Networked IT services play a key role in national postal service transformation

Network outsourcing, best practice sharing, and innovative technology-based solutions help drive forward Royal Mail’s renewal plan

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Group CIO
Royal Mail

Executive summary

The Royal Mail Group’s three-year renewal plan aimed to improve service to customers, make Royal Mail a great place to work for its people and prepare the company to face up to increasing competition. A key element of this was the outsourcing of non-core services, including its entire networked IT services infrastructure. A contract was placed with the Prism Alliance: a consortium comprising CSC, BT and Xansa.

Under that contract, BT provides and manages networked IT services with responsibility for the seamless migration of Royal Mail’s inflexible legacy network to a state-of-the-art IP VPN with broadband access. That critical role within the Prism Alliance saw BT make a significant contribution to overall first year savings of £24 million. Network performance has increased, improving system response times and delivering productivity gains.

But, crucially, the fact that for two decades BT has experienced the continuing liberalisation of its home market – a process now emulated right around the world – means that BT is able to help Royal Mail successfully navigate its way into the future, as the UK postal market is opened to full competition from 1st January 2006. Joint plans and business-based technology innovation are just two tangible dimensions of this co-operative transformation programme.
Case study

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Marketplace
Royal Mail Group employs over 196,000 people in four principal operating divisions with a combined annual turnover of over £8 billion. Every working day Royal Mail collects, sorts and delivers around 84 million items to 27 million addresses across the UK. Each week 28 million customers make 43 million visits to the network of 14,600 Post Office® branches, which offer over 170 products and services. Annually, the European and domestic parcels businesses, General Logistics Systems and Parcelforce Worldwide, deliver over 285 million items.

With full liberalisation of the UK postal services market taking place from 1st January 2006, Royal Mail is reinventing itself to be successful as a commercial business and be the postal operator of choice for customers in an open competitive market. Royal Mail’s vision is to be demonstrably the best and most trusted mail company in the world, and technology will play a key role in helping achieve this. Underpinning the business is one of the largest networked IT services infrastructures in the UK and the company plans to continue to embrace new and emerging technologies to stay ahead in the increasingly competitive market in which it now operates.

Business opportunity
Royal Mail’s three-year renewal plan was aimed at getting the company fit for competition by driving up quality of service and engineering a return to profit, in order to enable new investment in its people and infrastructure. A key element of the plan was to concentrate management effort on its own core business. To help enable this, Royal Mail implemented a policy of selective outsourcing of non-core services and – against this backdrop – it invited proposals for a partnership to manage its extensive networked IT services environment.

After a comprehensive adjudication against predetermined selection criteria, the Prism Alliance – comprising CSC, BT and Xansa – was selected for the ten-year contract. Although CSC holds prime contractorship on behalf of the Prism Alliance, Royal Mail was keen to maintain an evenly balanced relationship with all three parties, ensuring that the value of existing long-term relationships with both BT and Xansa would be reflected in the commercial structure of the Prism Alliance.

When the contract was signed, Adam Crozier, Royal Mail’s CEO, said: “This is a great deal for Royal Mail and a great deal for our people. It is a vital component in our renewal plan in terms of reducing costs and giving us the information technology services that we need to make Royal Mail a great company.”

As well as providing immediate investment in new technology coupled with year-on-year overhead reductions, a key requirement was for the business to move away from a fixed cost network infrastructure. David Burden, Group CIO at Royal Mail, explains: “It is very difficult to predict with any certainty what will happen in the postal industry, therefore it was imperative to achieve variability of costs geared to the changing needs of the business. The achievement of that objective was to be one of BT’s most significant contributions.”
BT solution

The Prism Alliance is responsible for Royal Mail networked IT services ranging from the provision of voice and data services, data centre infrastructures, and desktop computing to the management, development and support of more than 600 business applications. An end user helpdesk provides a day-to-day interface and ensures that service excellence is consistently delivered.

A critical early task for BT was the seamless transformation of the Royal Mail’s fixed cost leased line-based legacy network – which covers more than 1,500 sites and in excess of 40,000 active connections – to an IP-based multi-protocol label switching (MPLS) virtual private network (VPN) with broadband access.

This complex, wide-ranging programme took just 18 months, and was achieved without any breaks in service. Steve Lucas, Head of Service Development at Royal Mail, says: “BT account management and customer service is as good, if not better, than any other IT services company we do business with.”

The new infrastructure provides Royal Mail with a platform that will enable it to consider the deployment of new applications such as IP-based video conferencing, IP-based closed circuit television (CCTV) and voice over IP (VoIP). These converged applications will capitalise on the capabilities of the new network and deliver additional business benefit to Royal Mail.

But, in technology terms, this is just the beginning. Royal Mail is seeking innovative solutions to improve and streamline its business, and BT is making a significant contribution in this area. For example Royal Mail and BT are looking at technology-based ways of better measuring quality of service to customers and improving processes at the customer interface.

Tim Carroll, Head of Relationship Management at Royal Mail, puts that into perspective: “BT has a very clear understanding of our business and is more proactive than any other IT supplier in coming to us with innovative ideas on a commercial, technical or business basis.”

Another important aspect of the outsourcing agreement was the transfer of 1,735 people from the direct employment of Royal Mail to the Prism Alliance partner companies including BT. This was very effectively conducted under Transfer of Undertakings (Protection of Employment) regulations, often referred to as TUPE.

David Burden says: “The people aspects of this transformation were of significant importance to us and we were keen to engage partners such as BT with complementary values who were prepared to invest in our people. It was important to retain the years of valuable experience of the former Royal Mail staff, yet manpower reductions were inevitable. This arrangement allows people to be flexibly utilised and redeployed on other projects within world class technology companies without the need for Royal Mail redundancies.”

Results

As a key member of the Prism Alliance, BT has made a significant contribution to an overall 20 per cent reduction in Royal Mail IT operating expenditure and first year savings of £24 million, exceeding the cost benefits projected in the Royal Mail business case.

The network transformation has also delivered significant performance improvement. David Burden comments: “In terms of day-to-day performance levels there has been significant and tangible improvement in network reliability with availability increasing from 99.7 per cent to 99.85 per cent. The whole transition process with BT has been very smooth.”

With that improved network performance comes faster system response times, contributing to productivity gains by providing Royal Mail people with business applications that react more quickly and are usable for more of the time.

But there is another, more far reaching, dimension to the relationship between BT and Royal Mail. It was two decades ago that BT was privatised and, since then, it has experienced the paradigm shift of continuing market liberalisation and advancing regulation. That UK-originated model has now been emulated right around the world, and many companies have come knocking on BT’s door to learn first hand of the problems and opportunities it presents. Royal Mail is now facing the opening of the UK mail market to full competition from 1st January 2006, ahead of the markets in most other European countries.

Steve Lucas says: “BT’s pivotal role within the Prism Alliance means that it is able to help us navigate our way into a liberalised future. It freely shares its experience with us and is providing Royal Mail with invaluable advice on our business transformation programme. The joint plans that we are developing and business-based technology innovations are just two tangible dimensions of this co-operation.”

Why BT?

• A trusted brand with a reputation for service excellence
• Compatible people values, heritage and culture
• In-depth understanding of the Royal Mail business
• Proactive approach to technology innovation
Case study

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Technology blueprint

BT provides and manages a raft of networked IT services – including managed WAN/LAN, fixed voice, internet and firewall technologies, secure remote access, wireless voice and data solutions, contact centre technologies, PBX management services, and associated second and third line help desk support.

Under the outsourcing agreement, BT transformed the Royal Mail legacy network to a state-of-the-art virtual private network (VPN) based on IP technology with broadband access. At its core, the new Royal Mail network is based on the BT IP Clear MPLS service, which provides flexible and scalable any-to-any connectivity between sites, reducing the expense associated with reconfiguring and managing connections between multiple networks.

Broadband ADSL access was used to extend the network to smaller sites, the LAN infrastructure at key locations was upgraded to support converged services, and there was a large-scale deployment of managed routers. The scale of the project was significant and on its completion the BT team had provided:

- 428 IP Clear circuits
- Ethernet LANs at 160 sites, replacing legacy Token Ring technology
- Broadband access at 1,320 delivery offices, replacing costly ISDN circuits
- 1,700 managed routers

The BT IP Clear MPLS service is available with a wide range of access speeds up to 1Gbps and is fully managed by BT with inbuilt security and resilience measures. It supports the delivery of converged services, providing the opportunity to reduce infrastructure and administration costs.

Main BT products & services

- Managed wide area network utilising the BT IP Clear MPLS service to provide IP VPN data and voice services
- Broadband access to the wide area, and Ethernet local area networks
- Internet and firewall technologies, secure remote access, mobile and wireless voice and data solutions
- Contact Centre technologies and PBX management services
- Second and third line help desk support