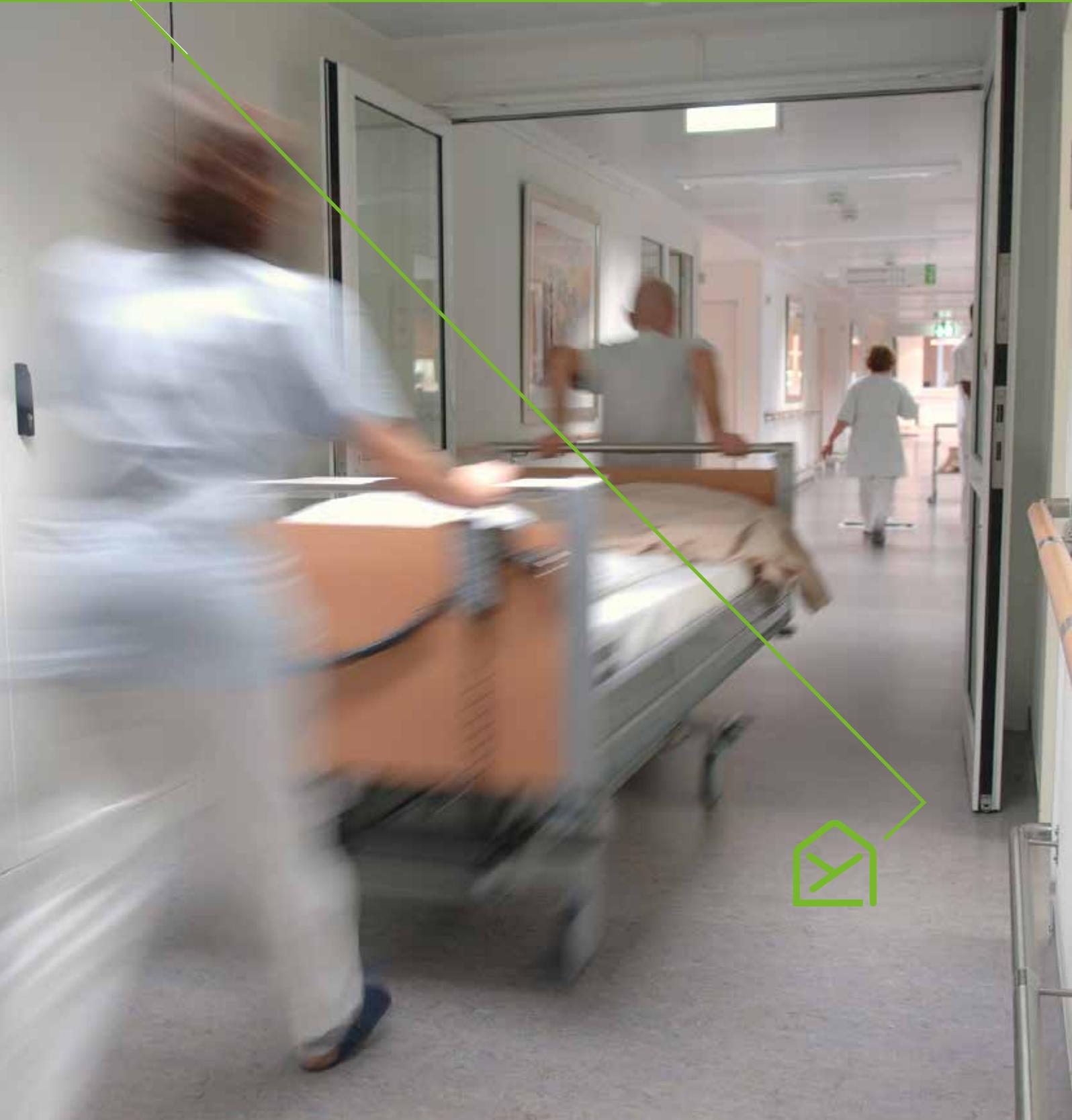White paper

# Savings in Postal Communications
## How the Health Sector can take advantage of developments in postal products and services

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How Neopost can help improve productivity
throughout your business.

*...mail processing
must keep up with
digital workflows...*

# Introduction

Every year public sector organisations spend more than £650 million on transactional and ad hoc mailings[1]. Despite growing use of electronic messaging, Government departments, councils, hospitals, further education and schools depend on effective postal communications to raise revenue, deliver efficient public services and interact with the public. In the NHS it is increasingly important to keep in contact with patients in a flexible and secure manner.

Trusted, flexible and reliable, printed mail is far and away the most inclusive medium and the most effective way to reach all members of the community. But it is increasingly important to utlise all media channels.

Email and SMS messaging have roles to play in simplifying certain tasks, such as reminders about doctors' appointments. But for important messages, people still value the security of a physical letter that can be kept in a filing cabinet or fixed to a notice board.

## Value for Money

Royal Mail research[2] shows that people prefer electronic communications to be offered as an option alongside hard copy mail rather than as a substitute for it. Its analysis of bank customers found that 73% would feel inconvenienced if they no longer received paper statements.

In the same study, 70% of respondents said they were more likely to notice advertising on paper documents, demonstrating the opportunities public sector organisations have to make more productive use of bills and statements, as well as maintaining regular communications.

As organisations place more weight on value for money and effectiveness, printed mail will remain an important component of an integrated communications strategy, alongside digital media. Physical and digital communications should co-exist and utilising both printed and electronic messaging can lead to greater engagement with patients and other stakeholders.

*"For important messages, people still value the security of a physical letter.*

1. Source: Crown Commercial Service (CCS),

2. Royal Mail 2010, comprising research by Brahm, GFK FRS and Quadrangle.

# Investment in communications

The importance of postal communications to the public sector  is reflected in its annual expenditure on correspondence, bulk mailings, Postage Paid and other postal services. According to the Crown Commercial Service. (CCS), the public sector spends in excess of £650 million per annum on physical post. The Health sector alone spends nearly £80 million.

CCS states that smarter procurement and effective strategies could cut these costs by between 9% and 30%.

CCG (£257m)

Local Authorities (£201m)

Health (£79m)

Education (£83m)

Others (£30m)
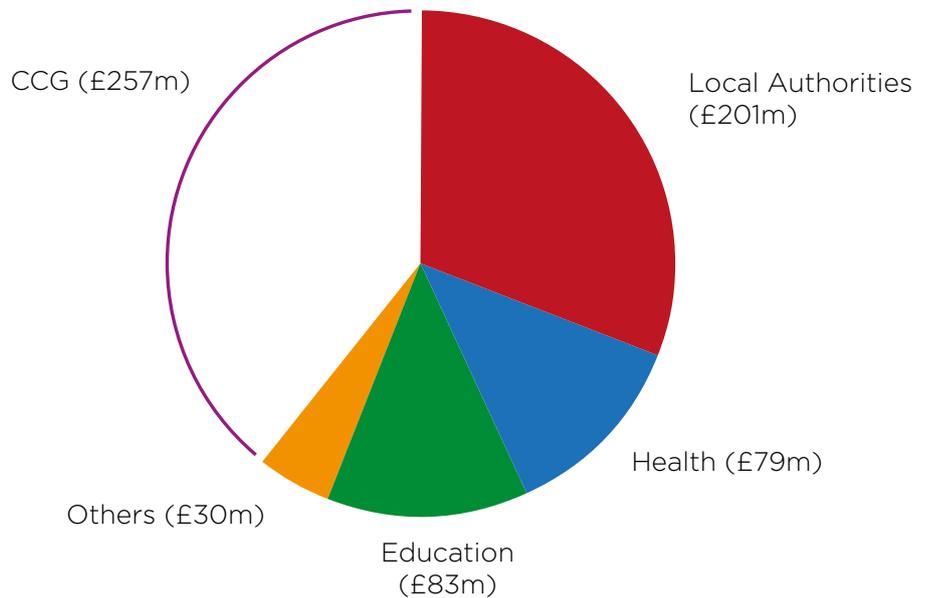
# Improving your return on investment

Savings are not just the product of better buying practices. Liberalisation of the postal market and the development of sophisticated hardware and software solutions, including digital mailrooms and integrated communication systems that unify electronic and physical mail, deliver efficiencies in other areas including:

• postal costs;

• employee productivity;

• communications effectiveness; and

• process management.

Organisations that assess, monitor and manage mail volumes and workflows can take advantage of recent developments to eliminate waste and unnecessary expenditure. This is true of the health sector, as well as large government departments and local authorities.

*Smarter procurement can cut costs by 9-30%*

# Royal Mail Pricing

Liberalisation of the postal market since 2004 has been the catalyst for smarter procurement by: a) opening up the industry to alternative providers; and b) giving Royal Mail more freedom to change how mail is priced.

The latter has had two significant consequences:

- the launch of Pricing in Proportion (PiP) in 2006, which introduced the concept of differential pricing based on an item's size; and
- greater divergence between the prices of stamps and metered (franked) mail, with further discounts if mail is presented in a way that streamlines handling in mail processing centres. This requires accurate address details, correct formatting and pre-sortation.

These changes mean that it now pays even those with very small mail volumes to consider how they prepare and pay for postal communications.

Take franking for example. Users of Mailmark franking machines currently save 10p per 1st class letter and 18p per 2nd class letter sent, making franking an economical option for a housing association or dental surgery sending as few as 8 letters a day.

Council offices, hospitals and Government departments with greater mailing volumes can cut costs further by taking advantage of bulk discounts offered by Royal Mail and other postal providers for transactional mail prepared and addressed in a way that meets sorting requirements, and for bulk mailings of 500 items or more. As a result, organisations that send between 500 and 25,000 letters per mailing can save an additional 16% to 23.5% on the cost of franked mail.

New solutions and services offer further scope to economise. Examples include:

- alternative mail providers, such as UK Mail and TNT Post;
- hybrid mail solutions that route letters from the user's desktop PC to an outsourced processing facility for printing, insertion and dispatch for less than the cost of a second class stamp; and
- software solutions that enable customers to opt out of hard copy mailings in favour of electronic communications.

In order to make the most of these possibilities, managers should implement a comprehensive review of mailing processes involving: an audit of mail usage; quick wins for instant savings; the development of a short-to-medium term strategy; and the identification of long-term structural changes. A holistic new strategy incorporating factors such as a reduction in $CO_2$ emissions and a migration to digital communication also needs to be considered.

> *Franking is an economical option for organisations sending as few as 8 items a day*

# How to plan your mail strategy

## Phase 1: Identify your mail usage

The first step is to establish how your organisation uses mail services and how this relates to specific service requirements. In looking to establish this link, it is important to address a number of key questions:

### Auditing
- Where are your main points of dispatch?
- How many items of mail are you sending?
- What postal products and services are you using?
- What is the level of undelivered mail?
- Is postal activity centralised or localised?
- Are there any statutory or policy requirements you are obliged to meet?

- What is your incoming mail volume?
- How many employees are involved in processing incoming and outgoing post?

### Strategy
- Do you have an integrated communications strategy?
- What are you trying to achieve with your postal activity?
- What is the key objective for postal communications – speed or predictability?

- Do you have the buy-in of senior management to effect change?
- Can incoming post be captured and distributed digitally?
- Is security a priority?

## Phase 2: Introduce quick wins

Implementing 'quick wins' that can enhance efficiency or deliver cost savings is a good way to achieve buy-in from senior management. Here are examples of simple steps that deliver impressive results:

| ACTION | SAVING |
|---|---|
| Reduce First Class Mail output (switch to 2nd class) | **14%** |
| Improve presentation of mail items (ensure correct address details and format) | **12.8%** |
| Take advantage of Pricing in Proportion (only use DL or C5 envelopes) | **43%** |
| Pre-sort mail (where possible) | **4.8% – 16.8%** |
| Reduce or stop the use of Special Delivery Services | |
| Reduce or eliminate the use of PO Boxes | |
| Introduce competition to your mail service providers | |

*"Switch to second class post and save 14%*

# Phase 3: Short to medium term

In the short-to-medium term you will need to address strategic considerations that will impact how you communicate internally and with the outside world.

- Develop an integrated communications strategy: Are you using the correct media for your target audiences?
- Identify the most economical means of communicating internally and with customers or other stakeholders. Options include mail, email, social media, website, SMS messaging, telephone and direct marketing.
- Switch to web-based services, where legally permissible.
- Examine the effectiveness of bulk mailings.
- Automate manual tasks such as opening mail, collating content or filling envelopes.

- Review contract management processes: be proactive, not reactive.
- Draw on the knowledge and expertise of your suppliers to find out about solutions.
- Rationalise mail dispatch and delivery points and create a centralised operation.
- Centralise management and budgetary control for postal services.
- Improve forecasting so that you can take advantage of more cost-efficient postal products with longer delivery times.

- Aggregate postal volumes across departments in order to maximise postal discounts.
- Explore the options and possibilities offered by hybrid mail solutions.
- Purchasing or leasing mail equipment through compliant framework agreements gives access to best value terms and reduced administration.
- Ensure sensitive communication can be communicated securely.



# Phase 4: Structural change

In the longer term, you will need to address structural considerations including the role of postal communications within your organisation and your obligations in respect of them. Where statutory, policy or legislative requirements are in place, consider whether they can be challenged or re-written to take account of the competitive landscape and the introduction of new solutions.

Consider, too, whether you can achieve greater efficiency by consolidating mail handling across different departments, for example by collating correspondence from different departments to the same addressee or combining outgoing mail to maximise the benefits of discounting programmes offered by postal service providers. Are there any practical, legal or organisational obstacles to prevent you from doing this? Taking into account Jeremy Hunt's comments on a "paperless" NHS, can digital migration of communication take place effectively?

*Ensure address databases are accurate to eliminate wasted mailings*

# Conclusion

The need for the health sector to economise has never been greater. Although the NHS has escaped the cuts imposed on other public sector organisations, NHS England warns that an ageing and growing population could cause the funding gap in the NHS to grow to £30 billion between 2013/14 and 2020/21.

As NHS managers attempt to maintain service levels at a time of increased demand, they are having to scrutinise every aspect of their operations, including the mailroom, where greater competition, new mailing solutions and the on-going transition to digital processes offer new opportunities to streamline processes.

By analysing short, medium and long-term mailing needs and changing mailroom practices to eliminate waste and maximise the opportunities for savings, healthcare organisations of all sizes can cut the cost of postal communications and improve efficiency. For the NHS, incorporating other areas, such as medical records and the management of inbound mail, can add further efficiency savings.

## What Next?

To help the health sector to identify where efficiencies can be made, Neopost is offering customers free audits of their postal communications processes.

Please contact **antony.paul@neopost.co.uk** or call us on **01708 714576**.

# Why Neopost?

Neopost is a leading global supplier of mailing and communications solutions, with annual sales of 1.1 billion euros worldwide.

We provide a broad range of products and services to facilitate incoming and outbound communications and help organisations manage the transition to digital communications. These include franking machines; data accuracy software; output management software for print and digital distribution; folding and inserting; envelope addressing; letter opening; electronic document management; and tracking and tracing of letters and parcels.

Neopost solutions support every stage of sending and receiving communications by mail, email, SMS and parcels. In addition, we provide complementary services including consulting, maintenance, finance and online services.

We are the only manufacturer from the postal solutions industry to have served local authority purchasing consortia, central government and the wider public sector on successive framework agreements for fifteen consecutive years.

Neopost is an approved supplier to Crown Commercial Service (CCS) Postal Goods and Services Framework Agreement (RM1063) which is a collaborative agreement let by CCS, YPO and ESPO. The Crown Commercial Service (CCS) brings together policy, advice and direct buying; providing commercial services to the public sector and saving money for the taxpayer.

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To find out more, please visit **www.neopost.co.uk/public-sector/health**

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## About Neopost

Neopost is a global player with a local presence in business solutions for the postal, parcel delivery and related digital world of tomorrow. We have an intimate understanding of physical and electronic communications and work in collaboration with over 800,000 enterprises around the world. Our business has evolved to meet the growing demands of a technology-driven environment. This means we can help our customers successfully make the transition from physical mail to quality multichannel communications management.

Join us on  neopost.co.uk/public-sector/health

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