

POST *Impressions*

Issue No. 16

News and views from ONEPOST
– Independent postal advice and management

Initial **report** released

The independent panel reviewing the postal services industry have just issued their first report to ministers at the Department for Business, Enterprise and Regulatory Reform (BERR).

At this stage the panel is assessing the impact to date of the liberalisation of the UK postal market and exploring future trends and their likely market impact. They are still considering submissions on the third review area: maintaining the Universal Service Obligation in the new market.

The vision is that the UK benefits from a strong, competitive, innovative and cost effective postal services market focused on meeting the needs of its customers.

Key points noted are

- Full competition started in 2006 and has grown even faster than the regulator anticipated.
- Maintaining the Universal Service is at the heart of the review.
- There is virtually no competition in the delivery of addressed mail ('the final mile') with Royal Mail still handling 99%.
- There are no significant benefits from liberalisation for smaller businesses or domestic consumers, but a member of

the panel reflects that there are parallels with the Telecomms market where it took considerably longer than two years for the market to offer solutions.

- The panel believe a healthy, efficient and profitable Royal Mail is critically important for the future of the postal sector.
- There are significant challenges in financial terms to Royal Mail including funding the Universal Service and the pension deficit.
- Based on the evidence submitted to date, the independent panel concludes that the status quo is not tenable and that there is a strong case for action.

Further submissions from stakeholders by 19th May will help shape recommendations on potential future courses of action.

Graham Cooper, Managing Director, ONEPOST, comments "We are pleased to have made a contribution to this valuable review via our involvement with the DMA. This confirms that benefits of liberalisation have been experienced by large businesses – in time this will impact on the smaller businesses and domestic consumers who have not experienced any significant benefit to date. We await with interest the recommendations of the full report"

Contributors



Eric Austin

Eric is one of our original consultants who is a regular contributor to our newsletters. He is a Regional Committee Member of Postwatch South East and sits on the DMA Postal & Distribution Council. He operates as an independent Direct Marketing Consultant and has significant experience in the financial services sector.

Welcome to Issue 16 of Post Impressions

2008 is turning out to be a busy year, and I'm pleased to have had the opportunity to recently speak at both a fundraising event and in the Postcomm Theatre at the International Direct Marketing Fair. It is really valuable to be able to meet people face-to-face and I hope to meet many more of you at future events later in the year. I am also pleased that ONEPOST have been sponsors of the DMA North Glitter Ball and the forthcoming DMA Summer Lunch.

Postal issues continue to have media coverage and I hope that this issue of Post Impressions helps you to keep up-to-date with the latest information.

As always, if you have any feedback or would like further details on any of the issues, please do not hesitate to contact myself or one of the ONEPOST team.

Kind regards,



Graham Cooper
Managing Director

Graham Cooper

Graham has worked in the mailing industry for over 30 years, and has been involved in planning and executing some of the UK's largest direct mail projects. As head of the British List Brokers Association, Graham was one of the shadow Board that set up the Direct Marketing Association, an organisation on whose Board he served for 4 years. He still represents the industry on the DMA Postal & Distribution Council as well as contributing to Postcomm (the industry regulator) activities.

Paul Fulton

Paul describes himself as a "long-term" participant in direct marketing as agency account director, consultant and copywriter. and is also a regular contributor to our newsletters.

Luan Wise

Luan has both agency and client side marketing experience for a variety of clients both UK and International. She is an IDM member and manages/edits each edition of Post Impressions.

Contact US



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UK postal services sector set for **big changes**



The Government's Independent Review of the UK postal services sector is now well underway (see front page story), with both trade press and national media coverage on a regular basis. The prominence given to such a review clearly reflects the importance and relevance of what is still a valued public service and the timing could not be better as the UK postal market enters a critical stage of its development.

Early feedback from Postwatch (the consumer watchdog) and Postcomm (the regulator) calls for big changes in Royal Mail's strategy coupled with suggestions that nothing short of revolutionary thinking and approach is required to turn its fortunes around.

As we said earlier this year (Issue 13) we wholeheartedly welcome this review ... it's a great opportunity for all sectors of the postal industry to voice their opinion. We're particularly pleased that the scope of the review extends into

economic, environmental, social and technological scenarios outside the mail market. In many ways these areas are equally important to the development of a vibrant postal services sector with a strong incumbent player (Royal Mail) leading the way with innovative solutions relevant to today's customers.

Future editions of Post Impressions will keep you up-to-date with significant developments.

BUSINESS OF THE YEAR?

ONEPOST are delighted to be finalists for The Badenoch & Clark Business of the Year Award category of The National Business Awards Wales & West Country Regional Programme 2008, sponsored by Orange.

The National Business Awards (www.nationalbusinessawards.co.uk) is the UK's No. 1 business-to-business Awards programme delivering a highly respected business achievement recognition platform with particular emphasis on success, innovation and ethical practice.

Judging has now taken place and the results will be announced in July.



Moving towards a level playing field for VAT rates



The question of VAT has once again seen some developments with the publication of Postcomm's 'Forward Work Plan 2008 – 2011'. Like many other commentators we view the current VAT regime as a barrier to genuinely fair competition in the UK postal marketplace.

Just by way of a reminder... Royal Mail is currently enjoying a VAT free exemption on its postal services, whereas other UK postal operators are required to charge the full VAT rate of 17.5%.

The Postcomm Forward Work Plan hints at the introduction of a uniform VAT rate (possibly 5%) that would be applicable to all mail services in the UK. The plan goes on to state that Postcomm recognises the complexity of the UK mail market and was looking at the constraints that have been holding back the development of end-to-end competition here in the UK.

Postcomm is keen to support a level playing field on VAT for all postal operators, with no significant price rises for customers. It also believes that a 5% VAT rate should be applied to all

mail services. It said that in light of the European Commission's ongoing infringement proceedings against the UK, Germany & Sweden on the interpretation of the VAT exemption for postal services, Postcomm has modelled the effect that different VAT exemption scenarios might have in the UK postal services market.

The result of this modelling has shown that the imposition of the full rate of VAT on all mail services (17.5%) could result in around a 5% decline in Royal Mail volumes ... while the imposition of the reduced rate should only result in a 1% decline.

So, at least there appears to be some positive moves forward in this area... which needs to be resolved just as soon as possible. In the meantime, here at ONEPOST we have real working solutions regarding how best to mitigate the VAT position if your organisation is unable to reclaim VAT, please do please contact us... we're here to help you!!

Is the **tide turning** for direct mail



In a year noticeably short for good news, it's encouraging to read some of the latest findings as revealed in the DMA's Participation Media Report 2007.

This third Participation Media Report was conducted in November 2007. The Report reveals that there is a significant gap between consumer perception and their actual behaviour.

- Responses to Direct Mail were almost twice as positive in reality as first perceived
- Direct Mail has also seen a 10% increase in popularity compared to the findings in the 2005 Report
- Each advertising medium has a role to play... with the right audience at the right time

The 'Participation' title is important to note as selected consumers were asked to record their perceptions of direct marketing against their actual experiences which included recording the communications they receive in a 'direct communications diary'.

Whilst there are some negative associations for direct mail ('junk') with

increased targeting and relevancy of offerings the outlook is perhaps brighter than many had imagined. Ultimately, the consumers will decide how they wish to receive marketing messages, so it is important to note that this research also highlights the valuable role that marketing plays in providing information prior to making a purchase.

DID YOU KNOW?

Q Post (Qatar) recently launched its latest version of stamps, which it labelled as 'traditional perfume'.

The stamps ooze fragrance of four traditional perfumes produced in Qatar.

They include ... Al Marash, Oud Oil, Agar Wood and Al Moghass, all of which are apparently dear to Qatar people.

The postal corporation are also planning to launch a 'petroleum' stamp in 2009, so look out for that one it could be valuable!!

Not so charitable



Many of you may recall that we recently featured the very active and sophisticated communications produced by charity organisations. Clearly this sector faces enormous pressures to produce cost effective campaigns.

So it's disappointing to note that they now face spiralling postage costs after Royal Mail warned that it can no longer guarantee to reimburse them when donors put stamps on freepost envelopes.

The move, which it is claimed could cost charities millions of pounds in extra postage costs, has arisen following the introduction of new automated sorted systems. Royal Mail has apparently contacted a number of charities to clarify that the terms and conditions of the Business Response Service do not allow for postage to be paid by the sender, and that the practice should be discouraged. This is of course totally contrary to previous activity where the charities have actively encouraged such practice as it saves them thousands of pounds a year.

Such a scenario puts the reputation of many charities at risk as they are constantly under pressure to reassure

supporters that they do all they can to keep administration costs to a minimum. In addition it could also dissuade them from using direct mail as an effective distribution channel.

Against this background let's hope that the current 'bad news' articles regarding a significant downturn in Royal Mail's quality of service and possible renewed industrial action are quickly overcome with a return to normal and improved service to all its customers.

DID YOU KNOW?

Text messages and pictures sent by e-mail, or camera phone, are killing the holiday postcard.

Research by ITV.com shows that they have declined by 75 per cent in the past ten years.

During the same period 67 per cent of us have logged on to the internet to keep in touch with friends and family whilst on holiday.

Industry must address the twin threats of **environment & legislation**



Mailers are coming under increasing pressure to ensure they meet the twin business challenges of environmental responsibility and protection of customer's data.

Offering suitable products to a carefully targeted audience at a relevant time should always be at the heart of any communication programme. In 2008 this is pivotal to help reduce the 'junk mail' image which, although improving, will probably never be eradicated. By reducing the waste of contacting people who are not interested and increasing the relevance to those who might be more receptive, the industry will hopefully be seen in a more environmentally friendly way by consumers.

Firms must also face up to their data security controls and obligations otherwise customer confidence will further evaporate. This is even more important following some high profile data security blunders by both the government and financial services companies.

Those organisations clearly demonstrating what is essentially 'best practice'

in the use and protection of data are likely to gain competitive advantage as it is consumers who ultimately set the agenda regarding the way they are communicated with.

TNT
'bigger brand'
than
Royal Mail

According to a recent YouGov survey, TNT Post has been ranked ahead of rival postal services provider Royal Mail.

The survey canvassed the opinions of over 1,500 business professionals and had the objective of determining the UK's strongest business-to-business 'superbrands' for 2008. The results revealed that TNT Post was ranked number 118, with Royal Mail placed 22 positions lower.



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Independent postal advice and management



Bringing you lower postage costs