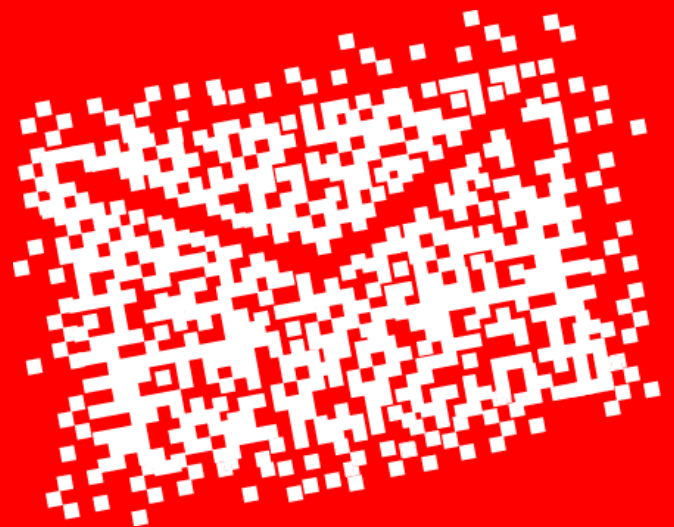


Mailmark® Migration

Royal Mail Retail & Network Access Decision Document

Published: 4 December 2015



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Summary

Background

Royal Mail would like to simplify its portfolio of machine-readable bulk mail products from 2017. Earlier this year, we ran a Mailmark Migration Consultation, from 29 May 2015 to 7 September 2015, to understand customers' views on our proposed changes and how these might affect them. This document summarises their feedback and provides customers with our decisions on how we intend to proceed.

In the consultation, we asked the following questions (as numbered in the consultation):

- 1a. Does our proposal to cease to offer the Barcode/CBC option in January 2016 to new customers seem reasonable given our proposal to retire it a year later?
- 1b. Does our proposal to simplify the product portfolios by the withdrawal of the Barcode/CBC option in January 2017 offer a reasonable timeframe for this change?
- 1c. What challenges would the withdrawal of the Barcode/CBC options in January 2017 pose for you/your company and what support would you need from Royal Mail to overcome them?

Responses

We received twenty responses from a wide range of interested parties. At a very high level, the responses to the three questions are as follows:

- 1a. Eleven of the twenty respondents thought it was reasonable to cease to offer the Barcode/CBC option to new customers from January 2016.
- 1b. Nine of the twenty respondents thought that the withdrawal of the Barcode/CBC options for existing customers from January 2017 offered a reasonable timeframe. Those respondents who did not agree that the January 2017 deadline for withdrawal was reasonable thought that customers needed more time to implement the software changes for the Mailmark barcode due to the competing priorities in customers' change schedules .
- 1c. The main challenges mentioned by respondents related to planning of resource to make the technical changes and costs of applying the software. Respondents had a variety of thoughts on how Royal Mail could best support them with those challenges, most of which thought a price differential would help their adoption. Other ideas for supporting migration are detailed in the "Responses" section of this document

Our decisions in consideration of these responses

As many of you are already aware, on 14 October 2015 we published the following high level decisions in the Access tariff change letter on www.royalmailwholesale.com and on the Mailmark page at www.royalmail.com/mailmark:

We would also like to thank customers who responded to our recent Mailmark consultation for their valuable thoughts on the timing for migrating our other machine readable services to Mailmark. Whilst we remain committed to the withdrawal of CBC, we have listened to concerns expressed by some customers. We are minded to do the following:

- delay the withdrawal of CBC until **January 2018**, a year later than proposed;
- monitor the migration of CBC volumes to the Mailmark option in 2016 and provide you with an update in January 2017 on our plan to remove CBC; and
- monitor 2016 Mailmark volumes and decide whether a further expansion of the price differential from January 2017 would be appropriate

Source: Extract taken from www.royalmail.com/mailmark on 14 October 2015

Thank you

Thank you to those of you who took the time to provide responses to our consultation. We hope that this document provides you with the clarity that will help you plan the migration of your machine-readable mailings to the Mailmark option with more certainty.



Responses and our decisions

We received twenty responses from a wide range of interested parties including Mailing Houses, Retail and Wholesale posting customers, mail consolidators and some Trade Bodies.

In response to question 1a - Does our proposal to cease to offer the Barcode/CBC option in January 2016 to new customers seem reasonable given our proposal to retire it a year later?

Eleven of the twenty respondents thought it was reasonable to cease to offer the Barcode/CBC option in January 2016 to new customers. As one respondent explained:

“Perfectly reasonable as there is little point in new customers learning and equipping to perform CBC when it only has a future life span of a further year.”

Of the respondents who did not think it was reasonable, six of them said that it was because it would be difficult to determine what constituted a new customer. Customers tend to use a variety of mailing houses and postal operators and frequently switch between Access and Retail making it difficult to identify new customers, particularly in consolidated postings from mailing houses and Access operators. We accept that separating new customers from existing customers of Barcode/CBC will drive complexity, which is not our intention, so we will **not** withdraw the Barcode/CBC option to new customers from January 2016.

Consequently, we no longer propose to withdraw the CBC/Barcode option from new customers at a different time from existing customers. However we recommend that customers new to bulk mail invest in adopting the Mailmark barcode rather than the legacy CBC barcode.

In response to question 1b - Does our proposal to simplify the product portfolios by the withdrawal of the Barcode/CBC option in January 2017 offer a reasonable timeframe for this change?

Nine respondents thought that the withdrawal of the Barcode/CBC options in January 2017 offered a reasonable timeframe.

Of those respondents disagreeing with the timeframe, two respondents believed that we should not set a deadline for removal of Barcode/CBC. The majority of respondents that disagreed with the January 2017 withdrawal date believed that Royal Mail should allow more time for customers to obtain the necessary approvals and resources to make the software changes. The longest suggested time frame mentioned was two years:

“If Royal Mail does decide to withdraw Barcode/CBC we believe that following discussions with customers and smaller service providers, the minimum timeframe for customers to be able to migrate should be 24 months.”

Some respondents also expressed concern with the proposed January 2017 withdrawal date because we said this consultation was likely to be the first in a series of consultations; they asked for more certainty around the ‘product roadmap’ and specifically asked us to confirm our plans for the OCR option.

We would like to reassure our customers that we do not have any plans to withdraw OCR. Mailmark is a new product that offers potential to improve the accessibility and efficiency of our products and we envisage further consultations with the industry to develop this potential in the future for the benefit of all market participants. For example, in the Access Reform Discussion Document published in October 2012 we consulted on a change proposal for Return to Sender items to provide the information electronically to try and reduce operational costs for the industry. It was not something we could pursue at the time but it may be something that the Mailmark barcode could readily facilitate in the future.

In conclusion, we remain committed to the withdrawal of the CBC/Barcode option. However, we appreciate that many customers require more time than the January 2017 deadline proposed so we have decided to extend the withdrawal date to January 2018. This revised deadline of January 2018 will apply to both new and existing customers. In addition, we will monitor the pace of migration to the Mailmark option throughout 2016 and provide an update in January 2017 on the status of the industry’s migration to Mailmark.

In response to question 1c - What challenges would the withdrawal of the Barcode/CBC options in January 2017 pose for you/your company and what support would you need from Royal Mail to overcome them?

The main challenges mentioned by respondents related to getting resources to deploy the Mailmark barcode, specifically IT time to make the software changes and budgeting for the costs of applying the software. In terms of support from Royal Mail to help address these challenges, twelve respondents thought a price differential would help their adoption; seven wanted an adjustment charge framework that posed less risk that customers would incur charges; six wanted a continuation of the Investment in Change Scheme; five wanted free Mailmark software from Royal Mail or support with software costs and four wanted to understand Royal Mail's plans on the use of Mailmark data. We discuss each, in turn, below.

Wider price differential

We announced in our recent tariff change letters¹ that we are widening the price differential between Mailmark and CBC from January 2016. We will continue monitoring the pace of Mailmark migration by the industry and consider whether a further expansion of the price differential would be appropriate from January 2017.

Adjustment charge framework that poses less risk

The majority of eManifests contain highly machine readable mail on which no adjustment charges have been levied. Where adjustment charges are levied, they are only applied to the items that don't conform, not the whole consignment on the eManifest. Of those that have had an adjustment charge applied, the average eManifest adjustment charge is £76².

The Mailmark Adjustment Framework introduced in September 2014 is based on a new in-process revenue protection approach against mailings printed to a "recommended" specification rather than a mandatory product specification. The adjustment charges set in 2014 were designed to address the risk that relatively high numbers of non-machineable mailing items would be presented as Mailmark mail. The Mailmark mail we have processed more recently has, generally, very high compliance readings. We have therefore reviewed the Mailmark adjustment charges to ensure they reflect our experience and operational costs.

Consequently, as discussed in our recent tariff change letters, where possible, we have reduced the item level Mailmark adjustment charges. Some customers asked why the adjustment charge was not linked to the next applicable service. We can confirm that we will be adopting that principle with effect from 4 January 2016 for 'Not machine processed' and 'Unable to resolve' non-compliances.³

These forthcoming reductions in Mailmark adjustment charges that will take effect from 4 January 2016 are in addition to two previously announced Mailmark adjustment charge reductions

¹ 14 October 2015 for Access price changes and 4 December 2015 for Retail price changes

² Source: Royal Mail's Mailmark Team October 2015

³ The adjustment charges for "Unable to resolve" and "Not machine processed" errors will reflect the difference in prices between the Mailmark option and Access 70.



announced on 20 July 2015 when we halved the charges for non-compliances associated with 'Not machine processed' and 'Unable to resolve' mailing items. The 20 July 2015 reductions also put a cap in place on these two types of Mailmark adjustment charges. The effect of that cap is that the total amount a customer pays under those charges will not exceed the amount they would have paid if they had used the service for which their items qualified.

Investment in Change

We introduced the Investment in Change scheme in September 2014 with a fund of £500,000 available to Mail Producers to assist them in adopting Mailmark and converting their customers to the service.

The scheme offered £1,000 per 1 million Mailmark items posted up to a cap of £50,000, or £1,000 for smaller mailers who posted more than 10 times. The scheme was publicised via the Mailing House Strategic Mailing Partnership and on the Royal Mail Mailmark website.

Of the c.350 pre-sort Mail Producers in the United Kingdom just 62 joined the scheme and of these only 26 actually posted Mailmark mailings for which they received payment from the Scheme. The fund of £500,000 has now been wholly disbursed. Royal Mail does not intend to extend the scheme.

Free Mailmark software or help with software costs

As we are not a software developer and the Mailmark software is available from a number of suppliers, it is not appropriate for us to provide free or subsidised software.

Use of Mailmark data

We use the information contained within the Royal Mail defined portion of the Mailmark Barcode to deliver the Mailmark service and to perform our obligations under our contract with the relevant customer efficiently. Royal Mail does not use information contained within the 'Customer Content' section of the Mailmark Barcode.

Other issues raised

Within some responses further concerns or issues of an individual nature were raised. Where appropriate we have contacted the customer who raised the concern or issue to discuss it with them.

Outstanding or further queries

If you have any outstanding or further queries as a result of the Mailmark Migration consultation or anything contained within this document please do raise them either with your Account Director or manager or directly with the Mailmark Team by email to mailmark@royalmail.com.

