Procurement Journey

Postal Services – Buyer Good Practice Guide

Foreword & Acknowledgements

Scottish Procurement aims to deliver benefits to the people of Scotland through improved value for money for taxpayers, improved goods and services for all our citizens, and economic opportunities for Scotland. This is achieved through effective collaboration throughout the procurement cycle.

Scottish Procurement would like to acknowledge the work, support and contribution on the Postal Services strategy from all sector representatives. This good practice guide should be used to understand how best to procure goods and services.

1.   Introduction

This guide aims to assist Scottish public sector organisations in selecting the most cost effective and productive services to suit their individual requirements.

2.   Postal Services Overview

The national strategy for the procurement of Postal Services was developed by Procurement Scotland in collaboration with key stakeholders across the Scottish Public Sector and representatives from industry suppliers. This engagement was supported by Sector workshops conducted in March and April 2009. These highlighted the potential benefits from the liberalised postal market, alongside other benefits from improving current practices.

Procurement Scotland undertook a mini-competition from the Buying Solutions Postal Services Framework. Organisations were asked to confirm if they wished to participate in advance. Only those organisations that give confirmation to participate can access the new arrangements with TNT Post.

This Good Practice guide covers both the new Procurement Scotland Postal Services Framework and also other more generic actions that can help to deliver benefits to all Scottish Public Sector organisations

3.   Scope

The key services included under this agreement are:

- Bespoke Services,
- Down Stream Access,
- End to End,
- Mail Consolidation,
- International Mail,
- PO Boxes,
- Pre-sortation for inbound delivery,
- Re-direction,
- Response Services,
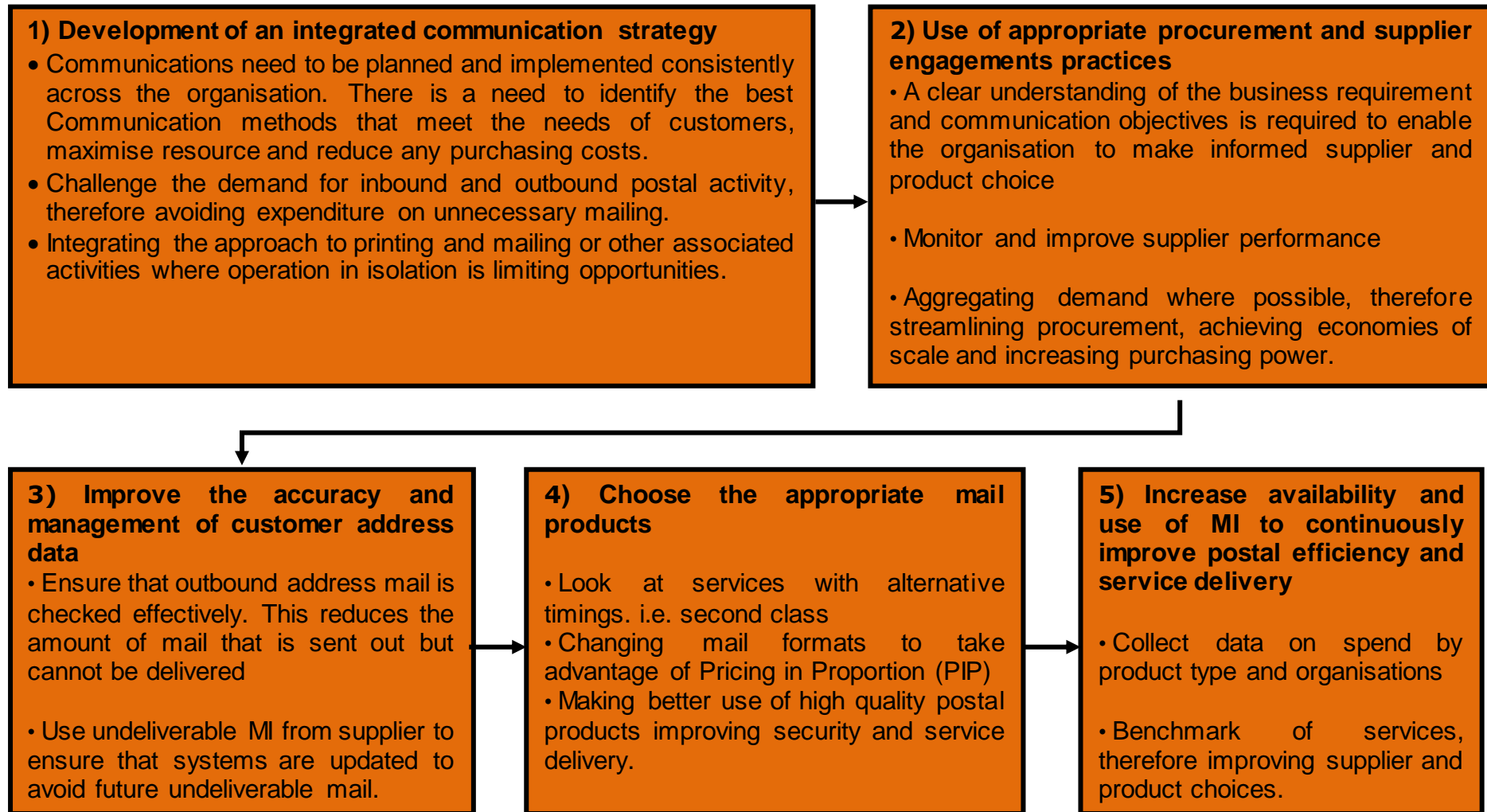- Secure Mail,
- Track & Trace,
- Undeliverables

4.   Who does this Good Practice Guide apply to?

This Good Practice Guide applies to organisations that are sending post through any Postal Services provider. The guide advises on how organisations can improve efficiency through Royal Mail and also for those organisations that are currently using, or will commence using, TNT Post for their Second Class mail.

To access the Procurement Scotland agreement, end user organisations were required to submit a 'Notification of Interest' document. In total, 80 organisations provided their indicative mail profile so that Procurement Scotland could undertake a mini-competition under the Buying Solutions framework. In monetary terms this equated to spend of circa £25m per annum. It is stressed that only those organisations who submitted a 'Notification of Interest' are entitled to participate in the Procurement Scotland arrangement and they will now be required to complete a 'Commitment to Purchase' prior to using the agreement.

5.   Scottish Public Sector Postal Service Toolkit

Organisations are advised to follow these high level steps to achieve best value when considering their Postal Services Strategy. Section 8 onwards provides more in depth information as to what specific activities organisations should be undertaking:

1) Development of an integrated communication strategy
- Communications need to be planned and implemented consistently across the organisation. There is a need to identify the best Communication methods that meet the needs of customers, maximise resource and reduce any purchasing costs.
- Challenge the demand for inbound and outbound postal activity, therefore avoiding expenditure on unnecessary mailing.
- Integrating the approach to printing and mailing or other associated activities where operation in isolation is limiting opportunities.

2) Use of appropriate procurement and supplier engagements practices
• A clear understanding of the business requirement and communication objectives is required to enable the organisation to make informed supplier and product choice

• Monitor and improve supplier performance

• Aggregating demand where possible, therefore streamlining procurement, achieving economies of scale and increasing purchasing power.

3) Improve the accuracy and management of customer address data
• Ensure that outbound address mail is checked effectively. This reduces the amount of mail that is sent out but cannot be delivered

• Use undeliverable MI from supplier to ensure that systems are updated to avoid future undeliverable mail.

4) Choose the appropriate mail products

• Look at services with alternative timings. i.e. second class
• Changing mail formats to take advantage of Pricing in Proportion (PIP)
• Making better use of high quality postal products improving security and service delivery.

5) Increase availability and use of MI to continuously improve postal efficiency and service delivery

• Collect data on spend by product type and organisations

• Benchmark of services, therefore improving supplier and product choices.

Procurement Journey

6.   Reducing the cost of Postal Services

Procurement Scotland, supported by the National Category Forum (NCF), has identified ways in which all Scottish Public Sector bodies can reduce the cost of their Postal Services. These are not opportunities available purely by using TNT Post but also include process and service changes through Royal Mail. All organisations will be using Royal Mail, either under this Agreement or under their current postal activity.

This section specifically focuses on the activities organisations can undertake to achieve cost reductions for their Postal Services budget.

6.1   Reduction in Volume

A very obvious activity for organisations to undertake is the wider use of electronic mail (e-mail). Since the introduction of e-mail the value of the postal services market has been significantly decreasing year on year with organisations changing their internal processes.

6.2   Reduce Price/Unit

6.2.1   Pricing in Proportion

Since 21st August 2006, Royal Mail has changed the way that mail is priced, by introducing a pricing system called 'Pricing in Proportion'. Historically postage prices were based upon the weight of the item. Pricing in Proportion now takes into consideration the physical size and thickness of the item, as well as the weight.

It costs Royal Mail more to sort, handle and deliver larger envelopes and items than they were previously charging customers to send. Large and irregular shaped packages take up more space in postbags and vans and cost more to handle. This means that most light but bulky items are priced below cost, whereas smaller, heavier items are generally overpriced.

Under Pricing in Proportion guidelines, the smaller the size of the letter, the less it will cost to send.

6.2.2   Example of how to save cost by reducing the size of the letter through both Royal Mail & TNT Post:

1. An A4 letter is classed as a 'Large Letter'. The cost to mail is 50p for 1st class or 40p 2nd class when sending through Royal Mail.

2. If the letter is folded in half and inserted into a C5 envelope, this would fall into the 'letter' category, costing 36p for 1st class or 25p for 2nd class when sending through Royal mail.

3. Therefore, a saving of 14p on 1st class and 15p on 2nd class stamped mail is available by simply reducing the envelope size through Royal Mail.

4. Furthermore, an envelope saving of circa 49% is available through Royal Mail.

Pricing in Proportion parameters also apply to mail that is being collected by TNT Post.

- If utilising TNT Post, saving of between 16.5p - 22.5 per 2nd class letter are achievable.

6.2.3 Pricing in Proportion dimensions:

- **Letter:** Maximum dimensions: length 240mm; width 165mm; thickness 5mm; maximum weight 100g
- **Large letter:** Maximum dimensions: length 353mm; width 250mm; thickness 25mm; maximum weight 750g
- **Packet :** Dimensions: length more than 353mm or width more than 250mm or thickness more than 25mm; maximum weight: 1kg for second class; none for first class

6.2.4 Ensuring pricing in proportion is with appropriate envelopes

The following envelopes are all available through Procurement Scotland's General Stationery Framework - Ref: PS-07-002-1

Size	Postal Class	Measure -ments (mm)	Colour * refer to Environ	Windo w	Seal	Weight (gsm)	Code	Description	Uom	Cost
C6	Letter	152x89	Manilla	Y	Gummed	70	712237	Impega Manilla C6 Gummed Window Envelopes 70Gsm - Box Of 1000	1000	£8.57
C6	Letter	152x89	White	Y	Gummed	90	711996	Impega White C6 Gummed Window Envelopes 90Gsm - Box Of 1000	1000	£14.3
DL	Letter	220x110	Manilla	Y	Gummed	70	712157	Impega Manilla Dl Gummed Window Envelopes 70Gsm - Box Of 1000	1000	£3.17
DL	Letter	220x110	White	Y	Self Seal	80	712124	Impega Budget White Dl Self Seal Window Envelopes 80Gsm - Box Of 1000	1000	£3.57
DL	**Letter**	**220x110**	**White***	**Y**	**Self Seal**	**90**	**3900922**	**Impega Envelope Dl 90 Gram 100 % Recycled With Window White Box Of 1000**	**1000**	**£17.24**
C5	Letter	229x162	White	Y	Self Seal	90	712088	Impega White C5 Self Seal Window Envelopes 90Gsm - Box Of 500	500	£3.20

C5	Letter	229x162	White*	Y	Self Seal	90	3900944	Impega Envelopes C5 90 G 100 % Recycled Window White Box Of 500	500	£7.06
C4	Large Letter	324x229	Manilla	Y	Self Seal	125	1539224	New Guardian Manilla C4 Self Seal Window Envelopes 125Gsm - Box Of 250	250	£17.36
C4	Large Letter	324x229	White	Y	Self Seal	100	712077	Impega White C4 Self Seal Window Envelopes 100Gsm - Box Of 250	250	£2.89
C4	Large Letter	324x229	White*	Y	Self Seal	90	3900966	Impega Envelopes C4 90 Gram 100% Recycled Window White Box Of 250	250	5.8

* Prices valid as of 1st February 2010

Environmental Note:
- Manilla envelopes contain 65-70% paper fibre, extracted from saw mill waste which would otherwise go to landfill.
- White envelopes highlighted in **bold / white*** contain 100% recycled material.

6.3   Hybrid Mail

There is new technology in the form of Hybrid Mail, which enables organisations to achieve further cost savings from their Office Supplies budget as well as their Postal Services budget. Hybrid mail is a category of post where physical post is issued as an electric document to a printing location near its destination, only traveling in physical form for a small part of the journey. Because the printing, mechanical sorting and shipping is redirected to a service provider, hybrid mail can reduce corporate communication costs and be more environmentally friendly than traditional mail.

Details of TNT Post's "TNT-it Hybrid Mail" solution are included within section 9.5

7.   TNT Post services

7.1   Down Stream Access Opportunities

Downstream Access (DSA) is the term used to describe mail which has been collected and distributed by a licensed postal provider, but is handed over to Royal Mail for delivery i.e. 'the final mile'.

TNT Post is Procurement Scotland's Framework Agreement DSA provider. TNT Post collect, sort and process the mail before delivering it directly to a Royal Mail Inward Mailing Centre for onward delivery to the consumer or business by Royal Mail's post workers.

DSA Process:

| Production by customer | Collection by DSA provider | Sorting by DSA provider | Delivery to Royal Mail |
| Receipt by addressee | Final delivery | Royal Mail further address sorting | |

Through Framework PS-09-004, Procurement Scotland have achieved DSA tariffs for a number of different services through TNT Post. These are included within Annex A of this guide.

In May 2009, Procurement Scotland asked for organisations to complete a 'Notification of Interest' document. This allowed Procurement Scotland to take to market, through the Buying Solutions Framework, the indicative Mail Profile for specific organisations. Only those organisations that completed the original 'Notification of Interest' document can access the Procurement Scotland agreement, and to do so must now complete a 'Commitment to Purchase' document.

Achieving best value through the DSA agreement with TNT Post

Organisations can maximise the benefits from the DSA agreement with TNT Post by undertaking a number of key activities.

With all TNT Posts physical mail services, the items need to be machineable, conforming to specific measurements, and machine readable. Guidelines are included below:

Machineable Mail

Envelope sizes DL, C5, C4 can be sent as machineable as long as:

➢ They are less than 100g
➢ They are less than 5mm thick
➢ They can be bent into an S shape along their longest edge
➢ They are cream, white, manila or pastel colour
➢ They meet the address font and layout expectations

DL & C5 Sizes (Letter):	Min	Max
Length (mm)	100	240
Height (mm)	90	165
Thickness (mm)	0.25	5
Weight (g)		100

C4 Size (Large Letter):	Min	Max
Length (mm)	241	330
Height (mm)	166	240
Thickness (mm)	1	4
Weight (g)		100

Machine Readable

For mail to be machineable it should be machine readable.

Machine readable mail:

1) Should have printed addresses.

➢ Address should be printed in Arial or Times Roman fonts
➢ The font size should be no larger than 12 and no smaller than 10
➢ Fonts should always be black in colour

2) Must have full and accurate address

➢ Address must include full postal address including the two part postcode as the last line.

If organisations completed the initial 'Notification of Interest' document, TNT Post should replace the Royal Mail second class service.

7.2   TNT Posts key services

The key features to the DSA services included under the TNT Post agreement are included in the following table:
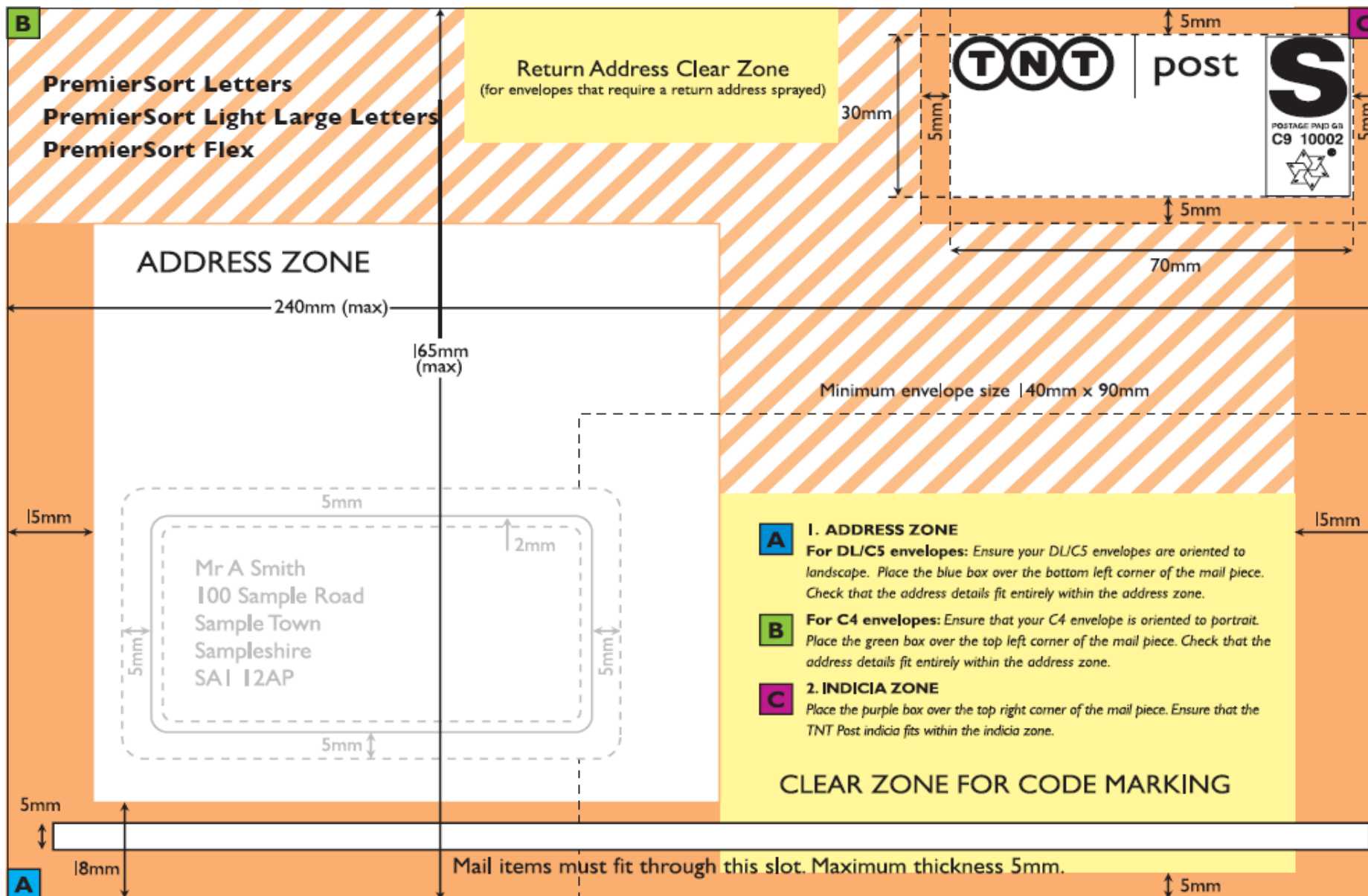
Allsort *Unsorted,* *Non Machine Readable Mail*	**Premiersort Flex** *Unsorted,* *Machine Readable Mail*	**Premiersort** *Pre-Sorted Mail*
Details: ➢ Manual Sort ➢ 3 day UK delivery Benefits: ✓ No franking ✓ Elimination of additional cost associated with franking(5-7p) ✓ No sorting ✓ One pick up for ALL mail items ✓ Easy to use ✓ Improved productivity in your mailroom ✓ Management information with various elements either monthly or quarterly ✓ Pro-active account management What services are not available: ➢ 1st Class Mail ➢ Recorded / Registered Post	Details: ➢ Machine Sort ➢ 3 day UK delivery, 2 days in Scotland Benefits ✓ No franking ✓ Elimination of additional cost associated with franking(5-7p) ✓ No sorting ✓ One pick up for ALL mail items ✓ Easy to use ✓ Improved productivity in your mailroom What services are not available: ➢ 1st Class Mail ➢ Recorded / Registered Post	Details: ➢ Minimum1400 & 120 sortation volume 4000 items ➢ Minimum 700 sortation volume 10,000 items ➢ Mail items must be pre-printed with a TNT Post Indicia Benefits: ✓ Guaranteed cost savings ✓ Elimination of additional cost associated with franking (5-7p) maintenance and upgrades ✓ Convenient collection times What services are not available: ➢ 1st Class Mail ➢ Recorded / Registered Post

7.3   Conditions of Allsort, Premiersort and Premiersort Flex services

- Collection is free for 200 + items
- For 100-199 items there is a £2.50 collection charge
- For 10-99 items there is a £5.00 collection charge

7.4   Premiersort Flex and Premiersort mail template

Specifications: Refer to diagram and notes on page 14 & 15.

B **C**

PremierSort Letters
PremierSort Light Large Letters
PremierSort Flex

Return Address Clear Zone
(for envelopes that require a return address sprayed)

5mm

TNT | post

S

POSTAGE PAID GB
C9 10002

30mm

5mm

5mm

5mm

ADDRESS ZONE

70mm

240mm (max)

165mm
(max)

Minimum envelope size 140mm x 90mm

15mm

15mm

5mm

2mm

Mr A Smith
100 Sample Road
Sample Town
Sampleshire
SA1 12AP

5mm

5mm

5mm

A **1. ADDRESS ZONE**
For DL/C5 envelopes: *Ensure your DL/C5 envelopes are oriented to landscape. Place the blue box over the bottom left corner of the mail piece. Check that the address details fit entirely within the address zone.*

B **For C4 envelopes:** *Ensure that your C4 envelope is oriented to portrait. Place the green box over the top left corner of the mail piece. Check that the address details fit entirely within the address zone.*

C **2. INDICIA ZONE**
Place the purple box over the top right corner of the mail piece. Ensure that the TNT Post indicia fits within the indicia zone.

CLEAR ZONE FOR CODE MARKING

5mm

A

18mm

Mail items must fit through this slot. Maximum thickness 5mm.

5mm

The address must appear in the address zone, but must be at least 15mm from any edge and 15mm away from logo/design.

➤ There must be a clear zone of 18mm from the bottom edge and 115mm from the right edge.

➤ There must be a clear zone 115mm from the right edge and 5mm high with its top edge 70mm from the bottom edge.

➤ The yellow clear zones must be kept clear for code marking and for a return address to be sprayed by TNT Post (if required).

For light large:

➤ For letter envelopes the address should appear on its long edge:

➤ For light large letter envelopes, the address should appear on its short edge:

7.5   TNT-it (Hybrid Mail)

The award through TNT Post provides all TNT Post users with access to their Hybrid Mail Solution, TNT-it. Hybrid Mail allows users to send documents, invoices and letters directly and securely from their computer and back office systems to the relevant addressee.

7.5.1   Key Principles of TNT-it

- Documents are printed, enclosed and posted from TNT Post centres
- 2 day UK delivery
- Documents can be previewed and recalled much like e-mail
- Secure transmission of data
- Organisations can add letter heads and templates for print, with scanned personalised signatures
- Reduction in Office Supplies costs, as all materials are included within cost

7.5.2   TNT-it cost:

- One page black & white: 32p, 2.5p per extra page
- One page colour: 37p, 5p per extra page

Considering stationery costs, franking costs and the cost of postage itself, it is anticipated that TNT-it can save as much as 50%.

7.6   Management Information

TNT Post will provide Management Information providing the following information, every quarter to Procurement Scotland. Organisations can request this information on a more frequent basis directly from TNT Post, if required.

Sector	Supplier Organisation Name	Depart-ment	Service	Product Description	Product Code	Volume	Cost per Item	Quarterly Spend	Manual	Machine	Success	Fail	Quarter end date

7.7   Migration to TNT Post through the Procurement Scotland Postal Services Agreement

Organisations are advised to arrange a meeting with TNT Post. TNT Post will discuss a number of key areas when advising on the best possible migration solution.

7.8   TNT Post Key Contact:

Yan Gordon
Senior Account Manager
01236 505301 / 07785 118632
yan.gordon@tntpost.co.uk

8.   Royal Mail Group

Those organisations that chose not to access, or cannot access, the TNT Post tariffs, can still achieve additional benefits by continuing to use Royal Mail. Detailed below are opportunities to reduce total cost and improve the general management of Royal Mail activity.

8.1   Reduction in price of item

Many organisations send the majority of mail as 1st Class. By reducing the service to 2nd Class this demonstrates an immediate saving per item of:

- **Standard C5 envelope at 1st Class – 36p**
- **Standard C5 envelope at 2nd Class – 25p**
- **Saving per item – 11p, 30%**

8.1.1   Cleanmail & Cleanmail Advance

For organisations that can prepare mail in advance for Royal Mail to collect and process, there are benefits in the region of 10% on standard postal prices.

Organisations must include address details in one of two formats, either by printing the address using Royal Mail OCR Fonts, or by printing a Royal Mail approved barcode and attaching to the relevant postal item. Royal Mail will provide A4 trays and wheeled containers to enable sortation free of charge.

The letters are presented for collection in Royal Mail supplied equipment and containers. The mailing should gain a successful read-rate from Royal Mail's sorting equipment of 90% for Cleanmail and 95% for Cleanmail Advance.

Further details and migration advice should be sought through your Royal Mail Account Manager.

8.1.2   Mailsort 120 & Mailsort 1400

If organisations are sending large volumes of mail in the UK, 'Mailsort 120' or 'Mailsort 700' can save up to 30% on the Postal Services budget.

Mailsort is based upon organisations organising large mailings into specific groups, all with correct addresses, so that when Royal Mail collect it they can move it to its destination quickly. By using computer software to sort the mail as it is being produced, this saves Royal Mail time and cost and this saving is based on to the relevant organisation.

- For Mailsort 120, organisations are required to send a minimum of 4,000 items,
- For Mailsort 700, organisations are required to send a minimum of 10,000 items.

It is appreciated that these benefits will not be picked up on normal every day postings, but for large, planned postings this is where cost saving opportunities can be achieved.

All items must be machineable and presented in bags or trays, provided by Royal Mail.

Mailsort 120 & 1400 are available as standard 1st and 2nd services, they are also available at a 3-7 day service. This is very beneficial for organisations that can plan their mailings efficiently and can allow for a longer delivery period, this brings further cost benefits.

Please note – Increased discounts are available through TNT Post if organisations can organise large mailings into specific Mailsort 120 & 1400 requirements. A full list of TNT Post Tariffs are included within Annex

Potential savings if moving to enhanced Royal Mail Services

Royal Mail Service	Standard Tariff Rate (p)	Discounted Unit Cost (p)	Saving per item (p)
Cleanmail Advance 1st	0.36	0.29	0.07
Cleanmail Advance 2nd	0.25	0.20	0.05
Mailsort 1 120	0.36	0.26	0.10
Mailsort 2 120	0.25	0.18	0.07
Mailsort 3 120	0.25	0.16	0.09
Mailsort 1 1400	0.36	0.30	0.06
Mailsort 2 1400	0.25	0.21	0.04
Mailsort 3 1400	0.25	0.17	0.08

8.1.3 Online Business Account (OBA)

Royal Mail have introduced the On-line Business Account (OBA). The OBA is an online service that aims to make it quicker and easier to order products, view invoices and collate Management Information. The OBA replaces the need for organisations to use paper dockets when sending mail. OBA is available for all organisations that use Royal Mail for any service.

OBA is the recommended Business Account for all Scottish Public Sector organisations, this provides the Management Information that allows for Strategic Decisions based on Royal Mail activity.

To access OBA, organisations are required to register by visiting www.royalmail.com and following the simple steps.

9.   **Procurement Scotland Contacts**

	Job Title	Telephone	E-mail Address
Lynn McCann-Tyrrell		0141 242 5837	Lynn.McCann-Tyrrell@gov.scot

Annex A – TNT Post Tariffs

Please Contact Scottish Procurement for further details.

Annex B – Glossary of Terms

PIP – An abbreviation for Pricing in Proportion. Pricing in Proportion now takes into consideration the physical size and thickness of the item, as well as the weight and prices accordingly.

Hybrid Mail - A category of post where post is issued as an electric document to a printing location near its destination, only traveling in physical form for a small part of the journey. Because the printing, mechanical sorting and shipping is redirected to a service provider, hybrid mail can reduce corporate communication costs and be more environmentally friendly than traditional mail.

DSA – An abbreviation for Down Stream Access. DSA is the term used to describe mail which has been collected and distributed by a licensed Postal provider, but is handed over to Royal Mail for delivery (the final mile).

Machineable Mail - Mail that conforms to specific requirements as set by Royal Mail & TNT Post, that can be processed through their automated sortation process.

Non-Machineble Mail – Mail that does not conform to specific requirements required by either Royal Mail or TNT Post.

Machine readable mail - Mail that conforms to certain mail read requirements set by Royal Mail and TNT Post.

Allsort - TNT Post service for Unsorted, Non Machine Readable mail.

Premiersort Flex - TNT Post service for Unsorted, Machine Readable mail

Premiersort - TNT Post service for Pre-sorted mail.

OBA – An abbreviation for Royal Mail's 'On-line Business Account'. OBA is an online service that aims to make it quicker and easier to order products, view invoices and collate Management Information

OCR - An abbreviation for Optical Character Recognition. OCR is the mechanical or electronic translation of images of handwritten, typewritten or printed text (usually captured by a scanner) into machine-editable text.