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**From:** Kevin Gilliland [GRO]  
**Sent:** Sun 07/06/2015 12:07:43 PM (UTC)  
**To:** Paula Vennells [GRO]  
**Cc:** Jane Hill [GRO]; Mark R Davies [GRO]; Mike Granville [GRO]; Tom Wechsler [GRO]; Martin Edwards [GRO]; Alisdair Cameron [GRO]  
**Subject:** Re: Baroness Neville-Rolfe visit

Hi Paula,

With my back hat on firmly in place here's my view on where the challenges might come from:

Why do we pay so much comp? precedents had already been set, implied contractual right, previous administration insisted we reached agreement with the Nfsp. Upsides variabalises and reduces cost base, buys out right to comp going forward, rewards and incentivises agents to grow their business removed the fixed element of remuneration that gave some protection to poor performers.

Why don't we let poorly performing branches close? Government requirement to keep 11.5k branches open and access criteria, community branches. In certain markets, mails, bill pay, travel, closing and consolidating branches would allow competitors to win this business. The answer is to allow closures/mergers to happen where it is not economically disadvantageous (e.g. certain crown branches), or replace them with cheaper reduced product set operating models according to customer demands, and in some urban locations we will need to add more outlets. We need the freedom away from postcode and distance driven criteria (and indeed the costly consultations with citizens advice) and the freedom to manage according to market demands.

Why (in the Ipswich branch visited on Friday) didn't we relocate it into the larger more sustainable c-store a few units away? Firstly if the existing agent can present a viable business case then they can convert. Because of the volume and mix of Post Office business mains branches don't rely on the same type and size of retail offer that a local does. (If this was a smaller local branch it would have to either develop it's retail business further and increase oping hours - £4k/wk and >60hours - if it couldn't or wouldn't we would ha e moved it to the one stop. Generally for a mains an independent agent will grow PO business better than a multiple running a c-store because the multiple will see themselves as a retailer with the PO driving footfall to support their core business - the independent will happily adapt to focusing primarily on growing the PO business. The branch in question has grown the PO business 25% over 4 years.

Do the new models make sense economically for pol and the retailer? Mains - income to pol 7-12% marginal contribution 17%, Agents remuneration +7%, customer sessions +5%, retail sales +7%. Locals - income to pol +4% marginal contribution 12%, customer sessions +9-12%, retail sales +16%. Unconverted local - loss of 25% marginal contribution.

It is very likely BNR will ask about horizon/sparrow. She spent quite a lot of time observing and speaking to the staff and agent about ease of use and accounting / security. As Jane said we couldn't have got better answers from the staff.

Why can t we put more existing government services into all branches for consistency of offer e.g. Passport check and send? We are limited by the contract to 2.5k branches.

I've based the above on the way the conversation and her questions were focused on Friday's visit. She said she was keen to visit more branches including locals and crowns so she may ask about these - although she had already recognised the parallels between our flagships mains and locals and tescos operating models which was helpful.

Jane/all please add if I've missed anything.

Regards,

K

Kevin Gilliland  
Network & Sales Director

Postline [GRO]

**GRO**

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On 6 Jun 2015, at 09:37, Paula Vennells [GRO] wrote:

Jane, thanks for this. And for going on your day off - I hadn't realised, so it's even more appreciated. It seems we managed to give BNR a useful and enjoyable time and that is most important - she needs to like the PO and want to support us, so thank you both very much indeed.

Kevin and I had a debrief conversation last night.

Kevin when we spoke, as Jane's note says, there were very few obvious 'angles' that emerged from the visit - but you managed to hear a couple. This is really what will be important in preparing. Could you put your 'black hat' on again and drop a note round by Monday am, of where there could have been negatives/challenges lurking behind the questions asked.

Thanks also to Mike and Tom for the brief for Monday. See you then and have a good weekend.

Many thanks,  
Paula

We should know exactly where BNR and the SoS' Post Offices are and find out as much as we can about them. (London and country) Not sure if I understood properly from the note - but ideally we should have known this before the visit yesterday.

Paula Vennells  
Chief Executive  
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Sent from my iPad

On 5 Jun 2015, at 20:16, Jane Hill [GRO] wrote:

I thought it would be helpful to let you know how BNR's visit to Penzance Road branch in Ipswich went this afternoon.

It was an informal, non-official visit. She was in the area (speaking at a business lunch with local MP Ben Gummer). She was accompanied by her husband Richard Packer. They stayed for about 40 minutes.

The branch is a successful Main, having converted in September 2014.

Kevin and the postmaster, Shan, led the discussions. We also ensured that she spent time behind the counter chatting to staff.

Her retail background was clear. She was interested in the relationship between PO turnover and retail turnover. She was also keen to talk to Shan about his retail offer. She drew parallels between our crown, main and local categories and Tesco's full offer - Tesco's Local - One Stop divisions. (There was a One Stop in the parade of shops which she noticed.)

There was discussion about opening hours and how the models worked. This particular Main is an anomaly as the opening hours are not significantly longer than core hours. But she seemed impressed that it was open on a Saturday.

She understood the competitive threat and asked why we couldn't "consolidate" the area's smaller, less successful, PO branches into this one. We reminded her about convenience - earlier she had remarked how great it was that customers could collect parcels from the branch "much better than DHL where you have to drive for miles".

She asked about the investment in the branch and who'd carried out the work. Kevin explained why we'd invested more in this branch due to the potential for growth and the extent of the physical alterations required.

Shan said his biggest concern was declining government services income, and the fact he can't offer Passport Check and Send (Kevin explained the rationale for the latter).

Shan was very complimentary about the sales training he and his team had received, and how it helped him grow his business. This seemed to land well.

BNR asked Shan about Horizon, and made a point of asking other staff about their experience using it when behind the counter. All emphasised ease of use and levels of security - there couldn't have been better advocates for the integrity of Horizon, or for the Post Office generally.

I would say that she's using her Tesco experience as an intellectual benchmark against which she's getting her head around the PO, rather than as some kind of blueprint (she's more switched on than that). When she was behind the counter she noticed some of the older, more vulnerable customers and the excellent service they received.

She is interested in visiting other branches to broaden the picture. Her husband told me their nearest branch in London is Westminster Bridge Road. They also mentioned Tisbury PO in Wiltshire, where they must live (Neville-Rolfe's full title is Baroness of Chilmark in the County of

Wiltshire and he is on the Chilmark Parish Council). So we could look at some branches in that area.

I hope this is a helpful steer as we prepare for next week.

Best wishes

Jane

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