

When a player as significant as Polestar Applied is considering the alternatives to the Royal Mail it is time to sit up and take notice **By Ron Alalouff**

Alpha Mail?

Last week, the regulator Postcomm proposed bringing forward the date of all out deregulation of postal services to 2006.

Currently, the Royal Mail still has a pre-eminent position, with exclusive rights to the universal postal system, which means anyone can post a letter from A to B in the UK at a geographically uniform price.

Although in theory operators can provide services in all parts of the letters market except for non-bulk items weighing less than 100g, competition is so far only emerging in bulk delivery, loosely defined as mailings over 4,000 items.

Universal service

Most stakeholders in the debate, including the Direct Marketing Association and the Mail Users Association, are in favour of retaining the universal service to every address in the country. Even the new delivery contenders are realistic enough to see that they need to work with the Royal Mail, at least for the foreseeable future.

As far as printing operations are concerned, the two main services from the Royal Mail are Mailsort for direct mail shots and Presstream for delivery of magazines and journals.

In its proposal to bring forward liberalisation to 2006, Postcomm acknowledges the market has not opened up as quickly as it had previously envisaged. It puts this down to a number of factors in Royal Mail's favour: its dominating position as the national provider of end-to-end postal services; its exemption from VAT; and the lack of knowledge by potential users of the alternative services available.

In addition, the situation has been made more complex by the issue of size-based pricing, which some see as an attempt by Royal Mail to muddy the commercial waters. Postcomm is keen to ensure that any change to size-based pricing is justified by sound evidence before making any decision.

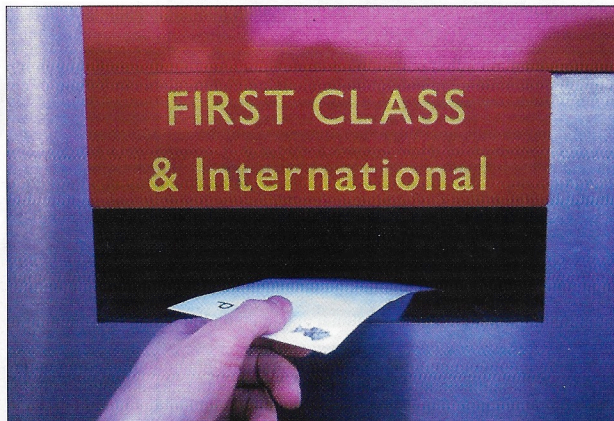
Liberalisation of market

The liberalisation of the market has been very limited so far. A number of providers have been granted licences – either long term or interim – to provide a range of tightly defined and specific services either in terms of geographic area or types of mail, or a combination of both. Among those with long term licences are: UK Mail (a subsidiary of Business Post Group plc) DX Network Services; TPG Post UK; Express (formerly Express Dairies); Speedmail International; Deutsche Post Global Mail and Special Mail Services.

At present, use of these services is miniscule among companies involved in printing and publishing. As Nick White, business development director of Polestar Applied puts it: "What they currently carry is restricted to certain tranches of mail, so the areas in which there can be alternatives are very limited. But where they do compete, they can do so in terms of timescale and price."

Eyeing up alternatives

But that is not to say that Polestar and others are not eyeing up the new alternatives which are emerging. "We've invested time in meeting with the new entrants. We've got to understand what their proposition is," says Mr White.



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Currently for direct mail operations, the alternative services compete against Royal Mail's 2nd class Mailsort 2 and Mailsort 3 arena. In essence, Mailsort provides bulk users with a range of services priced according to delivery times, and with a scale of discounts depending on the extent they sort their mail before handing it over.

Final mile delivery

But even here, because of Royal Mail's monopoly on universal deliveries, new services are limited to picking up mail from the customer or its printers, sorting it if required and delivering it to Royal Mail delivery centres for what is known as the 'final mile' delivery. On the magazine side, companies offer similar alternatives to Royal Mail's Presstream services, either on a limited door-to-door basis locally, or again in conjunction with Royal Mail delivery centres.

In Mr White's view, the balance comes between the choice offered to customers with alternative services in competition with the Royal Mail, and the

effect of having to pre-sort mailings into two, three or more batches, each requiring subtly different sorting criteria. "Customers are certainly going to have a choice where they didn't before, which can't be a bad thing. This process only started in August so it's very early days, but the interest in and knowledge of these services are going to increase now."

One new entrant involved in magazine delivery is Datarun, part of AMP. It provides a limited service as an alternative to Presstream, with same day or next day delivery of time sensitive (usually weekly) business to business magazines in selected cities.

In this case it provides an end-to-end service from its distribution centres to readers' business addresses. It will pick up from printers and either deliver straightaway or poly-wrap and address copies first, depending on what the publisher wants. In other cases it acts as a conventional fulfilment provider, using the Presstream service.

The BPIF has a division devoted to direct mail

applications and its chairman John Brown gives a guarded welcome to the latest developments. "Anything that opens up the market to competition and improves performance and customer services has got to be good for print and direct mail. However, the effect of bringing forward the date by 15 months remains to be seen."

Not attractive enough

Over at direct mail specialist Vertis they are also watching developments closely. At present alternative providers are generally not attractive enough, especially for its financial institution customers who are not allowed to reclaim VAT. Because the Royal Mail is exempt from levying VAT (and the other providers are not) the offerings at present don't make much sense pricewise. But Mark Selby, group postage coordinator at Vertis, concedes that after 2006 there may be more of a level playing field. "We are looking at all delivery options and will advise our clients on the best options. We are currently looking at the early quality of service and performance figures."

A long way off

It seems that on one thing everyone is agreed. We are still a long way off from Postcomm's vision for mail deliveries as "a competitive and innovative postal market".

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Summary

- Even the new delivery contenders see that they need to work with the Royal Mail in the near future
- Polestar has invested time in looking at the alternatives
- Postcomm's vision of a competitive mail market is a long way off