



Open platform solutions impart flexibility and save costs for posts

Although the postal industry is currently experiencing a period of change and evolution, developments in the market not only translate to new threats, but also significant opportunities.

All postal operators are facing the same problem: declining volumes in combination with fixed costs – a business model that will lead to a dramatic reduction in profits if there is no process flexibility. Another important trend is ongoing market deregulation, particularly in western European countries. This leads to considerable pressure for national operators that essentially can only lose market share in such a business environment.

On the flip side, new market entrants can only gain by moving into the postal sector, and are in the fortunate position of being able to cherry-pick the highest margin, easiest-to-process mail streams. Therefore, the embattled incumbent suffers a reduction in volumes and margins while new players enjoy tremendous growth, from almost nothing to multiple million items per day.

Automate to accumulate

Whether an original national postal operator or new market entrant, mail processing and automation go hand-in-hand in order to control costs, processing times and quality. However, automation comprises fixed infrastructure investments, facilities and resources, so how is it possible to design or adapt such systems in such a rapidly changing market environment?

The main challenge for national operators is that sorting has traditionally been based

on a bulk process. However, in the light of falling volumes, it naturally becomes harder to justify new, expensive investments in sorter equipment to fulfil the requirements of the changing business landscape.

For new postal operators, the challenge is somewhat different: how to create a bulk process without losing flexibility and without pushing up costs?

Fast reaction

Reacting to market changes, and reacting quicker than the competition, is clearly of vital importance. Political, environmental, social, technological, economical and legislative trends in the postal market require careful scrutiny to determine the best path forward. This is because the days are long gone when it was possible to buy a new sorter and use it for the next 15-20 years. The market is changing

continuously, legislation can change overnight, and new technologies and initiatives come and go in the blink of an eye.

In the past, the sorter supplier drove automation. The sorter was the most sophisticated, most expensive and most important part of the whole process. It was more or less the heart of the sorting function.



Today however, flexibility must be driven by the control software and platform level rather than the physical machinery. This means that the heart of the automation process is no longer the sorter, but the software platform.

There are several advantages to this approach. For instance, it's not only easier to change software than hardware, but far less expensive too. It also enables business innovation and experimentation, driving

a culture of continuous improvement. In addition, software ensures that extra or new OCR (optical character recognition) devices can be added to the platform with relative ease, along with other automated functionality such as stamp recognition or business reply mail. Further benefits include future proofing, ease of responding to changing customer demands, ease of adapting to new legal requirements, and supplier independence.

Open interface

Supplier independence is considered by most to be the assurance for low costs now and in the future. In fact, the key to the success of many projects is deemed to be the open interface of the software platform. Proprietary supplier interfaces have several disadvantages, not least increased costs. Furthermore, proprietary interfaces only work with modules from that specific supplier, a costly tie-in, while the integration of several components with different interfaces is complex and expensive. Unfortunately, experience shows

that suppliers often abuse this dependency, and only offer open interfaces at much higher prices.

In simple terms, open interfaces are desirable because they put the customer in control. The customer can decide who and what can be connected to the platform. If a supplier isn't providing the best value for money, the customer has the opportunity to choose another supplier. It is this pressure that leads to net savings.

So, what is meant by an open interface? Well, firstly, the customer owns the intellectual property rights (IPR) on the interface, although the customer and supplier often choose to co-own the IPR as this gives both parties the freedom to use the knowledge in future projects. Secondly, an open interface should be based on standard technology, while other factors include the potential to extend and add new functionality in the future without compromising the correct operation of existing system elements.

Optimising performance

An example of such a standard interface is the so-called CEN-interface, developed by the technical working group of posts under the auspices of CEN/TC331. Amongst other initiatives, this work has resulted in a standard for the open interface between machine control and reading coding devices (MR/RC interface) and is defined purposely for the growing demand of postal operators to combine parts of their sorting automation equipment from different suppliers in order to optimise performance.

The use of open interfaces such as CEN increases competition between suppliers and, in turn, leads to more competitive pricing. This is applicable to all parts of the sorter

process. Imagine the possibility of choosing freely between multiple vendors for each system component based on multiple factors such as performance and quality, not just price. It's clear that with this approach the customer is in control, determining best-of-breed solutions at a pace and price-point appropriate to business requirements.

Finally, there is only one factor left to tackle: ensuring independence of the platform supplier. Of course, there will always be some dependency, but it can be limited by making the platform as flexible as possible. To do this, posts should make sure the business logic can be changed and configured from the outside (via a script language or settings). Also,

keep the sorting tables separate and make sure they are used by the platform as an input file. Other desirables include no limitations on the amount of external devices that can be connected to the system, and the potential to keep all data retrieved from the process in a separate database. Last but not least, posts should make sure they own the non-exclusive user rights of the software and have the freedom to make copies for internal use.

Ultimately, although the market is going through dramatic change, this brings with it unique opportunities. With the right technical design choices, a flexible sorting process based on open platform software can fuel business success.