will be based on POS survey and Retail Customer Experience (RCE) results to identify the units where additional observations are warranted.

**Target Implementation Date:**
September 2015

**Responsible Official:**
Vice President, Retail and Customer Service Operations

**Recommendation #3:**
Develop a plan to leverage Point-of-Service survey information to improve customer service at the retail counters.
Management Response/Action Plan:

The Postal Service disagrees with this recommendation. The Postal Service is already using this information prior to the “Management Alert” to identify areas of opportunities for improving customer service. Specific actions (most of which are previously referenced in this document) include the initiatives listed below to communicate POS Survey information to the field. By implementing these communication channels, there has been a significant increase in POS Survey responses - 218,310 for Overall Satisfaction in FY15 (YTD through 1/01/15) from 11,171 for SPLY (12/8/13-1/10/14). POS survey scores for Overall Satisfaction (Top 2 box) has improved from the mid 50’s to high 80’s.

- Publishing POS Survey data on the Customer Insights website (which drills down to the 5-digit level). Data is published on a weekly basis and was implemented in December 2013.
- Weekly “Push” reports to the field for District POS Sites with Zero surveys received, which was implemented in August 2014.
- Weekly “Push” reports to Area Marketing Managers that includes Area/District POS Survey response percentages (% Satisfied/Dissatisfied) and number of completed surveys. This was implemented in August 2014.
- Monthly “Push” reports to the field for POS survey response percentages (% Satisfied/Dissatisfied) and number of completed surveys, which was implemented in May 2014.
- Monthly internal newsletters from the Consumer and Industry Affairs Consumer Advocate highlighting the POS survey and initiatives to improve responses, which was implemented in January 2014.
- The VP, Consumer and Industry Affairs provides leadership and employee communications on the topic using video messaging and explaining the importance of the POS survey. The Point of View video series was launched April 9, 2014.
  - The video is scheduled to air monthly as schedules permit. Nine episodes have aired:
    - April 9, 2014
    - June 6, 2014
    - June 30, 2014
    - July 24, 2014
    - August 27, 2014
    - October 6, 2014
    - November 6, 2014
    - December 4, 2014
    - January 6, 2015.
  - The next video is scheduled for release on February 5, 2015.
- 4 -

- The Vice President, Retail and Customer Service Operations has also
  communicated and reinforced the importance of the POS survey with
  stand-up talks and the weekly reports. In addition, Operations has taken
  the POS survey results to develop additional training in response to
  survey results.

Target Implementation Date:
N/A

Responsible Official:
Vice President, Consumer and Industry Affairs and Vice, President, Retail and
Customer Service Operations

James Nemeck
Vice President
Consumer and Industry Affairs

Kelly M. Sigmon
Vice President
Retail and Customer Service
Operations

cc:
Manager, Corporate Audit Response Management
Contact us via our Hotline and FOIA forms, follow us on social networks, or call our Hotline at 1-888-877-7644 to report fraud, waste or abuse. Stay informed.

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