

# Tariff 2010

## Customer Presentation

December 2009



Royal Mail

# Content

- **Key Changes for Tariff 2010**
- **Tariff 2010 by Application**
  - Social mail
  - Advertising and Transactional (SME & Large Business)
  - Fulfilment Services (SME & Large Business)
  - Publishing and Catalogue services
  - Value added services
- **Summary**



# Key changes for Tariff 2010

	Strategy	Tariff 2010
<b>Stamp Prices</b>	<ul style="list-style-type: none"><li>• Increase stamp prices to cover costs of providing the USO</li></ul>	<ul style="list-style-type: none"><li>• Stamp letter prices increase by 2p / 2p</li></ul>
<b>International (non-contract)</b>	<ul style="list-style-type: none"><li>• Increase International prices to cover increasing costs of delivering abroad</li></ul>	<ul style="list-style-type: none"><li>• International stamp and meter prices up by 9%</li></ul>
<b>SME/Unsorted</b>	<ul style="list-style-type: none"><li>• Support SMEs affected by the economic downturn</li></ul>	<ul style="list-style-type: none"><li>• Price freeze for inland Meter, PPI, Cleanmail and ASTLL services</li></ul>
<b>Large Business - Fulfilment</b>	<ul style="list-style-type: none"><li>• Support packet customers through difficult times</li></ul>	<ul style="list-style-type: none"><li>• Some re-balancing of prices in favour of &gt;500g weights</li></ul>
<b>Large Business - Transactional &amp; Advertising</b>	<ul style="list-style-type: none"><li>• Support Direct Mail in the media market place</li></ul>	<ul style="list-style-type: none"><li>• Mailsort 3 prices maintained following October decrease</li><li>• Some re-balancing of prices</li></ul>
<b>Large Business - Publishing &amp; Catalogues</b>	<ul style="list-style-type: none"><li>• Increase prices to improve alignment with costs</li></ul>	<ul style="list-style-type: none"><li>• Introduce VRDs for Presstream customers</li><li>• Increase prices to cover costs</li></ul>



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# Our price changes

- **Social Customers**
- **International Services**
- **Advertising & Transactional**
- **Fulfilment Services**
- **Publishing/Catalogue Services**
- **Value Added Services**

- *Increase stamp prices to address costs of providing the USO*
- *Stamp letter prices are currently some of the cheapest in Europe:  
5th cheapest on 1<sup>st</sup> class  
Cheapest for 2<sup>nd</sup> class*



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# Stamp prices increase to cover the costs of providing the USO

- Stamp letter prices increase by 2p / 2p

	Stamp Letter Prices	
	2009/10	2010/11
1 <sup>st</sup> Class	39p	41p
2 <sup>nd</sup> Class	30p	32p

- Large Letter and Packet prices increase by up to 8.6% at lower weights

	1 <sup>st</sup> Class		2 <sup>nd</sup> Class	
	Large Letters	Packets	Large Letters	Packets
0-100g	8.2%	8.6%	8.5%	8.3%
101-250g	6.7%	6.2%	6.6%	7.1%
251-500g	6.5%	4.7%	6.7%	5.4%
501-750g	5.6%	3.8%	5.3%	5.4%
751-1kg		3.1%		5.2%
>1kg		0-1.1%		



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# Our price changes

- Social Customers
- International Services
- Advertising & Transactional
- Fulfilment Services
- Publishing/Catalogue Services
- Value Added Services

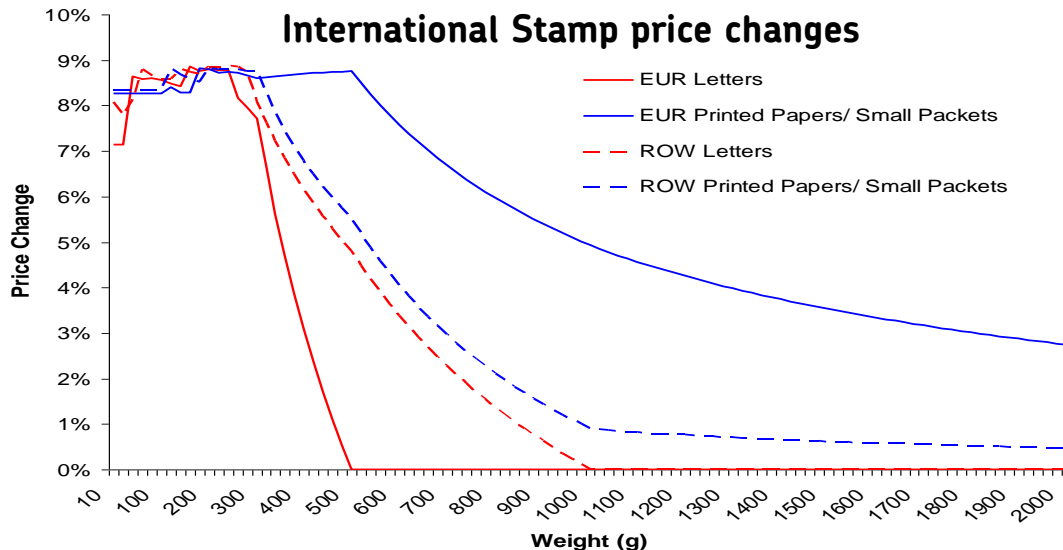
- *Price increases to cover increasing costs of delivering abroad, primarily driven by the low value of sterling against other currencies*
- *Contract product prices will be announced by March 6th*



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# International Stamp and Meter prices are increasing by up to 9%

- Stamp, Meter and STL Airmail prices increase on average by 6.5%
- Lower increases at higher weights to maintain attractiveness of packet traffic
- Surface mail will increase up to 9% at all weight-steps, reducing the difference with Airmail, to reflect costs



Priority Services are increasing:

- Airsure up 8.9% to £4.90
- Contract Airsure up 40p (no change >500g to ROW)
- International Signed-For up 14.9% to £4.25
- Additional compensation up 13.6% to £2.50

IBRS increasing by 2p at all weight steps



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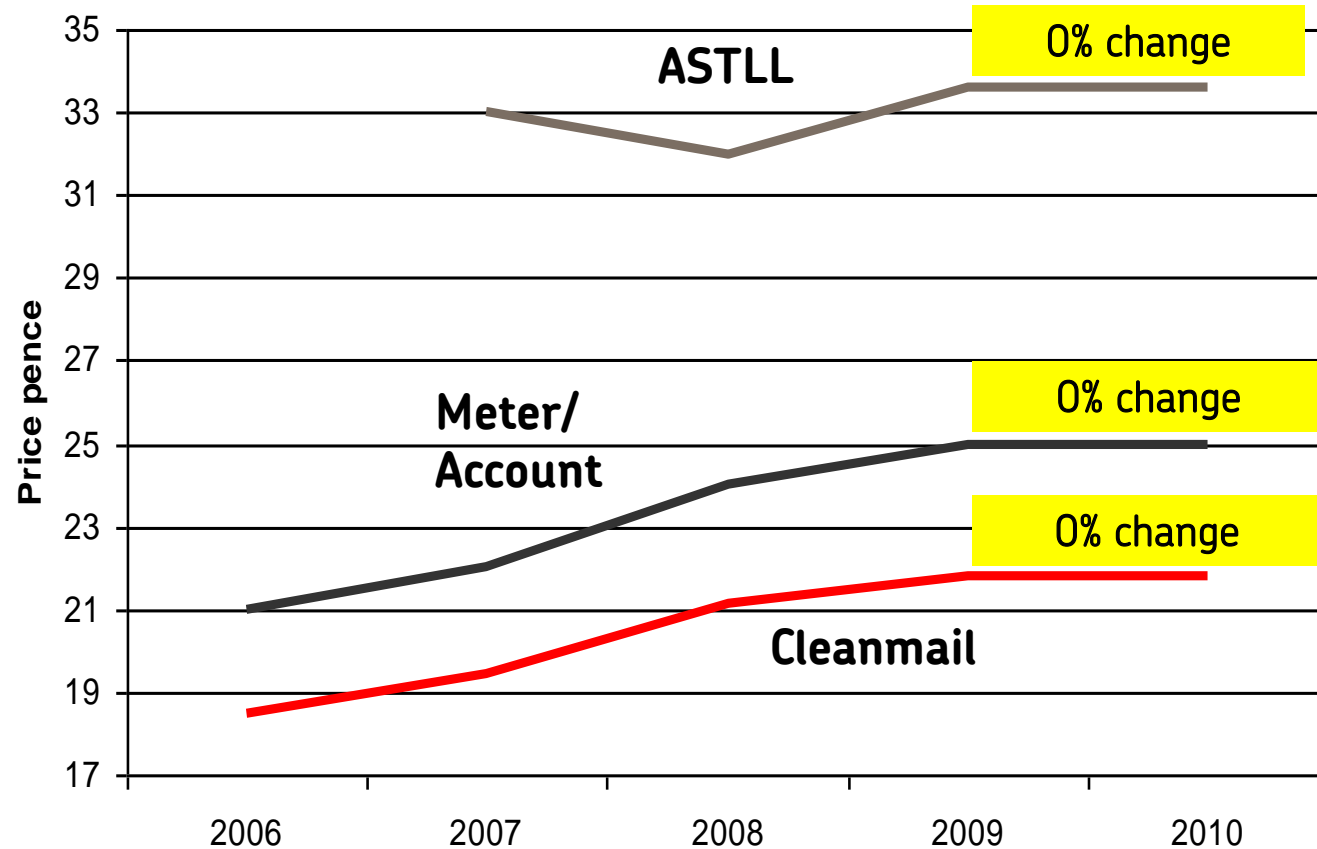
# Our price changes

- **Social Customers**
  - **International Services**
  - **Advertising & Transactional**
  - **Fulfilment Services**
  - **Publishing/Catalogue Services**
  - **Value Added Services**
- *Price freeze for SMEs to support them through the economic downturn*
  - *For Large Customers there are some re- balancing of price points*
  - *Support Direct Mail in the media market place*



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# No change in prices for SME customers



No price change to inland:

- Meter
- PPI/Account
- Cleanmail
- ASTLL

To support SMEs through the economic downturn



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# Mailsort price changes to promote Direct Mail

## Maintain October price reductions

Price changes	In October 2009	In April 2010
MS 3 1400	-3.3%	-0.5%
MS 3 120 OCR	-2.8%	No Change
MS 3 120 CBC	-2.8%	0.4%
MS 3 700	-2.8%	No Change

- Mailsort 1400 direct letter prices are reduced by a further 0.5%
- MS3 1400 residue letters increase by 0.6%
- No changes to Sustainable discounts
- No change to Response Plus and 0.5p increase to Standard Response

## Royal Mail Sale

- We further encourage the use of mail, especially amongst advertisers
- Applications for sale opened on 1<sup>st</sup> Dec '09 and close 19<sup>th</sup> March '10
- Sale runs from:  
**1<sup>st</sup> March to 30<sup>th</sup> April '10**
- Additional 20% discount on incremental volumes only  
**MS3 and Sustainable MS3 letter format (120/700/1400)**
- For further information visit [www.royalmail.com/rmsale](http://www.royalmail.com/rmsale)



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# Large customers see few price changes

- Very little change to machinable presort prices (1c/2c)

MS 120/700	Price change (Directs)
MS 120 OCR	No Change
MS 120 CBC	0.4%
MS 700	No Change*

\*Also no change to MS 700 residue prices

- Small price increases on other (non-machinable) bulk mail letter products:

Product	Price change (Letters)	
	Direct	Residue
MS1 1400	No Change	1.1%
MS2 1400	1.0%	2.1%
Walksort 1	No Change	
Walksort 2	1.0%	



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# Our price changes

- Social Customers
- International Services
- Advertising & Transactional
- Fulfilment Services
- Publishing/Catalogue Services
- Value Added Services

- *Average prices remain unchanged but some price points will see either increases or decreases in line with the true costs of providing the service*
- *Support packet customers through difficult times*



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# Most customers posting over 2000 packets a day using Packetpost/Packetsort will see a price reduction

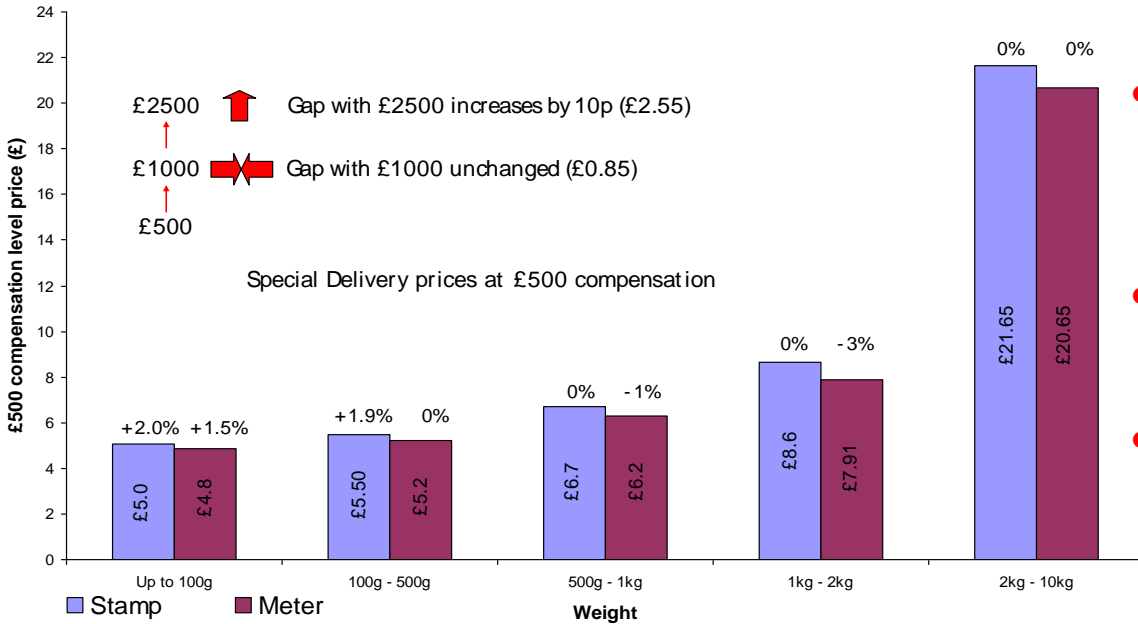
Price Changes	Number of 2c Packetpost packets a day			
	<100	100-749	750-1999	2000+
0-100g	3.0%	2.7%	1.4%	0.3%
101-250g	3.0%	2.7%	1.4%	0.3%
251-500g	2.0%	1.7%	0.4%	-0.7%
501-750g	1.0%	0.7%	-0.6%	-1.7%
751-1kg	-2.0%	-2.2%	-3.5%	-4.6%
1-2kg	1.0%	0.7%	-0.6%	-1.7%

- All customers posting between 751g to 1kg will see a price reduction of at least 2%
- Customers posting over 2000 packets a day will see reductions of up to 4.6%
- Customers posting less than 750 packets a day will see price rises of up to 3% at lightweights

- Packetpost returns increase by up to 3% (shown in <100 column)
- Packetsort maintains 4% discount
- Packetsort Plus discount structure unchanged
- No changes to Large Letter prices on Packetpost/Packetsort
- Existing Tracked prices are not changing
- No change to Mailsort 1 and 2 packet prices, Mailsort 3 packets increase by 2%



# Special Delivery meter and account prices are reducing between 500g and 2kg



- Stamp/Meter SD 1pm prices rising up to 2% at lighter weights
- Meter SD 1pm prices reducing at higher weights by up to 3%
- 9am increasing by more than Next Day

## Price changes for account customers posting >5k items per annum

	5-100k	100-500k	500k-1.5m	1.5m+
Up to 100g	+2.3% to 3.5%	+1.5% to 2.1%	+0.9% to 1.2%	+0.3% to 0.6%
101-500g	No change			
501-1kg	-1%			
1-2kg	-3%			

- Contract prices rising at lower weights and reducing at higher weights
- No change over 2kg



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# Our price changes

- **Social Customers**
- **International Services**
- **Advertising & Transactional**
- **Fulfilment Services**
- **Publishing/Catalogue Services**
  - *Introduce VRDs on the basic Presstream service*
  - *Prices for catalogue services continue to increase to cover costs*
- **Value Added Services**



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# We are introducing Volume Related Discounts on the basic Presstream service (not Profile)

- Applicable to Direct selections in line with Mailsort 1400 VRD's
- The discount will be calculated in addition to the Sortation Discount

$$\text{Base Price} \times (100 - \text{Sortation Discount} - \text{VRD}) = \text{Per item price}$$

- Calculated automatically as part of the billing process
- Current Presstream Terms & Conditions will still apply
- Mailings made across multiple magazine codes, operational sites or days cannot be amalgamated to obtain a higher level of VRD
- However, customers able to combine a single magazine code from the same operational site into a single mailing have the potential to access higher VRDs

LL Volumes	1 - 10k	10-20k	20-40k	40-60k	60k+
Discount Level	0.0%	1.0%	2.5%	4.0%	4.5%

Pkts/A3 Volumes	1 - 5k	5-8k	8-12k	12-20k	20k+
Discount Level	0.0%	0.5%	0.75%	1.0%	2.0%

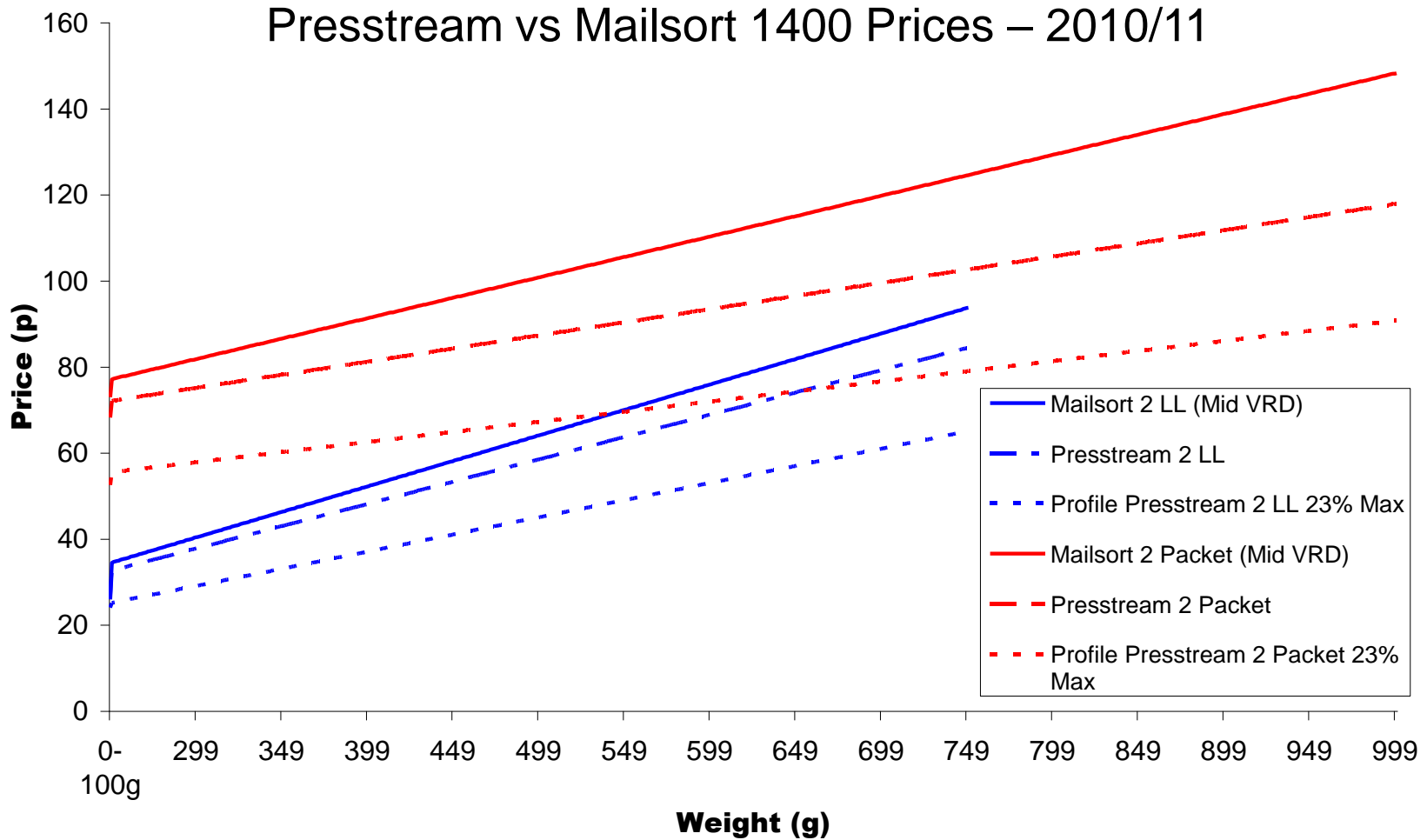


# Some customers using our Presstream service can access lower prices next year via VRD, however our largest customers will see price increases

Customer segments	Small	Medium	Large
Base Price	Base price increasing by 1.4% to address negative price margins		
Presstream VRDs	Smallest 29% of volumes do not qualify for VRDs	Medium sized customers benefit with discount up to 4.5% (*)	VRDs not available with the Profile discount
Profile & 250k			2% reduction in the Profile cap and max increases for 250k
Overall price impact	1.4% Increase	Between 1.4% increase and 3.5% decrease	Between 1.4% and 4.1% increase

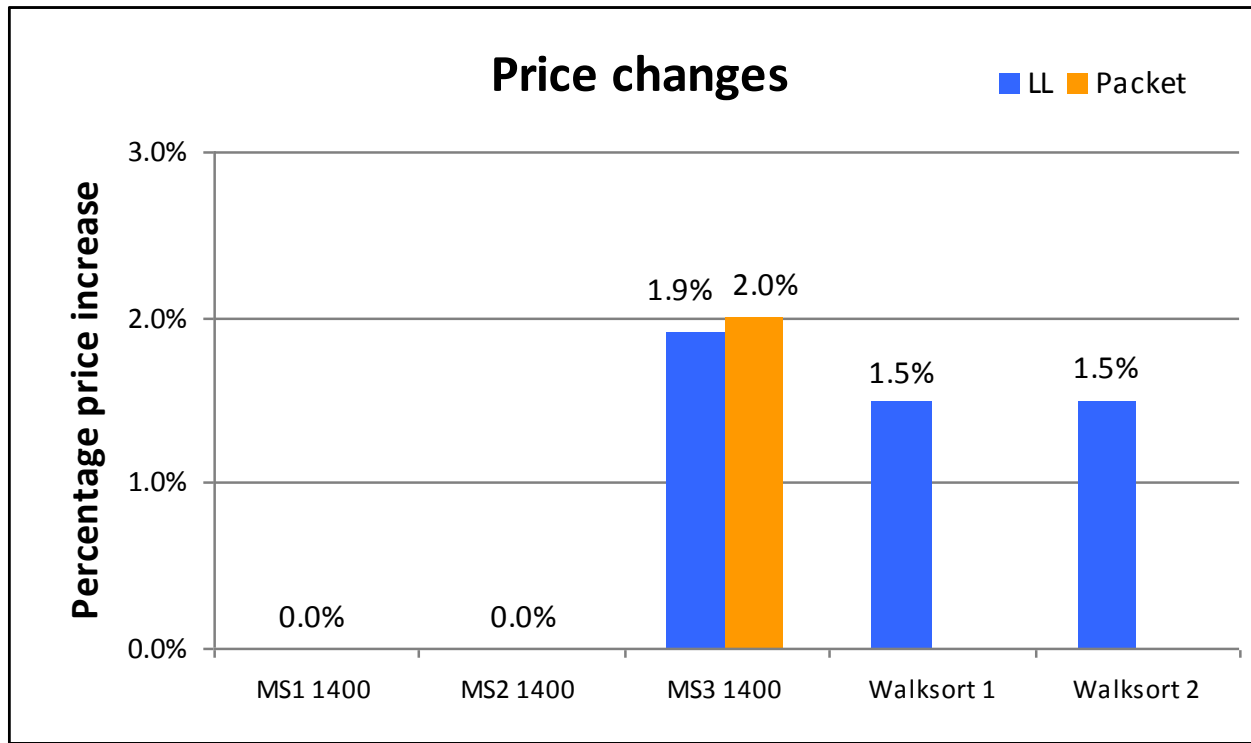
(\*) A small number of Presstream customers will qualify for the max VRD as most larger customers are on Profile

# Presstream is still cheaper than MS1400



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# There are large price increases for catalogue services (for those customers who can't use Presstream)



- **BUT** A3 prices increasing by 4.2%
- **AND** Big book/Heavyweight price increases up to 5%

# Our price changes

- **Social Customers**
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- *Price freeze for SMEs to support them through the economic downturn*
- *Price increases to cover RM costs*

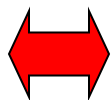
# Prices held for the majority of our Value Added Services, however there are some increases

	PO Box - 12 Month Prices			
	Basic	+ Delivery	+ Transfer*	Locked Box
Current	£62.85	£125.75	£125.75	£160.00
2010/11	£95.00	£125.75	£125.57	£160.00

\* Price Controlled Service



- The basic PO Box price will be rising to cover costs
- Prepaid Envelopes in line with Stamp price increase
- Safebox 48 First Class by 5.8% to £172 to reflect cost



- Prices held for other services including Domestic Redirections, Business Collections, Early Collect, Timed Delivery, Selectapost and Presorted Delivery

# Summary of key changes - Tariff 2010

## Strategy

## Tariff 2010

### Stamp Prices

- Increase stamp prices to cover costs of providing the USO

- Stamp letter prices increase by 2p / 2p

### International (non-contract)

- Increase International prices to cover increasing costs of delivering abroad

- International stamp and meter prices up by 9%

### SME/Unsorted

- Support SMEs affected by the economic downturn

- Price freeze for inland Meter, PPI, Cleanmail and ASTLL services

### Large Business - Fulfilment

- Support packet customers through difficult times

- Some re-balancing of prices in favour of >500g weights

### Large Business - Transactional & Advertising

- Support Direct Mail in the media market place

- Mailsort 3 prices maintained following October decrease
- Some re-balancing of prices

### Large Business - Publishing & Catalogues

- Increase prices to improve alignment with costs

- Introduce VRDs for Presstream customers
- Increase prices to cover costs



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**Any questions?**



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# Thank you



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