



Purpose, Strategy and Growth

CEO catch-up
7 January 2020

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Purpose

PSG update

Next steps

Recap: key purpose themes were observed across all stakeholders...

External			Internal
Customers	Postmasters	Partners	POL colleagues
Trust	Community ²	Trust	Trust ¹
Convenience ³	Trust ¹	Convenience ³	Access ³
Makes things easy (quality of service)	Care	Quality of service	Care
Consistency (quality of service)	Quality of service	Community ²	Convenience ³
Reliability (Quality of service)	Access ³		Quality of service

- ¹ POL colleagues view the brand as the key source of trust, customers the enduring relationship of the post office, and postmasters their relationship as the driving force
- ² Community is an overwhelmingly top theme with postmasters, and important for partners but not present in top five for other groups
- ³ Convenience is a dominant theme amongst partners and POL colleagues, and consumers but secondary to other themes with postmasters – access rather is the dominant theme

Recap: ..leading to the overarching purpose principles for Post Office

What it means

How we will do this: short/medium term

1 Trust

- We are dependable – customers know we will “always be around”
- Our staff and postmasters can be trusted
- Our products and services are consistent, reliable and of good quality and don't offer any surprises

- Our postmasters build deep relationships with the members of the communities they serve
- We choose high quality suppliers and partners
- We run a sustainable business that adapts to the changing needs of our customers

2 Easy to access

- Everyone has access to us: we are convenient to reach
- Our products and services are simple and easy to use

- Large physical network of branch locations maintained across the country
- Strong online/omni offer across services
- Hours that match customer working and lifestyles

3 Everyday services

- Vital services for consumers and core products for small business
- Daily “life admin”
- These services make our customers' lives easier

- Cash and banking – for consumers and SMEs
- Mails and parcels – letters, PUDO, etc.
- Bill pay and government services
- Simple FS products

What is not included:

- ✗ **Community:** Purpose statement has focus on the enduring benefits needed by the community rather than community itself. This reflects the information that community itself is recognised by consumers, but not driving behaviour. Serving the community is an outcome of delivering our purpose.
- ✗ **Care:** We will understand and care about our consumers needs in order to purpose promises of trust, ease, access and to provide the right services: the areas that our consumers are asking for

> Aspirain vs Reality.

Emerging Post Office purpose statement

PRELIMINARY



Making it **easy to access everyday services** you can **trust**

Aspiring to be ... where we go ...

Making it easy to access everyday services you can trust

This means we will..

- > accessible
- > Simple
- > easy to business
- > Trustworthy
- >

PRELIMINARY

*On base
Online*

Make customers
lives easier by
promising...



Convenient locations, convenient access
across the UK



An always "easy" experience X



Reliably trustworthy services and products

Empower our Post
Masters by
offering...



In store services needed by communities
across the UK



Support to make access and care easy: ?
simple products, simple processes



Reliable and trustworthy products for
consumers and SMEs

Partner with
retailers to offer...



In store, everyday services needed by
customers across the UK



Support to make access and care easy:
simple products, simple processes



Reliably trustworthy services and products

Deliver
Government
priorities by
delivering...



Services needed by communities across
the UK



Reliable and trustworthy products for
consumers and SMEs

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We are well underway with our engagement deliverables, but still have more work to do

What we have achieved so far working with the POL team

What we aim to accomplish within the next 5 weeks

Purpose & Strategy	<ul style="list-style-type: none"> ▪ Provided external market views on the Mails & Parcels, Financial Services, Cash & Banking and Identity markets, as well as on potential adjacencies ▪ Designed and conducted a customer insight survey, analysed the results and fed insights into relevant PSG workstreams ▪ Analysed product and channel profitability ▪ Ideated a long list of Big Bets, quantified their financials and feasibility, short-listed the bests and compiled them in potential Big Bet portfolios of sequenced initiatives ▪ Gathered perspectives on the Post Office Purpose from internal and external stakeholders, identified emerging commercial and social purpose themes and crystallised into draft purpose statements ▪ Started bringing together all the above in a future Post Office strategy that prioritises Parcels and Cash & Banking / Financial Services as the two main growth engines 	<ul style="list-style-type: none"> ▪ Finalise Big Bet portfolio ▪ Integrate Big Bet portfolio into the 5 year financial plan ▪ Finalise Purpose statement and plan to embed into all relevant dimensions of the Post Office ▪ Finalise Customer Insight survey analysis ▪ Refine and syndicate the articulation of the future strategy, and implications on what to do and not to do ▪ Draw a digital & analytics use case value map
Org	<ul style="list-style-type: none"> ▪ Conducted an organisation-wide OHI survey, analysed the results and developed emerging recommendations for interventions alongside Leadership Counsel ▪ Build a detailed organisational baseline of the Product & Partnership functions 	<ul style="list-style-type: none"> ▪ N/A
Tech	<ul style="list-style-type: none"> ▪ Identified the most pressing technology issue to solve ▪ Developed a plan to address Horizon pain points 	<ul style="list-style-type: none"> ▪ N/A
Syndication	<ul style="list-style-type: none"> ▪ Engaged 30+ POL colleagues, 100+ Postmasters in person (through “curry nights” and other activities) and ~900 online (through a Postmaster survey), 3 multiples and other key external stakeholders (BEIS, UKGI...) 	<ul style="list-style-type: none"> ▪ Align findings and recommendations with UKGI, BEIS, Board and other key stakeholders ▪ Define the asks of HMG

We will continue working closely with POL colleagues to achieve those deliverables

Topic	POL colleagues we have worked closely with	Topic	POL colleagues we have worked closely with
Mails & Parcels	<ul style="list-style-type: none"> Mark Siviter Tom Wasilewski 	Postmaster experience	<ul style="list-style-type: none"> Nick Beal Amanda Jones Amber Kelly Andy Kingham Martine Munby Karl Oliver Rina Patel
Insurance	<ul style="list-style-type: none"> Ed Dutton 		Area Managers and Regional Managers: <ul style="list-style-type: none"> Victoria Allsop Graeme Bower Nick Carroll Adam France Shaun Kerrison Jason Lawrence Deb Mickleborough Mick Norman Kelli Organ Andy Parker Cristina Scaramella
Retail (excl. Mails)	<ul style="list-style-type: none"> Nigel Bascombe Amanda Jones Tracy Marshall Cathy Mayor Julie Thomas Lisa Watkins 		
Financial Services	<ul style="list-style-type: none"> Chrysanthy Pispinis Kathryn Sherratt 		
Cash & Banking	<ul style="list-style-type: none"> Martin Kearsley 		
Identity	<ul style="list-style-type: none"> Martin Edwards 	Finance	<ul style="list-style-type: none"> Max Jacobi Dave Jenkins
Technology	<ul style="list-style-type: none"> Benjamin Cooke Shikha Hornsey Tony Jowett Alistair Roman Jeff Smyth Lie Lie Sung-Morarij Gary Walker Rob Wilkins 		Customer insights <ul style="list-style-type: none"> Mick Di Stazio Andrew Ellis Keith Maple Ruth Moyer Emma Springham
OHI	<ul style="list-style-type: none"> Lisa Cherry Jack Foden Amber Kelly Isabella Liu Ceri Price 		

COMMERCIAL IN CONFIDENCE



We engaged a range of stakeholders outside the Post Office to understand attitudes towards the organisation's purpose

Focus	Stakeholder	Initiative ¹	Detail	Reach
External	Consumers/ SMEs	Consumer research	Qualitative and scaled quantitative insights into consumer sentiment, needs, preferences	4,000+ consumers, ~1000 SMEs
		Social media buzz analytics	Understand tone/ sentiment towards POL through social media and online	4,700+ social comments
	Post-masters	“Curry nights” focus groups	Interactive sessions around the country to hear directly from postmasters	7 curry nights 90 postmasters
		Postmaster survey	Scaled quantitative and qualitative insights from an email list of ~6k postmasters	890 postmasters²
		NFSP purpose workshop	Interactive session to hear NFSP's perception and input on POL's purpose	7 board members
		High performing one-on-ones	In-depth personal interviews with high performing postmasters from around the country	5 postmasters
	Partners	Multiples partners workshops	Interactive sessions with partners' leadership (e.g., Coop, WHSmith) to hear perception and input on POL's purpose	3 partners

¹ Initiatives and full results are detailed in the appendix.

² 890 total responses; 740 full, 150 partial; 6,000 sent option to participate.

³ 1,770 employees represents a 74% response rate across the organisation (excluding DMBs)

REMINDER: Meetings in January, by date and topic

Jan																				
Date	06	07	08	09	10	13	14	15	16	17	20	21	22	23	24	27	28	29	30	31
Board							▲ Meeting w/ Tim Parker		▲ Meeting w/ Tom Cooper (TBC)					▲ Board papers due			▲ ▪ Customers ▪ Purpose ▪ Big Bets & Financials ▪ Technology			
GE								▲ General update												
GE sub-group		▲ Big Bets						▲ ▪ Purpose statements ▪ Big Bets & financials ▪ Customer survey: SME ▪ Asks from HMG				▲ ▪ Purpose communication ▪ Close off on Bets & Financials								
Leadership council							▲ Org update					▲ Customers survey Purpose								

Quick points to address

1. Technology

- Site visit on the 23rd: confirm date and attendees
- FJ meeting and contract
- Meeting with BranchHub team member

2. CMO role moving forward

3. Amendments to PSG engagement contract

- McKinsey to work with Dan to ensure engagement contract reflect latest conversations on prioritised deliverables

4. NFSP

- Upcoming Jan meeting: confirm attendees

5. Mails contract & strategy

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Next steps

- **Session this afternoon with GE sub-group:** Focus on Big Bet portfolio review
- **Consumer Insight survey:** Finalise SME result analysis
- **Purpose:** Start planning on how to embed into all relevant dimensions of the Post Office

Backup

We engaged a range of stakeholders across the Post Office to understand attitudes towards the organisation's purpose

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Internal	Leadership	Leadership council purpose workshop	Interactive session to hear leadership's views on perception from key stakeholders and thoughts on POL's purpose	35+ people
	Employees	OHI survey, purpose question	A purpose-related question on the OHI survey to gather scaled insights from entire employee population and DMBs	1,770 employees ³ 500+ DMBs

Qualitative data:

- Rich insights about user behaviours
- Detailed understanding of the postmaster experience
- Powerful quotes and personal stories

Quantitative data:

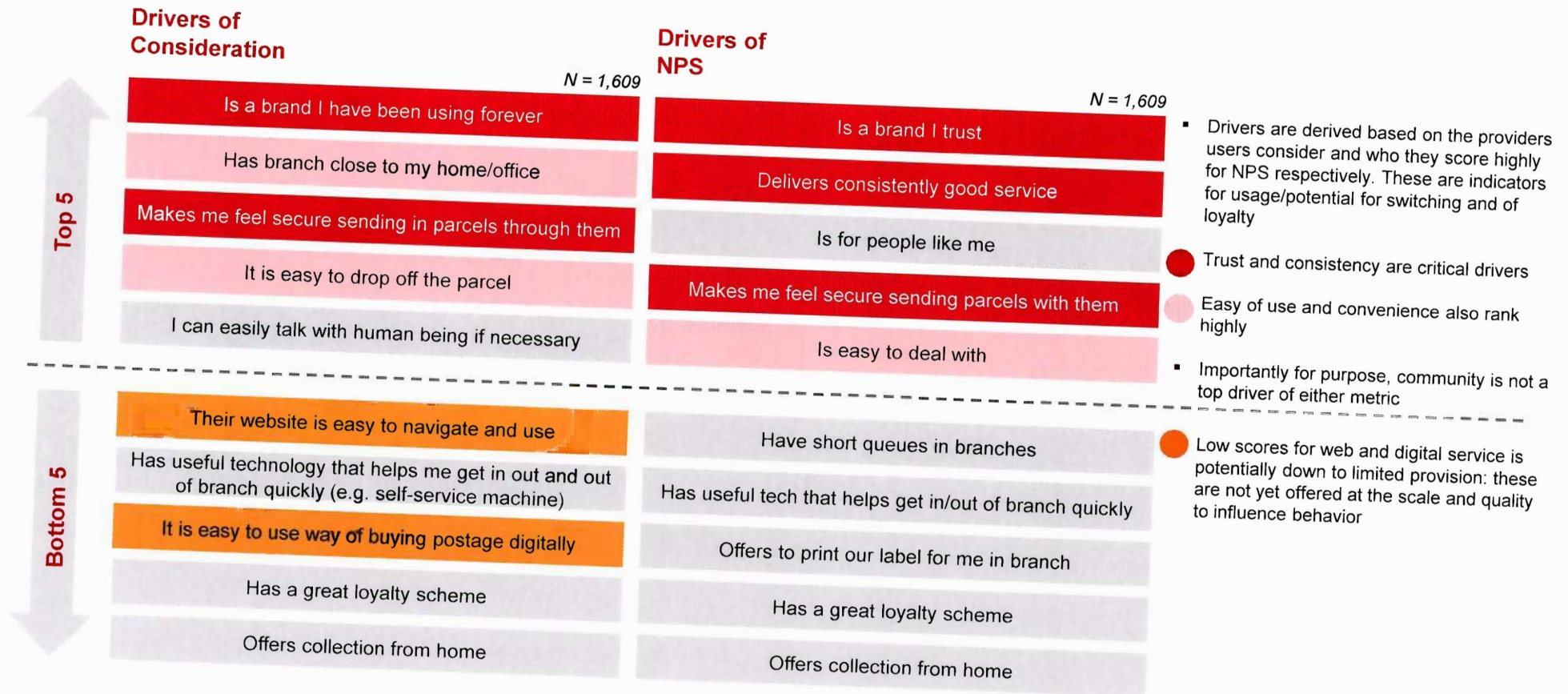
- Top and bottom performing purpose statement themes
- Ranked and rated draft purpose statements

¹ Initiatives and full results are detailed in the appendix.

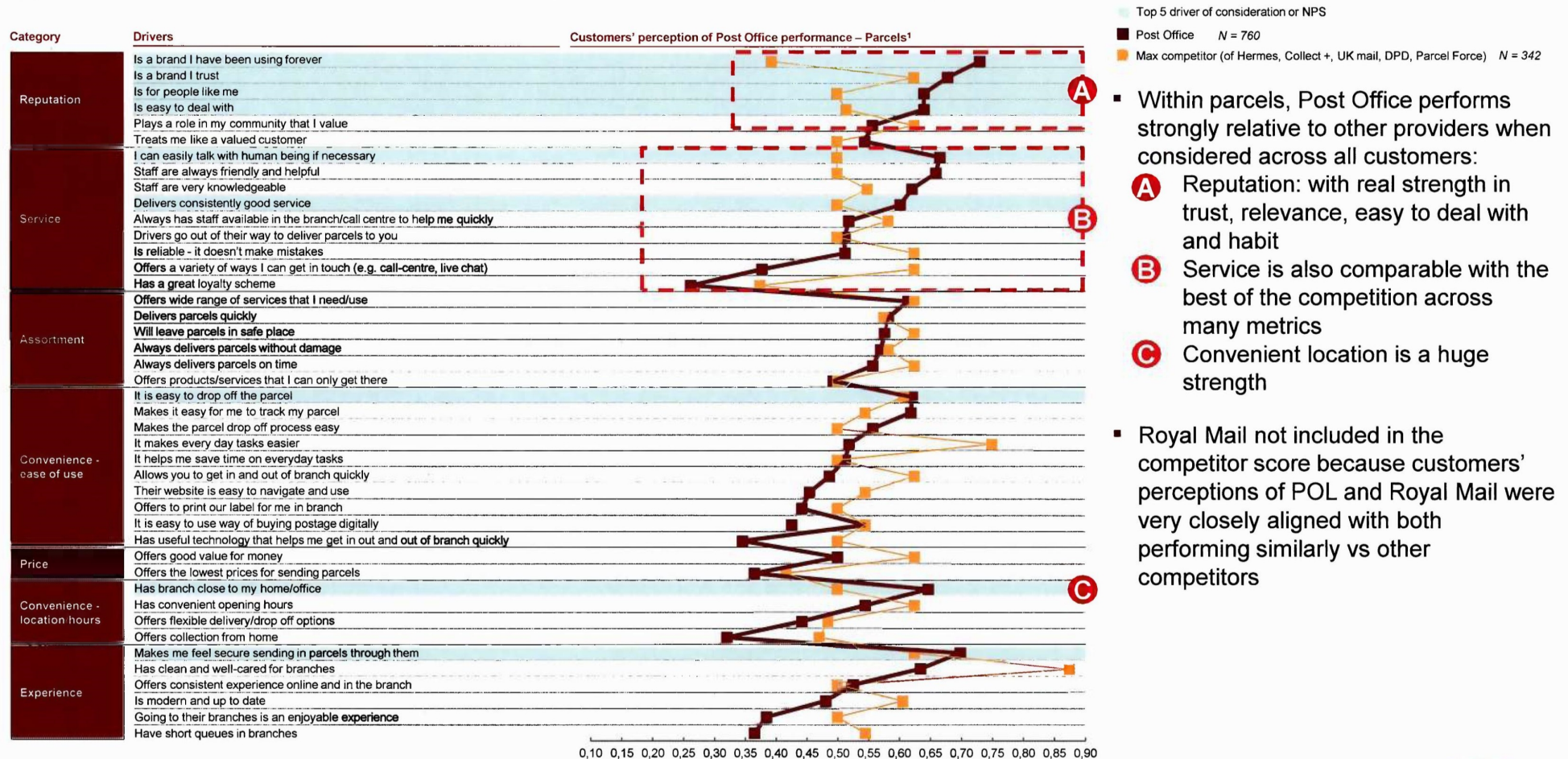
² 890 total responses; 740 full, 150 partial; 6,000 sent option to participate.

³ 1,770 employees represents a 74% response rate across the organisation (excluding DMBs)

1 Trust, convenience and consistency are all critical drivers for Parcels (sent and received) usage and convenience, along with habit



1 And the Post Office currently scores well vs. competition for these metrics



¹ Question worded: Please indicate how much you agree or disagree with the statements below, about the following providers (Strongly disagree to Strongly agree)
Includes participants' perception scores for both parcels sent and parcels received

5 Four drivers of consideration feature strongly across FS products: (1) perceived expertise, (2) price – rates and incentives, (3) making services easy (4) brand habit

Expertise Rate Making services easier Habit

	Parcels ¹ N = 1,609	Travel Insurance ² N = 1,315	Credit cards N = 433	Personal loans N = 473	Savings N = 521	Investments N = 487
Top 5	Is a brand I have been using forever	Is easy to deal with	Is a brand I have been using forever	Is a brand I have been using forever	Is a brand I have been using forever	Has a great loyalty scheme
	Has a branch close to my home/office	Is for people like me	Is an expert in the category	Is for people like me	Is a brand I trust	Is an expert in the category
	Makes me feel secure sending in parcels	Gives me the confidence I will be covered financially	Makes managing my finances easier	Makes managing my finances easier	Offers wide range of services that I need/use	Makes managing my finances easier
	It is easy to drop off the parcel	Allows you to get in and out of branches quickly	Is for people like me	Has the lowest/best rates	Treats me like a valued customer	Plays a role in my community that I value
	I can easily talk with human being if necessary	Offers products that are easy to understand	Has the lowest/best rates	Is an expert in the category	Is an expert in the category	Is for people like me
Bottom 5	Website is easy to navigate and use	Is an expert in the category	Offers products that are easy to understand	Has clean and well-cared for branches	Has clean and well-cared for branches	Has useful tech that helps get in/out of branch quickly
	Has tech that helps me get in/out of branch quickly	Has fair claim service	Is modern and up to date	Staff are very knowledgeable	Has a great loyalty scheme	Has clean and well cared for branches
	It is easy to use way of buying postage digitally	Has useful tech that helps get in/out of branch quickly	Is reliable - it doesn't make mistakes	Allows you to get in and out of branch quickly	Offers consistent experience online/in branch	Is reliable - it doesn't make mistakes
	Has a great loyalty scheme	Going to their branches is an enjoyable experience	Has clean and well-cared for branches	Is can easily talk with human being if necessary	Delivers consistently good service	I can easily talk with human being if necessary
	Offers collection from home	Have short queues in branches	Is easy to deal with	Offers products that are easy to understand	Allows you to get in and out of a branch quickly	Has convenient opening hours

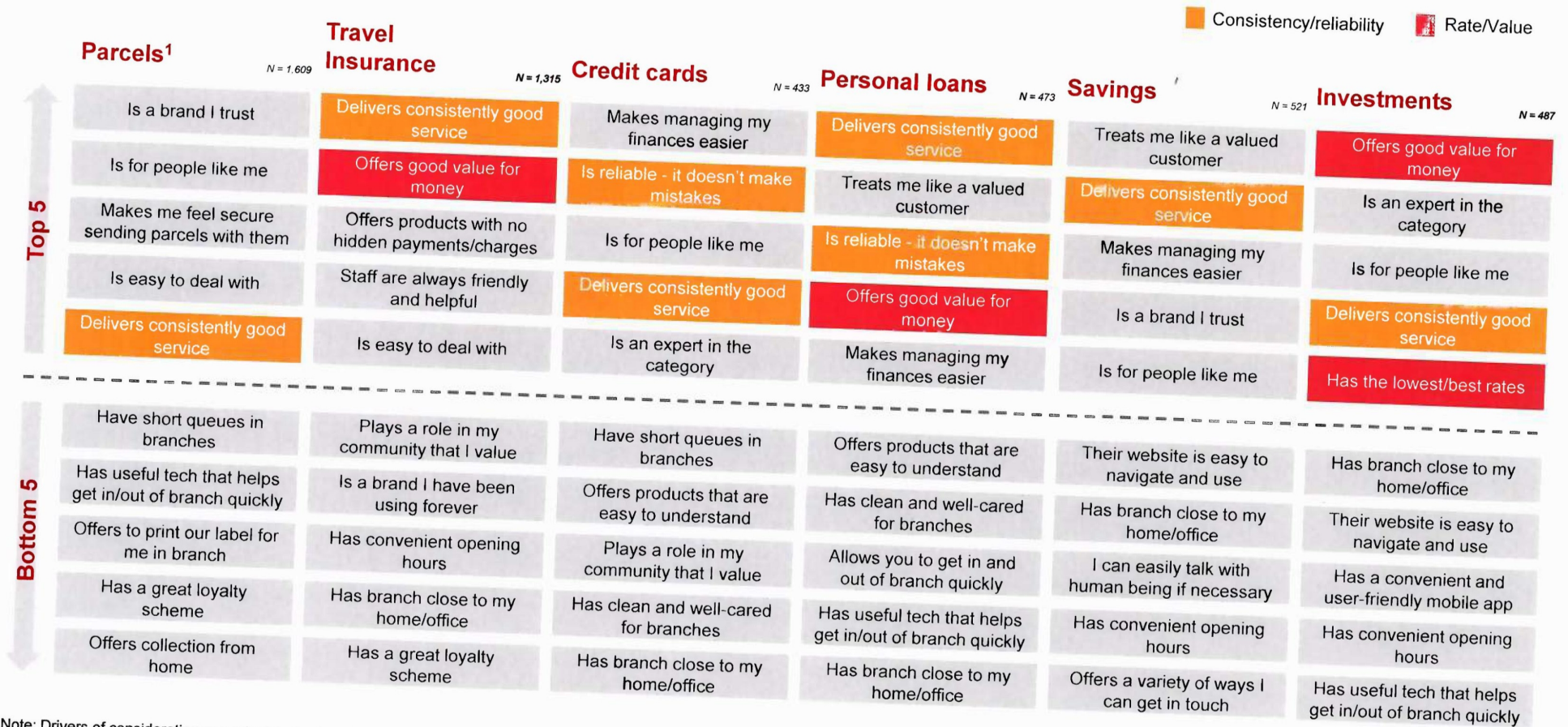
Note: Drivers of consideration are calculated using t-test statistics with conversion from familiarity to consideration being a dependent variable and brand attributes being independent variable

1 Excludes participants who had not have a choice on which service provider to use when they last sent/received a parcel. Scoring weighted 92% towards parcels – sent, and ~8% towards parcels – received

2 Drivers of purchase shown, rather than drivers of consideration as such a low consideration category that features lacked statistical significance

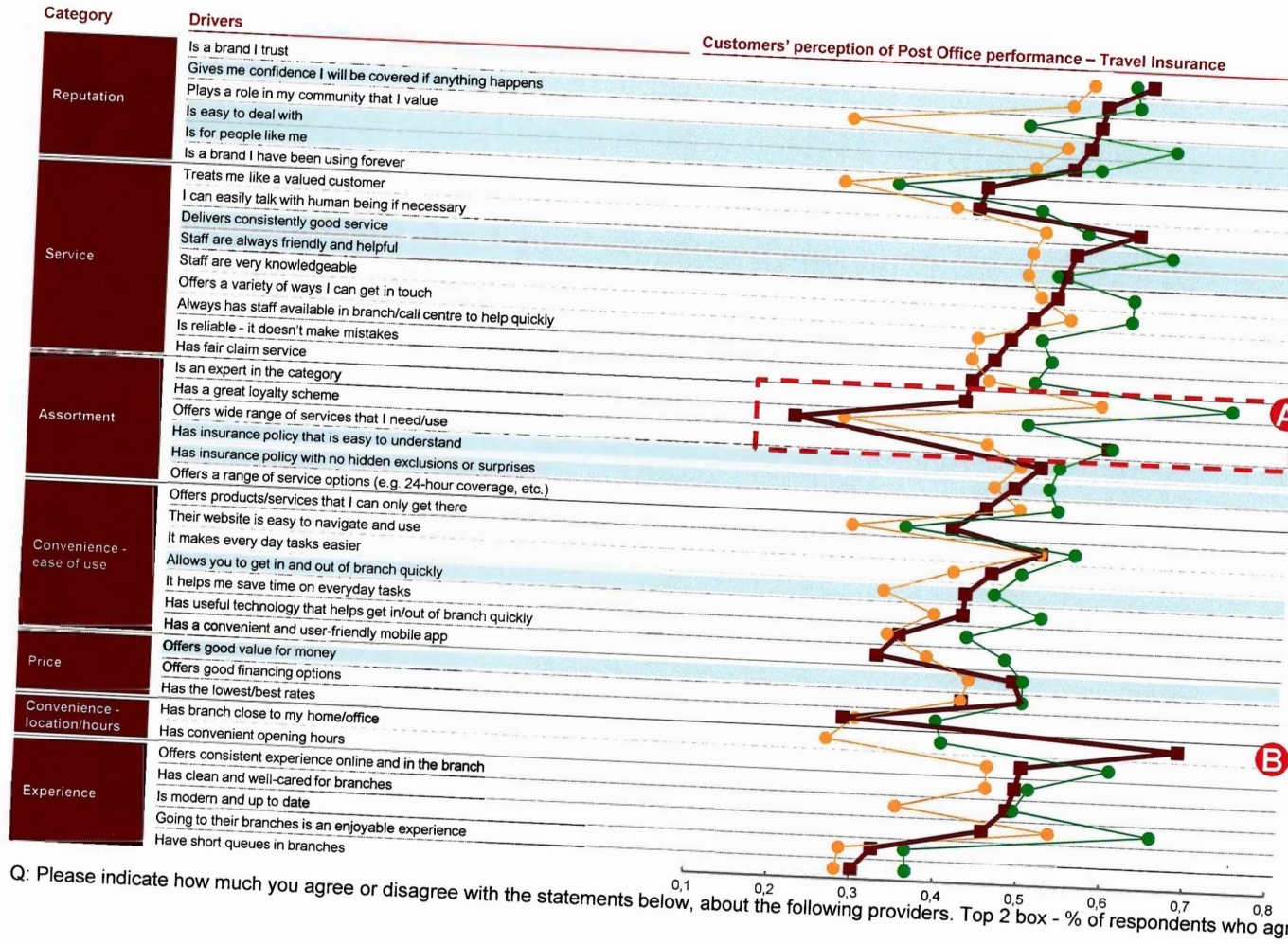


5 Price/value and consistency/reliability are the top drivers of NPS for FS products

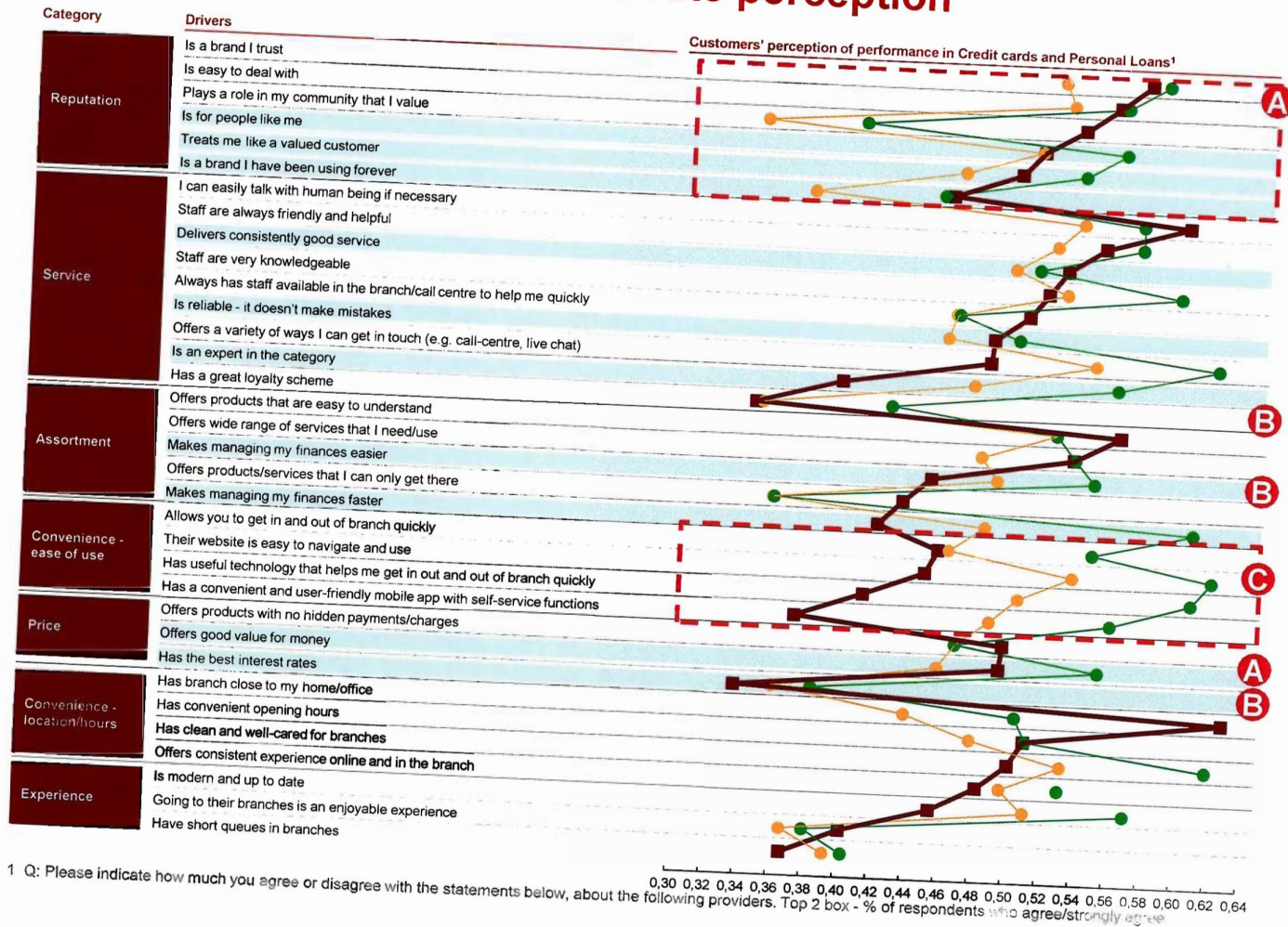


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¹ Excludes participants who had not have a choice on which service provider to use when they last sent/received a parcel. Scoring weighted 92% towards parcels – sent, and ~8% towards parcels – received

6 Post office performs relatively strong on travel insurance, above average on many metrics

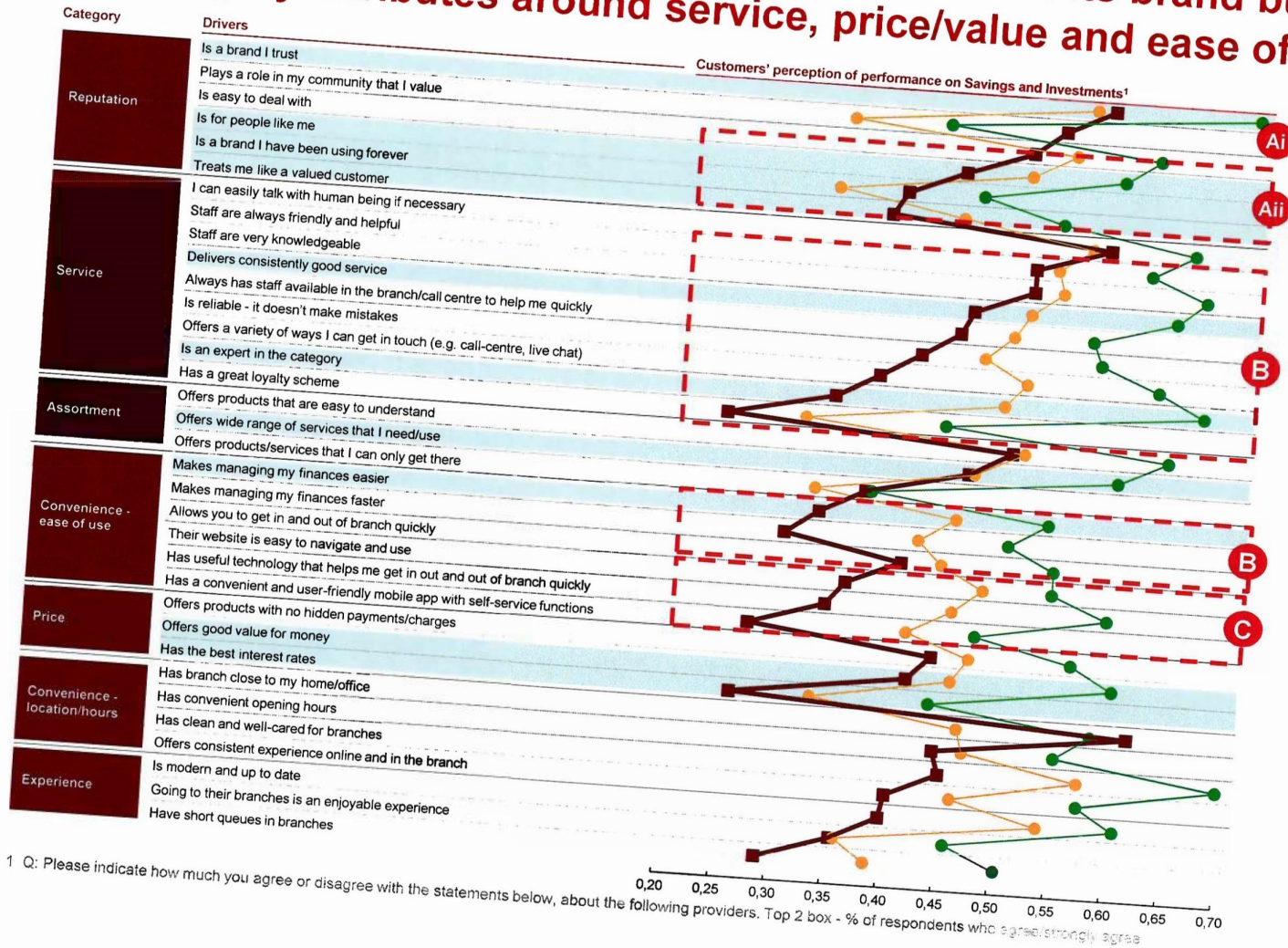


6 However, it is more mixed on credit cards and loans, struggling with perceived expertise, ease of use and rate perception



- Top 5 driver of consideration and NPS, loans & credit cards
 - Post Office N = 546
 - Competitor Avg N = 906
 - Max Competitor (NatWest, Barclays, Tesco's, Sainsbury's, Lloyds) N = 353
- POL has more mixed performance in credit cards and loans:
 - A** POL does well in brand attributes, service, and overall value for money
 - B** POL struggled with perception of expertise, perception of rates, and ability to make finances easier. This may be because...
 - C** POL performs badly across all online drivers under "convenience/ease of use"

6 In savings and investments, POL benefits from its brand but underperforms on core category attributes around service, price/value and ease of use

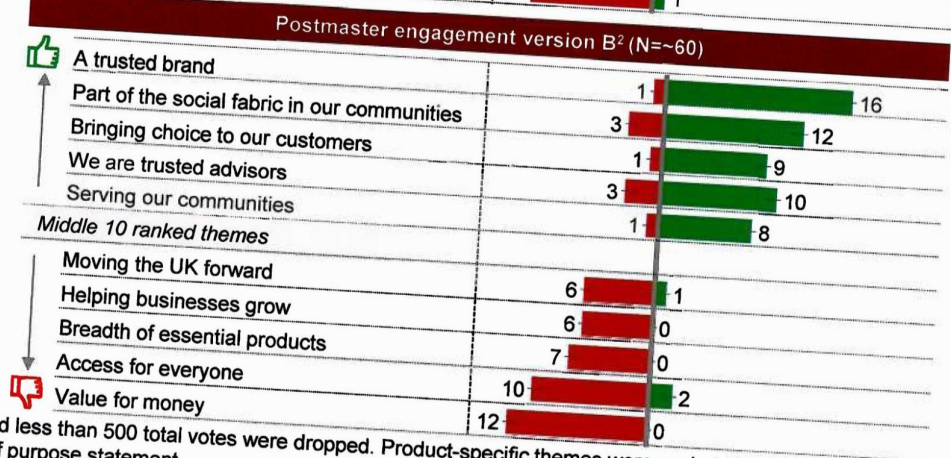
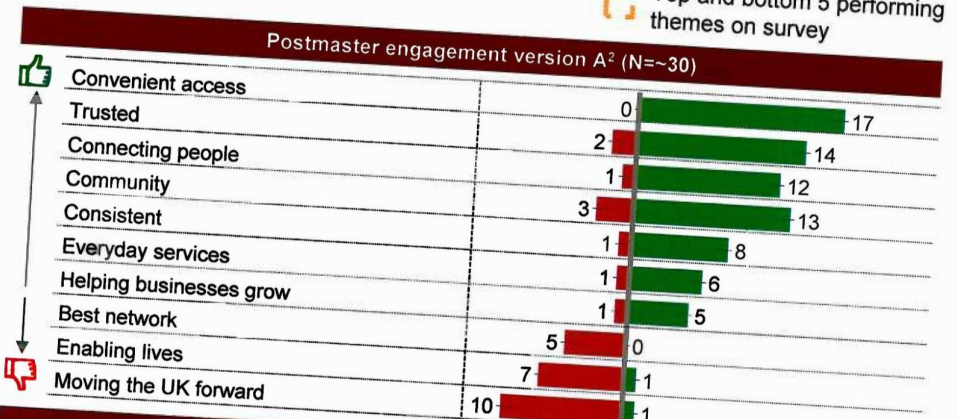
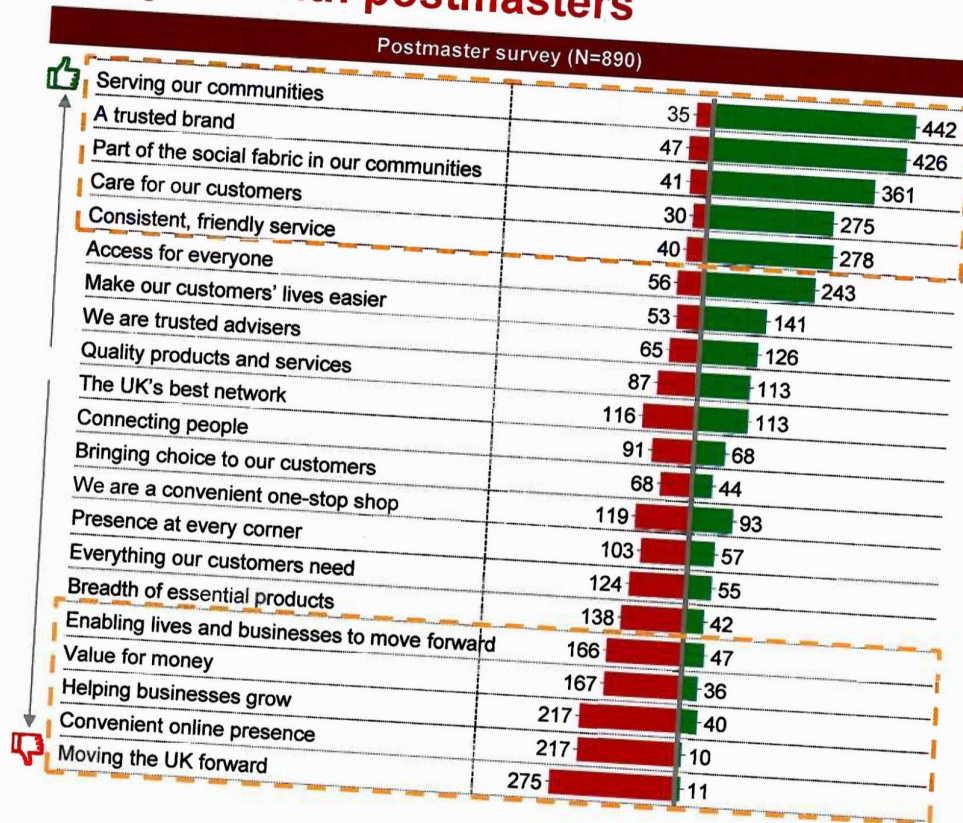


Top 5 driver of consideration or NPS, savings and investments

- Post Office N = 471
- Competitor Avg N = 1,008
- Max Competitor (NatWest, Barclays, Tesco's, Sainsbury's, Lloyds) N = 394

- Ai** POL largely performs well on trust and community...
- Aii** ... but less so on personal relevance
- B** However, it is below average on almost all service drivers, expertise and making finances easier, and being modern and up-to-date
- C** As with credit cards, online performance perceptions are low

Themes of trust, community, and convenience topped surveys and quantitative analyses with postmasters



- 1 Survey question asked respondents to select top and bottom themes from a list of 48. Themes that received less than 500 total votes were dropped. Product-specific themes were excluded from top and bottom five (e.g., "All of our customers parcels needs") for a product-agnostic and future-proof purpose statement.
- 2 Themes presented during exercises at curry nights with postmasters were modified mid way through the engagement based on earlier feedback and to test new/ different themes. In version B, the themes matched the themes presented in the postmasters survey.

Takeaways from what we have learned from postmasters

	Theme	Detail
A	Positive sentiments with broad agreement	<ul style="list-style-type: none"> Postmasters have strong relationship with community Cash and banking services are increasingly important Demand for convenient products and services
	Negative sentiments with broad agreement	<ul style="list-style-type: none"> Inconsistent services across branches is confusing Customer awareness is low Quality of some third party services is poor Infrastructure for postmasters is not robust
	Topics with differences of opinion	<ul style="list-style-type: none"> Digital and automation reception widely mixed Postmaster priority shifting toward retail focus Regional needs vary
		<ul style="list-style-type: none"> View themselves as an integral part of the communities they serve Fiercely dedicated to their job and committed to local community Banks closing high street branches is bringing more business to the Post Office Flexible cash access still necessary in some areas Drop and go, banking services offer convenience to ecommerce sellers and SMBs More opportunities to delivery new products and convenient services to customers Internal branch format classifications are not known to end customers Online branch finder needs improvement for a better customer experience Many customers are unaware of full suite of products/ services offered by Post Office Poor quality reflects negatively on the Post Office brand and postmasters Lack of dedicated in-branch support is a pain point for postmasters Postmasters do not have all the tools they need to be successful Horizon system has poor user experience and prone to costly errors for postmasters Some postmasters recognise benefits and view new technology as helpful tools to reduce wait times and improve customer experience SSKs are not useful or value proposition is not clear to some postmasters Postmasters have differing views on priority of Post Office vs their retail business, with a trend toward the latter and expect POL to drive footfall Rural postmasters, especially those operating outreach branches, view access to vital services as the most important role for the Post Office Urban postmasters expect convenience and fast service for their customers, and demand innovative products

What we heard

"Trust is critical. Everyone uses us because they trust us."

"Most of the banks around us have closed... Lloyds, Barclays; they're all gone. The banking services and access to cash are a lifeline to people."

"At least one person per week comes in with a biometric form, but we don't do that service."

"Three months in I had lost close to £1,000. I almost gave up on the Post Office."

"The SSK takes up too much space, and I lose the opportunity to upsell."

"I still feel proud of providing the Post Office service, but it's not sustainable. I make more selling a Mars bar than from someone making a £5k deposit."

"We're going to get left behind if we don't innovate."

SOURCE: Notes from direct conversations with postmasters; insights from surveys to postmasters and Post Office employees; McKinsey analysis

Strategic multiples partners' high-level view on POL purpose



- Strong alignment with Post Office **community mission**
- **Trusted brand** with a long heritage
- Cash and banking business, online returns very strong



- Opportunity to **simplify product and service offering**
- Significant **management overhead** with Post Office
- Biggest threat to POL is moving too slowly; inability to innovate



- Feel POL plays an **important role in society**
- Recognise **face-to-face interactions** are vital to maintaining a functioning, healthy community

- **Unsure about relevance of POL in the future** – operating in structurally declining markets
- Do not see value in POL approach to automation
- **Training burden is significant**

WH Smith

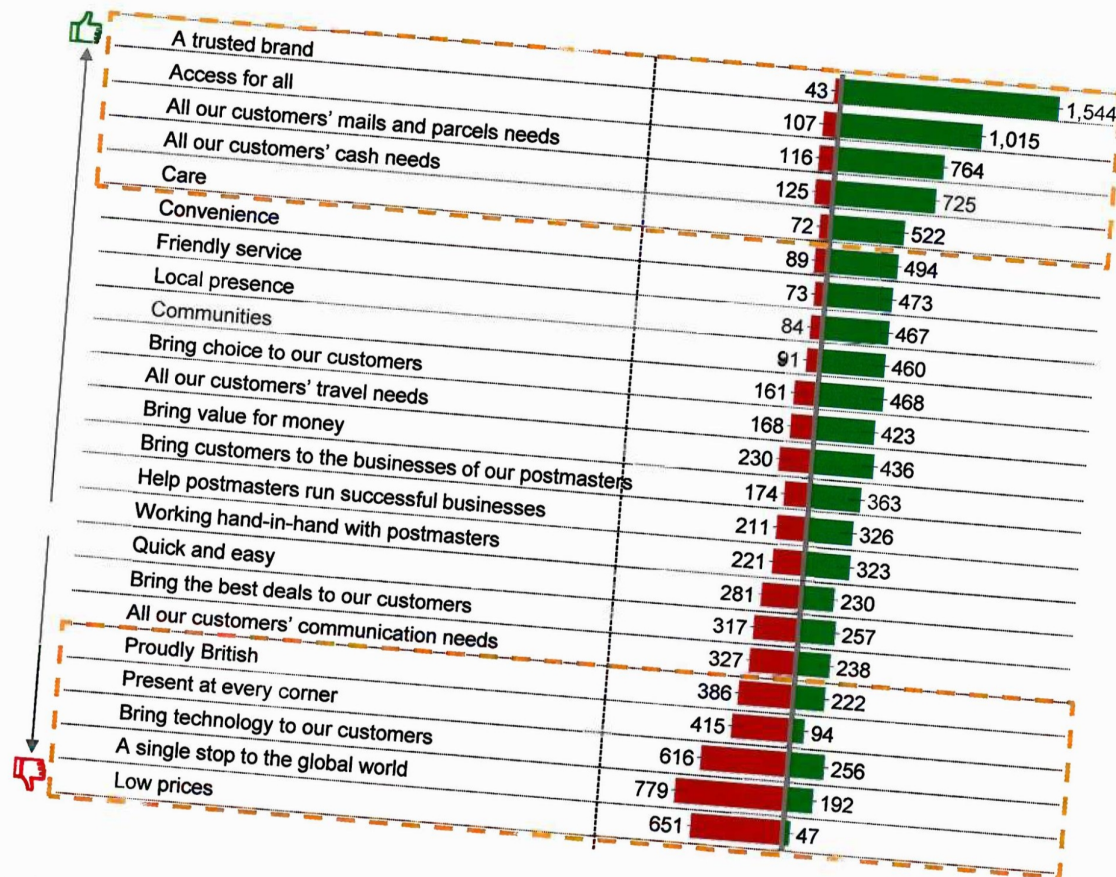
- POL is an anchor on the high street; **valuable footfall driver**
- Very **bullish on automation** as a means to maintain POL viability
- Growth in online returns and business banking services

- Post Office adds complexity; cash on hand **adds risk**
- **Living wage and rising costs** making PO unsustainable
- Want to expand PUDO, but **exclusivity is a burden**

SOURCE: Notes from direct conversations with multiples partners' leadership; McKinsey analysis



OHI analysis: Purpose theme ranking exercise¹



Top and bottom 5 performing content

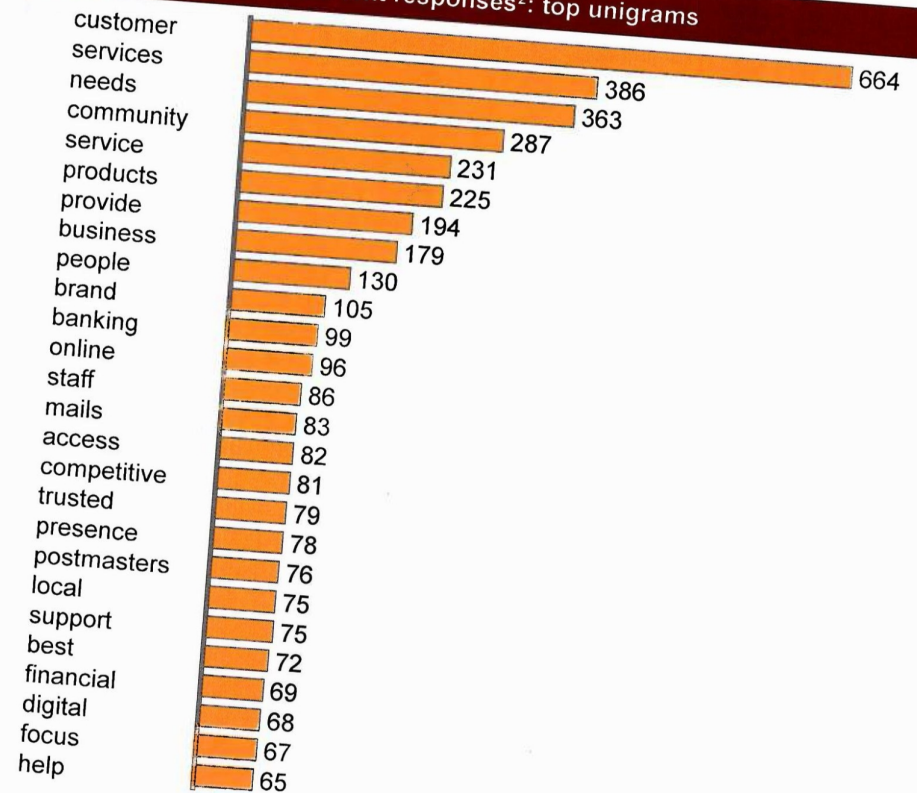
¹ N=1770; Survey question asked respondents to select top and bottom themes from a list of 48. Themes that received less than 500 total votes were dropped. Product-specific themes were excluded from top and bottom five (e.g., "All of our customers parcels needs") for a product-agnostic and future-proof purpose statement.
SOURCE: McKinsey analysis; OHI survey data.

Results from purpose questions on OHI survey

Word and phrase cloud¹



Free text responses²: top unigrams



¹ Word and phrase cloud generated from top trigrams, bigrams, and unigrams, curated for consistency and clarity, and weighted relative to sample size. Note – some words appear more than once with presence in bi and tri grams.
² N=1770; Free-text responses to the OHI survey; analysed frequency of n-grams with common English stop words removed (e.g., of, the, and);
SOURCE: McKinsey analysis; OHI survey data.