

THE FOUR STEPS TO MANAGE RISING POSTAGE COSTS FOR THE IBM I ENTERPRISE

A UTILITIES 400 WHITE PAPER

APRIL 2012 / JUNE 2013



NOTE:

The following is intended to outline how UK business running their enterprise on the IBM i can improve efficiencies and save costs through our own general product direction. The same principles can be applied to businesses in different regions but associated costs may vary. This document is intended for information purposes only. It is not a commitment to deliver any material, code, or functionality.



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Executive Overview

During these austere times, the increase in postage costs is an unwelcome consideration for an enterprise looking to lower their operational costs. Businesses have found themselves in a position where they have three choices:

- a) Absorb the increase in costs (or pass the costs on to the customer)
- b) Switch from first class post to second class
- c) Adopt a new method of delivery

This whitepaper explores these issues and options available for an enterprise running on IBM i. In addition it recommends a path forward through integrated solutions and services that can save the business time, money and resource, year on year through taking four logical steps:

- i) **Review** your document distribution requirements
Understand what documents require what postage service
- ii) **Rationalise** your post process
Introduce a franking system to save postage cost
- iii) **Reduce** your printed post
Where appropriate, distribute content digitally in a format of choice
- iv) **Replace** your internal post systems
Use a hybrid service that will take ALL content and post where appropriate and deliver digitally where appropriate

Each step earns greater levels of savings in costs, autonomy and resource. This whitepaper will discuss each and present examples of customers who have deployed these solutions.

Utilities 400 are a premier software house and IBM business partner dedicated to the development of products and services designed to efficiently enhance an enterprise running on the IBM i platform. Utilities 400 are committed to delivering smart solutions including integrated content management and distribution systems for the automated means of creating, storing and delivering documents and content.



Increased Stamp Costs

On Tuesday 27th March 2012 Ofcom removed the barriers for postage pricing resulting in the largest whole sale rises in postage costs for over thirty years. This decision paved the way for Royal Mail to set their own pricing for stamps. The Royal Mail's chief executive, Moya Greene explained, "We know how hard it is for households and businesses when our economy is as tough as it is now. No one likes to raise prices in the current economic climate but, regretfully, we have no option."

As such, on April 30th 2012 we'll see an increase the cost of first class prices by 30% and second class by 39%. This means a price rise for first class from 46p to 60p and (even capped by Ofcom to a maximum of 55p) second class post will rise from 36p to 50p. Prior to the March announcement, the biggest price increases were in 1975 when first and second class costs rose by 55% and 58% respectively.

The reasoning behind this is to make the business more attractive to investors or potential buyers. In the last four years, Royal Mail has seen its mail collection and delivery unit lose nearly £1bn. An increase in profits driven by higher stamp income may make the business a better buying proposition.

Effect on Business

The decision was met with derision from all sectors. One such opponent of the move was The Greeting Card Association who explained fewer envelopes could be hitting doormats next Christmas. "We think this could affect Christmas quite dramatically," said the GCA's chief executive, Sharon Little. Ian Murray, The shadow postal affairs minister, said the price increase would go beyond those wishing to send occasional mail and hit millions of businesses and charities.

More than 85% of the Royal Mail's revenue comes from businesses sending bills, statements and marketing material by a mix of first and second class post. Phil Orford, Chief Executive of the Forum of Private Business (FPD) believes these changes will be bad for business. He explains that the decision may lead to a move on behalf of the small enterprise to save costs by sending post previous bound for first class mail, to second class, "In turn, this will fuel the increase in costs of first class stamps as fewer business are using the 'premium service.'"

It is forecast that the price increase will lead to an upsurge within second class mail use resulting in a service bottle neck and slower delivery times. This in turn will result in an increased gap between the service capabilities of the SME who may transfer from first to second class mail and large enterprise who may decide to absorb the costs.

John Walker, chairman of the Federation of Small Businesses, takes a similar stance, "Rapidly raising stamp prices now will be bad for business. "With small businesses and consumers being hit by rising costs, this has come in at a time when they can ill-afford."



Countering the Cost

The simple conclusion of the Royal Mail price increases is that businesses who continue to distribute documents via their current method will see a rise in costs. With the announcement of the UK entering a second recession on 25th April, this option is not palatable to business looking to increase efficiencies and lower costs.

The simple option would then be to move all first class post to second. While this method has merit, it is not without its flaws. First, Businesses should be aware that mail being sent second class can take up to three days to deliver while first class post should be delivered within 24 hours. With the expected explosion of second class use, delivery times may take up to a week.

With some documents, this additional time to deliver may not prove to be a problem but there are further considerations such as brand prestige and quality of delivery service.

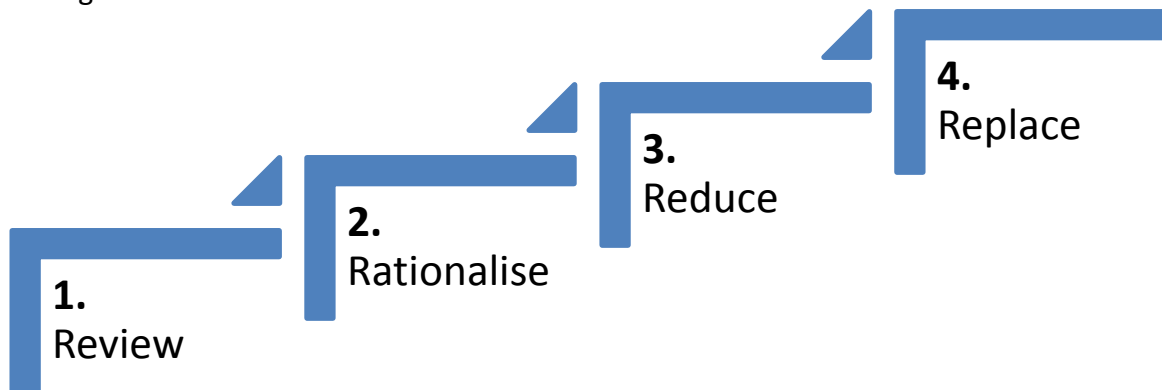
Ideally, business should look to replace the need to post documents (as much as possible) and/or introduce a hybrid means document distribution.

Fortunately there are technologies and methods that allow business to reduce their overall postage bill and indeed, reduce their reliance on the post. These four steps are progressive steps towards intelligent, automated distribution that provide huge ongoing savings to businesses.



The Four Steps

Fortunately there are technologies and methods that allow business to reduce their overall postage bill and indeed, reduce their reliance on the post. These four solutions are progressive steps towards intelligent, automated distribution that provide huge ongoing savings to businesses.



- i) **Review** you Document Distribution Requirements
As discussed earlier in this document, in many cases first class post isn't required. Consider reviewing your document postage requirements by day, week, month and quarter. You'll find that there is a pattern against what documents are created, when and what service they are put on (first or second class).

It could be that your weekly invoice runs and monthly marketing mailers are delivered via first class post. Would these be better suited to second class post and if so, how much money would this save the business per annum by making this switch?

By simply moving from First to Second class can save a business about 10p on every letter sent, saving a business more than 25% per annum.

A review of requirements and subsequent change is quick to implement and can provide immediate gains in savings (if prestige and delivery times are not a priority) but more significant saving would be gained through moving to step two – Rationalise.



ii) **Rationalise** your Post Process

For businesses still using stamps to send out their mail, there is a more convenient and cheaper alternative - franked mail. Franking machine users currently receive a discount on every item of mail sent, saving at least 7p on every First class letter, 8p on every Second class.

According to Neopost, franking discounts are a growing opportunity. By keeping the price of franked mail low, smaller businesses are able to afford to send out more post and help generate much needed business.

Currently, for a business sending 15 items of mail a day, a franking machine is an affordable option, as the postal savings will offset the rental and running costs of the franking machine.

While rationalisation from stamp to franked mail is a logical step towards lowering costs, ideally businesses should be looking at reducing their post use all together through creation, distribution and management of electronic forms. We'll look at this in the next step - Reduce.

iii) **Reduce** your Post Requirements

While franked mail will save money on physical mail, wouldn't it be better if we could reduce the need to post as much as is humanly possible?

A content management solution replaces paper-based processes with electronic procedures, eliminating the printing, posting and manual filing of paper documents.

Creating and using electronic forms through a content management system will create the clearest postage savings of all steps and should be a priority to the enterprise that spends anything over £5,000 per annum on their postage requirements. When you consider that annual spend on postage also includes printers, consumable, paper, administrative resource and packaging, it doesn't take long for the adoption of such a solution to make sense.

Many of Utilities 400's customers are benefitting from an integrated content management and distribution solution for their IBM i enterprise. Historically, this has created significant cost saving from a reduction in stationery, postage costs and employee time, with the ROI only expected to be improved further with the forthcoming increase in postage cost.



Emailing is the cheapest and fastest way to deliver documents. Each and every month, a business could spend thousands on the postage and handling of document these include statements, invoices, remittances, sales and purchase orders, delivery notes and marketing literature. By using a content management solution to create and send these documents in a PDF via email saves both time and money.

Another key area in which a content management system can save costs through a reduction in paper and postage is through the creation and distribution of reports.

A content management system such as RouteOne and ProFiler by Utilities 400 will provide the IBM i enterprise with these saving through automated electronic form creation, distribution and collation.

Content management software not only cuts paper and post use, making good environmental sense, it also makes good business sense, forming a convincing proposition for any type of organisation.

iv) **Replace** your Postage Systems

While a content management system will reduce a business's reliance on paper and post, there will still be certain documents and reports, customers or suppliers that demand distribution via the postal system.

The associated internal resource, consumables and administration costs are still applicable. In addition, depending upon the amount of paper created and volume of postage required, this may add more than 5 pence per consignment on top of the original postage costs.

To eliminate paper/post production a hybrid mail solution should be incorporated in parallel to the content management system.

One such system that integrates seamlessly with Utilities 400 is imail from UK Mail. imail is the UK's leading hybrid mail solution that provides a complete solution for printing, producing and delivering mail. By using this hybrid service businesses could potentially reduce the costs associated with mail services in a significant manner.

Hybrid systems removes the need for franking machines and stationery providing cost savings of up to 65%.



A Practical Example of IBM i Content Management

ARAMARK UK is one of the UK's largest contract caterers providing food services to many clients in Business and Industry. They operate in most industry sectors and pride themselves on delivering a first class service. ARAMARKS' ERP software, JD Edwards runs on a centrally located IBM i. They have a number of regional offices, each responsible for providing financial information to the global HQ, their customers and suppliers.

Each month, ARAMARK faced the mammoth task of manually creating this financial report from a 5,000 page spool file. This process was time consuming and expensive as it involved reams of paper being printed and manually split in the regional offices, then the reports posted to (or collected from) the relevant business unit. It took, on average, 8-9 days to produce, revise and finalise this information and a further day to deliver it to the correct person, department, partner or customer.

An alternative was required. Not only were the reports unprofessional but production was time consuming and resource intensive. More than this however, the process was extremely expensive due to the large use of paper and considerable use of the postage service.

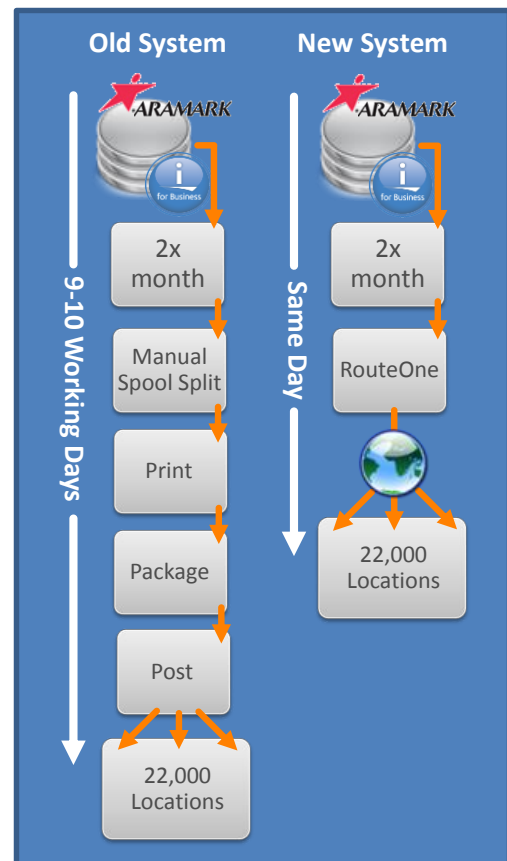
To counter this, ARAMARK invested in RouteOne, an IBM i content management system from Utilities 400.

Now, the spool file report is automatically generated and intelligently split overnight, a process that takes less than two hours. RouteOne then transforms the report to a professional PDF and distributes the many thousands of recipients via email.

As well as the considerable time benefits, additional benefits include a major reduction in costs through the freeing up of expensive labour resource (all steps now being automated) and a significant reduction in printing and postage costs. Return on investment was completed within a couple of months.

ARAMARK also replaced their postage requirements in different areas too. Pre-printed forms (invoices, statements, orders, etc.) are now created digitally and distributed electronically. Financial reports are transformed from database and spool files to XLS and emailed/FTP automatically. Integration with customers/suppliers is achieved through sending XML while RouteOne also handles ETL procedures to external databases such as Oracle, Access and SQL.

Since going live, ARAMARK implemented ProFiler for offline storage and retrieval of content such as scanned media and other data formats including XML, XLS and PDF.



Conclusion

In today's competitive environment and with the rise in delivery costs, the modern enterprise on the IBM i needs to be smarter in its choice of extraction, transformation, storage and distribution use.

This white paper illustrates the way in which a business running their enterprise on IBM i can not only counter the rise in postage costs but save costs while simultaneously improving processes and increasing green credentials.

The four steps provide a compelling path to competitiveness.

About Utilities 400

Utilities 400 are Bolton based software house and industry leader in developing data on demand and integration solutions for the IBM i. Our innovative products seamlessly integrate into existing business processes so that key business information can be delivered quickly, reliably and efficiently into multiple applications across multiple platforms as and when required.

They've helped hundreds of businesses on the IBM i with many enterprise requirements: Automated data transfer to and from iSeries and all major formats and databases.

- Real-time, web-based business intelligence WITHOUT 'per-user' licensing.
- High Availability, Disaster Recovery and Archiving.
- Transaction processing via browser.
- Automated reporting.
- Focused marketing via email, SMS and Web.
- Document Management and Distribution with creation of electronic forms/reports/spread sheets from spool/database files.
- GUI Modernisation.
- Workflow Automation and Document Management.



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AUTHOR: ANDREW D. NICHOLSON



Utilities 400 Ltd.
Churchgate House
Churchgate
Bolton
United Kingdom
BL1 1HS

Worldwide Inquiries:

Phone: +44 1204 388 883

Email: anicholson@uti400.com



iMail is part of UK Mail Group PLC
Email: imailenquiries@ukmail.com



Neopost Franking solutions
Phone: 0845 880 0000

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