



# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

### Retail Opportunities for the U.S. Postal Service

**White Paper**

**Report Number  
MS-WP-15-004**

**September 4, 2015**





# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

## Executive Summary

*The Postal Service is in a unique position to adapt and contribute to this changing environment.*

Smartphones, smart cars, smart cities...our culture is enjoying a technological and digital tsunami that seems limitless. We are more connected, more informed, and more in touch than ever before. Nearly 84 percent of Americans have access to the Internet and 66 percent have smart devices.

In January 2014, mobile devices accounted for 55 percent of Internet use – surpassing access by personal computer for the first time. A year later, 75 percent of shoppers use a mobile device to comparison shop *while in a retail store*. Clearly, we have experienced a sea change in how people communicate, shop, and get information, and the U.S. Postal Service – like all other businesses, organizations, and agencies – has customers who expect an on-demand, mobile, and interactive digital experience. How, then, does our neighborhood Post Office fit into this picture of a quickly changing, increasingly digital future? This paper explores opportunities to optimize post offices in the future.

The Postal Service is in a unique position to adapt and contribute to this changing environment because of its distinct advantages, including a broad and well-developed logistics infrastructure, presence in over 31,000 locations, and a highly recognized and trusted brand. The Postal Service faces financial and operational challenges due to the rapid decrease in First-Class Mail® volume caused largely by a cultural preference for digital communications. But it has an opportunity to respond to this upheaval by leveraging one of its most familiar and a ubiquitous asset – the Post Office – to ensure it has a future of relevancy and financial security.

Post offices can provide convenience and connectivity in a virtual world that still requires both real-time and physical interaction. With renewed focus on innovation, the Postal Service can use its Post Office network as the interface for customized and personalized offerings of services and experiences for its customers. With this in mind, we identified five areas of retail opportunity for the Post Office:

1. **The Community Hub** – an exploration of how the local Post Office can serve as a “one-stop shop” of community and government services and resources.
2. **The Future is Now** – a summary of ideas to address potential platforms, services, and products that might provide greater service to the public and improve the Postal Service’s outlook.
3. **Innovative Post Office Facilities** – creative enhancements at local Post Office facilities can enrich the customer experience.
4. **Post Office in Your Pocket** – digital and mobile products and services to go.
5. **Getting There** – fundamental restrictions, including philosophies, laws, and regulations to overcome.

These opportunities would compare with those of certain Foreign Postal organizations that are rapidly transforming into organizations that provide a range of business and innovative offerings and using mobile devices to create value for existing products and services.

# Transmittal Letter

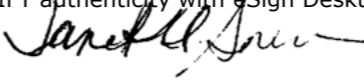


OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

September 4, 2015

**MEMORANDUM FOR:** GARY C. REBLIN  
VICE PRESIDENT, NEW PRODUCTS AND INNOVATION

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

E-Signed by Janet Sorensen  
VERIFY authenticity with eSign Desktop  


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

**SUBJECT:** White Paper – Retail Opportunities for the  
U.S. Postal Service (Report Number MS-WP-15-004)

This white paper presents the results of our self-initiated review of Retail Opportunities for the U.S. Postal Service (Project Number 15RG017MS000). Our objective was to review opportunities to optimize retail opportunities for post offices.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Joe Wolski, director, Retail, Sales, and International, or me at 703-248-2100. Thank you in advance for your time and consideration.

Attachment

cc: Corporate Audit and Response Management

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# Observations

## Introduction

Smartphones, smart cars, smart cities...our culture is enjoying a technological and digital tsunami that seems limitless. We are more connected, informed, and in touch than ever before. For example, in the U.S.:

- Nearly 84 percent of adults have access to the Internet.<sup>1</sup>
- Sixty-six percent have a smart device.<sup>2</sup>
- In January 2014, mobile devices accounted for 55 percent of Internet use and apps accounted for 47 percent, surpassing access by personal computer for the first time.<sup>3</sup>
- In February 2015, 75 percent of shoppers used a mobile device to research products and comparison shop *while in a retail store*.<sup>4</sup>



1 Pew Research Center, *Americans' Internet Access: 2000 – 2015*, dated June 26, 2015, accessed July 13, 2015.  
2 Pew Research Center, *U.S. Smartphone Use in 2015*, dated April 1, 2015, accessed July 13, 2015.  
3 CNN Money, *Mobile apps overtake PC internet usage in the U.S.*, dated February 28, 2014, accessed July 13, 2015.  
4 InReality, *Turn Mobile into your Best Sales Associate*, dated February 19, 2015, accessed July 13, 2015.

***For 240 years, the Postal Service has connected our nation's government, business, and personal sectors and, moving forward, is uniquely positioned to adapt and contribute to the digital era.***

***The Postal Service can also provide convenience and connectivity in a virtual world that still requires both real-time and physical interaction.***

Even our government has gone digital. For example:

- Local, state, and federal agencies use email and websites to communicate with citizens, where they previously used hard copy mail.
- The IRS provides tax forms on its website.
- President Obama has sent tweets from the @WhiteHouse account and sent his first tweet from his very own Twitter account on May 18, 2015.

Clearly, we have experienced a sea change in how we communicate, shop, and get information and the U.S. Postal Service – like all other businesses, organizations, and agencies – has customers who expect an on-demand, mobile, and interactive digital experience. How, then, does our neighborhood Post Office fit into this picture of a quickly changing, increasingly digital future?

For 240 years, the Postal Service has connected our nation's government, business, and personal sectors and, moving forward, is uniquely positioned to adapt and contribute to the digital era. It has distinct assets, including a broad and well-developed logistics infrastructure, presence in over 31,000 locations, and a highly recognized and trusted brand.

The Postal Service faces financial and operational challenges due to the rapid decrease in First-Class Mail® volume due largely to a cultural preference for digital communications. But it has an opportunity to leverage one of its most familiar and a ubiquitous asset – the Post Office – to ensure it has a future of relevancy and financial security.

The Postal Service is not alone in this new reality – foreign posts face the same challenges and have innovated to secure their place in the future. For example:

- Norway Post offers simplified customs clearance for its parcels.
- Finland Post offers cold storage logistics for groceries.
- Deutsche Post DHL has a specialized service that protects temperature-sensitive pharmaceutical products.
- Australia Post offers an innovative payment solution called PostPay. This solution builds on the post's brand to offer a confirmed delivery and payment solution.

Foreign posts are also taking advantage of their brand and developing eCommerce platforms, web services, and logistics networks that integrate with eRetail websites and eCommerce payment and fulfillment platforms.

The Postal Service can also provide convenience and connectivity in a virtual world that still requires both real-time and physical interaction. With renewed focus on innovation, the Postal Service can use its Post Office network as the interface for customized and personalized offerings of services and experiences for its customers.

***The Post Office  
is already a  
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We identified five areas of opportunity for the Post Office of the future:

1. The Community Hub – an exploration of how the local post office can serve as a “one-stop shop” of community and government services and resources.
2. The Future is Now – a summary of the ideas the U.S. Postal Service Office of Inspector General (OIG) developed to address potential platforms, services, and products that might improve the outlook of the Postal Service.
3. Innovative Post Office Facilities – creative enhancements at local Post Office facilities can enrich the customer experience.
4. Post Office in Your Pocket – digital and mobile products and services to go.
5. Getting There – fundamental restrictions, including philosophies, regulations, and laws to overcome.

### **The Community Hub**

What is more familiar and more established than the neighborhood Post Office? In rural areas, the Post Office is not only a place to pick up mail, buy stamps, or mail a package; it is also a gathering place. In suburban and urban areas, it is where people pick up mailing products, visit their Post Office boxes, or get money orders, among other tasks. Throughout the country, the Postal Service may be the only government entity represented in the community – the face of Washington, D.C., in many ways.

With this in mind, the Postal Service has an advantage over its other competitors – people already go to the Post Office so they do not need to learn a new behavior. The Post Office is already a community hub, so the Postal Service does not need to promote its existence and can focus on broadening the community and government services it offers.

The Urbana-Champaign Independent Media Center (UCIMC), in Urbana, IL, is one example of how a Post Office can be transformed into a multi-purpose facility that serves a range of community needs and reflects the community’s character and interests (see [Figure 1](#)).

**Figure 1: UCIMC**



Post Office lobby.



Musical performance stage area.

Source: OIG photographs of the UCIMC, Urbana, IL, taken May 2015.

In the early 2000s, the UCIMC learned that the downtown Post Office building in Urbana was for sale and the city was in danger of losing its retail Post Office. The UCIMC bought the building, not only because it would provide the organization with space to expand its services to the community, but also to protect a historic building and a main outlet for postal services. Organization members worked with the Postal Service on the purchase, raised funds, and secured tenants to obtain a mortgage. They successfully purchased the building in 2005.

The Postal Service agreed to maintain its retail unit and pay \$1.00 per year (for 10 years) at this downtown location. In addition to postal services, the UCIMC offers a local low-frequency radio station, a library, classes taught by local interest groups, a bike repair shop, and a computer repair shop. The UCIMC earns money to cover expenses primarily through contributions and grants, revenue from the programs it offers, and rent. The Postal Service signed a new lease with the UCIMC at market rate in April 2015.

The partnership between the UCIMC and the Postal Service demonstrates the potential of collaborative arrangements. In cities and towns across the country, the Postal Service could investigate opportunities to work together with local organization to create a single hub that addresses each community's particular needs and reflects each community's own character.

Imagine going to one place to accomplish many tasks or receive a variety of services. This is the “one-stop shop” concept. The facility could offer:

- Postal Service products and services – mailing, shipping, Post Office boxes, passports, and money orders.
- Business services – Internet connectivity, printing, copying, notary, bill payment, and financial services.



***Post offices could be transformed into centers that facilitate communication, commerce, and government services at the local level – increasing the facilities’ foot traffic and relevancy.***

- Governmental services – passport or drivers’ license applications and pickup, satellite offices for other agencies (local, state and federal), fingerprinting, food pantries and reserved space for appointments with visiting representatives from agencies such as the U.S. Department of Veterans Affairs or Social Security Administration.
- Civic and community events – exhibits, meetings, classes, workshops, bookmobile visits, mini-libraries, and farmers’ markets.

Post offices could be transformed into centers that facilitate communication, commerce, and government services at the local level – increasing the facilities’ foot traffic and relevancy. The Postal Service could create an inclusive and inviting environment by ensuring signage and services reflect the predominant languages of the community and using lobby directors to facilitate operations and greet and assist visitors. But the Postal Service would want to ensure that any businesses, activities, advertisements, or promotions involving its facilities do not dilute the postal brand or harm the Postal Service’s reputation as a valued and trusted provider.

The Lincoln, NE, Main Post Office (MPO) is another example of how post offices can become vibrant community centers (see Figure 2). Postal Service consolidations resulted in excess space at the Lincoln MPO, which is located in a revitalized downtown area the city had been interested in turning into a commercial and entertainment destination. Thinking like a businessman,<sup>5</sup> the Lincoln MPO postmaster sought authorization to advertise and lease the vacant space. It took persistence, but he eventually obtained authorization and leased most of the vacant space.

**Figure 2: Lincoln, NE, MPO**



Lincoln MPO with ATM.



Private Clothing Studio.

Source: Lincoln postmaster photographs taken June 2015.

<sup>5</sup> Olberding, Matt, “[Downtown Post Office Leases Out No-Longer-Needed Space](#),” JournalStar.com, September 21, 2014, accessed May 6, 2015.

***The Post Office is sometimes the only federal representative in the community.***

The leased space brings the Postal Service thousands of dollars in additional rental revenue. Enterprises housed in the Post Office building include a start-up company, a private clothing studio, a nonprofit organization, a marketing company, an insurance company, and a financial advisor. The Postal Service also rents an outside space for ATMs.

The Postal Service can repeat this approach in other communities, leasing space that provides a center for products and services that meet the specific needs of each rural community, town, or city.

## **The Future is Now**

The OIG has conducted several reviews over the last few years concerning potential products and services post offices could offer to help remain sustainable, yet provide an enhanced experience to customers (see [Appendix A](#)). With few exceptions, the Postal Service could adopt these proposals now and incorporate them into post offices to serve customers. We categorized the ideas addressed in the reviews into five areas:

- Government Services and Information Centers
- Space Utilization
- Digital Communications
- Financial Services
- Personal Service

### **Government Services and Information Centers**

Post offices could provide in-person service centers or online kiosks for people to access basic federal, state, and local government services. The Post Office is sometimes the only federal representative in the community and, as such, could offer services such as TSA Pre-Check<sup>6</sup> from the U.S. Department of Homeland Security, notary public services, document verification for benefits and services, motor vehicle license renewals, processing of property tax and fine payments, and fingerprinting.

### **Space Utilization**

Post offices could provide entrepreneurs with space to test their prototypes, solidify their business models, and grow their businesses in an incubator where initial investment costs are low but rewards can be great. For example, the Postal Service could provide local space to an entrepreneur developing a product that could benefit the Postal Service. In addition, the local community could use vacant space to host programs, education workshops, and cultural exhibits. Currently, the Postal Service leases some facility space, but it could expand its leasing capacities by allowing advertisements on walls and counters, fulfillment kiosks, and ATMs; and in small businesses like coffee shops. In addition, post offices could provide space for micro-warehousing.<sup>7</sup>

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<sup>6</sup> [TSA \(Transportation Security Administration\) Pre-Check](#) allows low-risk travelers to experience expedited, more efficient security screening at participating U.S. airport checkpoints, accessed June 15, 2015.

<sup>7</sup> We consider micro-warehousing a service available to local businesses and others involved in e-commerce to expedite the movement of goods from businesses to consumers.

***Despite our cultural migration to digital communication, we still need the “brick-and-mortar” experience.***

### Digital Communications

The Postal Service can offer or enhance a wide range of digital communications to its customers. Products and services available for exploration include prepaid cards that facilitate money transfers including electronic payments, Post Office box customer notification,<sup>8</sup> e-commerce, smartflow,<sup>9</sup> and Postal Service mobile apps.<sup>10</sup> As the digital divide<sup>11</sup> continues to widen, post offices can close the gap by providing digital communication access to underserved communities.

### Financial Services

As discussed in earlier OIG reports,<sup>12</sup> post offices could offer financial services that may not be readily available in the community. These services could generate new revenue the Postal Service could use to maintain universal mail delivery service. Because many locations have Post Offices in areas where financial services are not available, the Postal Service is well-suited to provide such services. These financial offerings extend the reach of financial institutions, especially those redirecting their branch bank networks.

### Personal Services

Post offices could offer basic personal services that would have an impact on some communities, particularly where access is not easy. For example, the Postal Service can provide a service for individuals who do not have access to a local supermarket and want to pick up their groceries at their local Post Office. Additional personal services could include providing wellness information and services, a food pantry, staging area for emergency services, and identity verification.

### Innovative Post Office Facilities

Despite our cultural migration to digital communication, we still need the “brick-and-mortar” experience. Many of us will always prefer face-to-face interaction and want to fully examine products while still integrating technology into our lives. This is where the Postal Service can set the standard for excellence in service. As mentioned above, the ubiquitous Post Office is already part of our lives. All that’s left to do is imagine, incorporate, and innovate.

The Post Office, a building with window clerks, packaging material, and stamps for sale, must address its core functions with an eye to the future:

*Imagine entering a Post Office where a holographic lobby assistant recognizes your name and personal information as you walk through the lobby doors – the technology is already available via in-store beacons.<sup>13</sup> Simply leave your mailing items via a secure window and payment is automatic. You will be pleased that there is no waiting in line, because you signed up in advance by providing the necessary personal information and a personal identifier.<sup>14</sup>*

<sup>8</sup> Real-time notification via email or text that a mailpiece is or will shortly be available in the customer’s Post Office box for pick up.

<sup>9</sup> Allow businesses and governments to simplify and streamline production and management of document communications. Takes raw or print-ready data provided by large mailers, transforms it into a form appropriate for any given medium, prepares it for delivery, and then delivers it in the medium chosen by the recipient.

<sup>10</sup> Order letter postage through a Postal Service app and receive a code that is written on the envelope in place of a stamp.

<sup>11</sup> The difference in the amount of information available to those with Internet access and those without it.

<sup>12</sup> *The Road Ahead for Postal Financial Services* (Report Number RARC-WP-15-011, dated May 21, 2015) and *Providing Non-Bank Financial Services for the Underserved* (Report Number RARC-WP-14-007, dated January 27, 2014).

<sup>13</sup> Devices that communicate with smartphones to improve a customer’s in-store shopping experience. When placed in stores, beacons use Bluetooth technology to detect nearby smartphones and send them media such as ads, coupons or supplementary product information. They can also be used as point-of-sale systems and to collect information on consumers — particularly how consumers maneuver through stores.

<sup>14</sup> A personal identifier can be an interaction with your cell phone act, privately issued identification credentials, or another method that allows a secure transaction with the Postal Service.

*Alternatively, you apply a Postal Service issued clear label, available in the lobby, to each mailing item and place your electronic fingerprint on all items. The Post Office clerk then reads the fingerprint on the items to determine ownership, as well as the return and delivery address, and to process payment. If you need more help, the holographic lobby assistant directs you to a kiosk where you can click a button to call for a virtual sales associate – or, if you prefer, you can meet with a live clerk or access an online chat window.*

*Your wait – if there is one – is enriched by selecting a Quick Response (QR) Code<sup>15</sup> from a menu and clicking and accessing (via your smartphone) Postal Service information or other media. Large, electronic screens advertise local postal and non-postal events, products, and services and provide comfortable seating areas for you, while you wait. The lobby may also have an automated electronic Post Office Box (ePOBox) kiosk, capable of dispensing mail for multiple customers. You simply walk up to the kiosk, access your ePOBox profile with your secure electronic fingerprint, and retrieve your mail.*

Again, much of this technology is already developed and only needs to be deployed. Fortunately, the Postal Service is poised for this future and is fine-tuning its Post Office network. Recently, the Postal Service launched the Premier Office Program to improve the customer experience and cost efficiency and maximize revenue. The program offers many services that will be the basis for the next generation Post Office. For example, lobby assistants use handheld mobile Point-of-Sale (mPOS) devices to conduct simple customer transactions. In addition, in certain locations, lobbies and kiosks are available to customers 24/7 to conduct postal business and obtain mail and packages. The Postal Service is also piloting GoPost,<sup>16</sup> so customers can retrieve and send packages at their convenience.

Options for allocating space in the Post Office of the future can vary greatly, depending on the community's need. As mentioned previously, government agencies or new and established businesses could lease space and offer services such as DVD/video fulfillment kiosks and ATMs. And, again, excess Post Office space could be used for micro-warehousing and local broadcast media.

The Postal Service is being creative in making its products and services more accessible. The Stamps to Go<sup>®</sup> program,<sup>17</sup> self-service kiosks, and the Approved Shipper Program have increased retail options for customers. In addition, the Columbia, MD, Post Office provides a model other post offices might want to consider. The Columbia location offers a drive-through window, enabling customers to buy products or mail letters without leaving their car. This relieves parking in the front of the building and provides a more timely experience for customers who are already comfortable doing business on the go. It also helps elderly or handicapped patrons who have difficulty leaving their vehicles (see [Figure 3](#)).

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<sup>15</sup> A machine-readable code consisting of an array of black and white squares, typically used for storing URLs or other information a camera or smartphone can read.

<sup>16</sup> An automated secured self-service parcel locker unit with a unique street address used for customers to receive and send packages.

<sup>17</sup> Previously known as Stamps on Consignment.

**Figure 3: Columbia, MD, Post Office Drive-Through Window**

***Society's growing dependence on mobile devices provides another opportunity for the Post Office of the future.***



Source: OIG photograph of the Columbia, MD, Post Office taken March 2015.

### **Post Office in Your Pocket**

Society's growing dependence on mobile devices provides another opportunity for the Post Office of the future. The Postal Service can meet future customer needs and expectations through digital and mobile access to postal services – in essence putting the Post Office in the pocket of every customer who owns a smartphone.

Some digital options include:

- eMailBox – an electronic mailbox/address that is linked to a physical address and acts as a digital counterpart to the physical mailbox. An eMailBox managed by the Postal Service would allow users to send and receive electronic messages more securely and privately than with other email services. The fact that there is a one-to-one link between a digital eMailBox and a physical address helps ensure participants' identities and prevent mail lost due to change of address.
- Digital Identity – provides secure electronic transactions among business users, public entities, and private customers with features like verification of identification for online financial services, shopping, and a digital signature, integrity, and confidentiality. This could include identity authentication features embedded into a prepaid card, which would increase security and privacy in digital and physical transactions in support of e-commerce growth. Through digital identity, the Postal Service can also offer archiving of personal documents such as birth certificates or transcripts.

- 3-D Printing – a method of using a computer-controlled printer to manufacture everything from shoes to jewelry to aerospace parts. 3-D Printing is an additive manufacturing technique, unlike machining, turning, milling, and sawing, which are subtractive. All 3-D objects are built out of layers. A 3-D printer starts with the bottom layer, waits for it to dry or solidify, and then works its way up. This layering process differs depending on the printer and the material it works with – metal, plaster, polymer, or resin. Post offices can take raw or print-ready data provided by large mailers, transform it into the required form, prepare it for delivery, and then deliver it using the mailing class or product the recipient chooses.
- Reverse Hybrid Services (Electronic Scan and Forward Option) – a service that allows customers to go online, view color images of the fronts and backs of mailed envelopes, and decide which items to have opened and securely scanned for reading online and which items should be recycled, shredded, archived, or forwarded.
- Augmented Reality (AR) – a technology that enables mobile devices to superimpose related digital content on top of a real-world view. It uses an electronic device – typically a mobile device – like a smartphone, tablet, or wearable device – to add a digital layer of information on top of real-world images. These devices allow users to view images and digital information in real-time through the device’s camera or lens and view their surroundings with much more detail. Opportunities for the Postal Service to apply AR in its operations to improve customer experience include helping customers determine packaging requirements and shipment arrival times and mailpieces enhanced with embedded video or sound codes.

Meeting customer demand for a personalized and customizable experience will require ongoing attention to digital options, with continuous improvement. Customers expect their mobile applications to interact seamlessly with the physical world and to have complete access 24/7. Recently, the Postal Service introduced several new initiatives, such as mPOS and Real Mail Notifications;<sup>18</sup> however, it needs to continue expanding its digital and technological presence by growing its applications for mobile devices.

In addition, the Postal Service could champion the need for broadband (high-speed Internet access) in rural areas. Just as widespread literacy once changed the world, universal broadband access would give everyone in the nation easy access to information and communication. The OIG reported that for-profit Internet service providers (ISP) have established thorough broadband coverage throughout the U.S.<sup>19</sup> But there are still unserved areas, primarily where it is not economical for ISPs to set up the service. The Postal Service can assist the National Broadband Infrastructure Initiative<sup>20</sup> through a public/private partnership with commercial ISPs to provide facilities and land to expand the broadband infrastructure. A public/private venture could make installations more economical.

The OIG recommended the Postal Service explore partnerships with commercial ISPs to increase broadband coverage in unserved areas by offering a master lease agreement to Postal Service real estate and installing “Wireless Fidelity Hotspots” in unserved areas. Broadband offers new opportunities for use of lobby space in post offices of the future such as to assist small- and medium-sized enterprises in international commerce or in transmitting funds or data in financial transactions.

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<sup>18</sup> A Postal Service pilot program in Northern VA offering residential customers free email notifications that include images of the mailpieces that will be delivered to their mailbox the same day.

<sup>19</sup> *21st Century Post Office: Aligning with the National Broadband Infrastructure Initiative* (Report Number DA-MA-12-002, dated January 23, 2012).

<sup>20</sup> The National Broadband Infrastructure Initiative of the Federal Communications Commission is an effort to make broadband or high-speed access to the Internet available to every U.S. citizen and emphasize their need for this access to take advantage of economic and social opportunities.

***The Postal Service's next challenge is to offer the right mix of products and services to its customers.***

## Getting There

The Postal Service has demonstrated that it is preparing for the future by recognizing physical and digital/technological opportunities. It has been resilient in the past and has weathered changes from manual to mechanical to automated processing, economic highs and lows, and society's accelerated adoption of digital communication. The Postal Service's next challenge is to offer the right mix of products and services to its customers. To do this, the Postal Service must establish strong independence and be unfettered by laws and regulations that curtail its efforts to innovate and expand.

### The Postal Accountability and Enhancement Act of 2006

The Postal Accountability and Enhancement Act of 2006 (the Postal Act), signed into law in December 2006, allows the Postal Service to operate more like a for-profit business in certain instances. However, the law restricts the Postal Service from providing non-postal services, except for those already offered as of January 1, 2006. The law also required the Postal Regulatory Commission (PRC) to review each non-postal service offered by the Postal Service when the law was enacted and determine whether that service should continue, taking into account public need and the ability of the private sector to meet that need. Thus, the Postal Act not only prevents the Postal Service from adding new non-postal services, it also gives the PRC the authority to terminate existing services.

The Postal Act defines a non-postal service as "any service that is not a postal service defined in 39 U.S.C. §102(5)." In turn, 39 U.S.C. §102(5) defines a postal service as "the delivery of letters, printed matter, or mailable packages, including acceptance, collection, sorting, transportation, or other function ancillary thereto."

To implement many of the products and services offered by federal, state, and local governments, as well as foreign posts, the Postal Service would likely have to pursue legislative changes that would allow greater flexibility in its product and service offerings.

## Conclusion

The world of communications is changing. The Postal Service should continue providing convenience and connectivity in a virtual world that still requires both real-time and physical interaction. We identified five areas of opportunity to optimize retail opportunities for the Postal Service:

1. The Community Hub – an exploration of how the local Post Office can serve as a "one-stop shop" of community and government services and resources.
2. The Future is Now – a summary of the ideas the OIG developed to address potential platforms, services, and products that might improve the Postal Service's outlook.
3. The Brick-and-Mortar Experience – how might the Post Office look and what customer interfaces could enhance its place in society?
4. Post Office in Your Pocket – digital and mobile products and services to go.
5. Getting There – fundamental restrictions, including philosophies, laws, and regulations to overcome.

With renewed focus on innovation, the Postal Service can use its Post Office network as the interface for customized and personalized offerings of services and experiences for its customers.

## Management's Comments

Retail and Customer Service Operations management said they appreciate the report opinion and comments, but would need to complete a business case to understand the potential revenue opportunities and the profit or loss from these offerings.

New Products and Innovation management did not provide formal comments.

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

## Evaluation of Management's Comments

The OIG considers management's comments responsive. The OIG understands the need for, and encourages the Postal Service to complete, business cases with data analysis to determine the financial benefits that could result from the ideas presented in our white paper. The OIG continues to believe that the Postal Service can benefit from opportunities to leverage the Post Office to ensure it continues to be relevant and has financial security.



# Appendices

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## Appendix A: List of Opportunities at Post Offices

Government Services and Information Center	Space Utilization	Digital Communication	Financial Services	Personal Services
Federal Agency Information One-Stops <sup>21</sup>	Sell Advertising Space <sup>22</sup>	Reverse Hybrid Services (Electronic Scan and Forward Option) <sup>23</sup>	ATMs <sup>24</sup>	Identity Checking Service <sup>25</sup>
Kiosks (Call Centers) <sup>26</sup>	DVD/Video Game Fulfillment <sup>27</sup>	PO Box Customer Notification <sup>28</sup>	Check Cashing <sup>29</sup>	Wellness Information and Centers <sup>30</sup>
Drivers' License Renewal <sup>31</sup>	GoPost <sup>32</sup>	SmartFlow <sup>33</sup>	Bill Pay <sup>34</sup>	Grocery Pick-Ups <sup>35</sup>
Property Tax Collection <sup>36</sup>	Virtual Clerks <sup>37</sup>	Digital Services: Digital Currency <sup>38</sup> , eMailbox, and Electronic Commerce	Post Office to Post Office Money Transfer <sup>39</sup>	Emergency Services <sup>40</sup>
	Business Incubation <sup>41</sup>	Digital Identity <sup>42</sup>	Gift Cards <sup>43</sup>	
	Partnerships with Public/Private partnerships <sup>44</sup>	Mobile Postage App <sup>45</sup>		
	Local Broadcast Media	Addictive Manufacturing (3-D Printing) <sup>46</sup>		
		Broadband Access <sup>47</sup>		
		Augmented Reality <sup>48</sup>		

- 21 *21<sup>st</sup> Century Post Office: Opportunities to Share Excess Resources* (Report Number DA-MA-12-003, dated February 9, 2012).
- 22 *Revenue Generation Strategic Report* (Report Number MS-MA-10-002, dated September 28, 2010).
- 23 *The Postal Service Role in the Digital Age, Part 2: Expanding the Postal Platform* (Report Number RARC-WP-11-003, dated April 19, 2011).
- 24 *The Road Ahead for Postal Financial Services* (Report Number RARC-WP-15-011, dated May 21, 2015).
- 25 *The Postal Service Customers of the Future* (Report Number RARC-WP-14-014, dated September 29, 2014).
- 26 *21<sup>st</sup> Century Post Office: Opportunities to Share Excess Resources* (Report Number DA-MA-12-003, dated February 9, 2012).
- 27 *Revenue Generation Strategic Report* (Report Number MS-MA-10-002, dated September 28, 2010).
- 28 Accessed July 8, 2015.
- 29 *The Road Ahead for Postal Financial Services* (Report Number RARC-WP-15-011, dated May 21, 2015).
- 30 *The Postal Service's Role in Delivering Wellness Services and Supplies* (Report Number RARC-IB-15-004, dated July 22, 2015).
- 31 *21<sup>st</sup> Century Post Office: Opportunities to Share Excess Resources* (Report Number DA-MA-12-003, dated February 9, 2012).
- 32 *U.S. Postal Service Parcel Delivery Lockers* (Report Number DR-MA-13-002, dated May 6, 2013).
- 33 Canada Post, accessed July 8, 2015.
- 34 *The Road Ahead for Postal Financial Services* (Report Number RARC-WP-15-011, dated May 21, 2015).
- 35 *The Postal Service Customers of the Future* (Report Number RARC-WP-14-014, dated September 29, 2014).
- 36 *21<sup>st</sup> Century Post Office: Non-Postal Products and Services* (Report Number DA-MA-12-005, dated July 16, 2012).
- 37 *Virtual Clerk: A Future Reality for the Post Office?* (Report Number RARC-IF-15-007, dated December 12, 2014).
- 38 *The Modern Post: Integrating the Physical with the Digital* (Report Number RARC-ITB-14-001, dated December 24, 2013).
- 39 *The Road Ahead for Postal Financial Services* (Report Number RARC-WP-15-011, dated May 21, 2015).
- 40 *The Modern Post: Integrating the Physical with the Digital* (Report Number RARC-ITB-14-001, dated December 24, 2013).
- 41 *The Modern Post: Integrating the Physical with the Digital* (Report Number RARC-ITB-14-001, dated December 24, 2013).
- 42 *Revenue Generation Strategic Report* (Report Number MS-MA-10-002, dated September 28, 2010).
- 43 *The Road Ahead for Postal Financial Services* (Report Number RARC-WP-15-011, dated May 21, 2015).
- 44 *Public Private Partnership: Best Practices and Opportunities for the Postal Service* (Report Number RARC-WP-13-011, dated June 24, 2013).
- 45 *The Modern Post: Integrating the Physical with the Digital* (Report Number RARC-ITB-14-001, dated December 24, 2013).
- 46 *If It Prints, It Ships: 3D Printing and the Postal Service* (Report Number RARC-WP-14-011, dated July 7, 2014).
- 47 *21<sup>st</sup> Century Post Office: Aligning with the National Broadband Infrastructure Initiative* (Report Number DA-MA-12-002, dated January 23, 2012).
- 48 *Seeing the Future: Augmented Reality and the Postal Service* (Report Number RARC-IB-15-002, dated April 6, 2015).

## Appendix B: Management's Comments



August 25, 2015

LORI LAU DILLARD  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft White Paper – Retail Opportunities for the U.S. Postal Service

Thank you for the opportunity to respond to the review of the draft white paper Retail Opportunities for the U.S. Postal Service dated August 10, 2015. We appreciate the opinions and comments that you have provided on the different approaches to leveraging the Post Office retail space for opportunities to serve communities and offer additional mobile and digital access.

In order to implement these initiatives, we would need to complete a business case to understand the potential revenue opportunities and whether there would be profit or potential losses from these offerings. Additionally, as mentioned in the report, several of the initiatives will require a change to the Postal Accountability and Enhancement Act of 2006 in order to be implemented.

We welcome ideas on leveraging our infrastructure to provide services that meet the needs of the communities that we serve.

A handwritten signature in cursive script that reads "Kelly M. Sigmon".

Kelly M. Sigmon  
Vice President  
Retail and Customer Service Operations

cc: Dave Williams, Jr  
Jim Cochrane  
Gary Reblin  
Maura McNerney

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