

Trends in the Postal Services Market

Expansion and competition in postal sector have brought many benefits for consumers, but there are still improvements to be made. This paper brings together our recent work, highlighting our current priorities and recommendations for market improvements.

The postal sector has been changing rapidly since the growth of e-commerce with more consumers buying online. This is happening at the same time as pressure is being placed on the Universal Service Provider by the continuing decline of letter volumes.

Against this backdrop we are working to ensure that consumers have accurate and correct information about delivery services, including their rights to redress; that, in the parcels sector, the pressure of increasing delivery numbers does not mean a reduction in service quality; and that the needs of vulnerable, especially disabled, consumers are met.

Our role as consumer watchdog:

Citizens Advice is the official consumer watchdog for the postal sector. Our role is to ensure postal services and post offices meet the needs of consumers in a way that is fair and accessible for all, with particular regard for vulnerable consumers.

If you've had an issue with sending or receiving post that you need help to resolve call our consumer helpline on: 03454 04 05 06 or if you want to contact us about your local post office email: postofficechanges@citizensadvice.org.uk



Contents:

- | | |
|--------------------------------------|-------------------------|
| 1. The parcels market | 5. Post offices |
| 2. Parcel delivery and e-retail | 6. Vulnerable consumers |
| 3. The letters market | 7. What next? |
| 4. Letters and the Universal Service | 8. References |

The parcels market

The size of the UK parcels market has grown by over 50% since 2010,¹ with over 2 billion parcels now being sent per year in the UK.²

Much of this growth comes from e-commerce deliveries with almost one quarter of consumers now preferring to shop online rather than in store.³

Delivery choices are also shifting, with more consumers using next day delivery services,⁴ putting pressure on the industry to make deliveries on time.

It is important that, as far as possible, this strain does not negatively impact consumers. And, if something doesn't go as planned, that access to redress is clear and straightforward.

 Business to consumer parcel volumes up 190% since 2010.⁵

46 average number of parcels each household receives in a year.⁶

£160 average household spend on parcel delivery per year.⁷

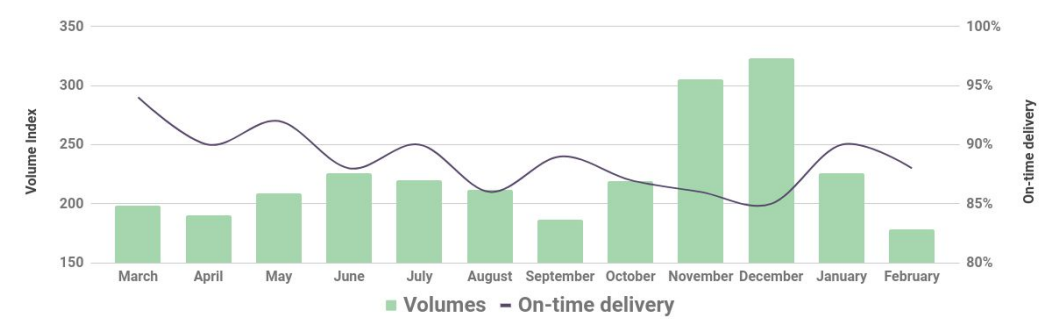
 69% of consumers have had a problem with parcel delivery in the last year.⁸

 Only 6% of consumers think they know their delivery rights very well.⁹

34% of consumers with a parcel delivery problem feel stress, anger, or annoyance as a result.¹⁰

Over a third of consumers say vague delivery times prevent them from shopping online.¹¹

Parcel volumes and on-time delivery March 2017-February 2018:¹²



 70% of consumers have taken a day off work to wait in for a delivery.¹³

Almost 170 million orders (13%) arrive later than expected.¹⁷

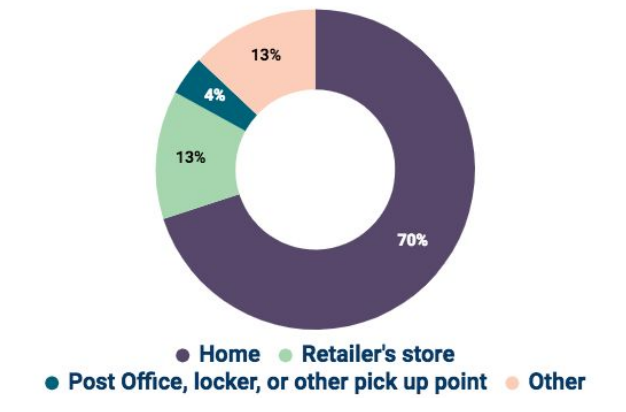
Around 40 million deliveries (3%) per year aren't successful on the first attempt.¹⁸

4.2 average number of days for consumers to start the returns process.¹⁴

Preferred delivery options:¹⁹

 51% of consumers say that returning items is too complicated.¹⁵

 Over 35% of consumers prefer to return items at a Post Office.¹⁶



Parcel delivery and e-retail

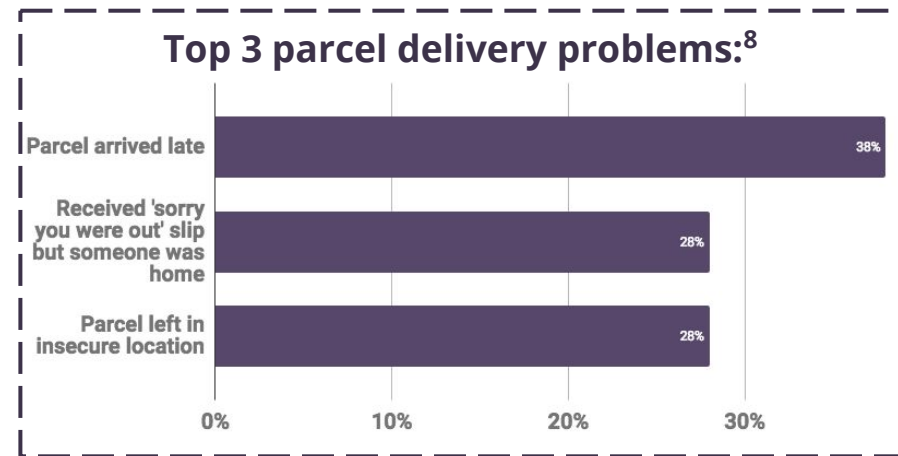
Problems with parcel delivery cause stress and anxiety.¹ However, despite 2 in 5 consumers not normally being at home during the day,² alternative delivery locations are not widely used. Greater availability and consumer use of Pick Up Drop Off (PUDO) points could be one way of reducing the number of consumer issues with 'carded' deliveries and late parcels.

Many consumers (45%) are not confident they know their rights when shopping online.³ This lack of knowledge is not helped by retailer websites, a third of which either do not explain consumer rights information clearly, or split it across several different pages.⁴ It takes an average 2.5 hours to resolve a parcel delivery problem,⁵ with poor complaints processes often acting as a barrier to redress. Improving the quality of information on retailer websites and making complaints processes more straightforward would make it easier for consumers to gain the redress to which they are entitled.

There have been many recent improvements to the parcel delivery experience, with consumers already making use of advanced tracking and the ability to make 'in-flight' adjustments. Drones, robots and smart locks are being trialled globally whilst low-tech solutions such as home parcel lockers also have the potential to improve the delivery experience.

Areas for further investigation:

1. Whether increasing the provision of delivery infrastructure in communities or new build homes would reduce failed delivery rates.⁶
2. Methods for improving the consumer rights information on e-retail sites.⁷



Almost two thirds of consumers want to be able to specify a safe-space or neighbour at time of order rather than rely on driver discretion.⁹

Half of consumers don't know who is responsible for delivery.¹¹

Over 1 in 5 consumers have abandoned purchases due to unexpected or high delivery costs.¹²

57%

of consumers don't take any action if they have a parcel delivery problem.¹³



Over half of consumers are happy to pick up their post from an external location.¹⁴



Over 50% of consumers say the risk of failed delivery prevents them from shopping online.¹⁰

The letters market

Letter volumes have been declining for almost 15 years.¹ This is mostly due to consumers receiving more and more of their communications by email.

However, letters are still important for consumers, with UK consumers buying more greetings cards than any other nation.²

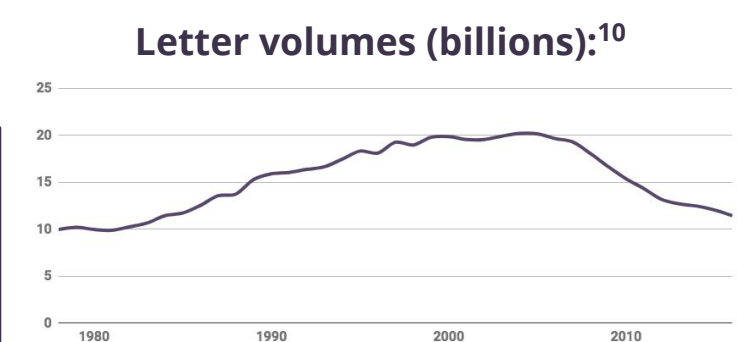
And it is not just social mail that is valued. Consumers consistently state that post is their preferred method of receiving information from banks, medical professionals and local councils.³ And for the 5 million people in the UK who have never used the internet,⁴ the ability to receive important information through the post is absolutely vital.

 Letter volumes down 9% since 2013.⁵

 The average household spends about £14 sending letters per year.⁶

55
the average number of letters sent per year.⁷

223
the average number of letters received per year.⁸

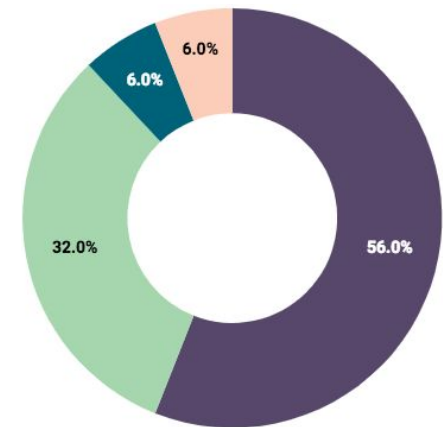


53%
of consumers are paying to use postal services to communicate with government, even when Freepost is available.¹³

3 million
The number of scam mail items intercepted by Royal Mail since November 2016.¹¹

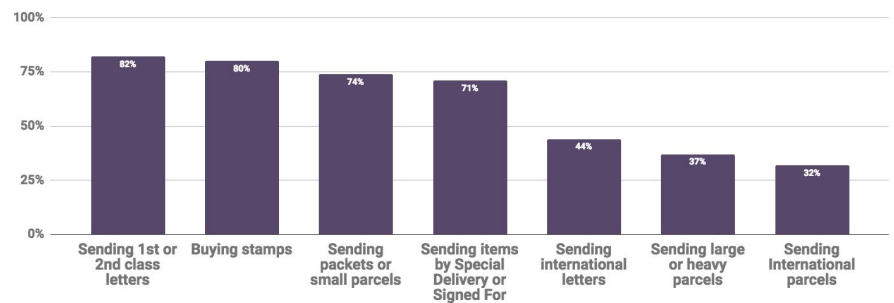
44% of consumers have been targeted by postal scams.¹²

What's in the mail bag:¹⁴



- Transactional (bills etc.)
- Direct (advertising etc.)
- Publishing (magazines etc.)
- Social (postcards etc.)

Postal services accessed at post offices:⁹



First class stamps would be 36 pence cheaper if prices had risen in line with inflation since the late 1980s.¹⁵

Letters and the Universal Service

Despite increasing use of the internet to perform daily tasks most consumers still access important information through the post.¹ And more than 2 in 5 consumers send items through the post at least once a fortnight.²

However, for 50% of consumers cost is their main concern when sending an item in the post.³ Receiving post can also have financial implications - many service providers are charging consumers extra to receive paper bills or statements.⁴ It is important that post remains a viable option for anyone who wants to use it.

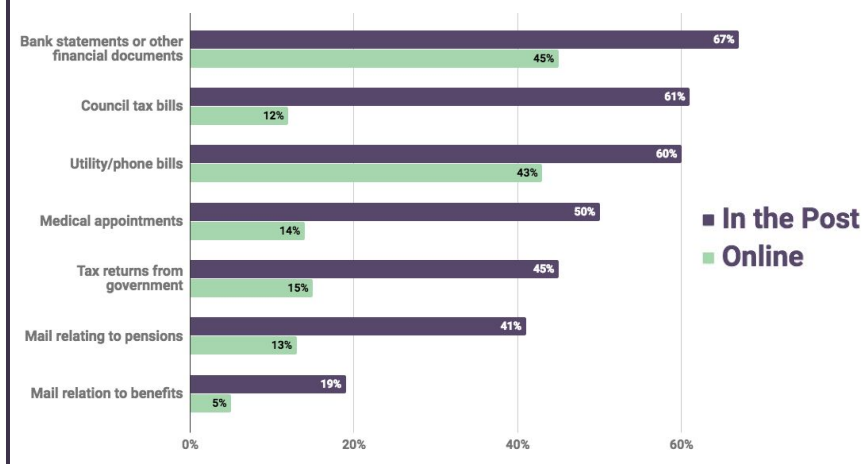
Moving home can often cause disruption to consumers' mail with 1 in 10 home movers not receiving or experiencing delays receiving important letters.⁵ Given the often sensitive nature of documents sent in the post it is important that this information follows consumers when they move.

Globally steps have been taken to ensure the sustainability of the Universal Service.⁶ This has often meant significant price increases or reductions in service. With many consumers still reliant on post as a method of communication it is important that any potential changes to this sector do not have a detrimental impact on consumers.

Our recommendations:

1. The mail redirection service should be affordable and fair for all consumers who want to use it.⁷
2. Essential service providers must make sure that receiving items by post remains accessible for consumers.⁸

How consumers receive information:⁹



1 in 5 consumers in England and Wales had problems with their mail when moving house.¹⁰



77% of consumers who had their mail redirected were satisfied with the service they received.¹¹

40%

of UK adults say the removal of paper statements could seriously affect their finances.¹²

81%

of UK adults want to choose how they receive their information.¹³

Without paper statements, customers become more likely to miss payments.¹⁴

Post offices

Post offices are the main access point for postal services and play a vital role in communities for the wide range of services they provide. 59% of consumers and 62% of small businesses visit a post office at least once a month.¹ Whilst 81% of consumers say the post office is important to them,² post offices are particularly valued by rural consumers who use them significantly more often than consumers in urban areas and consider them more important.³

There are currently 11,600 post office branches around the UK. And although the total number of post offices has remained stable for about 10 years,⁴ there have been significant changes to the network. Since 2010 the post office network has been undergoing huge changes with over 7,000 branches being modernised or moved into new premises.⁵

These changes have been positive in many cases, with many smaller post offices achieving efficiency savings.⁶ On the other hand some operators have reported increased costs due to extended opening hours with little to no increase in customer footfall.⁷

As this programme of work draws to a close we will continue to work with POL to ensure that access and quality is maintained across the post office network.

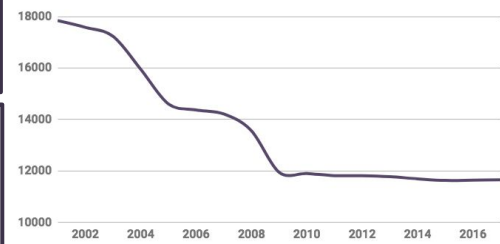
Our recommendations:

- 1. Government and Post Office Ltd to maintain the number of rural post offices and ensure they retain their wide range of services.⁸
- 2. Post Office Ltd should consider adding greater flexibility around opening hours and product range to branch model types.⁹

67% of consumers use the post office to send parcels.¹⁰

88% of consumers use the post office to send letters or cards.¹¹

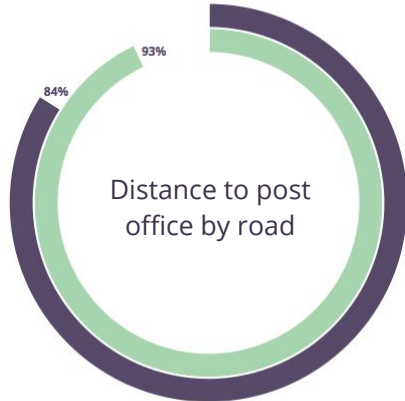
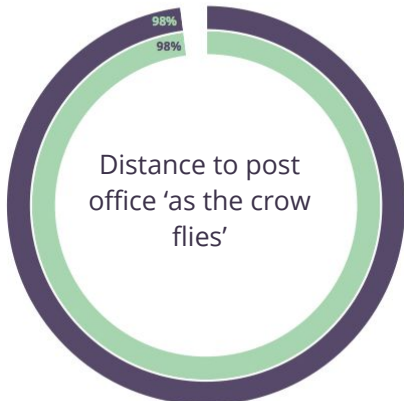
Branch numbers:¹⁴



2016/17
Post Office Ltd recorded its first annual profit for 16 years of £13 million.¹²

99% of consumers can access banking services at the post office.¹⁵

Access to the Post Office:¹³



■ Rural within 3 miles ■ Urban within 1 mile

Vulnerable consumers

As the statutory consumer advocate for post we have particular regard for consumers in vulnerable situations who may be at increased risk of detriment.

While over half of disabled consumers receive items bought online through the post,¹ parcel delivery is not always straightforward. Over a quarter of disabled people have felt rushed, irritated, or anxious when signing for a delivery.² And 1 in 10 disabled people who recently collected an item from a location other than their neighbour found it difficult to travel there.³

Although older and disabled consumers are more likely to use the post office regularly,⁴ branches are not always suitable to their needs with inconsistent provision of accessibility measures. Recent research found that 21% of post offices visited in Wales had serious issues with accessibility.⁵ After working with Post Office Ltd improvement works are now underway in 100% of branches identified,⁶ highlighting the importance of a regular audit process.

Given that vulnerability is not fixed but can change depending on a person's circumstances it is important to understand the range of situations that make consumers vulnerable in relation to postal services.

Our recommendations:

1. Post Office Ltd (POL) should establish an audit process to monitor the post office network to ensure that all branches remain fully compliant with accessibility guidelines.⁷
2. Retailers and operators should work together to enable disabled consumers to specify their needs when ordering items online.⁸


Almost
1 in 5
people in the UK
are 65 or older.⁹

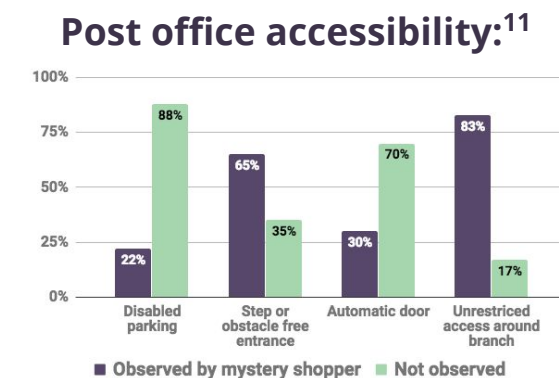
1 in 5
people in the UK
identify as
disabled.¹²

Over
300,000
people in the UK are
homeless.¹⁶

35%
of mystery
shoppers found
the entrance to a
post office was not
flat, or there was
an obstacle to
getting through the
door.¹⁰

9 in 10
disabled and older
people describe the post
office as essential and
almost 1 in 3 use the post
office every week.¹³

 Unemployed consumers are
more likely to use post to
contact others.¹⁴




3 in 10 disabled
people haven't
had time to get to
the door when
having a parcel
delivered.¹⁵

What Next?

The postal sector is multi-faceted and accessed by consumers for many different reasons. UK consumers have embraced e-retail and are doing more of their shopping online than any other European country. With whole retail experiences moving online it becomes increasingly important that receiving and returning items is a straightforward and transparent process. Whilst for the most part this market is working well the relationship between retailers and operators is not always understood by consumers, who are not always clear on who is responsible if something goes wrong. In e-retail this can mean consumers being passed between a retailer and a parcel delivery company with neither willing to accept responsibility for resolving the problem.

With so many products on offer it can be difficult for consumers to work out which product best fits their needs. An incorrect recommendation at the post office can have serious implications if the item goes missing - small business owners can be left out of pocket, or people in vulnerable situations may face delays in accessing welfare payments.

The wider political context may also have an impact on postal consumers. The EU has recently implemented new regulations to ensure greater transparency of pricing for cross-border products and legislative changes as a result of Brexit may affect the ease and affordability of getting items delivered from overseas.

We will be working with government, regulators, and industry stakeholders to address any areas of detriment highlighted by our research and other consumer insights. We will also be continuing our programme of consumer education, based around the peak retail and postal periods of Black Friday and Christmas. These campaigns complement our research activity by helping to raise consumer awareness of their rights so they are more confident in their ability to fix things if something goes wrong.

Free, confidential advice. Whoever you are.

We help people overcome their problems and campaign on big issues when their voices need to be heard.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.



citizensadvice.org.uk

Published May 2018

Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux.

Registered charity number 279057.

References: The parcels market

1. Apex Insight, [UK Parcels Market Insight Report 2017](#), February 2017
2. Ofcom, [Annual monitoring update on the postal market](#), 23 November 2017
3. Ofcom, [The Communications Market 2016](#), 4 August 2016
4. IMRG, [Metapack Delivery Indexes](#)
5. Apex Insight, [UK Parcels Market Insight Report 2017](#), February 2017
6. Based on 2.139 billion parcels, 59% of which are B2C (43%) or C2X (16%) and 27.2 million households. Apex Insight, [UK Parcels Market Insight Report 2017](#), February 2017 and ONS, [Families and Households](#), 8 November 2017
7. Analysis undertaken by Apex Insight, 2017
8. Citizens Advice, [Delivery services in the online shopping market](#), 16 June 2017
9. Citizens Advice, [Delivery services in the online shopping market](#), 16 June 2017
10. Citizens Advice, [Delivery services in the online shopping market](#), 16 June 2017
11. IMRG, [UK Consumer Home Delivery Review 2017](#), 22 September 2017
12. IMRG, [Metapack Delivery Indexes](#)
13. Metapack, [Delivering Consumer Choice](#), November 2014
14. Stuart, [On-demand delivery: the untapped goldmine](#), September 2016
15. Metapack, [Delivering Consumer Choice](#), November 2014
16. IMRG, [UK Consumer Home Delivery Review 2017](#), 22 September 2017
17. IMRG [MetaPack UK Delivery Index Report](#), November 2017
18. IMRG [MetaPack UK Delivery Index Report](#), November 2017
19. Ofcom, [Communications Market Report](#), 3 August 2017 CMR 2017

References: Parcel delivery and e-retail

1. Citizens Advice, [Delivery services in the online shopping market](#), 16 June 2017
2. IMRG, [UK Consumer Home Delivery Review 2017](#), 22 September 2017
3. Citizens Advice, [Delivery services in the online shopping market](#), 16 June 2017
4. Citizens Advice, [Delivery services in the online shopping market](#), 16 June 2017
5. Citizens Advice, [Shoppers will spend two and a half hours sorting out a delivery problem this Christmas](#), 7 December 2016
6. Citizens Advice, [Delivery services in the online shopping market](#), 16 June 2017
7. Citizens Advice, [Delivery services in the online shopping market](#), 16 June 2017
8. Citizens Advice, [Delivery services in the online shopping market](#), 16 June 2017
9. IMRG, [UK Consumer Home Delivery Review 2017](#), 22 September 2017
10. IMRG, [UK Consumer Home Delivery Review 2017](#), 22 September 2017
11. Citizens Advice, [Delivery services in the online shopping market](#), 16 June 2017
12. eDelivery.net, [Unexpected or expensive delivery costs biggest reason for cart abandonment](#), 1 February 2018
13. Citizens Advice, [Delivery services in the online shopping market](#), 16 June 2017
14. Breaking Blue, [The future of consumer needs for postal services](#), June 2016

References: The letters market

1. The Postal Museum, [Letters delivered by Royal Mail 1920-2010](#) and Ofcom, [Annual monitoring updates on the postal market](#), 23 November 2017
2. Greeting Card Association, [Facts and Figures](#), 2017
3. Ofcom, [Residential Postal Tracker \(January 2017 - December 2017\)](#)
4. Citizens Advice, [Digital by default?](#), 26 April 2018
5. https://www.ofcom.org.uk/_data/assets/pdf_file/0017/105074/cm2-017-uk.pdf
6. Apex analysis - based on RM letter revenue, and % of social mail divided by household numbers
7. Ofcom, [Communications Market Report](#), 3 August 2017 CMR 2017
8. Based on 11.8 billion letters and 52,800,000 UK adults. Ofcom, [Communications Market Report](#), 3 August 2017 CMR 2017 and ONS, [Overview of the UK population: March 2017](#)
9. Accent, [Use of Essential Services Traditionally Provided at Post Offices](#), June 2017
10. The Postal Museum, [Letters delivered by Royal Mail 1920-2010](#) and Ofcom, [Annual monitoring updates on the postal market](#), 23 November 2017
11. Royal Mail, [Royal Mail stops 3 million scam mail items from reaching customers](#), 5 March 2018
12. Citizens Advice, [Changing the story on scams](#), 3 August 2017
13. Citizens Advice, [Using the post to access benefits](#), 13 July 2017
14. PwC, [The outlook for UK mail volumes to 2023](#), 15 July 2013
15. City A.M., [Royal Mail increases price of first and second-class stamps by 2p each](#), 26 March 2018

References: Letters and the Universal Service

1. Breaking Blue, [The future of consumer needs for postal services](#), June 2016
2. Breaking Blue, [The future of consumer needs for postal services](#), June 2016
3. Breaking Blue, [The future of consumer needs for postal services](#), June 2016
4. Keep Me Posted, [The real cost of a paper bill](#), December 2014
5. Citizens Advice, [Forgetting to update your address when you move can prove costly](#), 7 November 2017
6. See for example: Yle Uutiset, [Mail deliveries to drop to three days a week in Finnish cities](#), 15 September 2017 ; The Local, [Denmark's postal service just got even worse](#), 3 May 2016
7. Citizens Advice, [Forgetting to update your address when you move can prove costly](#), 7 November 2017
8. Citizens Advice, [Digital by default?](#), 26 April 2018
9. Breaking Blue, [The future of consumer needs for postal services](#), June 2016
10. Citizens Advice, [Forgetting to update your address when you move can prove costly](#), 7 November 2017
11. Internal data
12. Keep Me Posted, [Get the facts](#)
13. Keep Me Posted, [Get the facts](#)
14. Keep Me Posted, [Get the facts](#)

References: Post offices

1. Citizens Advice, [Consumer Use of Post Offices](#), 14 July 2017
2. Citizens Advice, [Consumer Use of Post Offices](#), 14 July 2017
3. Citizens Advice, [Rural Post Office Use](#), 20 November 2017
4. House of Commons Library, [Post office numbers](#), 8 January 2018
5. Citizens Advice, [Post offices matter to communities](#), 10 October 2017
6. Citizens Advice, [Transformation Health Check](#), 5 January 2017
7. Citizens Advice, [Transformation Health Check](#), 5 January 2017
8. Citizens Advice, [Rural Post Office Use](#), 20 November 2017
9. Citizens Advice, [Transformation Health Check](#), 5 January 2017
10. Accent, [Use of Essential Services Traditionally Provided at Post Offices](#), June 2017
11. Accent, [Use of Essential Services Traditionally Provided at Post Offices](#), June 2017
12. House of Commons Library, [The Post Office](#), 8 January 2018
13. Citizens Advice, [Access all areas?](#), 14 July 2017
14. The Postal Museum, [Total number of Post Offices since 1854](#) and House of Commons Library, [Post office numbers](#), 8 January 2018
15. Citizens Advice, [Consumer Use of Post Offices](#), 14 July 2017

References: Vulnerable consumers

1. Citizens Advice, [The customer journey: disabled people's access to postal services](#), 14 March 2018
2. Citizens Advice, [The customer journey: disabled people's access to postal services](#), 14 March 2018
3. Citizens Advice, [The customer journey: disabled people's access to postal services](#), 14 March 2018
4. Citizens Advice, [The customer journey: disabled people's access to postal services](#), 14 March 2018
5. Citizens Advice, [The lasting impact of Post Office transformation: a Welsh view](#), 9 May 2018
6. Citizens Advice, [The lasting impact of Post Office transformation: a Welsh view](#), 9 May 2018
7. Citizens Advice, [The lasting impact of Post Office transformation: a Welsh view](#), 9 May 2018
8. Citizens Advice, [The customer journey: disabled people's access to postal services](#), 14 March 2018
9. ONS, [Overview of the UK population: July 2017](#)
10. Citizens Advice, [The customer journey: disabled people's access to postal services](#), 14 March 2018
11. Citizens Advice, [The customer journey: disabled people's access to postal services](#), 14 March 2018
12. Citizens Advice, [As shopping moves online, don't leave disabled people behind](#), 14 March 201
13. Citizens Advice, [New model post office access for disabled consumers](#), 24 April 2017
14. Breaking Blue, [The future of consumer needs for postal services](#), June 2016
15. Citizens Advice, [The customer journey: disabled people's access to postal services](#), 14 March 2018
16. The Guardian, [One in every 200 people in the UK are homeless, according to Shelter](#), 8 November 2017