Delivery expert questions whether Royal Mail can survive on its own

ParcelHero founder Roger Sumner-Rivers says Royal Mail will struggle to pay for ugent improvements needed.

The London-based international courier ParcelHero says the news that the Government is to sell-off its remaining 30% stake in Royal Mail will free the company to make urgent investment in its ageing infrastructure. However it comments that the new company would be a ripe candidate for a take-over.

Industry expert Roger Sumner-Rivers, founder of international couriers ParcelHero, says: ‘This announcement looks to be good news for customers, who will benefit from the more commercial and competitive approach that Royal Mail will be able to make to the letters and parcels market. However, I question whether the fully privatised Royal Mail will be able to afford the urgent investment it needs; or whether it will ultimately need to find a buyer to secure its long term future.’

Roger warns that potential investors might not find Royal Mail shares to be as good a long-term investment as its current share price would seem. Says Roger: ‘ParcelHero have been warning for some time that Royal Mail faces some tough challenges, and these have not gone away. Royal Mail needs modernising urgently, its infrastructure is creaking; and the newly privatised company might find difficulty funding the urgent improvements needed. It has just reported a 4% fall in letter volumes, and - as the recent demise of Whistl’s door-to-door letters service shows - it’s extremely hard to make money in the postal market today; due to the ever growing rise in emails, e-cards, etc. It’s hard to make money in a business which has to deliver a letter to the Highlands and Islands for the price of a stamp.’

Roger says: ‘Perhaps even more significantly Royal Mail’s parcel business, Parcelforce, is not growing in line with the market, because of a lack of innovation and competitiveness. Its parcels revenue growth of just 1% is very disappointing in a fast growing market, and until Royal Mail becomes more responsive to customer needs we fear they will continue to be the laggard in a sector that grew by 9.5% last year.’

Roger adds: ‘Royal Mail has a long and proud history; but it needs to invest significantly and innovate faster.’ He cites a number of examples where Royal Mail needs to develop its offering more. ‘Click & Collect access points, 1-hour delivery slots and pro-active SMS notifications are all examples of innovations that are changing our market place. It’s hard to see how Royal Mail can go it alone and fund all of these urgent improvements’

Concludes Roger: ‘It’s ironic that the parcels market ParcelHero operates in is booming as a result of the growth of internet based e-commerce, but the same technology has effectively sounded the death knell for the traditional service Royal Mail once delivered. On the initial privatisation there was much criticism that the shares were undervalued. We might hear the same thing again with the remaining 30%; but only time will judge how good a long-term investment Royal Mail really is.’

Roger Sumner-Rivers is available for further comment. For more information please contact David Jinks, Head of PR, on david@parcelhero.com or by phone on 07772 055748. Roger Sumner-Rivers is available for further comment.