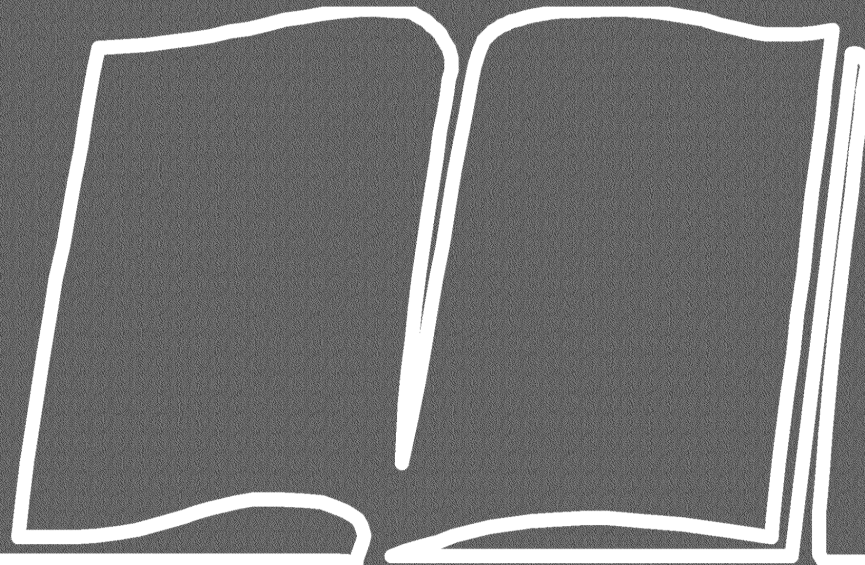POST OFFICE | ITAB

Section 1:
Recap Future Branch Formats

Overview:

The subsequent pages provide an executive summary, recapping key information shared throughout the project. This section covers project objectives, goals, and deliverables while detailing the various data sources utilised to inform our strategic direction and guide the project's progress.

Post Office In The Market.

"UK's leading Banking & Travel Money provider"

Banking Hub

POST OFFICE

POST OFFICE ®

+11,500 Branches

SME Business & Personal Customers

"UK's leading Mail service provider"

EVRi

Royal Mail

dpd

DHL

amazon

PARCEL·FORCE WORLDWIDE

Branch Format Breakdown:

3,298 Mains & DMBs	4,211 Locals	1,869 Legacy	268 Drop & Collect	1,909 Outreach	10 Bank Hubs

Target Branch:

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1 POL profitability versus Postmaster profitability

We're concerned about the 2,526 post offices that are profitable for POL, but not profitable for the postmasters who run them, the majority of these are small and medium Mains (the top left quadrant)

LOW **postmaster** profitability | HIGH **postmaster** profitability
Profitable for POL, NOT for postmasters (2,526 PO) | Profitable for POL & postmasters (3,670 POs)

- Mains
- Local
- Legacy

HIGH **POL** profitability

LOW **POL** profitability

UNPROFITABLE for POL & postmasters (2,377 POs) | Profitable for postmasters NOT for POL (941 POs)

We have used £5k profit p/a to determine whether a post offices is Profitable (for POL and postmasters) versus low / not profitable

Retailer & POL requirements: Locals and Mains have narrow 'sweetspots' of profitability for agents and POL, making it difficult to find hosts

Sweetspot by Model type for POL and agent: Profitability to POL and Agent of Locals and Mains by Customer sessions per week

Customer sessions p/w

Unprofitable for POL and / or agent
Marginally profitable for POL
Profitable for POL & agent

post offices

Less than 600 c/s and Locals struggle to cover POL costs such as tech, CiT,

Local

1200+	250
600 - 1200 Sweetspot	2550
150 - 600	1050
0 - 150	250

Over 1200 c/s a Locals is profitable to POL, but unprofitable for retailer as they need dedicated staff.

600 – 1200 is the Sweetspot: Sufficient transactions to generate profit for POL and footfall and rem for agents, without requiring dedicated staffing

Main

3000+	100
1800 - 3000 Sweetspot	1050
1200 - 1800	1350
600 - 1200	850
0 - 600	50

Little choice of retailers that can host branches this large. (e.g. Trafalgar Sq).

More profitable for POL but starts to become challenging on space for some agents

Not as profitable for POL as larger branches but easier for agents to manage

Agent break-even on a Mains is ~1200 c/s

POL break-even on a Mains is ~600 c/s

PayPoint

0 - 800 Sweetspot	28k

PayPoint charges agents £10 - £20 per week for its tech ensuring that every location is profitable.

On average a PayPoint does 324 transaction per week, earning retailers ~£1,600 commission p/a. Even the busiest PayPoint (~800 c/s) would not have dedicated staff, meaning commission is all 'profit'

1. **Locals - A Fine Balance:** Locals need to be busy enough to cover POL's fixed costs, but not so busy that they require dedicated staffing.
2. **Growth in NLW & other costs** will put further pressure on the 'Sweetspot' and could lead to increasing churn.
3. **Mid-Range** format must be cheaper to put-in /take-out, be less work for the retailer and never require dedicated staffing

Large Locals – 2 Positions

Medium Mains - 3 Or 4 Position With Limited Retails

Strategic Partner Branches – WH Smiths & Co-op

Project Key Objectives:

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"Grow branch profitability and secure the future of the network for both POL and partners"

"Plan to support automation with mail, travel & banking services"

"Improve service levels and choice for our customers through automation, design & format"

"Create a format that is modular, future thinking and attractive to our customers & partners"

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Project Key Deliverables:

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"Create a format that is modular, future thinking and attractive to our customers & partners"

Overarching Customer Journey concept which maximises the efficiency of the automation placed into branch

Key branch layouts for small, medium and large formats. One for each to be provided

Post Office Planning guide for new branches/modification of existing ones

# Connecting Online & In Branch Experiences:

Bridging the Gap:

There are several things that the Post Office do well from a customer perspective.

The online experience is a great example of what good looks like, but then this is let down when "Online" is translated to "In-Branch".

Our aim is to co-create with the Post Office an enhanced branch with evolved touchpoints focused on better serving the customers.

The 4 key areas of leverage that we believe will best aid this evolution are:

- Queueing
- Signage
- Experience
- Service

QUEUEING

SIGNAGE

THE CUSTOMER

EXPERIENCE
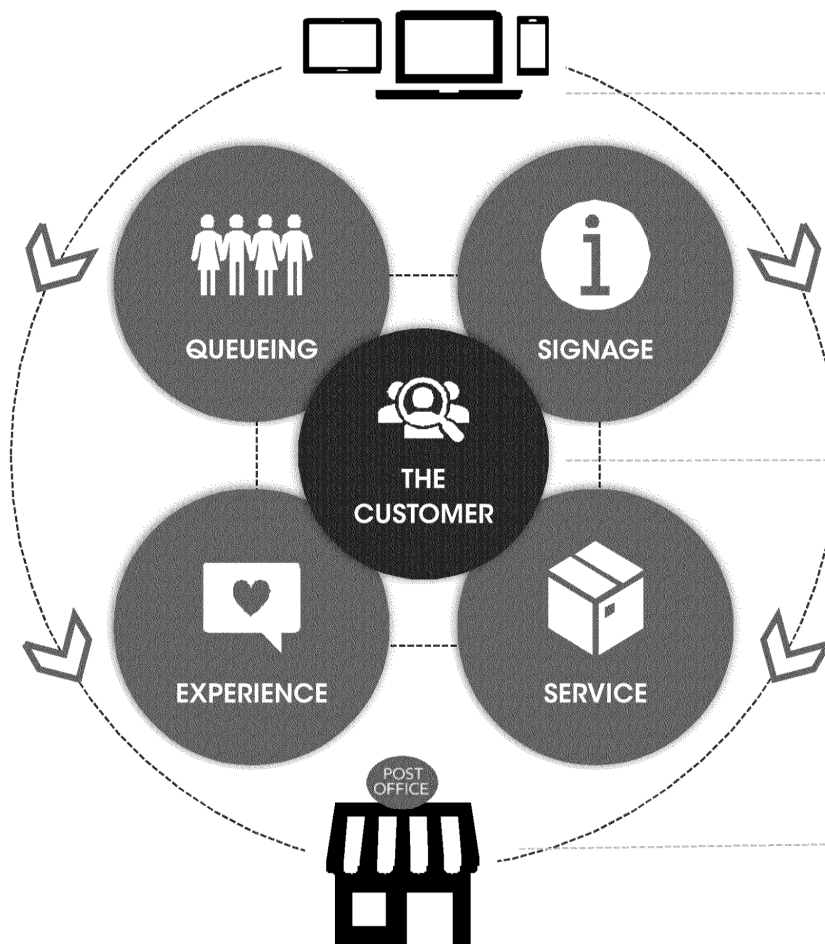
SERVICE

Online:
Current customers who use POL services online only.

Target In Branch Areas
By targeting key areas of leverage in branch we can better bridge the gap from "Online" to "In-Branch".

In Branch:
Giving customers the right reason to use branches more.

Common Themes & Areas of Focus:

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QUEUEING

SIGNAGE

EXPERIENCE

SERVICE

The Pain Points:
"Queueing across branches is unclear and does not aid the customer to define key journeys."

What Does Good Look Like?
Better aiding the customer with more defined journeys that meet and deliver on their chosen in branch mission.

- Make it easy for the customers.
- Segmentation of the queue.
- Make customers feel prioritised.

The Pain Points:
"Signage in branches varies in terms of level of clarity for the customer, resulting in a poor experience."

What Does Good Look Like?
A scalable and defined signage hierarchy across branches, that guides customers through store missions.

- Clear communication and tone of voice.
- Familiar look and feel across branches.
- Obvious services proposition points.

The Pain Points:
"Branches currently feel as though they have been left behind by the evolving nature of retail."

What Does Good Look Like?
Better enabling branches to prioritise customer experience with key "moments of delight" during specific in branch journeys.

- Make it easy for the customer.
- Add efficiency to time consuming tasks.
- Lifestyle lead experiences (gift wrapping).

The Pain Points:
"Current proposition in branch is lacking flexibility to service individual needs of the customer."

What Does Good Look Like?
Added elements in branch that create further value add for the customer, and enhance levels of service in branch.

- Speed of service.
- Online vs Offline.
- Colleague Led.

"Grow Sessions, Market Share, Renumeration and Profitability"

SCALABLE APPROACH

"Apply Scalable Design Thinking Throughout The Process."