

# United states postal service

Business



of the of the Submitted The US Postal Service Case Study The Organization's Current Strategy The current strategy of USPS is to serve the customers to the best of their ability, using their strengths to deliver correspondence and packages to them on a consistent and timely basis so as to provide them opportunities for trade, commerce and communication. It has been revamping its services and operations to serve customers better in the light of their needs and emerging technologies, and embracing change in a rapidly changing business environment.

## 2. The Organization's Current Performance

USPS is the only postal service that serves the length and breadth of America. However, it does not rely on Government funding. Rather, it creates revenues out of its sale of postage stamps, products and services. Over the last 2 years (2007-2008), the USPS has been hit by increase in cost of postage stamps, cost of deliveries and shipments and the increasing tendency of people to use email to send messages rather than posting letters or cards. It has absorbed a loss of \$5.3 million in 2007 and \$2.8 million in 2008, leaving it strapped for cash and increasing the possibilities of bankruptcy or business failure. This has been eating into its retained earnings for the period (David, 81). Meanwhile its revenues stand at \$75 million and though it has cut back on employees and increased the number of points served, this is not translating into an increase in profitability, mainly due to the rise in costs.

## 3. External Audit

USPS clearly needs to follow the lead of its competitors UPS and Fedex, who have leaner and more profitable operations. Its service agreements with them need to be scrapped. USPS also needs to reduce the number of service <https://assignbuster.com/united-states-postal-service-essay-samples/>

outlets it has which will reduce the cost of maintaining them. At best one service location per district will work fine. It needs to adopt a centralized system.

#### 4. Internal Audit

The internal analysis for USPS shows that it is suffering from many problems. Its employee unions have been successful in bargaining for compensation and benefits, while the employees have been working less hours due to lack of work. As 52 percent of its revenues derive from first class mail, a decline in this volume has affected its revenues. Meanwhile the fact that its Board is appointed by the President and its prices are regulated by CPI, there is a double bind on USPS in that it cannot increase its prices beyond a certain limit. The separation of business into market regulated and Government regulated areas has been the death knell for USPS (David, 83). No organization can be run as a combination private and public enterprise- it is either one or the other. In spite of all its efforts, there has hardly been a dent in compensation and benefit payouts. Its agreements with competitors need to be scrapped since Fedex and UPS are both gaining at the expense of USPS.

#### 5. Summary of Critical Issues

USPS is clearly at the crossroads between how to climb out of the mess and evolve new business strategies that can hopefully put it back on the road to success. It needs to scrap its business agreements with competitors. It should adopt a centralized mailing service, as this would make it more cost effective. However quality of service should be maintained or it would open the door to competitors. It should push for conversion into a fully private

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enterprise, as Government control is not serving its best interests.

#### 6. New or Modified Strategic Alternatives

USPS should look at the success strategies of its competitors, adopt lean operations, increase the use of technology and find ways to reduce cost of deliveries. It could use truckers with security systems to ensure deliveries of packages from State to State. It could create a reliable system to send mail via computer along the same lines as Hotmail or Yahoo mail, but with added features like flags to inform when mail is opened or received at the other end. It could set up this system in libraries or public areas but needs to ensure that security and encryption systems are good. It needs to ensure that employees are reduced to manageable levels and a tougher stance is adopted in union negotiations.

#### 7. Strategic Recommendations

On the basis of the foregoing analysis, I would definitely recommend that the USPS be set up as a fully private enterprise, the present union agreements with employees be renegotiated, agreements with competitors be scrapped and a centralized system be adopted for deliveries. At best they should have regional, city and district outlets where all mail and package deliveries are centralized for collection and delivery. In this way I am certain that they can return to profitability and sustainability.

#### Works Cited

David, Fred & David, Forest. The USPS Case Study, 2009.