# Contract Monitoring Dynamic Baseline Proposal

November 2021

Royal Mail plc

## **Contract Monitoring Proposal**

The objective is to improve for customers the timeliness of the comparator baselines for price plans so they represent the same period to the customer measure i.e. dynamic baseline

- The baseline is the data set which determines what proportion of their volume customers on PP1, PP2 and PP4 need to send to each SSC. Customers have commented that as the data set ages, it can become increasingly difficult to achieve the fall to earth required as the national profile may have evolved.
- Currently we advise customers during year 1 that for the following year 2 they have to meet the RM profile of year 0. For example, we advised customers in 2020/21 (year 1) that they would be monitored against 2019/20 (year 0) RM profile for the year 2021/22 (year 2).

- The proposal removes this notification process as the baseline builds as the year in question progresses. At year end the customers actual profile for the year will be measured against the RM baseline for the same year.
- Quarterly updates to the baseline will ensure customers have the latest available benchmark, and can track their performance and make necessary interventions. A rolling 12 months of baseline data will be used to prevent seasonal shocks to the data.
- Royal Mail have already committed to providing monthly customer monitoring from January 2022.
- Annual updates of postcode allocation to Zone will continue, the 12 month reference period will be taken at the Q1 benchmark update.

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## Quarterly dynamic baseline

An illustration of how the data can be built up using 12 month rolling data

Contract Quarter	2023-24 Monitoring	Dynamic Baseline	Notes
	Apr	Apr 22 – Mar 23	
Q1	May	Apr 22 – Mar 23	
	Jun	Jul 22 – Jun 23	Rolling Benchmark updated incl. Postcode Allocation
	Jul	Jul 22 – Jun 23	
Q2	Aug	Jul 22 – Jun 23	
	Sep	Oct 22 – Sep 23	Rolling Benchmark updated
	Oct	Oct 22 – Sep 23	
Q3	Nov	Oct 22 – Sep 23	
	Dec	Jan 23 – Dec 23	Rolling Benchmark updated
	Jan	Jan 23 – Dec 23	
Q4	Feb	Jan 23 – Dec 23	
	Mar	Apr 23 – Mar 24	Rolling Benchmark updated

Note: Monthly baseline creation is not possible as MCS data is collated Quarterly



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2023-24		2022 data					2023 data										2024 data							
Dynamic Baseline	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Apr																								
May																								
Q1 Jun																Base June	eline upo e rolling	dated ba data	ised on J	luly to				
Jul																								
Aug																								
Q2 Sep																			Base Septe	line upd ember ro	ated bas olling da	ed on O ta	ctober to	0
Oct																								
Nov																								
Q3 Dec																					→ Bas Jan	eline up uary to [	dated ba Decembe	ased on er data
Jan																								
Feb																								
Q4 Mar																								

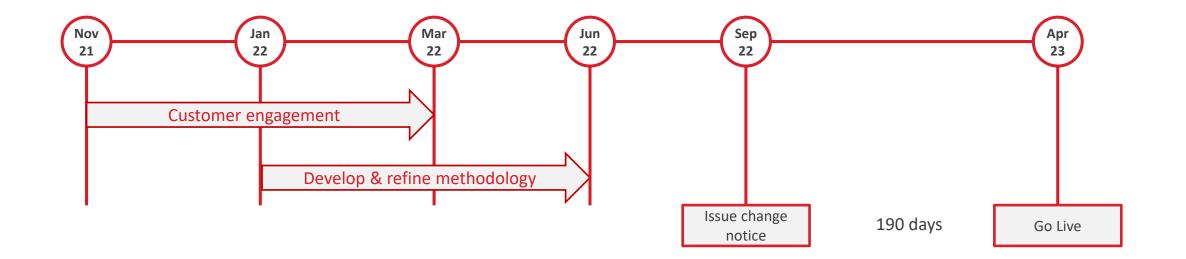
Baseline updated based on April to March rolling data, meaning customers are measured against the RM baseline for the same year.

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## Price Plan Baseline year for Benchmark / Profiles

Plan	Profile Measure	Current	Proposed				
PP1	National Spread Benchmark	Aim is to update annually Profile published 190 days in advance of financial year commencing Aim is to update annually	Dynamic baseline, updated quarterly using most recent 12 months actual data Annually update postcode allocation to zones Profile published quarterly for the preceding quarter e.g. the dynamic profile will be up to date for each quarters customer profile				
	Urban Density Benchmark	Annual postcode allocation to zones Profile published 190 days in advance of financial year commencing					
PP2		Latest financial year Profile published 190 days in advance of					
PP4	Zonal Posting Profile	financial year commencing					

## **Potential Timetable**



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