



Wholesale

Improving the Customer Experience (ICE)

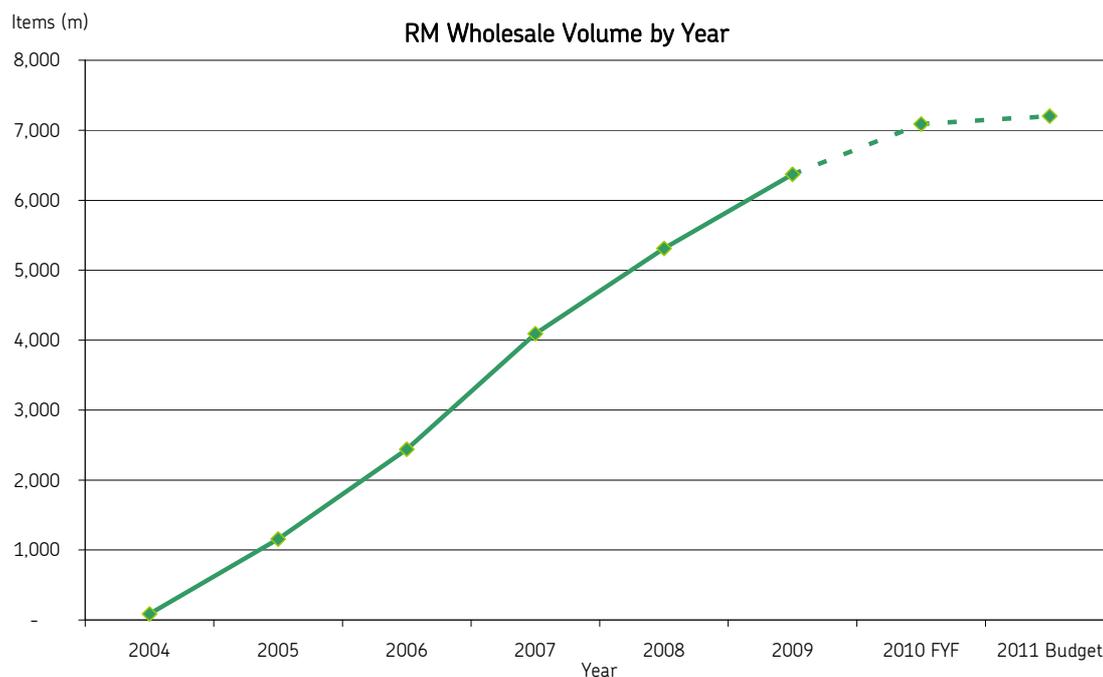
- A Response to Customer Feedback

February 2011

1. Background and Context

1.1 Access Market

The Downstream Access market has grown significantly since the first contract was signed in February 2004. This year Royal Mail Wholesale (RMW) is expecting to handle c. 7.2bn items. Our processes for handling the Access service, developed nearly a decade ago when 2 billion items a year seemed a long way off, are now due for a review.



1.2 Making Access Even Better

In January 2008 we asked our customers their views on 'Making Access Even Better' (MAEB). As a direct result of that feedback, we made a number of improvements to the Access service that included:

- an extension to the Standard Access window and a reduction in the notice period required for access slot change requests;
- a dedicated 'Customer Services' team;
- proactive solutions e.g. Missort Analysis service;
- 24 hour IT support;
- an extension to the E*pro upload time;
- changes to tray label supply;
- enhanced provision of training; and
- User Guide simplification and improved communication of contractual changes.

1.3 Aim of the ICE Programme

Our 2008 consultation was the first step in a continuous programme of improvements that seeks to ensure Access postal services keep pace with market conditions and continue to provide an efficient and effective medium for targeted communications. Since 2008 we have made further improvements to the Access service to widen the range of services available for Access customers e.g. a mixed weight pricing option, Responsible Mail, Advertising Mail[®] and heavy weight packet services. We have enabled the use of Tray Dollys, segregation by format presentation and the Access 70 service to optimise the efficiency of handover of mail for both customers and Royal Mail.

We're now three years on from the original consultation and the goal of the ICE programme continues to be understanding how RMW can promote the efficiency and effectiveness of mail better.

Our current aim is that through a fundamental review of the mails supply chain and contractual terms, we will identify 'win/win' solutions which will further improve the efficiency of our customers, mailing agents, postal operators and Royal Mail alike.

2. Review of the Mails Supply Chain – Key Issues and Improvement Opportunities

2.1 ICE Programme Approach

The first step of the ICE programme has been to review the Mails Supply Chain (see Appendix 1) with customers to understand whether there are any processes which:

- are no longer fit for purpose due to the number of customers and volume of Access mailing items being handed over on a daily basis
- add unnecessary costs into the end to end supply chain
- perform adequately but can be improved

The aim of the meetings held with customers was to highlight inefficient or problematic areas of the mails supply chain and identify potential 'win/win' solutions for both customers and Royal Mail.

These meetings have produced a large amount of customer feedback which has helped to identify specific problems in elements of the mails supply chain. In particular those that cause significant delay to mail sortation and subsequent delivery within Royal Mail or add unnecessary costs for all parties involved. We are therefore focusing our initial improvement activity on the following areas:

- forecasting
- container supply
- handover to Royal Mail – including Access slots & Access window
- invoice reconciliation

Additionally we have highlighted that in order to drive and improve the take up of new services, IT alignment and adherence to specification, we also need to plan activities to address the following enablers:

- best practice IT communications to involve customers early in the design of IT system changes
- enhanced customer training

It is our intention to continue ICE as a rolling programme of improvement activity. Once these initial areas have been addressed and the improvements incorporated then we will review the mail supply chain again to determine where the next improvement opportunities lie.

2.2. Forecasting

The contract requires the customer to provide two levels of forecasting:

- 7 day rolling forecast, which gives Royal Mail's Inward Mail Centres (IMCs) early warning of volume fluctuations coming over the next seven days
- 24 hour (36 hour for Premium) forecast on the day prior to handover which is used by IMCs to forward plan actual resource requirements for the following day

The central issue with forecasting is whether at the current volume of Access traffic, the forecasting accuracy tolerances against the actual mail handed over on a day are still appropriate and practical for all mail types.

With this in mind we will work with customers to explore other forecasting accuracy tolerance options. We would also like to consult with our customers to review alternative methods for early capture of Key National Posting information requirements and develop a long-range forecasting model based on historic trend data

2.3 Container Supply

Royal Mail provides customers with the following containers:

- Bags – supplied to customers free of charge at a nominated mail centre for customer collection in the customer's containers.
- Trays – loaned to customers free of charge and replenished on either a one for one swap out basis on handover at the Inward Mail Centres or repatriated in bulk where required.
- Yorks – relevant to customers who have signed the appropriate container exchange agreement. Customers purchase their own stock of these containers to swap out on a one for one basis with Royal Mail's containers on handover at the Inward Mail Centres.
- Auto Level Packet Sleeves (ALPS) – relevant for customers whose items are too large to fit in a bag. Customers are asked to purchase their own stock of these containers to swap out on a one for one basis with Royal Mail's containers on handover at the Inward Mail Centres.
- Tray Dollys – relevant for customers using trays. Customers are asked to purchase their own stock of these containers and RM operations return the following day after handover.

A key concern for customers identified during the ICE consultation, has been the receipt of sufficient containers and consistency of supply. Another important issue is optimising efficient vehicle utilisation within the operator network by using the minimum number of containers and reducing the level of half empty containers used, leading to lower transportation costs.

RMW's objective in relation to containers is to receive all sorted Letters and Large Letters mail in trays at the Inward Mail Centre on wheeled York containers (Yorks) or Tray Dollys, as opposed to loose loaded bags or bags within Yorks. Wheeled Yorks can be moved easily to the correct sortation area within an Inward Mail Centre and do not require decanting on the dock. Trays are a more efficient option operationally than bags as:

- no double handling is required (mail does not need to be 'cut and tipped', prior to processing)
- they are easier to handle from a health and safety perspective (i.e. fewer accidents)
- they are 'cleaner' as mail is less likely to have been left in a tray or damaged in transit;
- customers find that trays are easier to scan

More widespread use of trays would greatly improve the efficiency of the mail handover process and the RM operational process going forward.

The improvement activities identified for container supply are designed to address the main areas of customer feedback as well as RMW's objectives of:

- Improving the supply of containers – we will consult on bag/tray supply options with customers.
- Supporting efficient vehicle utilisation for customers – the segregation by format option launched in Jan 2011 has been designed to improve vehicle utilisation by minimising the required number of segregations and maximising container fill.
- Maximising the use of wheeled containers for the carriage of trays within customer networks – working in consultation with customers RMW has recently introduced Tray Dolly containers to support the take up of trays. The Tray Dolly has been designed, specifically for trays and includes a lid that improves the security of mail and is stackable when empty, making for better vehicle utilisation.
- Holding 'Container Forums' to allow RMW to work with other postal operators across the industry to develop a common container approach and efficient multi-supplier arrangements.

2.4 Handover to Royal Mail

In terms of handover to Royal Mail, the key concern for customers is to minimise their costs through maximising vehicle utilisation. For those handing over significant volumes this may be achieved by enabling a vehicle to be reused for a number of access slots at different times at the same site as opposed to needing to have multiple vehicles ready to service one access slot. For other customers this may be achieved through a wider access window or more flexible use of access slots to enable them to optimise vehicle despatches against processing capacity or customer collections.

For RMW, the key issue in terms of handover is efficient mail flow into processing to de-risk the quality of service for Access mail. By minimising the delay between handover and mail processing, mail centres have greater opportunity to:

- process mail earlier
- manage their manual and automation capacity
- develop improved consistency in meeting workplan and therefore mail despatch deadlines

The segregation by format option is a good example of a win/win solution in this area. Customers can present mailings segregated by format - a maximum three way split, as opposed to by account. This reduced segregation results in better secondary container (e.g. York) fill which in turn optimises vehicle utilisation and reduces space required in operator depots. As segregation by format is used in conjunction with the Early Release Agreement, RMW is able to release mail for processing immediately after revenue protection checks as opposed to having to wait for the Client Report to be produced and signed off by the customer in the afternoon.

Whilst the segregation by format option improves customer secondary container fill, vehicle optimisation and brings forward mail processing times, it does not remove the need for multiple vehicle access to mail centres or smooth the flow of mail into inward mail centres. We will therefore work with customers to develop options that enable multiple access slots for more efficient use of vehicles and that provide IMCs with improved flow of mail better linked to processing capacity.

2.5 Invoice Reconciliation

The key issue for customers in relation to invoice reconciliation is the ability to easily reconcile non-compliance charges and docket changes due to revenue protection (RP) checks from the Client Report back to the invoice. Invoice reconciliation within the current system is not straightforward; this is caused by a combination of the current processes used and the volume and level of data presentation. The combination of these factors makes invoice and credit note reconciliation time-consuming and the presentation of the invoice confusing for customers.

We have worked hard to simplify and improve the clarity of data contained within our invoices and credit notes in the new Wholesale Management System (WMS). These changes should greatly enhance presentation and ease of use of this information going forward.

The Invoice Reconciliation facility within WMS is being developed and a suite of new reports is being created to provide customers with a full audit trail of charges. There will be a drill down facility from the invoice to the docket to the non-compliant container details. This will not only make it much easier for customers to reconcile their invoices but it will also make it easier for customers to calculate the charges at a customer, cost centre or departmental level. This set of reports should reduce the time to reconcile the invoice and reduce the number of invoice queries raised by RMW customers.

3. The Improvement Workplan

The following activities are planned to address the improvement opportunities identified in Section 2 above.

Improvement Area	Action	Planned Timescale
Forecasting	Review KNP information and deadlines	Q2
	Customer consultation on forecasting accuracy	
Containers	Undertake a review of the operational arrangements for bag and tray supply.	Q2
	Set up a new series of container forums to include all operators/carriers and interested CDA customers.	Q2 & 4
Access Slots	Customer consultation on multiple access slots.	Q1
	Review the Standard Access Window	
	Provide new guidelines for early access where practicable for carriers arriving before their access slot but within the access window.	
Service Spec	RMW Contracts team to communicate to customers the expected response times for commercial queries.	BAU
Complaint Handling	Review RMW customer complaint process to identify whether there are improvement opportunities.	Q1
Comms	Review Mail Centre closure notices with customers to ensure that they are informative and clearly explain the customer impact.	Q1
	Consult with customers get up to date understanding of level of notice required for changes to service specifications.	Q1
	DSACC to receive further enhanced call handling training as part of continuous development approach to our people.	Q1-4
	RMW to develop best practice communications process for communicating IT changes to customers.	Q1 & Q2
	RMW to communicate IT changes to customers and share design documents early to enable customer feedback.	Q1 – Q4
Training	To review demand for training from customers and assess.	Q1
	Develop a basic training programme that can be used by a customer in their own training programme on a 'train the trainer' basis.	Q2
	Develop additional courses that may be delivered subject to demand and at a charge.	Q2
	To develop IMC visit plan to meet RMW capacity to support such visits.	Q1

4. Access – Future State

As a vision for the future, we envisage a system of downstream access which breaks away from the concept of a mail docket completely and allows RMW to invoice our customers based on the amount and quality of the mail actually received enabled via a unique barcode. This would eliminate the need for customers to upload dockets and speed up the processing of mail by counting and verifying the mail received in-process. In a sense, Royal Mail would then become more akin to a telecoms supplier, which counts usage and then invoices accordingly. This would result in a massive simplification of requirements for Access and would hopefully not only remove cost from our customers' operations, but also remove some of the day-to-day niggles generated by the present system.

As Royal Mail increases operational efficiency, it is likely that even more will be done to align resources and container supply to projected volumes, which may well mean that there will be a still greater emphasis on volume forecasts. A leaner Royal Mail with a higher degree of cost variability and manpower planning will find it harder to cope with unexpected substantial volume increases or may suffer from stranded costs if projected volumes do not materialise. It may well be that we will have to explore new pricing concepts to encourage efficient forecasting, particularly around the 24 hour forecast.

Furthermore, we need to react to the developing market and accept that mail volumes are under challenge from the growth in other media. We need to find new ways of optimising Royal Mail's operational capability to enable ourselves and our customers to create services that will sustain the mail medium going forward. No doubt we can find ways to leverage the new investment in Royal Mail operations to create new and truly innovative services which further enhance the customer experience.

Appendix 1 – The Mails Supply Chain

