International Communications Market Report 2012

7 Post

Contents

7.1 Key market developments in post

7.1.1 Introduction

This chapter includes an overview and country-level analysis of the 17 comparator countries. It focuses on three areas:

- The *key market developments* section examines volume and revenue trends over the past five years.

- The *post industry* section looks at volume and revenue trends in 2011, and includes a comparison of single-piece stamp prices across our 17 comparator countries.

- The *post and the residential consumer* section looks at consumer trends in sending and receiving mail, and consumers' perceived reliance on post as a method of communicating.

Figure 7.1 Industry metrics and summary

	UK	FRA	GER	ITA	USA	CAN	JPN	AUS	ESP	NED	SWE	IRE	POL	BRA	RUS	IND	CHI
Domestic addressed mail revenues (£bn)	6.7	6.5	7.6	4.2	38.5	3.7	13.8	1.6	1.7	2.1	1.2	0.5	1.2	4.9	2.2	0.4	1.0
Mail revenues per capita (£)	106.6	98.9	93.7	68.2	123.3	108.1	108.5	71.3	36.0	124.7	135.6	98.8	31.3	24.8	15.8	0.3	0.8
Domestic mail volumes (billion items)	16.6	14.3	16.3	4.9	165.3	10.0	19.3	4.9	4.1	4.4	2.8	0.6	0.8	8.6	1.1	6.6	7.3
Mail volumes per capita	264.0	217.9	200.3	80.7	528.8	291.7	151.3	225.7	86.7	261.2	304.5	121.9	21.4	43.6	7.9	5.5	5.4
Standard (C5) domestic stamp price (p)	60	87	78	130	28	81	109	77	74	130	115	56	51	63	28	33	12
Average number of items sent in a month	5.2	4.9	4.8	4.3	6.2	n/a	2.3	3.6	6.7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8.3

Sources: UPU postal statistics database, regulatory reports, postal operators' annual reports, Ofcom analysis; Ofcom research, September 2012
Notes: Standard letter price is based on a C5 envelope, 229x162x5 <=100g; Values converted from the local currency unit to British Sterling (£1 = €1.154 / US$1.604 / CAN$1.587 / ¥127.979 / AUS$1.555 / SEK10.413 / PLN4.751 / BRL2.683 / RUB47.117 / INR74.841 / CNY10.362)

Key points in this section are:

- **Across our 17 comparator countries, mail volume has fallen by 18% since 2006.** Taken as a whole, volumes have fallen from 355 billion to 288 billion items. The UK, Italy and Spain have seen the largest declines, with mail volumes in each falling by 25% from 2006 to 2011.

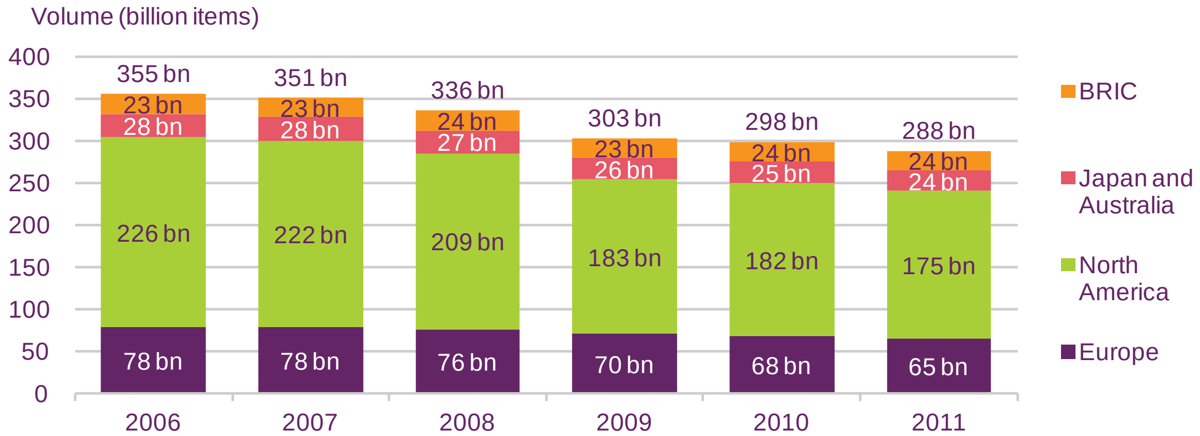
- **More consumers in the UK claim to receive large parcels than in the other countries which we surveyed.** Thirty-four per cent of UK consumers claimed to have received a large parcel in the past month, higher than in any other country surveyed. Forty-six per cent of UK consumers claimed to have received a small parcel, second only to France (53%). As well as having the highest proportion of consumers receiving parcels, the value of e-commerce per head of population in 2011 in the UK is higher than in any of the other countries surveyed.

7.1.2 Since 2006, mail volumes across our comparator countries have fallen on average by 18%

The UK, Italy and Spain have seen the largest declines, with mail volume in each falling 25% between 2006 and 2011

Taken as a whole, mail volume across our comparator countries fell by 67 billion items between 2006 and 2011 (Figure 7.2). The largest declines occurred in North America, where volumes fell by 51 billion (23%). Among the European countries analysed in this report, volumes declined by 17% to 65 billion items. Volumes in the BRIC countries grew slightly over this period.

Figure 7.2 Total mail volumes in the 17 comparator countries: 2006-2011

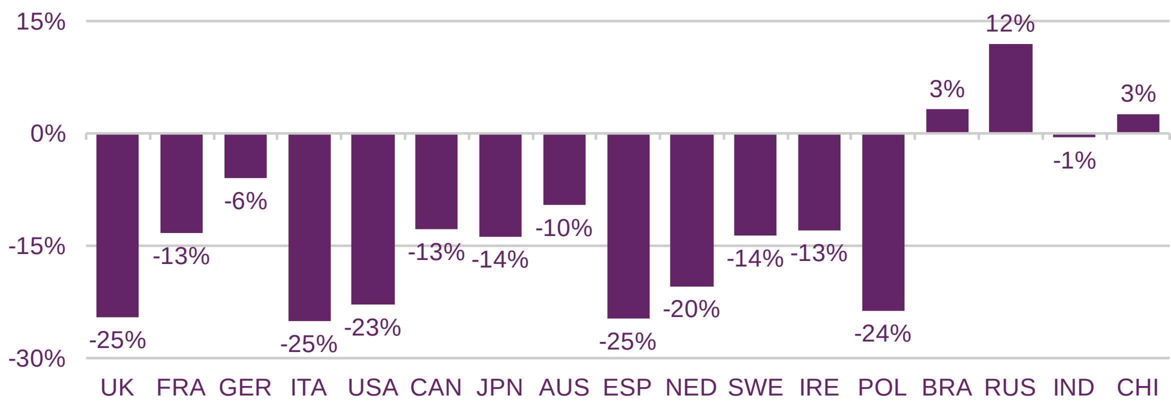


Sources: UPU postal statistics database, regulatory reports, postal operators' annual reports, Ofcom analysis

Within each market, the largest proportional declines in volume have occurred in Spain, Italy and the UK, where 25% of volumes have been lost since 2006. The largest absolute decline in volumes across all of the comparator countries for this period was in the US, which is also the largest market. The decline between 2006 and 2011 in the US was 49 billion items, which equates to a 23% fall in volume.

The only countries where mail volumes increased over this period were Brazil, Russia and China, with the largest growth (12%) happening in the Russian market.

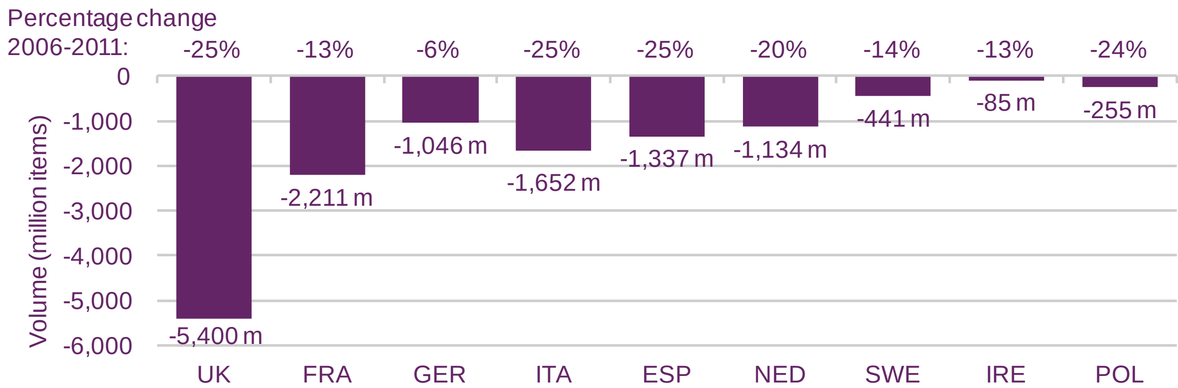
Figure 7.3 Proportional change in mail volume by country: 2006-2011



Sources: UPU postal statistics database, regulatory reports, operators' annual reports, Ofcom analysis

In terms of the absolute number of items, the fall in the UK was larger than in any of the other European countries analysed in this report. In comparison to 2006, there are 5.4bn fewer addressed items in the UK postal market (Figure 7.4).

Figure 7.4 Mail item volume decline in the European comparator countries: 2006-2011

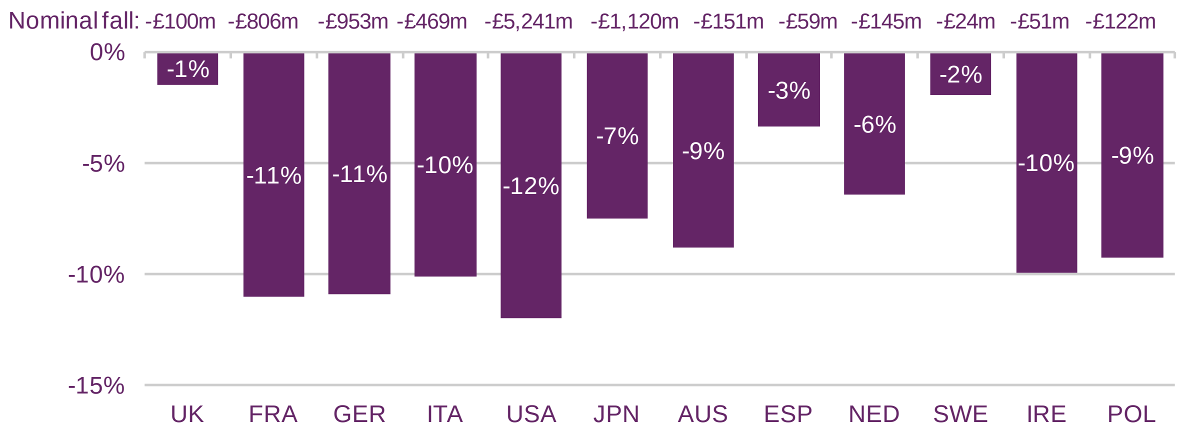


Sources: UPU postal statistics database, regulatory reports, operators' annual reports, Ofcom analysis

As a whole, mail revenue across our comparator countries fell by 5% since 2006.

The effect of the volume decline on revenue is detailed in Figure 7.5, which sets out the proportional loss of revenue in those countries where revenue has fallen. As the chart shows, the largest decline in revenue, both in absolute and proportional terms, has been experienced in the US market, where £5bn (12%) of revenue has been lost between 2006 and 2011. Over this period, price increases in the UK have helped to reduce the impact of falling volumes on revenue. As a result, mail market revenue in the UK has fallen by only 1.5% (£100mn).

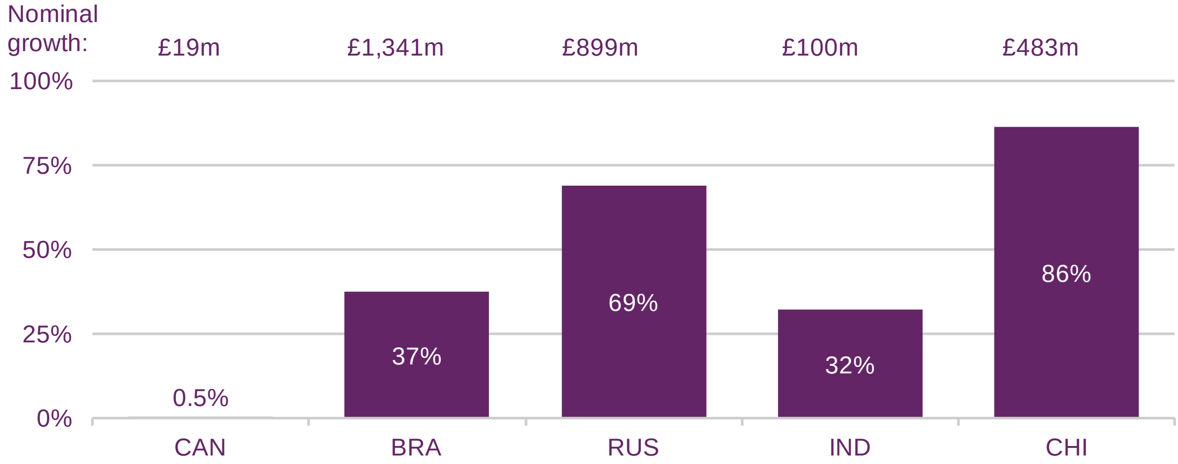
Figure 7.5 Fall in revenue: 2006-2011



Sources: UPU postal statistics database, regulatory reports, operators' annual reports, Ofcom analysis
Note: Values converted from the local currency unit to British Sterling (£1 = €1.154 / US$1.604 / CAN$1.587 / ¥127.979 / AUS$1.555 / SEK10.413 / PLN4.751 / BRL2.683 / RUB47.117 / INR74.841 / CNY10.362)

The countries in which revenue has grown are set out in Figure 7.6. The highest proportional growth was in China, where revenues increased by 86%. The largest actual growth was in Brazil, where revenues increased by £1.3bn. China, Russia and Brazil – the countries with the largest growth in revenue – are also the only countries where volumes have increased since 2006.

Figure 7.6 Growth in revenue: 2006-2011



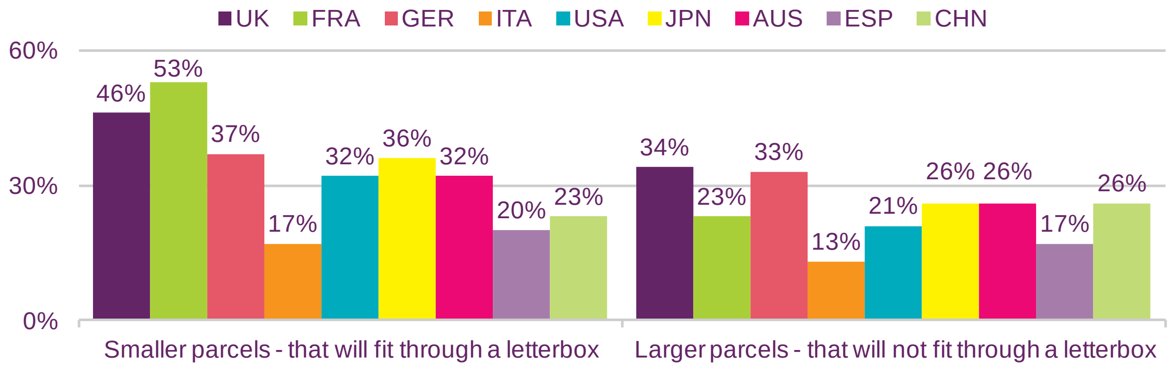
Sources: UPU postal statistics database, regulatory reports, operators' annual reports, Ofcom analysis
Note: Values converted from the local currency unit to British Sterling (£1 = €1.154 / US$1.604 / CAN$1.587 / ¥127.979 / AUS$1.555 / SEK10.413 / PLN4.751 / BRL2.683 / RUB47.117 / INR74.841 / CNY10.362)

7.1.3 More consumers in the UK than in other countries claim to receive parcels

Thirty-four percent of consumers in the UK claimed to have received at least one large parcel in the past month, higher than in any other country surveyed. This is comparable to Germany, where a third (33%) of consumers had received a large parcel in the past month.

Forty-six per cent of UK consumers said that they had received a small parcel in the past month, second only to France, where 53% claimed to have received a small parcel in the past month. Consumers in Italy were least likely to have received a parcel, with only 17% claiming to have received a small parcel and 13% saying that they had received a large parcel. In all of the countries surveyed, consumers were more likely to have received a small parcel, defined as a parcel that would fit through the letterbox, than a large parcel.

Figure 7.7 Proportion of residential customers who claim to have received a parcel in the past month

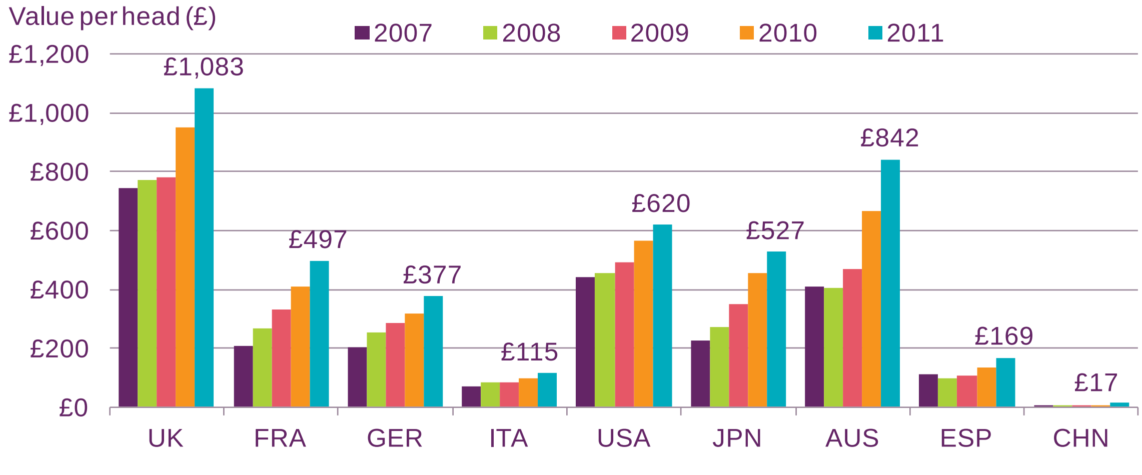


Source: Ofcom consumer research, September 2012

Q. Which of these types of items would you say you have personally received through the post in the last month? Please think about items that are addressed to you personally rather than items like leaflets or anything else that may come through your letterbox.
Base: All respondents, UK=1065, FRA=1016, GER=1024, ITA=1015, USA=1010, JPN=1004, AUS=1007, ESP=1001, CHN=1010

The proportion of consumers who claim to have received a parcel in the past month is reflected in the value of the e-retail market in each country, as Figure 7.8 shows. In Italy and Spain, where the lowest proportion of consumers had received a parcel, the value of e-retail per head of population is also low. The value of e-commerce per head of population in 2011 in the UK is higher than in any of the other countries surveyed. As broadband take-up has grown and consumer confidence in online shopping and the delivery of purchased goods has improved, the value of e-commerce has also increased.

Figure 7.8 Value of B2C e-commerce per head: 2007-2011



Source: IMRG B2C Global e-Commerce Overview 2011 Update 01, June 2011; IMRG B2C Global e-Commerce Overview 2012, May 2012
Notes: Values converted from Euros to British Sterling (£1 = €1.1536). Population figures from US Census Bureau (end of year estimates from mid-year values)

7.2 The post industry

7.2.1 Introduction

This section examines volume and revenue trends across the countries analysed in this report. It also presents a comparison of stamp prices for three different formats of letter. The main findings include:

- **Across all of our comparator countries as a whole, mail revenue fell by 1.5% in 2011**, ranging from a 16.1% contraction in Poland to 9.4% growth in Brazil. Revenues grew in only four of 17 of the countries analysed in our report; the UK (3.1%), Brazil (9.4%), Russia (8.8%) and India (6.6%).

- **Mail markets in Sweden and the Netherlands generate the greatest revenue per head of population.** The highest revenue per head of population of all of our comparator countries was generated in Sweden (£135.6) and the Netherlands (£124.7). The comparable figure for the UK was £106.6.

- **Volumes continued to fall in 2011, declining by 2.3% across our comparator countries as a whole.** Brazil and India were the only countries where volumes did not fall. The largest decline was in Poland (11.3%), followed by Italy (8.1%) and Spain (7.9%). The comparable figure for the UK was 5.1%.

- **For sending a standard-sized letter, the UK is among the cheapest in Europe. But for sending small letters,** the UK and Japan are the most expensive countries; this is 63p in Japan and 60p in the UK.[99]

7.2.2 Global postal revenues

It is very difficult to come to an authoritative figure of the value of worldwide postal services. However, using data collated in the UPU Postal Statistics Database, we estimate that our 17 comparator countries represent approximately 60-70% of global postal revenues. The large postal market in the US is estimated to account for around 20-25% of global postal revenues.

The data which we have used in our analysis of the postal sector come from a range of sources, including the UPU postal statistics database, publicly-available data from national regulatory authorities, annual reports from monopoly postal providers and third-party reports from sector-specific consultants. Where data from these sources explicitly report fiscal years, we have used calendar year estimates to aid comparability. We have focused our analysis on domestic addressed letter post.

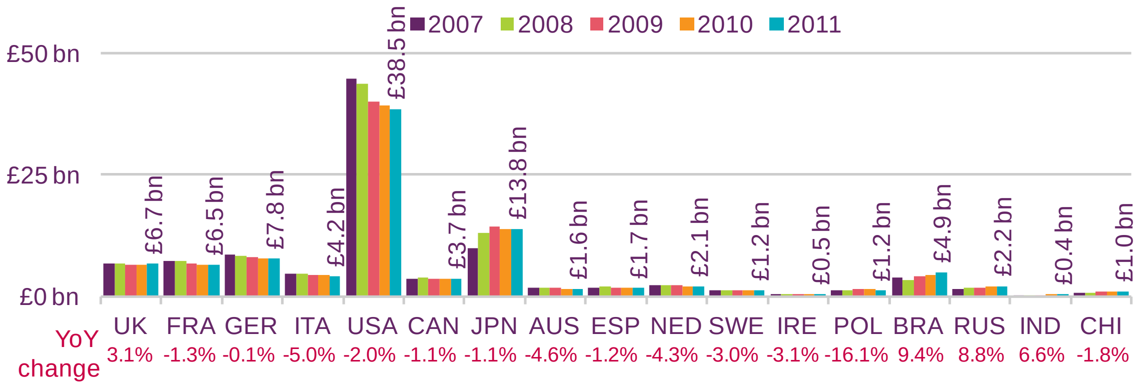
7.2.3 Mail revenues in our comparator countries

Revenues continued to decline across our comparator countries, falling by 1.5% on average in 2011.

Across all of our comparator countries, mail revenue fell on average by 1.5% in 2011. Revenues grew in only four of the17 countries analysed in our report; the UK (3.1%), Brazil (9.4%), Russia (8.8%) and India (6.6%). While increased revenues in the UK are due to price increases, in Brazil, rising volumes have contributed to revenue growth. In Russia, growth in first class and parcel volumes has helped improve revenues.

[99] The different letter sizes and specifications of the stamp price comparison are set out in section 7.2.5

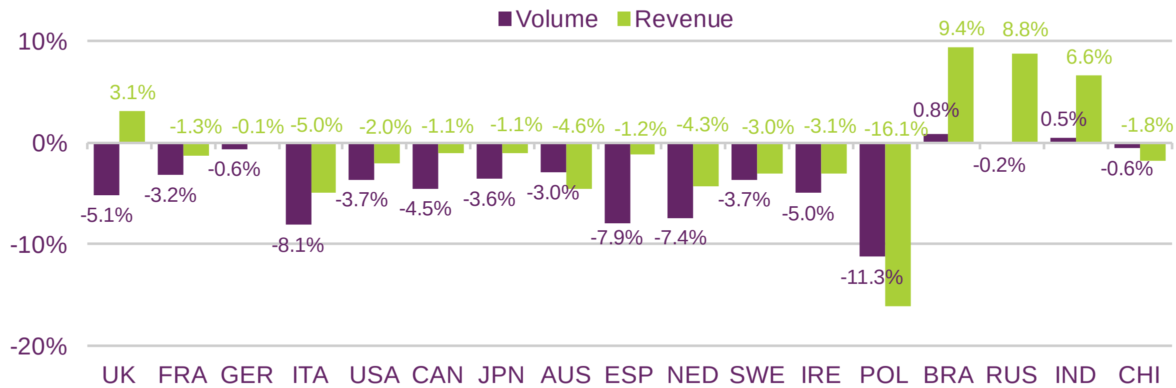
Figure 7.9 Revenues: 2007-2011



Sources: UPU postal statistics database, regulatory reports, operators' annual reports, Ofcom analysis
Note: Values converted from the local currency unit to British Sterling (£1 = €1.154 / US$1.604 / CAN$1.587 / ¥127.979 / AUS$1.555 / SEK10.413 / PLN4.751 / BRL2.683 / RUB47.117 / INR74.841 / CNY10.362)

The proportional changes in revenue and volume are set out in Figure 7.10. The largest falls in revenue were in Poland (16.1%), where the largest decline in volume occurred, and Italy (5.0%), where revenues from publications fell. Unsurprisingly, volume decline is often accompanied by a fall in revenue.

Figure 7.10 Year-on-year changes in volumes and revenues: 2010-2011

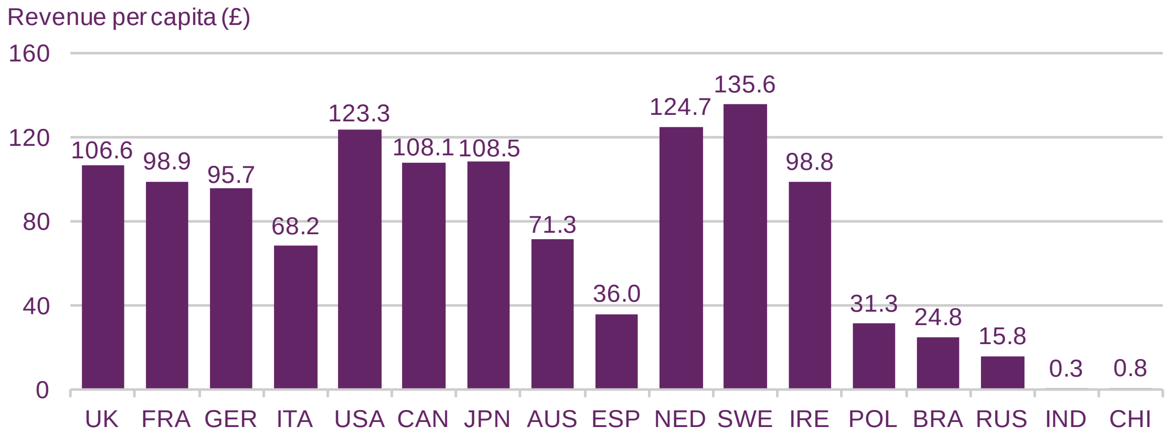


Sources: UPU postal statistics database, regulatory reports, operators' annual reports, Ofcom analysis
Note: Values converted from the local currency unit to British Sterling (£1 = €1.154 / US$1.604 / CAN$1.587 / ¥127.979 / AUS$1.555 / SEK10.413 / PLN4.751 / BRL2.683 / RUB47.117 / INR74.841 / CNY10.362)

Mail markets in Sweden and the Netherlands generate the greatest revenues per head of population.

The mail markets in Australia, Sweden and the Netherlands generated the highest per-capita revenues in 2011. The highest revenue per head of population of all our comparator countries was generated in Sweden (£135.6) and the Netherlands (£124.7). Per-capita revenues were also high in the US (£123.3). The comparable figure for the UK was £106.6.

Figure 7.11 Revenues per head of population: 2011



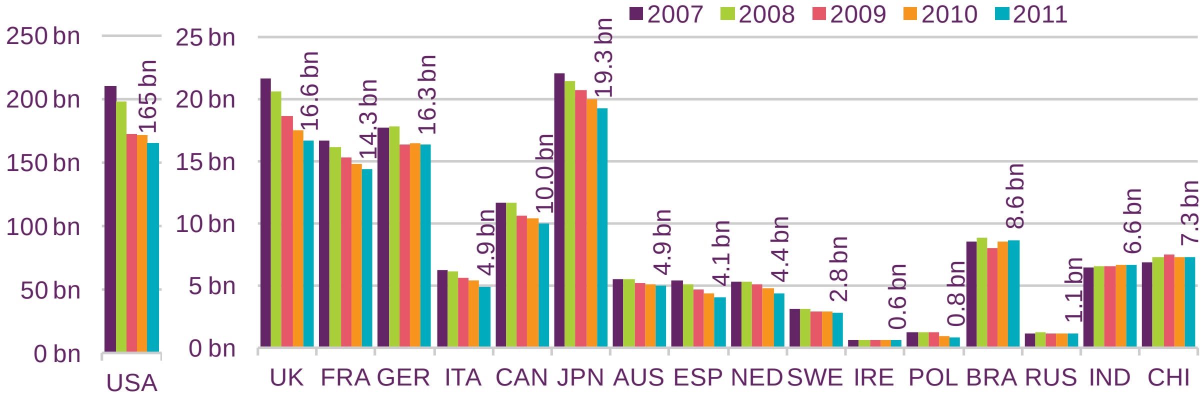
Sources: UPU postal statistics database, regulatory reports, operators' annual reports, Ofcom analysis
Note: Values converted from the local currency unit to British Sterling (£1 = €1.154 / US$1.604 / CAN$1.587 / ¥127.979 / AUS$1.555 / SEK10.413 / PLN4.751 / BRL2.683 / RUB47.117 / INR74.841 / CNY10.362) Population figures from US Census Bureau (end of year estimates from mid-year values)

7.2.4 Mail volumes in our comparator countries

Volumes continued to fall in 2011, declining on average by 2.3% across our comparator countries

While patterns of mail volume growth tend to follow economic growth, increased broadband take-up and the subsequent electronic substitution of traditional mail have contributed to the structural decline of mail volumes around the world. As such, volumes continued to decline in 2011, with Brazil and India the only countries where volumes did not fall. The largest decline was in Poland (11.3%), followed by Italy (8.1%) and Spain (7.9%). The comparable figure for the UK was 5.1%.

Figure 7.12 Mail volume: 2007-2011



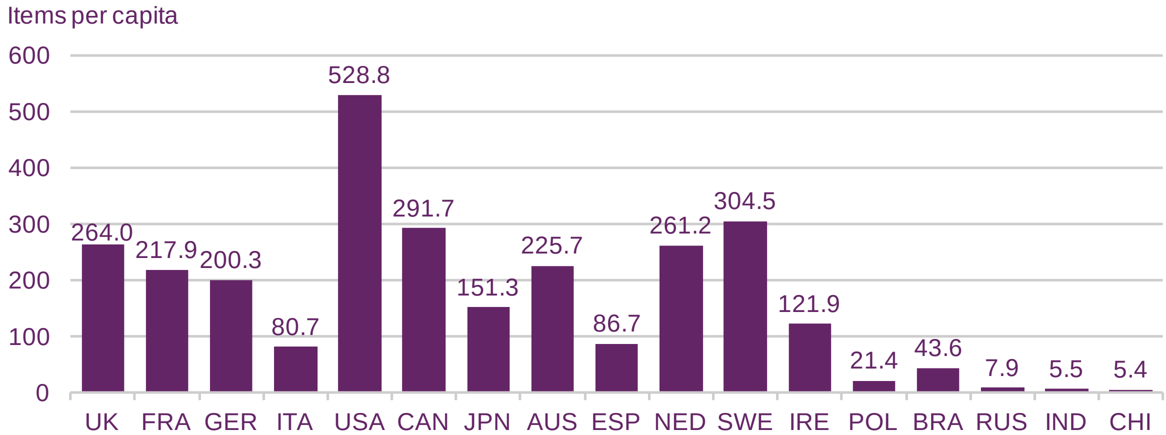
Sources: UPU postal statistics database, regulatory reports, operators' annual reports, Ofcom analysis

Mail volume per head of population is highest in the US

The mail market in the US is the largest in the world, in terms of both volume and revenue, so it is unsurprising that it also generates the highest number of items of mail per head of population. In 2011, the US market generated 528.8 items per person, far higher than any other country. Sweden had the next highest volume per head of population (304.5) followed by Canada (291.7). The comparable figure for the UK was 264, second only to Sweden among the European countries analysed in this report.

While the US and the Netherlands generate similar revenues per head of population (Figure 7.11), the volume per head is significantly higher in the US (Figure 7.13). This suggests that it is cheaper to send mail in the US than in the Netherlands, and that the mix of mail in the US has a higher proportion of cheaper business bulk mail.

Figure 7.13 Mail volume per head of population: 2011



Sources: UPU postal statistics database, regulatory reports, operators' annual reports, Ofcom analysis
Note: Population figures from US Census Bureau (end-of-year estimates from mid-year values)

7.2.5 Stamp price comparison

The following section looks at domestic stamp prices across the countries analysed in this report. In each case, we have considered the fastest letter mail product, which predominantly carry a next-day delivery target (D+1); although, as Figure 7.14 shows, there is some variance in each territory. The products that we have looked at are all single piece, domestic tariffs available to all consumers. In line with other currency conversions within this report, prices have been converted into British Sterling using the International Monetary Fund average exchange rates for 2011. The prices of the products compared are as they are published on the operators' websites and have not been adjusted for purchasing power parity.

Figure 7.14 Delivery specifications for the products analysed

UK	FRA	GER	ITA	USA	CAN	JPN	AUS	ESP	NED	SWE	IRE	POL	BRA	RUS	IND	CHI
D+1	D+1	D+1	D+1	D+3	D+2-4	Variable	D+1-4	D+3	D+1	D+1	D+1	D+1-3	D+1-3	Variable	D+2-6	Variable

Source: Source: Operators' websites, [accessed 10 October 2012]
Note: Delivery targets in Japan, Russia and China are dependent on the point of origin and destination

We have looked at the prices for three mailings with different characteristics, based on typical envelope sizes. These are:

- **Small letter** – based on a DL envelope, 110mm by 220mm by 5mm, weighing 20g or less

- **Standard letter** – based on a C5 envelope, 229mm by 162mm by 5mm, weighing 100g or less;[100] and

- **Large letter** – based on a C4 envelope, 324mm by 224mm by 25mm, weighing 101-150g

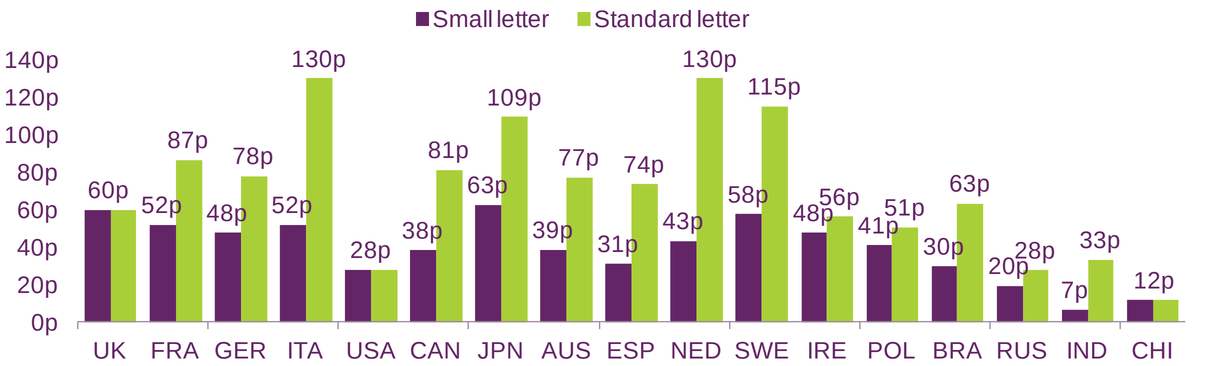
Japan and the UK are the most expensive countries to send a small letter

At 63p, Japan is the most expensive country to send a small letter, followed closely by the UK (60p). Among the European countries analysed in this report, the UK is the most expensive, just ahead of Sweden, where it costs 58p to send a small letter. The cheapest country for this size of letter is India, where it costs just 7p, followed by China (12p). The US is also among the cheapest, costing 28p.

However, when it comes to sending a standard letter, the UK is among the cheapest in Europe. This is because most postal operators in Europe use tariff structures which start at a lower price for smaller letters and postcards weighing 20g or less. A higher price is charged for letters which weigh in excess of 20g, or exceed the dimensions of a DL envelope, as Figure 7.15 shows. In the UK, the US, and China the price threshold comes at a higher size and weight.

The Netherlands and Italy are the most expensive countries in which to send a standard letter (£1.30), followed by Sweden (£1.15) and Japan (£1.09). China is the cheapest (12p), followed by the US (28p). The lowest price among the European countries in our report is in Poland, where it costs 51p to send a standard letter.

Figure 7.15 Published stamp prices for small (DL) and standard (C5) domestic letters: October 2012



Source: Operators' websites, [accessed 10 October 2012]
*Note: Small letter is based on DL envelope, 110x220x5 <=20g; Standard letter is based on C5 envelope, 229x162x5 <=100g; Large letter is based on C4 envelope, 324*224*25 101g-150g*
Values converted from the local currency unit to British Sterling (£1 = €1.154 / US$1.604 / CAN$1.587 / ¥127.979 / AUS$1.555 / SEK10.413 / PLN4.751 / BRL2.683 / RUB47.117 / INR74.841 / CNY10.362)

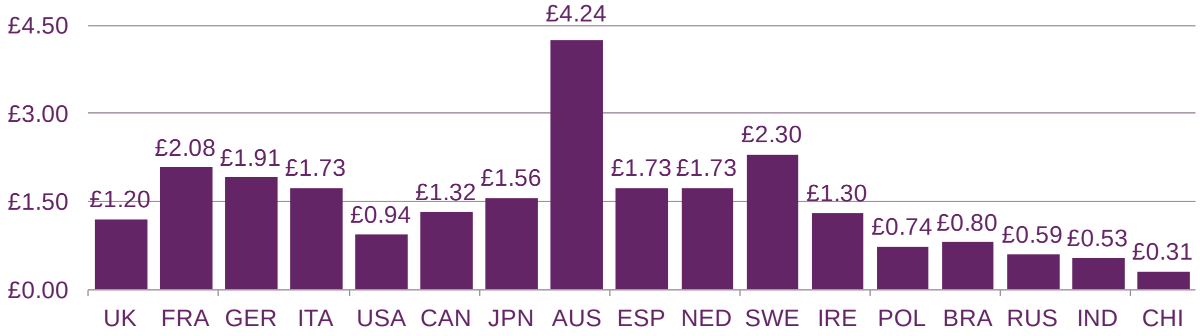
Poland is the cheapest country in Europe in which to send a large letter

Within Europe, the cheapest country in which to send a large letter is Poland (74p), followed by the UK (£1.20). The lowest price overall is China (31p), followed by India (53p). The most expensive overall is Australia (£4.24). This is because the maximum thickness of a large letter in Australia is 20mm, and as this analysis is based on the prices for letters which are

[100] Most greetings cards in the UK are no larger than a C5 envelope

25mm thick, this price represents the lowest parcel price. To send a large letter up to 20mm thick in Australia would cost £1.16, cheaper than the UK.

Figure 7.16 Published stamp prices for large letters: October 2012



Source: Operators' websites, [accessed 10 October 2012]
*Note: Small letter is based on DL envelope, 110x220x5 <=20g; Standard letter is based on C5 envelope, 229x162x5 <=100g; Large letter is based on C4 envelope, 324*224*25 101g-150g*
Values converted from the local currency unit to British Sterling (£1 = €1.154 / US$1.604 / CAN$1.587 / ¥127.979 / AUS$1.555 / SEK10.413 / PLN4.751 / BRL2.683 / RUB47.117 / INR74.841 / CNY10.362)

7.3 Post and the residential consumer

7.3.1 Introduction

This section presents the findings of our consumer research, the methodology of which is detailed in Appendix A. The key findings in this section are:

- **Consumers in the US and France are more likely to pay bills by post than any other country surveyed.** In the US, 58% of consumers claimed that they had sent payment through the post in the past month. In France, 47% of consumers said they had done this. The comparable figure for the UK was 22%.

- **More consumers in the UK send greetings cards, invitations and postcards than in other countries.** Thirty-seven per cent of respondents in the UK claimed to have sent this type of mail in the past month. Australia ranked second (34%), with the fewest consumers claiming to send this type of mail in France (17%).

- **Consumers in France receive twice as much mail as those in the UK.** The average number of items received in a week by consumers in France was 14.9, higher than in any other country surveyed. Those in the US claimed to receive 9.6 items in a week. The comparable figure for the UK was 7.1.

- **Seventy-four per cent of consumers in France consider themselves 'very reliant' or 'fairly reliant' on post as a way of communicating, higher than in any other country.** In the UK, 51% of consumers considered themselves to be reliant on post. The lowest perceived reliance on post was in Japan, where only 14% of respondents considered themselves reliant.

7.3.2 Items sent

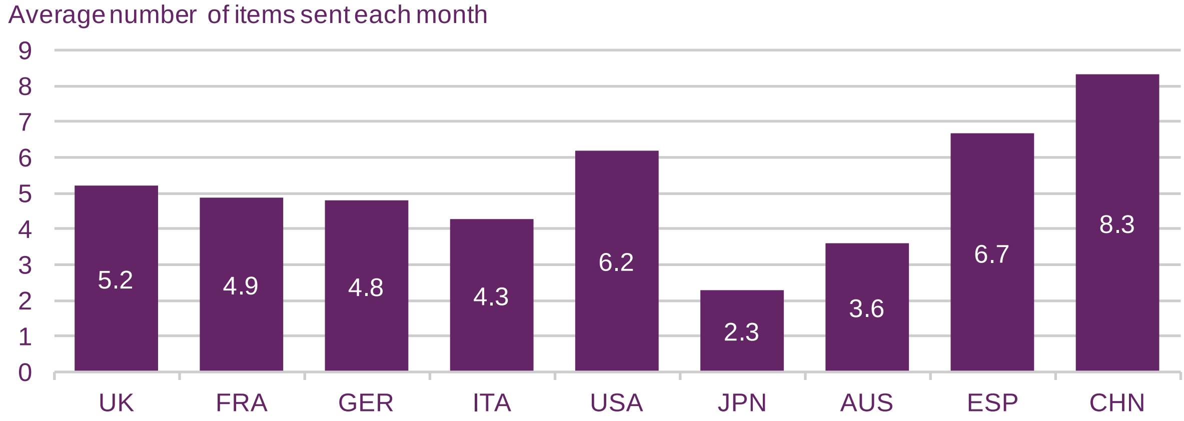
Residential consumers in China claim to send the most post

Respondents to our survey in China claimed to have sent the greatest number of items of post, of all the countries we surveyed (Figure 7.17). It should be noted that our research used an online survey, and as internet availability in China is lower than in other countries, these findings represent urban consumers only. Looking at the type of items which these consumers in China had sent in the past month, as set out in Figure 7.18, shows that a far greater proportion of respondents in China had sent personal letters in the past month than in any other of the countries surveyed (56%). The proportion of consumers that had sent personal letters in the past month ranged from 30% - 41% in the other countries surveyed.

The average number of items sent in a month by residential consumers in the UK was 5.2,[101] lower than in Spain (6.7) and the US (6.2). The lowest average number of items sent by residential consumers was in Japan, where on average, just 2.3 items were sent.

[101] Our UK CMR found that consumers sent an average of 3.2 items each month. Differences in sample sizes, questionnaire design and methodology between research projects mean that results can often differ.

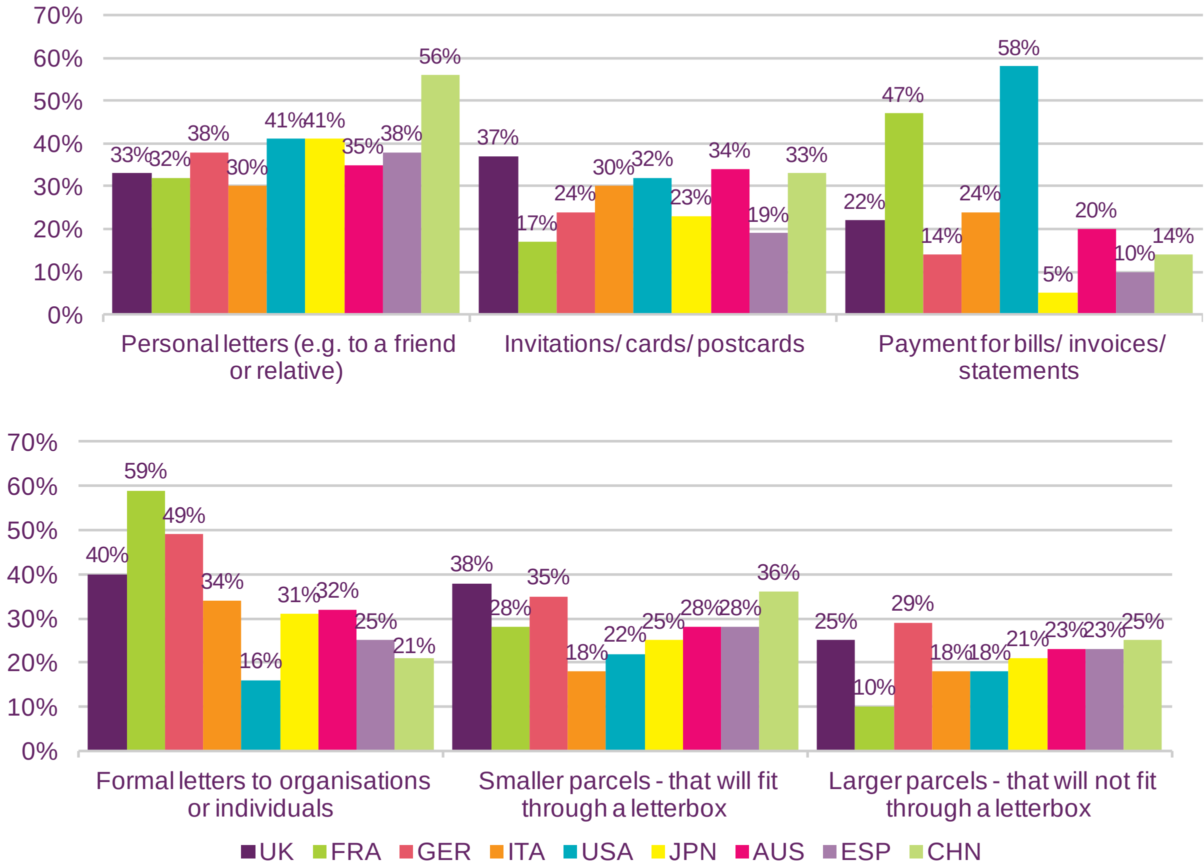
Figure 7.17 Average number of items sent in a month



Source: Ofcom consumer research, September 2012
Q. Approximately how many items of post - including letters, cards and parcels - have you personally sent in the last month? This would include someone sending items through the post on your behalf. This would include any items sent internationally or any items sent using Freepost.
Base: All respondents who send items by post, UK=879, FRA=940, GER=868, ITA=662, USA=770, JPN=754, AUS=807, ESP=696, CHN=849

Consumers in the UK were more likely than consumers in the other countries surveyed to have sent a greetings card in the past month. Thirty-seven per cent of respondents stated that they had sent this type of mail in the past month, followed by 34% of respondents in Australia. People in the US were more likely to have paid a bill by post, with 58% doing so in the past month. Paying bills by post was also popular in France (47%), compared with 22% in the UK (Figure 7.18).

Figure 7.18 Type of items sent each month



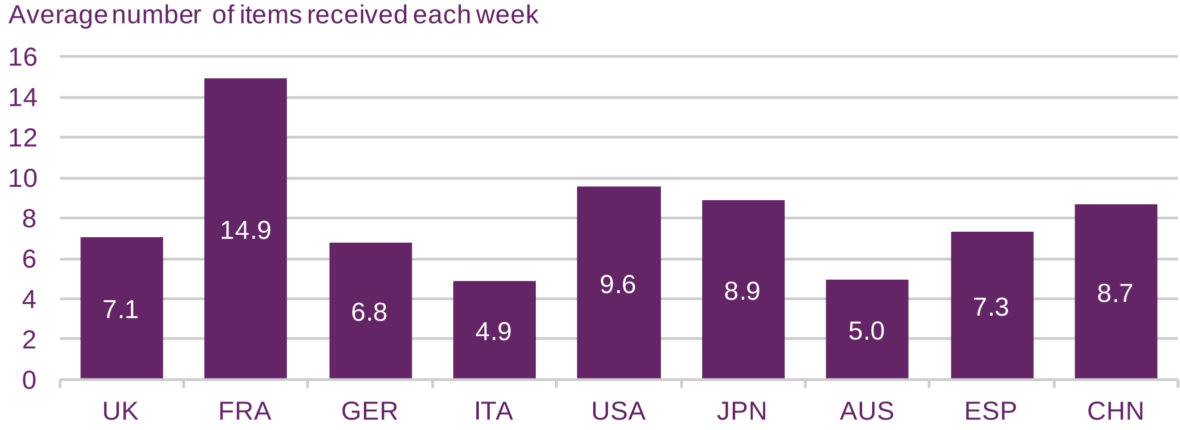
Source: Ofcom consumer research, September 2012
Q. Which of these types of mail would you say you have personally sent in the last month by post?
Base: All respondents who have sent items by post in the last month, UK=730, FRA=801, GER=697, ITA=364, USA=591, JPN=427, AUS=563, ESP=411, CHN=659

7.3.3 Items received

Consumers in France claim to receive the most items each week

Across all of the countries that we surveyed, consumers in France claimed to have received the most items in the past week (14.9), more than twice the average number of items received by people in the UK (7.1). The average number of items received by those in the US was also relatively high (9.6). Consumers in Italy and Australia received the fewest items: 4.9 and 5.0 items respectively.

Figure 7.19 Average number of items received in a week

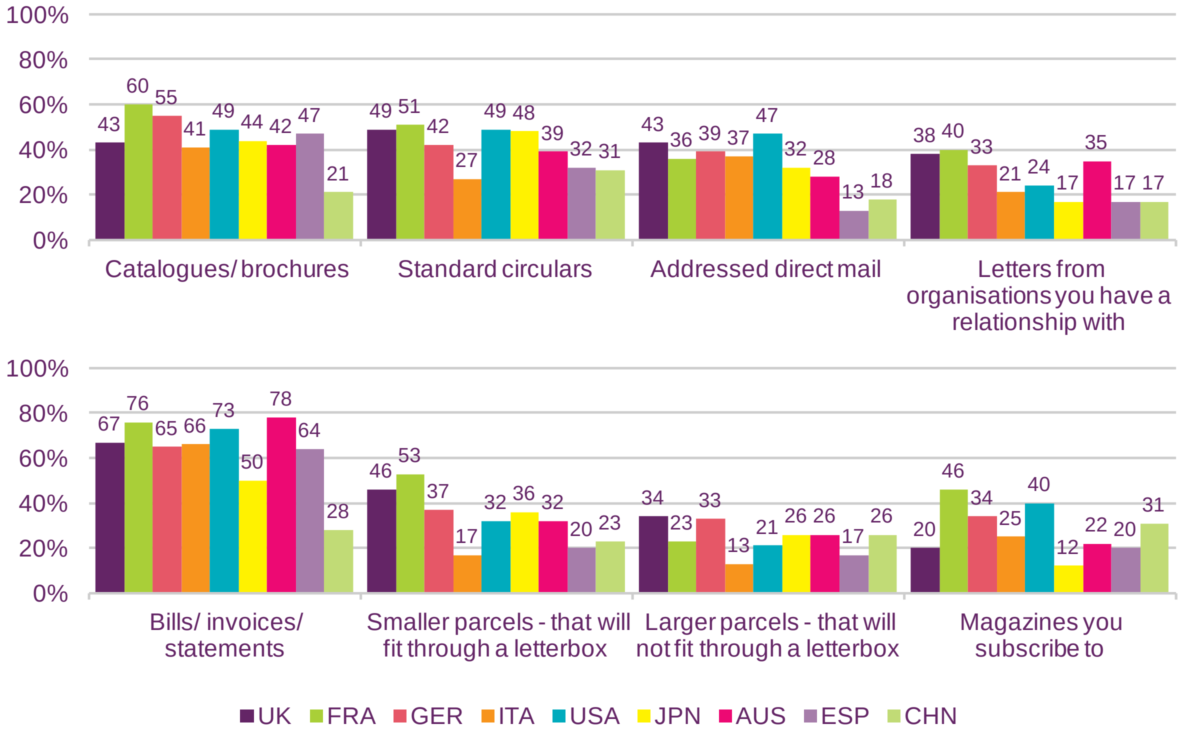


Source: Ofcom consumer research, September 2012
Q. Approximately how many items of post - including letters, cards and parcels - have you personally received in the last week? By this we mean just yourself, rather than anyone else in the household.
Base: All respondents, UK=1065, FRA=1016, GER=1024, ITA=1015, USA=1010, JPN=1004, AUS=1007, ESP=1001, CHN=1010

As well as receiving the highest average number of items, consumers in France are also more likely to receive magazines, letters from organisations, and catalogues, than those in any of the other countries surveyed. Those in the US are more likely to have received addressed direct mail and standard circulars (with 47% and 49% respectively claiming to have received these in the past month) although the proportion of consumers in the UK who had received these types of mail in the past month was also high (43% and 49% respectively).

In almost all countries, transactional mail in the form of bills, invoices and statements are the most commonly-received type of item.

Figure 7.20 Types of mail received



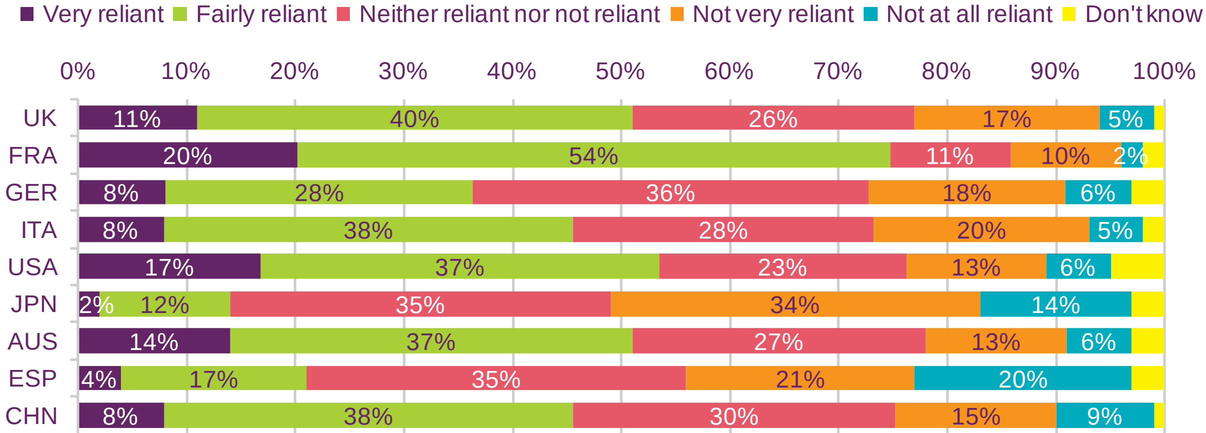
Source: Ofcom consumer research, September 2012
Q. Which of these types of items would you say you have personally received through the post in the last month?
Base: All respondents, UK=1065, FRA=1016, GER=1024, ITA=1015, USA=1010, JPN=1004, AUS=1007, ESP=1001, CHN=1010

7.3.4 Reliance on post

Consumers in France are far more likely to consider themselves to be reliant on post

We asked respondents how reliant on post they considered themselves to be, as a way of communicating. Consumers in France were most likely to consider themselves to be 'very reliant' (20%) or 'fairly reliant' (54%) among all the countries surveyed. People in the US were the next most likely to consider themselves reliant on post, with 17% considering themselves to be 'very reliant' and 37% 'fairly reliant'. Those in Japan were least likely to consider themselves reliant on post (14%), followed by Spain (21%). In the UK, 51% of people considered themselves to be reliant on post, the same as in Australia.

Figure 7.21 How reliant consumers perceive themselves to be on post, by country



Source: Ofcom consumer research, September 2012
Q. How reliant would you say you are on post as a way of communicating?
Base: All respondents, UK=1065, FRA=1016, GER=1024, ITA=1015, USA=1010, JPN=1004, AUS=1007, ESP=1001, CHN=1010