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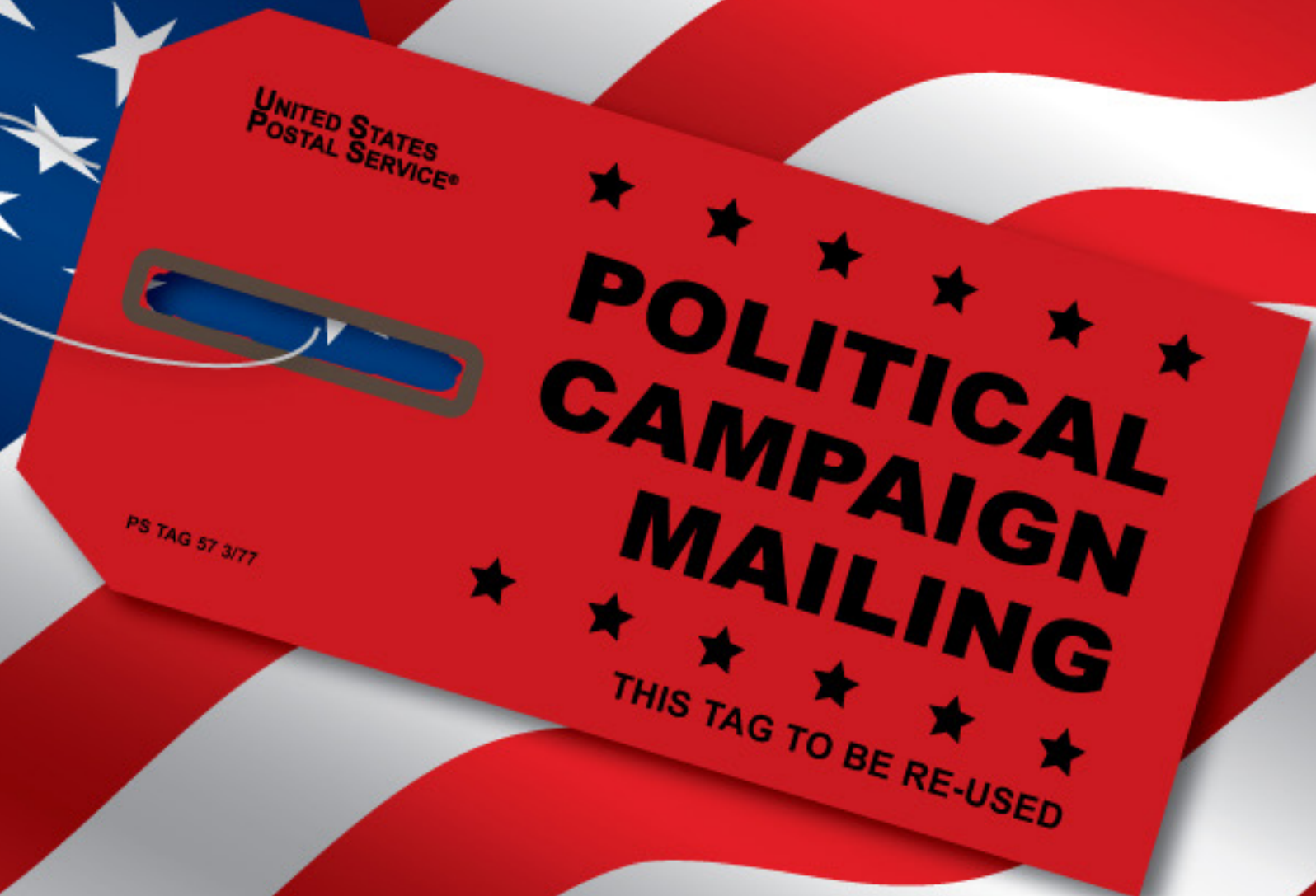
UNITED STATES POSTAL SERVICE

Political Mail Strategy

Management Advisory

Report Number
MR-MA-16-001

February 23, 2016





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UNITED STATES POSTAL SERVICE

Highlights

The 2016 election season is a major financial opportunity for the Postal Service, as political mailers are expected to spend an estimated \$12.3 billion on campaign advertising (such as television, radio, online, digital, print, and direct mail).

Background

The U.S. Postal Service defines political mail as any material a registered political candidate, campaign committee, or political party committee mails for political purposes. The Postal Service expedites eligible political mailings through its network.

Political candidates and organizations use direct mail in a variety of ways, including raising money, communicating and persuading, and mobilizing voters. Political campaign experts recognize that direct mail remains an important and effective tool for political mailers. One advantage of political mail over other campaign channels like television or radio is the ability to target a message to a specific household or individual.

The 2016 election season is a major financial opportunity for the Postal Service, as political mailers are expected to spend an estimated \$12.3 billion on campaign advertising (such as television, radio, online, digital, print, and direct mail). This election cycle includes the presidential election as well as other key national, state, and local elections.

To illustrate the importance of this opportunity, the Postal Service has set a \$1 billion political mail revenue goal, nearly double the \$525 million in revenue it generated during the 2012 presidential election cycle. In fiscal year 2015, the Postal Service delivered about 1.2 billion pieces of political mail, generating \$240.6 million in revenue.

The Postal Service's Sales organization establishes and implements political mail growth efforts. These efforts include networking with major political organizations and coordinating with other internal departments to help deliver political mail more efficiently during the election cycle. The Postal Service's website has a page dedicated to promoting its political mail products and services. Many of these efforts resulted from lessons learned during the 2012 elections.

Our objective was to evaluate existing political mail strategies and identify opportunities for the Postal Service to grow political mail.

What The OIG Found

The Postal Service has a comprehensive 2016 political mail strategy, which covers national, state, and local elections. The strategy outlines specific initiatives and strategically assigns Postal Service Sales staff to key political mail customers.

But, political mailers and related organizations have raised concerns about mail delays and service quality. The Sales staff could further contribute to the value of political mail by working more closely with Operations to identify processing issues, coordinate internal corrective actions, and ensure customers are informed when problems are resolved. These enhancements will be important as continued operational issues (both those directly related to political mailings and



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other service issues) could have a damaging effect on revenue when organizations select among future campaign advertising alternatives. Furthermore, providing quality service will also help preserve the integrity of the Postal Service brand and improve satisfaction for all customers, including political mailers.

What The OIG Recommended

We recommended the Postal Service develop process enhancements to quickly identify operational concerns, coordinate internal corrective actions, and communicate resolution to customers.


Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

February 23, 2016

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

E-Signed by Janet Sorensen
VERIFY authenticity with eSign Desktop


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

SUBJECT: Management Advisory – Political Mail Strategy
(Report Number MR-MA-16-001)

This report presents the results of our review of the U.S. Postal Service's Political Mail Strategy (Project Number 15RG041MR000).

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

Attachment

cc: Corporate Audit and Response Management

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Findings

The Postal Service defines political mail as any material a registered political candidate, campaign committee, or political party committee mails for political purposes.

Introduction

This report presents the results of our self-initiated review of the U.S. Postal Service’s political mail strategy (Project Number 15RG041MR000). Our objective was to evaluate existing political mail strategies and identify opportunities for the Postal Service to grow political mail. See [Appendix A](#) for additional information about this advisory.

The Postal Service defines political mail¹ as any material a registered political candidate, campaign committee, or political party committee mails for political purposes. The Postal Service expedites eligible political mailings through its network.

Candidates and political organizations use direct mail in a variety of ways, including raising money, communicating and persuading, and mobilizing voters. Political campaign experts recognize that direct mail remains an important and effective tool for political mailers. According to an experienced political campaign strategist, “Direct mail is still an important arrow in your quiver: it’s a way to get much more targeted and specific in your messaging than television ads. I don’t think we’re close to an age when campaigns are going to give up mail — it’s still an effective way to target a message to a specific household or individual.”²

Additionally, according to the 2014 Postal Service *Household Diary Study*, 57 percent of households usually read their advertising (direct) mail, while an additional 21 percent scan their direct mail. Even millennials trust and read direct mail. Research from *Money Mailer* found that 90 percent of millennials find direct mail to be reliable and 87 percent actually like getting information in the mail.³

The 2016 election season is a major financial opportunity for the Postal Service, as political mailers are expected to spend an estimated \$12.3 billion on campaign advertising (such as television, radio, online, digital, print, and direct mail). This election cycle includes key national, state, and local elections for:

- President of the United States.
- All 435 members of the U.S. House of Representatives.
- Thirty-four U.S. senators.
- Twelve governors.
- Members of 43 state legislatures and a variety of state offices such as secretary of state and secretary of education.
- City and county offices across the country.
- State and local ballot initiatives and proposed constitutional amendments.

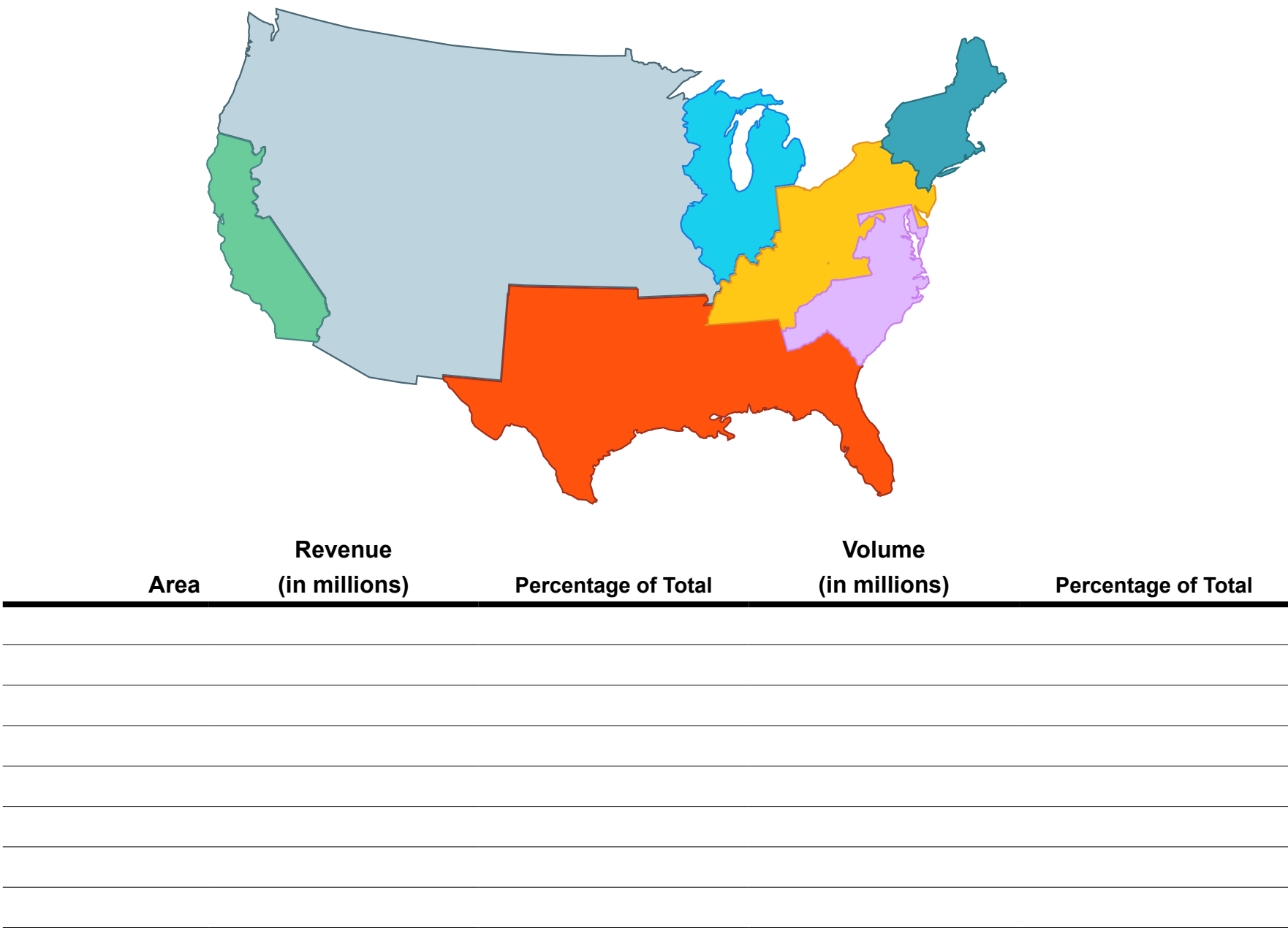
1 Political mail differs from election mail, which is any mailpiece created by an authorized voting registration official and mailed to or from a citizen as part of the voting, registration, and election process.

2 Politico.com, September 3, 2015.

3 *Direct Mail Is Still Here and It’s Actually Better than Ever*, September 1, 2015, campaignsandelections.com.

To illustrate the importance of this opportunity, the Postal Service has set a \$1 billion political mail revenue goal, nearly double the \$525 million in revenue it generated during the 2012 presidential election cycle.⁴ In fiscal year (FY) 2015, the Postal Service delivered about 1.2 billion pieces of political mail, generating \$240.6 million in revenue. See Figure 1 for revenue and volume by Postal Service area.

Figure 1: FY 2015 Political Mail Revenue and Volume by Area



Source: *Postage Statement Revenue and Volume Report* from the Application Reporting System.

The Postal Service’s Sales organization establishes and implements political mail growth efforts.

⁴ According to Postal Service officials, the 2016 election cycle runs from October 2015 through November 2016, in contrast to the 2012 election cycle, which ran from January through November 2012.

The Postal Service has a comprehensive 2016 political mail strategy, which covers national, state, and local elections.

The Postal Services' political mail strategy incorporates various lessons learned from the 2012 election, including planning for the 2016 election cycle much earlier than the Postal Service had in prior years.

Summary

The Postal Service has a comprehensive 2016 political mail strategy, which covers national, state, and local elections. The strategy outlines specific initiatives and strategically assigns Postal Service Sales staff to key political mail customers.

But, political mailers and related organizations have raised concerns about mail delays and service quality. The Sales staff could further contribute to the value of political mail by working more closely with Operations to identify processing issues, coordinate internal corrective actions, and ensure customers are informed when problems are resolved. These enhancements will be important as continued operational issues (both those directly related to political mailings and other service issues, such as the OIG's recent concerns about delayed mail⁵) could have a damaging effect on revenue when organizations select among future campaign advertising alternatives. Furthermore, providing quality service will also help preserve the integrity of the Postal Service brand and improve satisfaction for all customers, including political mailers.

Political Mail Strategy

The Postal Service has a comprehensive 2016 political mail strategy, which covers national, state, and local elections. This strategy incorporates various lessons learned from the 2012 election, including planning for the 2016 election cycle much earlier than the Postal Service had in prior years. The following key facets of the strategy help illustrate its comprehensive nature:

- ***Strategically assign and allocate Sales staff.*** Sales staff members are strategically allocated to key political mail customers. The Postal Service has created a political mail strike team to focus on major national political mailers and relies on field sales staff to handle mid-range and smaller accounts (mostly state and local). This should help ensure comprehensive, nationwide coverage and more qualified, experienced Sales staff handling major political mail customers.
- ***Promote internal coordination.*** The strategy includes mechanisms for coordinating with other Postal Service departments, including Government Relations, Brand Marketing, Operations, Business Mail Entry, and Customer Industry Contact to help political mail move efficiently during the election cycle. This coordination is particularly critical to educate staff on the importance of timely, reliable, and predictable political mail service.
- ***Industry outreach.*** The Postal Service has developed relationships with key political mailers and related organizations, including speaking at their functions and sponsoring their conferences. This outreach is crucial to educate political mailers about the Postal Service's products and services and how they can be used effectively in political campaigns.
- ***Aggressive goals.*** The Postal Service's Sales organization has developed an aggressive \$1 billion revenue goal, which is nearly twice the \$525 million in revenue generated during the 2012 presidential election. Aggressive goals can help drive stronger performance.
- ***Specific sales action.*** The political mail strategy outlines specific activities to be completed by the Sales team throughout the election cycle. A timeline, with specific tasks and assigning roles to Sales staff provides structure and should help the Postal Service implement the strategy to reach its goals.

5 Timeliness of Mail Processing at the Denver Processing and Distribution Center (Report Number [NO-MT-16-001](#), dated December 3, 2015).

- **Sales tools.** Field Sales staff we spoke with stated they have valuable tools to help them reach their political mail sales goals. The following types of tools help Sales staff identify political mail customers, educate them about the importance of political mail in their campaigns, and, ultimately, finalize the sale:



Figure 2: Sample Mailpiece 1



Source: Postal Service Sales website.

Figure 3: Sample Mailpiece 2



Source: Postal Service Sales website.

Political mailers and related organizations have raised concerns about mail delays and service quality, which could impact political mail revenue.

Operational Concerns

Political mailers value timely, reliable, and predictable mail service. Political mailers and related organizations have raised concerns about mail delays and service quality, which could impact political mail revenue. Specifically, we noted:

- A major national political mailer raised concerns about the timely processing of its mail, noting that in September 2015 mail service across the country declined and First-Class and non-profit mail delivery in September was “abysmal.” In early October, the mailer expressed concerns about unstable patterns for receiving Business Reply Mail (BRM),⁶ which is used for fundraising activities. Specifically, the mailer received BRM on October 13, 2015, that had been postmarked in August.⁷
- A Postal Service official said there has been an issue with consistent delivery of political mail at one facility for the past 4 years. Specifically, many political mailers and charitable organizations have raised concerns about the inconsistent delivery of BRM. According to this official, these concerns have led many mailers to shift from mail to other forms of advertising. While this issue primarily affects their fundraising activities, these concerns could also cause candidates and political organizations to seek out other forms of advertising for their campaign mail.
- Nine of the 12 mail service providers⁸ we spoke to raised operational concerns about political mail. Specifically:
 - The red tag system⁹ does not speed the delivery of the mail and there are not always enough red tags available
 - A lack of trays and sacks available from the Postal Service
 - Non-delivery of political mail
 - The need for longer political mail acceptance hours during election season
- The OIG also recently reported on concerns related to delayed mail in the Denver Processing and Distribution Center (P&DC).¹⁰ Specifically, from July 1, 2015, through August 7, 2015, the Denver P&DC’s delayed mail increased by 15.4 million mailpieces (1,797 percent) compared to the same period last year. While these concerns were not raised in specific regard to political mail, instances of delayed mail may negatively impact a candidate’s decision to use political mail.

After the previous election cycle, the Postal Service commissioned research to help it understand the drivers of political campaign decision makers for using political mail. The study recommended the Postal Service consider the following improvements:

- Educating staff on how to handle political mail.

6 BRM service enables mailers to receive mail from their customers, subscribers, donors, etc., without requiring them to pay postage. Business Reply mailers pay the postage plus a fee on all mail returned to them in the special BRM envelopes.

7 While we recognize that BRM is not considered political mail, BRM is a convenience political mailers offer donors for returning contributions and other items. Delayed or missing BRM may cause political mailers to use other advertising alternatives to solicit funds.

8 Mail service providers perform mailing-related services for companies or organizations interested in using the mail to reach their customers. Specific services include designing, printing, transporting, or otherwise preparing mailings to qualify for Postal Service postage discounts.

9 Postal Service Tag 57, commonly referred to as red tag, is a red container tag designed to make political mail visible while it is in the mailstream. Additional information on this tagging system is included in [Appendix A](#).

10 *Timeliness of Mail Processing at the Denver Processing and Distribution Center* (Report Number [NO-MT-16-001](#), dated December 3, 2015).

- Providing campaign managers and consulting firms with a senior-level Postal Service point of contact who will keep the lines of communication open and assist in resolving issues.
- Developing methods for timely delivery other than red tagging, since it is considered ineffective.
- Increasing staff and better preparing for high volume mail periods.

The Postal Service has taken action to help address operational issues that affected its performance during prior elections, such as having Operations staff on its Election and Political Mail Steering Committee,¹¹ having stand-up talks with employees about the importance of processing political mail in a timely manner, updating political mail Standard Operating Procedures, and hosting national webinars to discuss procedures related to processing political mail.

In addition, the Postal Service is developing a tool that will use Intelligent Mail Barcode (IMB) technology to allow political mailers to have more visibility into the delivery of their mail through a status tracker. The Postal Service plans to use IMB data to create a dashboard that mailers can access to track mail delivered to specific locations. The Postal Service tentatively plans to roll out this new tracking product in February 2016. These actions, along with the political mail strategy, should help the Postal Service address recommendations from the study and provide better political mail service during the upcoming election.

According to Postal Service policy, managers involved in processing and delivering political mailings must ensure that each mailing is handled promptly and with equal care and attention.¹² In addition, management must give immediate attention to any reported delay in processing or delivering political mailings. The policy, however, does not specify the coordination process or players.

The aforementioned examples illustrate how Postal Service operational issues — particularly related to their identification, resolution, and coordination — can impact the effectiveness of its political mail strategy. Developing a mechanism to enhance the Postal Service's ability to more easily identify political mail-related operational concerns, coordinate internal corrective actions, and communicate resolutions to customers will be important because ongoing operational issues could have a damaging effect on revenue when organizations select among future campaign advertising alternatives. Furthermore, providing quality service will also help preserve the integrity of the Postal Service brand and improve satisfaction for all customers, including political mailers.

The Postal Service's ability to reach its \$1 billion political mail revenue goal will be at risk if these operational concerns continue. We estimate \$38 million of this goal (5 percent of the remaining revenue goal) is at risk over the 2016 election cycle.

¹¹ The Election and Political Mail Steering Committee is a cross-functional team that began meeting in advance of the 2012 election season. The Postal Service formed the committee to address concerns from members of Congress, state election officials, mailers, and customers about network rationalization and its perceived impact on election and political mail. Its mission is to direct a coordinated effort to ensure a successful political and election mail season, develop and implement communication plans — both internally at all levels of the Postal Service and externally to campaign and election officials — build confidence in the dependability and timely delivery of political and election mail, and ensure no impact from operational changes.

¹² *Postal Operations Manual* Issue 9, Section 492.4.

Recommendation

We recommend the Postal Service develop process enhancements to quickly identify operational concerns, coordinate internal corrective actions, and communicate resolution to customers.

We recommend the vice president, Sales:

1. Develop process enhancements to quickly identify operational concerns, coordinate internal corrective actions, and communicate resolution to customers.

Management's Comments

Management agreed with our findings and recommendation.

Regarding our findings, management agreed that the 2016 election cycle presents a significant revenue opportunity for the Postal Service. They also agreed there is a revenue risk if operational issues are not addressed. The Postal Service implemented a political mail strike team that works closely with a cross functional team to address issues impacting political mail, as well as district Sales leaders to ensure issues are addressed.

Regarding our recommendation, the Postal Service agreed to develop new process enhancements, and restated the implementation of its political mail strike team. The Postal Service indicated that the team will work to mitigate concerns and risks regarding operational issues. Management subsequently stated they are continuing work on a dashboard that will enable political mail customers to view the status of their mail. This dashboard will improve the Postal Service's ability to monitor political mail service and allow it to more quickly identify and address operational issues as they arise. The planned implementation date for this dashboard is August 1, 2016.

See [Appendix B](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation and corrective actions should resolve the issues identified in the report.

This recommendation requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. 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.

Appendices

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Appendix A: Additional Information

Background

The Postal Service defines political mail as any material a registered political candidate, campaign committee, or political party committee mails for political purposes. In order to provide additional visibility and expedite political mail through its network, the Postal Service created Postal Service Tag 57 (red tag). The red tag can be attached to any political mailing by a registered political candidate; campaign committee; or political party committee. It can also be attached to a political message mailing by a political action committee (PAC), super-PAC, or other organizations engaging in issue advocacy or voter mobilization. According to Postal Service policy, any mailing with a red tag must be expedited through operations.¹³

In 2012, the Postal Service generated \$525 million in revenue, rather than the \$285 million estimated by experts. Still, Postal Service executives recognized a missed opportunity for additional revenue. Using lessons learned from the 2012 election, the Postal Service developed a political mail strategy for 2016, which it believes will help generate \$1 billion in revenue.

The Postal Service's Sales organization is responsible for establishing and implementing its political mail growth efforts. The Postal Service is targeting these efforts at national, state, and local races; PACs; ballot initiatives; advocacy groups; political party organizations at all levels; non-profits in swing states; political consultants and political consulting firms; and business partners that also consult to political entities.

Objective, Scope, and Methodology

Our objective was to evaluate existing political mail strategies and identify opportunities for the Postal Service to grow political mail.

To accomplish our objective, we:

- Reviewed the Postal Service's political mail sales strategy, policies, and procedures, and related documents and tools.
- Reviewed the information and content on the Postal Service's political mail [website](#).
- Collected and analyzed Postal Service data on political mail, including volume and revenue.
- Interviewed Postal Service officials at headquarters, area, and district levels on political mail strategies, policies, procedures, and data.
- Interviewed stakeholders from national, congressional, and senatorial campaign committees, as well as other political mailers to collect their views on the Postal Service's political mail offerings and service, as well as their overall views of mail compared to other campaign communication alternatives.
- Researched articles and other literature on using direct mail for political campaigns.

¹³ Processing Operations Standard Operating Procedure (SOP): *Political Campaign and Message Mail*, August 24, 2012. Updated September 18, 2014.

We conducted this review from August 2015 through February 2016, 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 February 15, 2016, and included their comments where appropriate.

We did not attest to the reliability of any computer-generated data for the purposes of this advisory.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Election Mail Opportunities</i>	MS-AR-15-007	8/4/2015	\$32
<p>Report Results: Our report found the Postal Service has opportunities to increase voting by mail to grow revenue. The Postal Service has not developed a marketing and sales strategy for election mail, instead focusing its limited marketing and sales resources on the larger, more lucrative political mail market and facilitating election mail through the mailstream; and not on opportunities to increase its related volumes and revenues. For calendar year 2014, the Postal Service had over \$317 million in political mail revenue as opposed to \$24 million in election mail revenue.</p> <p>We recommended the Postal Service develop a strategy to increase voting by mail to grow election mail volume and revenue. Management agreed with the finding and monetary impact, but disagreed with the recommendation, stating they want to optimize the use of limited sales resources to focus on the larger political mail market. Management also noted that the Postal Service has little or no influence on state legislative decisions to vote by mail.</p>			
<i>Political and Election Mail Sales</i>	MS-AR-13-008	6/19/2013	\$2.4
<p>Report Results: Our report found additional opportunities for the Postal Service to increase political mail revenue. The Postal Service has limited ability to influence state and local election officials in adopting a 100 percent vote by mail process. However, nonballot election mail, such as absentee request forms, may provide opportunities for increased sales of about \$1.2 million and revenue in the next general election by addressing citizen groups that are eligible to vote but not yet registered. In addition, the Postal Service could further explore providing Internet voting to enhance its ability to serve the public and moving into the digital communication market. We recommended the Postal Service develop a strategy to increase the sale of nonballot election mail products to citizen groups that are eligible to vote but not registered and continue exploring secure digital credentialing and its potential for Internet voting. Management agreed with our findings, recommendations, and monetary impact.</p>			
<i>U.S. Postal Service: Overview of Initiatives to Increase Revenue and Introduce Nonpostal Services and Experimental Postal Products</i>	GAO-13-216	1/15/2013	None
<p>Report Results: This report described the nonpostal services grandfathered after the enactment of the Postal Accountability and Enhancement Act (PAEA), experimental postal products offered since enactment of PAEA, and discretionary services the Postal Service performed for other federal agencies. This report also described initiatives (including both nonpostal services and experimental postal products) the Postal Service was pursuing to generate additional revenue, the status of those initiatives and the reasons the Postal Service decided not to pursue other identified revenue-generating initiatives.</p>			

Appendix B: Management's Comments

CLIFF RUCKER
VICE PRESIDENT, SALES



February 1, 2016

LORI LAU DILLARD, DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Management Advisory Report – Political Mail Strategy
(Report Number MR-MA-15-DRAFT)

The following findings were discussed in this OIG report:

The Postal Service has a comprehensive 2016 political mail strategy, which covers national, state, and local elections. The strategy outlines specific initiatives and strategically assigns Postal Service Sales staff to key political mail customers.

Political mailers and related organizations have raised concerns about mail delays and service quality. The Sales staff could further contribute to the value of political mail by working more closely with Operations to identify processing issues, coordinate internal corrective actions, and ensure customers are informed when problems are resolved. These enhancements will be important as continued operational issues (both those directly related to political mailings and other service issues) could have a damaging effect on revenue when organizations select among future campaign advertising alternatives. Furthermore, providing quality service will also help preserve the integrity of the Postal Service brand and improve satisfaction for all customers, including political mailers.

Management Response:

The Postal Service agrees with the OIG that significant Political Mail revenue opportunities exist for the Postal Service as the nation moves toward the 2016 election cycle. They also agree there is a risk to revenue if operational issues are not addressed. Therefore USPS has implemented a Political Mail Strike Team that works closely with a cross functional team to address issues impacting political mail. The team also works closely with district Sales leaders to ensure issues are addressed.

The Sales organization neither agrees nor disagrees with the five (5) percent revenue risk identified by OIG. We recognize that operational issues, if or when they occur, could create barriers to customers considering or planning on using political mail. We believe the Postal Service, especially operations and delivery, well understand the importance and impact of political mail not only to the revenue stream but to the Postal Service brand.

Recommendations

We recommend the Vice President, Sales:

1. We recommended the Postal Service develop process enhancements to quickly identify

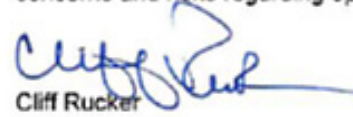
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operational concerns, coordinate internal corrective actions, and communicate resolution to customers.

Management Response/Action Plan:

The Postal Service agrees with the OIG recommendation to develop new process enhancements. Therefore USPS has implemented a Political Mail Strike Team that works closely with a cross functional team to address issues impacting political mail. These teams will work to mitigate concerns and risks regarding operational issues.



Cliff Rucker

cc: Sally K. Haring,
Manager, Corporate Audit and Response Management
U S Postal Service



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