

Impressions

AUTUMN NEWSLETTER 2006 Issue No.6

ARE YOU IN THE **ZONE?**

On 5th July 2006, Royal Mail officially applied to Postcomm for 'Approval to offer Geographic Zonal Prices for bulk mail services'. This proposed initiative – commonly referred to as 'Zonal Pricing' – has already created a fair amount of coverage (and confusion) in the trade press and increased momentum is expected over the coming months.

Royal Mail is proposing to introduce Zonal Pricing with effect from April 2007. However, bearing in mind the likely consultation process and associated licence conditions and requirements, it is unlikely that this introduction date will be achieved.

In its simplest form, Royal Mail is proposing to divide the country into 5 specific price zones. The zones are categorised by how much it costs Royal Mail to deliver to the 10,500 postcode areas in the UK.

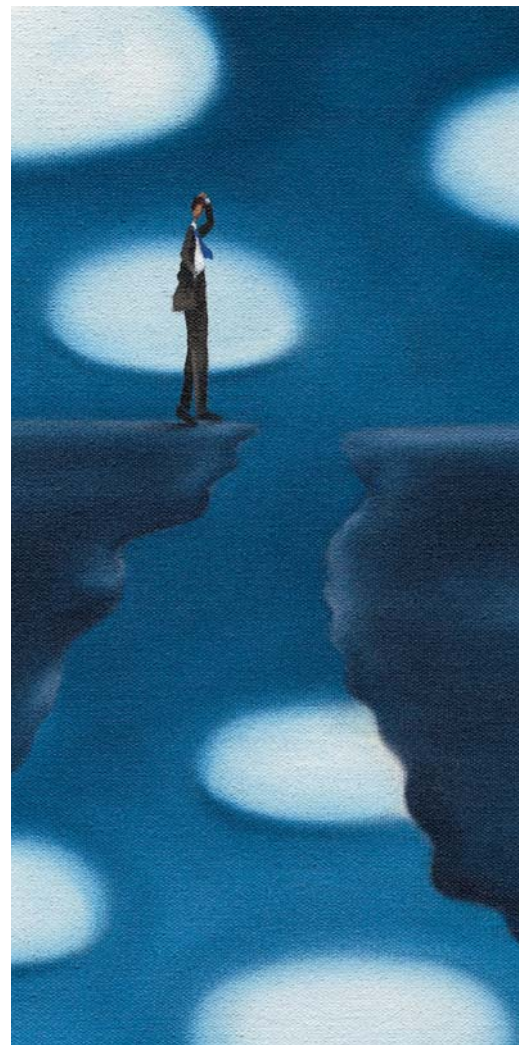
As with Pricing in Proportion (PiP) this is a significant change for business mailers, who will be keen to ensure margins and quality of service are maintained. At this stage it is only an application and at the time of writing, Postcomm have not formulated an official response. Looking at the details it is clear that, as might be expected, Zone A (Commercial Centre) and Zone B (Urban) would attract cheaper delivery rates with Rural and Remote areas becoming more expensive. The choice of zone for each postcode depends on its population and business density.

Zonal Pricing can only be applied to products that fall outside of the 'Universal Service'. This means all bulk mail products (apart from Mailsort 1400 1st and 2nd class) could be subject to Zonal Pricing. In particular this would include Mailsort 1400 3, Mailsort 120 and Mailsort 700. In addition Prestream and Walksort will be affected.

At this early stage there are a number of unanswered questions and we fully expect yet another period of confusion with postal and distribution services. The proposals do include the fact that there will be additional mail presentation requirements and here at ONEPOST we are studying the details. If you have any queries please do contact us, we'll certainly do our best to help you!

ROYAL MAIL PROPOSAL – 5 SPECIFIC PRICE ZONES

Zone A	Commercial Centre
Zone B	Urban
Zone C	Suburban
Zone D	Rural
Zone E	Deep Rural



Increasing your **Choices**

It's our job to monitor and respond to all developments in the postal market, particularly as the market has become fully liberated. Clearly, a key part of our strategy is to keep up-to-date with the products and services offered by new entrants and indeed those of Royal Mail.

Back in our 'Winter 2005' edition we stated there were 15 licensed operators in

the UK mail market. Just a few months on, there are now 18 (including Royal Mail) and ONEPOST has established strong working relationships with many of these new entrants.

The licensing application procedure (through Postcomm) is fairly straightforward, yet sufficiently robust enough to ensure the mail is safe and ensures that

any operator can provide the necessary financial guarantees and meet minimum standards set by Postcomm. There is an application fee of £1,000 and the applications are put out to consultation for a minimum of 28 days. In this way anyone is entitled to make a response. In particular it gives all mail operators and mail customers a chance to comment.

One other important point to note is that licences are only required in the so-called 'licensed area'. The definition of 'licensed area' is mail weighing less than 350grams and costing less than £1 to post.

Most of the new operators now hold licences through to 2016, which is when the Royal Mail licence is also due for renewal. As you would expect ONEPOST only deals with licensed operators and we will continue to monitor market activity and ensure all our customers obtain the best deals whilst maintaining or even improving that quality of service.



ROYAL MAIL FORCED TO DELIVER

In our last newsletter, we mentioned that Royal Mail had turned in some much improved results for the financial year 2005/2006.

For a genuinely competitive postal marketplace it is essential that there is a strong incumbent player. That's why here at ONEPOST we welcome such results.

The increased financial return is quite a turnaround for an organisation that was losing around £1 million a day not so long ago. But it's the quality of service improvements that caught our eye... and that's where we will be hoping that the improvement is maintained or even enhanced over the coming years.

All but three of Royal Mail's thirteen targeted products beat their targets. Royal Mail estimate that only around 2% of

their daily posting volumes (estimated at 81 million items) failed to meet the required service standard. However, that still equates to some 1.6 million items and like many others we will be looking for further improvements in these improved figures.

In particular the Response Services (1st and 2nd class) continue to fail against

their targets resulting in delayed orders and consequent customer satisfaction.

It's also probably no coincidence that these results have been achieved in the same year that the market has been fully opened to competition. So let us hope for continued progress in a year which sees the arrival of Pricing in Proportion and hopefully more investment into the modernisation of the business.



Aceville Publications believes in targeting: in fact it's built its business on it.

Started 20 years ago, Aceville originally launched magazines to serve several consumer interest groups. But it is the development of modern print technology that now means it has become more cost-effective to develop quality publications targeted at very specific groups – who respond positively to having their own worthwhile magazine.

This rapid growth has seen a rise in Aceville's portfolio within the last decade from six magazines to over 30 – including the development of titles dedicated to serving specific business sectors and leisure pursuits with high standard information.

Mick Orrin, responsible for distribution at Aceville commented, "I was very aware of the changes coming about in the postage area and, as far as I was concerned, ONEPOST was first to market. Their offer was very simple. If I can save money without involving any more

work, that doesn't seem a difficult decision to me.

"Like many publishers, we don't tend to change our distribution arrangements that often but, even so, it is good to know we aren't locked into a long-term contract."

In improving on the Royal Mail pricing for distribution for eight business-to-business magazines, ONEPOST's solution involves a cost-effective alternative end-to-end delivery option for a large proportion of the circulation, integrated with some residual Royal Mail delivery.

This results in significant – and growing – postage savings, simple administration, a single postage contact point and advice, and a continuing 'best available price' commitment.

Aceville Publications Limited



Our newsletter is going to print just as Royal Mail's Pricing in Proportion goes live.

We don't know what sort of media headlines have arisen but we are confident enough to assume that it won't necessarily be all good news!

All the indications are that the business mailing community is still coming to grips with what it means to their business. This must be hugely disappointing to Royal Mail who formally announced their proposals a year ago and have belatedly pushed awareness via an extensive publicity push. Further evidence of this position was published in the trade magazine 'Precision Marketing' (August 11th) which commissioned exclusive research amongst both the business and consumer audience. This research revealed that a third of marketers still didn't understand the implications of PIP; furthermore, only 10% said they fully understood the new pricing structure... and all this was conducted with only a matter of weeks to go.

As regular readers of our newsletters will recall, we have regularly featured coverage of Pricing in Proportion. Clearly our objective was (and still is!) to keep information levels high ...but it's the detail that matters most and in particular the financial implications it will have on your mailings and postage. If you need any help or assistance regarding PIP we will be pleased to speak to you as there may well be some practical steps you can take.

Breaking News...

Postcomm has just announced (August 9th 2006) that it is to carry out a major strategic review of postal services in the UK. The consultation document entitled *Postcomm's Strategy Review, The Postal Market – 2010 and beyond: Key Questions for Stakeholders* is the first of its type since the market liberalised in January this year.

This forward thinking consultation looks at many of the important influencing factors such as how the postal market

will evolve in the next five to 10 years and how customers' needs are likely to develop.

ONEPOST welcomes the chance to contribute to such a major review and we will be putting together our response over the coming weeks. The responses (due by November 9th 2006) will help Postcomm frame its regulatory strategy through to 2010 and beyond.

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An Efficient and **SECURE** Service

Mail integrity is generally recognised as a key issue for the UK postal industry.

This is why ONEPOST will only deal with licensed operators. In this way we are minimising the risk of things going wrong with the delivery of mail.

The whole area of 'mail integrity' is very much central to Postcomm's duty to further the interests of all mail users and it has published a

document entitled *Protecting the Integrity of Mail – A Code of Practice*. This document details requirements of all operators including Royal Mail. Areas covered include the need to establish procedures to minimise the risk of loss, theft, damage, or interference to mail.

With a liberated market now upon us it is vital that high standards are maintained or even improved. ONEPOST constantly reviews the market and we intend to do all we

can to ensure the relatively good reputation of the UK postal market continues. If not, the whole industry will suffer as customers will lose confidence in communicating by mail.

You can expect further updates on this subject in future newsletters. In the meantime, if you have any concerns, please get in touch with us.

DID YOU KNOW?

By now we are all aware of the importance of using a Post Code.

Many people assume that their Post Code is unique to them, but you may be surprised to learn that that this is not the case and that you could be sharing a code with up to 80 other addresses in your locality!

Most Post Codes are made up of four parts: These are Post Code area, Post Code district, Sector Code and the final 2 characters tells the Delivery Office which postal route (or walk) will deliver the mail.

To ensure mailings attract optimum discounts it is becoming increasingly important that your files are properly maintained with fully postcoded records. If you need any help please do contact us.

At present Royal Mail is the only postal operator offering a redirection service.

Around 1.3 million households and businesses use Royal Mail's redirections service in any one year, and there are approximately 800,000 redirections 'live' on the company's books at any one time.

Contact **ONEPOST**

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The future for postage prices is altogether brighter