

Our strategy

We have a clear vision to be recognised as the best delivery company in the UK and across Europe. Our strategy to achieve this leverages our strengths while aiming to deliver sustainable shareholder value and our Universal Service commitment.

Our strategic priorities

Winning in parcels



We are maintaining our pre-eminent position by pursuing faster growing parts of the UK parcels market while making it easier for customers to use Royal Mail. We are building our capability to handle increased numbers of larger parcels and are winning new volumes. We are investing in tracking and automation to help us target faster-growing areas of the market.

Key initiatives:

- Opening our network for longer and pushing back our latest acceptance times
- Rolling out sorting machines for smaller parcels to gain better management information and identify efficiency opportunities
- Piloting a mechanised parcel conveyor at Leeds Mail Centre, building our capability to handle larger parcels
- Rolled out GLS ParcelLock System to four countries in Eastern Europe. New options for private customers to send, pick-up and pay for parcels

Defending letters



Our letters business accounts for almost 60 per cent of our UK revenue. We continue to anticipate a decline of 4-6 per cent in addressed letter volumes in the medium-term. Royal Mail is managing this decline by continuing to promote the value of mail, and increase the efficiency and effectiveness of our delivery operation.

Key initiatives:

- MarketReach's MAILMEN campaign is demonstrating the value of mail
- Recovering revenue and preventing revenue leakage, for example, through stamp cancellations
- We have improved large letter sorting machines and we are upgrading Optical Character Reading technology to sort more mail automatically
- Keep Me Posted campaign support base has broadened to 87 charities, trade unions, businesses and consumer groups

Growing in new areas



We are making the most of our existing assets. At the same time, we are focused on service developments and increasing our capability through selected investments. We are becoming a digital organisation and acting at pace to increase our e-commerce capability to retain and attract marketplace sellers.

Key initiatives:

- Trialling third-party vehicle maintenance services for vehicles at our fleet workshops
- Secured a stake in Market Engine, an online marketplace specialist that integrates the world's largest e-commerce sites. This follows our investment in Mallzee, the personal shopping app
- Furthering our in-house IT capability, providing customers with e-commerce solutions to better manage the shipping and tracking of parcels
- Acquired Intersoft, a provider of delivery management software for international parcel shipments, complementing the purchases of data management and labelling provider NetDespatch and delivery software developer Storefeeder

Strategic priorities, enabled by...

Enabling our strategic priorities

Strategic focus on costs



The highly competitive parcels market, coupled with the ongoing structural decline in letters, has resulted in increased revenue pressures for the Group. We are focusing on costs, driving efficiency in our operations and embedding a cost conscious culture throughout the organisation. We will continue to adopt a strategic approach and to seek new initiatives to control costs.

Key initiatives:

- Over 70 scoped and resourced projects across UKPIL targeted to avoid around £500 million of annualised costs by 2017-18
- We continue to target 2.0-3.0 per cent productivity¹ improvements per annum
- Extending Collections on Delivery and continuing to deploy Operations Standards across the core network
- Reducing costs in the logistics network
- Optimising property portfolio and facilities management savings
- Targeted cost reduction through streamlined delivery process and network optimisation in GLS

Technology and innovation



We are strengthening our technology backbone so that we can support our priorities to win in parcels, defend letters and grow in new areas. We continue to promote the value of mail, and increase the efficiency and effectiveness of our delivery operation.

Key initiatives:

- Rolled out 3,000 finger scanners and commenced the rollout of 76,000 new PDAs across our operation
- Approximately one-third of our parcels traffic is currently tracked by customers in some way. In time, we will increase the number of items we scan in Mail Centres and on the doorstep
- Continued roll out of Mailmark[®], targeting 90 per cent of suitable letters by 2016-17
- We have deployed an online booking-in tool 'Service-Point-System' in 460 Enquiry Offices. The tool allows colleagues to locate customers' items quickly and easily, providing a better, more efficient service
- GLS FlexDelivery Service now available in 13 countries. This delivery notification service includes a delivery date and time window

An engaged and motivated workforce



Our employees drive the continued success of the Royal Mail Group. We strive to create a supportive, inclusive work environment where our people have the necessary tools and training to perform their duties at their best. This is underpinned by a proactive relationship with the unions.

Key initiatives:

- Over 6,000 managers and union representatives took part in joint training through the Together for Growth programme
- Around 23,000 colleagues involved in the 'Big Conversation', used to identify improvements we can make to be better and more efficient
- Full support pledged for mental health campaign, Time to Change, which aims to reduce the stigma associated with mental health issues
- Customer and You training rolled out to around 4,000 employees
- Operations Standards give us a standard approach to key processes and tasks, helping colleagues tackle complaints
- Focusing on first time delivery through Nominate a Neighbour, With your Neighbour and Safeplace

¹ Collections, processing and delivery in UKPIL core network