

United states postal service



**ASSIGN
BUSTER**

The most concerning threat USPS faces is the rise in operating expenses, particularly the increase in energy prices and health insurance premiums. Energy prices are at all time highs. With USPS' dependency in both, air and ground transportation, energy prices will play a major role in the company's budget. USPS is part of the Federal Employee Health Benefit program and premiums for these benefits have steadily increased over the last couple of years.

For example, premiums increased in 2003 by 11. 1%. Health benefit payments increased 14% in 2003 from 2002, and by 15. 8% in 2004 from 2003 levels. Similar to energy prices, the price trend of health premiums and benefit payments will is expected to increase for the foreseeable future. The other major threat USPS must deal with is decline in volume, particularly in the express mail category. Technology advancements in business communications, particularly e-mail and fax machines, are the main reasons for this decline. However, the weak economy over the last couple of years has also contributed to this decline.

Finally, the extremely competitive environment of express mail has an effect on USPS' volume. As standard mail becomes obsolete and the electronic revolution takes over, the United States Postal Service needs to develop a new strategic action plan in order to adapt and sustain profitability in this dynamic environment. There are a number or short and long term problems that need to be addressed. Short-term problems include rigid business hours, minimal marketing in the package delivery segment, and alliances with other companies. Extending business hours would allow more flexibility for consumers.

Increased marketing in the non-urgent package delivery system would improve business in that segment. An alliance with one or more internet-based companies would help increase package delivery market share. Long-term difficulties include vehicle maintenance, future pricing, and the Federal Employee Health Benefit Program. Replacement of delivery vans with hybrid or electric vehicles will cut costs. Raising standard mail pricing, since USPS is a monopoly, and lowering package delivery prices will put USPS in a more competitive position.

Additionally, a more cost-efficient health plan needs introduction. Short Term Action Plan USPS should extend its business hours to accommodate the increasingly busy schedule of its customers, the general public. Hours should be extended to 6pm, Monday through Friday, since most of their customers are still at their jobs until 4-5pm. On Saturdays, business hours should be extended to 3pm, so that customers could still make it to the post office for retail counter transactions without having to rush to beat the noon deadline.

USPS should actively market to those who do not need to ship their packages via express next-day delivery. With an advertising budget of over \$300 million, and prior successful advertising campaigns such as Fly Like an Eagle with famous athlete Lance Armstrong, the marketing needs to be redirected. Since USPS has facilities and delivery vehicles dispersed throughout the country, in both urban and rural areas, USPS is more than capable of delivering any package to any zip code in the country within 4-7 days.

The ideal target customer would be a catalog sales company, or a small start-up company who is cost conscious while looking for reliable transport of

his product. USPS should build more alliances with internet-based companies based on their fledgling success with eBay. Overstock. com and Amazon. com are just two companies that, if added to USPS' partner portfolio, would dramatically increase its non-urgent package delivery market share. A hyper link to USPS' site would be available to sellers (shippers) on Amazon's or Overstock's site.

In addition, USPS' advertisements of convenient services and competitive pricing would be displayed on these pages, either as banners or pop up ads.

Long Term Action Plan USPS should gradually replace their aging delivery vehicles with hybrid or electric vehicles to reduce delivery costs and dependency on gas. A hybrid vehicle not only saves the Postal Service 32-40% on fuel costs (roughly \$1200/car/year based on 30k miles), depending on the vehicle, but USPS would also receive a \$3, 000 tax incentive on every vehicle. In cities, electric ehicles or SMART cars could be used since delivery routes are shorter with frequent stops. Aside from being fuel efficient, they adhere to the ever stricter emissions rules. With well over 200, 000 postal vehicles currently in the system, savings would approach the \$1billion mark. Since USPS has monopoly in Standard Mail, prices in this sector should be raised while prices in the package delivery sector should be lowered, albeit marginally, in order to attract higher market share. A raise in first class postage of a little over 8% to \$. 40 is presently being reviewed.

Higher revenues would result from the newly raised prices in the monopolized Standard Mail market, while higher volume sales from the package delivery segment would boost revenues. USPS should first appeal to the US government to leave the Federal Employee Health Benefit program.

<https://assignbuster.com/united-states-postal-service-essay-samples-3/>

Then, USPS should research other health plans that are more cost-efficient, whether it be a new carrier in the private sector, a change in benefits coverage or alter the level of an employees' contribution to insurance. Any of those routes would help to offset the ever rising costs to the employer, USPS, of insurance coverage and retirement benefits.

USPS needs to upgrade its present electronic scanning and sorting machine and conveyor systems. As evidenced by FedEx, DHL and UPS, an upgraded system yields immediate results in lowered labor costs, and more importantly, increased efficiency that would improve their reliability rating to the high nineties, as the aforementioned companies. Also, the increased threat of terrorism, as USPS recently witnessed first hand with anthrax, would be addressed and very possibly eliminated by the better scanning systems.

As the mail industry becomes increasingly susceptible to the electronic revolution, and as the competition in the express package delivery industry heightens, USPS must deploy strategic actions in order to keep up with the technological advancements and strong competition. Through the proposed Action Plans, USPS will successfully increase its customer base, keep up with the trends in technology, lower operating costs and increase their revenues.

References: <http://www.usps.com/about/welcome.htm>