ANALYTICAL BUSINESS REVIEW OF A SELECTED LOGISTICS FIRM LISTED ON LONDON STOCK EXCHANGE

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ABSTRACT: *A business organisation operates towards achieving success by adopting models that align with its values and long term objectives. Models adopted describe the processes and workflows of individual firms for continuous improvement of business operations. Improvement in business operations is achieved through constant reviews and feedback from customers. The study conducted an analytical review of the business process of a selected logistics firm listed on London Stock Exchange. The selected firm was Royal mail Plc. The review focused on the feedback, comments and performance of Royal mail Plc for a period of six (6) years spanning from 2015 to 2020. Voyant tool was employed for text mining the feedback and comments from Royal mail Plc's customers as posted on its website. The reviewed comment from the customers showed that most of the company's customers were not satisfied by the services of the company. Also, the z-scores for the frequently used token were computed to show the solvency of the company based on customers' feedback. The indicated z-score from the customers review showed that the company is not in good shape and would need to urgently address the complaints of its customers to avoid going into liquidation.*

KEYWORDS: Business Review, Logistics, Processes, Customers' Feedbacks.

INTRODUCTION

Business model is a high-level plan for profitably operating a business in a specific marketplace. A primary component of the business model is the value proposition which is a description of the goods or services that a company offers and what makes them desirable to customers or clients, stated in a way that differentiates the product or service from its competitors. Veit *et al.* (2014) identified it as the missing link between business strategy, processes, and information technology (IT). Since businesses rarely operate at peak efficiency, every organization needs to constantly reevaluate, improve, and sometimes rework their processes through business modelling. Zur Muehlen and Indulska (2010) described business modelling process as the analytical representation of an organization's business processes or workflows for identifying potential improvements. Evers *et al.* (2020) considered it as a tool for developing business processes. This was corroborated by Teece (2010) on the note that a well-developed business model is needed for innovators to succeed in delivering values to customers. This would pave way for dominant business models to emerge, as posited by Ever *et al.* (2020). A business organisation therefore needs to develop an applicable business model for its value creation.

The logistics company selected is Royal Mail Plc. It is a British multinational postal service and courier company whose share is currently listed on the London Stock Exchange as a constituent of FTSE 100 index. Royal Mail is one of the most widely held stocks in the FTSE. The majority shares of the company was initially listed in 2013 while the UK government retained 30% stake which was later divested in 2015 in line with the Postal Services Act 2011. The company was originally established in 1516 as a department of the English government. The company's subsidiary Royal Mail Group Limited operates the brands Royal Mail and Parcelforce Worldwide with a wholly owned international logistics company. Services provided by the company across UK include letter post, parcel service, EMS, delivery, freight forwarding, and third-party logistics. Royal Mail owns and maintains the UK's distinctive red pillar boxes, first introduced in 1852, many of which bear the initials of the reigning monarch. Deliveries are made at least once every day, except Sundays and bank holidays, at uniform charges for all UK destinations. Royal Mail generally aims to make first class deliveries the next business throughout the nation. The company's ambition is to build a parcels-led, more balanced and more diversified, international business by focusing on the delivery of three strategic priorities namely: 'turnaround and grow' in the UK, 'scale up and grow' unit, and enhancing our cross-border proposition. Additionally, the company intends to deliver an adjusted group operating profit margin of over four per cent in 2021-22, increasing to over five per cent in five years' time. In the recent past, the company modernised its operational activities focused on strengthening the express delivery and logistics as well as communicating with customers (Asquer, 2010).

Applying Business Modelling to Royal Mail Plc

According to Teece (2010), a business model articulates the logic, the data, and other pieces of evidence that support a value proposition for customers, and a viable structure of revenues and costs for the enterprise delivering that value. This is in line with the position of Evers *et al.* (2020) that entrepreneurs should be engaged in an active experimentation aimed at improving customer value propositions. In a bid to transform and grow the business, Royal Mail Plc announced a 'turnaround and grow plan' by investing in productivity, network and customer focused initiatives. The firm's objective is to restore and enhance the adjusted

operating profit margin. The target adjusted operating profit margin is 3–4 per cent in 2021-22 and will be 5 per cent in 2023-24, in order to ensure a sustainable Universal Service. An assessment of the productivity and efficiency opportunities under the 2018 agreement underlined the need for a turnaround programme. Going by the company's performance and expectation from customers and employees, a transformation step change has become imperative.

Based on several reviews carried out, there is a need for a major shift in focus and pace, including a new transformation plan for its UK operation through a clearly designed strategy. Royal Mail's transformation programme and underlying efficiency initiatives are similar in design to those implemented by its international peers, including common features such as mail centre rationalisation, automation, and optimisation of logistics and delivery. Royal Mail has been successful in reducing costs in some areas, including the management reorganisation programme and savings in non-staff costs. However, Royal Mail's performance in improving efficiency and reducing costs in frontline operations has been less successful than its peers. In addition, its future efficiency plans are also less ambitious than its peers, particularly in relation to delivery, which accounts for a large proportion of its total costs. Most of Royal Mail's international peers have implemented strategies to increase the flexibility of their workforce to allow them to respond to volume fluctuations. This has enabled these operators to reduce staff costs faster and react more flexibly to changing demand. Royal Mail has not yet achieved the same level of workforce flexibility. Royal Mail's poorer relative cost saving performance compared to its international peers is considered partly as a result of its decision to re-invest much of its efficiency driven savings in its workforce through higher pay awards.

A review on royal mail's efficiency carried out by Ofcom in 2015 revealed a degree of uncertainty about Royal Mail's future financial position, particularly in the later years of the analysis it undertook. However, from the regulator's point of view, this uncertainty was likely to be due to other factors than end-to-end competition, such as competitive developments in the parcels market and Royal Mail's progress on improving its efficiency. Currently, Royal Mail Plc is targeting a cumulative productivity improvement of 15–18 per cent over the next five years as part of its business model process. The business process model includes a stronger focus on day-to-day productivity gains and the use of digitally-enabled work tools. These tools in combination are expected to deliver better alignment of resources to workload and a data driven approach to people management. The company seeks to achieve: a major increase in parcel sorting automation by installing parcel sorting machines at various mail centres; a continued combined delivery of letters and small parcels to reduce cost; handling larger and smaller parcels more efficiently; and building of fully-automated parcel hubs.

As one of the UK's biggest employers with the best terms and conditions in the UK delivery industry, the company anticipates an hour reduction of around three per cent per annum. With the new parcel hubs and the use of separate van deliveries to be put in place, a major increase in delivery frequency for consumers and SMEs is expected. The international logistics arm of the company is one of the largest ground-based deferred parcel networks in Europe, with a growing presence in the US and Canada. The company's strategy is designed to ensure that it continues to build on its track record over the next five years by focusing on profitable revenue growth. Royal Mail Group currently generates a combined annual revenue of around £1.7 billion from its cross-border parcel and letter business. The cross-border parcel market is a large, attractive growth opportunity for the group. However, the company's target revenue

is around €4.5 billion in 2023–2024 through organic growth; service and margin management; a balanced e-retailer portfolio; and tailored solutions for local market needs. An adjusted operating profit margin of 6–7 per cent per annum is estimated. This margin is expected to be achieved through network optimisation, a focused pricing strategy and an emphasis on high margin products.

Trend Analysis of Customers' Comments on Services Provided by Royal Mail Plc

Comments of customers with respect to the services of Royal Mail Plc over the last six (6) years from 2015 to 2020 were reviewed using the voyant tool. The voyant tool was used to mine the feedback and comments of customers indicated on the company's website. The mined texts were then analysed based on the frequently used token by customers.

Reviewed Comments in Year 2015

The reviewed comments in 2015 showed that the majority of the company's customers were not satisfied with the company's service delivery. The following recurring words were prominent in customers' comments: awful, bad, disappointed, disgusted, failed, incompetence, poor, terrible, unacceptable, uncaring, unfair, unreliable, useless, worse, suck and thieves. Only few customers gave good compliments such as: best, efficient, excellent, fast delivery and friendly.
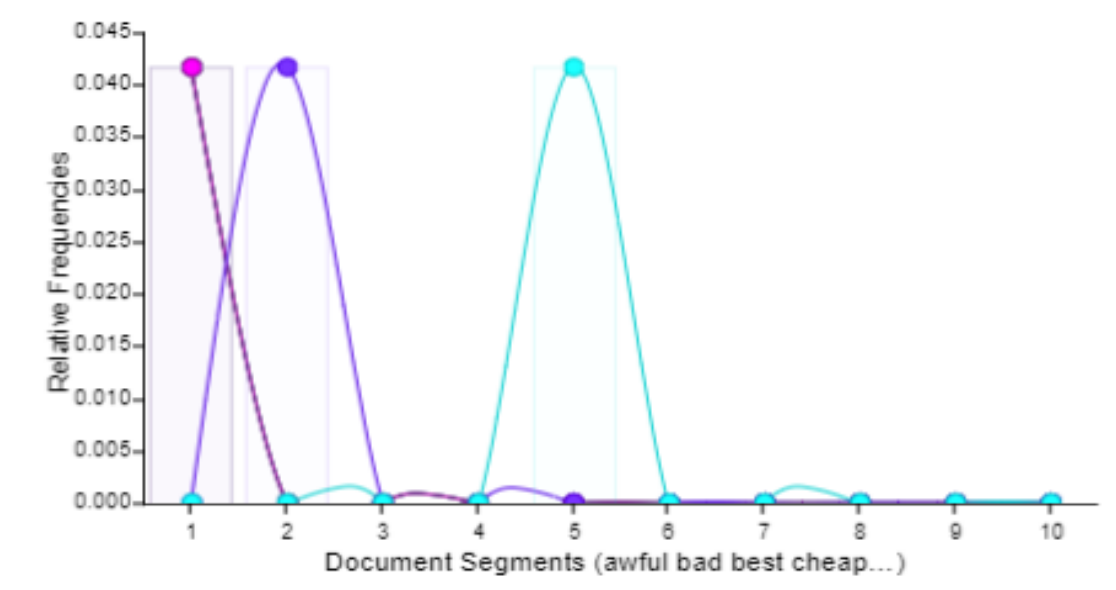

Figure 1: Graphical representation of customers' comments in year 2015

Table 1: Reviewed comments and feedbacks in year 2015

Year	Term	Count	Relativity	Z-Score
2015	Awful	1	248.942	0.61253643
2015	Bad	3	746.826	2.6125364
2015	Best	4	995.768	3.6125364
2015	Cheap	3	746.826	2.6125364
2015	Disappointed	2	497.884	1.6125364
2015	Disgusted	3	746.826	2.6125364
2015	Efficient	1	248.942	0.61253643
2015	Excellent	2	497.884	1.6125364
2015	Failed	1	248.942	0.61253643
2015	Fast delivery	2	497.884	1.6125364
2015	Friendly	1	248.942	0.61253643
2015	Incompetence	1	248.942	0.61253643
2015	Pathetic	1	248.942	0.61253643
2015	Poor	2	497.884	1.6125364
2015	Suck	1	248.942	0.61253643
2015	Terrible	1	248.942	0.61253643
2015	Thieves	1	248.942	0.61253643
2015	Unacceptable	1	248.942	0.61253643
2015	Uncaring	1	248.942	0.61253643
2015	Unfair	1	248.942	0.61253643
2015	Unreliable	1	248.942	0.61253643
2015	Useless	2	497.884	1.6125364
2015	Worse	2	497.884	1.6125364

Source: Author's computation, 2022

Reviewed Comments in Year 2016

The reviewed comments in 2016 showed that the majority of the company's customers were not satisfied with the company's service delivery. The following recurring words were prominent in customers' comments: appalling, rubbish, unreliable, rotten, failed, unfit, useless, poor, rubbish, unacceptable, bad, careless, shocking and disappointed. A careful analysis of the comments in 2016 revealed that several key comments used in 2015 were repeated in 2016. Such comments are useless, bad, unreliable, failed, poor and disappointed. There are also few good compliments noted in 2016, namely speedy, safe and secure.

Figure 2: Graphical representation of customers' comments in year 2016

Table 2: Reviewed comments and feedbacks in year 2016

Year	Term	Word Count	Relativity	Z-Score
2016	Appalling	1	299.1325	0.580388
2016	Useless	2	598.265	1.580388
2016	Rubbish	3	897.3975	2.580388
2016	Unreliable	2	598.265	1.580388
2016	Rotten	1	299.1325	0.580388
2016	Failed	1	299.1325	0.580388
2016	Unreliable	2	598.265	1.580388
2016	Unfit	1	299.1325	0.580388
2016	Useless	2	598.265	1.580388
2016	Poor	1	299.1325	0.580388
2016	Rubbish	3	897.3975	2.580388
2016	Unacceptable	2	598.265	1.580388
2016	Bad	1	299.1325	0.580388
2016	Rubbish	3	897.3975	2.580388
2016	Careless	1	299.1325	0.580388
2016	Shocking	2	598.265	1.580388
2016	Disappointed	1	299.1325	0.580388
2016	Speedy	1	299.1325	0.580388
2016	Safe	2	598.265	1.580388
2016	Secure	1	299.1325	0.580388

Source: Author's computation, 2022

Reviewed Comments in Year 2017

The reviewed comments in 2017 revealed that most of the company's customers were still not satisfied with the company's service delivery. Their displeasure was shown through the following keywords mined from the customers' comments: angry, bad, avoid, waste, poor, worst, rude, horrible, lost, blunders, shocking, hopeless, rubbish, careless, disgraceful, disgusting, stressful, unhelpful, grumpy, uncooperative, dreadful, nuisance and unsolicited. A careful review of the comments in 2017 indicated that some comments used in 2015 and 2016 were still repeated in 2017. Such comments are bad, unreliable, failed, poor and disgusting. Only one good compliment was noted in 2017.
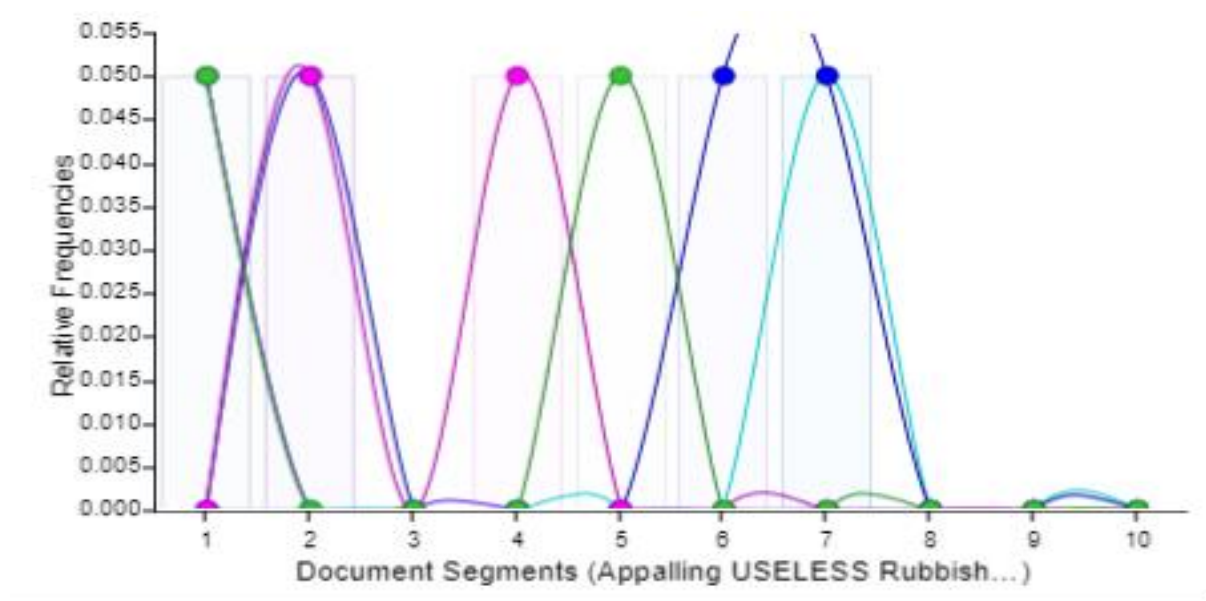

Figure 3: Graphical representation of customers' comments in year 2017

Table 3: Reviewed comments and feedbacks in year 2017

Year	Term	Word Count	Relativity	Z-Score
2017	Good	4	1173.021	0.007673
2017	Angry	3	879.7654	-0.09975
2017	Bad	3	879.7654	-0.09975
2017	Avoid	3	879.7654	-0.09975
2017	Waste	3	879.7654	-0.09975
2017	Poor	3	879.7654	2.577997
2017	Worst	3	852.7573	2.590511
2017	Rude	2	568.5049	1.590511
2017	Horrible	1	293.2552	0.577997
2017	Lost	9	2639.296	8.577997
2017	Blunders	1	293.2552	0.577997
2017	Shocking	2	586.5103	1.577997
2017	Hopeless	1	284.2524	0.590511

2017	Rubbish	3	852.7573	2.590511
2017	Careless	1	284.2524	0.590511
2017	Disgraceful	2	568.5049	1.590511
2017	Disgusting	4	1137.01	3.590511
2017	Stressful	1	284.2524	0.590511
2017	Unhelpful	1	284.2524	0.590511
2017	Grumpy	1	284.2524	0.590511
2017	Uncooperative	1	284.2524	0.590511
2017	Dreadful	2	568.5049	1.590511
2017	Nuisance	1	284.2524	0.590511
2017	Unsolicited	1	284.2524	0.590511

Source: Author's computation, 2022

Reviewed Comments in Year 2018

The reviewed comments in 2018 indicated that customers that patronised the company's services in 2018 were not satisfied with the company's service delivery. Only four customers put in their comments in the year under review to express their displeasure. The keywords mined from the customers' comments include incompetent, inept, angry and useless. Two of the keywords matched comments used by other customers in years 2015, 2016 and 2017. There was no positive feedback in 2018.
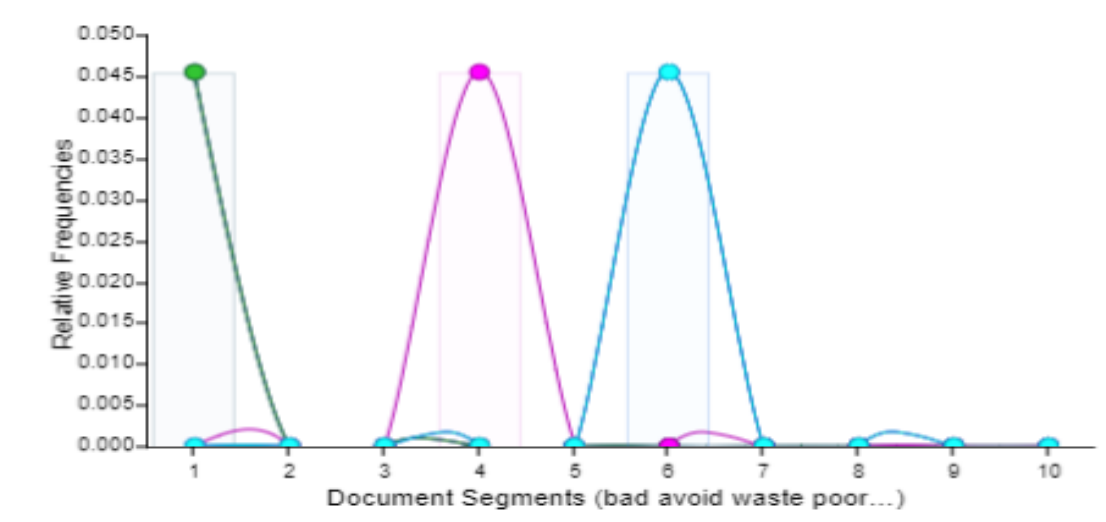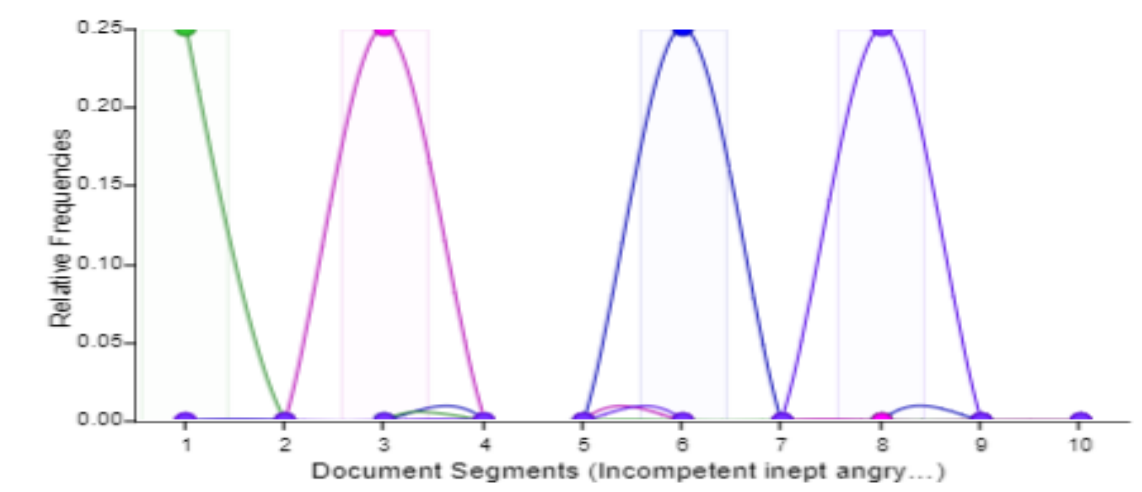

Figure 4: Graphical representation of customers' comments in year 2018

Table 4: Reviewed comments and feedbacks in year 2018

Year	Term	Count	Relative	Z-Score
2018	Incompetent	2	568.5049	1.590511
2018	Inept	1	284.2524	0.590511
2018	Angry	2	568.5049	1.590511
2018	Useless	1	284.2524	0.590511

Source: Author's computation, 2022

Reviewed Comments in Year 2019

The reviewed comments in 2019 indicated that customers that patronised the company's services in 2019 were still not satisfied with the company's service delivery. Only four customers put in their comments in the year under review to express their displeasure. Three out of the four keywords mined from the customers' comments showed their displeasure; only one of the comments was good. The unpleasant comments include missing, late and uncaring, while the good comment used was 'fantastic'.

Figure 5: Graphical representation of customers' comments in year 2019

Table 5: Reviewed comments and feedbacks in year 2019

Year	Term	Count	Relative	Z-Score
2019	Missing	3	852.7573	2.590511
2019	Late	2	568.5049	1.590511
2019	Uncaring	2	568.5049	1.590511
2019	Fantastic	1	284.2524	0.590511

Source: Author's computation, 2022

Reviewed Comments in Year 2020

The reviewed comments in 2020 revealed that the company witnessed an improved patronage as compared to years 2018 and 2019. However, the company's customers were still not satisfied with the company's service delivery. Their displeasure was shown through the following keywords mined from the customers' comments: terrible, awful, sham, greed, shocked, vicious, rubbish, bad, shambles, disgusting, poor, unhelpful, rubbish, lost, sloppy, impressed, useless, crappier and failing. A careful review of the comments in 2020 indicated that some comments used in previous years were still repeated in 2020. Some of such comments include bad, unreliable, failed, poor, rubbish, awful, useless and disgusting. Only one good compliment was noted in 2020, namely 'good'.
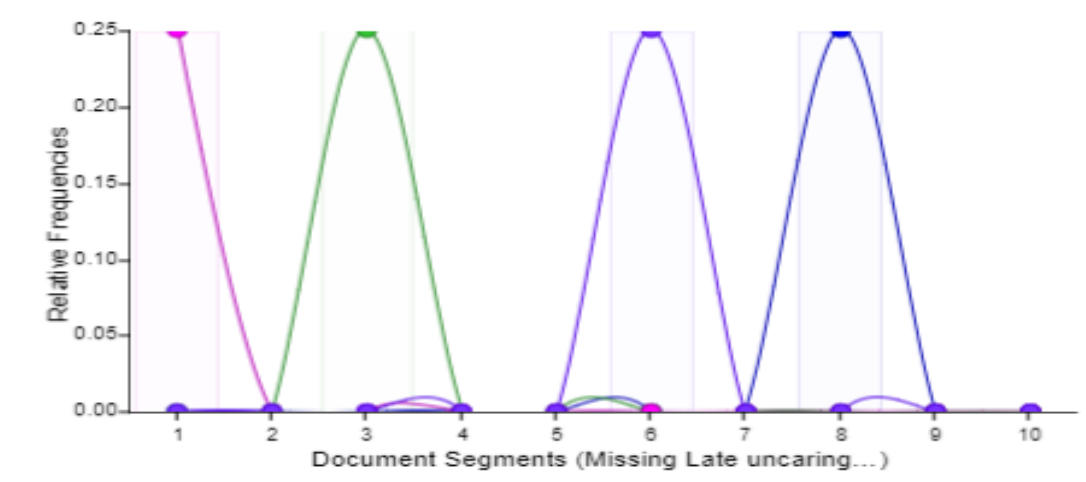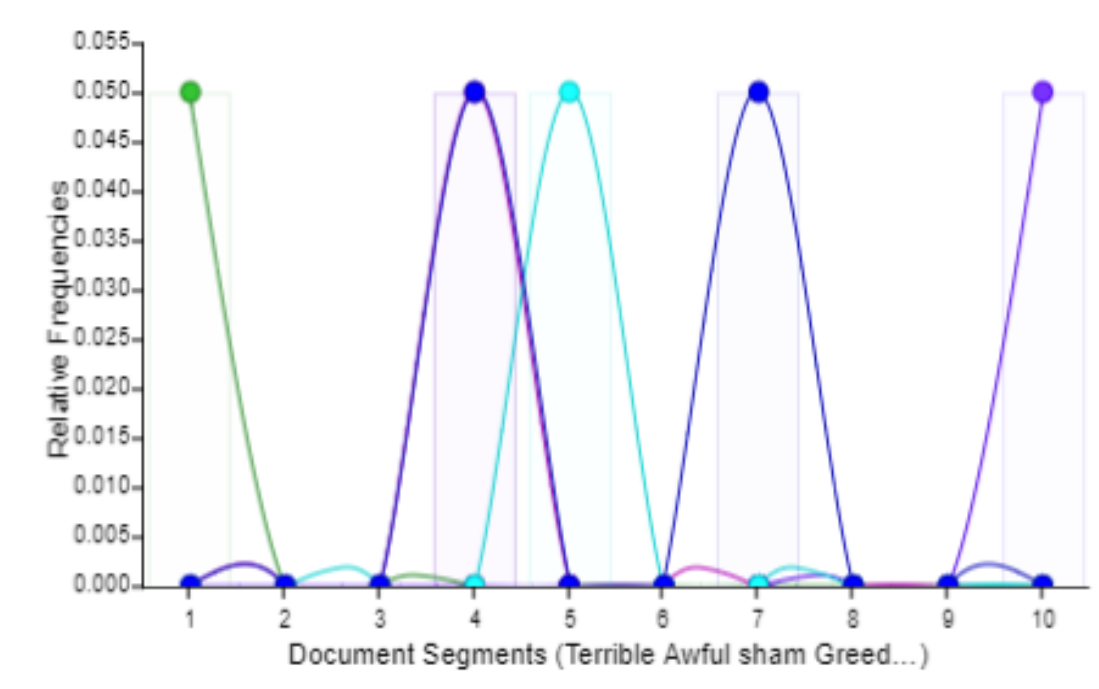

Figure 6: Graphical representation of customers' comments in year 2020

Table 6: Reviewed comments and feedbacks in year 2020

Year	Term	Word Count	Relativity	Z-Score
2020	Terrible	1	284.2524	0.590511
2020	Awful	1	284.2524	0.590511
2020	Sham	1	284.2524	0.590511
2020	Greed	4	1137.01	3.590511
2020	Shocked	1	284.2524	0.590511
2020	Vicious	1	284.2524	0.590511
2020	Rubbish	3	852.7573	2.590511
2020	Bad	1	284.2524	0.590511

2020	Shambles	1	284.2524	0.590511
2020	Disgusting	4	1137.01	3.590511
2020	Poor	3	904.1592	2.576407
2020	Unhelpful	1	301.3864	0.576407
2020	Rubbish	2	602.7728	1.576407
2020	Lost	5	1506.932	4.576407
2020	Sloppy	1	301.3864	0.576407
2020	Impressed	1	301.3864	0.576407
2020	Good	1	301.3864	0.576407
2020	Useless	4	1205.546	3.576407
2020	Crappier	1	301.3864	0.576407
2020	Failing	1	301.3864	0.576407

Source: Author's computation, 2022

Common Tokens and Their Frequencies in the Review Spanning from 2015 to 2020

Overall, the reviewed comments spanning from 2015 to 2020 revealed that the majority of the company's customers were not satisfied with the company's service delivery. Their displeasure was shown through the frequency of certain common tokens mined from the customers' comments, namely bad, poor, rubbish, unreliable and useless. These common tokens were used frequently throughout the six (6) years period covered by the review.
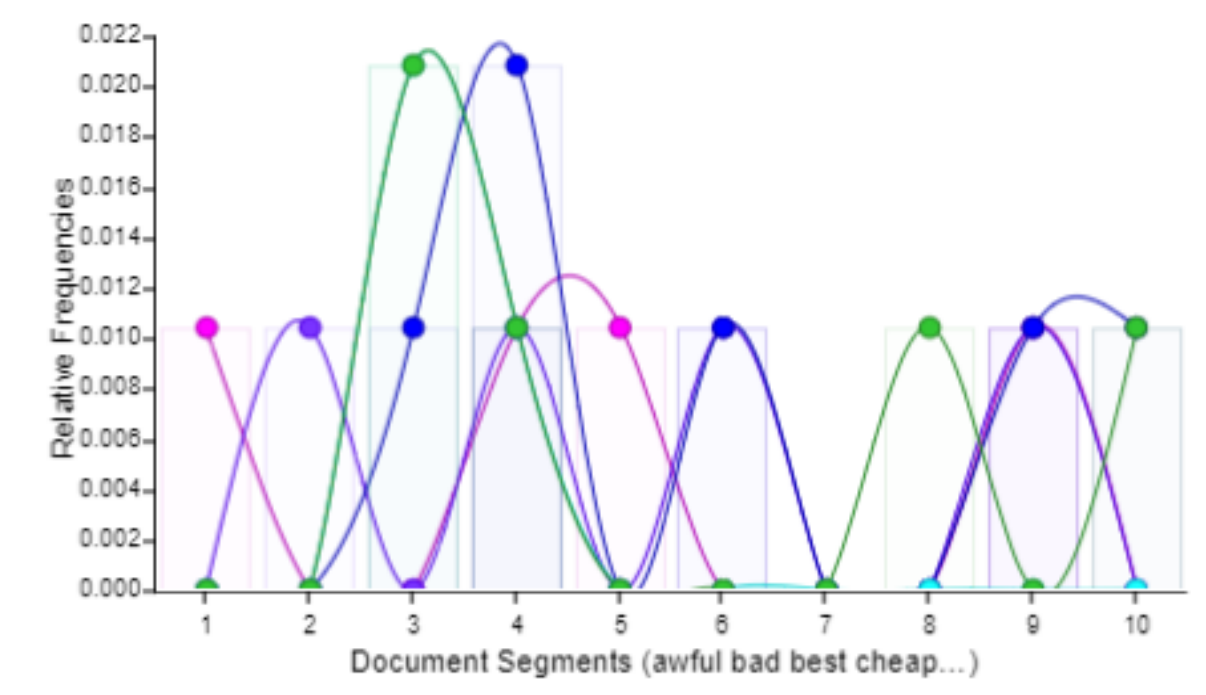

Figure 7: Graphical representation of customers' comments over six (6) years (2015–2020)

Figure 8: Frequently used tokens in customers' comments over six (6) years (2015–2020)

Impact of Review on Client Patronage and Profit Margin

The reviewed comment from the customers over the period of six (6) years showed that most of the company's customers were not satisfied with the services of the company. The lack of satisfaction experienced by the company's customers will grossly affect clients' patronage and profit margin especially now that the company is embarking on a transformation programme. This is in line with the findings of Asquer (2010) which noted that the volume of activity of the company's main business was shrinking to which certain measures had to be taken towards addressing it. Parker (2014) and Hooper (2010) also agreed that the financial health of the company had worsened despite its high value which resulted in its privatisation. The company must swiftly address all the customers' complaints and incorporate them into the current business process modelling being designed. The company's transformational programme must be tailored towards resolving current customers' bad experiences with the services and employees. The company should design a process that allows for timely resolution of customers' complaints. The unpleasant common token used by customers to express their displeasure can also discourage prospective clients.

Also, the z-score for the common token was computed to show the solvency of the company based on customers' feedback. The z-score is used to assess the solvency of a company. According to Edward Altman, the grading scale of 0 to 1.8 indicates the company will declare bankruptcy in the future; 1.8 to 3 indicates the company is likely to declare bankruptcy, while 3 and above indicate the company will not declare bankruptcy. The

indicated z-score from the customers' review shows that the company is not in good shape; it will need to address the complaints of its customers to avoid going into liquidation.

Applicable Business Model for Royal Mail Plc

The applicable business model to be developed by Royal Mail Plc is expected to support its transformational programme and to put the company in a desirable position among its peers. Operating a logistics company efficiently would require a proper coordination of distributors, manufacturers, freight dealers, transporters and end users. It requires both a business to business approach and a business to customers approach. The company will also need to carry out SWOT analysis. That is a careful analysis of its strength, weakness, opportunities and threat. As a courier and logistics service company which specialises in delivering important letters, parcels or documents with efficiency and speed, it is required to adopt a model that will ensure fast delivery, personalisation, customisation and proper tracking of mails.

From the foregoing and based on the company's target, it is recommended that the company should develop a business process model towards ensuring a stronger focus on day-to-day productivity gains, and the use of digitally-enabled work tools. The company should give attention to its parcel sorting automation by installing parcel sorting machines and by constructing parcel hubs that will enhance its service delivery.

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