

MAILERS TECHNICAL ADVISORY COMMITTEE (MTAC)

# Workgroup 152

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## Final Recommendations Report

**February 11, 2013**

USPS Co-Chair: Alexandra Robleto  
Industry Co-Chair: Bob Schimek

## **Execute Summary:**

The purpose of the work group was to review, assess, and define cost/benefit analysis of an architectural change of distribution separations and entry to a 5-digit structure from its current parameters. The work group was tasked to explore the feasibility of modifying systems (mailer and postal) and data files, such as labeling list, mailer direction file, to better align with the mail processing network.

The work group hosted several conference calls that spanned from November 13, 2012 to February 11, 2013. The work group was comprised of 58 members from the mailing industry and the USPS. The discussions identified some modest benefits in regards to being able to more finely tune the USPS delivery network. However, the work group also identified some significant barriers with legacy systems and the zone chart matrix that would likely require sizeable investments to be made by both the industry and the USPS.

It is the recommendation of this work group to not proceed with moving to a 5-digit file structure at this time. If the USPS does determine to move forward at some future point it is the recommendation of this work group that significant lead time is provided (2+ years) to ensure adequate time is provided to make the necessary system changes.

## **Overview:**

After the work group charter had been reviewed and discussed, the team focused on ensuring there was sufficient representation from both the industry and the USPS. Industry participants included Mail Owners, Mail Service Providers, Software Vendors, Printers, and Logistics providers. USPS participants included Address Management, Classification Support, FAST, Industry Engagement and Outreach, Mail Entry, Mailing Information Systems, Marketing Technology & Channel Mgmt, Network Integration Support, Operations Integration and Support, Pricing & Classification, Processing Center Operations, Product Classification and the Solutions Center so that all impacted postal systems were represented. Roster is included in Appendix B. The work group then focused on the list of data sources and systems that would be impacted and what the benefit and/or cost associated with the proposed change would be for these systems. To help ensure sufficient participation from the work group a survey was created to solicit feedback from the individual members. The goal of the survey was to identify the primary benefits of this proposed change and the size/value of the benefits along with the primary costs and the size/impact of the costs. A complete listing of benefits and costs are included in the survey results, Appendix A.

### **Primary Benefits:**

**Network Flexibility:** Moving to a 5-digit Labeling List structure would provide increased flexibility for the USPS to fine tune their delivery network. Currently the USPS has to shift an entire 3-digit area from one processing facility to another. As the USPS continues to right-size their delivery network, it is possible that a single processing plant may not have the necessary capacity to take over an entire 3-digit area. Moving to a 5-digit file structure would give the USPS the flexibility to spread a 3-digit area across several processing facilities.

**General Improvements:** There were a number of general improvement that were identified as possible benefits including: More refined Service Standards (5-digit to 5-digit instead of 3-digit to 3-digit), more refined Service Performance information, reduction in travel distances between processing plants and delivery units, ability to adjust CET's based on reduced travel distances.

**Single Label List File Format:** The current electronic format of the individual labeling list tables have different record format/structure. Moving to a 5-digit File Structure would create the opportunity for the record format of each table to be the same, which would potentially allow the creation of a single table for all label lists.

### **Primary Costs:**

**System Redesign:** The results of the survey from an industry perspective had ratings across the board from this being a relatively minor change for some to a massive investment and redesign to update legacy systems for others. It was noted that there was minimal participation from the USPS in responding to the survey but feedback obtained offline and during conference calls supported the belief that the work needed to support this proposed change for all the USPS systems impacted would be significant. The work group determined that at least the following Postal systems would be impacted: Zone charts and zone calculation, Labeling Lists, Service Standards, Mail Direction, Presort Systems, Point of Entry, Postage Calculation, Postal One, SASP, FAST, EVS, Microstrategy Reporting, SDC, CSAs, Mail.dat/xml, PAVE, MAC Batch, CDAS, NCSC, PTS, CLDS, Postal Explorer, TOPS, SPS, POS, RIBBS, and RPW.

**Zone Chart Matrix Explosion:** The zone chart is a 3-digit ZIP to 3-digit ZIP matrix and is roughly 2-Meg in size. With this proposed change, the Zone Chart would have to be changed to a 5-digit to 5-digit matrix. The result size of this matrix would be hundreds of Gig's in size, so a significant redesign of the Zone Chart would be required before being able to consider making this proposed change.

**Training and Quality Control:** It was noted that there would be significant cost involved to retrain industry production staff that a single 3-digit could be split across multiple SCF's which will increase the complexity of ensuring quality control. It was also noted that this proposed change would likely mean more (quantity) changes with the quarterly labeling list updates which will require more work for mailers to modify and update sort schemes.

### **Conclusion/Recommendation:**

While benefits can be seen with the increased flexibility this would provide the USPS to optimize their network, the results of the work group discussions and survey will not provide the USPS/Industry ROI that would be needed to justify a recommendation to proceed. With minimal input from the USPS side (1 response) it was noted that the changes to USPS systems would likely have the same or higher ratings than the industry for impact and investment. Based on this, the work group believes that while there are benefits to both the USPS and industry for this increased level of flexibility, the investment required will be a significant barrier.

Given the number of issues with existing USPS systems, it would be the recommendation of this work group that the USPS focus its resources on the stabilization of existing systems. The work group believes this would provide more benefit to the USPS and industry than proceeding with this project. At some future point, if the USPS makes the decision to proceed with this project, there would need to be a significant lead time provided to the industry for implementation (a minimum of a 2 year notification). Ultimately if this project is going to happen, it will be the USPS making the decision to do so and mandating the change if they want the additional level of flexibility for their network.

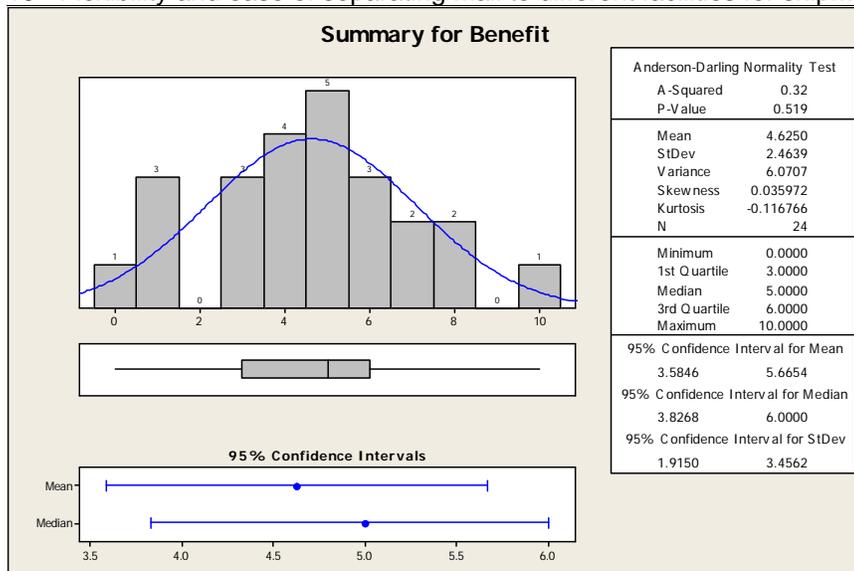
## Appendix A: Survey Results

**Question 1:** Based on the discussions so far, what do you see as the top five benefits associated with the “proposal” of moving to 5-digit labeling lists, for your company and/or the USPS? With each benefit also provide a rating from 1 to 10 on the level of benefit being provided from your perspective:

- 10: Significant benefits to be gained
- 5: Modest benefits to be gained
- 1: Minimal benefit but worth noting

Responses: Rating - Benefit

- 0 - No Benefits to industry unless there would be some rate advantage.
- 1 - Possibly allow USPS to fine tune zone charges
- 1 - USPS can more finely define entry points
- 1 - Possible accuracy improvement for calculation of Service Standards
- 3 - Fixes FSS Issues
- 3 - Network flexibility and Network Optimization effects
- 3 - Create impetus to consolidate and standardize Labeling Lists
- 4 - Allow USPS to fine tune delivery areas to save money and improve delivery
- 4 - Network Flexibility - but I don't think this would be gained until the network stabilizes, and any work should be reconsidered at that time
- 4 - Eliminate exception handling such as for a geographic 3-Digit split or a 3-Digit worked at two locations
- 4 - Could impact persort rates where changes can be made to minimize mixed local pallets
- 5 - Improve Service standard Calculations
- 5 - More closely aligned with actual mail handling
- 5 - Addressing customers' concerns
- 5 - Possibly increasing efficiency
- 5 - Performance measurement improvement?
- 6 - Improved USPS Routing of Mail
- 6 - Flexibility with future consolidations and mailflow changes
- 6 - eliminates all ambiguity as there is with the current label listings when splitting out to different SCFs
- 7 - Create structure for a unified labeling list
- 7 - Improves mail deliverability for our customers.
- 8 - Possibly obtain data at a more detailed level
- 8 - Software with a single zip file, eliminates logic confusion, easy determinations of destinations
- 10 - Flexibility and ease of separating mail to different facilities for shipment

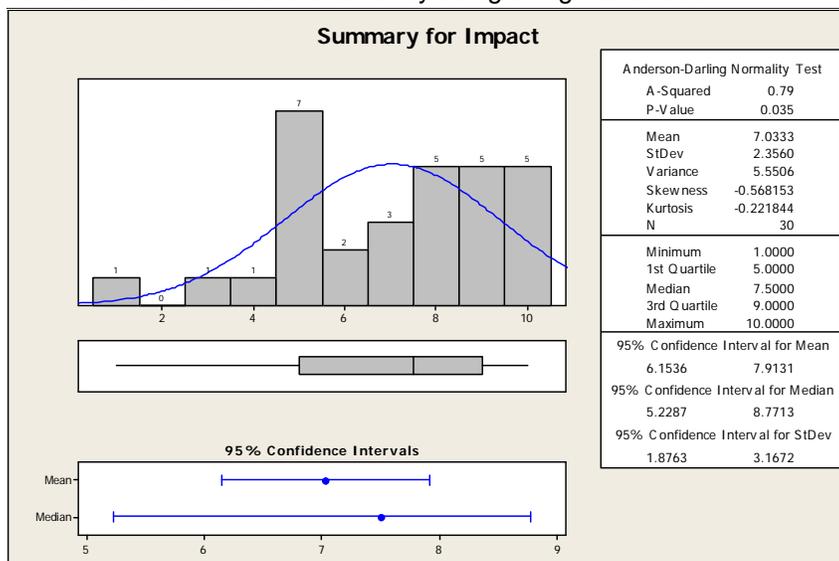


**Question 2:** Based on the discussions so far, what do you see as the top five problematic areas, significant investments, cost prohibitive items, "Con's" associated with the "proposal" of moving to 5-digit labeling lists, for your company and/or the USPS? With each "Con" item also provide a rating from 1 to 10 on the level of negative impact that would result from your perspective:

- 10: Significant impact
- 5: Modest impact
- 1: Minimal impact but worth noting

Responses: Rating - Impact

- 1 - Vendors would be required to handle new file structure
- 3 - Additional costs for multiple entries
- 4 - USPS would be required to give out more detailed information about their mail handling practices (also a benefit)
- 5 - Customers with "homegrown" systems would need to handle new file structure
- 5 - More complex structure would be difficult to read in text/web form (existing labeling lists are accessed online to troubleshoot sortation problems)
- 5 - Changes to customers' operation?
- 5 - Changes to zone charts
- 5 - Unsure of future prep requirements
- 5 - Would complicate USPS verification processes.
- 5 - Impacts to PostalOne and MicroStrategy validation and reporting
- 6 - Bundle Based Presorts
- 6 - Zone Matrix
- 7 - Mail Direction file
- 7 - Sytem Upgrade
- 7 - Variable zips in a 3D zip group would be difficult to validate for in-house QC.
- 8 - Increased Size of Labling List
- 8 - Slow down the speed of all software applications
- 8 - More trays of mail
- 8 - More frequent changes to 5D zips between 3D zip groups would cause more operational effort to modify sort schemes on our letter sorters.
- 8 - Splitting SCFs would create a QC issue, starting multiple skids in order to finish a zip run
- 9 - Complete retrain of all production personnel
- 9 - lack of equipment
- 9 - 5 digit label listing will cause use of additional bins in the MLOCR enviroment
- 9 - Little incentive for Software Vendors to make the required changes
- 9 - Substantial file size increase
- 10 - Significant rewrite of all vendor, USPS and "home grown" software applications
- 10 - Still not sold based on discussions to date that any gains would be outweighed by the potential investment- at least not at this time. Once the distribution network is reworked, this effort should be revisited. But not before.
- 10 - How will a 5 digit label listing effect the presort qualification
- 10 - Huge cost for the USPS
- 10 - Service Standards are currently using 3-Digit calculation

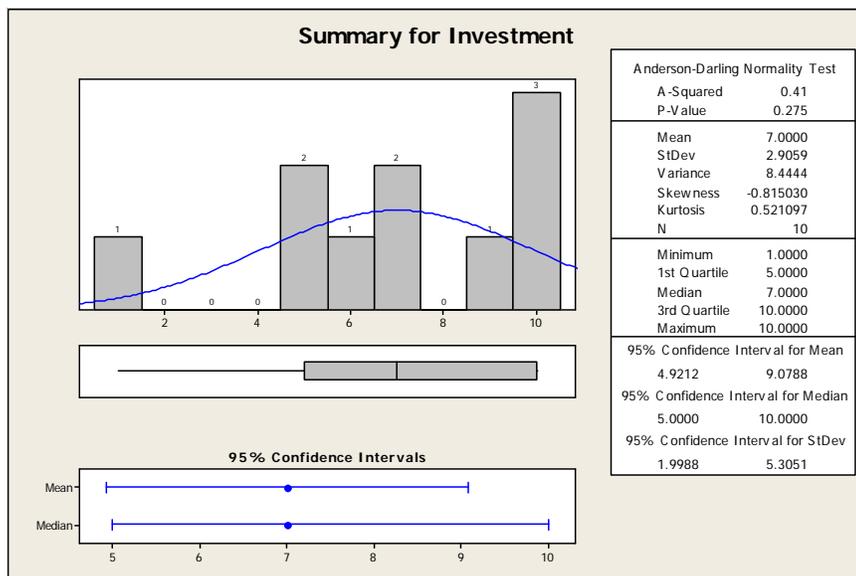


**Question 3:** While we have not worked through all the affected areas yet, do you have a rough feel for the level of investment and/or cost for your company “if” this change were to be implemented (Level 1 to 10)?

- 10: Major investment, 6+ months or more of system changes and testing.
- 5: Significant investment, 3 month project to account for system changes and testing
- 1: Minor change, 1 to 2 week project to make and test for the necessary changes.
- 0: I really have no idea at this point.

Responses: Level of Investment

- 0
- 1
- 5
- 5
- 6
- 7
- 7
- 9
- 10
- 10
- 10



## Appendix B: Roster

- 1 - Alexandra Robleto - USPS - Postal Lead
- 2 - Bob Schimek - Satori Software - Industry Lead / Software Vendor
- 3 - Anthony Frost - USPS - Industry Engagement and Outreach
- 4 - Asad Saqib - USPS - FAST
- 5 - Bob Weismiller - USPS - Solutions Center
- 6 - Dane Coleman - USPS - Operations Integration and Support
- 7 - Daniel Mahnke - USPS - Network Integration Support
- 8 - Gail Milton - USPS - Address Management
- 9 - Himesh Patel - USPS - Mailing Information Systems
- 10 - Joanne Cabatu - USPS - Marketing Technology & Channel Mgmt
- 11 - Lynn Miener - USPS - Solutions Center
- 12 - Martha Forrest - USPS - Mailing Information Systems
- 13 - Michael Ohora - USPS - Classification Support
- 14 - Nina Yeh - USPS - Pricing & Classification
- 15 - Paul Mitchell - USPS - Processing Center Operations
- 16 - Rachel Devadas - USPS - Product Classification
- 17 - Shariq Mirza - USPS - FAST
- 18 - Shibani Gambhir - USPS - Network Integration Support
- 19 - Triveni Shenoy - USPS - FAST
- 20 - Verdonna Hudson - USPS - Mail Entry
- 21 - William Gunther - USPS - Product Classification
- 22 - Alan Southard - Fiserv - Mail Service Provider
- 23 - Angelo Anagnostopoulos - GrayHair Software - Software Vendor
- 24 - Bret Freeman - TC Delivers - Mail Service Provider
- 25 - Carlo Preston - DST Output - Mail Service Provider
- 26 - Charley Howard - Harte-Hanks - Mail Service Provider/Logistics
- 27 - Cindy Terwilliger - AT&T - Mail Owner/Software Developer
- 28 - Cliff Bradley - Time Inc - Mail Owner/Software Developer
- 29 - David Propst - Pitney Bowes Software - Software Vendor
- 30 - George Rader - DST Mailing Services - Mail Service Provider
- 31 - James Jones - CSGI - Mail Service Provider
- 32 - Jennifer Anderson - RR Donnelley - Printer, MSP, Logistics
- 33 - Jim Morton - Quad/Graphics - Mail Service Provider
- 34 - Joe Bailey - Monticello Software - Software Vendor
- 35 - John Hosier - RR Donnelley - Printer, MSP, Logistics
- 36 - John Sexton - Pitney Bowes Presort Services -
- 37 - John Whittington - Time Inc - Mail Owner/Software Developer
- 38 - Josh Evans - Lorton Data - Mail Service Provider/Software Vendor
- 39 - Kimberly Mauch - Satori Software - Software Vendor
- 40 - Linda Gustason - Quad/Graphics - Printer, MSP, Logistics
- 41 - Lisa Bowes - Intelisent - Software Vendor
- 42 - Lisa Wurman - Vertis Communication - Mail Service Provider
- 43 - Michelle Zalewski - ALG Worldwide Logistics - Logistics
- 44 - Monica Lundquist - Window Book Inc - Software Vendor
- 45 - Noel Wickham - Experian - Service Bureau
- 46 - Peter Moore - Peter Moore and Assoc. - Software Vendor / Consultant
- 47 - Raksha Manek - Anchor Software - Software Vendor
- 48 - Randy Randall - AT&T - Mail Owner
- 49 - Rhonda Mitchell - Vertis Communication - Mail Service Provider
- 50 - Rose Flanagan - Data-Mail, Inc. -
- 51 - Sharon Harrison - AT&T - Mail Owner
- 52 - Shawn Baldwin - Bell and Howell - Software Vendor
- 53 - Steve Colella - The Calmark Group - Mail Service Provider
- 54 - Steve Krejcik - Pitney Bowes Presort Services, Inc - Mail Service Provider/Software Developer
- 55 - Todd Black - Time Inc - Mail Owner/Software Developer
- 56 - Tom Glassman - NPI Sorters - Software Vendor
- 57 - Travis Wirth - First Data - Mail Service Provider
- 58 - Ty Inman - MidSouth Technologies/NPI Sorters - Software Vendor