

Alternatives to franking machines

1. There are a number of alternatives open to businesses apart from using a franking machine. Besides alternative methods of paying for Royal Mail services, there are already alternative postal carriers available to handle mail items over a specified postage value. In addition, further postal liberalization may, in the future, allow other postal operators to enter the market or open up other alternative means of communication and paying for postage.

Postal alternatives

Stamps/prepaid envelopes

2. Stamps may be purchased in advance and their convenience—and the absence of the capital and running costs involved in the use of franking machines—means they are the favoured method of paying for postage for domestic customers and many small businesses. The disadvantages are in ensuring there are sufficient denominations to pay postage on non-standard (for example, overweight) items, vulnerability to pilfering, and the time taken to stamp large volumes of mail. Prepaid envelopes can also be purchased from Royal Mail, for use with letters weighing no more than the maximum permitted for that envelope.

Bulk mail

3. Royal Mail's PPI system is a useful option for companies generating large volumes of mail, particularly where many items are identical. To qualify for a postage account in connection with these volume mailings, the company must spend at least £5,000 a year on postage. Once a PPI licence is granted, the customer is allowed to print a postage mark on envelopes or labels in advance, and use them as necessary. Items in each PPI consignment must be grouped by size, weight and class of postage. Another system, Packet Post—used, for example, for home shopping—exists in which customers can get a bulk mail contract for 5,000 or more packets a year, or 1,000 if these are pre-sorted. Royal Mail offers some discounts on these bulk postage methods if mail is sorted and/or envelopes are labelled with a machine-readable bar code incorporating destination and payment details.¹ Various conditions apply regarding consignment volume, envelope dimensions, pre-sortation, addressing and presentation of mail-bags, but a range of discounts up to 28 per cent then apply. For all these bulk mail methods, customers can set up an account with Royal Mail; payment need not then be in advance, rather an invoice is issued after posting, giving 20 to 30 days' credit.

Hays DX

4. Hays offers an overnight document exchange service whereby customers take their mail to, and collect mail from, a network of local exchanges. The service serves the following industry sectors: legal and judiciary, financial services, retail finance, property and construction, government, health, utilities, optical and commercial. The Hays DX website reports that over 1 million items are delivered a day, at a saving of up to 30 per cent against Royal Mail rates. The service can only be used to exchange mail with other companies that are members of Hays DX (although the Hays DX Metro service will deliver direct to non-customers for an additional charge in certain postcode areas, currently central London, Manchester and Edinburgh). No stamps, franking or weighing are required.

¹Franked mail and stamped mail are also eligible for two of these Royal Mail discount services, Cleanmail and Mailsort 1 and 2 (provided mail is prepared to certain addressing standards and envelope formats, and, in the case of Mailsort, is pre-sorted according to postcode areas), where the discount is rebated retrospectively, but stamped mail pays an additional handling charge. As both have minimum entry levels of, respectively, 2,000 items and 4,000 items per consignment, very few companies will be in a position to take advantage of this, or they would move to PPI postage systems.

Outsourcing mail

5. Some companies will take over responsibility for mailroom functions from customer organizations. The customer supplies documents and a recipient list, and the service provider prints, packages and dispatches the mail, with the customer being retrospectively billed for the complete service, including postage. Hybrid mail, where mail is sent electronically, then printed and posted locally, is another option, useful for avoiding international postage charges.

6. An example of an outsourced mail service is Optecon (a joint venture company created by Consignia and Opus Trust). This system receives electronic data from the originator, segments it, composes relevant messages (including personalized messages), prints them, stuffs the envelopes and mails the items. We were told the service was suited to financial or transactional type communications, such as statements, bills and insurance renewals.

7. Royal Mail also provides a franking service for customers with the need for occasional large postings (minimum of 500 items). It is provided at many post offices, and is free of charge (except to account customers) provided mail is pre-sorted by class and tariff.

Emerging technologies

8. Software-based franking systems are described in Chapter 3. PC postage is already in use in the USA, Germany and the Netherlands, and is in the planning stage in Italy. Postage credits can be purchased over the Internet and stored on a PC, and a franking mark can be directly printed from the PC on to a letter or envelope. PC-generated franks incorporate a two-dimensional bar code, unique to each particular frank, containing encrypted information allowing postal authorities to check the legitimacy of the frank, and that it has not been duplicated. Equipment to automate two-dimensional bar code authentication will have to be installed by Royal Mail before such a system can be introduced in the UK, but such systems are under active consideration and evaluation.

Non-postal alternatives

9. Postal users can also turn to non-postal alternatives, such as fax, email, voice communications and web sites, rather than using postal services. In particular, the Internet might be expected to pose a major challenge to postal communication, although Royal Mail notes that direct mail expenditure continues to increase (by 9 per cent in 2001).