Royal Mail to invest around Â£1.8 billion in UK over five years

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As part of its five-year strategic plan, announced today, Royal Mail is investing around £1.8 billion over five years in the UKâ€™s postal service.

The £1.8 billion investment programme will focus on customer service improvements, digital initiatives, network enhancements and new ways of working to deliver more productivity and efficiency. This initiative will help fund the UK's Universal Service. The planned investment brings to almost £4 billion the amount Royal Mail has invested in the UK since 2013, the year of its flotation, when it became one of the most widely-held FTSE stocks.

To support the delivery of its strategic goals, including the investment to transform the UK business, Royal Mail is rebasing the dividend and changing its dividend policy. This is not a decision taken lightly as we understand how important the dividend is to our shareholders. The Company has sought to find the appropriate balance between investing in the future sustainability of our business and shareholder returns. [1]

As part of the plan, the Company is introducing a second delivery for parcels that will expand in line with demand and be fully operational by 2023. This second delivery will consist of Next Day parcels, typically purchased online from retailers the evening before, and larger items more appropriate for van delivery. In many cases, the delivery will be less than 24 hours after the order is made. Customers will continue to receive a delivery of letters and all other parcels earlier in the day via Royal Mail's network of postmen and women. The move comes at a pivotal time for UK online retail. Royal Mail's analysis indicates that Next Day parcels are expected to significantly outpace growth in other delivery time categories. This initiative will help facilitate that growth.

Delivery in less than 24 hours is in tune with the "night owl" shopping phenomenon. Smartphone night shopping has increased by 33 per cent in just one year[2]. Almost 80 per cent of consumers value a retailer who offers late order acceptance[3].

The separate processing and delivery of Next Day and larger items will generate a reduction for Royal Mail in the cost of handling parcels, including small items. It will make it easier for postmen and women to deliver their usual round as heavy, bulky items will no longer be

in their mailbag.

As part of the move to a second daily delivery, three new fully-automated parcel hubs will be built, representing a significant investment in the regions in which they are located.

The Company has had preliminary discussions with the CWU and is committed to working collaboratively on the strategy, detailed design and deployment, including a trial for separate van delivery.

In another plan element, Royal Mail will collect returns from customers at their home, including both consumers making returns and small marketplace sellers fulfilling sales. Royal Mail will also offer a range of in-flight redirection options where consumers are not going to be at home when their parcel is scheduled to arrive. The value of online returns is expected to increase by more than 27 per cent over the next five years4. Royal Mail has already announced this week that it will introduce 1,400 parcel postboxes across the UK over a six month period, starting in August 2019.

Source: Royal Mail

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