

Supply Management Three-Year Strategic Plan

2010-2012



Message From the Vice President, Supply Management



I am pleased to present our new three-year strategic plan for fiscal years 2010 – 2012.

The plan establishes a framework built on aggressive action to support the challenges facing the U.S. Postal Service. Before looking

forward, it is important to recognize the significant progress that has been achieved against our fiscal years 2007 – 2009 plan. Together, with our Postal Service business partners and suppliers, we delivered measurable results. Specifically, we:

- Exceeded our \$2.5 billion three-year Supply Chain Management (SCM) Impact goal by 13.2%, which includes cost savings, cost avoidance, and revenue generation.
- Improved Postal Service business partner relationship scores from 76% to 88% (“Very Good/Excellent”) for major programs.
- Improved management of Postal Service assets at the Material Distribution Center, Label Print Center, and Mail Equipment Shops where manufacturing perfect orders reached 99.84%; fulfillment perfect orders climbed to 99%; customer service levels improved to 95.99%; and inventory turns for repair parts and supplies increased to 2.5 per year.
- Improved key supplier performance by more than 10% measured by our newly deployed Supply Chain Relationship Management System (SCRMS).
- Improved Supply Management operational efficiency by over 50% with \$5.05 returned in value for every dollar invested in the Supply Management organization.

Three significant organizational changes also were initiated during FY 2009 to support our ongoing efforts to reduce costs,

improve operational efficiencies, and more fully integrate supply chain management at the Postal Service. These include the consolidation of 11 Area Distribution Network transportation contracting offices into five offices with one satellite branch reporting directly to Supply Management; the establishment of a Purchasing Shared Services Center (PSSC) structure reporting to Supply Management to assist with field purchasing requirements; and the realignment and consolidation of the two Stamp Service Centers, 72 field Stamp Distribution Offices, and Accountable Paper Depositories into 6 Stamp Distribution Centers under Supply Management.

We have used the groundwork of Vision 2013 and the valuable input received from our employees, suppliers, Postal Service business partners, and leadership to build this new plan. The entire plan, including an updated vision and mission and new guiding principles and strategic focus, will guide our activities for the next three years. Key to the plan is the completion of programs initiated in FY 2009, such as the deployment of the Solution for Enterprise Asset Management (SEAM) and eBuy2 technologies, as well as initiatives focused on demand management, end-to-end electronic supply chain processes, and sustainability.

Thank you for your valued insights and contributions to this plan.

Your understanding of and commitment to this plan are critical to our shared success. I look forward to working with the entire Supply Management organization, our business partners and suppliers as we realize our *Vision...Supply Management Excellence...Delivered!*

Susan M. Brownell
Vice President, Supply Management

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1 Introduction

As outlined in *Ensuring a Viable Postal Service for America: An Action Plan for the Future*, the Postal Service faces significant challenges with sharply declining revenues caused by the economic downturn and electronic diversion. With financial pressures mounting, we must deliver results to help address the difficult challenges to our business. Working with our Postal Service business partners and suppliers, we will focus on reducing costs, enhancing performance, maintaining high levels of service, and collaborating to grow the business.

Supply Management's Three-Year Strategic Plan, 2010 – 2012, is designed as a roadmap of enterprise initiatives to achieve these objectives. As we build on our strengths and enhance our core operations and services, the plan will guide us in supporting the changing needs of the Postal Service and help to focus our energies on those activities that drive high levels of value.

Our Vision...

Supply Management Excellence...Delivered!

Over the last several years, we have focused our energies on implementing supply chain management (SCM) best practices at the Postal Service. We have made significant strides by structuring our organization to more fully leverage spend and efficiencies, deploying advanced technologies to assist with sourcing and material management processes, and developing the capabilities and professionalism of our workforce. Though we have made great progress, opportunities still exist to improve in key areas.

Our vision is not merely to implement SCM techniques, but to improve the speed and consistency of SCM execution in conjunction with our business partners. We must be innovative and agile to optimize value in rapidly changing markets. Our collective efforts, rooted in a spirit of continuous improvement, will not only reduce costs, but also improve operational efficiencies, effectiveness, customer satisfaction, and revenue generation.

Our Mission...

We link with business partners to deliver timely, flexible, and lean supply-chain solutions to support the mission of the Postal Service.

We achieve this by

- Forging strong relationships with business partners, understanding their needs, and providing value-added solutions to increase our competitive advantage.
- Engaging the right suppliers, with the right capabilities, at the right time, and at the best possible value while ensuring quality performance.
- Implementing a Lean Six Sigma (LSS) approach to drive measurable improvement in supply chain processes.
- Deploying demand management techniques to help the organization effectively manage consumption and compliance.
- Fostering a competitive and diverse supply base, including enterprise alliances.
- Optimizing best practices to manage inventory and assets.

- Building socially responsible and sustainable supply chains.
- Using advanced technology to improve our decision-making and speed to cost savings.
- Establishing, monitoring, and reporting targeted performance and benefit metrics.

Our Values...

Customers

We will maintain alignment with the Postal Service's Vision 2013 and its overriding principle – that we exist to serve our customers. Understanding customer needs is essential to the health and growth of our business. Whether dealing with our Postal Service customers, internal business partners, suppliers, or other stakeholders, we will jointly strive to achieve the highest possible value and return on investment for the Postal Service.

People

We value diversity and a work environment where everyone is treated with dignity and respect. We communicate openly, believe in teamwork and working collaboratively with our business partners. We support employee empowerment, professional development, and work/life balance.

Excellence

We stand for quality, embrace change, and will collaborate with our business partners to employ innovation in what we do and how we do it. We will be proactive, put forth our best efforts to improve performance, and seek better, easier, and faster ways to provide services to our customers.

Integrity and Ethics

We will be worthy of the trust given to us by the American public. Our actions will meet the highest ethical standards and will adhere to the Standards of Ethical Conduct for Employees of the Executive Branch (5 C.F.R. Part 2635). We will be accountable for our actions and act with integrity in every relationship with each other, our customers, our business partners, and other stakeholders.

Community and Environmental Responsibility

We are committed to sustainability and protecting the environment, and will build upon our legacy of more than 200 years of service to the American people by focusing on green, sustainable, and lean supply chains.

2 Scanning the Environment

Delivering on our mission and vision requires long-term strategic focus, initiatives that consider external and internal environments, and measurable metrics. We used a SWOT (Strengths-Weaknesses-Opportunities-Threats) analysis to conduct an environmental assessment. The results are summarized below.

Strengths	Opportunities
<ul style="list-style-type: none"> ■ e-Commerce process solutions (eBuy system, optimization, reverse auctions) ■ Formal Commodity Sourcing Strategy Plans ■ Green Purchasing Program ■ Organizational structure supporting commodity management ■ Spend leverage ■ Streamlined purchasing regulations ■ Strategic planning focus ■ Strategic sourcing initiatives and cost reductions ■ Structured purchasing process (Best Value) ■ Supplier Diversity Program ■ Supplier relationships/Postal Supplier Council ■ Workforce development and professionalism 	<ul style="list-style-type: none"> ■ Implement aggressive cost reductions ■ Capitalize on supplier innovation, strategic alliances, and partnerships ■ Expand impact to broader business processes ■ Focus on total cost of ownership and value ■ Implement demand management processes and controls over consumption ■ Improve visibility and management of assets ■ Improve category strategies ■ Improve supply chain integration and forecasting capabilities ■ Improve talent and diversity in the workforce ■ Improve quality of work life ■ Leverage process management and performance metrics ■ Maximize eco-efficiency in purchasing practices ■ Provide support to augment Postal Service revenue ■ Use technology to enhance user capabilities, lower costs, and improve performance
Weaknesses	Threats
<ul style="list-style-type: none"> ■ Consistency of contract management ■ Controls over consumption and compliance ■ Data capture ■ Employee turnover ■ Focus on acquisition price versus total cost of ownership ■ Multiple supply management systems (inventory, invoicing, contract writing) ■ Not taking full advantage of flexible purchasing policies ■ Paper-based processes ■ Requirements planning ■ Resource constraints and flexibility of workforce ■ Slow to capture supplier innovation ■ Supplier base not fully rationalized 	<ul style="list-style-type: none"> ■ Economic/Global Recession ■ Financial position of Postal Service ■ Fluctuating fuel and other raw material prices ■ High percentage of retirement-eligible employees ■ Limited competition/supply base reduction in certain market sectors ■ Negative impacts of reduced budgets on key suppliers ■ New federal laws & mandates ■ Political and legislative constraints ■ Supply of skilled SCM talent

What our research and SWOT analysis revealed are several key external environment drivers that supply management organizations must be ready to address over the next three to five years. These include the need for

- Continual cost reductions.
- More collaborative and integrated relationships with suppliers.
- Minimized risk related to changes in competitive markets.
- Keeping pace with rapidly changing customer requirements or expectations.
- Environmental/sustainable solutions.
- Adapting workplace policies due to changes in the workforce.

3 Strategic Improvement Approach

This plan uses a structured framework of four core business areas in which improvement will be focused: (1) Strategy, (2) Organization, (3) People and Culture, and (4) Process and Technology. Central to establishing our strategic focus is the development of a roadmap for improvement that is aligned to organizational goals and objectives; business partner needs; and priorities, supplier capabilities, budget, and resource availability to achieve our mission and deliver on our vision. These focus areas represent key improvement activities and priorities for Supply Management over the next three years.

Focus Areas

The following focus areas and specific actions will help us bridge what we do (Mission) and what we want to be (Vision) with the realities and challenges of our current business environment.

(1) Strategy

Ensure Strategic Alignment

Our structure, programs, strategic initiative projects, and individual objectives must align with the business needs of the Postal Service, Vision 2013, and this plan. We will improve our alignment with the organization by:

- Implementing the Supply Management Three-Year Strategic Plan 2010 – 2012 and linking our work to the corporate performance objective-setting process.
- Improving Supply Management communication processes and deploying tools to expand awareness to our employees, internal business partners, and suppliers.
- Developing a process for integrating category knowledge into the budget process.
- Developing and implementing the next Supplier Diversity Corporate Plan.
- Identifying and supporting sales opportunities with our supply base to grow Postal Service revenue.



(2) Organization

Strengthen Organizational Performance

Our organizational structure and its resources must be flexible, adaptable, and responsive to the changing business needs of the Postal Service. We will be viewed as a trusted business partner, accountable for consistently delivering positive financial results through focused cross-functional teams. We will effectively maintain an agile, responsive, and competitive supplier base that reflects the diversity of the American supplier community. We will strengthen organizational performance by:

- Refining commodity groupings to take full advantage of our strengths and opportunities.
- Implementing a management dashboard to track, report, and monitor Supply Management performance, supporting a flexible supply chain that is more adaptive to the needs of the Postal Service.
- Implementing a demand management organizational structure and processes to influence purchasing behavior throughout the organization that will reduce costs.
- Improving transportation purchasing through consolidation, renegotiation efforts, and supplier contract compliance to reduce costs.



(3) People and Culture

Improve Workforce

We will grow the bench of talent and ensure our workforce is prepared for future challenges. Our teams will have the right mix of knowledge, skills, and expertise. They will work collaboratively in an environment that supports open communication, prudent risk taking, and innovation to achieve high levels of performance. We will improve the workforce by:

- Expanding employee recognition programs.
- Enhancing career progression programs, including the Supply Management Rotational Assignment Program and the Professional and Specialist Trainee Program.
- Improving the mentoring and coaching of our diverse employees.
- Leveraging Voice of Employee (VOE) results to improve employee engagement.



(4) Process and Technology

Embrace Process and Technology Improvements

We will implement process and technology improvements that integrate end-to-end supply chain processes from business partner needs identification through end-of-life. We will leverage technology for standardization and data integrity, reduced cycle time, and elimination of paper and manual processes across the supply chain. We will use process and technology improvements to:



Optimize Asset Management

We will improve asset and inventory visibility while reducing fulfillment and distribution supply chain costs. Our central focus to accomplish this during the next three years is the Asset Management Integration initiative. We will optimize asset management by:

- Transitioning to the Asset Management Organization.
- Implementing the Solution for Enterprise Asset Management (SEAM) to standardize processes and technologies for vehicles and vehicle parts and provide inventory visibility and planning for stamps and consumer products.
- Completing the consolidation of the stamp fulfillment distribution network.
- Planning for future program phases to include additional operational assets and inventories.

Enhance Sourcing

We will continually work to standardize and improve key supply chain processes to accelerate savings with a focus on stakeholders, compliance, and controls. We will enhance sourcing by:

- Completing the deployment of eBuy2 with enhanced financial and SOX controls coupled with an improved user experience.
- Enhancing commodity planning processes using Lean Six Sigma (LSS) techniques to strengthen the integration of commodity plans with day-to-day business activities. Our focus will include improving market intelligence and analysis, risk management, requirements planning, spend analytics, and building sustainable supply chains.
- Streamlining and improving sourcing processes using LSS techniques, including increased use of electronic solicitations and sourcing tools (e.g., eRFx - electronic request for information, proposals and quotes, reverse auctions, and combinatorial optimization) to reduce cycle time and costs.
- Evaluating the supply base, ensuring the right mix and number of suppliers.

Improve Contract Management Processes and Information

We will standardize and improve contract management processes and controls to drive results that matter most to our business partners and customers. We will improve contract management processes and information by:

- Supporting SOX requirements through in-scope process compliance (documenting, remediating, testing, and reporting).
- Using electronic capabilities in our contract management systems.
- Implementing an electronic invoicing solution to replace current paper invoice processes.
- Enhancing training effectiveness and user experiences with the systems.
- Enhancing oversight of supplier deliverables.
- Integrating with select supply chain partners (suppliers) through technology solutions to improve data visibility and performance.

Improve Purchase Card Processes

We will standardize and improve purchase card processes and controls to drive results that matter most to our business partners and customers. We will improve purchase card processes by:

- Implementing electronic purchase card account management processes.
- Utilizing electronic reconciliation technologies for Postal Service purchase card buys.

Expand Sustainable Supply Chains

We will review our supply chains and conduct our business in an environmentally, socially, and financially responsible manner consistent with the corporate vision of a Sustainability Leader. We will collaborate with the Sustainability office and support Postal Service sustainability goals and expand sustainable supply chains by:

- Expanding procurement of sustainable products by identifying sustainable on-catalog products on eBuy2.
- Refining our policies, practices and contract requirements to include sustainable attributes and business practices.

4 Performance Metrics

Measuring performance, value creation, and results delivered in conjunction with our business partners is essential. All metrics below are linked to the strategic focus areas in Section 3 to effectively monitor our performance against the plan. As Supply Management and the Postal Service business needs evolve, metrics will be adjusted accordingly.

Supply Management's annual performance objectives and target outcomes will be set using these performance metrics, the activities listed in Section 3, and other emerging priorities. Each year, the Supply Management Leadership Team (SMLT) will flow objectives and targets through the organization as part of the individual performance objective-setting process. At the strategic initiative project level, project teams also will establish project-specific performance metrics. All project metrics will be aligned with and support the plan metrics on the next page.

Performance Metric	FY Target	Strategic Focus Area of Plan
Drive Down Supply Chain Costs <i>This metric measures operational effectiveness of Supply Management through the financial results or SCM Impact (cost reductions, cost avoidance, and revenue generation) delivered by the activities we manage or influence</i>	Deliver SCM Impact each year >6% of spend	Ensure Strategic Alignment Strengthen Organizational Performance
Improve Operational Efficiency <i>This metric measures the efficiency of sourcing and asset management activities managed by Supply Management</i> Sourcing Calculation = New SCM Impact /Cost of Supply Management Sourcing Organization and Related Programs (FY10 Baseline) Asset Management Calculation = Improve Fulfillment and Distribution Efficiency for Operating Assets managed by Material Distribution Center, Label Print Center, and Mail Equipment Shops (Logistics costs as a % of COGS= Cost of Asset Management/ Inventory Sales) (FY09 Baseline)	By 2012 Improve Operational Efficiency by 15%	Strengthen Organizational Performance Process and Technology
Improve Asset Management <i>This metric measures the implementation of the Asset Management Integration (AMI) Phase 1 completion</i> Consolidate stamp fulfillment and distribution locations Create national visibility and automate vehicle service management processes with Solution for Enterprise Asset Management (SEAM) Establish inventory visibility and implement auto-replenishment for stamps and consumer products	By 2011 fully activate new stamp distribution network By 2012 implement in all vehicle maintenance facilities and achieve related program objectives By 2012 implement for all product families and achieve program savings targets	Strengthen Organizational Performance Process and Technology
Improve Employee Engagement <i>This metric is the corporate VOE survey index score for Supply Management and is computed from eight dimensions (USPS strategic direction, trust, contribution to USPS Growth, communication, diversity and respect, commitment, personal safety, work effort, and quality)</i>	> HQ Index Score each year	People and Culture
Improve Business Partner Relationships <i>These metrics measure performance related to internal and external business partners.</i> INTERNAL Improve support to major programs and field operations support EXTERNAL Improve key supplier performance	By 2012 VGE survey scores >90% By 2012 achieve 10% Improvement	Ensure Strategic Alignment Strengthen Organizational Performance Process and Technology
Improve Supply Chain Performance and Sustainable Business Practices <i>These metrics measure business process improvements implemented in Supply Management</i> Implement end-to-end electronic contract life cycle process (identify sources, evaluate sources, select suppliers, deliver/receive requirements, manage and measure supply, end of life) Refine our Supplying Principles and Practices, metrics, and Commodity Sourcing Planning Processes to reflect sustainability best practices Increase and promote use of sustainable products	By 2012 fully electronic process in place By 2012 Sustainability Best Practices reflected By 2012 increase percentage of green product alternatives in eBuy2 catalogs by >10%	Strengthen Organizational Performance Process and Technology

5 Strategic Management Process

Managing the processes that monitor and report progress against plan with the Supply Management Leadership Team is an important requirement to ensure strategic alignment within Supply Management and includes:

- Coordinating annual strategic initiative selection and monitoring progress reporting.
- Coordinating the setting of fiscal year objectives and performance targets.
- Managing communications related to the plan and its strategic management activities.
- Reporting progress quarterly against plan performance metrics.

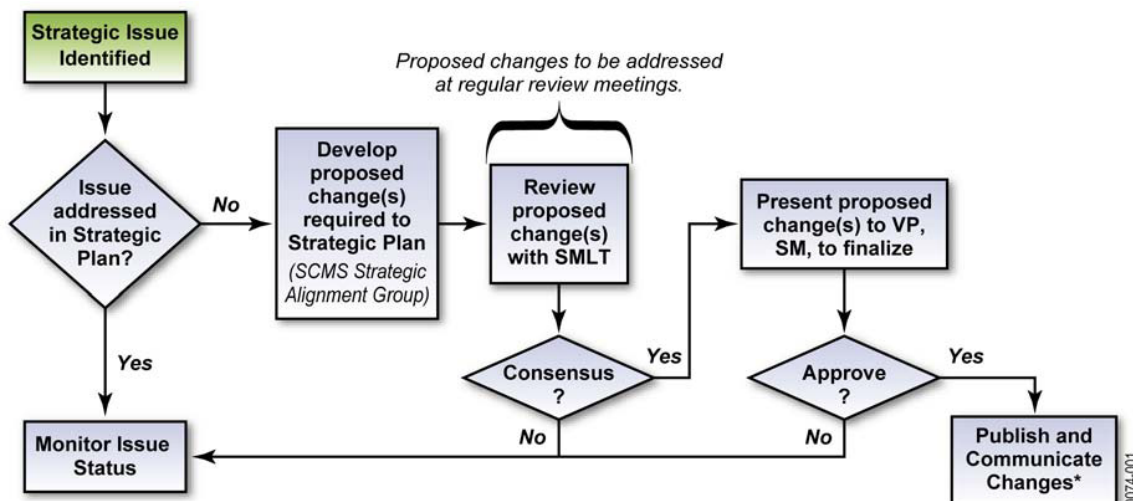
Supply Management Organizational Planning Alignment

Major strategic planning activities will fall within the budget planning cycle to help facilitate decision making around strategic initiative project selection and prioritization. Strategic planning events also will drive the individual objective-setting process to ensure alignment to the metrics established within the plan. As such, our strategic management activities will align with the following planning efforts of the organization.

- Budget planning cycle
- Performance objective-setting cycle
- Joint planning sessions with internal business partners
- Business reviews with key suppliers

Change Management

Proposed changes in the plan can normally be managed through strategic initiative selection and the fiscal year performance objective-setting process. For any other changes, the flowchart below provides an overview of the change management process we will follow.



***Note:** Changes will be incorporated in the SM Strategic Plan document to be published and released on an annual or as-needed basis. Additionally, communication materials will be revised and posted on the SM website.

6 Supply Management Three-Year Strategic Plan, 2010-2012 Roadmap

The Postal Service, like many businesses, faces significant challenges and changes to its business environment. We must remain agile and adaptable, continually re-assessing what is needed to best support the organization's needs.

The Supply Management Three-Year Strategic Plan, 2010 – 2012, is the culmination of an effort by the Supply Management Leadership Team and its stakeholders to assess past performance and the current and potential future operating/business environment. This plan includes a targeted vision, mission, core values, and key areas of strategic focus to guide how we will work in this challenging business environment. Performance metrics are provided to monitor our progress relevant to our stakeholders and the Postal Service.

The Roadmap on page 12 summarizes this plan and will serve as the blueprint to drive our organization to continuously deliver excellence and further the business and competitive needs of the Postal Service and its customers. Together, we can build strong partnerships, create exceptional value, and deliver business results necessary to sustain the Postal Service for future generations.

Supply Management Roadmap 2010-2012

OUR MISSION...We link with business partners to deliver timely, flexible and lean supply chain solutions to support the mission of the Postal Service.

2007 - 2009

2010 - 2012

2013 and beyond

Current State	Vision 2013	Business Framework	Focus Areas			Future State	Critical Success Factors	
<p>As outlined in <i>Ensuring a Viable Postal Service for America: An Action Plan for the Future</i>, the Postal Service is facing significant challenges with sharply declining revenues caused by the economic downturn and electronic diversion. With financial pressures mounting, Supply Management continues to be tasked with delivering results to help address the difficult challenges facing the business.</p> <p>Supply Management is following supply chain management (SCM) best practices including: structuring the organization to more fully leverage spend and efficiencies, deploying advanced technologies to assist with sourcing and asset management processes, and developing the capabilities and professionalism of our workforce.</p> <p>Supply Management is consistently delivering cost savings, cost avoidance and contributing to revenue generation, maintaining positive business partner and supplier relationships, improving key supplier performance, and improving its operational efficiency.</p>	<div><div>Focus on What Matters Most to Customers</div><div>Collaborate to Grow the Business</div><div>Communicate Effectively</div></div>	STRATEGY	<div><div>Implement Three-Year Strategic Plan</div><div>Improve Communications and Tools</div><div>Integrate Category Knowledge into the budget process</div><div>Develop/Implement Supplier Diversity Corporate Plan</div></div> <div>Use Supply Base to Grow Revenue</div>	2010	2011	2012	<p>These represent activities that must be done well in order to ensure we deliver against our mission and the components of this plan.</p> <ol style="list-style-type: none">1. Maintain stakeholder buy-in, support and alignment2. Communicate, communicate, communicate!3. Establish metrics, measure results and refine processes4. Maintain a pool of expert Supply Management professionals5. Expect accountability <p>Require the use of facts and data to support actions at all levels of decision-making. Maintain a clear prioritization of work and clearly define accountabilities, expectations, roles, and responsibilities for all units within the Supply Management organization.</p>	
	<div>Leverage Our Strengths</div>	ORGANIZATION	<div><div>Refine Commodity Groupings</div><div>Implement Management Performance Dashboard</div><div>Implement Demand Management</div></div> <div>Improve Transportation Purchasing</div>					<p>Supply Management, through its strategic focus, organization, people, processes and use of technology continuously improves the speed and consistency of SCM execution in conjunction with its business partners.</p> <p>Supply Management is both innovative and agile, optimizing value in rapidly changing markets.</p> <p>The organization's collective efforts, rooted in a spirit of continuous improvement, will result in:</p> <ul style="list-style-type: none">Reduced CostsImproved Operational EfficiencyImproved Asset ManagementImproved Employee EngagementImproved Business Partner RelationshipsImproved Supply Chain Performance and Sustainable Business Practices
	<div><div>Empower Employees to Build the Business</div><div>Customer-Driven, Business-Oriented Culture</div><div>Increase Workplace Flexibility</div><div>Encourage Innovation</div></div>	PEOPLE & CULTURE	<div><div>Expand Employee Recognition Programs</div><div>Enhance Career Progression Programs</div><div>Improve Mentoring and Coaching</div></div> <div>Improve Employee Engagement</div>					
			PROCESS & TECHNOLOGY	<div><div>Complete Stamp Fulfillment Distribution Network Consolidation</div><div>Plan for Future Phases</div></div> <div>Enhance Sourcing</div> <div><div>Complete eBuy2 Deployment</div><div>Enhance Commodity Planning Processes w/SS</div><div>Improve Sourcing Processes w/SS</div><div>Evaluate Supply Base</div></div> <div>Improve Contract Management Processes and Information</div> <div><div>Ensure SOX Compliance</div><div>Maintain SOX Compliance</div></div> <div>Use Contract Management Electronic Capabilities</div> <div><div>Implement Electronic Invoicing</div><div>Enhance System Training</div></div> <div>Enhance Oversight of Supplier Deliverables</div> <div>Integrate Suppliers through Technology</div> <div>Improve Purchase Card Processes</div> <div>Implement Electronic Account Management</div> <div>Utilize Electronic Reconciliation</div> <div>Expand Sustainable Supply Chains</div> <div>Refine policies, practices and contract requirements to include sustainable attributes and business practices</div> <div>Increase eBuy2 sustainable products</div>				

