

## Case study: Powergen

Until the postal market was opened to competition in the business mail sector, Powergen - the UK's second largest energy supplier - used Royal Mail to despatch all its post. The company used a combination of bulk mail products – Mailsort, Walksort and Cleanmail – and rates (first and second class) to maximise discounts, and had a good relationship with account managers at Royal Mail.

Powergen's 120,000 items of mail per day was made up of letters to customers, direct marketing campaigns, bills and statements, as well as customer payments coming into the company. Billing for postage was based on "docket control" entries. But these gave no clear picture of the mail leaving Powergen.


As part of its efforts to identify cost savings and improve efficiency, Powergen tracked the progress of mail market opening for two years, then, in May 2004, began a two month trial with UK Mail, a licensed postal operator competing with Royal Mail.

The trial – covering mail from one of Powergen's two fulfilment houses – was successful and, in July 2004, Powergen signed a formal contract with UK Mail, becoming the UK's first "downstream access" customer. In October 2004, UK Mail began handling mail from Powergen's second fulfilment house and now deals with 60 million items a year for the company.

"Access agreements" like this are commercial arrangements allowing rivals to Royal Mail – and sometimes large mail customers themselves - to collect and sort mail, before handing it back to Royal Mail for delivery. Fees payable are agreed between Royal Mail and the rival operator or large mail user whose post is being delivered.

In Powergen's case, UK Mail collects pre-sorted mail from the company each night, then collates it, before transporting it to one of its 61 depots. The following day, these depots transfer mailbags to Royal Mail's inbound mail centres. From there, mail is transferred to delivery offices and postmen for delivery to customers.

Each mailbag carries a barcode that can be tracked through every part of the UK Mail network, up to the stage it is handed over to Royal Mail for delivery.



Powergen says the benefits of its new arrangements are:

- Later final collection times, which mean that mail gets to customers a day sooner in some cases.
- Consistent delivery, allowing for better planning and forecasting.
- The ability to track and trace mail as it makes its way through UK Mail's systems. This allows for better management of customer communications.
- Cost savings.

And, for companies thinking of moving to a new mail services provider, Powergen has these tips:

- Maintain good relationships between the fulfilment house, the mailer and the client.
- Make sure that any proprietary software used by your mail services provider is compatible with what you and your mailing house use.
- Produce an effective communications plan, explaining the changes, for all affected staff.
- Consider testing the new service for a trial period before full implementation.

### Useful links

- [www.psc.gov.uk](http://www.psc.gov.uk) - Postcomm's website, for further information on all aspects of the mail market, including details of licensed postal operators as well as background on access and competition in the UK mail market
- [www.powergen.co.uk](http://www.powergen.co.uk) - Powergen's website

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