

The United States Postal Service is an institution that has been a vital component of American Society since its establishment in 1782. For over two hundred years, the USPS has provided reliable deliverance of all different types of mail, to and from all regions of the country. Recently the United States Postal Service has been plagued by problems, mostly caused by the increased popularity of the Internet and email, as well as current issues such as anthrax scares. These problems have led the USPS into a state of debt totaling eleven point three billion dollars.

The United States Postal Service is considered a commonweal organization, making its purpose to offer standardized services to all members of a population.(Kreitner, 263). Therefore, the overriding problem that the USPS faces is providing these standardized services to the population at large, but at the same time attempting to meet the population's diverse needs (Kreitner, 263). The United States Postal Service is an open system, meaning that its success relies upon the surrounding environment (Kreitner, 55). The problems faced by the USPS are in many cases unique to that institution and therefore specific approaches have been designed to attempt to deal with them. The well being and well-established reputation of the United States Postal Service is currently being threatened by the emergence of new technologies. Many problem- solving techniques are being used in an attempt to help the USPS compete with emerging competition and return to its position as a vital component of American society.

The Post Office Department, as it was first called, was established in 1782 as an executive department of the central government. In its early years, Congress tried to help by giving the Post Office a monopoly in the carrying of letters and was in charge of approving the budget and overseeing operations such as setting prices and mandating

services (Campbell 194). This was not very productive “because of high postage rates, a depression, and an apparent scarcity of currency” (Adie 25). At this stage, people tried to get around using the organized system and either delivered letters themselves or found a friend or acquaintance to assist them. All proving that from the very beginning, the organization had its flaws and objectors.

In the next 188 years there were many more problems and reforms that occurred within the US Post Office, in order to try to keep with the times and respond to changing needs. One of the major changes was the Postal Reorganization Act of 1970, in which the Post Office was renamed the U.S. Postal Service, making it an independent federal agency (Campbell 194). The purpose of this act was to reduce the subsidies received by the Post Office from the government. This would allow them to handle their own managerial functions and internal disputes without always having to involve Congress. This was not completely established though because Congress gave the power to regulate postal rates to the Postal Rate Commission. Many had objections to the plan because they were accustomed to using political power to get changes made and now they would be working solely on the negotiating level (Adie 112).

Currently, the Post Office is still running with the same business model that was established in 1970 and many of their procedures are out of date. “It is supposedly a self-supporting independent agency, but it is owned by the federal government. Although it pays no taxes, it is not subsidized. It deals with four unions – for city carriers, rural carriers, clerks, and mail handlers – and its labor negotiations are subject to final arbitration” (Deutsch 3).

The United States Postal Service existed as one of the most efficient, cost effective forms of communication between businesses and customers, families and friends. However, in the year 1973 development on a new form of communication would go into full force, changing the world and the Postal Service's role in it, forever.

In 1962, Paul Baran, of the RAND Corporation, which was a government agency, was commissioned by the U.S. Air Force to do a study finding a way for the air force to maintain its command and control over its missiles and bombers, after a nuclear attack(www.isoc.org). This was to be a military research network that could survive a nuclear strike. The network also needed to be decentralized so that in the event of an attack the military could still have control of nuclear arms for a counter-attack. Baran's finished document described several ways to accomplish this. His final proposal was a "packet switched network." (www.isoc.org)

Baran's ideas were expanded on and researched and in 1973 development began on a protocol later to be called TCP/IP (www.isoc.org). The development team for the protocol was lead by Vinton Cerf from Stanford and Bob Kahn from DARPA. The purpose of this new protocol was to allow diverse computer networks to interconnect and communicate with each other(www.isoc.org).

The production of these new systems was taking the world by storm and many were getting involved in the research and design of what would later be known as the Internet. In 1976, Dr. Robert M. Metcalfe developed what is known as the Ethernet, which consisted of coaxial cable to move data extremely fast(www.isoc.org). The development of the Ethernet was a crucial component to the development of the Internet.

The Internet Society was chartered in 1992 with the release of the World-Wide Web by CERN(www.isoc.org). An organization called InterNIC was then created by NSF in 1993. InterNIC's purpose was to provide specific Internet services such as directory and database services, registration services and information services(www.isoc.org). The graphical user interface call "Mosaic for X" was created for the WWW by Marc Andressen of NCSA and the University of Illinois(www.isoc.org).

Since the establishment of the World Wide Web, the growth, usage and dependence on the Internet has grown at amazing rates. For many Internet users, electronic mail, or email as it is popularly called, has practically replaced the Postal Service. Electronic mail is the most widely used application on the Net.

The world of the United States Post Office is rapidly transforming due to the spread of email messages and other Internet transactions. The necessity for change has been a prime component of the United States Postal Service's past and is fundamental to its future. Changes within the Postal Service can seen in past examples; Such as abandoning the pony express for the mail train, and then abandoning the mail train for airmail. Today the challenge is adjusting the operations and management strategies of the United States Postal Service in order to ensure that its future remains as bright as it's past.

For centuries the United States Postal Service has been a vital thread of American society. Today the United States Postal Service is the second largest civilian employer and employs more than 753,000 employees. The overriding problem that the USPS is attempting to deal with is its outstanding debt of eleven point three billion dollars (Cancelada 1). The Postal Service has undertaken a variety of new strategies in an

attempt to cut five billion dollars in expenses by 2006, in hopes of eventually realizing profits once again. Although the Postal Service is plagued by many of the typical problems that any large commonwealth industry is prone to, there are certain problems that are unique and important to the Postal Service and its success.

The USPS' main source of revenue is the delivery of first class mail, which has recently experienced a decline. There are many possible reasons for this decline, most involving increased competition from the Internet. (Cushman) In an attempt to downplay the decline in mail volume, the United States Postal Service has attributed it to the ongoing recession and anthrax scares. In a recent speech, Postmaster General John Potter claimed "There continues to be migration to the internet – we won't deny that...however that migration is small." (Barnes)

A recent survey conducted by the Direct Marketing Association, which represents large volume mailers, which are among the United States Postal Service's largest customers claimed:

"Consumers under the age of 34 are increasingly turning to alternatives to first class mail, especially paying bills online and by telephone, because of the cost and hassle of stamps and post offices." (Barnes)

In addition the Direct Marketing Association calls the decline in first class mail a "generational crisis" and "a potential disaster for the United States Post Office." It seems as if the United States Post Office "is watching its customer base die off without a new generation of customers rising to replace them." (Barnes)

The problem of decreasing mail volume can be illustrated by comparing the mail volume of the Postal Service to that of the Internet. Total mail volume of the USPS in 2000 was roughly 207 billion pieces, experts predict the number will peak in 2003 at about 216 billion pieces, after which the number will continue to decline to a mere 188 billion pieces in 2008. When compared to the “7.3 billion commercial e-mail messages that are sent within the United States everyday” the disparity between the two is apparent. (Cushman)

One of the most prominent problems currently being faced by the United States Postal Service is the competition created by email and other forms of electronic commerce that threaten the profits produced by traditional mailing. The emergence of the Internet and the increased dependence placed on it by American society has threatened the revenues of the Post Office. The problem faced here is the competition created by the convenience and speed of the Internet.

It was estimated in October of 2002, that the annual revenue of the United States Post Office would be reduced by seventeen billion dollars, just from online electronic bill-paying alone (Pizzo, 02). Bill payments account for half of the first class mail delivered by the USPS. A recent study conducted by the General Accounting Office, an investigative arm of congress, found that of the 880 million Social Security checks, tax refunds and other payments delivered last year, 68 percent were sent electronically. This deprived the United States Post Office of \$180 million revenue in one year. The ability to pay bills online offers consumers convenience and speed, something that will easily replace the age-old method of traditional mailing. The majority of business and credit card companies have begun to offer online bill payment plans in order to create

convenience for customers. Even banks, such as the Bank of America have developed sites for online payment of bills.

The United States Postal Service recently partnered with Checkfree, which is the pioneering company in electronic bill paying (Pizzo, 02). Under the Checkfree system, users pay \$6.95 a month for which they receive twenty transactions. Checkfree is currently one of the best online bill-paying services, allowing users to pay or send money to anyone with a direct deposit account in the United States from anywhere (Pizzo, 02). The service allows users to create rates that fit their personal needs. Under this service, users can: pay anyone in the US; view and pay bills from anywhere; pay bills automatically and from multiple accounts and download transactions to personal Financial Management software (usps.com). Its motto for online payments as it appears on the web site is “It's the easy way to move your money. Use this online payment service for online auctions, purchases or sending money to family and friends. Send Money can be used from any Web enabled PC. And the service is backed by the trust and reliability of the U.S. Postal Service®” (usps.com). In this case the Postal Service is attempting to compete with other online companies while still offering the dependability of the “U.S Postal Service.” The Postal Service is making attempts such as these to adjust to the changing environment and the emergence of the Internet. It is too soon to determine the effect that these changes will have on decreasing the debt, although it seems as if they are necessary to exist in the competitive environment that the Internet has created.

In addition to sending and receiving of bills and letters through the Internet, an emerging trend among Americans is the purchasing of gifts, goods and supplies online.

The shipping of these packages is for the most part handled by well-established competitors of the USPS such as FedEx and United Parcel Service. In response to this competition, the United States Postal Service has begun to push its priority mail service, which is similar to FedEx and United Parcel Service.

The problems that the USPS must face are constantly increasing to the point where they can no longer be put off or ignored. In April of 2002, the United States Postal Service announced a Transformation Plan. The plan dictates that the Postal Service will operate more like a business, bringing the ability to negotiate volume discounts, contain costs, operate more efficiently and offer new services.

One example of the United States Postal Service's espousal of this plan is the adoption of a new web address. The previous address of www.usps.gov has been changed to www.usps.com. The switch to a "dot com" address adds more of a private business aura to the USPS rather than one supported by the government. The website offers a variety of online services through which the Postal Service is attempting to make itself a significant commercial online competitor.

In the Executive Summary of the Transformation Plan a joint statement was given by the Postmaster General and the Board of Governors stating:

"The Postal Service has been a reliable, trusted provider of communications for more than two centuries. It is a basic and fundamental service provided to the people of America by their government. It helps keep Americans in touch, and it is the hub of a \$900 billion mailing industry. We are working to keep this critical

national asset strong and vibrant, today and far into the future.” (Executive Summary)

In many ways this statement acts as a mission statement and shows the importance of adopting the Transformation Plan.

The United States Postal Service Transformation Plan can be directly related to the four fundamental ideas of the strategic management process. First a grand strategy was formulated, followed by a strategic plan and implementation of that strategic plan and lastly strategic control will be exercised. The overriding idea of any kind of strategic management is to seek a competitively superior organization. With the implementation of the new transformation plan, the United States Postal Service will hopefully be able to achieve this objective.

Several portions of the Transformation Plan deal specifically with the advent of the electronic age and e-commerce threats. They include electronic bill payment, online mailing, electronic postmarks, certified email messages, online postage, online shipping services, and a new fresh marketing campaign. All of these services seek one common goal and that is to make the United States Post Office more friendly and accessible to the American Public.

Online mailing is a new service offered in which documents, correspondence, newsletters and mail are all electronically transmitted to the post office. The files are printed out, placed in envelopes and then mailed. This service is a perfect example of the USPS’ attempts to become more consumer oriented.

Electronic Postmarks offer a secure electronic time and date stamp for email messages, providing proof of the deliverance of important medical, legal and financial documents. Certified email messages provide confidential, delivery of electronic documents to the government and gives legal proof of filing. Online postage makes the United States Post Office more accessible to everyone by allowing the purchase and print out stamps online. The current leader in sales online stamps is a private company called www.stamp.com. They sell all of supplies needed to set up and print stamps from your office or home 24 hours a day.

The United States Post Office also developed new shipping services software that allows shippers to buy postage, make labels, order packaging, and track the shipments online. This software is similar to services offered by FedEx and United Parcel Service. This service may also be seen as an attempt to cut into competition's market share.

In addition to aforementioned attempts of the Postal Service to decrease debt through implementation of the transformation plan, other options are being explored to deal with problems that are unique to the current times. Although the Postal Service has been struggling with finances for the past few years, the September 11, 2001 terrorist attacks and the anthrax mailing have put additional strains on the agency (Rosin, 02). The Postal Service has decided to embark on an attempt to consolidate pickup routes. This consolidation not only gives the Postal Service more control, it helps to reduce costs. Since August of 2002, the United States Postal Service has been removing hundred of mailboxes and mail chutes from street corners and buildings in major cities such as the D.C. area, Chicago, New Orleans, Denver and South Bend, Ind. (Rosin, 02). The Postal Service claims that this campaign is aimed at "ensuring the security and safety of the

mail, and doing everything possible to save money” (Rosin, 02). The Postal Service claims that many of the mailboxes placed in cities are underused and many of the mail chutes are inefficient. Despite the benefits that are being advertised, the campaign is receiving a great deal of opposition from the communities. People are beginning to feel that the United States Post Office is moving away from being a universal service to more of a specialized one (Rosin, 02).

The consolidation of mail routes and the removal of underused mailboxes in order to improve safety and efficiency was suggested to the Postal Service in the end of 2000. However, it has only become an issue of immediate concern since the September 11, 2001 attacks. Although following through with this removal campaign would produce benefits and safety, there is a great deal of opposition from communities who feel as though it compromises convenience. Therefore, the exact plan of action that the Postal Service will pursue is still unknown (Rosin, 02).

Another problem currently plaguing the United States Postal Service deals with airmail to rural areas. The Postal Service for years has been using airlines to fly mail to and from rural communities, however, under a newly proposed plan, they are not planning on renewing the contracts with airline carriers. The Postal Service has decided, in an effort to cut cost, to truck all mail now flown by carrier (Saunders, 1). The Postal Service is involved in two contracts, one with the major carriers (ASYS) and one with the regional air carriers (ASYS-R) (Saunders, 1). The Postal Service currently pays \$0.33 per pound of mail carried by major carriers and \$0.40 to \$0.80 per pound of mail carried by regional carriers. Trucking the mail can be done for the lower price of \$0.12 per

pound of mail and therefore, the United States Postal Service is not planning on renewing its contract with the airmail carriers in order to switch to trucking (Saunders, 1).

The airline carriers are not happy with this decision, claiming that trucking will slow delivery, create delays and cost jobs. The Post Office gives the counterclaim that the only change in using trucking will be a sharp decrease in price, the delivery rate or reliability of mail will not be affected(Saunders, 1). The issue of renewing the contracts is still under heated debate, as the airlines are attempting to make in a congressional issue(Saunders, 1). The switch from airmail to trucking seems to create many tradeoffs and time will tell if the benefits will outweigh the costs.

The USPS is currently making many attempts to transform in order to meet the changing environment and decrease its increasing debts. The aforementioned problems and solutions are all prominent issues within the United States Postal Service and upon further examination it can be concluded that there are currently three different possible paths the USPS can take to attempt to solve its problems. The first of these being privatization. If privatization occurred, the Post Office would be an independent entity with the goal of profit. Postal rates would no longer be the same everywhere but would probably change depending on the location. Cities that have huge quantities of mail going through them every day would get lower rates than small towns that may only see hundreds or possibly even dozens of pieces of mail a day. “The privileged might stand to benefit from privatization, but not everyday people. It might be fine for the lawyer in Los Angeles, but not for the sales clerk in Omaha” (Potter 4). This is not an option that the Post Office wants to pursue because they know the American people would not be happy with it. The Post Office was originally established to serve all Americans equally and

fairly and charging different prices for the same process would not uphold the principals it was established on.

The second option is “to restructure the Postal Service as a traditional government agency with a sizable portion of (their) operating revenues coming from appropriated funds” (Potter 4). Currently, no taxpayer money is used to support the Post Office, but if this plan was accepted, it would be “back on the federal budget” (Potter 4). This would probably mean an increase in taxes since it would be \$15 billion in fiscal year 2003 and would bring back the problems before the Reorganization of 1970. Decisions that are made would have to go through Congress and the Post Office would have very little managerial control (Potter 4). This option, too, would not be in the best interest of all parties involved because of the increase in taxes and also having to rely on the government for decision making.

The third option would be a Commercial Government Enterprise which would essentially “give (the Post Office) the management tools that are available to private corporations to improve service to (their) customers, manage costs more efficiently and leverage (their) assets to generate revenue opportunities” (Potter 5). This option would fall somewhere in between the current situation and privatization. They would keep their service universal but have more power to make business decisions. They would attempt to make “reasonable returns” instead of just breaking even, introduce flexible pricing (being able to adjust according to market demand), and make it a labor-intensive organization with collective bargaining. The main goal of this model would be to give the customers increased access and convenience because of the added flexibility. More locations with longer hours could be added, non-performing outlets would be closed, and

alliances with the public sector could be pursued. On a whole, this seems like it would be the most effective plan out of the three offered but another problem comes when it comes time to make large decisions like this (Potter 5).

Internally, the Post Office knows what problems are occurring and has even thought of possible solutions to many of them. In September 2002, “United Parcel Service (UPS) thwarted the prospect of legislative reform of the U.S. Postal Service (USPS) for at least the next two years” (Barbagallo 22). UPS was able to accomplish this because they hold the largest political action committee in America and when the Act came up, they lobbied against it. UPS feels that USPS is cutting in on their business and is “branching from its mission to deliver First class mail to every household” (Barbagallo 2).

The United States Postal Service has been a vital part of American society since its establishment, however, recently its role has been threatened. The USPS is an organization that relies heavily on the ability to cope with and adjust to the changing environment. In order to help the USPS cope with the emerging technologies that are threatening its survival, the proper management approach must be taken. Since the USPS’ largest problem is its debt, which has been brought about by its inability to meet the challenges posed by the internet and other factors, an operational approach to management may be useful in helping it regain its status. The Operational approach to management is dedicated to improving the efficiency of the organization, cutting waste and improving quality (Kreitner, 45). These are three major areas that the United States Postal Service must address in order to decrease debt.

The United States Post Office has not taken a back seat position in the fight to maintain its esteem in the American society. The USPS has designed and implemented many different attempts to solve the problems that it faces and is currently working on other ways to overcome its obstacles. The aforementioned problems and possible solutions that the USPS has been involved in over the past two years since 2000 are just a portion of the plethora of problems and solutions that the organization has and will be faced with. If the USPS follows the correct and efficient management procedures and devotes time and effort to its cause, there is no doubt that the institution will soon regain its place as a prestigious and prosperous staple of the United States.