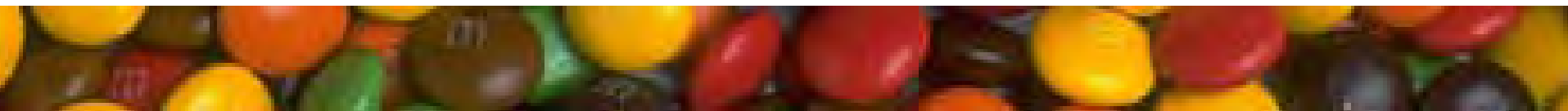


M&M's...Not the Candy, Measurement & Metrics

TUESDAY 5/19

PERIOD 14 4:30PM-5:30 PM



Agenda

- Business and Mail Center Goals / Objectives
- Identifying Tasks & Mapping Processes
- Linking Metrics to Processes
- Analyze the Data
- Make Improvements
- Report and Maintain Improvements

1. Define Goals and Objectives

- Goal: a projected state of affairs which a person/team plans to achieve; a desired end-point
- A desire or an intention becomes a goal if and only if one activates an action for achieving it.

Understanding corporate and mail center goals and objectives is the reason and the first step for developing a metrics and measurements program.

Business Goals / Initiatives

- Operational Efficiencies / Cost Containment
- Cash flow / Days Sales Outstanding (DSO)
- Compliance / Regulations
- Revenue Growth / Market Share
- Security / Safety
- Customer Satisfaction / Loyalty

Mail Center Goals

- Reduce and control operating expenses
- Reduce Overtime
- Reduce mail prep time
- Improve productivity
- Increase document integrity

Mail center goals must link to business objectives which in turn determine and define metrics and measurements.

Make the Connection

- **Operational Efficiencies / Cost Containment**  **Budget / Staffing / Resource Allocation**
- **Cash flow / DSO**  **Outbound Mail**
- **Compliance / Regulations**  **Document Integrity**
- **Revenue Growth / Market Share**  **Direct Mail / Address Quality**
- **Security / Safety**  **Mail Center Security**
- **Customer Satisfaction / Loyalty**  **Service – External / Internal Customers**

Mail Center Cost-Containment Goals

- Labor Cost: Reduce handoffs, redundancy
- Rework: Reduce returned / UAA mail
- Servicing Cost: Decrease service, “look up” calls
- Supplies: Decrease supply volume and costs with process improvements
- Postage and Carrier Expenditures: Reduce costs with smart “shopping”

Drill-down high-level goals to smaller, manageable goals.

SMART Goals

- Specific
- Measurable
- Applicable / Achievable
- Realistic / Rewarding / Relative
- Time Specific



Goal-setting serves as an effective tool for making progress by ensuring that participants have a clear awareness of what they must do to achieve an objective.

Consider Benchmarking to Set Goals / Targets

- Benchmark
 - A standard of excellence against which similar things must be measured or judged
 - A process used to evaluate various aspects of processes in relation to a best practice, usually within the same market / industry

Once “benchmark” level achieved, evaluate the process again to determine if further improvements can be made.

2. Identify Major Jobs / Tasks

- Select related, recurring steps, activities, or tasks which result in a desired outcome, i.e., “getting the mail out the door”
 - Begin with first jobs of the day, or
 - General functions: incoming mail, document creation/production, outbound mail

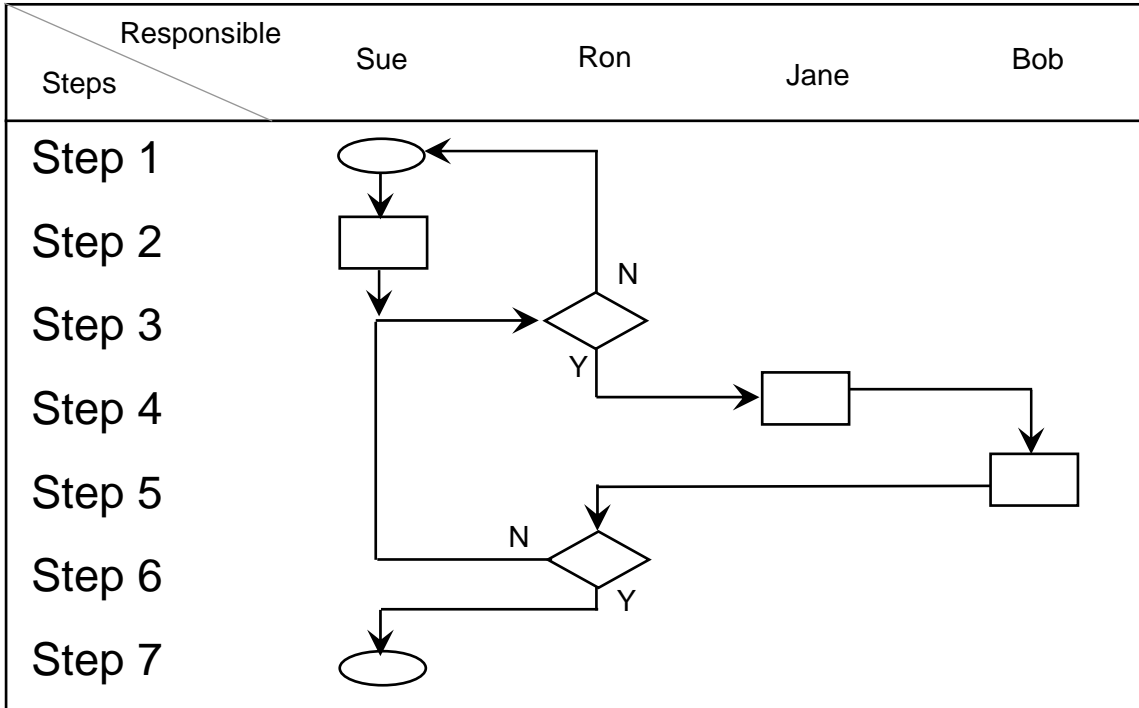
The next step in developing and executing a successful metrics and measurements program is to determine WHAT to MEASURE.

3. Develop a Process Map

- Identify what is being done today

Process Maps can illustrate repetitive steps / redundancy and even gaps of time.

Functional “As Is” Process Map



Maps take time to prepare and require input from people familiar with each area of the process, but are extremely useful in understanding a process *prior to* attempting improvements.

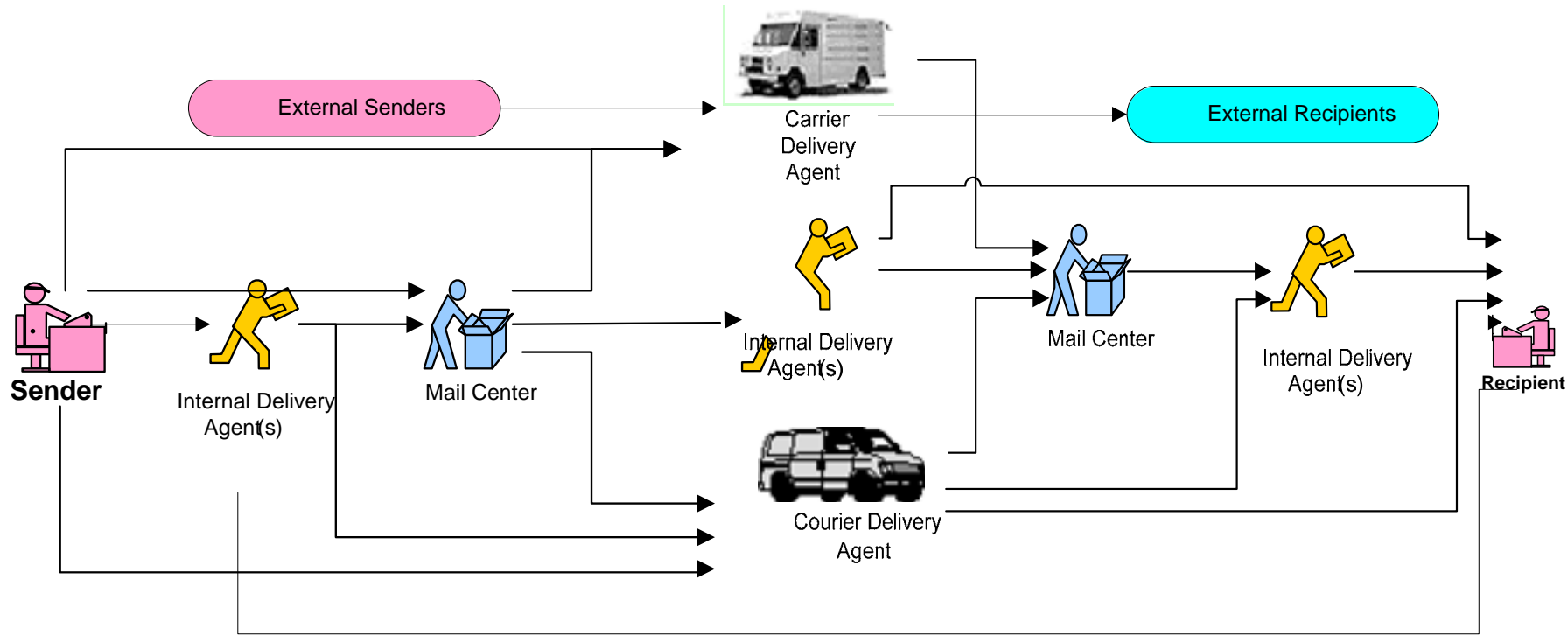
4. Tie Metrics and Measurements to the Process

- Metrics – parameters to assess a process; includes procedures to carry out the measurement and interpret the assessment
 - Basic – weight, length, time, volume
 - Normalized – derived from the basic metrics and compares things that are different, i.e., pieces/hour, % of discounted mail vs. total mail volume, # of late vs. total shipments

To Identify Metrics, Ask:

- What is the physical unit/output? What is being measured?
- Are metrics easy to understand?
- Would stakeholders agree that metrics are important and accurate?
- Does each measurement accurately reflect the extent to which the process is meeting the goal?
- Do the metrics reflect process performance in the areas that are a problem?
- Do the metrics reflect performance that, if improved, enable the team to meet its improvement objectives?
- Do the indicators measure business requirements of the process (cost, efficiency regulations or other corporate requirements)?

Process Flow Map



Identify potential metrics within the map.

To Obtain Metrics, Consider:

- Ease of obtaining data
- Time available to obtain data
- Associated costs

Common Mail Center M & M's

- Customer Service
 - Log # of calls, types of calls, look-up / resolution time
 - Frequency of customer complaints
 - Results of customer satisfaction surveys
- Overall Productivity / Employee
 - Available hours – productive hours
- Operator Production
 - Complete pieces / hour
 - Benchmark based on machine capabilities and skill set of best operator

Common M & M's *continued...*

- Inbound Mail
 - USPS®
 - Rough Sort / Fine Sort
 - Sort rate (pieces per hour):
 - # of times piece is touched ~ risk misdirection
 - Open volumes / Forwarded (unopened) volumes
 - Tubs, trays, pounds, inches, weight, etc.
 - Accountable Mail – USPS®, Carriers
 - % of internal mail delivered on time
 - Mystery Mail
 - Damaged Goods

Common M & M's *continued...*

- Outbound Mail and Packages
 - Processing time
 - USPS®, Carriers
 - Volumes
 - Pieces, trays, tubs, pounds
 - % received into mailcenter vs. % outgoing
 - Postage
 - By class, department, processing category, weight
 - Use to validate accuracy of presort company billing
 - Costs / expenses per piece or job
 - % of discount mail; workshare savings
 - Postage waste – mis-metered

Common M & M's *continued...*

- Outbound Mail and Packages
 - Carriers
 - On-time deliveries
 - Base freight vs. total charges (“value-added” charges)
 - Foreign Mail
 - Pieces, postage, destination
 - Use to consider consolidator
 - “Manual” Mail – hand sorted, stuffed and posted
 - Expedited Mail –
 - % Expedited vs. total postage and/or vs. ground

Common M & M's *continued...*

- Returned Mail
 - % Returned
 - ACS™ Return Codes
 - Return Fees, i.e., manual, vs. electronic (ACS™) vs. automated (IMB)
 - # and cost to regenerate and mail
 - CASS™ and DPV™ reports
 - NCOA^{Link™} reports

Common M & M's *continued...*

- Staffing
 - Ratio of production staff to administrative and supervisory staff
 - Employee satisfaction
 - Workplace safety (work hours lost to accidents)
 - Hours of training / FTE
- Service Level Agreements - Equipment
 - Processing Speed
 - Machine Performance vs. Downtime
 - Response time for service calls

5. Analyze the Data

- Performance Measurement - the use of data to determine progress toward specific defined organizational objectives
 - Identifies where *improvement* can have a significant impact on customers and the business objectives
- Keep in mind:
 - Use results to improve performance, not to evaluate people
 - Reward success!

In Analyzing, Ask:

- Is this step required?
- Could this activity be eliminated if some prior activity were done differently?
- Could this activity be eliminated without impacting the quality of our product or service?
- Does this activity fulfill an external regulatory requirement?
- Could this step be made more efficient?
- What would be the risk of eliminating this activity?
- Does technology exist to eliminate this activity?
- Are customers' requirements consistently met, or are there gaps in performance?

Variance

- Variation means that a process does not produce exactly the same result every time
 - Exists in all processes
- Measuring and understanding variation helps identify:
 - The current level of performance
 - What needs to change to reduce variability and therefore maximize opportunity to reach goals

Example: Budget Variance

- Difference between money in budget and amount spent
 - Comparative Data
 - Current Month vs. Preceding Month
 - Current Month vs. Corresponding Month Last Year
 - Current Month vs. Current YTD
 - Current YTD Total vs. Preceding Year's YTD
 - Why are we over or under budget?

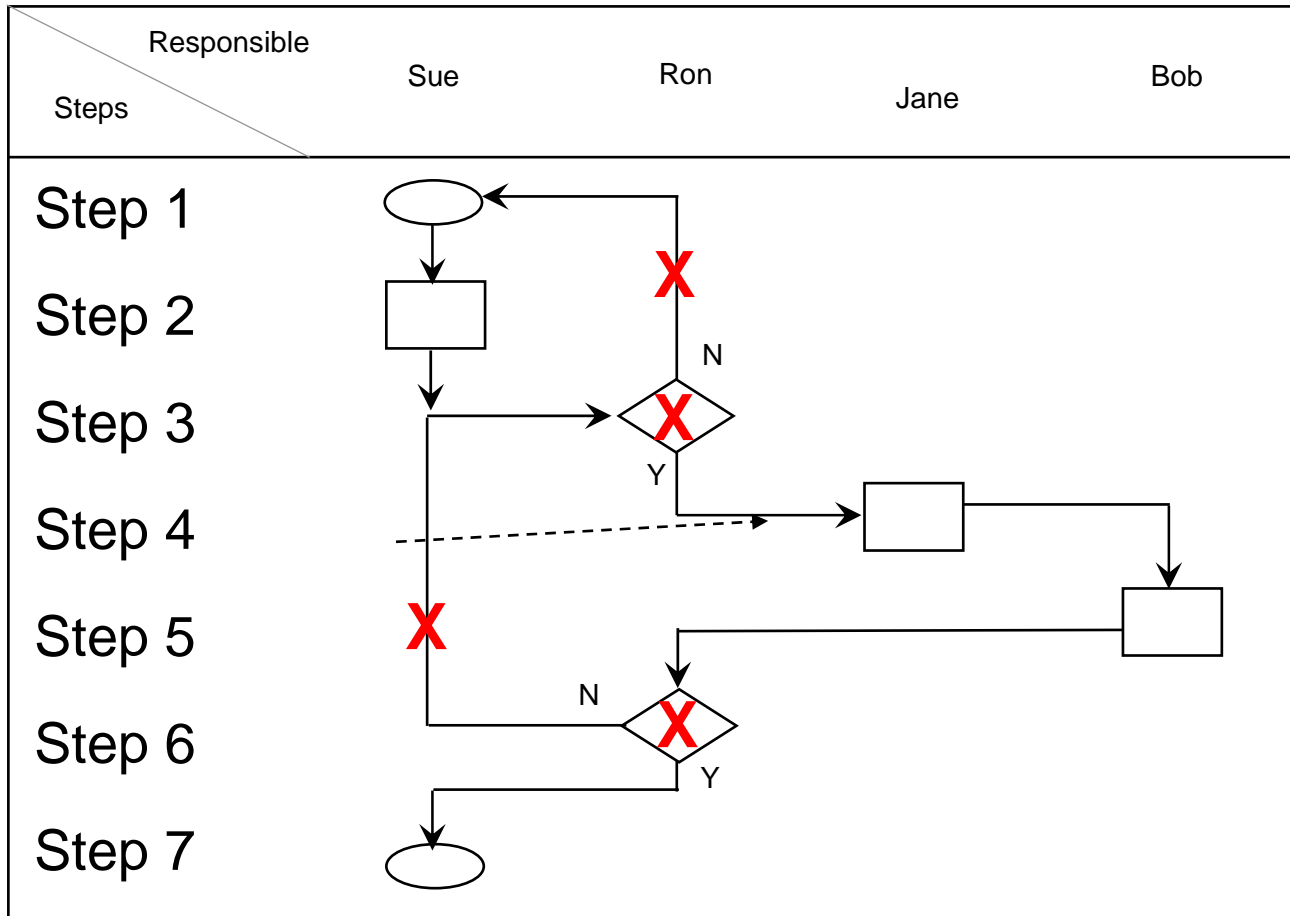
How Does Mail Center Design Impact Productivity?



6. Improve Performance

- Create a plan that defines & scopes the specific improvement objectives and goals
 - Consider the Cost-Benefit Impact - total costs to change / implement solution vs. expected business benefits the business
 - Refine targets when necessary but not just because not meeting target

Functional “To Be” Process Map



Redraw the map with the solution and assess risks and benefits

7. Report and Maintain Performance

- Develop a system to maintain the improvement gains
- Post and discuss results with employees and stakeholders
 - Validate the effectiveness of the solution and its acceptance by the stakeholders



In Conclusion...

- There is nothing so useless as doing efficiently that which should not be done at all.
- If you don't measure it, you can't manage it.
- Efficiency is doing better what is already being done.

Peter Drucker

True or False Quiz

1. Metrics are used solely for the purpose of preparing budgets.
2. Benefits of implementing metrics and measurements into the mail center include improved management of postal and shipping expenditures, the potential of enhancing customer satisfaction and the enhancement of mail center security job/tasks.
3. Performance measurements can identify strengths and weaknesses in production.
4. Metrics are always measured in dollar values.
5. A benchmark is a standard or reference by which others can be measured or judged.
6. Setting goals within the mail center should be SMART: Sensitive, Measurable, Applicable, Relative and Time Specific.
7. M & M's should be linked to goals. Business goals could include operational efficiencies, cost-containment and customer satisfaction.
8. A job/taskal Process Map displays the steps depicted in a process in sequential order and includes who is involved or responsible.

Thank you!

- Elizabeth Lombard, EMCM, MQC, CMDSM, CMDSS
National Postal-Carrier Manager
Pitney Bowes Inc.
elizabeth.lombard@pb.com