

POST Impressions

SUMMER NEWSLETTER 2006 Issue No.5



AWARD FOR INGENUITY AND PRACTICALITY



Gaining recognition is always a pleasure and winning an award is always pleasant. And especially so if its for something which receives a special mention for being practical and makes other people's lives easier.

So we are delighted to have been named a winner in the prestigious 2006 New Product Awards run by the International Direct Marketing Fair and DM Business Magazine. Coming out top of the Direct Mail Software category for ONEPOST's specially designed and developed IT System which – by holding postal routing and pricing tables within one piece of software – is able to provide an independent, bespoke analysis of the options available.

Businesses can accurately plan on making significant savings on mailings by establishing the most cost-effective distribution partners and methods for sorting and delivery – along with all the appropriate operational and administrative paperwork.

The Awards are now in their eighth year and recognise innovation and the best research development in direct marketing. The nine category winners were selected from a long list of entries by some key experts from the direct marketing industry.

BREAKING NEWS:

Royal Mail delivers record quality of service with £355 million operating profit.

Royal Mail has just announced a 17% increase in operating profit to £355 million in 2005-06, a year in which new quality of service records were set – although Postcomm has still fined Royal Mail for some specific performance failures (see Page 2).

This was made on a record turnover of £9.06 billion, with the letters business making a £344m operating profit – £1m more than the previous year.

In addition the government has agreed to extend £1.75 billion to Royal Mail. Of this, £900m will be on commercial terms to invest in modernisation of the business.

We will look at these figures in more detail and report further in our next edition.

“With International Consolidation and Pricing in Proportion in the forefront of many marketers' minds, the judges of the IDMF/DM Business New Product Awards have selected a very worthy winner in ONEPOST. The company has developed a practical and ingenious piece of software which exactly meets the requirements of those marketers now and in the future.”

Frank Wainwright, Editor, DM Business & Organiser, 2006 New Product Awards

“This is a great achievement for ONEPOST. Being named the winner in the Direct Mail Software category is recognition of the sheer hard work put in by the whole team to launch the business and make it a success.”

Graham Cooper
Managing Director, ONEPOST

Royal Mail failing to meet customer expectations

Quality of Service is right at the heart of a truly competitive postal market. As such, all operators are under increasing pressure to meet and even exceed customer expectations. Against this background it is indeed disappointing to note that Postcomm are proposing a financial penalty of £271,000 on Royal Mail. The penalty relates to Royal Mail's poor performance in three specific London postcodes, which is viewed as a contravention of its licence conditions.

The poor performance relates to the financial year 2004/05 and the postcode

areas affected were in East London, South East London and West Central London. During this period, many business customers posting mail in these areas had paid for a first class service but did not receive the service they had paid for because around two million items of mail were not delivered the next day.

Postcomm do not issue such penalties lightly and before confirming the financial penalty they took account of representations from Royal Mail and other parties. In reaching its decision, Postcomm took into consideration that Royal Mail has recently placed considerable

emphasis on the importance of individual postcode areas meeting the required Quality of Service targets.

The £271,000 fine is due for payment on the 14th June and it is more encouraging to note that recent performance figures indicate that there are indeed improvements. Clearly ONEPOST shares the vision that all postal operators consistently deliver against the various product specifications and this is an area where we will be paying close attention to and offering information and advice to our various customers.

THE UNFOLDING COMPETITIVE MARKET

As we report elsewhere, Royal Mail's VAT exemption is perhaps the biggest barrier to creating effective competition in the UK mail market. But there are other key drivers recognised in Postcomm's recent publication entitled 'Competitive Market Review: Tackling barriers to entry in postal services' (April 2006).

On the whole there are no real surprises in the document, but we genuinely welcome such a review, as it is our belief that the regulator should be looking at the market, particularly as it is now fully liberated.

Perhaps the second most significant finding is the consumers' lack of awareness of other postal operators – not unexpected for a market that only fully opened in January 2006.

As Postcomm rightly point out, selecting postal providers is a market judgment for customers based on service information available.

This totally reflects the ONEPOST philosophy and we continually seek best value from the constantly changing market. We are also truly independent and aim to make your life easier.

All the indications are that the so-called 'barriers to entry' will reduce and this can only help to generate more competitor activity. And whilst Royal Mail continue to dominate market share it is very encouraging to note that in December 2005 'access' volumes rose to 121 million items per month.

THE WAY FORWARD

Without doubt, 2006 will be viewed as the most significant year in the UK postal market. And, as you will see from other articles in this newsletter, there is still much to be done before the arrival of a truly open and commercial market. The next three years up to 2009 will be a crucial phase in the development of the market.

Against this background it is very encouraging to see that Postcomm has recently published its Business Plan for 2006 – 2009. We are particularly pleased to note that Postcomm intend to keep regulation as straightforward as possible and as light a burden on licenses as possible.

Within the plan, Postcomm have confirmed their four corporate goals. It is perhaps worthwhile to remind our readers just what these specific goals are. We are pleased to say we have established an excellent working relationship with Postcomm and we look forward to continuing the dialogue over the next three years.

POSTCOMM GOALS

1. Ensuring the Universal Service provision is maintained.

This is Postcomm's primary duty as the universal service underpins the UK postal service. Royal Mail is the only licensed operator who has an obligation to maintain the universal service.

2. Protecting Customer interests.

This is particularly important as Postcomm will set regulation that distorts the market as little as possible, whilst ensuring prices and service levels are maintained. Interesting to note that Postcomm also state that customers' confidence in the market is maintained.

3. Promoting sustainable competition.

This is all about aiming to provide customers with choice through effective and sustainable competition between postal operators. As you would expect ONEPOST wholly supports this goal.

4. Advising on the Post Office Network.

Postcomm will be ensuring the government makes informed decisions regarding the future of the Post Office. There will be a major review of the Post Office Network later this year and we will all need to be aware of developments here.

Feel the **width**

The idea that deregulation makes things straightforward is really a bit of a myth. Take a glance at the air travel market: individual fares might be easier to understand but there are hundreds more of them.

Postal deregulation hasn't yet reached that stage, but the signs are beginning to appear.

For a start, Royal Mail are undertaking the biggest change in pricing structure since Roland Hill doodled the head of Queen Victoria on a small piece of black paper – Pricing in Proportion (or, inevitably, PIP), the scheme formerly known as Size-based Pricing.

Argued as a fairer system all round related more closely to the cost of delivery and moving into line with most developed countries – this is the Royal Mail readying itself for the increase in competition.

Much is made by Royal Mail of the simplification of pricing, which we applaud. Everything is now contained in a five-page Word document. Well, that's the public pricing, so it should be quite simple for the general consumer. But there are still all the Mailsort ramifications, the Downstream Access PIP prices, and then there's Zonal Pricing...

PIP is a major change in the way we as mailers (and as members of the public) have to think, however, its major significance is mainly in disturbing the longstanding market status quo.

In the not too distant future, when Royal Mail is not the only main carrier, price announcements like this will become quite commonplace as different operators seek different angles to reach different sections of the market. Perhaps not much fun if you're trying to stay in touch with all the nuances of postage pricing and operations, but a fundamental reason why ONEPOST exists – so that you can decide on the strategy and ONEPOST can concentrate on the detail.

Monday, 21 August, 2006

The day it all happens. Not long in mail planning terms. So you need to get ready now. If only to learn the new set of definitions: Letters, Large Letters, Packets... sizes, thicknesses... as well as some new weight bands. (And don't forget to check that your

postroom or mailing house are up to speed with the operational changes.)

Royal Mail is assuring everybody that there will be both winners and losers and the overall net affect will be pretty neutral. However, there will be some shocks for mailers who just fall over the wrong side of the new boundaries. So, please do take some time to check out your own circumstances.

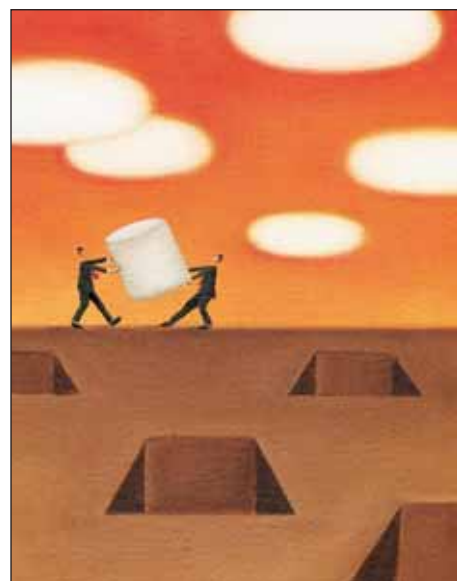
If you do find yourself on the deficit side, then all is by no means lost.

Trimming a few grams or a few millimetres and moving into another category will make substantial savings. Otherwise, there might be opportunities to capitalise on: the extra weight for letters (up from 60g to 100g) gives room for some creative or revenue-generating freedom.

Some catalogue companies are already testing the sales benefits of expanding their publications to the price band limits – moving, say, from just over 100 grams up towards the weight band limit of 250g.

Perhaps looking at other Royal Mail service options might also help.

But, even with the existing Royal Mail dominance in the delivery market, alternative



carrier choices are starting to emerge. And as PIP develops, the other licensees will increasingly target the 'gaps' left by the new pricing scheme. For example, ONEPOST is currently finalising pricing for lightweight B2B 'items' – a category penalised under PIP.

Possibly the most beneficial route will be for mailers to look to combine several solutions for each of the different parts of their mailing programmes. And if this seems like a nightmare of contracts and administration, then it needn't be. ONEPOST – as the country's first independent postal management service – is able to integrate the services of several carriers for a single mailing, tailored to give the most efficient and cost-effective delivery plan, all without the need for on-going contracts.

Creative

Much has been commented in the industry media about how much PIP will adversely impact mailing creative work.

We appreciate that charity pen mailings, for example, are definitely going to be hit; but we're also sure good creative teams will relish trying to 'beat' the system and produce great new work. And don't forget that within the basic formats, there will be no postage penalty for more creative shapes and sizes.

So to get the best of all worlds from a new campaign, you might like to brief ONEPOST to look at the postage price options for the creative alternatives being considered. We appreciate good creative work and we have the knowledge of the whole postal market – and the right contacts – to try and get you what you want at the lowest effective price.

NEW SIZES

Letter

Max Size (C5+): 165mm x 240mm
Max Thickness: 5mm
Max Weight: 100g

Large Letter

Max Size: 250mm x 353mm
Max Thickness: 25mm
Weight Bands: up to 100g
101–250g
251–500g
501–750g

Packet

Max Size:* 610mm x 460mm
Max Thickness:* 460mm
Weight Bands: up to 100g
101–250g
251–500g
501–750g
751–1000g

**As existing maximum sizes*

There is also a lightweight 'A3 Packet' available for Mailsort and PressStream

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SAVINGS are available... Don't just take our word for it!

By way of reminder, it is perhaps timely and relevant to state to all of our readers that ONEPOST is not only a service, it is also an ongoing philosophy.

Our customers benefit from knowing that whatever the rules, whatever the changes are in the postal market, ONEPOST are helping to achieve the best possible value for them. We also believe that the changes in the postal environment are having an impact on customers' mailings and real financial savings are available.

And you would expect us to say that – wouldn't you?

So, it is against this background that we welcome a recent report published by the National Audit Office (NAO), which highlights the fact that there are significant savings to be made by more efficient management and purchasing of postal services within the public sector.

According to the NAO report an estimated £31 million could be saved across the public sector by 2008/09. The report goes on to say that taking relatively simple straightforward measures can make the savings achievable.

The timing of this report is also significant as we are only a few months

into a fully liberated market where there is increasing evidence that new entrants are making an impact in a variety of sectors. Additionally the arrival of Pricing in Proportion (PIP), as featured elsewhere within this newsletter, will lead to many mailers reviewing their postal activities.

And also remember that you don't have to be amongst the biggest mailers to benefit from our services, we treat each customer (and potential customer) uniquely and look to maximise your budgets. So why not try us out... you've nothing to lose and plenty to gain!

DID YOU KNOW?

Britain was the first country to issue postage stamps, on 1 May 1840. That is why UK stamps are the only stamps in the world not to bear the name of the country of origin!

With the implementation of PIP, there will be 'large stamps' for use on large letters. The word 'Large' will be prominent to help people with poor vision.

The Postcode Address File is compiled, updated and supplied by Royal Mail. It has become the mail standard for the UK letters market and currently contains 27 million delivery points and 1.7 million postcodes.

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For a free copy, email:
handyhints@onepost.co.uk

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The future for postage prices is altogether brighter