

Industry weighs up RM proposal

Concern mounts over Royal Mail's proposed switch to a size-based pricing system By Melanie May

The DM industry is on tenterhooks as it awaits confirmation of Royal Mail's proposed size-based pricing system.

Royal Mail has come under repeated attack for the proposed move, announced in March this year, which many in the industry feel could stifle creativity by forcing down the size of mailers to keep them cost-effective.

Royal Mail gave companies until June 28 to respond to its proposals and plans to issue a statement later this month outlining its intentions. If the proposals are approved by postal regulator Postcomm, from late 2003 items could be priced according to length, width and thickness, instead of weight.

"Pricing would be fairer this way," argues David Dale, head of pricing policy for business and consumer markets at Royal Mail. "People aren't paying in line with underlying costs."

As it stands, Royal Mail asserts, the pricing system does not reflect the reality of what it costs the carrier to handle larger non-machinable goods. It denies that the intention of a size-based pricing system is to put prices up. As Dale says, it's a "rebalancing of prices, not an increase".

He is quick to state the benefits, explaining that mail would become simpler and faster to use. Under the proposed system Royal Mail would cut the number of prices available for first class mail and items could be priced at a glance rather than having to be weighed.

Dale admits that not everyone would gain: "The benefits mainly apply to consumers and small business users of post." But he adds: "We're prepared to make changes. We've stressed all along these are indicative proposals."

Not everyone is reassured. Citing the proposed system as an



Mailers: creativity could suffer

"administrative convenience", Simon Kershaw, creative director of Craik Jones Watson Mitchell Voelkel and head of the DMA's creative council, expects it to hit creativity as larger, attention-grabbing mailers become too costly to send out.

"This will make work more formulaic," he says. "Clients that do a lot of mailing will go for the standard C5 format to make them cost-effective."

Dale, however, doesn't see an increased use of standard-sized envelopes as spelling an end to creativity: "This will give more scope for creativity with inserts and samples. We don't agree that larger equals more creative. DL and C5-sized mailings win a lot of awards."

The DM industry is not the only one up in arms. The Periodical Publishers Association (PPA) has also been putting Royal Mail under pressure to abandon this path, saying the impact on tabloid mailings, specifically the A3 format weekly publications, would be too great. If the proposed system was to go ahead, the PPA feels the price increase would prove disastrous, equating it to a rise in postal costs of between 50 and 150 per cent.

Royal Mail may be coming under considerable heat from all quarters, but whether this leads to a U-turn remains to be seen.

Focusing on CRM implementation

New companies seek to offer concrete skills in what is an often frustrating sector By Holly Acland

The phrase customer relationship management (CRM) is credited with many things, none of which are entirely positive. Massive expenditure on CRM solutions followed by minimal returns is the most commonly cited. Then there's the fact that every company under the sun, from software houses to consultants, seems to be offering CRM expertise. Yet the statistics make gloomy reading. Of the £5.7 billion estimated to have been spent last year on CRM in Europe, nearly \$4 billion will not be used effectively.

However, a new breed of companies say they can offer concrete CRM implementation skills, rather than the jargon and high price tags that characterise most activity in this area.

The most recent is Proximity Consulting, which has teamed up with Customer Management Solutions (CMS). The latter has



'Putting the C back into CRM'

developed a CRM tool that enables organisations to benchmark its capability against competitors. This dovetails with Proximity's CRM Barometer, which is research-based and identifies customers' requirements both in terms of how they are communicated with and through which channels.

These two core products boil down to what an individual wants and what a firm can deliver. "If there's a complete match, the company's doing fine," says Chris Tatner, director of Proximity Consulting. "But all too often in organisations the focus is internal. It's about putting in the software and pushing it out to customers, rather than asking what the customer wants. That's why a lot of CRM schemes fail."

He describes it as "putting the C back into CRM", something that resonates with Multi Channel Communications (MCC). Launched last month, it is based around the customer delivery end of CRM. Co-founder Chris Martin says it aims to plug the gap between CRM strategy and implementation. "The investment has been made in CRM systems but in most cases they aren't being used effectively."

Implementation is the buzz-

word which companies such as MCC hope will strike a chord with marketers frustrated with their CRM efforts to date. And judging by research released by OgilvyOne, there's no shortage of companies crying out for help.

The report, entitled State of the Nation II, used OgilvyOne's customer management benchmarking tool, CMAT, to compare the customer management performance of blue-chip companies against best-practice criteria. The average CMAT score was 32 per cent. Just over 60 per cent of firms do not examine the cost of acquiring new customers so cannot determine the return generated by each new acquisition, while only 19 per cent understand lifetime value.

Forget sophisticated CRM software solutions – the message seems to be that the basics of a customer-focused strategy are sorely lacking in most firms.