



WHO SAYS THE POSTAL Service doesn't try new things?

In an experiment meant to tap into the demand for new kinds of delivery services, the Postal Service is trying its hand at same-day delivery, seven days a week. Called Metro Post, the new service is in the testing stage. The Associated Press has reported that Metro Post began a test in San Francisco in November, with tests planned in five other large cities in the coming months.

Aimed at e-commerce package delivery, Metro Post involves city letter carriers picking up packages by the early afternoon, taking them directly to a dock to be sorted, and carrying them back by truck to the street for delivery by 8 p.m. on weekdays and 7 p.m. on Saturdays and Sundays. Equipment modifications make it easy for carriers to pick up and deliver most packages without leaving the driver's seat. The Postal Service will charge a flat rate for delivering parcels under 25 pounds. If Metro Post takes off, the USPS said it could

generate \$500 million in new revenue if it were expanded to 10 cities.

Amazon.com also is working with the Postal Service to experiment with fast delivery. In the Philadelphia area, several stations are testing rapid delivery of parcels ordered through Amazon's website, in some cases including Sunday delivery, with online tracking of each shipment. It's part of Amazon's expansion involving new local warehouses, many close enough to big cities to offer faster shipping to some customers. The online giant is betting that quick delivery will take some of the sting out of collecting state sales taxes from customers, which many Amazon customers will be liable for when Amazon sets up distribution centers in their states.

The timing of these experiments was telling as they occurred in the late fall, just before the holiday shopping and shipping period. As has been widely reported, "Black Friday"—the day after Thanksgiving when retailers kick off holiday shopping with in-store promotions and sales—is being eclipsed by Internet shopping on "Cyber Monday."

Black Friday and Cyber Monday are rough proxies for the changing future of merchandising. Last year's Black Friday sales figures dropped slightly from 2011, but Internet sales on Cyber Monday were way up, reaching \$1.47 billion in merchandise sales—part of a skyrocketing growth rate for e-commerce. Year-round, brick-and-mortar store sales figures have recovered since the recession of 2008-2009, but sales of consumer goods on a computer or phone have grown at a much faster pace. Forrester Research Inc., an e-commerce consulting firm, says U.S. consumers are forecast to spend \$327 billion using the Internet in 2016—a 45 percent increase over 2012. Some of those sales will come from Internet-only retailers such as Amazon.com, others from traditional retailers selling more of their wares on the web. Either way, those billions of dollars in Internet sales represent parcels that someone must deliver.

But e-commerce companies and their customers have particular expectations about delivery. To compete with the instant gratification that store shopping provides, Internet merchandisers want to get things to customers faster. They also want to downplay the cost of shipping. A majority of packages are now delivered with “free shipping” for the customer, which means shippers must structure their delivery costs differently. And Internet-savvy customers used to getting information quickly and conveniently also want their stuff quickly and conveniently—if possible, the same day they buy it—without paying a premium price, and they want to track their shipments on the Internet. That means many options for length of shipping and price of shipping are needed.

These are new challenges that require a new way of thinking at the Postal Service, NALC President Fredric Rolando said.

“As we've long said, the Postal Service has the facilities, the technology and the people ready to serve customers' changing needs,” he said. “Taking advantage of this huge opportunity in parcel growth driven by the Internet will take flexibility and innovation.”

CREATING THE PLATFORM

Same-day delivery by the Postal Service is not a new idea. It's already being done at a few facilities, such as small-town newspapers that bring their pre-sorted printed papers to the post office in the morning for delivery the same afternoon. But Metro Post involves a tighter delivery window with individual packages going to different addresses each day rather than pre-sorted mail, and it will require meeting the particular demands of e-commerce companies.

With its universal delivery network, the Postal Service faces an opportunity to gain a larger chunk of the growing parcel market and prove that it can meet those demands, but shippers won't wait forever. Retail shippers such as Wal-Mart are testing the same-day delivery market too, using private shippers or their own in-house delivery systems. Small delivery companies also are eyeing the same-day delivery urban market using web-based ordering and tracking.

“The Postal Service has the network already in place,” Rolando said. “So, it makes sense to try to partner with companies for their new and varied shipping solutions, rather than watch them try to create their own delivery networks. Or worse, to watch our competitors gobble up this new and expanding market. It's important not just for our future, but for our here-and-now, that we do all we can to help the Postal Service be successful in gaining this new business.”

But, for the Postal Service to latch onto the growing package delivery market, it will need to shift away from its traditional practice of offering one-size-fits-all products to adopting the vision offered by Ruth Goldway, chairman of the Postal Regulatory Commission: that the Postal Service act as a “neutral platform” that lets customers decide how best to use it.

“Consider the Postal Service a platform—a neutral delivery platform that could in fact provide multiple users with multiple products to get to the



homes and businesses that the Postal Service provides,” Goldway said in June at a conference about the future of the Postal Service. “We do that to some degree with ‘cooperation,’ as we call it, with FedEx and UPS, but what else could we do? What other companies could we offer this logistics network for that may not just be postal? We could increase the variety of services provided and figure out a way in which the platform gets a cut of the action.”

The term “platform” is borrowed from the digital world, where a computer or smartphone operating system gives businesses a place to create their own solutions, like children in a sandbox. Think of the “apps” on a smartphone that customize the phone for specific functions. Businesses could build apps on the Postal Service’s platform too. For instance, an e-commerce shipper who wants trackable same-day delivery in a certain region could work with USPS to set up a system and make it happen.

The e-commerce angle is an obvious one. People who order products via the Internet appreciate getting them delivered quickly, and fast delivery could make items like perishable foods easier to sell online. Same-day delivery could also give local stores a way to play a role in e-commerce. A local bookstore or drugstore could offer inexpensive same-day delivery, taking advantage of its proximity to its customers to compete with most distant big retailers. Or a chain store could ship from one of its local stores instead of a central warehouse, which could speed delivery and reduce inventory costs.

The convenience of getting a prescription or grocery item delivered in a matter of hours could add a valuable new service for local businesses. On the other hand, same-day service could make e-commerce more competitive with local stores. Either way, demand for package delivery is certain to grow as buying online grows in popularity. (For more discussion about the future of the USPS in a digital world, see “What Would Google Do?” in the August 2011 issue of *The Postal Record* at nalc.org.)

AREAS FOR INNOVATION

The Postal Service’s challenge is to keep up with the modern economy, and doing so could open many new doors for USPS innovation because of economic and demographic trends. More and more small businesses are home-based, which makes for another natural partner for convenient shipping services, especially services that are integrated with the Internet and phone technologies that have made running a business at home easier. The Postal Service might build on its Gopost service, which allows customers to ship or receive packages from a secure locker, 24 hours a day, and notifies the customer through e-mail or text message—another recent USPS innovation that integrates new technology with the traditional shipping business. (Amazon.com has already set up its own version of a locker service in a few cities to deliver its parcels to customers.)

Goldway also pointed to the Postal Service’s address database, patented sorting and scanning technology, as well as employees’ knowledge of the “nooks and crannies of every region in the country” as possible sources of new lines of business for a neutral platform. “There may be more products in those patents than we realize,” she said, “and some mining of past patents may be quite useful.”

The Postal Service should consider itself a two-way communication system, Goldway added, rather than merely a delivery service. USPS could give customers more control over their mail service, including easier ways to respond to their mail. For instance, the Postal Service could let patrons fill out and mail a simple card to have high-value items such as batteries or print cartridges picked up by mail for recycling, or make it easier to return unwanted items to merchandisers or send them for repair. She cited Gopost as an example of two-way communication between the Postal Service and customer that gives the customer more options.

“The Postal Service has the network ready to go,” Rolando said. “It can offer



customized solutions—with the customer as a partner in creating them. The approach to business customers needs to shift from saying ‘Here’s what we can do for you,’ to asking, ‘What can we do for you? What are your needs?’ ”

To spur innovation and make sure it doesn’t die on the vine, NALC is negotiating with USPS to create an innovation task force composed of managers and union members to generate and collect new business ideas for the Postal Service. This task force, like the one operated jointly by Canada Post and the Canadian Union of Postal Workers, could help bring the USPS closer to the neutral platform model by allowing either party to bring innovative ideas to the table and move to have them tested in the field with less red tape. The task force is one item under consideration in the current arbitration for the National Agreement between the USPS and NALC; an award is expected this month (*see page 7*).

ONE SIZE DOESN’T FIT ALL

With its incredible size and scale, the Postal Service’s delivery network can’t be matched. But it can be too big for some customers. So, letting customers design their own delivery service may involve letting them use only the parts of the Postal Service network they want. For instance, other companies could use USPS the way UPS and FedEx use USPS’ last-mile network to deliver to people where it would be too costly for them to use their trucks to deliver.

Or, it could mean providing custom-designed solutions—shipping boxes, scanning or address data, delivery points—that fit the customer’s needs. An Internet retailer might want to create a new pricing structure to integrate the price of shipping into its products, right on its website, so it can always offer free shipping to compete with brick-and-mortar stores, or let customers pick shipping options directly with the USPS. The Postal Service might even allow a business to attach its brand to the custom solution with special packages, labels, delivery lockers or even trucks.

“The possibilities are numerous,” Rolando said. “Whether the Postal Service spots the market trends or customers bring their own ideas, the USPS can find ways to ride the growth in parcel business. If it doesn’t, companies are sure to find alternatives.”

Some businesses already figured out decades ago the value of adding a layer of technology to the shipping business by working closely with the Postal Service. One such business with experience customizing USPS services is Internet-based mailing service provider DYMO Endicia. Harry Whitehouse, Endicia’s chief development officer, thinks the Postal Service has the elements in place to satisfy the new parcel market.

“Here’s the opportunity—right now, the Postal Service, in small packages, only holds 15 percent of the total market,” Whitehouse told delegates at the July 2012 national convention in Minneapolis. “When we show customers, existing shipping customers the fact that we have the best technology, the best delivery network, and what I call ‘world-class tracking,’ we win them over right away.”

ADAPTING TO THE TIMES

What could all this mean for letter carriers? A shift to customized solutions could give letter carriers a new role in spotting potential customers—perhaps a “Customer Connect Plus” type of program in which carriers tune customers in to the possibilities or bring ideas for helping customers to the Postal Service.

It will certainly require that letter carriers adapt to new situations and learn new processes quickly. And it calls for vigilance from letter carriers to assure that management doesn’t cut corners and flub a test or new business opportunity. “As always, if you are involved in a new service and see operational problems caused by management, you should bring it to the union’s attention immediately,” Rolando said.

“As we all know, you can’t e-mail a package,” he added. “The Postal Service, and letter carriers as the providers of the last mile, are going to play a crucial part in the e-commerce revolution.” **PR**

