



Europe Economics



Consumer Rights for Parcels Delivery

24 March 2017

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Executive Summary

In this study of consumer rights for parcel deliveries for Citizens Advice, we analyse existing consumer problems and conduct a cost-benefit analysis of three proposed policy options to alleviate consumer problems in the ecommerce parcel delivery sector.

As part of our study, we conducted a survey of some 2,000 online shoppers to measure the scale of various problems with parcel deliveries. Overall, 94 per cent of consumers are satisfied with the quality of service for parcel deliveries, while 6 per cent believe the market provides low or very low quality of service. Despite the overall satisfaction expressed by consumers, **about two-thirds have had at least one problem with a parcel delivery in the past 12 months**. The three most frequently reported problems are:

- slip received through the door saying the parcel could not be delivered when someone was home to receive the parcel (28 per cent of consumers);
- parcel left in insecure location, but not stolen (28 per cent of consumers); and
- consumer (or someone else in the household) inconvenienced by having to stay at home to receive the parcel (25 per cent of consumers).

Delayed parcels are another important problem, and a significant percentage of delayed parcels that had not yet arrived at the time of the survey had exceeded the statutory 30 days allowed for delivery.

The survey found that consumers' own knowledge of their rights with respect to parcel deliveries is patchy. When faced with a parcel delivery problem, around 40 per cent of consumers took some form of action. We found that **consumers who were confident in their knowledge of consumer rights were more likely to take action when a problem occurs**. The survey found that most consumers do not switch retailer as a result of problems with parcel deliveries.

Our economic analysis of the market identified **three types of market problem**:

- potentially inadequate enforcement of existing consumer rights;
- externalities from consumer action, whereby consumers take less action than might be desirable because the benefits from taking action that accrue to them as individuals are less than the total benefits to society; and
- asymmetric information between retailers and delivery companies, and between delivery companies and their delivery staff, which may mean that problems which consumers often do not complain about may persist due to retailers and/or delivery companies being unaware that these problems are happening.

The policies we studied in detail were:

1. a consumer awareness campaign;
2. the mandatory inclusion of parcel delivery lockers in every new-build home; and
3. the mandatory provision of information by parcel couriers, combined with a regular consumer survey.

Table ES.I below summarises the results of our cost-benefit analysis for our three proposed policies (with ranges based on the low benefit and high benefit cases for each metric).

Table ES.1: Summary of cost-benefit analysis results

| | Awareness campaign | Parcel lockers | Data provision |
|---|---------------------------|-----------------------|-----------------------|
| Number of problems avoided (million) | 0 to 6.78 | 123.7 to 417.3 | 0 to 82.8 |
| NPV (£ million) | -5.1 to 26.6 | 58.1 to 990.7 | -1.3 to 334.8 |
| Benefit/cost ratio | 0.3 to 1.8 | 1.2 to 10.2 | 0 to 2.8 |

The parcel lockers policy has the potential to generate the most significant benefits of the three, with a benefit to cost ratio of above one across the low, medium and high scenarios. It could possibly be complemented by a consumer awareness campaign, which also shows benefits (though much smaller in scale) in the medium and high scenarios we modelled. However, the benefit/cost ratio of a consumer awareness campaign is only just above 1 in our medium benefit scenario.

Based on our qualitative analysis, we do not recommend the data provision policy, as it has a number of drawbacks that lead us to believe the likely outcome would be closest to our low scenario which shows a net cost to society from the policy. These drawbacks include:

- Data collected from parcel couriers would not cover all of the problems, as it would only capture those that parcel couriers can track. It would need to be supplemented by a regular consumer survey to measure all problems.
- Consumer complaints collected by couriers are likely to be low compared with complaints made to the retailers, and they may not be representative of the spectrum of consumer complaints.
- The information might be used to “blame and shame” in situations where the ultimate responsibility for a failed delivery is beyond the control of a parcel operator.
- The policy might either “crowd out” or duplicate information exchange agreements and key performance indicators already in place between parcel operators and retailers.
- The publication of this information might distort the behaviour of parcel couriers and might lead them to make complaint procedures less visible in an attempt to improve their rankings.
- Publication of comparative data might also lead to parcel couriers manipulating their data to improve their apparent performance.

1 Introduction

In this introduction we present background information on the e-commerce parcel delivery sector, summarise some of the consumer problems in the sector, and present our research objectives, methodology and the structure of the rest of our report.

1.1 Background

E-commerce parcel delivery sector

With the rise of e-commerce in the world, the market for parcel deliveries has become increasingly important. In the last two years, at least three quarters of the UK adult population have made one or more online purchases every three months.¹ In total, the e-commerce market in the UK generated about 1.14 billion deliveries in 2016,² with an average order value of £43.³ By 2018, the market is expected to grow to 1.35 billion deliveries.⁴ The growth of parcel deliveries, however, might slow down in the future due to an increase in digital substitution, where digital media replace hard copies of items such as books, CDs or DVDs.⁵

Across all UK regions, the fastest growth rate of e-commerce and parcel deliveries over the next five years is expected to occur in rural areas, whilst regions close to large retail centres will see lower growth levels. In terms of market development, the growth of parcel deliveries is likely to be influenced by cross-border e-commerce. Ordering goods from outside the UK has become commonplace, especially among shoppers who already buy goods online and young buyers aged 25-34.⁶

The UK parcel market is highly fragmented, with 16 major companies offering business to business (B2B) and/or business to consumer (B2C) parcel deliveries. In 2013, Royal Mail and Parcelforce, the parcel division of Royal Mail Group, had a joint revenue share of about 36.2 per cent on the parcel deliveries market. Other large players include Yodel, TNT, DPD, UPS and Hermes, with market revenue shares varying between 4 and 8 per cent each.⁷

The parcel delivery sector is divided into B2B and B2C deliveries, which can be broadly understood as bulk deliveries to a single business address versus individual parcel deliveries to many residential addresses. Yet the split between the B2B and B2C sectors is increasingly blurred.⁸ An individual entrepreneur might run a business from home while some employers might allow staff to receive personal parcels at work. In addition, the development of e-commerce means that more consumers are likely to return items back to the retailer (e.g. due to clothes being an incorrect size or an item being faulty), and hence the consumer to business (C2B) sector is expected to expand.

The recent growth of e-commerce in the UK has not always been matched by the capacity growth of logistic operators.^{9,10} During the busy Black Friday and Christmas shopping season in November-December

¹ Ofcom (2016) "The communication market report", Section 6.1.2.

² IMRG (2016) Valuing home delivery review, p. 27.

³ Metapak (2016) Delivery index report, p. 15.

⁴ Barclays (2014) "The Last Mile: Exploring the online purchasing and delivery journey".

⁵ WIK Consult (2016) "Technology and change in postal services – impacts on consumers".

⁶ Metapak (2014) "Delivering consumer choice".

⁷ Royal Mail (2013) "IPO Prospectus", section 3.1. CitiLink, also mentioned among market players, went bankrupt in 2015.

⁸ PLCW (2015) "Review of the impact of competition in the postal market on consumers", p. 23.

⁹ The Independent (2015) "Why Britain's parcel couriers are still struggling to deliver".

2014, several parcel operators were unable to cope with the high volumes of parcels and struggled to deliver them on time.

Consumer problems in the sector

While there is no single source of statistics or measures of consumer problems in the sector, we reviewed a number of surveys and reports that address the issue. Table 1.1 below summarises the most common consumer problems that have been studied, as well as further problems consumers faced when trying to solve their initial problem with a parcel delivery or obtain redress.

Table 1.1: Consumer problems in the literature

| |
|--|
| Problems with original order |
| Delayed and lost parcels |
| Damaged parcels |
| Not attempting to contact the flat/house owner and leaving a slip for the parcel |
| Leaving the parcel outside the property or in communal areas |
| Mismatch between the tracking information and the actual delivery |
| Inconvenience of delivery time and/or location |
| Refusal of delivery to rural and remote areas |
| Problems getting redress |
| Unclear, not user-friendly complaint procedures |
| Slowness in acknowledging the problem on the part of the courier |
| Unsatisfactory response to complaint provided by courier |
| Resolving problem is time-consuming |
| Overall customer service below standards |

In our consumer survey, deployed to 2,005 online shoppers in the UK, we directly measured the problems those consumers experienced, further problems getting redress from retailers, and the consequences of the problems and efforts to obtain redress.

1.2 Research objectives

The objectives of this research were to:

- establish a deeper understanding of the nature and scale of existing consumer problems in the e-commerce parcel delivery market;
- understand and describe how current consumer protections in parcels delivery services apply to particular consumer experiences;
- consider the extent to which these protections are likely to be sufficient for consumers seeking redress or improved service;
- understand the ways in which the market is working to address consumer problems;
- assess the economic costs and benefits of alternative protections, including options for better enforcement of existing protections; and
- to provide Citizens Advice with conclusions and recommendations about ways forward.

Our analysis takes these objectives into account, developing an evidence base and coming to conclusions in each of these areas. The scope of our research is limited to problems experienced by consumers in the UK. This means that problems with parcels shipped from the UK to other countries are not examined, but any problems from parcels being shipped to UK consumers from other countries are considered.

¹⁰ PLCW (2015) "Review of the impact of competition in the postal market on consumers".

1.3 Method

This study employs a range of research methods. They include desk research (including legal research), primary research via a consumer survey, an analysis of the problems faced in the parcel delivery market, setting out policy objectives, identifying policy options, conducting a qualitative analysis of policy options,¹¹ and finally a cost-benefit analysis of leading policy options. All of these lead to development of final conclusions and recommendations on the way forward.

Desk research

We conducted a thorough review of the literature for parcel deliveries from online shopping. Most of the literature focussed on the UK (due to our focus on UK consumers) but the past policy approaches we reviewed also included policies in other jurisdictions. Our review covered the following areas:

- Current consumer rights and regulations in relation to parcels delivery.
- The findings of existing market research in relation to consumer experience of parcels delivery.
- Different possible policy approaches (e.g. policy suggestions, approaches in other countries).
- How retailers and parcels operators are responding to problems experienced by consumers.
- Lessons from other postal regulations (e.g. USO and related consumer protections).

The review also included a legal review in the area of consumer rights and regulations, conducted by our collaborator and legal expert, Professor Christopher Willetts.

Consumer survey

Our consumer survey was conducted online by YouGov in December 2016 and we sampled online shoppers from YouGov's pre-screened online panel. Our sample of 2,005 consumers was weighted to be representative of UK online buyers aged 18 and above, using data on UK online shoppers from the Office for National Statistics (ONS). The resulting sample is about equally divided between men and women, and has an 80/20 split between the urban and rural population. The majority of consumers surveyed live in England, but 17 per cent reside in Scotland, Northern Ireland, and Wales.

The 15-minute survey measured the frequency of online shopping and resulting parcel deliveries, satisfaction with parcel delivery services, knowledge of consumer rights that apply to parcels and problems experienced in the past year with parcel deliveries. For the most recent problem consumers experienced, we asked them about the characteristics of the parcel they ordered and the delivery problem, any actions they may have taken to resolve the problem, the outcome of the problem, and the costs the consumer may have incurred as a result of the problem (including both financial and time costs). A copy of the survey questionnaire is contained in Appendix 2.

Analysis of the problem and setting policy objectives

Based on our desk research and our consumer survey data, we then conducted an analysis of the problem. First, we conducted a detailed assessment of existing consumer rights and how they apply to consumer problems with parcel deliveries, identifying any weaknesses that may exist in this area. Second, we performed an economic analysis of the problem, looking at what potential market failures, regulatory failures and equity problems may apply to the sector. From our conclusions on the economic problems, we went on to define policy objectives that any proposed policy designed to alleviate the problems should try to meet.

Qualitative analysis of policy options

On the basis of our policy objectives, and our conclusions regarding the problems in the sector, we defined eight policy options to consider. They were:

¹¹ A multi-criteria analysis (MCA).

- consumer awareness campaign to increase knowledge of consumer rights;
- free door stickers saying where parcels should be left if the consumer is not in;
- automatic compensation for delayed parcels;
- mandatory provision of information by parcel delivery companies to Citizens Advice;
- a voluntary certification scheme for parcel delivery companies, run by Citizens Advice;
- production of best practice guidance for parcel delivery firms, covering the contracts that they offer retailers and how to avoid perverse incentives for delivery staff;
- a requirement that parcel operators be members of a recognised Alternative Dispute Resolution (ADR) service; and
- a requirement in Building Regulations that parcel delivery lockers be included in new build homes.

We also included the counterfactual (do-nothing) scenario in our assessment.

We graded each policy option according to how it scored against our set of policy objectives. The following three resulting policies were then selected for further analysis in consultation with Citizens Advice:

- consumer awareness campaign;
- mandatory provision of information to Citizens Advice; and
- mandatory parcel lockers in new homes

Cost-benefit analysis

Once we had selected the three policy options that were to be examined in more detail, we defined the parameters of the counterfactual, to use as an input into our cost-benefit modelling of the three options. For each policy option, we identified the key potential effects of the policy and the resulting costs and benefits that would arise for consumers, retailers and couriers. Using these inputs, we constructed an Excel model that mapped out the evolution of these costs and benefits up to 2030 for each of the three policies, using our counterfactual as a benchmark. For each policy, we produced low, medium and high benefit scenarios to take into account the uncertainties involved in the estimation exercise. Our modelling results helped to inform our final conclusions and policy recommendations for Citizens Advice.

1.4 Structure of report

The remainder of our report is divided into chapters that cover different aspects of our research. These are:

- Chapter 2 – Consumer problems with parcel deliveries (containing our survey results).
- Chapter 3 – Analysis of the problem and policy objectives.
- Chapter 4 – Qualitative assessment of policy options.
- Chapter 5 – Cost-benefit analysis of three leading policy options.
- Chapter 6 – Recommendations.

In addition, this report includes four appendices:

- Appendix 1 – Existing evidence on consumer problems.
- Appendix 2 – Survey questionnaire.
- Appendix 3 – More detailed survey results.
- Appendix 4 – Analysis of existing consumer rights.

2 Consumer Problems with Parcel Deliveries

As part of this project, Europe Economics commissioned a survey of consumer problems from YouGov. In this chapter of the report, we begin by briefly describing the survey methodology and we then cover the main findings of our survey.

Appendix 1 summarises existing evidence from the literature on consumer problems with parcel deliveries. Some further results from our survey can also be found in Appendix 3. Some of the survey results also served as inputs into our cost-benefit model – those inputs are described in Chapter 5.

2.1 Survey methodology

2.1.1 Sampling

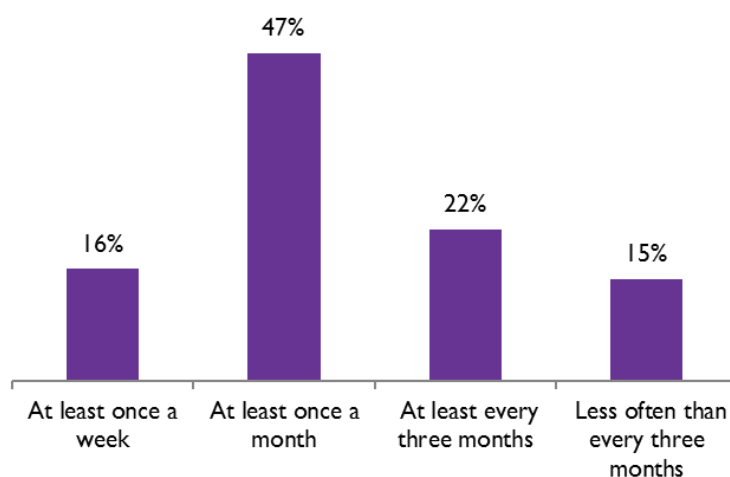
The survey was conducted online between the 19th and 24th of December 2016 and included only those consumers who have done online shopping in the past 12 months. Online shoppers were sampled from YouGov's pre-screened online panel. The sample of 2,005 consumers was weighted to the known profile of online shoppers based on Office for National Statistics (ONS) figures and therefore it is representative of UK online buyers aged 18 and above.

2.1.2 Sample overview

The sample is equally split between men and women and covers all ages and socio-economic groups. The sample has an 80/20 split between the urban and rural population. About 17 per cent of consumers come from Wales, Scotland and Northern Ireland. The sample demographics are depicted in Appendix 3.

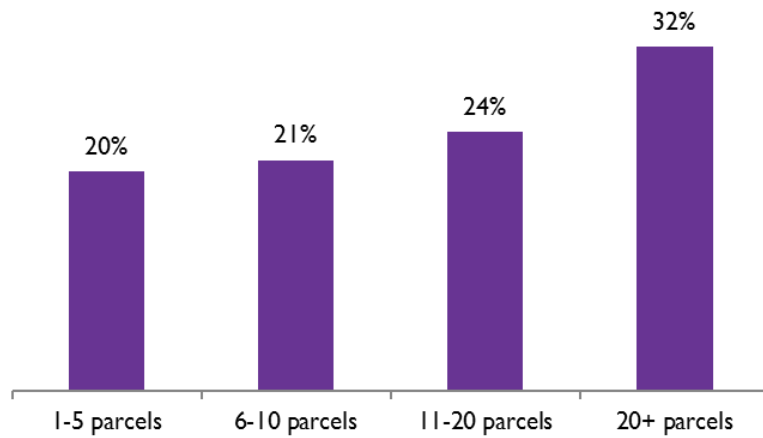
Figure 2.1 and Figure 2.2 below describe online shopping habits of UK consumers. About 16 per cent of online shoppers buy something online at least once a week and nearly one half of online shoppers (47 per cent) buy online at least once month. One third of consumers receive over 20 parcels per annum.

Figure 2.1: Frequency of online shopping



Notes: Base = 2,005 (all consumers).

Figure 2.2: Number of parcels in the past 12 months



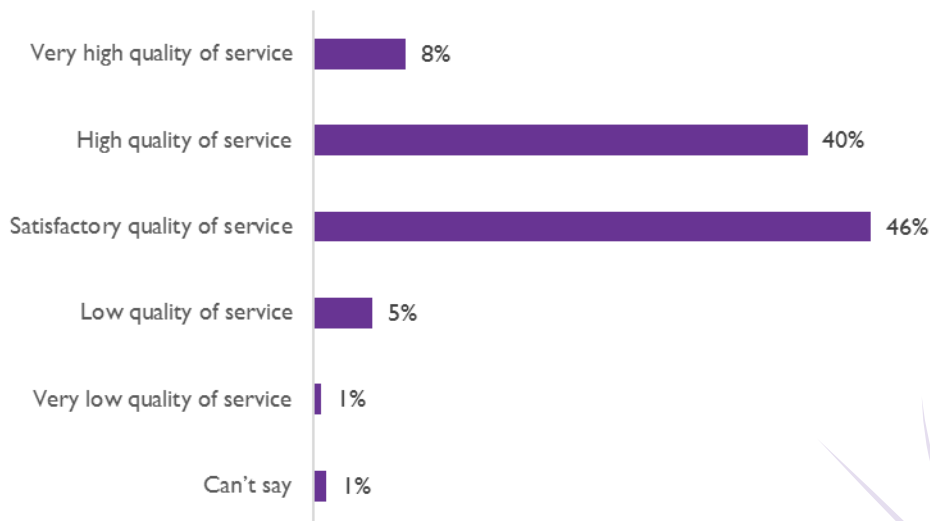
Notes: Base = 2,005 (all consumers). 3 per cent of survey respondents replied “Don’t remember”.

2.2 Overall consumer satisfaction

Over 90 per cent of consumers are satisfied

The majority of consumers (about 94 per cent) are satisfied with the quality of delivery services. By contrast, only 6 per cent of customers think the market provides low or very low quality of delivery services.

Figure 2.3: Consumer satisfaction with the quality of parcel delivery services



Notes: Base = 2,005 (all consumers).

2.3 Consumer knowledge

Knowledge of consumer rights is patchy

About 55 per cent of consumers think they know their rights well or very well, and the remaining 45 per cent are less confident about their knowledge of rights. However, the actual knowledge of consumer rights varies by the type of rights in question.¹²

The majority of consumers, about 90 per cent, understand that the retailer must provide information on any delivery charges and arrangements prior to the purchase. Similarly, over 70 per cent of consumers are aware that the retailer must quote the delivery charge and explain the delivery arrangement before the payment and cannot change them once they have been fixed. By contrast, a noticeably smaller number of consumers, 38 per cent, understand that if the retailer does not say anything about any delivery and/or return charges they do not have to have to pay for the delivery.

Consumers appear to be confused about the length of the cooling off period, which is 14 days, not 7 (only 25 per cent answered the relevant question correctly). The majority of customers do not realise that if they decide to return the item within the cooling off period, they are also entitled to a refund of the standard delivery charge.

With respect to delays and responsibility for delays, consumers are generally aware that it is the retailer, not the courier, who bears the risk of delivery up to the moment the parcel is physically given to the consumer (approximately 80 per cent of consumers answered the question correctly). However, many consumers appear to be confused as to whether they are entitled to a refund for prolonged delays in delivery.

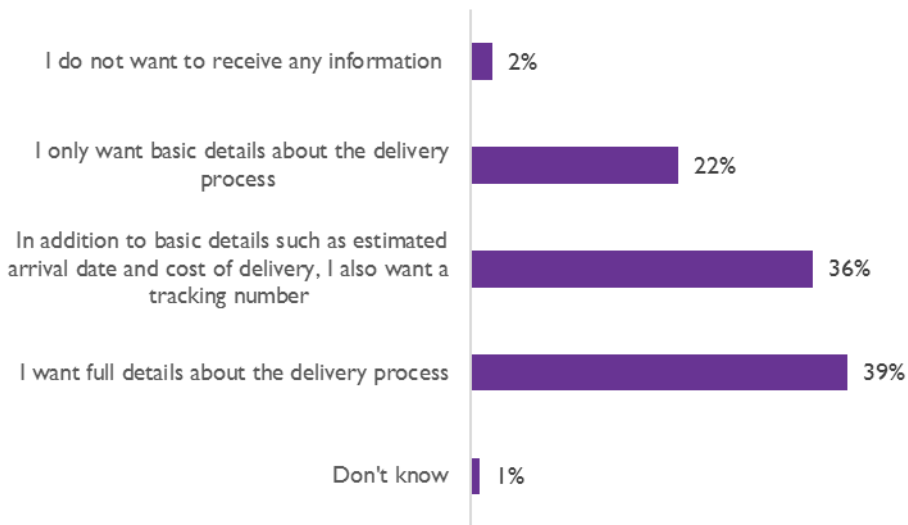
2.4 Desired level of information

Consumers want information about the delivery process, particularly if they have experienced a problem in the past

When making an online purchase, nearly 40 per cent of customers would like to have not only basic details about the delivery such as time and cost but also a tracking number and, in many cases, details on consumer rights and instructions on how to report a problem with delivery (see Figure 2.4).

¹² For full details on the testing methodology and the consumer answers, see Appendix 3.

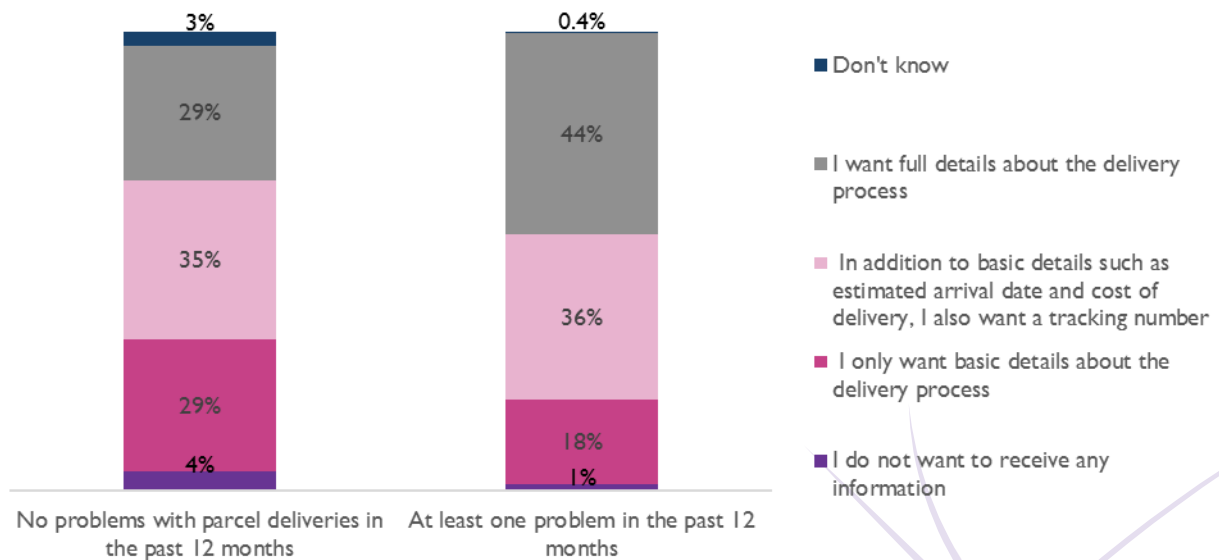
Figure 2.4: Desired level of information about parcel delivery before purchase



Notes: Base = 2,005 (all consumers). Full details about the delivery process mean “the name of the delivery company, estimated arrival date, cost of delivery, a tracking number, my rights regarding delivery and instructions on how to report a problem with delivery”.

A higher proportion of consumers who experienced at least one problem with a parcel delivery in the past 12 months expressed a wish for detailed information on the delivery process, including the tracking number and instructions on how to submit a complaint (see Figure 2.5). Given that about two-thirds of consumers had at least one problem with parcel deliveries in the past 12 month, this may explain why the overall share of consumers who prefer to have the full information is also relatively high (39 per cent, cf. Figure 2.4).

Figure 2.5: Experience of delivery problems and desired level of information about the delivery



Note: Base = 619 (No problems) and base = 1,383 (At least one problem). Full details about the delivery process mean “the name of the delivery company, estimated arrival date, cost of delivery, a tracking number, my rights regarding delivery and instructions on how to report a problem with delivery”.

2.5 Delivery problems experienced by consumers

2.5.1 Problems in the past 12 months

Two thirds of consumers had at least one problem in the last year

Around two thirds of consumers (69 per cent) had experienced at least one problem in the past 12 months.

Table 2.1 below lists the problems that consumers experienced at least once in the past 12 months, together with the percentage of consumers that experienced the problem. The most common problem is receiving a slip of paper saying that the parcel could not be delivered because no-one was in, when in fact there was somebody at home to receive the parcel. Other frequent problems are the parcel being left in an insecure location, inconvenience of delivery time, and the delay or loss of a parcel.

Table 2.1: Problems with parcel deliveries in the past 12 months

| Problem | Share of consumers, % |
|---|-----------------------|
| 1. I or someone else was at home but received a slip saying that “the parcel could not be delivered as there was nobody at home” | 28.3 |
| 2. The parcel was left in an insecure location (but it was not stolen) | 27.6 |
| 3. I or someone else had to stay at home when inconvenient in order to receive the parcel | 24.8 |
| 4. The parcel arrived late (in a situation where I had not paid for a premium delivery service) | 22.3 |
| 5. The parcel has not arrived | 20.8 |
| 6. I had, or will have, to pick up the parcel from an inconvenient place (inconvenient location or open hours) | 18.5 |
| 7. I paid for a premium delivery service (e.g. next day delivery) and the parcel arrived late | 15.9 |
| 8. The contents of the parcel were damaged during delivery | 11.2 |
| 9. The parcel was left with neighbours without my consent when I did not want that to happen | 11.0 |
| 10. The tracking information provided was incorrect and I missed the delivery as a result | 5.7 |
| 11. I found the delivery person unpleasant/intimidating | 4.9 |
| 12. The retailer agreed to deliver to my address but charged an extra delivery fee due to my location | 3.0 |
| 13. The retailer refused to deliver to my address | 2.6 |
| 14. There was someone else present to receive the parcel but the courier refused to deliver the parcel because they required my signature before delivering | 1.8 |
| 15. I was charged more for delivery than I was quoted | 1.8 |
| 16. The parcel was left in an insecure location and stolen | 1.7 |
| 17. The way the parcel was packaged or delivered caused injury to me or someone else | 0.5 |
| 18. The delivery person damaged or stole something I own other than the parcel | 0.4 |
| 19. Other | 3.2 |
| 20. None of these | 30.9 |

Note: Base = 2,005 (all consumers). The numbers do not add up to 100 per cent as the consumers could choose multiple options.

Our survey results for the two most frequent problems are consistent with earlier findings in the literature. The most frequent problem “receiving a slip when being at home” happened to 28 per cent of consumers, according to our survey, and to about one third of consumers, according to other studies. Leaving the parcel in an insecure location happened to about 28 per cent of consumers both in our survey and in previous research. Combining problems four and seven in the above table yields an estimate for parcels

reported to have arrived late. These issues were reported by 38 per cent of consumers in our survey, broadly similar to estimates as high as 40 per cent or more in the literature.¹³

However, some problems appear to be slightly less common in our survey than in previous studies. For example, about 20 per cent of consumers in our survey reported a lost parcel, compared with 30 per cent of consumers in another survey. Further, only 11 per cent of consumers in our survey had a problem with incorrect tracking information compared with around a quarter of consumers in another study.

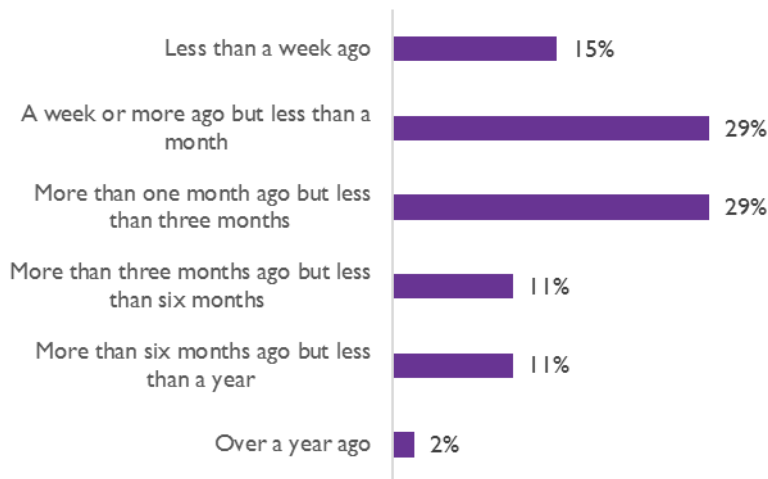
2.5.2 Characteristics of most recent problem

In order to explore the problems that consumers were experiencing in more detail, we asked consumers about the most recent problem they had. All of the results presented in this rest of Chapter 2 relate to consumers’ most recent problem.

The most recent problem was typically in the last three months

The most recent problem with a parcel delivery typically occurred in the in the past three months (see Figure 2.6).

Figure 2.6: Time when the most recent problem occurred

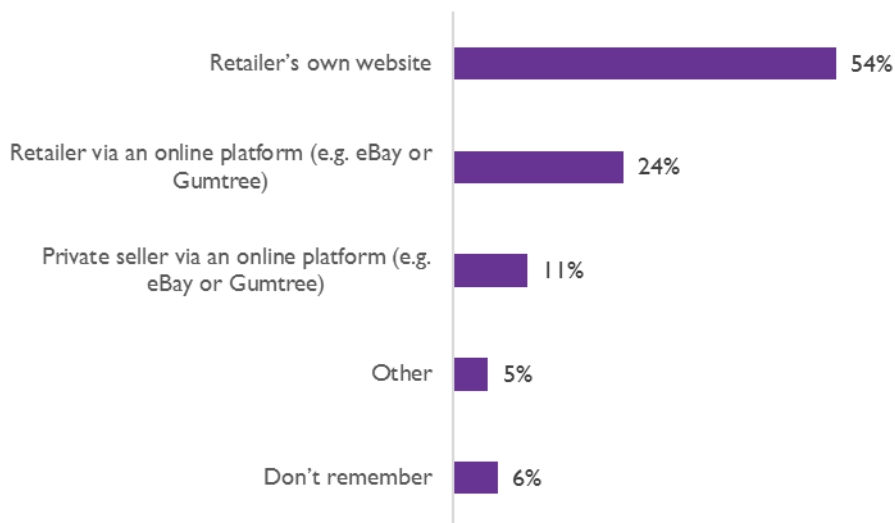


Note: Base = 1,383 (consumers who reported at least one problem in the past 12 months).

Parcels were most frequently purchased from retailers’ websites and were typically shipped from the UK to a home address

Figure 2.7 describes the type of retailer where the item was bought. Over a half of consumers, 54 per cent, made a purchase on the retailer’s own website. Another 35 per cent of consumers shopped at an online platform and bought the item either from a retailer or a private seller who trades on such platforms.

¹³ A further 20 percent of consumers reported that the parcel had not yet arrived.

Figure 2.7: Type of retailer where the item was bought

Note: Base = 1,383 (consumers who reported at least one problem in the past 12 months).

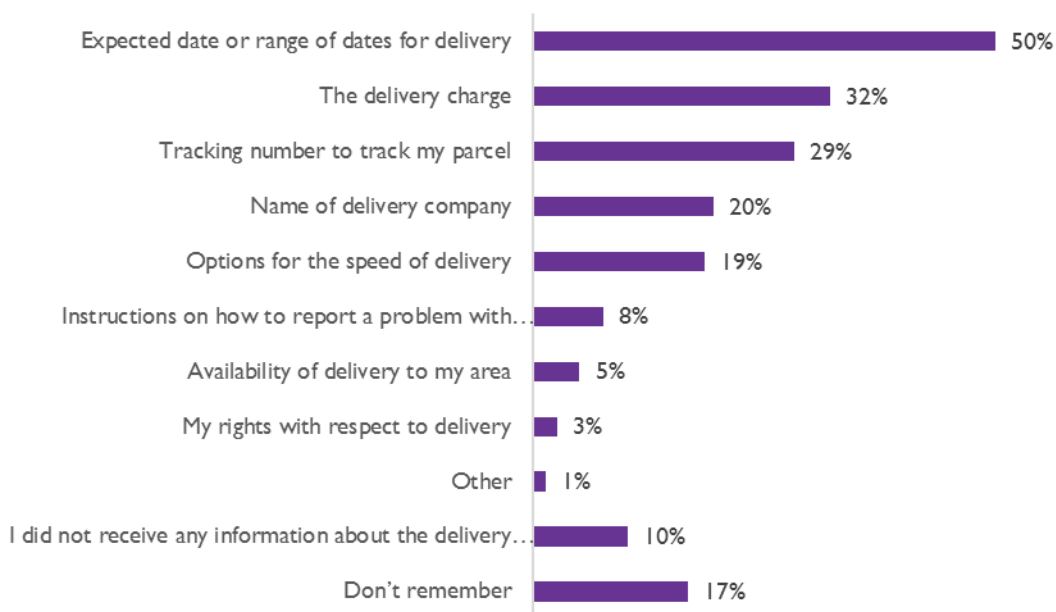
A typical parcel delivery associated with the most recent problem would be shipped from the UK to a home address. Younger consumers aged 25-24 are the most likely to ask for delivery to a work address, but even in this age group deliveries to a work address only account for around 5 per cent of the most recent problems with parcel deliveries. Older consumers aged 65 and over are least likely to ask for delivery to a work address (as would be expected, given that most people in this age group will be retired).

There is no one particular type of item that is particularly associated with delivery problems. Appendix 3 shows a breakdown of recent problems with parcel deliveries between different categories of item.

Many consumers do not recall receiving key information relating to delivery

At the time of purchase, about half of consumers report receiving information on the expected date or range of delivery dates, about one third of consumers report being provided with a delivery charge and about 30 per cent of consumers report being given a tracking number.

It should be noted that these figures reflect the proportion of consumers who recall receiving these items of information, and that the proportion of cases in which the information was actually provided may be much higher. For example, the provision of information on the delivery charge is a legal requirement, so it seems unlikely that this information was only provided in 32 per cent of cases.

Figure 2.8: Information received at the time of arranging parcel delivery

Note: Base = 1,383 (consumers who reported at least one problem in the past 12 months).

The three most common problems are parcels being left in insecure locations, parcels not arriving on time, and consumers receiving slips through the door falsely claiming that delivery has been attempted

Table 2.2 summarises specific problem(s) that the consumer experienced (one problem might have involved several issues). The two most common issues were the parcel being left in an insecure location and delayed (possibly, missing) parcel. The third most common problem was the consumer receiving a slip through the door saying the parcel could not be delivered because no-one was at home, when in fact someone was present to receive the parcel.

Table 2.2: Issues in the most recent case of problem with delivery

| Problem | Share of consumers, % |
|--|-----------------------|
| 1. The parcel was left in an insecure location (but it was not stolen) | 17.7 |
| 2. The parcel has not arrived | 14.9 |
| 3. I or someone else was at home but received a slip saying that "the parcel could not be delivered as there was nobody at home" | 13.8 |
| 4. I or someone else had to stay at home when inconvenient in order to receive the parcel | 12.1 |
| 5. The parcel arrived late (in a situation where I had not paid for a premium delivery service) | 10.5 |
| 6. I had, or will have, to pick up the parcel from an inconvenient place (inconvenient location or open hours) | 10.0 |
| 7. I paid for a premium delivery service (e.g. next day delivery) and the parcel arrived late | 6.4 |
| 8. The parcel was left with neighbours without my consent when I did not want that to happen | 5.5 |
| 9. The contents of the parcel were damaged during delivery | 4.7 |
| 10. The tracking information provided was incorrect and I missed the delivery as a result | 2.1 |
| 11. The retailer agreed to deliver to my address but charged an extra delivery fee due to my location | 1.8 |
| 12. The retailer refused to deliver to my address | 1.4 |

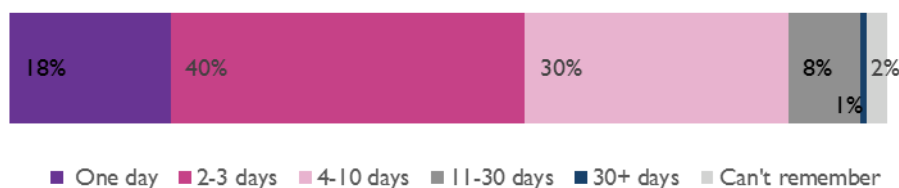
| Problem | Share of consumers, % |
|---|-----------------------|
| 13. I was charged more for delivery than I was quoted | 1.3 |
| 14. I found the delivery person unpleasant/intimidating | 1.1 |
| 15. The parcel was left in an insecure location and stolen | 0.9 |
| 16. There was someone else present to receive the parcel but the courier refused to deliver the parcel because they required my signature before delivering | 0.4 |
| 17. The way the parcel was packaged or delivered caused injury to me or someone else | 0.3 |
| 18. The delivery person damaged or stole something I own other than the parcel | 0.3 |
| 19. Other | 3.2 |

Note: Base = 1,383 (consumers who reported at least one problem in the past 12 months). The numbers do not add up to 100 per cent as the consumers could choose multiple options, i.e. if one problem involved multiple issues.

A significant percentage of delayed parcels that have not yet arrived have exceeded the statutory 30 days

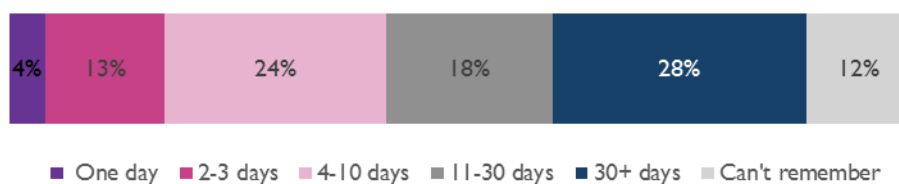
For most parcels that arrived late, the length of the delay was within the statutory 30 days (Figure 2.9). However, for the parcels that had not arrived (by the date of the survey), the delay was longer: about 28 per cent of such parcels were delayed by more than 30 days (Figure 2.10).

Figure 2.9: Length of delays for parcels that arrived late



Note: Base = 234 (all consumers who said the parcel arrived late in the most recent case of parcel delivery problem).

Figure 2.10: Length of delays for parcels that had not arrived yet



Note: Base = 206 (all consumers who said the parcel had not arrived yet in the most recent case of parcel delivery problem).

Around half of consumers cannot name the delivery company

About 47 per cent of consumers did not know which parcel courier was responsible for shipping the parcel.¹⁴

¹⁴ We do not give the breakdown of problems by delivery operators, as they are not weighted to account for sector shares. Naturally, couriers with higher market shares are also likely to have more problems reported for their services.

2.5.3 Actions taken to resolve problems

Around 40 per cent of consumers took action when they had a problem

When asked about their action(s) to deal with the most recent parcel delivery problem, around 2 in 5 consumers took some form of action. More specifically:

- 38 per cent of consumers took some form of action.
- 57 per cent of consumers chose to do nothing.
- 5 per cent of consumers replied “Don’t know / Can’t remember”.

The most common actions are contacting or complaining to the retailer / delivery company

Table 2.3 summarises the most common actions consumers took to sort out the problem. The two most frequent actions were “Make a complaint” and “Contact the retailer to find out what was happening”. Two other common actions were asking for a refund of delivery charges and a refund of the purchased item.

Table 2.3: Most frequent types of action taken by consumers

| Type of action | Share of consumers, % |
|---|-----------------------|
| Made a complaint to the retailer and/or delivery company | 49 |
| Contacted the retailer and/or delivery company to find out what was happening | 48 |
| Asked for a refund of the purchased item | 25 |
| Asked for a refund of delivery charges (part or whole) | 15 |

Note: Base = 529 (all consumers who said they took action).

Many types of action are less popular among consumers. In particular, consumers seldom ask for compensation of other costs incurred or attempt to publicise the issue on the internet (less than 6 per cent of consumers). Asking for help from friends and relatives or seeking legal and expert advice is extremely rare (1 per cent of consumers or less).

The type of action taken varies according to the delivery problem experienced by the consumer. In general, when consumers did not incur financial losses, they would primarily contact the retailer or make a complaint, depending on the problem. When there was financial loss, the consumer would ask for refund of delivery charges, the purchased item and/or other cost. (See Appendix 3 for further detail on the relative frequencies of different kinds of action, by type of problem.)

Consumers who are confident about their rights are more likely to take action

Our findings indicate that consumers are more likely to take action if they feel confident that they know their rights. The actual knowledge of rights has less effect on whether they take action (although it might be more important when trying to sort out the problem).

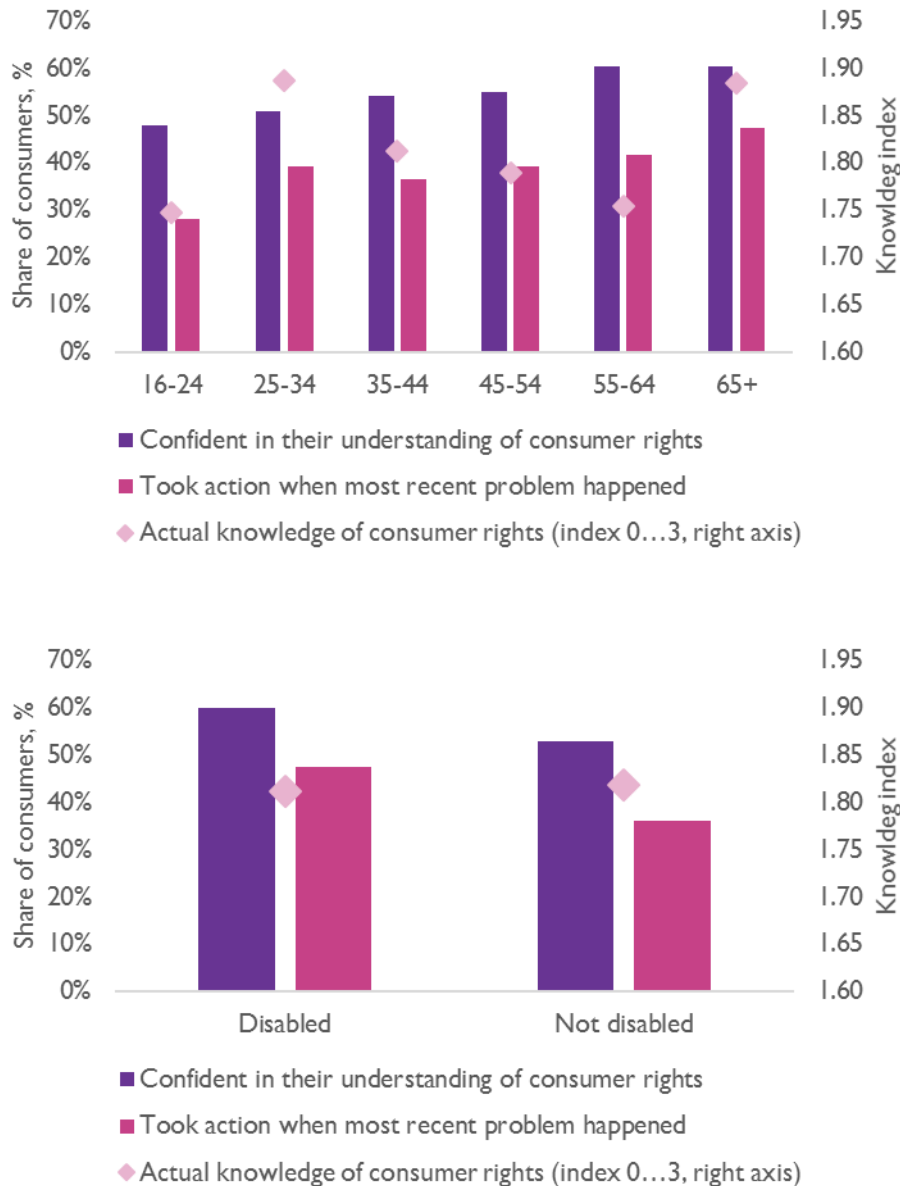
How confident consumers are that they know their rights and their likelihood of taking action strongly depend on the age of the consumer and whether they have a disability. Other demographic factors such as gender, socio-economic group or urban/rural location do not affect the confidence or the probability of taking actions.

Older consumers think they know their rights well and, hence, take action more frequently as compared with younger consumers who are less confident about their knowledge and less active when a problem occurs. However, when tested, younger consumers aged 25 to 34 have the highest actual knowledge of their consumer rights.

Consumers with a disability are more confident that they know their rights and are more likely to take action when faced with a problem. However, when tested on actual knowledge, disabled and non-disabled consumers were found to have a similar level of actual knowledge of their rights.

These findings suggest that there might be benefits in a policy approach that would aim at improving consumers’ knowledge of their rights and increasing their confidence in enforcing their rights. An example of a policy that could be used to achieve these goals would be a consumer awareness campaign.

Figure 2.11: Taking action, self-assessed and actual knowledge of consumer rights by age (top panel) and disability (bottom panel)



Note: Base = 1,383 (consumers who reported at least one problem in the past 12 months).

2.5.4 Outcome of problem

Around 40 per cent of consumers who took action had further problems resolving the issue

When trying to sort out the initial issue with the parcel delivery, about 3 in 5 consumers (58 per cent) did not have any further problems. However, the remaining 2 in 5 consumers experienced further difficulties when dealing with the problem, as shown on Figure 2.12.

Figure 2.12: Further difficulties when trying to sort out the initial problem

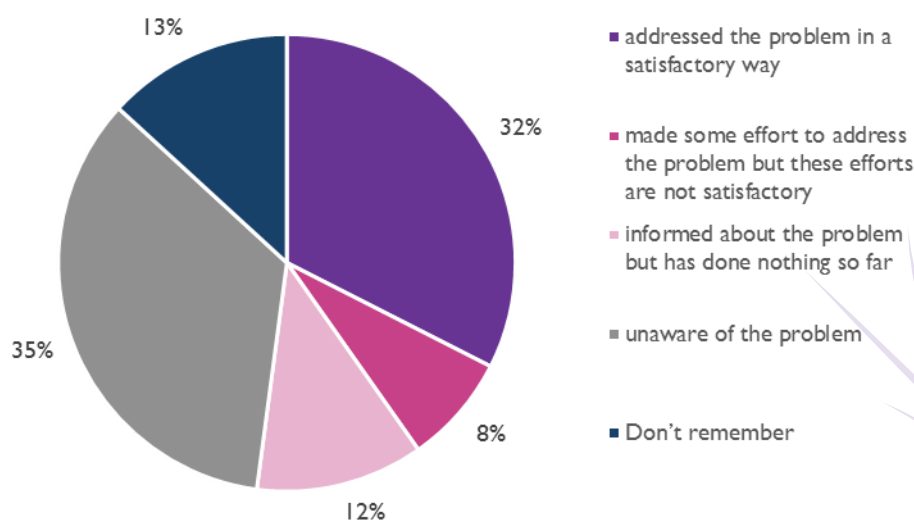


Note: Base = 1,383 (consumers who reported at least one problem in the past 12 months). The numbers do not add up to 100 per cent as the consumers could choose multiple options.

Around two thirds of consumers who contacted the retailer / delivery company were satisfied with the outcome

Half of customers (52 per cent) informed the retailer/delivery company about the problem. In about two thirds of these cases, the retailer addressed the problem in a satisfactory way (see Figure 2.13 for more detail).

Figure 2.13: The quality of action taken by the retailer/delivery company



Note: Base = 1,383 (consumers who reported at least one problem in the past 12 months).

When the retailer or delivery company responded to the consumer’s complaint or request, the response could include an apology or acknowledgement of the problem, re-arranging delivery or replacing the product, or providing a refund of delivery charges and other costs incurred (Figure 2.14).

Figure 2.14: Action taken by the retailer/delivery company



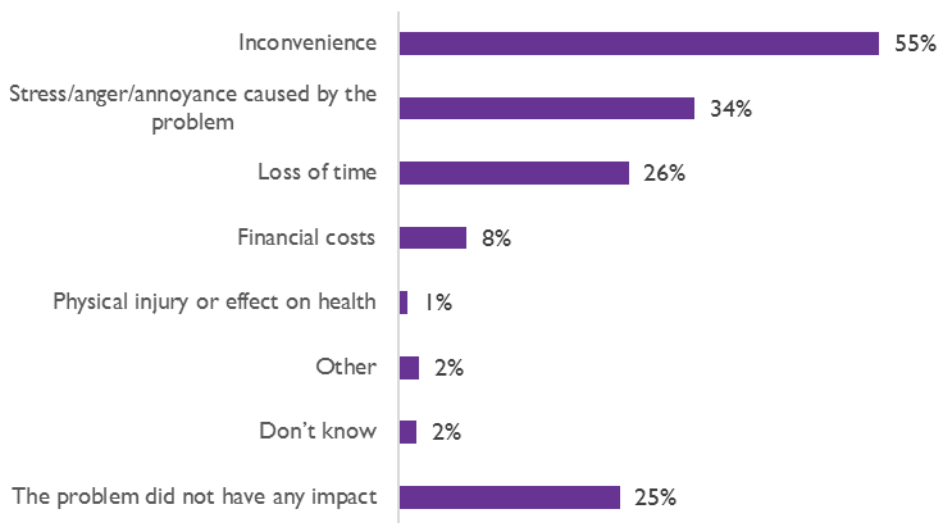
Note: Base = 557 (all consumers who say that the retailer has done something to address the problem). The numbers do not add up to 100 per cent as the consumers could choose multiple options.

2.5.5 Impact of problems and costs incurred

Inconvenience and stress/anger were the most typical impacts

When asked about the impact the problem had on consumers, a quarter of consumers answered that there was no impact. Among those consumers that were affected, inconvenience and stress or anger were the most typical impacts (Figure 2.15). Approximately 26 per cent of consumers lost some time when trying to sort out the problem and about 8 per cent of consumers incurred a financial loss. A small number of consumers said they had a physical injury or health issues as a result of the parcel delivery problem.

Figure 2.15: Impact of the parcel delivery problem on consumers

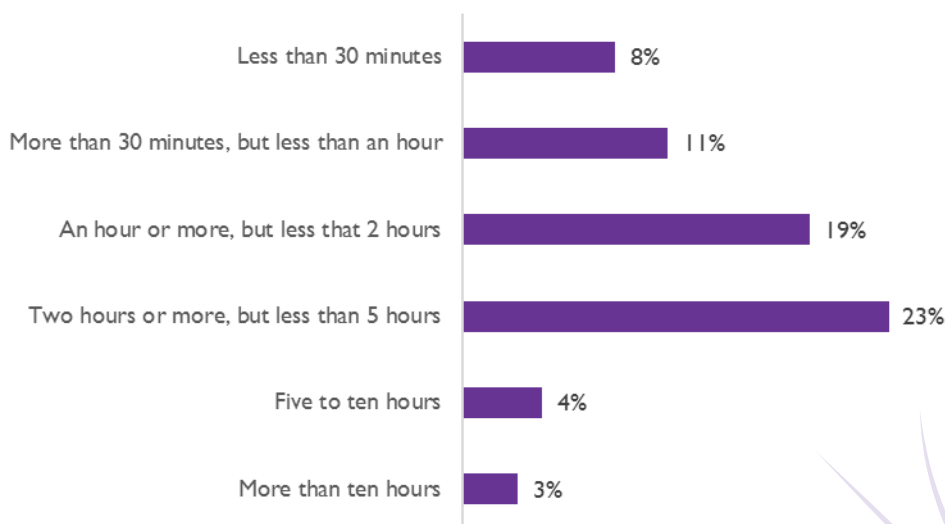


Note: Base = 1,383 (consumers who reported at least one problem in the past 12 months). The numbers do not add up to 100 per cent as the consumers could choose multiple options.

Consumers who lost time typically spent 1 to 5 hours sorting the problem out

When those consumers who reported losing time were asked about the amount of time lost, about half of them said that they lost between 1 and 5 hours seeking to sort out the problem and about one third of them could not provide an estimate (see Figure 2.16 for more details on the loss of time).

Figure 2.16: The loss of time



Note: Base = 365 (all consumers who said they experienced loss of time). About 31 per cent of respondents replied “Don't know”.

Across all consumers in the sample, the total reported loss of time because of the most recent problem with a parcel delivery totalled about 754 hours. Scaling this number to the reported number of problems and parcels in the past 12 months gives an estimated total loss of time of 4,661 hours for consumers in the sample. Using the value of time estimate from the Department of Transport of £6.81 per hour,¹⁵ this yields

¹⁵ Department for Transport (2016) "WebTAG: TAG data book, July 2016". See Table A 1.3.1: "Values of Non-Working Time by Trip Purpose (£ per hour, 2010 prices, 2010 values): Other purpose, Market price". The Value

a monetary estimate of the value of lost time for consumers in the sample of £31,734. Finally, scaling up the total number of parcels to the UK volume of online shopping parcels of 1.09 billion,¹⁶ produces an estimate of approximately £1.25 billion for the total value of time lost by UK consumers due to problems with online shopping parcel deliveries. To give a sense of scale, this estimated value of lost time represents approximately 2.5 per cent of the UK online shopping market in terms of revenues.¹⁷

A very small minority of consumers experienced a large financial loss

A small number of consumers (8 per cent) reported a financial loss as a result of their parcel delivery problem. When asked about the types and amount of financial cost incurred, the cost of purchasing a new item (e.g. when the parcel did not arrive by the desired date) was the most typical and often the largest among the different types of loss (Figure 2.17). The total financial loss across all consumers in the sample is dominated by a few consumers who experienced substantial financial loss driven primarily by the cost of purchasing an alternative item and lost earnings (Figure 2.18 and Figure 2.19). The survey is likely to overestimate the net financial loss incurred, as some consumers might have obtained a refund of lost items and of other costs from the retailer and/or delivery company.

Figure 2.17: Types of financial loss incurred, frequencies



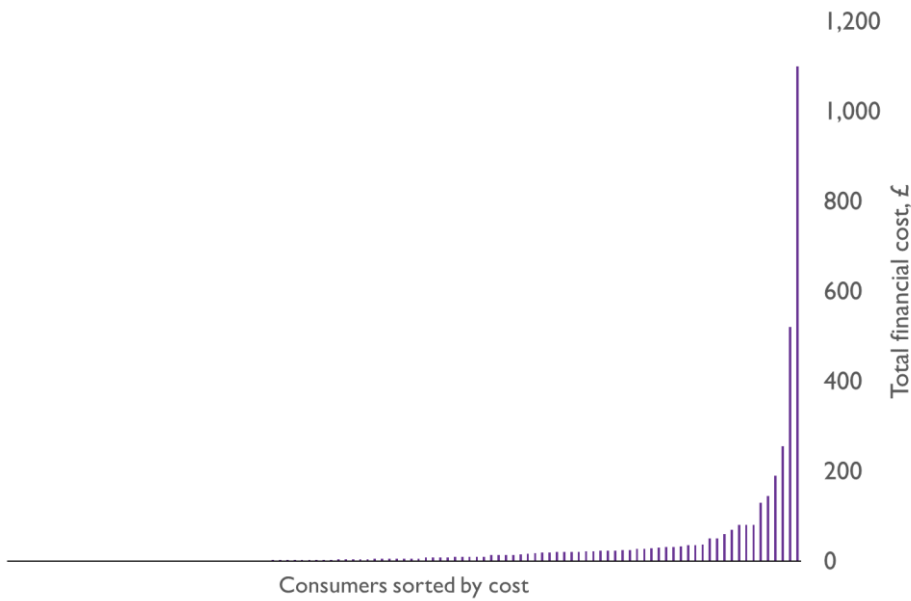
Note: Base = 109 (all consumers who said they experienced financial loss).

of time provided by the DfT is in 2010 prices and so is updated to 2016 prices using the consumer price index (CPI) published by the ONS.

¹⁶ This calculation is based on the volume of domestic parcels from the IMRG (2016) "Valuing home delivery review", p. 27, and the share of domestic parcels reported in the survey.

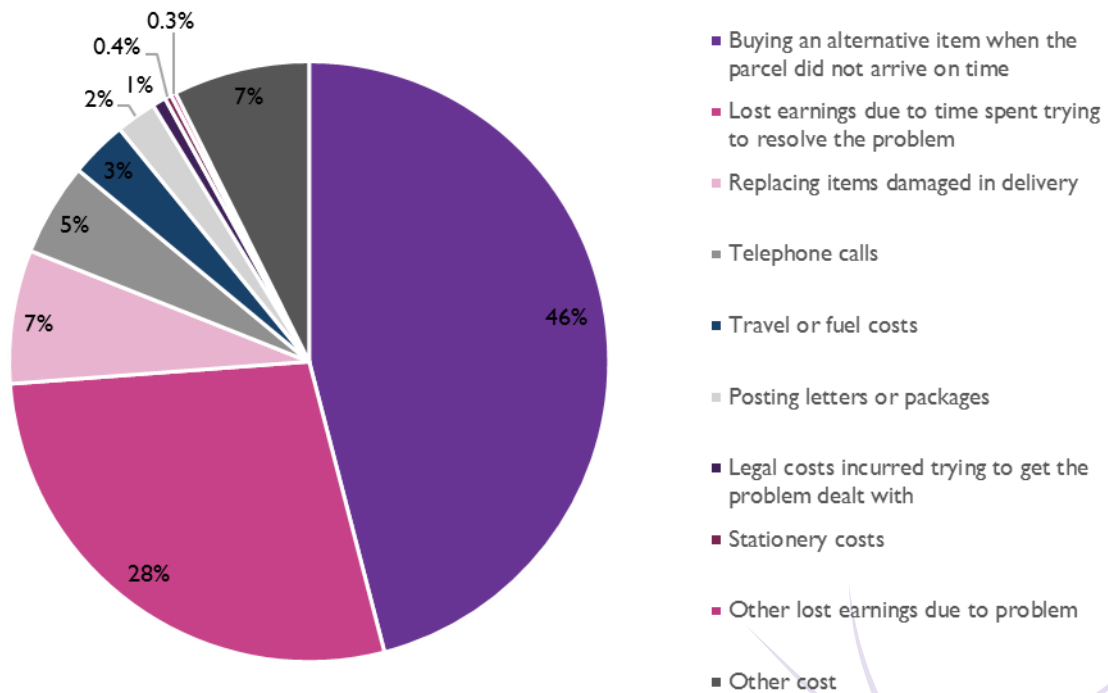
¹⁷ Comparison is based on the IMRG (2016) figures for the market size (number of online shopping orders) and average order value.

Figure 2.18: Total financial loss, by consumer



Note: Base = 109 (all consumers who said they experienced financial loss).

Figure 2.19: Composition of total financial loss



Note: Sum of reported financial cost, by type, across all consumers. Base = 109 (all consumers who said they experienced financial loss).

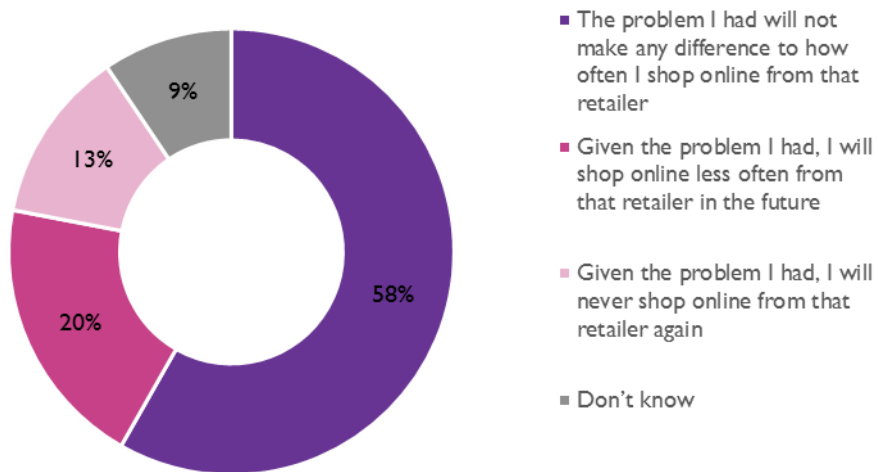
2.5.6 Future behaviour

Most consumers do not switch retailer as a result of delivery problems

Despite having a problem with a parcel delivery, nearly 60 per cent of consumers would not switch the retailer (Figure 2.20). Another 20 per cent would shop less frequently with the same retailer and 13 per cent would not shop with the same retailer again.

This suggests that although consumer switching may provide some incentive for retailers to reduce problems associated with parcel deliveries (since there are some consumers who will switch as a result of such problems), this incentive may be relatively weak (since most consumers will not switch).

Figure 2.20: Future shopping behaviour with the retailer



Note: Base = 1,383 (consumers who reported at least one problem in the past 12 months).

3 Analysis of the Problem and Policy Objectives

3.1 Economic analysis of the problem

In Appendix 4 we discuss existing consumer rights for online shopping parcel deliveries, and how such rights would apply to different types of problem. The categories of problems we consider in this appendix are based on a set of problems that are observed in practice. However, these problems may be a symptom of a broader market problem (or a set of market problems) that relates to the overall structure of the market, the market participants, and the incentives of each type of market participant. In circumstances where markets do not function as well as they should, policy intervention may improve market outcomes if the benefits outweigh the costs. Hence, in this chapter we analyse whether there are any such broader market problems in the e-commerce parcel delivery market. We also discuss the objectives that any potential policy intervention should seek to achieve.

3.1.1 Types of market problems

HM Treasury's *Green Book on Appraisal and Evaluation in Central Government* discusses the importance of identifying a "clear need" that provides a rationale for policy intervention.¹⁸ The rationale may address a market failure or a specific distributional objective. Where there is a market failure, the market is not able to reach an efficient outcome on its own and the goal of policy intervention is to improve the market's efficiency. In addition, policy interventions can be designed for equity purposes in order to improve the distribution of market outcomes.

While the vast majority of consumers in our survey were satisfied overall with the quality of parcel delivery services, around two-thirds had experienced at least one problem in the last year. We analyse whether there could be some aspects of the market that may be leading to less efficient outcomes than would be ideal or to outcomes that might be deemed undesirable from an equity perspective.

Below, we discuss the different types of market problems that have been identified by economic theory. We then discuss which of these problems are applicable to the e-commerce parcel delivery market.

Market failures

Market failures can be placed into the following four categories:

- **Public goods** — these are goods such as national defence where consumption of the good by one person does not reduce the ability of others to consume the good. Furthermore, if a public good is made available to one person, it is also available to everyone (e.g. a lighthouse). Consumers have an incentive to take the benefits of the public good but leave others to pay for its provision. The consequence of this is that free markets are unlikely to provide an appropriate level of the public good.
- **Externalities** — these occur when consumption of a good gives rise to impacts on other people which are not reflected in the market price. Externalities can be either positive or negative:
 - **Negative externalities** such as pollution impose costs on other people which are not reflected in market prices. Free markets will tend to encourage over-consumption of goods in these cases.

¹⁸ HM Treasury (2003) *Green Book on Appraisal and Evaluation in Central Government*.

- **Positive externalities**, such as the benefits to passers-by of seeing beautiful architecture, provide benefits to others which are not reflected in market prices. Free markets will tend to under-provide these goods.
- **Market power** — market power occurs as a result of insufficient competition (either current competition or potential competition). As a result, prices may be higher and the supply of a good may be lower than would be the case if the market were competitive.
- **Imperfect information** — market players need certain information (e.g. on price, quality) for a market to operate efficiently. An example of an information problem is asymmetry of information, which occurs when one party to a market transaction has more information than the other party. Where the information asymmetry is serious, it can give rise to the following:
 - **Adverse selection** — this occurs when the uninformed party in a market transaction ends up conducting a transaction with an undesirable supplier or consumer. For example, if buyers have no way of discerning the quality of a product, then dishonest sellers who cut costs by selling poor-quality products without revealing this information could make the highest profits and thus end up dominating the market.
 - **Moral hazard** — this occurs when the actions taken by one party in a market transaction are not observable by the other party and this gives rise to an incentive for the “wrong” action to be taken. An example would be individuals taking less care to protect property that has been insured.

The parcel delivery market does not involve any public good and thus we discard this potential market failure from further consideration. In addition, Ofcom considers the parcel delivery market to be competitive, so we discard market power as a potential market failure as well.

Regarding externalities, a significant one for the parcel delivery market is consumer complaints to retailers. This is a positive externality, as more customer complaints result in an improvement of the quality of service in the market, not just for the ones who complain, but for all customers. We discuss this further in section 3.1.3 below.

In the case of imperfect information, we consider that the parcel delivery market suffers from some asymmetric information. In this market, we have identified an uneven distribution of information between retailers and delivery companies, and between delivery companies and their delivery staff. In section 3.1.4 below we elaborate further.

Distributional outcomes (equity)

The fact that markets lead to efficient outcomes in the absence of market failure says nothing about whether or not those outcomes will be equitable. For example, certain populations such as the disabled may be at a disadvantage in some markets, even if there is no market failure. Hence policy intervention may be justified on equity grounds, even where it reduces the economic efficiency of the market. We discuss this further in section 3.1.5 below.

Regulatory failure

In some cases, the rationale for a policy proposal might be to address problems associated with existing regulation. Examples of regulatory failure that policy-makers might want to correct include:

- **Weakly defined property rights** — in situations where the legal framework leaves uncertainty over who has rights over what, markets may be prevented from working effectively. For example, poorly defined contractual rights may deter consumers from participating in a market.
- **Implementation and enforcement failures** — corrective action may be appropriate where existing policies have not been properly implemented and enforced.
- **Poorly defined objectives** — regulatory actions based on poorly defined objectives are unlikely to be well designed.

- **Unintended consequences** — even where the objectives of regulation were clearly specified, regulations may give rise to unexpected and unintended consequences.
- **Regulatory capture** — in situations where regulation has been delegated to independent regulators, the regulator may be “captured” by those it regulates and follow their interests rather than the wider public interest.
- **Excessive burden of regulation** — a sequence of regulatory decisions may lead to an excessive overall burden of regulation for traders.

Ofcom, the appointed sector regulator for postal and related activities, does not explicitly regulate the parcel delivery market, though it monitors market outcomes. However, as described in Appendix 4, the Government does have general legislation and consumer regulation in place that applies to the parcel market. In that section, we concluded that consumer rights are comprehensive and that there are no discernible gaps in such rights as they apply to the parcel delivery market. We did, however, identify that one weakness may be in enforcement and we discuss this further in section 3.1.2 below.

3.1.2 Enforcement

While consumer rights appear well-defined as they apply to the parcel delivery market, there may be a gap in enforcement of these rights. This may arise where consumers are not aware of their rights and/or traders are not aware of their obligations. It can also arise where taking action to enforce rights is a costly activity, either because of the financial cost of taking action or the time required to do so.

Although the rights for consumers are well-defined, if they are not aware of these, there may be less enforcement of these rights, either by consumers or by consumer rights bodies. In Chapter 2 we showed the results of our consumer survey on perceived and actual knowledge of rights relating to parcel deliveries from online shopping. We found some distinct gaps in knowledge of certain rights: the cooling off period and the entitlement to a delivery charge refund, the entitlement to a refund for delayed parcels, and knowing when consumers are not responsible for delivery charges. We also discussed how a consumer’s perception of how well they know their consumer rights (regardless of actual knowledge as tested in our survey) is influential in whether consumers decide to take action when facing any given problem with parcel delivery.

Secondly, even with full knowledge of their rights, consumers might still not seek to enforce their rights if the cost of enforcement is high. For example, if it is costly to hire a lawyer to take legal action, then consumers might choose to enforce their rights only for extremely costly problems. Furthermore, the cost consideration does not only include financial costs. It could also include the cost of time for consumers to go through the procedures and processes necessary to enforce their rights. For example, if making a claim requires many steps with a lot of input from consumers, a consumer might not feel it is worth the time to make a claim.

Enforcement of rights is not solely done by consumers. Consumer rights groups and public bodies (such as Trading Standards) also take enforcement action when they see patterns of infringement. Awareness of consumer problems is an important pre-condition before enforcement of rights can take place. This may be enhanced either by more consumer feedback to rights groups or public bodies or by regular studies and investigations of consumer problems by those bodies. Thus a lack of awareness of consumer problems may lead to less enforcement of consumer rights for these bodies.

In addition, consumer rights groups and public bodies have finite budgets and staff time to take action, requiring them to prioritise enforcement accordingly. This could be prioritised by the number of consumers affected (or the cost consumers experience overall), the likely success of the enforcement action, by public policy priorities the body has committed to for that calendar year, or by political priorities

of the Government. Due to this necessary prioritisation process, not all consumer problems experienced in the sector will be taken up by these bodies for enforcement action.

If consumers do not take action because they are not confident in their knowledge of what they are entitled to or it is too costly for them to take action, the result is that retailers and couriers are less accountable for problems with the delivery service, leading to a lower overall quality of service in the parcel delivery market than would otherwise be the case. Even if most consumers are satisfied with the quality of parcel delivery services, it may still be that there is scope for further improvement.

In our survey of consumers, we found that a little over a third of consumers who experienced a problem had taken some sort of action. What this means is that for the consumers who did take action, the overall level of service improved, and that level of action taken generates a positive externality for all consumers. We discuss this further in the next section.

3.1.3 Positive externalities from consumer action

Consumer complaints to retailers give rise to a potential positive externality in that such complaints may generate improvements in the overall quality of service for parcel deliveries not only for the consumer who complained but also for other consumers as well. To take a concrete example, a call from a customer will usually help solve that customer's own problem with a delayed parcel, but it also provides important information to a retailer on a phenomenon they cannot perfectly observe on their own — how many parcels are being delivered late. This information is important because it may help the retailer improve its own contract with the courier(s) it subcontracts to deliver parcels or improve internal logistics to reduce the number of late parcels. Thus, information from customers or consumer rights bodies on problems they experience helps retailers improve their service.

Customers benefit from contacting retailers when seeking to solve their own delivery problems, but they do not directly reap all the rewards of potential future service improvements by the retailer. Therefore, for minor problems, a customer may consider that it is not worthwhile for them to make a complaint. For the retailer, however, the more feedback they receive from customers who experience problems, the more information they have on the level of customer satisfaction, an important aspect of customer retention (for repeated transactions). The dilemma is that customers do not have as strong an incentive as desirable to contact retailers when they experience problems (given that they will not take account of the wider market benefits of such action), and yet market efficiency could be improved if customers did so more often or other bodies contacted retailers more on behalf of customers. This implies that the observed level of consumer complaints may be lower than the ideal level. This is not the fault of individual consumers, but is rather an outcome driven by the presence of a positive externality in the market. It may also imply that consumers have less incentive to learn about their rights than would be ideal.

The types of stylised problems we studied that may be impacted by this externality include:

- **Non/late delivery of parcels** – this is particularly salient for the late delivery of parcels, a problem consumers are less likely to complain about, especially if the delay is not very long. Late deliveries are a prominent problem, as measured by our survey. For example, 16 per cent of consumers report a late delivery despite paying for a premium service, 22 per cent report that a regular delivery parcel arrived late, and 21 per cent report that the parcel has yet to arrive. For problems with late parcels (where premium delivery was not paid for), our survey found that 58 per cent of consumers had not taken any action. When consumers paid for premium delivery, they were slightly more likely to take action on late parcels. For those who paid for premium delivery and received their parcels late, the per cent of people who did not take any action falls to 49 per cent. A difference arises when the respondent has not yet received the parcel, where only 13 per cent reported they had not taken action. That is likely because the personal benefit of taking action for consumers who had not yet received their parcel was

much higher than the benefit for those who had already received their parcel, but received it late. Overall, however, more reports of late parcels may help retailers identify patterns of overall parcel delays and ways to overcome these problems, or help a retailer promise a more realistic delivery time.

- **Delivery of defective/damaged goods** – in our survey, 11 per cent of consumers experienced a delivery that caused damage to the contents of the parcel. In cases where the parcel was damaged by the courier delivering to the consumer, the retailer would not be aware of such damage unless the consumer reported it. In this instance, almost 60 per cent of consumers in our survey did report taking action. This is higher than for late parcels, but it is expected as the private return to consumers (expected compensation, replacement item or price reduction) is higher than that for late parcels. Even though more consumers did report taking action compared to other problems, the level is still low relative to the loss experienced by consumers with damaged items. Among consumers who responded to our survey, this category of problem is associated with one of the highest levels of financial loss.
- **Inconvenience caused by taking delivery** – in our survey, we found that 18 per cent of consumers reported being inconvenienced by a delivery. For individuals who reported the inconvenience of having to stay at home for a delivery when inconvenient (or having someone else stay at home), more than two-thirds of consumers did not take any action. A similar proportion declined to take action for those who reported having to pick up parcels at an inconvenient location. More frequent reporting by consumers or consumer rights bodies of such inconvenience may help retailers make improvements in their delivery offering – for example, by offering evening or Saturday deliveries.
- **Difficulty taking delivery** – the most frequently occurring problem in our consumer survey is where the consumer received a slip saying the parcel could not be delivered because there was nobody home when there was someone home, with 28 per cent of all respondents experiencing this issue in the past year. With this problem, nearly 60 per cent of consumers did not take any action. Retailers may be unaware of the extent of the problem and are then unable to hold couriers to account.
- **Problem with where parcel was left** – our survey found that parcels left in insecure locations (but not stolen) were one of the most frequently occurring problems, with nearly a third of consumers reporting this problem in the past year. The retailer may be unaware of the extent of the problem if few consumers complain. In cases where a parcel was left in an insecure location (but not stolen), our survey found that 78 per cent of consumers did not take any action. A similar pattern emerges for parcels left with neighbours without the customer's consent when the customer did not want this to happen — in this case 83 per cent did not take any action, although this problem was only reported by 11 per cent of consumers for the past year. More action taken by consumers, or consumer rights bodies, to make retailers aware of these issues could drive quality improvements in the service provided.
- **Bad conduct of delivery person/Injury from parcel** – as with other examples, the retailer does not directly observe the conduct of the delivery person (and neither does the management of the courier company), so consumer reports back to the retailer may be helpful for improving the service. These are rare problems in our survey, however, and for that reason, we do not believe they are a prominent issue.

To summarise, our consumer research leads us to believe that positive externalities may lead to less consumer action than might be desirable in the parcel delivery market, and may give rise to less efficient market outcomes. The most significant problems consumers experienced that are likely to be exacerbated by this market problem are the late delivery of parcels, the delivery of defective/damaged goods, inconvenience caused by taking delivery, difficulty taking delivery, and problems with where parcels are left.

3.1.4 Information asymmetry

We consider that information asymmetry is another relevant economic problem for the parcel delivery market. When consumers place an order from a retailer, the retailer works with the parcel delivery

company to arrange the delivery of the item, but the consumer typically only interacts with the retailer at the time of sale (unless consumers give feedback after the delivery). At the time of delivery, however, the interaction is between the courier and the consumer.

The retailer relies on information from the courier on the delivery unless the consumer contacts the retailer directly. To complicate the matter, the courier company may not have full information on the activities of the driver delivering the order. Therefore, there is an uneven distribution of information between retailers and delivery companies, and between delivery companies and their delivery staff. Consumers have information that retailers may not know, and they also have information that the management of the parcel delivery company may not know. Again, this is no fault of the consumer, but a result of how the market works.

We discussed earlier in the report how the industry employs technology to improve their service. That technology can be used to even out the distribution of information between different consumers, retailers and couriers. Even with the technological solutions currently in place, however, there is an uneven distribution of information.

Below we discuss specific problems reported by consumers in our survey that are affected by asymmetric information. All of these problems were discussed in section 3.1.3 above, but there are specific aspects of these problems also affected by information asymmetries:

- **Non/late delivery of parcels** – late deliveries are a prominent problem. Where the late delivery is the fault of the courier,¹⁹ more frequent reporting by consumers may allow the retailers to work with the courier to improve the service, or change couriers. An alternative to more consumer reporting is an increased use of technology to solve this problem through the use of scanners to report back to retailers when a parcel was delivered. It is likely that the technology solution can help the market resolve this problem on its own, provided the delivery driver does not falsify reporting. Such technology would also help solve problems with non-delivery.
- **Delivery of defective/damaged goods** – the retailer may not be aware of the delivery of defective or damaged goods when this is the fault of the courier. Unlike late deliveries, however, it is unlikely the increased use of technology by the industry can resolve this problem.
- **Difficulty taking delivery** – as discussed, consumers getting slips through the door saying a delivery had been attempted but nobody was available to receive the parcel (when in fact someone had been home) is the most frequently occurring problem for consumers in our survey. In this case, the consumer has information on the attempted delivery that the retailer does not have, but would benefit from having. The delivery driver may need to meet certain quotas and may have a perverse incentive to rush through some delivery attempts, leading to slips saying a delivery had been attempted, even when delivery was not actually attempted. The retailer may have a hard time detecting this type of misbehaviour from staff employed by the courier (and even the management of the delivery company may have a hard time detecting such behaviour), especially if the pattern is random, but if it could, it would be able to improve the service for consumers by either taking action against the courier or by changing couriers.²⁰ A similar issue arises where the tracking information provided is incorrect, leading the consumer to miss the delivery, an issue reported as having happened at least once in the past year by nearly 6 per cent of consumers in our survey.
- **Problem with where parcel was left** – this is also an example of asymmetric information between the retailer and the courier, and also perhaps between the courier and its delivery drivers. A more even distribution of information on where parcels are left would help retailers and couriers improve the quality of the delivery service.

¹⁹ Sometimes the retailer is at fault, not the courier, but the consumer doesn't know who is at fault.

²⁰ This is a specific example of a 'moral hazard' issue.

- **Bad conduct of delivery person/Injury from parcel** – The same asymmetric issue arises here, where retailers or even managers of the courier companies may not observe poor conduct by courier drivers. As this occurs rarely, we do not discuss this further.

In the same way that the existence of positive externalities from consumer reporting may lead to less efficient market outcomes, so too may the existence of these information asymmetries between retailers and couriers and between couriers and delivery drivers. The main issues experienced by consumers that policy may consider addressing in this area are delivery of defective/damaged goods, difficulty taking delivery, and problems with where parcels are left.

3.1.5 Equity issues

Market outcomes may be perceived as unfair if certain groups are disadvantaged. An example of this is that consumers living in remote areas are sometimes disadvantaged (e.g. some retailers / couriers may refuse to deliver to their area, or may charge higher fees to do so). While the literature identifies this as a potential problem, our results show that it occurs very infrequently. Thus any harm resulting from this is likely to be quite small and we see no need for corrective policy action.

We also consider outcomes for individuals according to different demographic characteristics. In particular, we find that age is linked with an individual's understanding of their consumer rights, and that a consumer's perception of how well they understand their consumer rights is linked with how likely they are to take action when they experience a problem. Individuals with a better perceived understanding of their consumer rights are more likely to take action when they experience a problem. For the six age groups we grouped consumers into in our survey, we found that consumers from 16 to 24 years of age are least likely to be confident of their understanding of consumer rights and far less likely to take action when they experience a problem. When we look at individuals by socio-economic grouping, there is a u-shaped effect whereby consumers falling in the middle two groups, C1 and C2, are less likely to be confident of their rights, and for consumers falling in the C1 category, were less likely to take action when problems arose. This suggests that consumer policies to help those falling in these demographic areas, 16-24 year olds and those in C1/C2 socio-economic groupings, may help alleviate equity issues. For example, a consumer awareness campaign of the type discussed later could be focused on these groups.

3.1.6 Conclusions

This section provides a summary of the conclusions from our economic analysis of the problem, in order to provide background to the proposed choice of policy objectives set out in the next section.

It should be noted first of all that 94 per cent of respondents to our survey were satisfied with their overall experience of the quality of parcel delivery services.

Nonetheless, even in a market in which overall consumer satisfaction is high, it is possible that there are some market or regulatory failures that could be leading to problems. Based on our economic analysis, we conclude that the following problems may possibly exist in the online shopping parcels delivery market:

- **Enforcement of consumer rights.** In order for a market to function well, there needs to be a legal framework which provides consumers with certainty about their property rights. In the case of online shopping parcels deliveries, our review of consumer rights suggest that existing legislation provides consumers with the rights that they need. Hence, any problem that exists in this area relates to whether those rights are being adequately enforced (e.g. whether consumers are receiving the redress to which they are legally entitled when they request it).
- **Externalities from consumer action.** When a consumer invests time to understand their rights and takes action following a problem with parcel delivery (e.g. by complaining to the retailer), their action

may lead to spill-over benefits (also called “positive externalities”) for other consumers, since such actions may lead to the retailer improving its processes. Although potentially counter-intuitive, this actually means that there is the possibility of market failure, since individual consumers may invest less time in learning about their rights and may take less action than would be socially optimal, given that they will not take account of the benefits that may accrue to others. This may mean that consumer problems in the market persist.

- **Asymmetric information between retailers and delivery companies, and between delivery companies and their delivery staff.** Asymmetric information refers to a situation in which one side of a market inherently has more information than the other, in a way that may lead to adverse market outcomes. It could be argued that there is asymmetric information between retailers and the parcel delivery companies that they use, since the retailer cannot always observe the quality of the service provided to the end-consumer, especially in the case of low-level problems that consumers may not be bothered to complain about. Similarly, there may also be asymmetric information between delivery companies and their delivery staff, given that (for example) the delivery company cannot observe whether the staff member has made a genuine effort to deliver a parcel before putting a slip of paper through the door saying the consumer was out. This could lead to moral hazard, in which parcel delivery companies or individual delivery staff take actions that are not in the retailer’s interest (e.g. putting a slip of paper through a consumer’s door saying that a parcel could not be delivered, when in fact the consumer was in), without the retailer being aware of it. (That said, there are other markets where asymmetric information problems are likely to be much worse.)

The overall effect of these issues is that consumer problems with online shopping parcels deliveries (of the kind investigated in our survey) may possibly be more frequent than would be the case in a perfectly functioning market. There are likely to be some consumer problems even in a perfectly functioning market – for example, late deliveries caused by random events. However, the above issues may increase the frequency of consumer problems above what would be observed in a perfectly functioning market.

3.2 Policy objectives

Policy objectives should be aimed at resolving any problems that exist with the current market or policy situation. In this section, we discuss policy objectives in light of the economic problems that we have identified in the market.

In our view, the overall policy objective should be: “to reduce consumer problems with online shopping parcel deliveries, while not leading to material unintended negative consequences.”

In order to turn this overall objective into a set of criteria that can be used for the purpose of our multi-criteria analysis, we specify criteria that relate to:

- reducing consumer problems with online shopping parcel deliveries; and
- avoiding material unintended negative consequences.

In order to reduce consumer problems with online shopping parcel deliveries, policy needs to address the regulatory and market failures identified earlier, or else needs to address the effects of those regulatory and market failures (even if the underlying regulatory / market failure still exists). Hence, any policy option needs to do **at least one** of the following:

- lead to better enforcement of consumer rights (whether this is enforcement by public authorities, or private enforcement by consumers themselves);
- increase the level of action taken when problems occur (whether this is action by individual consumers or action taken by bodies acting on behalf of consumers as a whole);
- reduce perverse incentives caused by information asymmetry (both between retailers and parcel delivery companies, and between parcel delivery companies and their delivery staff); and/or

- directly reduce consumer problems that may result from the regulatory / market failures that have been identified (even if the underlying regulatory / market failure still exists).

Given that the market generally seems to work well, it is important that any policy does not lead to negative unintended consequences which undermine the consumer benefits provided by the current market arrangements. There are a number of relevant criteria here, and the ideal policy would meet **all** of these:

- promotes (or at least, do not harm) competition in parcel deliveries;
- does not prevent or 'crowd out' a beneficial market response that may emerge (e.g. emergence of new delivery options or use of a new technology);
- does not impose undue costs on retailers, parcel delivery companies or consumers; and
- is proportionate to the scale of the problem.

4 Qualitative Analysis of Policy Options

This chapter of the report sets out our qualitative assessment of policy options. In order to carry out this analysis in a systematic way, we have employed multi-criteria analysis, in which each policy option is assessed in turn against each of our policy objectives and the associated criteria (see the previous chapter of the report). Below, we first list the policy options we considered and describe our approach to the multi-criteria analysis. We then present our results for each policy option and draw conclusions.

4.1 Policy options

The policy options that we considered in our multi-criteria analysis were agreed in advance with Citizens Advice. They are:

- Do nothing.
- Consumer awareness campaign to increase knowledge of consumer rights.
- Free door stickers saying where parcels should be left if consumer is not in.
- Automatic compensation for delayed parcels.
- Regular publication of comparative information on the performance of parcel delivery companies by Citizens Advice or Ofcom.
- A voluntary certification scheme for parcel delivery companies, run by Citizens Advice.
- Production of best practice guidance for parcel delivery firms, covering the contracts that they offer retailers and how to avoid perverse incentives for delivery staff.
- Requirement that parcel operators to be members of a recognised Alternative Dispute Resolution (ADR) service.
- Update of Building Regulations on letter box requirements to mandate parcel delivery lockers in new build homes.

4.2 Approach to multi-criteria analysis

The multi-criteria analysis is qualitative in nature, and involves systematically scoring each policy option against each criterion.

For the criterion of proportionality to the scale of the problem, we score the option as either ‘Yes’ or ‘No’, reflecting the binary nature of this criterion.

For the remaining criteria, we use the following 5-point scale for scoring the impact of the policy option relative to what would happen under the “do nothing” option:

- Strongly positive.
- Positive.
- Neutral.
- Negative.
- Strongly negative.

The criterion “Directly reduces consumer problems” relates to scenarios in which a problem **directly** prevents certain consumer problems occurring (e.g. provision of a parcel delivery locker which means parcels are no longer left in insecure locations). To avoid double-counting, policies which **indirectly** reduce

consumer problems by addressing an area covered by another criterion (e.g. by reducing perverse incentives caused by information asymmetry) are scored “Neutral” against this criterion.

In the case of the criteria associated with avoiding material negative unintended consequences (other than the proportionality criterion), we give a score of “Neutral” if the policy option achieves the objective of avoiding a negative impact, and a score of “Negative” or “Strongly negative” if there would be a negative impact. To achieve a “Positive” or “Strongly positive” score the policy option would need to improve matters relative to the “do nothing” option (e.g. by increasing competition, increasing the flexibility of the market to respond or reducing costs on the sector).

Our qualitative scores are presented in tabular form with brief explanations.

4.3 Multi-criteria analysis

4.3.1 Do nothing

We provided some analysis of the existing market situation in the previous section of this report. In summary, we found that in general the parcel delivery market appears to be working well with high levels of satisfaction reported by consumers, but that nonetheless there may be some problems associated with enforcement of consumer rights, externalities from consumer action and asymmetric information.

Under the “do nothing” option, we would expect the existing market situation largely to continue, but with the size of the market continuing to expand as online shopping continues to grow. Consumer problems with parcel deliveries would be expected to grow proportionally as the volume of parcel deliveries grows. If there are periods in which growth in the market outstrips expectations, this may also lead to a temporary increase in the level of consumer problems until the market has adjusted to the new level of parcel volumes through investment in additional capacity.

For the purpose of the multi-criteria analysis, the “do nothing” option forms the benchmark against which all of the policy options are assessed. For the purpose of comparison with the other options, “do nothing” can therefore be thought of as achieving a neutral score against all the criteria (since by definition its impact compared against itself is zero). The scores for all of the other policy options represent an assessment of whether the policy option will make matters better or worse compared to doing nothing.

4.3.2 Consumer awareness campaign

A consumer awareness campaign would inform consumers about their rights with respect to delivery. Our survey shows that consumers who know their rights are more inclined to take action when facing a problem and also to avoid a retailer following bad delivery experience. This should encourage competition between retailers and also between parcel couriers.

The campaign would encourage consumers to act if the actual delivery did not match the service the consumer paid for. More action on the consumer side would reduce information asymmetries between retailers and parcel delivery companies with respect to the delivery service and would inform the retailer about bottlenecks and particular issues in the delivery process.

The knowledge that consumers are well-informed and would act if their rights are infringed would put more competitive pressure on retailers and delivery companies and make retailers pay more attention to the choice of their delivery providers and to customer delivery service.

The campaign can be comprehensive and cover a full spectrum of delivery rights, or it could focus on the rights that consumers appear to be less informed about. For example, according to the survey, consumers

are not particularly aware of the right to a refund when the parcel is delayed beyond the specified delivery period.

The campaign could also be focussed on certain demographic groups that our survey identifies as being less knowledgeable about their rights. For example, customers in the lower social grade groups appear to be less informed about their rights even though they shop online as frequently as customers in the higher social grade groups.

Table 4.1: Multi-criteria assessment for consumer awareness campaign

| Objective | Score | Explanation |
|--|-------------------|--|
| Objective 1: to reduce consumer problems with online shopping parcel deliveries | | |
| Improves enforcement of consumer rights | Positive | Consumers are more likely to take action, which may include private enforcement action. |
| Increases the level of action taken when problems occur | Strongly positive | The survey shows that consumers who are better informed of their rights are likely to take action. In addition, a consumer body may be more likely to take action on behalf of consumers if consumers are more vocal about the problems they are experiencing. |
| Reduces perverse incentives caused by information asymmetry | Positive | If consumers take action, retailers are more likely to hear about problems and therefore information asymmetry relative to parcel couriers will fall. |
| Directly reduces consumer problems | Neutral | No direct impact |
| Objective 2: to avoid material unintended negative consequences | | |
| Promotes competition in parcel deliveries | Positive | Improves competition along the dimension of quality of consumer service, because retailers will have more information to inform switching decisions between parcel couriers if consumers or consumer bodies complain about problems. In addition, consumers may possibly be more likely to switch retailers in response to problems if they are aware of their rights. |
| Does not prevent or ‘crowd out’ a beneficial market response | Neutral | No impact |
| Does not impose undue costs on sector | Negative | The campaign could be costly (e.g. costs of purchasing advertising space). If funded through levies on firms, then the sector and ultimately consumers would fund the cost of the campaign. |
| Is proportionate to the scale of the problem | Yes | A consumer awareness campaign is a light-touch way of helping consumers engage effectively in the market. Further, the campaign could be focused on consumer rights which consumers seem to be less aware of, and on certain demographic groups. |

4.3.3 Free door stickers

Free door stickers can be used to tell the courier where to leave the parcel should the customer be out of the house. The sticker could have some standard text, for example, “If I am out of the house and unable to receive the parcel, please ...” and a blank space where the consumer can write instructions, e.g. “leave with neighbours at number 26”, “leave in the porch”, “return to depot for me to collect”.

Clearly, not all households would choose to use the sticker. Hence, an important determinant of the effectiveness of the policy would be the proportion of householders that actually use the sticker.

Where the stickers are used, they should prevent parcels being left in places where the householder does not want them to be left (e.g. with particular neighbours that the householder does not get on with).

A major drawback of such stickers is that in some cases it could actually make parcel delivery more insecure, since thieves could read the stickers to find out where to look to find parcels (in cases where they are not being left with neighbours). In cases of theft facilitated by the stickers, it may be unclear who bears the responsibility and the cost of replacing the items: the retailer or the customer. By contrast, at the moment the parcel delivery company can try to find a relatively hidden place to leave a parcel and put a note through the door saying where it has been left, so that only the householder has this information.

In practice, whether the stickers make deliveries more or less insecure would depend on how many people specified leaving parcels with neighbours rather than specifying an unlocked location on their premises; and how this compares with what parcel couriers currently do when customers are out, in the absence of such stickers.

The free door stickers should be a relatively inexpensive policy option.

Table 4.2: Multi-criteria assessment for free door stickers

| Objective | Score | Explanation |
|--|---------|---|
| Objective 1: to reduce consumer problems with online shopping parcel deliveries | | |
| Improves enforcement of consumer rights | Neutral | No impact |
| Increases the level of action taken when problems occur | Neutral | No impact |
| Reduces perverse incentives caused by information asymmetry | Neutral | No impact |
| Directly reduces consumer problems | Unclear | It is unclear whether the policy would reduce theft by reducing the number of parcels left in insecure locations, or whether it would increase theft by letting thieves know where parcels were being left. |
| Objective 2: to avoid material unintended negative consequences | | |
| Promotes competition in parcel deliveries | Neutral | No impact |
| Does not prevent or 'crowd out' a beneficial market response | Neutral | No impact |
| Does not impose undue costs on sector | Neutral | Relatively low cost policy option |
| Is proportionate to the scale of the problem | Yes | The stickers represent a light-touch way of seeking to address the problem of parcels left in undesired locations. |

4.3.4 Automatic compensation for delayed parcels

Our survey shows that consumers are often unaware of their right for refund when the parcel is delayed. Automatic compensation for a delayed parcel would provide a mechanism to address the problem. It would also provide a direct financial incentive for retailers to ensure timely deliveries.

The automatic compensation might be some proportion of the delivery charge or it could be all of it. We assume, however, that the amount would not exceed what the customer paid for the delivery.

A crucial question would be how many days late the parcel has to be for automatic compensation to be payable. Currently, the law allows the consumer to cancel a contract and request a refund if a parcel has not been delivered within 30 days (although this would lead to the parcel not being delivered at all). One option would therefore be to use 30 days as the threshold for automatic compensation (while not changing the obligation on the retailer to deliver the parcel), although this would mean that parcels with smaller but still significant delays would not qualify for automatic compensation.

Parcel couriers would be likely to face strong incentives not to breach the threshold for automatic compensation, but once a parcel has been delayed for the threshold number of days such that compensation is now due, couriers may put a lower priority on preventing further delay.

To ensure automatic refund for delayed delivery, some retailers might be required to create or improve parcel tracking facilities. Such an investment might be more difficult for small retailers to make.

The costs of providing compensation for delayed parcels are likely to lead to higher delivery charges for consumers. Arguably, if consumers were willing to pay higher prices for compensation if there are delays, the market would have an incentive to develop such contracts. By making compensation automatic, this policy would be forcing consumers to pay more for these compensation arrangements, regardless of whether they want to.

Table 4.3: Multi-criteria assessment for automatic compensation for delayed parcels

| Objective | Score | Explanation |
|--|---|---|
| Objective 1: to reduce consumer problems with online shopping parcel deliveries | | |
| Improves enforcement of consumer rights | Neutral | The policy creates a new consumer right to automatic compensation for delays, but there is no guarantee that this new right would be well-enforced. |
| Increases the level of action taken when problems occur | Positive | Automates the provision of compensation for delayed parcels but not likely to increase action for other problems. |
| Reduces perverse incentives caused by information asymmetry | Negative | It seems likely that contracts between retailers and parcel couriers would pass the cost of compensation on to parcel couriers for cases in which the delay was the fault of the parcel courier. This could increase incentives on the parcel courier to take advantage of information asymmetry to avoid the cost of providing compensation e.g. by providing false information to the retailer on when deliveries took place, or by putting more cards through doors even when consumers are in so that it can claim “attempted delivery” took place. |
| Directly reduces consumer problems | Positive | Consumers receive compensation automatically, meaning the net impact of problems (after redress) will be reduced. |
| Objective 2: to avoid material unintended negative consequences | | |
| Promotes competition in parcel deliveries | Negative | May increase barriers to entry for small retailers or parcel couriers. May also lead to an unequal playing field between law-abiding parcel couriers and “cowboy” couriers who use dishonest practices (e.g. falsified data on delivery dates) to avoid payment of compensation. |
| Does not prevent or ‘crowd out’ a beneficial market response | Negative | The policy could crowd out voluntary development by the market of delivery contracts which offer the option of guaranteed fast delivery or a refund. |
| Does not impose undue costs on sector | Negative / strongly negative (depending on level of compensation) | Compensation payments could be a significant cost for the courier industry, which in turn would be likely to be passed through to consumers in higher prices. |
| Is proportionate to the scale of the problem | No | This policy would represent a substantial intervention in the workings of the market, beyond what would appear to be justified by the scale of the existing problem. |

4.3.5 Mandatory provision of information

This policy would involve Citizens Advice or Ofcom publishing regular comparative information on the performance of different parcel courier companies in relation to consumer problems.

Some relevant data could be obtained through:

- monitoring of complaints to bodies such as Consumer Advice;
- monitoring complaints on social media; and
- conducting a quarterly consumer survey.

However, we consider that such information sources on their own are unlikely to provide sufficient data, given that in the absence of publically available data on parcel volumes by courier it is not possible to provide robust comparative data on consumer problems that have been normalised for the volume of parcel deliveries being carried out by each courier. We also note that many consumers (47 per cent in our survey) do not know which parcel delivery company is involved in a delivery, and complaints on social media may also not mention the courier involved.

In light of the above, we have assumed that this policy would also involve the mandatory provision of information by parcel delivery firms to Citizens Advice or Ofcom. We assume that the information that parcel delivery firms provide would be data which they are likely already to have internally, thus reducing the compliance costs imposed on the sector. This information that is collected might include:

- **The volumes of parcels delivered.** This would be important so that survey data on consumer problems associated with different couriers can be normalised for the volume of parcels delivered by each courier.
- **Number of parcels delivered late.** This is a consumer problem that parcel couriers should be aware of even if the consumer has not made a complaint, given they will know when parcels were delivered.
- **Complaints received by the parcel courier,** including details on the nature of the complaint. However, such data would need to be interpreted and used with caution, because many consumers may complain to the retailer rather than to the courier. Further, if couriers are “named and shamed” for complaints they received, it may give them an incentive to make their complaint procedures less visible in order to reduce the number of complaints.

If the comparative data is robust and is used by retailers, this policy would potentially reduce the information gap between retailers and parcel delivery companies, create competitive pressure on parcel operators and encourage switching based on the relative performance of parcel couriers.

However, there are serious drawbacks, such as the following:

- Data collected from parcel couriers would not cover all of the problems, only the ones parcel couriers can track. For example, one of the most common problems – a slip being left saying that no one was available to collect the parcel when someone was available – is unlikely to be visible to parcel delivery companies, given that the problem is likely to be caused by individual delivery staff not doing their job properly.
- The information might be used to “blame and shame” in situations where the ultimate responsibility for a failed delivery is beyond the control of a particular parcel operator (e.g. because it was caused by delays in provision of parcels by a retailer).
- The policy might either “crowd out” or duplicate information exchange agreements and key performance indicators already in place between parcel operators and retailers.
- The publication of this information might distort the behaviour of parcel couriers (e.g. by making them focus on consumer problems that were being measured to the neglect of other kinds of consumer problems).

- Publication of comparative data might also lead to parcel couriers manipulating their data to improve their apparent performance, and as noted above might lead them to make complaint procedures less transparent in an attempt to improve their rankings.
- Since legal liability for parcel delivery lies with the retailer, not the courier, the volume of consumer complaints collected by couriers is likely to be low compared to complaints made to the retailers and not representative of the spectrum of consumer complaints. The consumer survey would need to be relied on for more accurate data on consumer problems.

Table 4.4: Multi-criteria assessment for mandatory provision of information

| Objective | Score | Explanation |
|--|--|--|
| Objective 1: to reduce consumer problems with online shopping parcel deliveries | | |
| Improves enforcement of consumer rights | Neutral | No impact |
| Increases the level of action taken when problems occur | Positive | Increased scope for consumer bodies to identify problems that are widespread and to take action on behalf of consumers. |
| Reduces perverse incentives caused by information asymmetry | Positive | Narrows the information gap between retailers and consumers on the performance of parcel operators. |
| Directly reduces consumer problems | Neutral | No direct impact |
| Objective 2: to avoid material unintended negative consequences | | |
| Promotes competition in parcel deliveries | Positive | Could potentially increase competition along the quality dimension, by providing retailers with more information on the quality of service provided by parcel couriers. |
| Does not prevent or 'crowd out' a beneficial market response | Negative | May crowd out market-driven mechanisms for monitoring performance on parcel couriers (e.g. key performance indicators in contracts). |
| Does not impose undue costs on sector | Negative (if limited to data which already exist) Strongly negative (if requires firms to invest in new data systems) | Collection and provision of data likely to impose administrative costs on parcel operators. |
| Is proportionate to the scale of the problem | Yes (if limited to data which already exist) No (if requires firms to invest in new data systems) | The information disclosure requirement would fall on all parcel operators, irrespective of their performance and any information exchange agreements they might have with the retailers. This would be disproportionate if it required couriers to invest in costly new systems to collect the data. |

4.3.6 Voluntary certification scheme

This policy option would involve Citizens Advice (or some other body) running a certification scheme for parcel delivery companies. To achieve certification, the parcel courier would need to prove to Citizens Advice that it has processes in place to minimise consumer problems related to parcel deliveries, and that it was maintaining a good track record. The scheme would allow retailers that use a certified parcel courier to use a logo saying "Delivery Service Approved by Citizens Advice".

The certification scheme would potentially provide an incentive for parcel couriers to improve consumer service in order to achieve certified status, as this would give them a commercial advantage in winning new business from retailers.

The certification scheme would reduce information asymmetries between retailers and parcel couriers, allowing retailers to select parcel couriers that have achieved certified status for their approach to consumer service. In this way, it could improve the functioning of competition by allowing retailers to make an informed trade-off between cost and quality of consumer service.

Another strength of a certification scheme is that when there are widespread problems with the quality of consumer service provided by a certified parcel courier, it would lead to action being taken as the courier would lose its certified status. This might in turn lead to the courier losing contracts with retailers or not having them renewed. In this way, the scheme would provide a discipline on the behaviour of parcel couriers.

Table 4.5: Multi-criteria assessment for voluntary certification scheme

| Objective | Score | Explanation |
|--|----------|---|
| Objective 1: to reduce consumer problems with online shopping parcel deliveries | | |
| Improves enforcement of consumer rights | Neutral | No impact |
| Increases the level of action taken when problems occur | Positive | A certified parcel courier would lose its certified status if it failed to maintain a good track record in terms of quality of consumer service. |
| Reduces perverse incentives caused by information asymmetry | Positive | Provides retailers with more information on which parcel couriers are likely to provide good consumer service. |
| Directly reduces consumer problems | Neutral | No direct impact |
| Objective 2: to avoid material unintended negative consequences | | |
| Promotes competition in parcel deliveries | Positive | Could potentially increase competition along the quality dimension, by providing retailers with more information on the quality of service provided by parcel couriers. |
| Does not prevent or 'crowd out' a beneficial market response | Negative | May crowd out market mechanisms for signalling quality e.g. investment in branding. |
| Does not impose undue costs on sector | Neutral | Only those parcel operators who wish to take part in the certification scheme would incur costs. |
| Is proportionate to the scale of the problem | Yes | The certification is optional |

4.3.7 Best practice guidance

This policy option would involve Citizens Advice or Ofcom producing best practice guidance for parcel delivery firms, covering:

- The contracts that they offer retailers. This guidance would set out how contracts should be designed to create positive incentives on the parcel delivery firm and to avoid creating unintended perverse incentives. While this would not remove the information asymmetry that may currently exist, it might help to limit the consequences.
- Relevant aspects of the remuneration, performance measurement and disciplinary arrangements used for delivery staff. The aim would be to provide advice on how to avoid incentives for perverse behaviour (e.g. meeting performance targets for the number of attempted deliveries by putting slips of paper through consumers' doors saying delivery was not possible without ringing on the doorbell).

It is, however, questionable whether a regulator or consumer body is really better placed to design commercial contracts than the private companies involved. There is therefore a danger that the policy could lead to sub-optimal contracts and management policies being recommended to the market. This could either lead to companies following sub-optimal approaches (due to pressure to conform to supposed "best practice"), or to companies simply ignoring the guidance.

Table 4.6: Multi-criteria assessment for best practice guidance

| Objective | Score | Explanation |
|--|----------|---|
| Objective 1: to reduce consumer problems with online shopping parcel deliveries | | |
| Improves enforcement of consumer rights | Neutral | No impact |
| Increases the level of action taken when problems occur | Neutral | No impact |
| Reduces perverse incentives caused by information asymmetry | Positive | Provides guidance on how to avoid, or at least, reduce perverse incentives and/or information asymmetry by better design of delivery contract and management of delivery staff. |
| Directly reduces consumer problems | Neutral | No direct impact |
| Objective 2: to avoid material unintended negative consequences | | |
| Promotes competition in parcel deliveries | Neutral | No impact |
| Does not prevent or 'crowd out' a beneficial market response | Negative | May crowd out development of better contractual / management solutions by the private sector. |
| Does not impose undue costs on sector | Neutral | Use of the guidance is voluntary, so no costs are imposed on parcel couriers. There would be some limited costs developing the guidance. |
| Is proportionate to the scale of the problem | Yes | The guidance is optional for companies to follow. |

4.3.8 Mandatory membership of ADR service

Another policy option to address consumer's dissatisfaction with the way retailers and delivery companies handle complaints could be mandatory membership of Alternative Dispute Resolution (ADR) services for companies.

The ADR service would provide a last resort for resolving a problem with deliveries. It might also act as an incentive mechanism for retailers and parcel operators to implement complaint handling procedures and make efforts to solve the problem in the first place to avoid referral to the ADR.

We have assumed that the ADR scheme would be financed through a charge to parcel couriers when a complaint is assessed by the ADR body (regardless of the outcome of that assessment), with the consumer using the ADR process for free.

A practical issue is whether mandatory ADR membership would apply to retailers selling goods online, or whether it would apply instead to the parcel operators responsible for deliveries. The argument for applying it to the retailer is that in most cases consumers' contracts are with the retailer, and the retailer is therefore responsible for any consumer problems. However, the downside of applying it to the retailer is that the policy becomes disproportionate to the problem:

- It would apply to thousands of companies across the economy, potentially imposing widespread costs.
- If applied to the retailer, it would presumably cover much more than just problems with delivery (since it would make little sense to require retailers to belong to an ADR for delivery problems and not for other consumer problems with online purchases).
- It would require a major communication campaign to inform all retailers (including small ones) of their new obligation.

The alternative would be for mandatory ADR membership to apply directly to parcel couriers. However, this would be problematic, since in most cases the contract that consumers have is with the retailer and not with the parcel courier, and hence it is not obvious that consumers would have the right to take the parcel courier to an ADR scheme (and in any case the consumer may want to deal just with the retailer).

Table 4.7: Multi-criteria assessment for mandatory membership of ADR service

| Objective | Score | Explanation |
|--|---|--|
| Objective 1: to reduce consumer problems with online shopping parcel deliveries | | |
| Improves enforcement of consumer rights | Strongly positive | By definition, the ADR is a tool for enforcing consumer rights. It could also act as an incentive for market players to respect consumer rights in the first place |
| Increases the level of action taken when problems occur | Positive | Consumers would be expected to act more frequently as the problem can be dealt ultimately at the ADR level if the retailer does not handle it in a satisfactory way |
| Reduces perverse incentives caused by information asymmetry | Neutral | No impact |
| Directly reduces consumer problems | Neutral | No direct impact |
| Objective 2: to avoid material unintended negative consequences | | |
| Promotes competition in parcel deliveries | Neutral | No impact |
| Does not prevent or 'crowd out' a beneficial market response | Neutral | No impact |
| Does not impose undue costs on sector | Strongly negative (if applied to retailers) Negative (if applied to parcel couriers) | If applied to retailers, would potentially impose costs on any firm selling goods online via parcel deliveries, affecting thousands of firms across the economy. |
| Is proportionate to the scale of the problem | No (if applied to retailers) Yes (if applied to parcel couriers) | Applying the policy directly to parcel couriers would be more proportionate, but is unlikely to work given consumers do not typically contract directly with the parcel courier. |

4.3.9 Update of Building Regulations to mandate parcel delivery lockers in new build homes

Parcel lockers outside domestic premises would potentially prevent a number of problems reported by consumers, including:

- inconvenience associated with having to remain at home to receive parcels;
- parcels being left in insecure locations;²¹ and
- consumers receiving slips through the door saying they were out, when in fact they were in.

The online shopping market and, hence, the parcel market, are expected to grow in the next decade, and hence in the absence of parcel lockers such problems may become more frequent.

Currently, it is standard for houses to have a letter box for the delivery of letters. Current Building Regulations contain provisions relating to letterboxes, such as the maximum permitted size of the aperture. If the future involves most households receiving parcel deliveries as well as letters, then intuitively it makes sense to revise Building Regulations for houses so that parcel delivery lockers are included in new build homes.

However, retrofitting all houses with parcel lockers would be a costly and excessive policy response. Not all properties will have the space for a parcel delivery locker, and some householders may feel that they do not need one (e.g. because they do little online shopping or there is usually someone in the house to

²¹ About 18 per cent of consumers said the most recent problem was about a parcel being left in an insecure location. Another 1 per cent of consumers complained that the parcel was left in an insecure location and stolen.

receive parcels). Parcel lockers are already available on the market, so householders who want one can voluntarily retrofit their properties.

Nonetheless, parcel lockers could be made mandatory in new dwelling construction and, hence, introduced gradually into the housing market over time. Building Regulations already specify a range of requirements for new homes, including provisions relating to letter boxes, so they could be updated to require the inclusion of a parcel locker in new homes.

While a relatively small proportion of the housing stock (i.e. only new build) would be directly affected, mandating parcel lockers for these houses may also help to transform the market more widely by encouraging voluntary retrofitting of existing houses (e.g. as people hear about the benefits of a parcel locker from friends living in new build properties).

It is possible that property developers would eventually begin installing parcel lockers in new build homes even in the absence of any change to Building Regulations, and hence the policy option scores “Negative” against the criterion of not crowding out a beneficial market response.²²

Table 4.8: Multi-criteria assessment for update of Building Regulations to mandate parcel lockers in new houses

| Objective | Score | Explanation |
|--|-------------------|--|
| Objective 1: to reduce consumer problems with online shopping parcel deliveries | | |
| Improves enforcement of consumer rights | Neutral | No impact |
| Increases the level of action taken when problems occur | Neutral | No impact |
| Reduces perverse incentives caused by information asymmetry | Neutral | No impact |
| Directly reduces consumer problems | Strongly positive | Parcel lockers directly prevent a number of problems associated with online shopping parcel deliveries. |
| Objective 2: to avoid material unintended negative consequences | | |
| Promotes competition in parcel deliveries | Neutral | No impact |
| Does not prevent or ‘crowd out’ a beneficial market response | Negative | The new house build market could voluntarily develop a solution to the issue in the absence of a change to Building Regulations. |
| Does not impose undue costs on sector | Negative | Will slightly increase costs of building new houses. May be reflected in slightly higher prices for such houses and/or in slightly reduced values for land that has planning permission for new homes. |
| Is proportionate to the scale of the problem | Yes | Requiring parcel lockers to be included in new houses is more feasible and proportionate than retrofitting existing premises. |

²² In theory, Royal Mail, the UK’s universal postal service provider, could be asked to fit parcel lockers in new build homes and retrofit existing properties, charging an access price for other postal operators and couriers to deliver to these lockers. However, such an approach might raise competition issues (e.g. relating to the access price that would be charged by Royal Mail) as well as logistical issues (e.g. relating to how other parcel operators would interact with Royal Mail to gain access to the locker). In our view, it would be preferable for the property owner to own the parcel locker.

4.3.10 Summary of results

The table below summarises our qualitative assessment of the eight policy options, relative to a “do nothing” counterfactual.

Table 4.9: Summary of eight policy options against the policy objectives

| Objective | Consumer awareness campaign | Free door stickers | Automatic compensation for delayed parcels | Mandatory provision of information | Voluntary certification scheme | Best practice guidance | Mandatory membership of ADR service | Mandatory parcel lockers in new houses |
|--|-----------------------------|--------------------|---|--|--------------------------------|------------------------|---|--|
| Objective 1: to reduce consumer problems with online shopping parcel deliveries | | | | | | | | |
| Improves enforcement of consumer rights | Positive | Neutral | Neutral | Neutral | Neutral | Neutral | Strongly positive | Neutral |
| Increases the level of action taken when problems occur | Strongly positive | Neutral | Positive | Positive | Positive | Neutral | Positive | Neutral |
| Reduces perverse incentives caused by information asymmetry | Positive | Neutral | Negative | Positive | Positive | Positive | Neutral | Neutral |
| Directly reduces consumer problems | Neutral | Unclear | Positive | Neutral | Neutral | Neutral | Neutral | Strongly positive |
| Objective 2: to avoid material unintended negative consequences | | | | | | | | |
| Promotes competition in parcel deliveries | Positive | Neutral | Negative | Positive | Positive | Neutral | Neutral | Neutral |
| Does not prevent or ‘crowd out’ a beneficial market response | Neutral | Neutral | Negative | Negative | Negative | Negative | Neutral | Negative |
| Does not impose undue costs | Negative | Neutral | Negative / strongly negative (depending on level of compensation) | Negative (if limited to data which already exist) Strongly negative (if requires firms to invest in new data systems) | Neutral | Neutral | Strongly negative (if applied to retailers) Negative (if applied to parcel couriers) | Negative |
| Is proportionate to the scale of the problem | Yes | Yes | No | Yes (if limited to data which already exist) No (if requires firms to invest in new data systems) | Yes | Yes | No (if applied to retailers) Yes (if applied to parcel couriers) | Yes |

4.4 Conclusions from multi-criteria analysis

4.4.1 Discussion of results for objective 1

As set out in the previous chapter of this report, the first objective is to reduce consumer problems with online shopping parcel deliveries, which requires the policy option to achieve AT LEAST ONE of the following:

- Improves enforcement of consumer rights.
- Increases the level of action taken when problems occur.
- Reduces perverse incentives caused by information asymmetry.
- Directly reduces consumer problems.

There is one policy option (free door stickers) where it is unclear whether there would be any consumer benefit at all, given that the policy could have the unintended effect of telling thieves where parcels are being stored. This option can therefore be discarded.

There are three policy options which achieve a score of “Strongly positive” against at least one of the criteria. They are:

- Consumer awareness campaign (which strongly increases level of action taken when problems occur).
- Mandatory membership of ADR scheme (which strongly improves enforcement of consumer rights).
- Update of Building Regulations to mandate parcel delivery lockers in new build homes (which strongly reduces, in a direct way, the scope for consumer problems with parcel deliveries).

A consumer awareness campaign also scores “Positive” against two of the other criteria for this objective, while mandatory membership of an ADR scheme also score “Positive” against another criterion under this objective.

Automatic compensation for parcel deliveries, mandatory provision of information and a voluntary certification scheme all score “Positive” against two of the criteria.

The remaining option (best practice guidance) scores “Positive” against one criterion.

4.4.2 Discussion of results for objective 2

The second objective is to avoid material unintended negative consequences, which ideally would mean that policy is likely to achieve ALL of the following:

- Promotes (or at least, does not harm) competition in parcel deliveries.
- Does not prevent or ‘crowd out’ a beneficial market response that may emerge.
- Does not impose undue costs on retailers, parcel delivery companies or consumers.
- Is proportionate to the scale of the problem.

In practice, none of the policy options (with the exception of the discarded option of free door stickers) meets all of the criteria for objective 2. Hence, we have focused on identifying which options do not raise excessive concerns under this objective.

A consumer awareness campaign performed reasonably well against objective 2, as it has a pro-competitive impact, is unlikely to crowd out private sector responses, and is proportionate to the problem. The only area of weakness relates to the cost of the campaign.

Two other options (voluntary certification scheme and best practice guidance) also performed well under this objective, potentially having pro-competitive impacts. Their only area of weakness is the fact that they could crowd out beneficial market responses.

Updating Building Regulations to mandate parcel lockers for new build houses was identified as proportionate to the problem, but with the drawbacks of potentially crowding out market responses and imposing some additional costs on housebuilders.

We considered that automatic compensation for delayed parcels is disproportionate to the problem. It would also score either “Negative” or “Strongly negative” in terms of the costs it imposes, depending on the level of compensation that couriers are required to pay out. In addition, automatic compensation for late deliveries was also scored “Negative” in terms of its impact on competition and in terms of crowding out a potential market response.

Mandatory provision of information is potentially pro-competitive, as it would provide comparative information which might help retailers choose a courier. However, this might crowd out a private sector response. The extent of costs imposed on the sector and whether the policy is disproportionate depend on whether the information collected already exists internally within parcel couriers, or whether they have to invest in new data collection systems to provide the data.

Mandatory membership of an ADR scheme was identified as disproportionate if it was applied to all retailers (given the burden that would be imposed on thousands of online retailers across the country). If applied to parcel couriers, mandatory membership of an ADR scheme would be more proportionate but may not be legally feasible (given consumers typically do not have a contract with the parcel courier). Hence, for practical reasons an ADR scheme does not look like a realistic policy option for tackling problems with online shopping parcel deliveries, despite the theoretical benefits.

4.4.3 Shortlist for quantitative work

In consultation with Citizens Advice, the following three policy options were selected for more detailed cost-benefit analysis:

- consumer awareness campaign;
- mandatory information provision; and
- update of Building Regulations to mandate parcel delivery lockers in new build homes.

5 Cost-Benefit Analysis of Three Leading Policy Options

5.1 Introduction

The purpose of this chapter is to describe the cost-benefit analysis conducted for the purpose of evaluating the proposed policy options. These were:

- a consumer awareness campaign;
- update of Building Regulations to mandate parcel delivery lockers in new build homes; and
- the mandatory provision of information by parcel couriers to Ofcom on a quarterly basis, combined with a quarterly consumer survey.

The ultimate goal of the proposed policy options is to reduce consumer problems with online shopping parcel deliveries, while not leading to material unintended negative consequences. All policies were assumed to enter into force in 2018. The analysis of all policy options was conducted using three benefit scenarios (i.e. high, medium and low), based on different input assumptions.

In our modelling, we included impacts on firms as well as impacts on consumers, given that additional costs borne by firms may ultimately be passed on to consumers (e.g. in the form of higher parcel delivery fees).²³

5.2 The counterfactual

A crucial aspect of a cost-benefit analysis is the definition of a benchmark (i.e. the counterfactual) against which the impact of each policy option is assessed. Within the context of this study, the counterfactual comprises the “do nothing” policy option. Below, we discuss the evolution of the e-commerce parcel delivery market under the counterfactual and issues raised by Brexit.

5.2.1 Evolution of the market

The counterfactual assumes that the current trends in online parcel deliveries are preserved over time. A key metric in this respect is the percentage of adult online shoppers in the UK. To estimate this, we applied the annual growth rate of the UK population to the current number of adults in the UK, adjusted by the percentage of adults that engaged in at least one online purchase in 2016 (i.e. 83 per cent).²⁴ Considering existing evidence on the increase of internet users in the UK,²⁵ we assumed that the percentage of adults engaging in at least one online purchase to increase by one per cent per year, capped at a maximum of 95 per cent.

Evidence from the literature was used to infer the average number of parcels that an online shopper in the UK receives annually.²⁶ Furthermore, we assumed that this number increases over time based on the historical growth rate of parcel volumes in the period 2005-2015 (i.e. 4.47 per cent). With regard to parcel delivery problems, our survey allowed us to infer the average number of occurrences of a given problem

²³ The extent of pass-on would depend on demand and supply elasticities in the parcel delivery market (i.e. how responsive demand and supply are to changes in the market price). The cost-benefit analysis abstracts from the presence of pass-on strategies.

²⁴ See http://ec.europa.eu/eurostat/statistics-explained/index.php/E-commerce_statistics_for_individuals.

²⁵ See <https://www.ons.gov.uk/businessindustryandtrade/itandinternetindustry/bulletins/internetusers/2016>.

²⁶ See IMRG (2016) “Valuing Home Delivery Review 2016”.

per year, as well as the probability of action by the consumer. This evidence was used to estimate the number of problems and actions taken in the counterfactual case.

5.2.2 A note on Brexit

The UK's decision to leave the EU could in principle affect the development of the parcel delivery market. Hence, Brexit could result in a divergence between the assumed counterfactual scenario and actual developments. There could be several reasons for such a divergence:

- Differences in the legal framework for consumer protection, compared with what would apply if the UK had voted to remain in the EU. The EU is currently considering a Parcel Delivery Directive which seeks to encourage e-commerce across the EU by improving transparency on cross-border parcel delivery. Any future consumer protections that would arise following the implementation of this Directive may not apply post-Brexit, unless the UK takes similar unilateral action.
- Changes in the pattern of cross-border shopping and associated consumer problems. Parcel deliveries from online shopping will include some parcels delivered as a result of cross-border online purchases. Brexit may mean that over time there are fewer cross-border purchases from other EU countries than would otherwise have been the case (even if the absolute level still grows), possibly due to:
 - Tariffs being imposed on EU products (if the UK exits the EEA and customs union as well); or
 - Relatively more cross-border purchases from new trading partners outside the EU.
- Possible increases in problems with parcel deliveries when consumers purchase goods from other EU countries. For example, there may be more delays to parcel deliveries caused by customs issues.

However, in most cases it would be disproportionate to develop detailed forecasts under the current policy framework in order to construct the counterfactual. Further, ambiguity over the final shape of the Brexit deal and the inherent uncertainty over its impacts make it difficult to include Brexit-related effects in a cost-benefit exercise.

5.3 Consumer awareness campaign

5.3.1 Key impacts to be modelled

The goal of the consumer awareness campaign would be to inform adult online shoppers in the UK about their rights with respect to parcel deliveries. Evidence from our survey suggests that consumers who are confident that they know their rights are more inclined to take action when facing a problem. The campaign would therefore encourage consumers to act if the actual delivery did not match the service paid for.

During the development and planning of the campaign, the target audience has to be identified, along with the means to reach it. In this case, a fully comprehensive campaign would target all consumers in the UK who engage in online purchases, and would make use of both print and digital media channels. The scope of the campaign, however, will ultimately depend on the resources available and the communication methods that are used.

If resources are limited, the campaign could focus on reaching groups who are least confident that they know their rights with respect to online shopping parcel deliveries. Our online survey could be used in this respect to identify the key demographic groups to target. A more limited campaign could also focus on online communication (e.g. through the Citizens Advice website and some targeted online advertising) and on the distribution of campaign materials through Citizens Advice's network of local offices.

The expected effect of a campaign would be that the consumers who are reached would become more confident about their rights and more likely to take action when problems occur. Taking action would be associated with some costs for consumers (e.g. the cost of a telephone call). More action from consumers

would also increase the amount spent by parcel courier firms to address the relevant actions and to offer redress. The outcome would be that consumers would receive a benefit in terms of redress provided by the retailer or parcel courier. These effects are depicted in the following figure:

Figure 5.1: Direct effects of consumer awareness campaign



As a result of actions taken by consumers, information asymmetries between retailers and parcel delivery companies regarding the delivery service would decrease. Retailers would thus become more aware of bottlenecks and issues in the delivery process. Ultimately, persistent problems observed with a particular delivery company could result in retailers selecting an alternative parcel courier upon contract expiration.

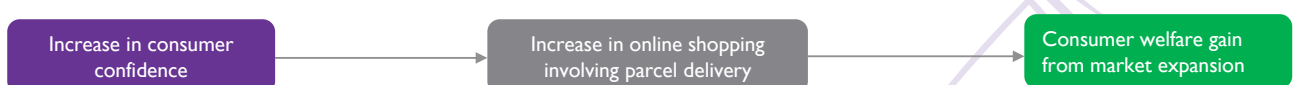
The knowledge that consumers are well-informed and would act if their rights are infringed, along with the associated threat of losing contracts with retailers, would apply competitive pressure on delivery companies to improve the quality of their services. They would thus incur the costs associated with these quality improvements. These quality improvements would be likely to reduce the volume of problems faced by consumers. The frequency with which consumers need to take action would thereby be reduced as well — partially or wholly offsetting the increase in consumer action directly caused by the consumer awareness campaign. As a result of the quality improvements, parcel couriers and consumers would reap cost savings from fewer actions and consumers would reap cost savings from fewer problems. These effects are depicted in Figure 5.2 below:

Figure 5.2: Second-order effects of consumer awareness campaign



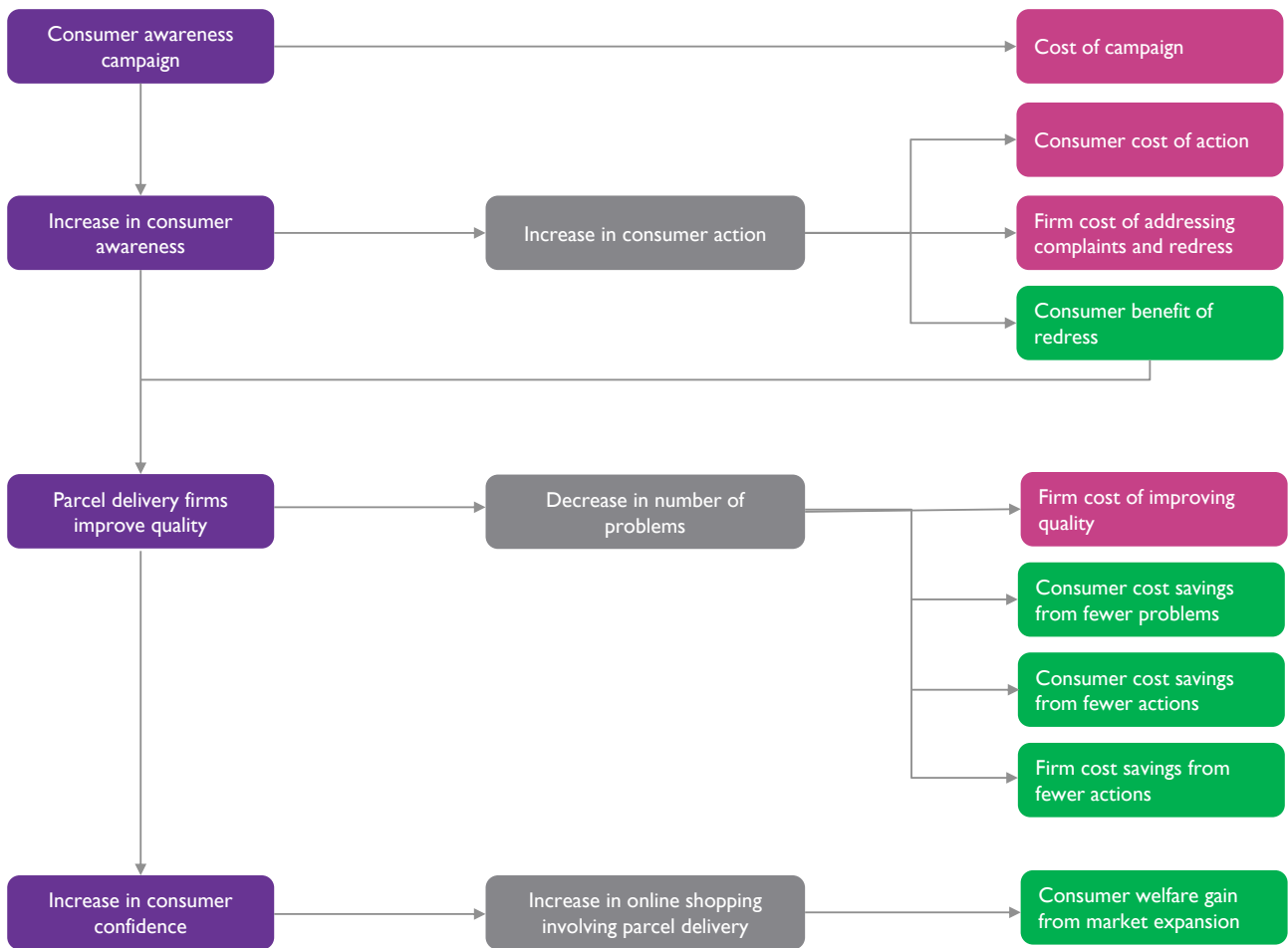
By reducing the volume of problems that consumers face, we would expect them to have more confidence in the parcel delivery market and feel more “at ease” when engaging in online purchases. This effect would result in an increase in the volume of parcels delivered as consumers shop online more, leading to higher revenues for parcel couriers. This increase in the size of the parcel delivery market would be associated with a gain in consumer welfare.

Figure 5.3: Potential market expansion from consumer awareness campaign



Putting all of the above together, the expected impacts associated with a consumer awareness campaign are illustrated in the following flow diagram:

Figure 5.4: Flow diagram for consumer awareness campaign



5.3.2 Modelling approach

The magnitude of the impacts of a consumer awareness campaign will depend on the scale of the campaign that is run. In our modelling work, we considered two alternatives:

- A “large scale campaign” costing £2.18m that would target all adult online shoppers in the UK and cover all promotional channels, including print and digital media.
- As a sensitivity test, a “small scale campaign” costing one tenth of the budget of the large scale campaign.

In both cases, we assumed that the campaign would be run once in 2018. We also made different assumptions across benefit scenarios (i.e. high, medium and low) for how long the campaign’s effect on consumer awareness would last.

We estimated the additional consumer actions that would result from the consumer awareness campaign as follows:

- First, we assigned an awareness score for each respondent to our survey, based on the percentage of correct answers given to questions about parcel delivery rights.
- Second, by means of an econometric regression, we established a link between respondents’ awareness scores and the number of actions taken. This allowed us to infer the corresponding effect on the number of actions taken if consumer awareness increased, on average, by one per cent.

- Third, we reviewed evidence from literature²⁷ and assumed different campaign-induced increases in consumer awareness across benefit scenarios (i.e. 20, 14 and 11 per cent in the high, medium and low benefit scenarios, respectively).²⁸

These additional consumer actions are associated with costs for both consumers and firms. We used evidence from our survey to infer the costs to consumers of taking action when they have a problem. Evidence from the literature was used to infer the cost to firms of addressing issues raised by consumers, as well as the average cost of redress given to the consumer.²⁹

We made different assumptions across our high, medium and low benefit scenarios for the extent to which firms would respond to increased consumer action by improving their quality. In the high benefit scenario, we assumed that firms would improve quality to get consumer actions back down to the previous level. In the low benefit scenario, we assume that firms would not improve quality in response to the change in consumer behaviour, and in the medium scenario we assumed that their response would be mid-way between the other two scenarios. In the scenarios which involve an improvement in quality, we assumed that the maximum amount parcel couriers would be willing to spend to improve their services would be equal to the cost of addressing the additional actions triggered by the consumer awareness campaign.

The number of problems avoided as a result of increased quality of service was estimated from the number of consumer actions avoided and the new probability of taking action. The financial and time cost savings consumers would experience as a result of fewer problems were calculated using data from our survey and from the literature.³⁰

Using data from our survey, we analysed the relationship between consumer awareness and parcels ordered. This was used to determine the potential growth in the parcel delivery market that might be induced by the consumer awareness campaign, based on the impact of the campaign on awareness. The campaign-induced growth in the number of parcels being delivered to UK consumers was used to calculate parcel couriers' additional revenue. Lastly, we used an estimate of the relationship between sectoral revenue and consumer welfare gains from the literature to estimate consumer gains from market growth.³¹

5.3.3 Modelling results

Our cost-benefit analysis of a consumer awareness campaign yielded the following results:

Table 5.1: Estimated impact of consumer awareness campaign (present value, £ million)

| | High Benefit | Medium Benefit | Low Benefit |
|---|--------------|----------------|-------------|
| Cost of campaign | -2.2 | -2.2 | -2.2 |
| Net impact on firms (retailers and couriers) | -13.8 | -9.1 | -5.0 |
| • Cost of responding to direct increase in consumer actions | -18.4 | -9.6 | -5.0 |
| • Cost of improving service | -13.8 | -4.3 | 0.0 |
| • Cost savings from fewer consumer actions as quality improves | 18.4 | 4.8 | 0.0 |
| Net impact on consumers | 42.6 | 13.1 | 2.1 |
| • Cost to consumers of direct increase in actions | -0.9 | -0.5 | -0.2 |
| • Cost savings from fewer consumer actions as quality improves | 0.9 | 0.2 | 0.0 |
| • Total benefit due to fewer problems | 32.0 | 8.4 | 0.0 |
| ▪ Financial benefit due to fewer problems | 9.6 | 2.5 | 0.0 |
| ▪ Time benefit due to fewer problems | 22.4 | 5.9 | 0.0 |

²⁷ See Home Office (2015) "Modern Slavery Marketing Campaign: Evaluation Report".

²⁸ The average baseline level of awareness, as measured in our survey, was 60.6 per cent.

²⁹ See IMRG (2016) "Valuing Home Delivery Review 2016".

³⁰ More specifically, we used DfT's value of one hour, equal to roughly £6.81.

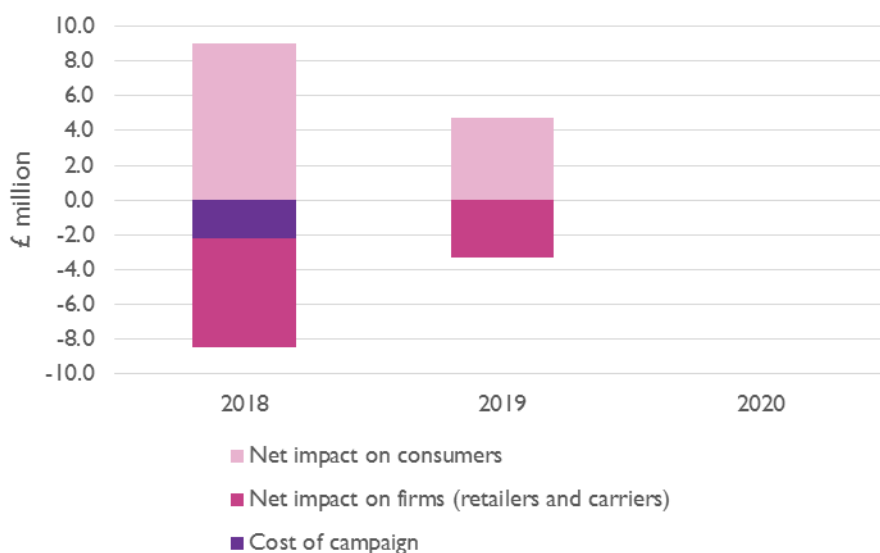
³¹ See Oxera (2013) "What is the economic impact of Geo services?"

| | High Benefit | Medium Benefit | Low Benefit |
|--|--------------|----------------|-------------|
| • Value of additional redress given to consumers | 5.6 | 2.9 | 1.5 |
| • Welfare gain from policy induced market growth | 4.9 | 2.0 | 0.8 |
| Overall impact of policy | 26.6 | 1.8 | -5.1 |

Table 5.2: Estimated benefit / cost ratio for consumer awareness campaign

| | High Benefit | Medium Benefit | Low Benefit |
|---------------------------|--------------|----------------|-------------|
| Benefit/cost ratio | 1.8 | 1.1 | 0.3 |

In order for a policy to be worthwhile, the benefit / cost ratio should be greater than one (or, equivalently, the net present value should be positive). This is the case in the medium and high benefit scenarios, where the benefits are respectively 1.1 and 1.8 times greater than the costs, although the benefit to cost ratio of 1.1 for the medium benefit scenario suggests that there would only be marginal net benefits in this scenario. In the low benefit scenario, the consumer awareness campaign yields a net cost rather than a net benefit. The costs and benefits of the policy are spread over a two-year period in the medium benefit scenario, as shown in Figure 5.5.³²

Figure 5.5: Annual cost and benefit in medium benefit scenario


As mentioned above, we also conducted a sensitivity check by simulating the effects of a campaign at one tenth of the budget. As can be seen in the table below, this version of the policy option yields a positive net present value (NPV) in the high and medium benefit scenarios, but not in the low benefit scenario (the benefit to cost ratios are identical to those presented in Table 5.2).

Table 5.3: Sensitivity check of consumer awareness campaign cost-benefit analysis

| | High Benefit | Medium Benefit | Low Benefit |
|---|--------------|----------------|-------------|
| Cost of campaign | -0.2 | -0.2 | -0.2 |
| Net impact on firms (retailers and couriers) | -1.4 | -0.9 | -0.5 |
| • Cost of responding to direct increase in consumer actions | -1.8 | -1.0 | -0.5 |
| • Cost of improving service | -1.4 | -0.4 | 0.0 |
| • Cost savings from fewer consumer actions as | 1.8 | 0.5 | 0.0 |

³² Costs and benefits are spread over three years in the high benefit scenario, but occur in just one year in the low benefit scenario.

| | High Benefit | Medium Benefit | Low Benefit |
|---|--------------|----------------|-------------|
| quality improves | | | |
| Net impact on consumers | 4.3 | 1.3 | 0.2 |
| • Cost to consumers of direct increase in actions | -0.1 | 0.0 | 0.0 |
| • Cost savings from fewer consumer actions as quality improves | 0.1 | 0.0 | 0.0 |
| • Total benefit due to fewer problems | 3.2 | 0.8 | 0.0 |
| ▪ Financial benefit due to fewer problems | 1.0 | 0.3 | 0.0 |
| ▪ Time benefit due to fewer problems | 2.2 | 0.6 | 0.0 |
| • Value of additional redress given to consumers | 0.6 | 0.3 | 0.2 |
| • Welfare gain from policy induced market growth | 0.5 | 0.2 | 0.1 |
| Overall impact of policy | 2.7 | 0.2 | -0.5 |

5.4 Update of Building Regulations to mandate parcel lockers in new homes

5.4.1 Key impacts to be modelled

Currently, houses have letter boxes which ensure that letters are delivered to each household without requiring someone to be present for delivery. A revision of Building Regulations to mandate parcel lockers in domestic premises would potentially prevent a number of delivery problems reported by online shoppers in the UK.

Without parcel delivery lockers, the expected growth in the e-commerce market over the coming years would amplify the frequency of consumer problems as well as the total harm experienced by consumers in terms of both financial and time-related costs.

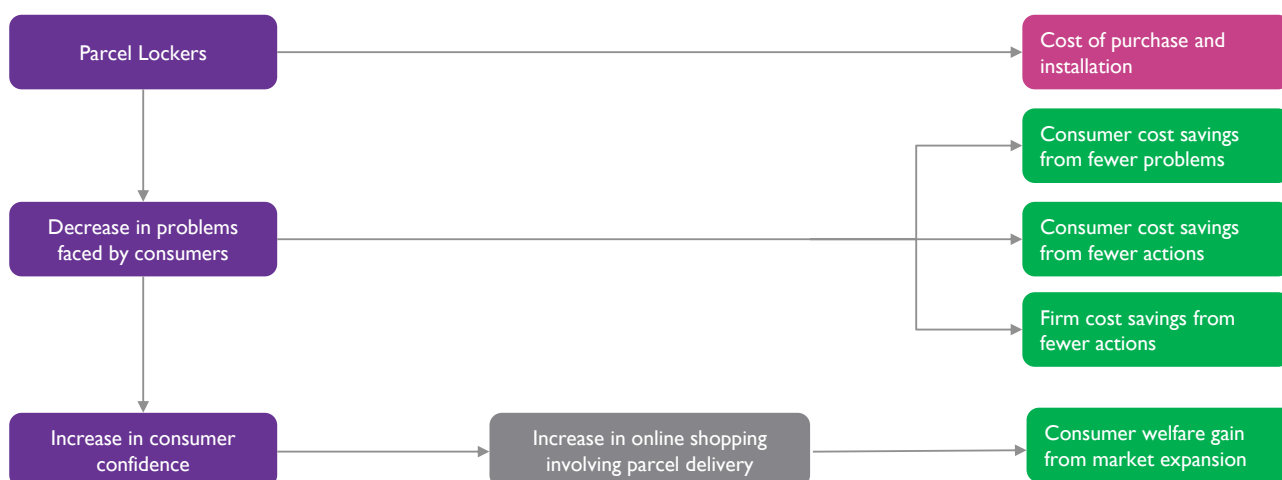
As mentioned in Chapter 4, retrofitting all houses with parcel lockers would be a costly and excessive policy response. This policy option considers mandatory parcel lockers only in new-build properties, implemented through an update to Building Regulations.

There would be a direct cost per new property related to purchasing and installing the parcel lockers. Consumers living in a property with a parcel locker would be expected to reap financial and time savings from avoided problems. Parcel delivery firms should also experience cost savings related to the reduced number of times that such problems would need to be dealt with.

The fact that these households have a parcel locker which allows them to receive parcels more easily is likely to increase the extent to which these households shop online. The inclusion of parcel lockers in new build dwellings would therefore result in an increase in the volume of parcels delivered. In turn, this increase in the size of the parcel delivery market would increase revenue for parcel couriers and would result in a welfare gain for consumers.

These expected impacts are illustrated in the flow diagram below:

Figure 5.6: Flow diagram for parcel lockers



5.4.2 Modelling approach

We made different assumptions across benefit scenarios regarding the purchase and installation costs of the lockers and on their asset life. We used an estimate of 200,000 for the number of new houses being built each year.

The number of adults living in these new build houses was estimated using ONS data on the number of people in private dwellings, adjusted to exclude individuals under 15 years of age. This figure was further adjusted using data on the percentage of adults who shop online to produce an estimate of adult online shoppers in these new build dwellings.

Not all problems listed in our survey are expected to be addressed by parcel lockers – for example, a parcel locker would not prevent late deliveries. For this reason, we used a subset of all problems (i.e. those that would potentially be resolved by the existence of a parcel locker) in the analysis of this policy option. Examples of problems in this sub-set include consumers missing the delivery and needing to collect the parcel themselves, and the parcel being left in an insecure location and either being damaged or stolen. In the medium and low benefit scenarios we allowed for the possibility that even for this sub-set of problems there might be a minority of parcel deliveries where the problem would not be resolved by the existence of a parcel locker (e.g. because a parcel is too big to fit into the locker).

The estimated number of adult online shoppers in new build houses was adjusted to reflect the number of adult online shoppers in new build houses who would be exposed to the relevant problems in the absence of a parcel locker. The proportion of survey respondents that had encountered the relevant problems was used for this purpose.

Using survey data on the average number of times a consumer faces a relevant problem in a year, we then estimated the number of problems that would be avoided as a result of the parcel lockers, relative to the counterfactual.

We also used survey data to calculate the financial and time costs per parcel delivery problem, for the sub-set of problems that would potentially be addressed by a parcel delivery locker. Multiplying these costs per problem with the number of problems avoided allowed us to estimate total financial and time cost savings for consumers. Through a similar process, we were able to estimate the relevant cost savings for firms.

Lastly, we made different assumptions across benefit scenarios on the extent to which parcel lockers would boost online purchases by those living in new build homes. (The assumed increase was 5 per cent in the high benefit scenario, 2.5 per cent in the medium benefit scenario and 0 per cent in the low benefit scenario.) These assumptions were used to estimate the additional revenue gained by parcel couriers.

Following the same process as in Section 5.3.2 we then estimated the consumer welfare gain from this expansion of the parcel delivery market.

5.4.3 Modelling results

Our cost-benefit analysis of an update to Building Regulations to require parcel lockers to be installed in new build homes yielded the following results:

Table 5.4: Estimated impact of update to Building Regulations to mandate parcel lockers in new build homes (present value, £ million)

| | High Benefit | Medium Benefit | Low Benefit |
|---|--------------|----------------|-------------|
| Cost of purchase | -108.2 | -218.9 | -332.3 |
| Cost of installation | -103.0 | -206.1 | -309.1 |
| Net impact on consumers | -5.2 | -12.9 | -23.2 |
| • Total benefit due to fewer problems | 1098.9 | 753.9 | 390.4 |
| ▪ Financial benefit due to fewer problems | 970.9 | 710.7 | 390.4 |
| ▪ Time benefit due to fewer problems | 131.9 | 96.5 | 53.0 |
| • Welfare gain from policy induced market growth | 839.1 | 614.2 | 337.4 |
| Overall impact of policy | 127.9 | 43.2 | 0.0 |

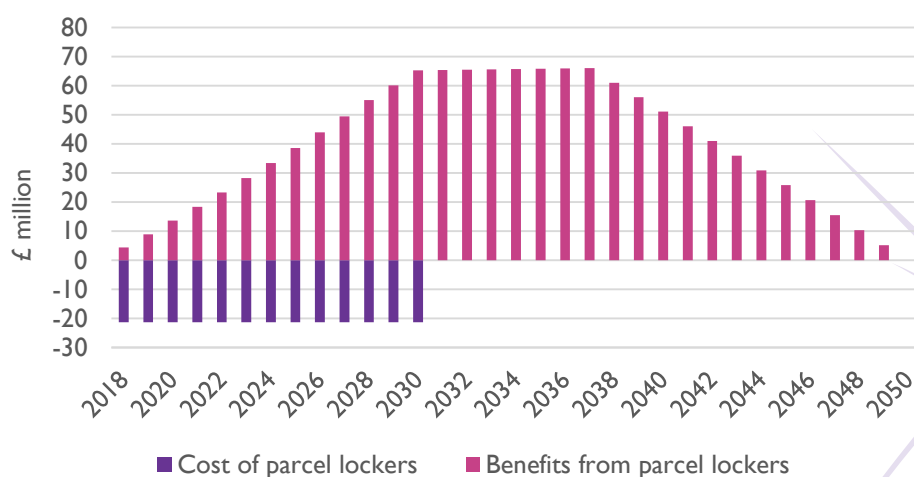
Table 5.5: Estimated benefit / cost ratio for parcel lockers

| | High Benefit | Medium Benefit | Low Benefit |
|---------------------------|--------------|----------------|-------------|
| Benefit/cost ratio | 10.2 | 3.4 | 1.2 |

Across all three scenarios, the policy has a benefit/cost ratio above one (or, put another way, the net present value of the policy is positive in all three scenarios).

Figure 5.7 below shows how the costs and benefits of the policy and spread through time under the medium benefit scenario. Initially, the costs are high relative to the benefits, but as the number of properties with parcel lockers increases over time, the benefits begin to outweigh the costs. The costs are incurred up to 2030 whereas the benefits last for decades beyond that, as our modelling was based on the impact of installing parcel lockers in new homes built up to 2030, and these parcel lockers will continue to provide benefits for years afterwards.

Figure 5.7: Annual cost and benefits from parcel lockers (medium benefit scenario)



5.5 Mandatory provision of information

5.5.1 Key impacts to be modelled

Parcel delivery firms already have complaints reporting and handling procedures. Several firms already report such data to Ofcom.³³ Thus, certain information on complaints, volumes and delays should be readily available and could be aggregated and submitted to Citizens Advice or Ofcom.

As a direct effect, however, Citizens Advice or Ofcom would incur one-off IT costs in order to set up a database in the required format. Ongoing costs are also expected to be incurred processing and analysing the periodic data submissions from companies. Parcel couriers would be expected to incur ongoing costs periodically collating and submitting the information.

In addition to the collection of data from parcel couriers, this policy option also assumes that Citizens Advice or Ofcom would conduct quarterly consumer surveys to gather additional information from consumers on the problems that they experience with online shopping parcel deliveries. This assumption is vital to achieving the expected benefits, since the surveys would shed light on consumer problems that are unlikely to be visible in the data provided by parcel operators (e.g. problems that consumers rarely complain about).

The publication of reports by Citizens Advice or Ofcom on the comparative performance of couriers is expected to inform retailers about parcel delivery problems.³⁴ Retailers who use the reports, however, would incur costs related to the time spent reviewing the reports and taking relevant action (e.g. challenging their courier about its performance, or feeding the information into procurement decisions). The above effects are depicted in the following diagram:

Figure 5.8: Initial effects of data provision policy option



As in the case of the consumer awareness campaign (see Section 5.3.1 above), publishing comparative data is expected to reduce information asymmetries between retailers and parcel delivery companies and apply competitive pressure on the latter. This may lead to parcel delivery firms taking action to improve the quality of their services. This improvement in quality of service would lead to consumers experiencing financial and time savings due to the reduced frequency of problems along with the reduced need to take action to deal with problems. These second-order effects are illustrated in the following diagram:

³³ See e.g. Ofcom (2016) “Postal markets annual report”.

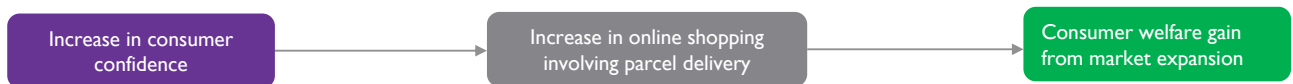
³⁴ It is possible, however, that there is already a mechanism of information exchange on these issues between parcel couriers and retailers that may be duplicated in this policy. We discussed this in Chapter 4.

Figure 5.9: Second-order effects of data provision policy option



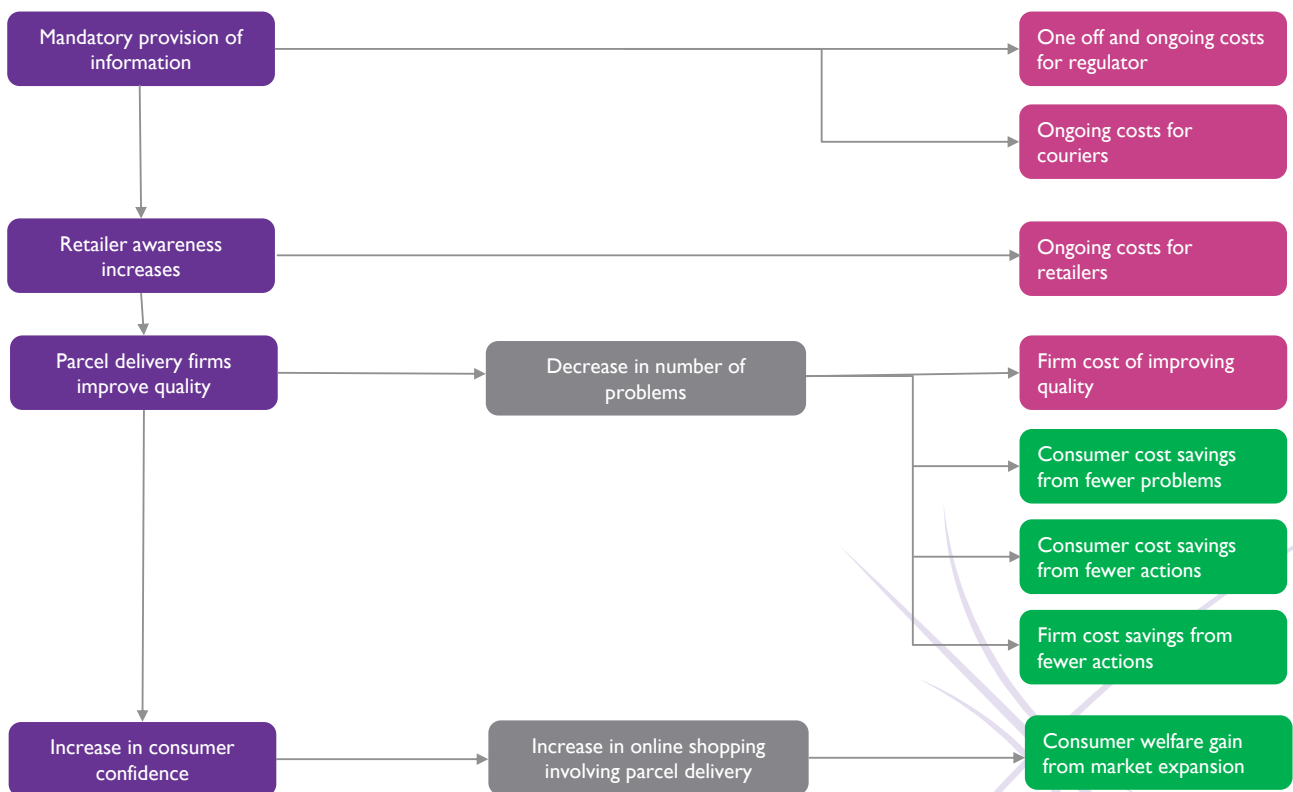
To the extent that consumer problems with parcel deliveries are reduced, consumers would be expected to gain confidence in the e-commerce market and engage in more online purchases. As a result, parcel couriers would experience an increase in their revenues and there would be an associated welfare gain for consumers from market expansion.

Figure 5.10: Potential market expansion from mandatory data provision



These expected impacts are brought together in the summary flow diagram below:

Figure 5.11: Flow diagram for mandatory data provision



5.5.2 Modelling approach

Our assessment of the costs and benefits of this policy option relied heavily on assumptions about the costs to Citizens Advice / Ofcom, parcel couriers and retailers. We combined assumptions for the daily cost of

analyst- and senior- level staff members (based on ONS data) with plausible assumptions on the time that might be required from these staff. We also made assumptions about the number of retailers that would make use of the reports published by Citizens Advice or Ofcom on the comparative performance of parcel couriers.

We assumed that the amount that couriers would be willing to spend to improve their quality of service would be equal to the cost of addressing the consumer actions that are avoided through this improvement in quality.

We used evidence from the academic literature on the effect of publishing information on the number of problems in another sector to infer the reduction in problems that might be observed as a result of this policy. This allowed us to calculate consumers' financial and time savings due to fewer problems as well as consumers' and firms' savings due to the corresponding reduction in the number of actions taken in response to these problems.

Empirical evidence regarding the effect of data provision on market growth is scarce. Hence, we made fairly conservative assumptions across benefit scenarios as to the policy-induced growth in the parcel delivery market — 5 per cent in the high benefit scenario, 2.5 per cent in the medium benefit scenario and 0 per cent in the low benefit scenario. We were then able to calculate the additional revenue earned by parcel delivery firms and the corresponding consumer welfare gain from market expansion.

5.5.3 Modelling results

Our cost-benefit analysis of the mandatory provision of information yielded the following results:

Table 5.6: Estimated impact of data provision (present value, £ million)

| | High Benefit | Medium Benefit | Low Benefit |
|---|--------------|----------------|-------------|
| Cost for CA | -0.4 | -0.6 | -0.7 |
| Net impact on firms (retailers and couriers) | -2.7 | -3.2 | -0.6 |
| • Cost of couriers providing data | -0.2 | -0.4 | -0.6 |
| • Cost of retailers reading reports | -2.6 | -2.9 | 0.0 |
| • Cost of couriers improving service | 182.8 | 91.4 | 0.0 |
| • Cost savings from fewer consumer actions as quality improves | -182.8 | -91.4 | 0.0 |
| Net impact on consumers | 337.9 | 166.6 | 0.0 |
| • Cost savings from fewer consumer actions as quality improves | 321.3 | 160.7 | 0.0 |
| • Total benefit due to fewer problems | 96.4 | 48.2 | 0.0 |
| ▪ Financial benefit due to fewer problems | 225.0 | 112.5 | 0.0 |
| ▪ Time benefit due to fewer problems | 8.8 | 4.4 | 0.0 |
| • Welfare gain from policy induced market growth | 7.8 | 1.5 | 0.0 |
| Overall impact of policy | 334.8 | 162.8 | -1.3 |

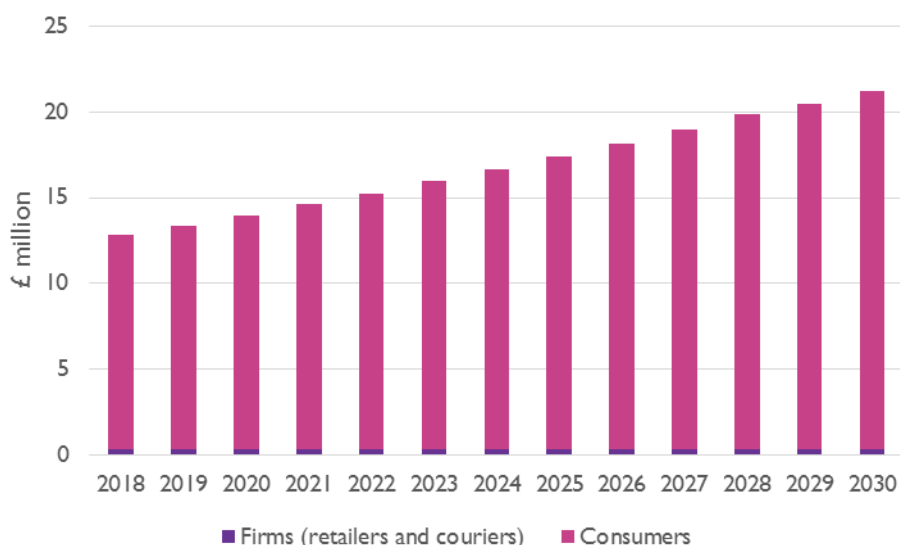
Table 5.7: Estimated benefit / cost ratio for data provision

| | High Benefit | Medium Benefit | Low Benefit |
|---------------------------|--------------|----------------|-------------|
| Benefit/cost ratio | 2.8 | 2.7 | 0.0 |

The policy has a benefit to cost ratio of above one in the medium and high scenarios, but a benefit to cost ratio of zero in the low scenario.

Figure 5.12 shows how the net gains increase over time in the medium benefit scenario. This reflects projected growth in online shopping parcel deliveries.

Figure 5.12: Annual impact on firms and consumers (medium benefit scenario)



Note: the cost of maintaining the system for the Regulator is approximately £55,000 which is negligible compared to the gains for firms and consumers and so is not included in the graph.

Our qualitative assessment of this policy option (see Section 4.3.5) has highlighted some severe practical difficulties with this policy option. These practical difficulties would severely limit the effectiveness of the policy, but it was not possible to incorporate them directly into our estimates of costs and benefits. Bearing this in mind, we consider that the actual impact of this policy option is likely to be at the lower end of our estimated range (i.e. closer to the low benefit scenario than to the medium or high benefit scenarios).

5.6 Conclusion

The ultimate goal of the proposed policy options is to reduce consumer problems with online shopping parcel deliveries, while not leading to material unintended negative consequences. Accordingly the purpose of the cost-benefit analysis was to assess the extent to which the proposed policy options would achieve this objective.

The overall results of our cost-benefit analysis are as follows:

- In terms of the number of problems avoided, the parcel locker option led to the largest reduction, followed by mandatory data provision and a consumer awareness campaign, respectively.
- The parcel locker option exhibited the highest net present value across all modelled scenarios. By contrast, the consumer awareness campaign and mandatory information provision resulted in a positive net present value in the high and medium benefit scenarios, but not in the low benefit scenario.

The numerical results of the analysis are presented in the following table:

Table 5.8: Summary of cost-benefit analysis

| | Awareness campaign | Parcel lockers | Data provision |
|--|---------------------------|-----------------------|-----------------------|
| Number of problems avoided (million) | 0 to 6.78 | 123.7 to 417.3 | 0 to 82.8 |
| Regulator present value | -2.2 | n/a | -0.7 to -0.4 |
| Firm present value (retailers/couriers) | -5 to -13.8 | n/a | -2.7 to -0.6 |
| Consumer present value | 2.1 to 42.6 | 390.4 to 1,098.9 | 0 to 337.9 |
| NPV (£ million) | -5.1 to 26.6 | 58.1 to 990.7 | -1.3 to 334.8 |
| Benefit/cost ratio | 0.3 to 1.8 | 1.2 to 10.2 | 0 to 2.8 |

Typically, estimated net benefits for different policies are used to compare options and to help select the most beneficial option to implement. In this case, while the three policies have varying costs and benefits, implementing one policy does not necessarily exclude the possibility of implementing the others.³⁵ We give our final recommendations in the following chapter, taking account of both our qualitative and quantitative analysis.

³⁵ Note that that potentially overlapping effects of each policy that may occur if both policies were implemented have not been modelled and thus the net present values cannot be added together.

6 Recommendations

While consumers are in general satisfied with the quality of service for parcels deliveries, they nonetheless experience a significant number of problems. Our economic analysis suggests that there may be some issues associated with:

- enforcement of consumer rights;
- externalities from consumer action, whereby consumers take less action than might be desirable because the benefits from taking action that accrue to them as individuals are less than the total benefits to society; and
- asymmetric information between retailers and delivery companies, and between delivery companies and their delivery staff, which may mean that problems which consumers often do not complain about may persist due to retailers and/or delivery companies being unaware that these problems are happening.

We conducted a cost-benefit analysis of three policy options to address these three problems, comparing the policies to a “do nothing” counterfactual in which the volume of parcels delivered, along with the associated consumer problems, continues to grow over time. The policies assessed were:

4. a consumer awareness campaign;
5. the mandatory inclusion of parcel delivery lockers in every new-build home; and
6. the mandatory provision of information by parcel couriers, combined with a regular consumer survey.

Table 6.1 below summarises the results of our cost-benefit analysis for the three options (with ranges based on the low benefit and high benefit cases for each metric).

Table 6.1: Summary of cost-benefit analysis results

| Metric/Policy option | Awareness campaign | Parcel lockers | Data provision |
|---|--------------------|----------------|----------------|
| Number of problems avoided up to 2030 (million) | 0 to 6.78 | 123.7 to 417.3 | 0 to 82.8 |
| NPV (£ million) | -5.2 to 26.5 | 58.1 to 986.8 | -1.3 to 369.1 |
| Benefit/cost ratio | 0.3 to 1.8 | 1.2 to 10.1 | 0 to 3 |

The [parcel lockers policy](#) has the potential to reduce the number of problems in the sector by the most, at up to 417 million avoided problems. Moreover, it has a benefit/cost ratio of above one in all three scenarios. The effects of the parcel lockers policy would build up through time, as cumulatively more homes benefit from having parcel lockers. Our analysis therefore suggests there is a strong case for updating Building Regulations to mandate parcel delivery lockers in new build homes.

The impact of the [data provision policy](#) is uncertain and there are many potential drawbacks to the policy. If the market pays little attention to the comparative information published by Citizens Advice, then the impact on consumer problems could be close to zero (as in our low scenario). If a market response is assumed, then it could potentially lead to a significant reduction in consumer problems (with 83 million problems avoided in our high scenario). However, there are considerable drawbacks to the policy:

- Data collected from parcel couriers would not cover all of the problems, only the ones parcel couriers can track. It would need to be supplemented by a regular consumer survey to measure all problems.
- Since legal liability for parcel delivery lies with the retailer, not the courier, consumer complaints collected by couriers are likely to be low compared with complaints made to the retailers, and may not be representative of the spectrum of consumer complaints. Thus, complaints data from couriers may not be useful in assessing the overall performance of couriers.

- The information might be used to “blame and shame” in situations where the ultimate responsibility for a failed delivery is beyond the control of a parcel operator (e.g. where late deliveries were the fault of the retailer).
- The policy might either “crowd out” or duplicate information exchange agreements and key performance indicators already in place between parcel operators and retailers.
- The publication of this information might distort the behaviour of parcel couriers (e.g. by making them focus only on improvement for measured problems) and might lead them to make complaint procedures less visible in an attempt to improve their rankings.
- Publication of comparative data might also lead to parcel couriers manipulating their data to improve their apparent performance.

For these reasons, we believe the benefits of the policy are likely to be closer to our low scenario, rather than the medium or high scenarios. This suggests that the benefit/cost ratio could be below one (meaning that costs exceed benefits) for the data provision policy. For these reasons we do not recommend this policy option.

The impact of the [consumer awareness campaign](#) is much smaller in scale than the parcel lockers and data provision policies. However, this partly reflects the assumption that a single campaign is run only in 2018 and that the gains in consumer awareness fade over time. To sustain the effect on consumer awareness, the campaign could be periodically repeating in subsequent years. The policy has a benefit/cost ratio of 1.8 in the high scenario, a benefit/cost ratio only marginally above 1 in the medium scenario, and a benefit/cost ratio below one in the low scenario. Regarding implementation, a consumer advisory body such as Citizens Advice would be well-positioned to manage an awareness campaign.

Overall, our analysis suggests that the mandating the inclusion of parcel lockers in new build homes is the policy most likely to yield substantial benefits for consumers. There may possibly be a role for a consumer awareness campaign run by Citizens Advice, although the benefits of this policy would be much smaller in scale and less certain. We do not recommend mandatory provision of information by parcel lockers, as we consider that the drawbacks of this policy (identified in our qualitative analysis) mean that the impact is likely to be closest to our low scenario in which the policy yields a net cost.



Appendices



Europe Economics

7 Appendix 1: Existing evidence on consumer problems

7.1 Consumer problems with e-commerce parcel deliveries

Parcel delivery is an essential component of ecommerce and a consumer's experience with delivery drives their ecommerce behaviour. A single problem with parcel delivery might deter consumers from shopping with the same retailer again. About 70 per cent of customers say they are likely to switch to another retailer following bad parcel delivery experience.^{36,37}

There are no comprehensive statistics on problems with parcel deliveries and, more specifically, with deliveries of online shopping parcels. The Ofcom 2012 qualitative survey identified common problems with postal services³⁸ while several surveys measured the frequency of different problems. A number of studies focused on problems with particular postal services or problems experienced by particular customer groups. Table 7.1 below summarises the consumer surveys that we have reviewed and the problems identified.

³⁶ IMRG Blackbay UK (2016) "Consumer Home Delivery Review", p. 47.

³⁷ JDA Centiro (2015) "Consumer Pulse Report 2015", p. 3.

³⁸ Ofcom (2012) "Postal services: A consumers' perspective".

Table 7.1: Problems with parcel deliveries identified by consumer surveys

| Survey | Respondents | Delayed and lost parcels | Damaged parcels | Leaving a slip for the parcel | Leaving parcels outside the property | Incorrect tracking information | Inconvenience of delivery time and/or location | Refusal of delivery to rural and remote areas | Complications with cross-border deliveries |
|---|---|--------------------------|-----------------|-------------------------------|--------------------------------------|--------------------------------|--|---|--|
| The Retail Ombudsman (2016) “Annual Activity Report”. | Statistics on complaints | X | X | | | | | | |
| Ofcom (2012) “Postal services: A consumers' perspective” | 10 discussion groups and 5 telephone interviews with residential customers; 15 interviews with SMEs | X | X | X | X | | X | | |
| JDA Centiro (2015) “Consumer Pulse Report” | 2,093 UK adults aged between 16-64 years | X | X | X | | | | | |
| Metapack (2014) “Delivering consumer choice” | 250 female and 250 male consumers across age groups in the UK | X | | X | X | | | | |
| IMRG Blackbay UK (2016) “Consumer Home Delivery Review” | 618 households | X | X | | | X | X | X | X |
| General Consumer Council of Northern Ireland, GCCNI (2015) “Online Parcel Premium” | 300 websites of online retailers | | | | | | | X | |
| Citizens Advice Scotland (2015) “The postcode penalty: The distance travelled” | 534 websites of online retailers surveyed; 449 responses from local SMEs | | | | | | | X | |

Other studies on problems with parcel deliveries that we have reviewed include:

- Breaking Blue (2016) “The future of consumer needs for postal services”.
- Citizens Advice (2016) “Consumer Detriment. Counting the cost of consumer problems”
- Citizens Advice (2014) “Delivering satisfaction. Complaint handling in the postal market”.
- Department of Business, Innovation and Skills (2013) “Implementation of the EU Consumer Rights Directive”.
- IMRG (2016) “Valuing home delivery review”.
- Green Logistics (2014) “The impact of failed home deliveries on carbon emissions”.

Based on the surveys and other studies we reviewed, we summarise the issues with parcel deliveries, together with the frequency rates from various surveys.

Delayed and lost parcels

Practically every survey established that delayed and lost parcels are common problems. According to The Retail Ombudsman, complaints about delayed or missing parcels in the last year constitute approximately 40 per cent of all cases related to domestic delivery of retail purchases.³⁹ Nearly half of

³⁹ The Retail Ombudsman (2016) “Annual Activity Report”.

customers (46 per cent) experienced late parcel delivery.⁴⁰ Another survey revealed that almost 40 per cent of customers stayed at home to receive a parcel but it did not arrive on that day.⁴¹

About 30 per cent of respondents never received items they ordered online, i.e. the parcel was lost. Another 13 per cent of respondents in the same survey stated that, in addition to the missing parcel, the retailer claimed that the delivery was successfully completed.⁴²

Damaged parcels

Damaged parcels constitute another common problem, although the reported frequency varies among the surveys. According to one survey, at least 22 per cent of customers received an online shopping parcel that was damaged.⁴³ Two other surveys found that around 60 to 65 per cent of customers have received a damaged item at least once a year.^{44,45} Customers point out that the two key reasons for the damaged parcel are inappropriate packaging and poor handling by the courier.⁴⁶

Not attempting to contact the flat/house owner and leaving a slip for the parcel

According to one survey, one third of customers claimed that they received a slip to collect the parcel from a post office while they were at home.⁴⁷ Another survey found this share can be as high as 40 per cent.⁴⁸

Leaving the parcel outside the property or in communal areas

About 28 per cent of respondents complained that a parcel was left in an unsafe place.⁴⁹

Mismatch between the tracking information and the actual delivery

About a quarter of respondents stated that they missed a delivery as a result of incorrect tracking information or advised delivery time.⁵⁰

Inconvenience of delivery time and/or location

Customers in full-time employment sometimes find that parcels can only be delivered at inconvenient times of the day. If the delivery is missed, collecting the parcel from a local post office or parcel depot might also be inconvenient due to the post office / parcel depot location and/or open hours.⁵¹ Over half of survey respondents (55 per cent) said that typically there is no-one at home on all or some working days to receive the parcel.⁵² About 37 per cent of respondents did not complete an online purchase because of inconvenient delivery options.⁵³

Refusal of delivery to rural and remote areas

Customers living in rural areas in Northern Ireland and Scotland and remote areas such as the Scottish Isles, often face limited availability of parcel deliveries.^{54,55,56} A retailer might refuse to deliver the item once

⁴⁰ JDA Centiro (2015) "Consumer Pulse Report 2015".

⁴¹ Metapack (2014) "Delivering consumer choice".

⁴² JDA Centiro (2015) "Consumer Pulse Report 2015".

⁴³ JDA Centiro (2015) "Consumer Pulse Report 2015".

⁴⁴ IMRG Blackbay UK (2016) "Consumer Home Delivery Review", p. 35.

⁴⁵ General Consumer Council of Northern Ireland (2015) "Online Parcel Premium".

⁴⁶ IMRG Blackbay UK (2016) "Consumer Home Delivery Review", p. 86.

⁴⁷ Metapack (2014) "Delivering consumer choice".

⁴⁸ JDA Centiro (2015) "Consumer Pulse Report 2015".

⁴⁹ Metapack (2014) "Delivering consumer choice".

⁵⁰ IMRG Blackbay UK (2016) "Consumer Home Delivery Review", p. 56.

⁵¹ Ofcom (2012) "Postal services: A consumers' perspective".

⁵² IMRG Blackbay UK (2016) "Consumer Home Delivery Review", p. 51.

⁵³ IMRG Blackbay UK (2016) "Consumer Home Delivery Review", p. 46.

⁵⁴ Breaking Blue (2016) "The future of consumer needs for postal services".

⁵⁵ General Consumer Council of Northern Ireland (2015) "Online Parcel Premium".

⁵⁶ Citizens Advice Scotland (2015) "The postcode penalty: The distance travelled".

a customer from such an area provides the address, or the retailer might charge a higher fee or specify longer delivery times. Small retailers are especially likely to impose delivery restrictions or refuse to deliver the item. One survey showed that nearly 15 per cent of respondents had to abandon an online purchase because of the limited availability of delivery to their area (the type of area was not specified).⁵⁷

Consumers who have a problem with their parcel delivery often face **further difficulties** when trying to sort out the initial problem, e.g. when making a complaint or asking for a refund. The typical complications reported are:^{58,59}

- The complaint procedures are unclear and not easy to use.
- The delivery company is slow to acknowledge the problem.
- The delivery company provides an unsatisfactory response to the complaint.
- It takes a lot of time to resolve the problem.
- The overall customer service is well below standards.

Consumer problems and concerns with parcel deliveries are amplified when it comes to **cross-border** delivery. Buying goods from other EU Member States is associated with long delivery times, a high chance of parcels being lost, and particular difficulties with returning an unwanted/damaged item and obtaining a refund.^{60,61}

Only one study attempts to estimate the cost to consumers associated with online shopping parcel delivery for UK consumers. The IMRG report used four scenarios of a failed delivery⁶² to obtain the total cost of £780 million, of which £224.5 (about 29 per cent) falls on consumers (the rest falling on retailers and delivery companies). A more general study on consumer detriment in the UK estimates that poor quality service and failure to provide the item or service may cost as much as £13.5 billion.⁶³ This figure accounts both for the gross cost of problem incidents (e.g. cost of replacing a damaged item and time to make a complaint) and the seller's compensation.

In addition to negative consumer impacts, missed or late parcel deliveries have a negative effect on the environment.⁶⁴ Re-delivery attempts by couriers or travelling to a post office to collect a missed parcel increase CO₂ emissions. Choosing an alternative delivery location that avoids re-deliveries or missed deliveries, such as a local shop, could partially offset the negative impact. It would also further lessen the environmental impact by decreasing the distance the delivery vehicles have to travel.

7.2 Market response to consumer problems

Our research shows that the parcel delivery market has been responsive to problems experienced by the sector, a hallmark of a well-functioning market. The parcel operators have responded to the growth of e-commerce and problems with parcel deliveries by seeking to:

- Implement ICT solutions;
- Improve last mile logistics; and
- Improve customer service.

The market also responds to the growing demand for parcels by new entry and innovation. Below we review the market response in more details.

⁵⁷ IMRG Blackbay UK (2016) "Consumer Home Delivery Review", p. 46.

⁵⁸ Citizens Advice (2014) "Delivering satisfaction. Complaint handling in the postal market".

⁵⁹ Breaking Blue (2016) "The future of consumer needs for postal services".

⁶⁰ Department of Business, Innovation and Skills (2013) "Implementation of the EU Consumer Rights Directive", p. 6.

⁶¹ IMRG Blackbay UK (2016) "Consumer Home Delivery Review", p. 31.

⁶² The four scenarios are: (i) failed first delivery and the parcel re-delivered by courier; (ii) failed first delivery and the parcel collected by the customer from, e.g. a depot (iii) late delivery; and (iv) lost parcel.

⁶³ Citizens Advice (2016) "Consumer Detriment. Counting the cost of consumer problems", p. 16.

⁶⁴ Green Logistics (2014) "The impact of failed home deliveries on carbon emissions".

7.2.1 Implementing ICT solutions

Delivery operators employ ICT solutions to increase the efficiency of their parcel handling operations. From the customer's perspective, ICT can be used to provide more accurate tracking information.

In logistics operations, ICT solutions are used to label, sort and route parcels, and help deliver them to consumers.⁶⁵ Labelling can be based on single- or two-dimensional barcodes, with standard stripe barcodes and QR square codes being the most common types, respectively. Sorting and routing requires a variety of sensors that:

- scan and read the address label at high speed and precision;
- measure and weigh the parcel, in particular, irregularly shaped items; and
- route the parcel along the conveyor belts to/from the correct container or delivery vehicle.

Advanced sorting technologies are based on:

- RFID chips that can replace the labelling and the initial measurement step.
- Robot manipulators that can assemble the parcel and handle, for example, heavy or irregular items.

The ICT in use at the last mile stage includes hand-held scanners to verify the delivery and, if necessary, obtain the customer's signature.

ICT improvements along the logistics chain come at a cost. Modern ICT solutions rely heavily on advanced computer software and hardware to process large volumes of data quickly, e.g. to read the address and to perform the sorting and routing algorithms.

7.2.2 Improving the last mile logistics

Retailers and parcel operators can improve the logistics of parcel delivery by:

- using subcontracting and partnerships for the last mile delivery;
- developing new delivery options; and
- providing accurate tracking information, with an option of modifying the delivery choice, e.g. address, at the last minute.

A report on the French parcel market proposed enlarging and diversifying the delivery offer with subcontracting and partnerships, to accommodate the increase in B2C deliveries without modifying the supply chain.⁶⁶ For example, large parcel operators in France often outsource the last mile delivery in urban areas to couriers and specialized urban parcel distribution providers. Partnership, or an independent aggregator, can prove a viable option for rural and remote areas. An example is Menzies Distribution, operating in the Scottish Highlands and Islands that aggregates parcel flows from other operators and helps reduce the delivery cost for rural customers.⁶⁷

Customers can be offered a choice of delivery options that vary in terms of time of delivery and location. In addition, retailers and parcel operators are seeking to test and employ innovative delivery methods.

A precise delivery window has become important as customers have limited time to collect the parcel and favour quick delivery of emergency purchases the same or next day.⁶⁸ Larger retailers and/or delivery companies such as Amazon increasingly offer refined time slots, for example morning or evening delivery, or even a specific hour.⁶⁹

⁶⁵ WIK Consult (2016) "Technology and change in postal services – impacts on consumers", Section 7.

⁶⁶ Ducret, R. and Delaitre, L. (2013) "Parcel delivery and urban logistics changes in urban courier, express and parcel services: the French case". 13th World Conference on Transport Research, July 15-18, 2013, Rio de Janeiro, Brazil.

⁶⁷ WIK Consult (2016) "Technology and change in postal services – impacts on consumers", p. 66.

⁶⁸ NetDespatch (2016) "The Tipping Point Parcel Delivery".

⁶⁹ WIK Consult (2016) "Technology and change in postal services – impacts on consumers", p. 86.

New options for delivery locations typically consist of dropping the parcel at a designated address for the customer to collect later at a convenient time. Retailers and delivery companies are interested in developing such drop-off points; as it helps to aggregate the parcels at fewer delivery points and, hence, helps keep the cost down by using less time, drivers and vans to deliver parcels.⁷⁰ The following location options have become more common:⁷¹

- **Click and collect:** Buy online and collect from the retailer's own shop. This option effectively absorbs the flow of purchases within the retailer's logistics operations and avoids parcel delivery to an 'outside' address. According to various surveys, at least half of customers chose the click and collect as their delivery option in the last 12 months.^{72,73}
- **Local shop or post office:** Have the parcel delivered to a designated local shop. This option does not require the recipient to receive the parcel, e.g. at home or work, but might be inconvenient due to shop's opening hours. A quarter of customers have tried this option at least once.⁷⁴
- **Unmanned lockers:** Have the parcel delivered to an unmanned locker. This is one of the most flexible options in terms of time as the locker can be accessed 24 hours per day. The courier and the customer can open the locker by scanning a barcode. The main challenges in developing locker depots are finding a convenient location and ensuring safety against theft and damage.⁷⁵ The lockers are capital-intensive as they have to be fit-for-purpose, maintain specific temperature and light (e.g. for food deliveries).⁷⁶ Increasing the turnover of processed parcels and/or attracting multiple delivery companies is therefore important to keep the cost down and ensure profitability. The majority of the parcel lockers in Europe are currently provided by the domestic postal operators, who primarily invest in parcel lockers to offer additional delivery options to their domestic consumers.⁷⁷
- **Parcel boxes:** Have the parcel delivered to a private parcel box. This option was introduced by DHL in Germany where the company develops its own network of parcel boxes and bars access to competitors.⁷⁸ Like the unmanned lockers, the parcel box can be accessed at any time. The challenges for developing parcel boxes are also similar: providing secure access to the courier and the customer and ensuring the safety of parcels. In apartment buildings and blocks of flats, parcel boxes could become an attractive alternative to a safe place delivery.

Retailers and delivery companies are also experimenting with new delivery methods such as automated vehicles and drones.⁷⁹

- **Self-driving vehicles** reduce labour costs, and may also reduce fuel costs by driving more efficiently and adapting better to traffic conditions. Several car manufacturers are testing automated vehicles on closed roads and main road networks. In the parcel delivery industry, automated trucks can be used to deliver parcels in bulk volumes. Automated cars at the last mile stage are less attractive because the last mile requires someone to take the parcel out of the car and give it to the customer or put it in a safe place.
- **Drones** represent another innovation at the last mile of the delivery process and have been tested by a number of postal operators and retailers, including Amazon, Google, DHL and Swiss Post. Since the drone can carry only one small or light item per journey, substantial cost reductions compared to courier delivery is probably not feasible. The drone, however, could be used for niche or emergency deliveries. Aside from the question of costs, the mass adoption of drones is also unlikely in the near

⁷⁰ Capgemini (2014) "Making the last mile pay", p. 6.

⁷¹ PLCW (2015) "Review of the impact of competition in the postal market on consumers", Section 7.7 and references therein.

⁷² JDA Centiro (2015) "Consumer Pulse Report 2015".

⁷³ Metapack (2014) "Delivering consumer choice".

⁷⁴ Metapack (2014) "Delivering consumer choice".

⁷⁵ WIK Consult (2016) "Technology and change in postal services – impacts on consumers", p. 52.

⁷⁶ Capgemini (2014) "Making the last mile pay", p. 6.

⁷⁷ WIK Consult (2013) "Main Developments in the Postal Sector (2010-2013)", p. 251.

⁷⁸ WIK Consult (2016) "Technology and change in postal services – impacts on consumers", p. 52-53.

⁷⁹ WIK Consult (2016) "Technology and change in postal services – impacts on consumers", p. 54.

future as aviation authorities in many countries have implemented drone regulations which severely constrain the use of drones without a pilot or during the night.

7.2.3 Improving customer service

The literature discusses the following aspects of improving customer service:

- Tracking the parcel and re-directing;
- Dealing with returns; and
- Handling problems with delivery.

The majority customers would like to have more information on parcel movements by using the tracking number (87 per cent of respondents) and/or being notified of the steps in the parcel journey (65 per cent of respondents).⁸⁰ As an example, Nightline in Ireland has tested a scheme to provide more specific information about the delivery time and to re-direct to another address if necessary.⁸¹

Providing reliable and convenient return channels represents another customer service challenge. With the increase in e-commerce there is a greater need to provide consumers with a safe and convenient return method for their purchase. For instance, approximately 22 per cent of the e-commerce related B2C volume in the UK is based on returns.⁸²

To gauge the overall level of customer satisfaction, Royal Mail regularly publishes quality of service metrics.⁸³ The Citizens Advice survey noted that Royal Mail's customer service for dealing with complaints improved between 2008 and 2012.⁸⁴ However, a large share of respondents in 2012, between 39 and 47 per cent, were still dissatisfied with the ease of making a complaint and with the speed and the tone of the response they received.

7.2.4 Capacity expansion and new entry in the market

Ofcom has noted in the 2015 communication report that the UK parcel market is highly competitive.⁸⁵ Hundreds of companies operate on the market offering local parcel delivery, e-commerce delivery, and integrated express and courier services.⁸⁶

According to the IBISWorld study on the global courier and delivery services, barriers to entry to the courier and parcel sector are deemed 'moderate'.⁸⁷ More specifically, entry to the international parcel market might be difficult; however, entry to a domestic or local market is easier, e.g. with niche delivery. At the extreme, a primitive local courier service would need only a bicycle and a mobile phone.⁸⁸

Stimulated by the growth of e-commerce, market players seek to expand their capacity while new players are entering the market. Over the past two years, UK Mail, DPD, Parcelforce and Hermes have all invested in new hubs and depots with the intention of increasing the volume of parcels that they can process and deliver.⁸⁹ Amazon is developing its own delivery service in the UK and partners with local courier services

⁸⁰ NetDespatch (2016) "The Tipping Point Parcel Delivery".

⁸¹ PLCW (2015) "Review of the impact of competition in the postal market on consumers", p. 34.

⁸² WIK Consult (2013) "Main Developments in the Postal Sector (2010-2013)", p. 253.

⁸³ Royal Mail commissions an external market research agency to run a series of independent, continuous and large scale "End to End" Quality of Service sampling surveys.

⁸⁴ Citizens Advice (2014) "Delivering satisfaction: Complaint handling in the postal market", p. 14-15.

⁸⁵ Ofcom (2015) "The Communications report", Section 6.1.3.

⁸⁶ PLCW (2015) "Review of the impact of competition in the postal market on consumers", p. 23.

⁸⁷ The statement on moderate barriers to entry is from the paid report by IBISWorld (2016) "Global courier and delivery services" and is quoted in Cobweb Information (2013) "UK Market Synopsis: Courier and Parcel Services".

⁸⁸ Cobweb Information (2013) "UK Market Synopsis: Courier and Parcel Services"

⁸⁹ Ofcom (2015) "The Communications report", Section 6.1.3.

to offer delivery any day of week or specific time of day. The increasing capacity of and competition between operators and the desire of consumers for free or low-cost delivery has created downward pressure on prices. The intensity of competition means some companies have exited the market (CityLink in 2015) while other companies are considering mergers to secure their positions on the market.⁹⁰

However, despite the different remedies to improve parcel delivery, the future may involve a completely different landscape for the parcel delivery market. Disruptive innovations like UberRUSH may have the potential to change the traditional landscape altogether. UberRUSH is an on-demand delivery service that retailers and parcel operators can use to deliver purchases to their local customers.

UberRUSH has already successfully started operations in the US (New York, San Francisco and Chicago) in partnership with leading retailers and fashion brands and sees the UK's £7.1bn courier market as a particularly ripe market for logistics. Apart from changing the traditional delivery landscape, Uber deliveries can also provide customers with more cost-effective delivery options such as sharing deliveries similar to Uber pool (the minicab pooling app).

7.3 Policy approaches to consumer problems with parcel deliveries

Some of the studies we reviewed also discuss potential policy instruments where the market responses are deemed insufficient or unlikely. We discuss four different areas that have been studied: delivery to rural and remote areas, information disclosure for delivery options, standards for complaint handling and supporting cross-border deliveries.

Delivery to rural and remote areas

The limited availability of delivery to rural and remote areas appears to be one of the issues not addressed by retailers and parcel operators. Delivery constraints narrow the range of products available to rural customers or make the products more expensive because of the high delivery costs. Most market solutions for the last mile, such as click and collect, parcel lockers or same-day deliveries, are designed for densely populated areas.⁹¹ If a parcel terminal is available nearby, recipients living in the countryside typically have to travel longer distances to get to it.⁹²

Consumer rights bodies note that retailers and delivery companies are free in principle to choose which areas to serve and what products to offer.⁹³ Two main options are offered in the literature to support parcel delivery to remote areas: modifying the scope of universal postal service obligations and using the existing transport infrastructure.

The first option suggests broadening the scope of the universal postal services obligations in Scotland and Northern Ireland or setting up a state-funded parcel delivery agency.^{94,95} As an example, the French universal postal service provider La Poste has dual obligations of accessibility and territorial presence. Its network of small post offices and counters in remote areas is considered a service of general economic interest (SGEI) and so receives tax rebates which escape the State Aid scrutiny.⁹⁶

Using existing transport infrastructure to deliver parcels to remote areas represents another option. Citizens Advice Scotland suggested that retailers might offer "delivery to ferry port" option which would

⁹⁰ FedEx and TNT announced the merger in May 2016, while Deutsche Post announced its plan to acquire UK Mail in September 2016.

⁹¹ WIK Consult (2016) "Technology and change in postal services – impacts on consumers", p. v.

⁹² WIK Consult (2016) "Technology and change in postal services – impacts on consumers", p. 64.

⁹³ General Consumer Council of Northern Ireland (2015) "Online Parcel Premium", p. 6.

⁹⁴ PLCW (2015) "Review of the impact of competition in the postal market on consumers", p. 42

⁹⁵ Citizens Advice Scotland (2015) "The postcode penalty. The distance travelled", p. 29.

⁹⁶ Damien Geradin and Christopher Malamataris (2012) "Framework on Public Compensation forSGEIs: Application in the Postal Sector", and the reference therein to Commission Decision of 25.01.2012, La Poste, SA.34027, [2012] OJ C77/2.

rely on the network of ferries between Scottish small islands.⁹⁷ One study cites the German solution called KombiBUS, when public transport is used for deliveries of goods in a region with a very low population density of 40 inhabitants per km². In the KombiBUS scheme, the transport of goods, post and passengers is combined using the existing bus infrastructure in order to achieve synergies.⁹⁸

Information disclosure for delivery options

A study conducted by the General Consumer Council of Northern Ireland (GCCNI) found that nearly a fifth of retailers (18 per cent) fail to provide sufficient information about the delivery price prior to the purchase.⁹⁹ About 11 per cent of retailers do not explain the return policy, i.e. how much it costs to return the item and who pays for the return. About 22 per cent of sellers do not mention cancellation rights and the cooling off period. The small and niche retailers are especially likely to omit information on the delivery process.

The GCCNI stated in the report that in order to improve information disclosure, it would work with business associations and stakeholders to raise retailers' awareness of the legal requirements to disclose delivery cost and their cancellation and returns policy, and the need to comply with the regulations concerning parcel delivery.

At the European level, the European Commission (EC) has adopted the Roadmap for completing the single market for parcel delivery that envisages, among other things, actions to improve information for consumers on the characteristics and costs of different delivery and return solutions offered on the websites of e-retailers.¹⁰⁰

Standards for complaint handling

The Citizens Advice study on complaints¹⁰¹ that was mentioned earlier showed that, at least in case of Royal Mail, a lot of customers are still dissatisfied with complaint handling mechanisms. The complaint handling regulations introduced by Ofcom in 2012 currently apply only to regulated postal operators.¹⁰² The regulations can, in principle, be extended to all parcel operators and retailers offering distant sales.

The same Citizens Advice study also summarised good practices of complaint handling and some features of regulated postal operators' complaint procedures.¹⁰³ Good principles of complaint handling include:

- visibility;
- accessibility;
- responsiveness;
- fairness;
- confidentially;
- user-focused approach;
- accountability/auditability; and
- continual improvement.

The study observed that the regulated postal operators were, in general, adhering to the consumer protection conditions. However, as the number and the nature of complaints vary across the operators, some operators find it difficult to review systematically their complaint-handling rules (especially, if the volume of complaints is low).

⁹⁷ Citizens Advice Scotland (2015) "The postcode penalty. The distance travelled", p. 17.

⁹⁸ WIK Consult (2016) "Technology and change in postal services – impacts on consumers", p. 65.

⁹⁹ General Consumer Council of Northern Ireland (2015) "Online Parcel Premium", p. 13.

¹⁰⁰ European Commission (2013) "A roadmap for completing the single market for parcel delivery. Build trust in delivery services and encourage online sales"

¹⁰¹ Citizens Advice (2014) "Delivering satisfaction: Complaint handling in the postal market".

¹⁰² Ofcom (2012) "Complaint handling and redress".

¹⁰³ Citizens Advice (2014) "Delivering satisfaction. Complaint handling in the postal market", Tables 2 and 5.

Supporting cross-border delivery

A report by the European Parliament in 2013 identified the high cost of delivery to remote areas or across borders as a main area of consumer dissatisfaction and suggested a number of remedies to improve the quality of the delivery market and the customer experience. Some of the suggestions were as follows:

- Consumer organisations and industry could jointly set up service quality indicators or problem solving websites like Solvit to compare different delivery offers and reassure consumers.
- The EC should adopt EU guidelines on minimum standards for comparison websites to ensure transparency, impartiality, quality, information and user-friendliness, and also to provide legal certainty in order to promote consumer confidence.
- The EC should support the provision of track-and-trace facilities, easy collection and return solutions (especially for cross-border trade), labelling of products, interoperability of call centres for consumer complaints and information platforms on available delivery services to increase transparency for SMEs and consumers.
- Platforms could be created for cooperation and information exchange between delivery operators (within the bounds of competition law) to address existing gaps in innovation, flexibility, stock management, transport, collection and parcel returns.
- The infrastructure could be shared by express and postal mail services to their mutual advantage.
- The European Contract law should become compulsory (currently optional) for contracts between consumers and delivery companies, which is likely to lead to simplification and encourage more SMEs to send parcels internationally.

Meanwhile, another report by the Joint Research Centre (JRC) examined the dynamics of domestic and cross border trade between 27 EU Member States and concluded that though the online payments facilities and cost-efficiency of parcel delivery systems boost cross border trade, it is hard to predict whether regulators could boost online cross-border trade through improvements in legal and financial systems and parcel delivery infrastructure.¹⁰⁴

¹⁰⁴ Joint Research Centre (2013) “The Drivers and Impediments for Cross-border e-Commerce in the EU”.

8 Appendix 2: Survey Questionnaire

YouGov have been commissioned by Citizens Advice to conduct an assessment of problems with online shopping parcel deliveries. This questionnaire gives you the chance to describe the problems you might have experienced when attempting to arrange a parcel delivery for your online purchases (via computer, tablet, mobile or other device) or receiving parcels, and how these problems were solved.

The questionnaire should take no more than 15 minutes to complete.

Q1.1: On average, how often do you purchase products online (including via your mobile)?¹⁰⁵

CODE ONE

1. At least once a week
2. At least once a month
3. At least every three months
4. Less often than every three months
5. Never
6. Don't know

[Respondents answering 5 or 6 screened out]

For the rest of the survey we would like you to focus on online shopping parcels you received and paid for yourself, even if you purchased the items for somebody else, e.g. as a gift. Keep in mind a parcel delivery is defined as a delivery larger than a single letter but small enough for one person to handle without help.¹⁰⁶

Please exclude from this survey:

- parcels that were arranged and paid for by other people in your household.
- delivery of online groceries, flowers and large items of furniture.
- click-and-collect purchases where you buy online and collect from the same retailer's shop.

Q1.2: [Logic: if 1-4 to 0] Thinking about any online shopping in the past twelve months, how many parcels did you receive after making online purchases?¹⁰⁷ If you can't remember exactly, please provide your best estimate. Note that one parcel might include several items.

CODE ONE

1. None
2. 1-5 parcels
3. 6-10 parcels
4. 11-20 parcels
5. 20+ parcels

¹⁰⁵ Question choices match YouGov Reports, Innovations in Retailing 2016, fieldwork March 2016 for question "How often do you purchase products online (including via your mobile)?"

¹⁰⁶ Dennis, William T. (2011) "Parcel and Small Package Delivery Industry".

¹⁰⁷ Range of answer choices inspired by Ofcom Residential Postal Tracker 2015 question D2 "And how many of these items received in the last week were parcels rather than letters or cards?" The bulk of respondents, 60%, answered none.

6. Don't remember

[Logic: ASK all the remaining questions if options 2-6 to 0]

Q1.3: For parcel deliveries from online shopping, please indicate what, if any, information you would in general like to receive about parcel delivery before purchase. Please focus on information about the delivery and not information about the product itself.

CODE ONE

1. I do not want to receive any information about the delivery process
2. I only want basic details about the delivery process, such as estimated arrival date and cost of delivery
3. In addition to basic details such as estimated arrival date and cost of delivery, I also want a tracking number so that I can track where my parcel has got to
4. I want full details about the delivery process, including the name of the delivery company, estimated arrival date, cost of delivery, a tracking number, my rights regarding delivery and instructions on how to report a problem with delivery
5. Don't know

Q1.4: Thinking about your general experience of parcel deliveries from online shopping, please rate your overall impression of the quality of service provided. Please focus just on the parcel delivery process.

CODE ONE

1. Very high quality of service
2. High quality of service
3. Satisfactory quality of service
4. Low quality of service
5. Very low quality of service
6. Can't say

Q1.5: How well do you think you understand your rights as a consumer for parcel deliveries from online shopping?

CODE ONE

1. Very well
2. Reasonably well
3. Not very well
4. Not at all

Please read the following statements about your delivery rights and choose whether you think they are true or false.¹⁰⁸

Q1.6: Online shopping delivery charges

[Show ONE statement only. CODE "True" or "False"]

Online retailers must provide you with information on any delivery charges and arrangements prior to the conclusion of your purchase (T)

¹⁰⁸ Citizens Advice (2015) "Measuring consumer awareness of online delivery rights", Appendix 6, Questionnaire.

You always have to pay any delivery and return charges that apply even if the retailer doesn't tell you about them up front (F)

Online retailers can change the delivery charges and arrangements up until the point at which the goods are delivered (F)

If an online retailer does not tell you about any delivery and/or return charges then you do not have to pay them (T)

Q1.7: Cooling off period

[Show ONE statement only. CODE ONE "True" or "False"]

The cooling off period during which you can change your mind and return most goods for any reason and get a refund is 7 days from when you receive the goods (F)

If you change your mind and decide to return the goods within the statutory cooling off period a retailer must refund the cost of the item plus the standard delivery charge (T)

The cooling off period during which you can change your mind and return most goods for any reason and get a refund is 14 days from when you receive the goods (T)

If you change your mind and decide to return the goods within the statutory cooling off period a retailer must refund the cost of the item; they do not have to refund the standard delivery charge (F)

Q1.8: Delivery delays

[Show ONE statement only. CODE ONE "True" or "False"]

You are not entitled to a refund for delayed deliveries as there is no set limit on the time that a delivery can take (F)

The risk of late deliveries, damage to items on arrival, misdeliveries or no deliveries is borne by the retailer until the goods come into your possession (T)

You are entitled to a full refund if the goods have not been received within 30 days unless you have agreed to a longer delivery time (T)

As soon as the retailer has given the goods to the delivery company they no longer bear the risk of late deliveries, damage to items on arrival, misdeliveries or no deliveries (F)

Q1.9: Thinking about your online shopping parcel deliveries, or attempts to arrange parcel deliveries, in the last 12 months, have you experienced any of the following problems? Please answer as far as you can remember.

By problems with deliveries we mean problems with arranging and receiving the parcel, not problems with the item you have purchased. Please do not include problems such as products being the wrong specification or the order being incomplete – focus just on problems with the delivery of parcels.

Remember to exclude from this survey:

- parcels that were arranged and paid for by other people in your household.
- delivery of online groceries, flowers and large items of furniture.
- click-and-collect purchases where you buy online and collect from the same retailer's shop.

CODE ALL THAT APPLY

| Type of problem | Yes, I have experienced in the last 12 months (a) |
|---|---|
| 1. The retailer refused to deliver to my address | |
| 2. The retailer agreed to deliver to my address but charged an extra delivery fee due to my location | |
| 3. I was charged more for delivery than I was quoted | |
| 4. I paid for a premium delivery service (e.g. next day delivery) and the parcel arrived late | |
| 5. The parcel arrived late (in a situation where I had not paid for a premium delivery service) | |
| 6. The parcel has not arrived | |
| 7. The tracking information provided was incorrect and I missed the delivery as a result | |
| 8. I or someone else had to stay at home when inconvenient in order to receive the parcel | |
| 9. I or someone else was at home but received a slip saying that “the parcel could not be delivered as there was nobody at home” | |
| 10. There was someone else present to receive the parcel but the courier refused to deliver the parcel because they required my signature before delivering | |
| 11. I had, or will have, to pick up the parcel from an inconvenient place (inconvenient location or open hours) | |
| 12. The parcel was left in an insecure location and stolen | |
| 13. The parcel was left in an insecure location (but it was not stolen) | |
| 14. The parcel was left with neighbours without my consent when I did not want that to happen | |
| 15. I found the delivery person unpleasant/intimidating | |
| 16. The contents of the parcel were damaged during delivery | |
| 17. The delivery person damaged or stole something I own other than the parcel | |
| 18. The way the parcel was packaged or delivered caused injury to me or someone else | |
| 19. Other (please specify) [text box 200 characters max] | |

Q1.10 [Logic: if (a) to at least one option in 1.9] For each problem with parcel deliveries you had, can you say how many times it happened in the last twelve months? Please answer as far as you can remember.

FOR EACH OPTION, NUMERICAL ENTRY

| Type of problem | Number of occurrences | Don't remember |
|---------------------------|-----------------------|----------------|
| [Logic: Auto-fill from 0] | [number 1-9999] | |
| [Logic: Auto-fill from 0] | | |

[ASK the remaining questions to ALL who answered (a) to at least one option in 0]

From here to the end of the survey, we would like you to think about the **most recent time** when you had a problem with attempting to arrange or receiving a parcel delivery from online shopping.

Q1.11 Thinking about your most recent problem with online shopping parcel delivery, what was the delivery problem (or problems if the same delivery involved more than one problem)?

[Feed in responses from question 0 only as answer choices. Skip this question if only one problem selected]

CODE ALL THAT APPLY

Q1.12 When did the problem occur? If you can't remember exactly, please give your best estimate.

CODE ONE

1. Less than a week ago
2. A week or more ago but less than a month
3. More than one month ago but less than three months
4. More than three months ago but less than six months
5. More than six months ago but less than a year
6. Over a year ago
7. Don't remember

Q1.13 [Logic: if 4 and/or 5 to 0] How many days late was the parcel?

CODE ONE

1. One day late
2. 2-3 days late
3. Between 4 and 10 days late
4. Between 11 and 30 days late
5. More than 30 days late
6. Can't remember

Q1.14 [Logic: if 6 to 0] How many days has the parcel been delayed by?

CODE ONE

1. One day
2. 2-3 days
3. Between 4 and 10 days
4. Between 11 and 30 days
5. More than 30 days
6. Can't remember

Q1.15 Please describe the item(s) you bought, or tried to buy, for parcel delivery.¹⁰⁹ You may need to choose more than one answer if the same parcel included multiple items.

CODE ALL THAT APPLY

1. Household goods
2. Films and music
3. Books and magazines
4. Clothes and sports goods
5. Computer hardware

¹⁰⁹ Options are based on Eurostat statistical series "Internet purchases by individuals" (isoc_ec_ibuy).

6. Electronic equipment
7. Other
8. Don't remember

Q1.16 Which of the following best describes where you bought, or tried to buy, the item(s) from?

CODE ONE

1. Retailer's own website
2. Retailer via an online platform (e.g. eBay or Gumtree)
3. Private seller via an online platform (e.g. eBay or Gumtree)
4. Other
5. Don't remember

Q1.17 Please describe where the parcel was shipped from, or should have been shipped from.

CODE ONE

1. The UK
2. Another country in the European Union
3. A country outside the European Union
4. Don't know

Q1.18 Where did you request the parcel to be delivered to?

CODE ONE

1. My home address
2. My work address
3. Address of family member/friend/neighbour
4. Local parcel shop (e.g. like Collect Plus or myHermes)
5. Post Office
6. Locker or other non-manned drop-off point
7. Other
8. Don't remember

Q1.19 How quickly did the retailer say the parcel would be delivered? (not when it was actually delivered)

CODE ONE

1. Same day as purchase date
2. 1 day after the purchase date
3. 2-3 days after the purchase date
4. 4-7 days after the purchase date
5. Between 11 and 14 days after the purchase date
6. Between 15 and 30 days after the purchase date

7. More than 30 days after the purchase date
8. I was given no information on delivery date
9. Don't remember

Q1.20 As far as you can know or can remember, which parcel delivery company was responsible for delivering the parcel to you?

CODE ONE

1. Royal Mail/Parcelforce
2. Yodel
3. TNT
4. DPD
5. UPS
6. Hermes
7. DHL
8. Other (please specify)
9. Don't remember/don't know

Q1.21 Still thinking about your most recent problem with an online shopping parcel delivery, please indicate what, if any, information you received when arranging the parcel delivery. Please focus on the delivery process only.

CODE ALL in 1-9 THAT APPLY, OR 10 OR 11

1. Availability of delivery to my area
2. Options for the speed of delivery
3. Name of delivery company
4. Expected date or range of dates for delivery (possibly varying according to delivery option selected)
5. The delivery charge (possibly varying according to delivery option selected)
6. My rights with respect to delivery
7. Tracking number to track my parcel
8. Instructions on how to report a problem with delivery
9. Other
10. I did not receive any information about the delivery process
11. Don't remember

Q1.22 Have you taken any action about the delivery problem yet?

CODE ONE

1. Yes, I have taken action
2. No, I have not taken any action
3. Don't remember/can't say

Q1.23 [Logic: if 1 to 0] Which of the following actions, if any, have you already taken?

CODE ALL THAT APPLY

1. Contacted the retailer and/or delivery company to find out what was happening
2. Made a complaint to the retailer and/or delivery company
3. Asked for a refund of delivery charges (part or whole)
4. Asked for a refund of the purchased item
5. Asked for compensation for other costs
6. Asked for help/support from a friend or relative
7. Contacted a consumer rights body, e.g. Citizens Advice Bureau or Which?
8. Contacted Trading Standards
9. Took legal advice/action
10. Obtained other expert advice
11. Attempted to publicise the issue, e.g. on social media or a review website
12. Other
13. Don't remember

Q1.24 Do you intend to take any (further) action in the future?

CODE ONE

1. Yes, I intend to take (further) action in the future
2. No, I do not intend to take (further) action in the future
3. Don't remember/can't say

Q1.25 [Logic: if 1 to 0] Which of the following actions, if any, do you plan to take?

CODE ALL THAT APPLY

1. Contact the retailer and/or delivery company to find out what is happening
2. Make a complaint to the retailer and/or delivery company
3. Ask for a refund of delivery charges (part or whole)
4. Ask for a refund of the purchased item
5. Ask for compensation for other costs
6. Ask for help/support from a friend or relative
7. Contact a consumer rights body, e.g. Citizens Advice Bureau or Which?
8. Contact Trading Standards
9. Take legal advice/action
10. Obtain other expert advice
11. Attempt to publicise the issue, e.g. on social media or a review website
12. Other
13. Don't know

Q1.26 In trying to sort out the issue with the parcel delivery, did you run into any of the further problems listed below? Which ones, if any?

CODE ALL THAT APPLY in 1-8 OR 9 or 10

1. It was difficult to find the contact information
2. Information on how to submit a complaint or ask for a refund/compensation/redress was difficult to understand
3. The retailer and/or delivery company was slow in responding to my inquiry/complaint/request for a refund
4. I had to contact the retailer and/or delivery company multiple times to sort out the issue
5. There has been a delay in providing the refund/compensation/redress
6. The refund/compensation/redress has not been provided despite my right to it
7. I was inconvenienced by the need to return the goods (e.g. having to take them to the Post Office)
8. Other
9. I did not have any further problems when sorting out the issue with the parcel delivery
10. Don't remember

Q1.27 In general, what impact has the problem that you have experienced had on you and on other members of your household? Please choose all the impacts that apply from the list below.

CODE ALL in 1-6 THAT APPLY OR 7 OR 8

1. Financial costs
2. Inconvenience
3. Loss of time
4. Stress/angry/annoyance caused by the problem
5. Physical injury or effect on health
6. Other (please specify)
7. The problem did not have any impact
8. Don't know

Q1.28 [Logic: If 1 in 0] Please indicate what types of costs you incurred, or have incurred so far, as a result of your most recent problem with online shopping parcel delivery. If members of your household incurred costs to help solve your problem, please include those costs in your answer. Answer as best you can remember.

CODE ALL THAT APPLY

| | Yes (a) |
|--|------------|
| Cost of telephone calls | |
| Cost of posting letters or packages | |
| Stationery costs | |
| Travel or fuel costs (for example, to collect the item from a new delivery location, or to return damaged goods) | |
| Cost of replacing items damaged in delivery | |
| Cost of buying an alternative item when the parcel did not arrive on time | |
| Legal costs incurred trying to get the problem dealt with | |
| Costs of obtaining other expert advice to try to get the problem dealt with | |
| Lost earnings due to time spent trying to resolve the problem | |
| Other lost earnings due to problem | |
| Other cost (please specify) | |

Q1.29 [Logic: if at least one option at 0] Please indicate the amount of costs you incurred, or have incurred so far, as a result of your problem with the online shopping parcel delivery. If members of your household incurred costs to help solve the problem, please include those costs in the total amount. If you cannot remember exactly, please give your best estimate.

FOR EACH OPTION, CODE ONE THAT APPLIES

| | Amount (a) | Don't remember (b) |
|---------------------------|-----------------|-----------------------|
| [Logic: Auto-fill from 0] | £.00p [number] | |

[For option (a) allow both:

- Large numbers, e.g. for a case when the house was damaged by the delivery lorry.
- Small numbers in pence, e.g. the cost of telephone calls.]

Q1.30 [Logic: If 3 in 0] How much time in total did you spend dealing with the problem? If members of your household spent time to help solve the problem, please include this in the total amount. If you cannot remember exactly, please give your best estimate.

CODE ONE

1. [number 0-9999] hours and [number 0-59] minutes
2. Don't remember

Q1.31 Which of the following statements best describes the actions taken by the retailer and/or delivery company in response to your problem?

CODE ONE

1. The retailer and/or delivery company has addressed the problem in a satisfactory way
2. The retailer and/or delivery company has made some effort to address the problem but these efforts are not satisfactory
3. The retailer and/or delivery company was informed about the problem but has done nothing so far
4. The retailer and/or delivery company is unaware of the problem
5. Don't remember

Q1.32 [Logic: if 1-2 to 0] What did the retailer and/or delivery company do, or what have they done so far, to resolve the problem with your online shopping parcel delivery?

CODE ALL THAT APPLY

1. Contacted me to acknowledge the problem
2. Contacted me to apologise
3. Contacted me to re-arrange delivery
4. Accepted the return of the product
5. Replaced the product
6. Gave compensation for the product
7. Gave a **full** refund of delivery charges
8. Gave a **partial** refund of delivery charges
9. Gave a **full** refund of other costs incurred
10. Gave a **partial** refund of other costs incurred
11. Gave a credit note or voucher
12. Gave a satisfactory explanation
13. Other
14. Don't remember

Q1.33 Despite having your problem with the online shopping parcel delivery, would you shop online again with the same retailer?

CODE ONE

1. Given the problem I had, I will never shop online from that retailer again
2. Given the problem I had, I will shop online less often from that retailer in the future
3. The problem I had will not make any difference to how often I shop online from that retailer
4. Don't know

9 Appendix 3: More Detailed Survey Results

9.1 Sample demographics

The six figures below display basic demographics of the sample (2,005 respondents). The sample is representative of UK adult online shoppers.

Figure 9.1: Sample demographics: gender

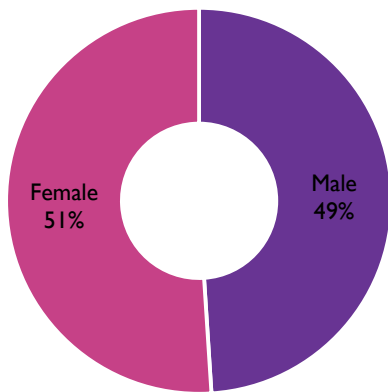


Figure 9.2: Sample demographics: age

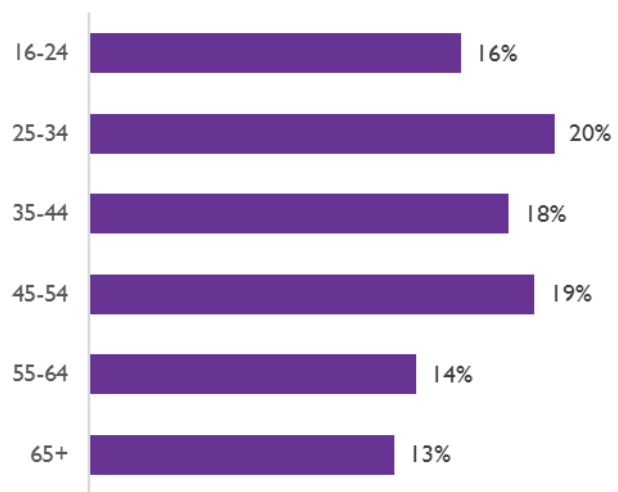


Figure 9.3: Sample demographics: disability

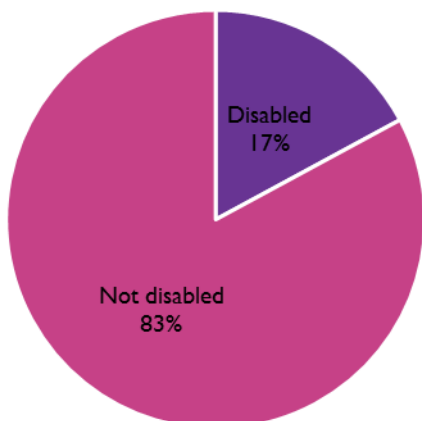


Figure 9.4: Sample demographics: Socio-economic groups

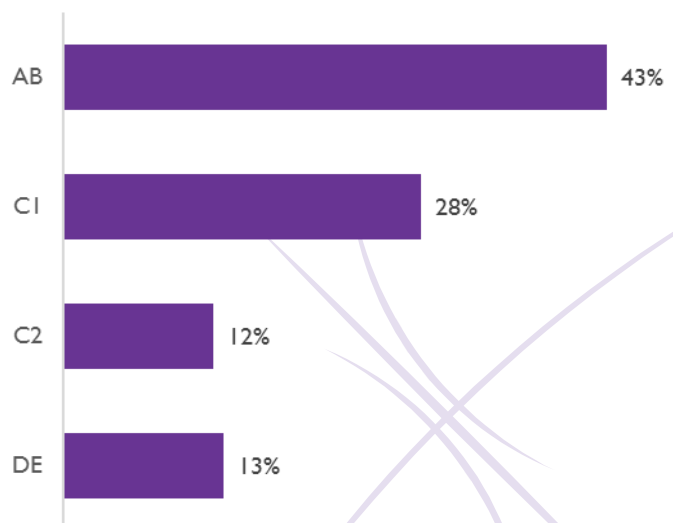


Figure 9.5: Sample demographics: country

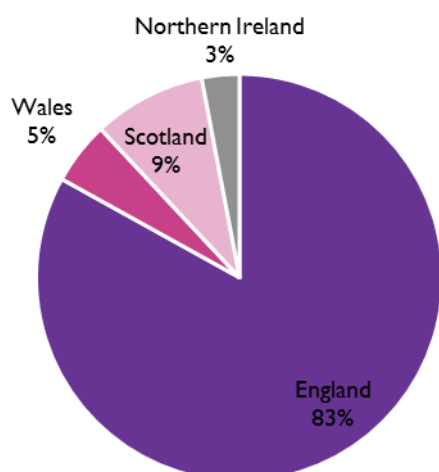
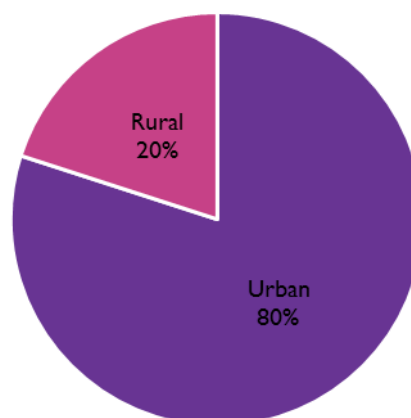


Figure 9.6: Sample demographics: urban/rural split



9.2 Testing the knowledge of consumer rights

The knowledge of consumer rights was tested with a series of True/False statements. Each of three questions on consumer rights (covering delivery charges, cooling off period and delays) had a list of four statements. Respondents were shown one statement only in each question, chosen randomly out of four, and were asked if the statement was true or false. These questions were identical to those posed in an earlier survey for Citizens Advice.

The three tables below show the statements for each question on consumer rights, whether the statement is True or False, the share of respondents who gave the correct answer, and the number of respondents that were shown each statement.

Table 9.1: Online shopping delivery charges

| Statement | Correct answer | Percentage who gave correct answer | Base |
|--|----------------|------------------------------------|------|
| Online retailers must provide you with information on any delivery charges and arrangements prior to the conclusion of your purchase | True | 90 | 485 |
| Online retailers can change the delivery charges and arrangements up until the point at which the goods are delivered | False | 70 | 499 |
| If an online retailer does not tell you about any delivery and/or return charges, then you do not have to pay them | True | 38 | 522 |
| You always have to pay any delivery and return charges that apply even if the retailer doesn't tell you about them up front | False | 71 | 499 |

Table 9.2: Cooling off period

| Statement | Correct answer | Percentage who gave correct answer | Base |
|---|----------------|------------------------------------|------|
| The cooling off period during which you can change your mind and return most goods for any reason and get a refund is 14 days from when you receive the goods | True | 25 | 464 |
| The cooling off period during which you can change your mind and return most goods for any reason and get a refund is 7 days from when you receive the goods | False | 58 | 495 |
| If you change your mind and decide to return the goods within the statutory cooling off period a retailer must refund the cost of the item plus the standard delivery | True | 33 | 534 |
| If you change your mind and decide to return the goods within the statutory cooling off period a retailer must refund the cost of the item; they do not have to refund the standard delivery charge | False | 12 | 512 |

Table 9.3: Delivery delays

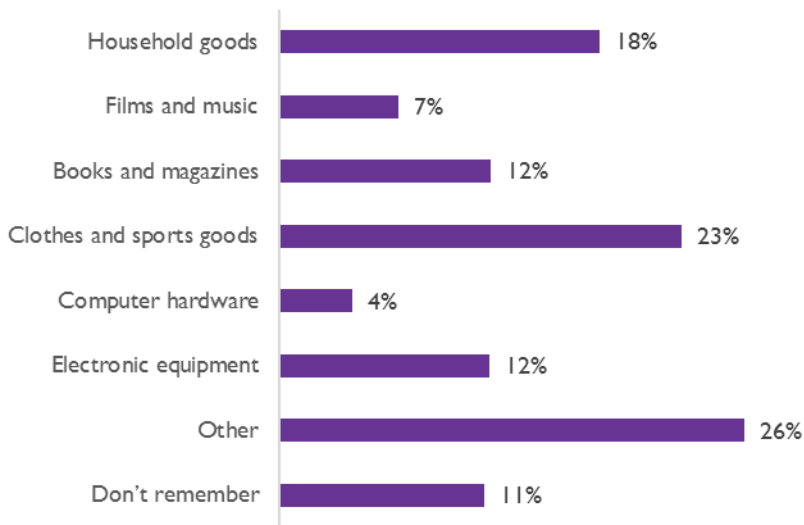
| Statement | Correct answer | Percentage who gave correct answer | Base |
|---|----------------|------------------------------------|------|
| You are entitled to a full refund if the goods have not been received within 30 days unless you have agreed to a longer delivery time | True | 77 | 484 |
| You are not entitled to a refund for delayed deliveries as there is no set limit on the time that a delivery can take | False | 48 | 483 |
| The risk of late deliveries, damage to items on arrival, misdeliveries or no deliveries is borne by the retailer until the goods come into your possession | True | 81 | 528 |
| As soon as the retailer has given the goods to the delivery company they no longer bear the risk of late deliveries, damage to items on arrival, misdeliveries or no deliveries | False | 80 | 510 |

9.3 Features of delivery order

The diagrams in this section describe the features of the delivery order for the most recent delivery problem, namely:

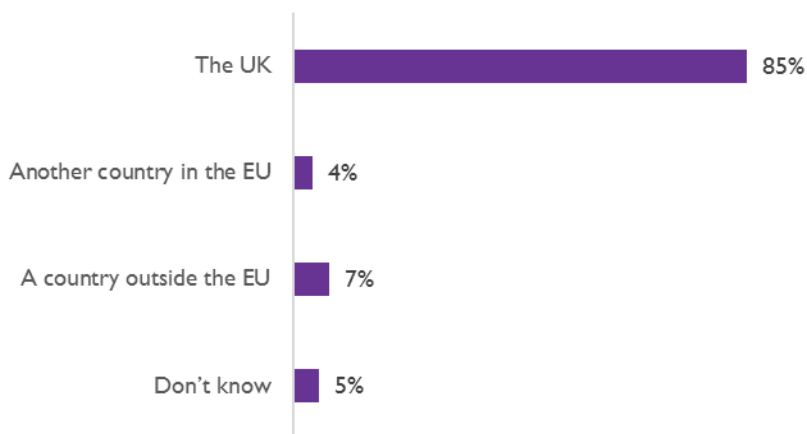
- The item(s) purchased.
- The country the parcel was shipped from.
- The type of delivery address.
- The original delivery timing given at the time of purchase.

Figure 9.7: Items that the consumers bought or tried to buy



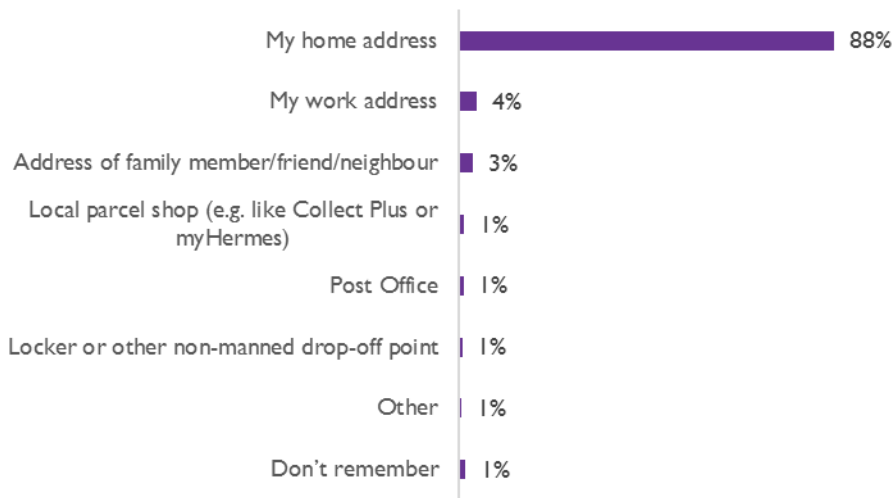
Note: Base = 1,383 (consumers who reported at least one problem in the past 12 months). The numbers do not add up to 100 per cent as consumers could buy multiple items to be delivered as one parcel (e.g. films and books).

Figure 9.8: The country where the parcel was shipped from



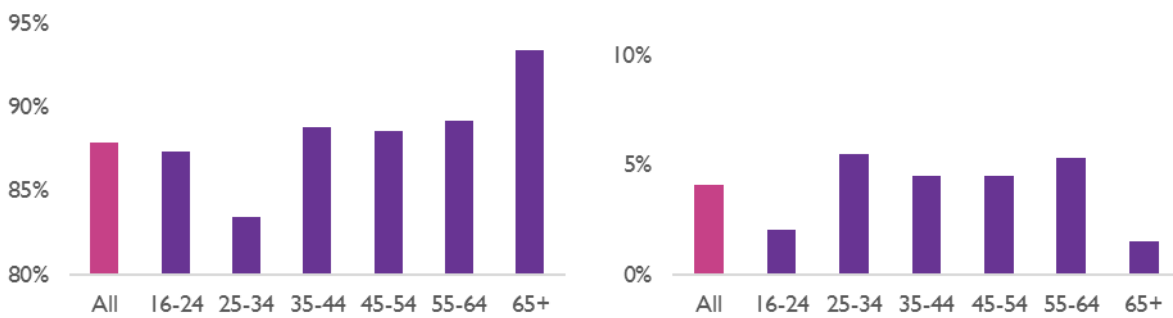
Note: Base = 1,383 (consumers who reported at least one problem in the past 12 months).

Figure 9.9: The delivery location



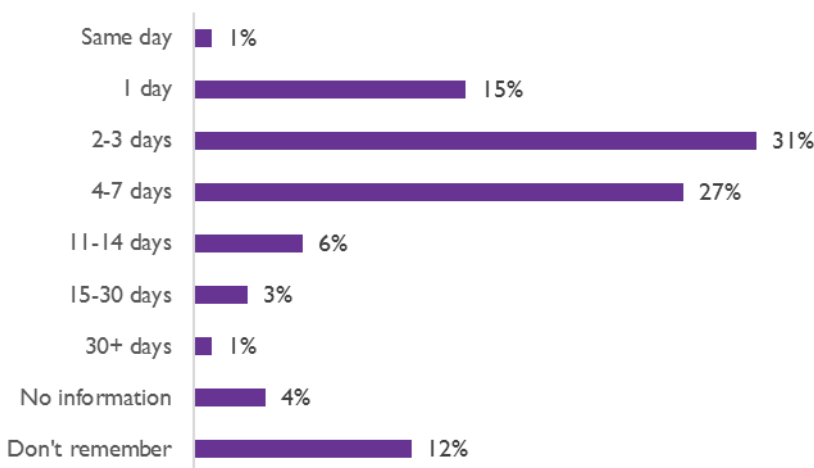
Note: Base = 1,383 (consumers who reported at least one problem in the past 12 months).

Figure 9.10: Delivery to home address (left) and work address (right) by age group



Note: Base = 1,383 (consumers who reported at least one problem in the past 12 months).

Figure 9.11: The expected timing of delivery (as given at the time of purchase)



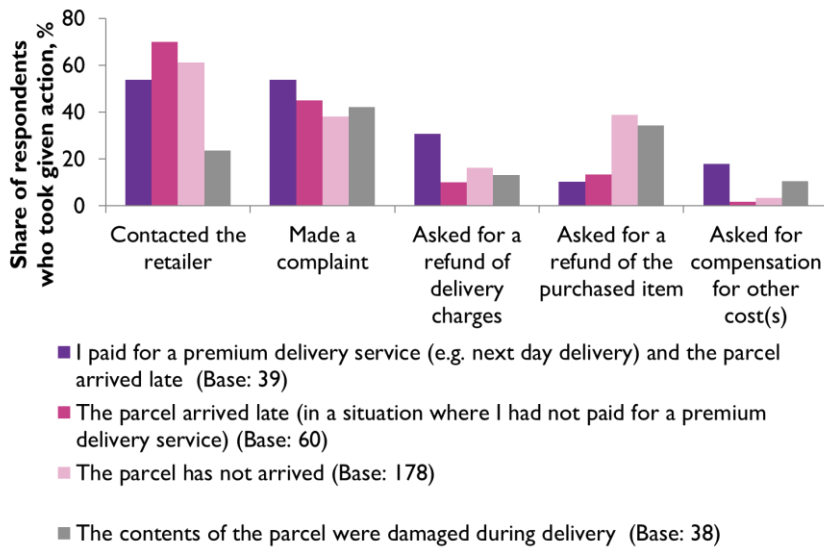
Note: Base = 1,383 (consumers who reported at least one problem in the past 12 months).

9.4 Types of action taken, by type of parcel delivery problem

This section provides more detail on the type of action(s) taken by consumers (when action is taken) depending on the type of parcel delivery problem that they experienced.

When the parcel arrived late or was missing, the consumer was likely to contact the retailer to find out what was happening (Figure 9.12). When the parcel was damaged, the consumer would be more likely to make a formal complaint rather than simply make contact. When the consumer paid for a premium delivery service and the parcel arrived late, about 2 in 5 consumers would seek a refund of delivery charges and other costs. Similarly, when the parcel went missing or the parcel was damaged, about 2 in 5 consumers would ask for a refund of the item that was purchased.

Figure 9.12: Types of action taken, by problem: parcel delayed/missing/damaged



Note: Base varies according to the type problem and is shown in the graph legend.

When the parcel is left in an insecure location, the type of action depends largely on whether the parcel was stolen (Figure 9.13). If the parcel was stolen, the consumer would typically make a complaint and ask for a refund of the purchased item. If the parcel was not stolen, the consumer would typically either contact the retailer or make a complaint. Finally, if the parcel was left with neighbours when the consumer did not want it to happen, the consumer would contact the retailer, make a complaint, ask for a refund of delivery charges or attempt to publicise the issue, e.g. on social media or a review website.

Figure 9.13: Types of action taken, by problem: parcel left in an insecure location or with neighbours



Note: Base varies according to the type problem and is shown in the graph legend.

When consumers are inconvenienced by the need to stay at home to receive the parcel or pick up the parcel from an inconvenient place, they would typically make a complaint to the retailer or delivery company (but not ask for a refund). When consumers are given the wrong tracking information, they would typically contact the retailer, and some of them may also seek a refund of delivery charges or a refund of the purchased item. If consumers receive a slip saying “parcel could not be delivered because there was nobody at home” when in fact someone was at home, they would typically make a complaint to the retailer and in some cases also ask for the refund of delivery charges.

Figure 9.14: Types of action taken, by problem: inconvenient time or pick-up location, incorrect tracking information, “no-delivery” slip



Note: Base varies according to the type problem and is shown in the graph legend.

Table 9.4 below tabulates the number of consumers by type of parcel delivery problem and the actions taken. In particular:

- The first column gives the parcel delivery problem.
- The second column gives the base, or the number of respondents who had a given issue in the most recent case of parcel delivery problem.

- The remaining columns give the number of respondents that took a given action. The total number of consumers in the row might not add up to the base as one consumer could take more than one action.

Table 9.4: Parcel delivery problems and action taken

| | Base (number of respondents who had a given problem) | Contacted the retailer and/or delivery company to find out what was happening | Made a complaint to the retailer and/or delivery company | Asked for a refund of delivery charges (part or whole) | Asked for a refund of the purchased item | Asked for compensation for other costs | Asked for help/support from a friend or relative | Contacted a consumer rights body, e.g. Citizens Advice Bureau or Which? | Contacted Trading Standards | Took legal advice/action | Obtained other expert advice | Attempted to publicise the issue, e.g. on social media or a review website | Other | Don't know |
|---|--|---|--|--|--|--|--|---|-----------------------------|--------------------------|------------------------------|--|-------|------------|
| The retailer refused to deliver to my address | 7 | 2 | 2 | 1 | 1 | 1 | - | - | - | 1 | 1 | - | 1 | - |
| The retailer agreed to deliver to my address but charged an extra delivery fee due to my location | 9 | 3 | 3 | 1 | 4 | - | - | - | - | - | - | - | - | - |
| I was charged more for delivery than I was quoted | 6 | 1 | 1 | 3 | - | 1 | 1 | - | - | - | - | - | 1 | - |
| I paid for a premium delivery service (e.g. next day delivery) and the parcel arrived late | 39 | 21 | 21 | 12 | 4 | 7 | - | 1 | - | 1 | - | 1 | - | - |
| The parcel arrived late (in a situation where I had not paid for a premium delivery service) | 60 | 42 | 27 | 6 | 8 | 1 | 2 | - | - | - | - | 4 | 1 | - |
| The parcel has not arrived | 178 | 109 | 68 | 29 | 69 | 6 | 2 | 1 | - | - | 1 | 4 | 8 | 2 |
| The tracking information provided was incorrect and I missed the delivery as a result | 9 | 7 | 3 | 2 | 2 | - | - | - | - | - | - | - | - | - |
| I or someone else had to stay at home when inconvenient in order to receive the parcel | 42 | 14 | 32 | 3 | 7 | 3 | 2 | - | 2 | 1 | - | 4 | 1 | 2 |
| I or someone else was at home but received a slip saying that "the parcel could not be delivered as there was nobody at home" | 65 | 28 | 38 | 11 | 8 | 5 | - | - | 1 | - | 2 | 3 | 9 | 5 |

| | Base (number of respondents who had a given problem) | Contacted the retailer and/or delivery company to find out what was happening | Made a complaint to the retailer and/or delivery company | Asked for a refund of delivery charges (part or whole) | Asked for a refund of the purchased item | Asked for compensation for other costs | Asked for help/support from a friend or relative | Contacted a consumer rights body, e.g. Citizens Advice Bureau or Which? | Contacted Trading Standards | Took legal advice/action | Obtained other expert advice | Attempted to publicise the issue, e.g. on social media or a review website | Other | Don't know |
|---|--|---|--|--|--|--|--|---|-----------------------------|--------------------------|------------------------------|--|-------|------------|
| There was someone else present to receive the parcel but the courier refused to deliver the parcel because they required my signature before delivering | 3 | - | 2 | - | - | - | - | - | - | - | - | 1 | 1 | - |
| I had, or will have, to pick up the parcel from an inconvenient place (inconvenient location or open hours) | 35 | 15 | 16 | 2 | 6 | 1 | - | - | 2 | - | 1 | 2 | 5 | 1 |
| The parcel was left in an insecure location and stolen | 10 | 6 | 5 | 2 | 6 | - | - | - | - | - | - | 1 | 2 | - |
| The parcel was left in an insecure location (but it was not stolen) | 43 | 11 | 31 | 4 | 8 | 3 | - | - | 2 | 2 | 2 | 5 | 2 | - |
| The parcel was left with neighbours without my consent when I did not want that to happen | 13 | 7 | 5 | 3 | 1 | - | - | - | - | - | - | 3 | - | - |
| I found the delivery person unpleasant/intimidating | 6 | 3 | 6 | 1 | 1 | - | - | - | - | 1 | - | 1 | - | - |
| The contents of the parcel were damaged during delivery | 38 | 9 | 16 | 5 | 13 | 4 | - | - | - | - | - | 2 | 4 | - |
| The delivery person damaged or stole something I own other than the parcel | 0 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| The way the parcel was packaged or delivered caused injury to me or someone else | 0 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other (please specify) [text box 200 characters max] | 25 | 14 | 19 | 2 | 4 | 2 | - | - | - | - | - | 2 | 1 | - |

10 Appendix 4: Analysis of Existing Consumer Rights

In this chapter, we describe existing consumer rights, both in general terms and also how they apply to specific problems with regards to parcel deliveries from online shopping. We then discuss our conclusions on any weaknesses we perceive in existing consumer rights.

10.1 Introduction

10.1.1 The legal framework

The legal framework is a complex web, based around:

- contracts for the supply of goods and services;
- common law;
- statutory rules on terms and remedies;
- statutory rules on cancellation;
- statutory rules on misleading practices;
- private law remedies i.e. the remedies individual consumers have against the supplier; and
- public enforcement powers i.e. the powers of local Trading Standards Authorities (TSAs) and the Competition and Markets Authority (CMA) to seek enforcement orders where there is a broader pattern of breach of law by suppliers.

It is useful first to set out the main sources of law in this area (detailed provisions as they relate to specific problems are discussed later).

The Consumer Rights Act (CRA) 2015 contains rules covering the conformity of the goods that might be delivered in parcels ('conformity' here referring, for example, to the terms on quality, fitness, compliance with description); the remedies for breach of these conformity standards (e.g. refund, repair, replacement, price reduction); some important rules on delivery of goods; and the rules on unfair standard terms.

The Consumer Contract (Information and Cancellation) Regulations 2013 give consumers rights to information on certain important matters, and also rights to cancel online and off premises contracts.

The Consumer Protection (Amendment) Regulations (CPR) 2014 give consumers rights to remedies (damages, refunds and discounts) where they have been subjected to misleading or aggressive practices causing them to enter contracts or make payments.

The Consumer Protection from Unfair Trading Regulations (CPUTR) 2008 make it a criminal offence for traders to engage in 'misleading' or 'aggressive' practices as defined in the Regulations; and also allow enforcement bodies (e.g. trading standards authorities, the Competition and Markets Authority) to seek court orders to prevent the continued use of misleading and aggressive practices by traders.

The Enterprise Act (EA) 2002, Part 8, gives the same such enforcement bodies powers to seek orders to prevent continuing breaches of consumer protection laws in general (e.g. providing defective goods, failing to meet delivery commitments).

General common law rules also apply and are especially important in deciding what the basic terms of a contract are, and the damages that can be claimed for breach of contract.

10.1.2 The contractual framework – some possible relationships

In this section, we discuss contractual relationships that may exist when a consumer purchases a good online which involves the delivery of a parcel.

There may be a contract for the sale (or other supply) of goods (the Consumer Rights Act, ss. 3-8) between the retailer and the consumer. As will be discussed, certain terms and remedies flow from the fact that there is a goods contract. The parcel delivery company is not party to the goods contract, so they cannot be held liable under it.

There could in theory be a separate contract or contracts for the delivery service (the Consumer Rights Act, s. 48). For example, this would be the case if a consumer engaged a parcel delivery company to pick goods up from a retailer and deliver them. In that case, the consumer has a services contract with the parcel delivery company and, as will be discussed, certain terms and remedies flow from there being a services contract.

In practice, however, it seems likely that in most cases goods and service elements will be part of one contract, since the retailer typically arranges for delivery of goods as well. In such cases, the retailer is responsible to the consumer for defective performance or non-performance in relation to the parcel delivery, regardless of whether the delivery is physically carried out by the retailer itself or whether it is carried out by a parcel delivery company under a contract (for services) between the retailer and the parcel delivery company. (The retailer may have recourse under the contract with the parcel delivery company for poor performance or non-performance where this ends up causing the retailer to be liable to the consumer, but that is a separate matter.)

As far as the content of the retailer's obligations to the consumer are concerned, where the retailer is supplying goods and services (delivery), the goods element will attract the obligations and remedies that apply in goods contracts, while the service element (the delivery) will attract the obligations and remedies that apply in services contracts. It should be noted, however, that if the goods arrive in a damaged condition, this will be caught by the goods rules, even if the damage was caused by the delivery service.

10.1.3 Express terms, common law remedies and exclusion clauses

In goods or services contracts, there may be express terms in the contracts related to the quality of the goods delivered and the cost, time and place of delivery. In principle, these terms are enforceable and when breached, traditional common law remedies of damages and termination (for the most serious breaches) are available. Damages could cover financial losses, damage to property, loss of time and the distress caused by the problem. Termination means ending the contract and usually obtaining a refund.

There may also be terms in the contract excluding or restricting liability for breach of these express terms. Any such provisions are subject to the test of unfairness under the Consumer Rights Act Part 2. At the least, such provisions must be transparent (clear, plain and intelligible, understandable) and also reasonably substantively fair (i.e. not excluding too much of the liability that would otherwise exist).

10.1.4 Statutory terms, remedies and public enforcement

There are statutory terms along with remedies for breaching them which flow from the Consumer Rights Act. These cannot generally be excluded or restricted at all.

10.2 Set of stylised problems

In this section, we present a stylised set of problems with e-shopping parcel deliveries. Our analysis is limited to problems with parcel deliveries, and excludes problems with the goods provided by sellers. The analysis in the remainder of the chapter then examines what consumer rights exist for each stylised problem in turn.

Our set of stylised problems is summarised in Table 10.1 below. We first divide problems into two main categories – problems with the original parcel delivery and problems returning items and getting redress. Within these two categories we identify a number of stylised problems which form the basis for our analysis. Finally, we show how the specific problems measured in our survey map on to the stylised problems.

Table 10.1: Categorisation of parcel delivery problems

| Problem Category | Stylised Problem | Mapping of specific problems studied in survey |
|---|---|--|
| Difficulties with original parcel delivery | Disadvantageous treatment of customer due to their location | <ul style="list-style-type: none"> Refusing delivery to an address Charging extra delivery fees due to location |
| | Non/late delivery of parcels | <ul style="list-style-type: none"> Payment for premium delivery service and the parcel arrived late Parcel arrived late (where premium delivery was not paid for) Parcel did not arrive |
| | Delivery of defective/damaged goods | <ul style="list-style-type: none"> Contents of parcel were damaged during delivery |
| | Inconvenience caused by taking delivery | <ul style="list-style-type: none"> Customer or related person had to stay home when inconvenient to receive delivery Customer had to pick up parcel from inconvenient place |
| | Difficulty taking delivery | <ul style="list-style-type: none"> Tracking information provided was incorrect and customer missed delivery as a result Paper received saying parcel could not be delivered because there was nobody home when there was someone home A related party was present to receive the parcel but the courier refused due to signature requirement of customer for delivery |
| | Failure to meet advertised specifications | <ul style="list-style-type: none"> Charging higher delivery fee than the quoted price¹¹⁰ |
| | Problem with where parcel was left | <ul style="list-style-type: none"> Parcel left in insecure location and stolen Parcel left in insecure location (but not stolen) Parcel left with neighbours without customer's consent |
| | Bad conduct of delivery person | <ul style="list-style-type: none"> Delivery person was unpleasant/intimidating Delivery person damaged or stole customer's property |

¹¹⁰ Note that some of the other problems might also involve failure to meet advertised specifications, but they are not repeated here to avoid duplication.

| Problem Category | Stylised Problem | Mapping of specific problems studied in survey (other than parcel) |
|---|--------------------------------|---|
| Difficulties returning items and obtaining redress | Injury from parcel | <ul style="list-style-type: none"> Parcel delivered caused injury to customer or other person |
| | Lack of information on process | <ul style="list-style-type: none"> Difficulty finding contact information Difficult to understand how to submit complaint or ask for refund/compensation/redress |
| | Slow response | <ul style="list-style-type: none"> Retailer and/or delivery company was slow to respond to inquiry/complaint/request for refund Was necessary to contact retailer and/or delivery company multiple times to sort out the issue Delay in the provision of refund/compensation/redress |
| | No redress obtained | <ul style="list-style-type: none"> Refund/compensation/redress not provided |
| | Inconvenience returning items | <ul style="list-style-type: none"> Inconvenience in returning items |

10.3 Application of consumer rights to stylised problems

In the sections below we discuss each stylised problem in turn, and how existing consumer rights apply for each specific problem.

10.3.1 Disadvantageous treatment of customer due to their location

This stylised problem covers the refusal of delivery to an address and charging extra delivery fees for certain addresses. This problem may be faced by consumers living in remote areas where deliveries would be very expensive.

With the exception of Royal Mail, parcel delivery companies are not subject to any universal service obligation, and hence they are under no obligation to offer a delivery service to every address. Further, they are free to determine their own delivery fees, and hence there is nothing to prevent firms charging higher delivery fees for more remote areas (provided that the delivery fee is made clear to the consumer at the time the contract is signed).

In the case of Royal Mail, however, condition **DUSP 1 of the Postal Services Act of 2011** mandates the provision of postal delivery and collection services for all consumers at least once a week (for both letters and single-piece parcels¹¹¹). It obliges the universal service provider to provide end-to-end services to all consumers on a fair, affordable and uniform tariff, to provide address services (such as a re-direction service to another address in failure of delivery) and to provide access points (collection points/post offices) for all consumers. In cases in which the access point for consumers living in rural areas is far off and requires them to travel for more than 10 km to reach a post office, Royal Mail offers a paid-for contractual collection service for all mail products which is available for one-off or regular daily collection six days a week. Customers can also choose a specific collection time for a higher charge.¹¹²

¹¹¹ Single piece parcels are usually sent by consumers to other consumers or SMEs that are sending only a handful of parcels per week. See https://www.ofcom.org.uk/_data/assets/pdf_file/0023/81581/royal_mail_parcel_appendix.pdf.

¹¹² Royal Mail Group “Condition DUSP 1.8.3: Royal Mail statement on the arrangements for users of postal services whose premises are not within 10 kilometres as the crow flies of an access point capable of receiving postal

Retailers are free to contract with whichever parcel courier they wish to. They are under no obligation to offer delivery to every address, and can set their own retail charges for delivery, including higher charges for deliveries to remote areas.

However, it should be recognised that the charging of higher fees for delivery to remote areas reflects the fact that in a competitive market prices will reflect costs. Hence, such higher delivery fees represent the workings of an efficient market rather than being a market failure. It is likely that higher delivery costs represent one of a number of disadvantages of living in a remote area, and that people who choose to live in such locations have taken a decision that the benefits (e.g. living in beautiful countryside) outweigh the various inconveniences that are associated with such a location.

If the retailer had already agreed to deliver and then refused to deliver the parcel after the agreement, then the consumer is protected under Consumer Rights Act, s. 28. This act is discussed in the following section.

10.3.2 Non/late delivery of parcels

The Consumer Rights Act, s. 28 contains some rules applicable to sellers of goods relating to failure to deliver within deadlines.¹¹³ These rules derive from article 18 of the Consumer Rights Directive, and replace what was in regulation 42 of the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations (CCICACR) 2013. If the parties have agreed that the goods are to be delivered in instalments, the rules in s. 28 apply to delivery of each instalment. The s. 28 regime can be summarised as follows:

In the absence of an express agreement between the retailer and the consumer, the retailer must deliver the goods to the consumer and must do so without undue delay and within 30 days after the contract is made.

Where the goods are to be delivered immediately at the time the contract is made, this counts as an express agreement between the parties as to the time for delivery. In this case, if goods are not delivered immediately the consumer is able to terminate the contract if immediate delivery was essential; otherwise, the retailer has another opportunity to deliver, within a period specified by the consumer.

Where the retailer refuses to deliver the goods, or where there was an expressly agreed time (e.g. 2 days, 10 days) and delivery within that period was essential (either because the consumer told the retailer that it was essential or this was implicit from the circumstances, e.g. the item being purchased was a wedding dress or a birthday cake), then the consumer may treat the contract as nullified if the retailer fails to deliver within that period. The consumer does not have to give the retailer a further opportunity to deliver in these circumstances.

In cases other than those mentioned above, if the retailer fails to deliver the goods on an agreed date or within 30 days, the consumer may state a further reasonable timeframe within which the retailer is required to deliver the goods. If the retailer again fails to deliver the goods in this timeframe, then the consumer may end the contract.

It is worth noting what the position is when multiple items have been ordered. If these items all make up the same 'commercial unit' (e.g. different parts for a TV or computer), then they must all either be accepted or rejected. However, if they are wholly separate items (e.g. a TV, a carpet, different toys), then

packets up to 20 kilograms and registered mail." See

<http://www.royalmail.com/sites/default/files/Statement%20of%20arrangements%20DUSP%201%208%203%20August%202015.pdf>

¹¹³ Here "delivery" means voluntary transfer of possession from one person to another (s. 59).

the consumer may choose to accept the items that have been received and reject those that have not been received (i.e. cancel the order for the latter).

There are two specific types of case where s. 28 of the Consumer Rights Act would not apply:

- In cases where there is an agreement in a retailer-consumer sell and deliver contract, not as to the number of days it will take, but as to the time window on a particular day when delivery will take place, s. 28 does not seem to apply (as it seems to cover only agreements as to the number of days, not as to time windows on particular days). However, the agreement as to the time will be an express term of the contract under general common law principles.
- Cases in which the consumer engages a parcel delivery firm to deliver goods that have been sold by a retailer are not covered by s. 28, as in this case the contract is not a contract between a consumer and retailer for the sale and delivery of goods, but is instead a pure service contract. However, if the parcel delivery company promises to deliver on a particular day or within a time window on a particular day, this will be a term of the contract, whether under general common law principles, or under s. 50 of the Consumer Rights Act (which gives contractual effect to pre-contract information provided by traders in service contracts such as this).

So, can the consumer terminate the contract in the above two situations where the trader is in breach of the delivery promises, yet the specific s. 28 rules on termination do not apply? The answer is that the consumer can terminate under common law principles in such cases where the breach is sufficiently serious to deprive the consumer of substantially the whole benefit of the contract.

In all of the above cases (i.e. the s. 28 cases and those not covered by s. 28), consumers may also be able to claim damages (under general common law principles) for any losses caused by delivery problems.

Finally, in those cases where the consumer has a contract with a parcel delivery firm, because this is a service contract, the consumer may also be entitled to the statutory repeat performance remedy, so long as this is not impossible (CRA s. 55) — meaning the trader could be ordered to re-deliver; and if repeat performance is impossible, is not done in reasonable time, or causes significant inconvenience, the consumer becomes entitled to a price reduction (CRA s. 56). Note that, however, a price reduction would potentially overlap with the damages remedy and there cannot be ‘double recovery’ of losses. In the case of no delivery, a full refund could be claimed under the CRA or under common law.

10.3.3 Delivery of defective/damaged goods

The Consumer Rights Act contains some key terms relating to the condition of goods received. In particular, goods must comply with pre-contract information, be of satisfactory quality, be fit for any particular purpose made known to the seller, comply with any description given, and match samples or models seen or examined (ss. 9-14).

If the goods are in breach of these terms, there are various remedies (ss. 19-24), namely:

- Short term rejection and refund (within 30 days of sale).
- Repair or replacement (with the choice being made by the consumer, and no requirement for this to happen within 30 days), subject to possibility and proportionality rules.
- Price reduction or final rejection (where impossibility/disproportionality allowed the retailer not to repair/replace, or where repair/replacement took too long, caused significant inconvenience, or failed).
- Common law damages to cover (for example) the difference in value between what the goods are worth and what they should be worth, the cost of repair by a third party, damage caused to property, lost time and distress caused, etc.

The retailer is responsible to the consumer for any breach of the terms relating to the condition of goods received (and therefore also for providing remedies), including in cases where the goods have been

rendered defective during delivery by a parcel delivery company contracted by the retailer (as set out in the Consumer Rights Act s. 29 on passing of risk).

There are also rules in these sections of the Consumer Rights Act which state that:

- The retailer cannot charge for repair or replacement.
- The retailer cannot impose any sort of fee when providing refunds. The retailer may reduce the amount of a refund to take into account the consumer's use of the goods. CRA s. 24 (8) does allow the seller to make a deduction from the refund to take into account the consumer's use of the goods, although for most goods this rule does not apply where the final right to reject is exercised in the first six months after the sale and delivery.¹¹⁴
- The retailer must bear the costs of returning the goods, subject only to the consumer's obligation to bear any cost of returning them to the place where the consumer took physical possession of them. This means that if the goods were originally delivered to the consumer's house, then the retailer must pay for them to be returned, though the retailer is not necessarily obliged to arrange a physical collection of the item.
- Refunds must be given without undue delay and at most within 14 days of it being agreed they are due.
- The consumer must make it possible for the retailer to arrange for the goods to be picked up.

10.3.4 Inconvenience caused by taking delivery

This issue, which includes having to stay home when inconvenient to receive delivery or having to pick up a parcel from an inconvenient place, is not covered by any consumer protections. Instead, it is simply one of the aspects of the transaction that the consumer has implicitly agreed to in making the online purchase. This assumes, of course, that the period for which the consumer had to stay at home was that agreed under the contract; or, in the alternative situation, that the place from where the consumer had to pick up the parcel was that agreed in the contract. If the consumer must stay at home longer than was agreed, or pick the parcel up from somewhere other than originally agreed, then this could be a breach of contract, giving rise to a common law claim for damages for any loss or inconvenience caused.

10.3.5 Difficulty taking delivery

This category of problems covers several problems measured in our survey:

- the tracking information provided was incorrect and the customer missed the delivery as a result;
- a slip of paper was received saying the parcel could not be delivered because there was nobody at home, when there was someone home; and
- someone else was present to receive the parcel but the courier refused to leave it because they needed to obtain the customer's signature for delivery.

In the first two cases s. 49 of the Consumer Rights Act for the exercise of reasonable care and skill in performance would apply, giving consumers the right to damages, termination of the contract if sufficiently serious, statutory repeat performance, and price reduction. If the delivery difficulties result in a late delivery, then consumer protections under the late delivery of parcels would apply as set out in s. 28 of the Consumer Rights Act (see above at 10.3.2). The last case is an inconvenience for the consumer, but is not a breach of contract or law.

¹¹⁴ Although not relevant to parcel deliveries, in the case of motor vehicles deductions for use can be made where final rejection is exercised during the first six months (s. 24 (10)).

10.3.6 Failure to meet advertised specifications

In an earlier section, we discussed the late or non-delivery of parcels, which is one specific example of a failure to meet advertised specifications. Another one we consider specifically in this section is charging a higher delivery fee than the quoted price.

There are two cases:

- There is an advertised price and when the consumer places their order the firm tells them it is now asking for a higher price. Although this is not forbidden under contract law,¹¹⁵ it is forbidden under consumer protection law. In particular, advertising one price and then changing it to another at the point of sale could count as a misleading action (being misleading about the price) under CPUTR 2008 — and could therefore be a criminal offence, allowing an enforcement order to be sought if there was pattern of such behaviour.
- There is an advertised price agreed to by the consumer and the retailer, making it the contractually binding price. If the retailer then tries to charge more, this is not enforceable as it is not what was agreed under the contract. The consumer can refuse to pay; and separately, it could be seen as being misleading under CPUTR 2008 (being misleading about a consumer's rights), with similar criminal and enforcement order implications as in the case above.

10.3.7 Problem with where parcel was left

Typically, the address to which a parcel should be delivered would have been expressly mentioned and agreed to, so delivery of the parcel to the wrong address would constitute breach of an express term and/or breach of a s. 50 term of the Consumer Rights Act (giving the consumer the right to damages, termination of the contract if sufficiently serious, statutory repeat performance, and price reduction).

If the place where the parcel should be left has also been discussed and agreed, then the same consumer rights would apply if the parcel is left somewhere else (e.g. in an insecure location).

If there was no discussion of where the parcel should be left, then leaving the parcel in an insecure place may constitute a breach of a s. 49 term of the Consumer Rights Act requiring the exercise of reasonable care and skill in performance of the service (potentially depending on the surroundings and how obviously insecure the place was). If there is a breach of this s. 49 term, the consumer would again have the right to damages, termination of the contract if sufficiently serious, statutory repeat performance, and price reduction.

10.3.8 Bad conduct of delivery person

Examples of bad conduct by the delivery person included in our survey were:

- delivery person was unpleasant/intimidating; and
- delivery person damaged or stole customer's property (other than parcel).

For the second of these problems s. 49 of the Consumer Rights Act for the exercise of reasonable care and skill in performance would apply. The firm would often be liable for the bad behaviour of the delivery person; and/or be found to be liable for breach of the s. 49 term (e.g. if there was evidence of a lack of training, or a pattern of such behaviour etc.).

¹¹⁵ Basic contract law principles do not forbid the firm from doing this — the firm is simply rejecting the consumer's offer to pay the advertised price and making a counter offer to supply at a higher price. Under contract law, in this situation it is up to the consumer to decide whether to accept this offer, and if the consumer accepts, then she is bound to that higher price.

If the delivery person is guilty of criminal activity (e.g. stealing an item from the customer's premises), then the relevant criminal law would apply.

10.3.9 Injury from parcel

Examples of how an injury might result from a parcel would include a parcel containing something sharp which was not adequately packaged, or a parcel being left in a place where the customer or someone in their household tripped over it and sustained an injury.

Here, as above, s. 49 of the Consumer Rights Act for the exercise of reasonable care and skill in performance would apply. If there has been a lack of reasonable care and skill in handling of the parcel and this has led to the injury, then the retailer will normally be liable unless the consumer has directly contracted a courier for the delivery (in which case the courier would be liable for any breach of s. 49).

10.3.10 No redress obtained

As explained earlier, under s. 29 of the Consumer Rights Act the retailer cannot deny consumers the right to remedies when goods breach contract terms (e.g. relating to quality), and neither can the retailer charge for returns in such cases.

Any such denials of liability or attempts to charge could be considered misleading actions under the Consumer Protection from Unfair Trading Regulations (CPUTR) 2008, and would constitute a criminal offence, and also enforcement orders can be sought (e.g. by trading standards, CMA) to prevent continuation of such practices (CPUTR, regs 5 & 9, Part 4, and Enterprise Act, Part 8).

In addition, there may be a private law remedy under the Consumer Protection (Amendment) Regulations (CPR) 2014 for such misleading statements (e.g. damages for any hassle, time spent, and distress caused to consumers by making misleading claims that they do not have rights to redress, when in fact they do have such rights [CPR, regs 2 & 3]).

If there is a general pattern of breaches¹¹⁶ by a trader to the point that this affects the 'collective interests of consumers', then the Competition and Markets Authority (CMA) and local Trading Standards offices can seek assurances, and ultimately court Enforcement Orders under the Enterprise Act (EA) 2002, to prevent these practices (EA, Part 8).

10.3.11 Lack of information on process

This stylised problem covers the following two issues:

- difficulty finding contact information;
- difficult to understand how to submit complaint or ask for refund/compensation/redress

There are also two provisions that could give rise to enforcement or remedial consequences if a trader fails to take positive steps to inform consumers about their internal complaint handling schemes:

- First, it can be a misleading omission under the CPUTR 2008 not to include information on complaint handling schemes in invitations to purchase: and there could then be scope for the CMA or local Trading Standards offices to seek enforcement orders requiring businesses to provide such information (CPUTR, reg 6 & Part 4).
- Second, under the CCICR 2013, before making a contract traders must inform consumers of any complaint handling policy they have, and this policy then becomes a term of the contract, meaning that

¹¹⁶ For example, a pattern of breaching the terms discussed earlier relating to the quality of the goods, the delivery obligations, etc.

the trader will be in breach of contract if this policy is not followed in cases of consumer complaints (regs 9, 10, 11, 18, Schedules 1 & 2).

10.3.12 Slow response

There is no specific common law or legislative rule requiring reasonably speedy handling of complaints. However, in section 10.3.11 above we discuss how traders' complaint handling policies can become terms of the contract under the CCICR 2013. Thus if the actual execution of the dispute resolution process does not follow this contractually promised process (e.g. because it is too slow), there will be a breach of contract, and the consumer might be able to claim damages for any expenses or inconvenience caused.

10.3.13 Inconvenience returning items

If there has been a breach of contract (whether by the by the seller or a courier engaged directly by the consumer), then any losses flowing from this will usually be able to be recovered under the general principles of damages. This would normally cover inconvenience, lost time and any expenses caused where the party in breach is slow to respond to legitimate requests for a refund or other relevant remedies, or is generally obstructive and un-cooperative.

10.4 Different types of sellers

10.4.1 Businesses versus private individuals

In all the legislation discussed in this chapter, the obligations apply to those acting for business purposes, and this is the case whatever the size of the business. In most cases it is obvious who is and is not acting for business purposes and if an obvious business were to pretend online (or in any other medium) not to be a business, then this would be a misleading practice under the 2008 and 104 regs, with associated criminal, enforcement and private law consequences. (By private law consequences, we mean that the consumer could have private rights to claim for damages, a discount or a refund.)

However, there may be borderline cases, such as some eBay sellers, where it is less clear whether a person is selling as a private individual or for business purposes. In these cases the courts would consider if there is enough volume, regularity, business tax payments etc. for the seller to be considered as acting for business purposes, but it could be hard to predict in any given case what the result would be.

10.4.2 Businesses outside the UK

With regard to enforcement for sales from within the EU, the Brussels Convention (arts 13 and 14) normally gives consumers the right to have their claim heard in the courts of their own country even if the trader is from elsewhere within the EU (and even if the trader is from outside the EU, but has an office in the EU). If the consumer buys from outside the EU altogether, the place where a dispute will be heard will usually depend on a term in the contract making provision about this. The provision will normally be that the case be heard in the country of the retailer.

10.5 Conclusions

Table 10.2 below summarises consumer rights under each stylised problem.

Table 10.2: Summary table of problems and consumer rights applicable

| Stylised problem | Consumer rights applicable | Consumer rights summary |
|---|---|--|
| <i>Difficulties with original parcel</i> | | |
| Disadvantageous treatment of customer due to their location | Consumer Rights Act s. 28; Ofcom condition DUSP 1 of Postal Services Act of 2011 for Royal Mail. | Under CRA, where delivery already contracted, retailer must deliver within 30 days. DUSP 1 requires Royal Mail to deliver single-piece parcels to all consumers at least once a week. |
| Non/late delivery of parcels | Consumer Rights Act ss. 28, 50, 55, 56 | Delivery within 30 days mandatory and consumers may claim damages under common law for losses from delivery problems. If agreement to deliver at a certain time period and this was essential for the good, agreement nullified if delivery late. |
| Delivery of defective/damaged goods | Consumer Rights Act ss. 9-14, ss. 19-24, s. 29 | Retailer responsible for damage caused by courier. Right to rejection and refund within 30 days, or repair/replacement, or price reduction/final rejection, and/or common law damages. |
| Inconvenience caused by taking delivery | Common law claim for damages if in breach of contract | Not covered by any consumer protections outside of damages if contract breached. |
| Difficulty taking delivery | Consumer Rights Act ss. 49, 28 | Right to damages, termination of the contract if serious, statutory repeat performance, and price reduction for errors of the retailer. Protections for late deliveries as above. |
| Failure to meet advertised specifications | CPUTR 2008 | Misleading consumers about advertised delivery price or their contractual agreement could be criminal offence. |
| Problem with where parcel was left | Consumer Rights Act ss. 49-50 | Right to damages, termination of the contract, statutory repeat performance, and price reduction if left in place other than agreed. Same rights if reasonable care and skill was breached by courier. |
| Bad conduct of delivery person | Consumer Rights Act s. 49 and general criminal statutes. | Right to damages, termination of the contract, statutory repeat performance, and price reduction for misconduct of courier. Criminal statutes apply for crimes committed by courier. |
| Injury from parcel | Consumer Rights Act s. 49 | Right to damages, termination of the contract, statutory repeat performance, and price reduction for lack of care in delivery resulting in injury. |
| <i>Difficulties returning items and obtaining redress delivery</i> | | |
| Lack of information on process | CPUTR 2008, CCICR 2013 | Misleading not to include information on complaint handling in invitations to purchase. Before contract traders must inform consumers of complaint handling policy, which becomes a term of contract. |
| Slow response | CCICR 2013 | If response time is in breach of complaint handling policy, retailer liable for damages. |
| No redress obtained | Consumer Rights Act s. 29; CPUTR 2008 Act; CCICR 2013; Consumer Protection (Amendment) Regulations 2014; Enforcement Orders under the Enterprise Act 2002 | Retailer cannot deny consumers the right to remedies when goods breach contract terms. Misleading statements on liability can be criminal offence and private law remedies available for these. Enforcement Orders for general patterns of breaches that affect consumers. |
| Inconvenience returning items | Common law | Damages for inconvenience, time and other expenses caused by slow and un-cooperative responses to legitimate claims. |

Our review of consumer rights suggests that existing legislation provides consumers with the rights that they need. In our view, the legal and contractual rights afforded to consumers are clear and comprehensive. They cover the range of problems explored, with no obvious gaps in consumer protection. Hence, any

problem that exists in this area relates to whether those rights are being adequately enforced (e.g. whether consumers are receiving the redress to which they are legally entitled when they request it). We consider the issue of improving enforcement in our discussion of policy options in Chapter 4.