

**Post Office Network Transformation Inquiry  
Written Evidence from the Association of Convenience Stores**

1. ACS (the Association of Convenience Stores) welcomes the opportunity to submit evidence to the BIS Select Committee Post Office Network Transformation inquiry. ACS represents 33,500 local shops, 4,000 of these include Post Offices. Most other stores in ACS membership include some form of service offering which may compete with and/or be complimentary to Post Office services.
2. ACS recognises the need for Post Office reform and supports efforts to create a successful and sustainable network which benefits Post Office Ltd (POL), retailers and the communities they serve. However, if the network transformation project is to be successful it is important that POL works with retailers to ensure the models, and the operational implications of running them, are able to provide a comprehensive and attractive package for retailers.
3. This evidence sets out:
  - Support for Post Office modernisation
  - ACS role and approach to the new models
  - Progress to date and areas still to be resolved

Modernisation

4. ACS has welcomed the £1.34 billion investment in the Post Office network and the commitment that there will be no programme of Post Office closures under this Government. The Post Office network provides important services to communities across the UK, and is widely valued by its customers.
5. ACS supports the efforts POL have made in recent years to modernise the network. We believe the changes to the network are important to ensure that the Post Office can compete and succeed on the open market, and continue to provide essential services across the UK.
6. During this time, we have been working to ensure that policy development surrounding Post Offices takes account of the current profile of the Post Office network and the development of related services. Therefore, we believe it would be useful to provide a brief overview of the relationship between Post Offices and local shops.
7. Small stand-alone Post Offices are now rarely profitable and have closed both through national closure programmes and through insolvency. Few professional retailers wish to purchase stand alone Post Office sites under the existing business structure. This led to a trend of Post Offices increasingly being situated within a retail shop. Brought into a wider retail offer, Post Offices can make an important contribution to convenience stores. As well as offering remuneration on transactions, Post Offices can bring customers into the store and this footfall can generate additional income for retailers. The new Local and Main models aim to build on this and make the Post Office offer more successful, accessible and attractive to both retailers and customers.
8. However, the development of the Post Office in convenience stores cannot be viewed in isolation. In recent years, we have also seen the growth of other models which offer

some of the services traditionally only available through Post Offices. The mechanism for executing bill payment services, for example, outside of Post Offices (usually through one of two companies, Paypoint or Payzone) has been extended to other services such as London congestion charge payments. Other services such as foreign exchange, cash machines and money transfer are also offered in non-Post Office convenience stores through third party suppliers, and even mail services can be offered through third parties.

9. In this context, whether the Post Office offer is attractive to retailers depends on its commercial viability within this competitive market. We welcome the steps being taken to modernise POL, but must ensure that any changes to the operating structures do not result in small businesses having to subsidise the network.

#### ACS role and approach to the new models

10. The network transformation project aims to integrate Post Office services into the heart of the retail space by delivering Post Office services over the counter in stores through the Local and Main models. Given this, the needs of both must be recognised if the new models are to be both sustainable and attractive to retailers.
11. Several of our members have been involved in the operation of trials for the new models. While not all initially successful, POL has been working closely with retailers to understand and address the issues which have arisen. ACS will continue to work closely with POL and the Department for Business, Innovation and Skills on behalf of members, to ensure that the new operating models are a viable way forward for both retailers and the network as a whole.

#### Progress to date

12. ACS and our members welcome the level of engagement POL has shown towards retailers in recent months. We believe significant progress has been made in several areas, although we do recognise there are a number of issues still to be resolved. Below we have set out the key areas of on-going work which we believe are central to the retail success of the new models, and therefore the network transformation programme.
  - a. **Training.** During the early pilots, issues were raised with the breadth of training and the hours it was made available in stores. In light of this feedback, POL announced increased training for staff which is now available until 6pm. ACS and our members welcome this progress, however, given the nature of convenience retailing, and the number of part time staff employed in the sector, this still leaves many staff who work evenings and weekends unable to access this training. We would welcome further consideration of what measures could be introduced to ensure all necessary staff have access to Post Office training.
  - b. **Business support.** Following from above, members have also highlighted concerns over the operating hours of the Post Office helpline. Under the existing operating structure, Post Office services were delivered in core office hours, and therefore the support services were also limited to this time. The new models will see Post Office services being delivered around the clock, however the support services for businesses appear to have remained at the standard 9-5 operating hours. We recognise that POL has looked into this and, in response to feedback, has announced plans to increase the helpline hours from 8am until 10pm. While this is a significant step in the right direction, this will still not cover all hours that PO services will be available.

In particular, members have highlighted the need for support services to operate from the time that PO systems first come online, often at 6am, as if issues are to arise, these are often identified when the system is first turned on in the morning. Ideally, support services should be in place during all hours that Post Office services can be delivered, which could be 24 hours a day under the new models.

Retailers also identified issues with the current ~~fix time~~ for equipment if an error does occur. Currently problems are resolved within 48 hours, however this can cause significant disruption and dissatisfaction among customers during that time. Retailers would like to see this timeframe significantly reduced. We welcome the commitment given by POL that this will be looked at further, and we look forward to being updated in due course.

- c. **Product mix.** Designing the correct product mix that is right for both retail and customers is a difficult balance. ACS recognises the need to offer enough of the range so as to still be attractive to customers, however it is also important that products are easy for staff to understand and are not so complicated that they impact on transaction times. We would request that retailer feedback in this area is carefully considered, and that work to streamline and simplify existing products has active retailer input to ensure the products are suitable for delivery in the new formats.
- d. **Restrictions.** The Post Office network provides key services to the whole of the UK and is designated as providing services of general economic interest. Therefore it is permitted to impose certain restrictions on stores in order to maintain the network. However, with an increasingly competitive market for the services Post Offices provide, ACS believes the current restrictions policy need to be reviewed. We welcome the undertaking by POL to conduct a review of this policy, and understand that they are engaging directly with retailers on this issue. We look forward to the results of the review being communicated to all stakeholders in the near future.

In particular, the issue of payment of lottery commission is contentious amongst retailers. While POL has looked at this matter and proposed a permanent exemption for all new Locals, the technical reasons for granting this exemption can and should also be applied to all other Post Office models, and for those transferring to a Local. If not, the current policy will create a two-tier system which would penalise those retailers who have demonstrated continued support for the Post Office. ACS believes lottery payments should be removed as a condition for all retailers.

- e. **Technology.** Currently the Post Office Horizon system is not able to be integrated with standard POS systems in stores. As the new models aim to integrate Post Office services into the heart of the retail space, the ability to simply ~~plug in~~ Post Office systems would make delivery of the new models more straightforward and easy to use for staff. While we recognise there are significant obstacles achieving this, we would welcome on-going discussions as to how this may be delivered.
- f. **Provision of information.** There has been a regrettable delay in the provision of some important information regarding the trials and the cost savings the new models could bring to stores. In addition, the estimates provided do not always take into account the impact of the loss of core tier payment (for Locals), or the costs to retailers of refurbishing and equipping the additional retail space in their stores. While this latter point is not directly linked to the Post Office offer, it is a resulting cost for those who transfer to a Local model, and therefore a relevant factor to the viability of transferring to the new models.

ACS has been informed that more detailed information from the trials is currently being collated. Given the imminent roll-out of the new models, it would be

disappointing if a lack of information meant that some retailers felt they were unable to fully consider all the options available. We would welcome additional commitments to ensure this work is expedited and communicated to all relevant parties at the earliest opportunity.

- g. **Customer information.** Another area raised by retailers who have operated trials is that they are currently not able to take advantage of the additional Post Office hours as the majority of customers are unaware of the changes taking place in the network, and the benefits that the new models can bring. We welcome POLs commitment to support retailers in communicating this message more effectively, and would be happy to assist in this process where possible.
13. While there are clearly a number of issues still to be addressed, ACS recognises the progress which has been made in many of these areas, and looks forward to continuing to work closely with POL throughout the roll-out of the new models and beyond.

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