

Table of contents

Executive Summary	Page 2
Introduction.....	Page 3
Who is affected?	Page 4
The high cost of delivery	Page 5
Delivering for consumers?.....	Page 6
Retailers	Page 7
Conclusions	Page 8
Recommendations.....	Page 8
Acknowledgements	Page 9
References	Page 9

The Citizens Advice Service in Scotland

Citizens Advice Scotland and its member bureaux form Scotland's largest independent advice network. CAB advice services are delivered using service points throughout Scotland, from the islands to city centres.

The CAB Service aims:

to ensure that individuals do not suffer through lack of knowledge of their rights and responsibilities, or of the services available to them, or through an inability to express their need effectively

and equally

to exercise a responsible influence on the development of social policies and services, both locally and nationally.

The CAB Service is independent and provides free, confidential and impartial advice to everybody regardless of age, disability, gender, race, religion and belief and sexual orientation.

Executive summary

Citizens Advice Bureaux clients in rural and remote areas of Scotland are often refused delivery or charged more than people in urban areas when ordering goods online. Citizens Advice Scotland and Citizens Advice Bureaux across Scotland surveyed consumers during November 2011 to gauge attitudes towards and experience of delivery of goods bought online.

The responses show that many rural and island consumers are angry at what they see as discriminatory and unfair policies by online retailers including many household names. With the price of delivery sometimes outstripping the cost of the product, many consumers report abandoning online sales at the checkout or cancelling after purchase.

Our survey also shows a great deal of frustration at companies and couriers who appear to charge extra based on a post code area rather than the actual cost of delivery. Consumers say that such negative experiences lead them to avoid particular retailers and warn friends and family against shopping with them.

Citizens Advice Scotland urges retailers to:

- Ensure that they comply with the Consumer Protection (Distance Selling) Regulations 2000 by clearly displaying delivery costs on their website prior to the point of sale
- Reform their delivery policies to ensure that any charges are kept to a minimum and are based on actual costs incurred
- Offer delivery via Royal Mail wherever possible.

In addition, CAS is keen to see the Royal Mail's Universal Service Obligation maintained in order to protect rural and remote consumers from high costs for delivery.

We also suggest that work is undertaken to educate businesses about their obligations under the law and to encourage them to follow best practice guidelines on distance selling.

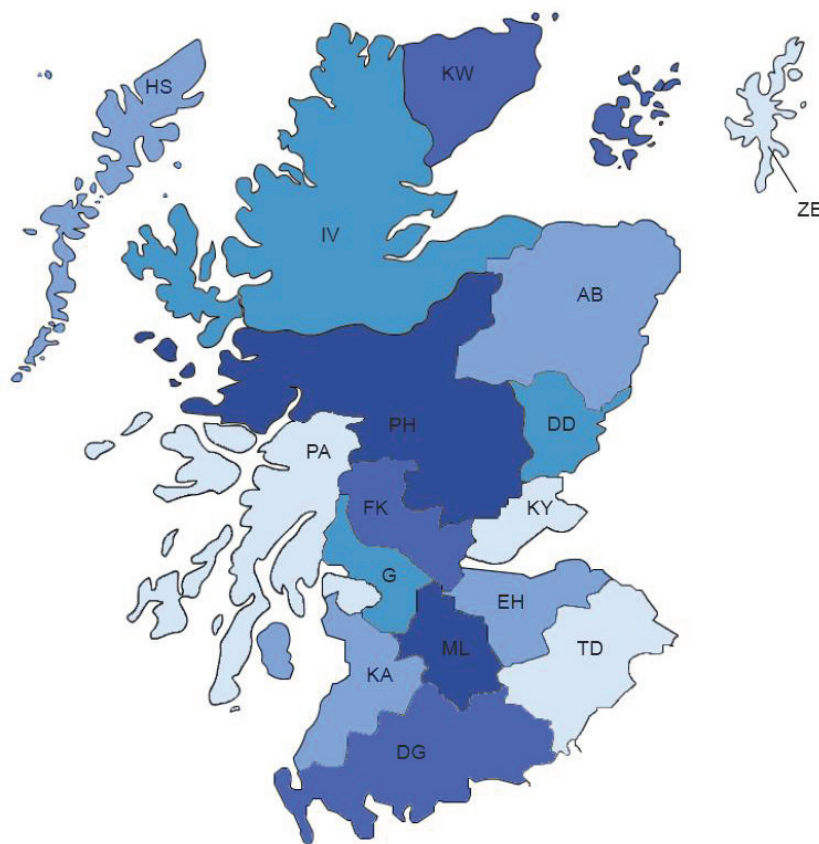
Introduction

A total of 863 consumers responded to the Citizens Advice Scotland survey and 757 people supplied their post code. This allowed us to analyse the data by post code area and by local authority area. Of the people who supplied their post codes, 38% were from the Highland Council area, 30% were from Orkney and 15% were from the Western Isles.

Other areas where problems with delivery were reported include Argyll and Bute (8.3%), Moray (2.4%) and Aberdeenshire (1.2%).

Figure 1 shows the different postcode areas in Scotland. Many respondents reported that they were often denied delivery or charged extra for it simply due to their post code.

Figure 1: Scottish postcodes



Postcode	Postcode area	Postcode	Postcode area	Postcode	Postcode area
AB	Aberdeen	HS	Outer Hebrides	PA	Paisley
DD	Dundee	IV	Inverness	PH	Perth
DG	Dumfries & Galloway	KA	Kilmarnock	TD	Galashiels
EH	Edinburgh	KW	Kirkwall	ZE	Lerwick
FK	Falkirk and Stirling	KY	Kirkcaldy		
G	Glasgow	ML	Motherwell		

Who is affected?



Although broadband take up in Scotland is lower than that of the rest of the UK, the Ofcom Communications Market Report 2011 shows that 78 per cent of adults in Scotland with a home broadband connection use the internet for purchasing goods and services. Of those surveyed by Ofcom, 28 per cent had bought goods or services online in the last week.¹

Similarly, research by Royal Mail shows that 32 million people intend to shop online for Christmas presents in 2011. That is 65 per cent of adults in the UK.²

Our survey showed that consumers in rural and remote Scotland regularly shop online. Over 86% of respondents said they ordered products or services online "More than 10 times a year".

Internet sales are a growing part of the UK economy, despite very low growth in other areas. The UK's

industry association for e-retailing, the Interactive Media in Retail Group (IMRG) puts e-retail sales in 2010 at £58.8 billion. IMRG suggests that more than one billion parcels are shipped from online purchases each year in the UK and e-retail parcel deliveries were worth £1.2 Billion in 2010.³

As well as the benefits to the economy, internet access and online shopping can also be of significant benefit to the consumer. A recent Office of National Statistics survey showed that 60 per cent of households said lower prices were key reasons for shopping online.⁴ The Race Online 2012 campaign estimates that households without internet access are missing out on savings of £560 per year from shopping and paying bills online. In addition, people living in 3.6 million low income households which are digitally excluded are missing out on annual savings of over £1 billion a year.⁵

However, despite the economic benefits of access to the internet and the potential savings for the consumer, people in rural and remote parts of Scotland report that high delivery costs are a strong disincentive to online shopping. In addition, consumers report that many companies simply refuse to deliver to certain areas of Scotland.

The high cost of delivery

“One website wanted a delivery charge of £55 to deliver an item retailing at £25.99!” (A consumer on the Isle of Lewis)

For consumers in remote and rural Scotland, the price of delivery is a key factor in deciding which retailer they bought from. A huge 97% of consumers we surveyed agreed that delivery charges affected their purchasing decision.

Over 99% of rural consumers said they would buy more regularly from a company with reasonable delivery charges. For 54% of respondents, a charge of £1.00-£4.00 was deemed reasonable, whilst 24% agreed that £5.00-£7.50 was acceptable. However 11% felt that delivery ought to be entirely free.

When asked whether they thought it was reasonable that companies charge more for delivery depending on their location, 89% of respondents said no. Several people replying to our survey commented that the Royal Mail’s universal service obligation meant that they received the same service at the same price regardless of where they lived. Consumers in rural and remote areas of Scotland strongly valued this service and were keen to see it continue.

A consumer in Skye told us:

“A company in Somerset wanted an extra £80 instead of the £20 for delivery. But I have been refused delivery full stop on many occasions from other companies because of being in the Highlands and Islands. Others would charge an extra £12 or more.”



An Orkney consumer wrote:

“eBay vendors can offer ‘Free’ shipping, but when you scroll down they (pretty much always) have a clause saying that to the Highlands & Islands is extra. I tried to buy a sink off a supplier through eBay and he quoted me a delivery charge of £110. I wanted to reply by asking if he was buying it a seat on the plane.”

And a customer in Argyll said:

“We always shop around, taking particular account of delivery charges. We are only three quarters of a mile from the main Glasgow to Campbeltown trunk road but we are often treated as if we inhabited some remote island. Many companies charge large postage fees anyway, even for small items that would fit in ordinary envelopes. If companies used Royal Mail where practicable instead of expensive carriers there would be no extra cost for “remote” addresses.”

Delivering for consumers?



As well as high charges, 84% of consumers said that they had been refused delivery because of their 'remote' location. Consumers in Orkney fared the worst with 93% having been refused delivery because of their location. Similarly, 91% of online shoppers in the Western Isles and 79% of Highland residents were refused delivery.

Several respondents expressed their frustration at getting to the checkout of an online retailer before discovering that the company would not deliver to them. Respondents also told us that certain retailers and couriers refuse to deliver to everyone in a particular post code, for example everyone with a post code beginning IV. Customers in Caithness who share the beginning of their post code with Orkney (KW) were particularly aggrieved at this practice, as they were often classed as 'offshore'. Citizens Advice Scotland believes that any delivery charge should be based on the actual costs incurred and should be kept as low as possible.

A consumer in Nairn said:

"Many companies have a surcharge for IV post codes - there is no justification for this given there are no issues of access and the road network is as good as it gets in the UK."

The Royal Mail currently delivers 99% of all UK mail. It is bound by a universal service obligation (USO) which requires that prices must be affordable and uniform throughout the UK. The USO also requires Royal Mail to provide for the delivery and collection of letters six days a week and postal packets five days a week. The regulation of Royal Mail by Ofcom makes their standard parcel service the only regulated parcel service in the UK. All other parcel delivery companies are free to charge whatever they see fit.

Since 2006 Royal Mail's volumes have dropped 25% despite a growth in delivery of items bought online. Consequently the part of Royal Mail responsible for delivering the universal service made a loss of £120m in 2010-2011. To guard against these losses, the regulator Ofcom is now considering changes to the USO which could see some price controls lifted, including those on parcels and packets.⁶

Given the evidence from our clients, Citizens Advice Scotland is concerned that changes to the USO could potentially increase the cost of delivery to consumers in rural and remote parts of Scotland. We would strongly urge against this.

Who's who of online retailers

Over two thirds of respondents to Citizens Advice Scotland's survey shared their experiences of particular companies and their charging policies. More than 300 different retailers were pinpointed by rural consumers as either charging high delivery prices or refusing to deliver to them at all. Many were household names, with several respondents commenting that private sellers on sites like Amazon and eBay often charged much more than it would cost to send the item by Royal Mail.

However, the majority of the companies named were smaller companies who may be unaware of their obligations under distance selling regulations. There may be a role for the Office of Fair Trading alongside Trading Standards and business organisations to support retailers to fulfil their legal duties and meet their customers' needs more effectively.

Best practice and legal obligations for retailers

All retailers who sell goods over the internet must display any 'additional freight, delivery or postal charges' clearly on their website, in line with the Consumer Protection (Distance Selling) Regulations 2000. These regulations cover all UK internet sales, and come from the EU Distance Selling Directive. This Directive states that 'in good time prior to the conclusion of any distance contract, the consumer shall be provided with...delivery costs, where appropriate'.

However, according to our survey the experience for consumers in rural and remote Scotland shows that some

retailers are failing to comply with these regulations.

This Orkney resident's experience reflects that of many other respondents:

"I am currently particularly annoyed by a company [...] who have 'Free Delivery' emblazoned across every single product on their website. Not to me it wasn't! £14.99. I don't mind paying extra if companies have to pay extra to reach us but the use of couriers is becoming more common, and they seem to think that we are somewhere off Australia."

A consumer in Lewis felt that the terms and conditions of another company were not clearly displayed:

"The website let me place an order for 3 bedside cabinets, added delivery of around £5, gave me the usual email to say we could track delivery. When next day I did the tracking, order was on hold (I hadn't been advised at all) When I rang to see why, they said that there was to be an extra charge of £55 for delivery. I cancelled the order & was promised that they would NOT take monies, but next day they had used my card details and taken payment, despite their earlier reassurances. [...] there was some very small print somewhere low profile embedded in their terms, that islands should call them re delivery charges - no one would ever see it."

Despite clear guidance from the Office of Fair Trading on when the distance selling regulations apply and how businesses can comply⁷, it is clear that many retailers either choose not to follow this or are unaware of their obligations.

Conclusions

The last decade has seen a huge rise in the number of people using the internet to buy goods and services and research shows that the digital economy is of growing importance to the Scottish and wider UK economy.⁸ In addition, consumers can now benefit from huge savings by purchasing goods online instead of on the high street, and conversely pay more if they don't have access to the internet.⁹

However consumers in rural and remote parts of Scotland are often excluded from the benefits of online shopping because of retailers that refuse to deliver to them or charge disproportionate amounts for delivery. Our survey shows that the appetite for online shopping is strong but poor practices such as those highlighted in this report may be cutting off demand. In the current economic climate, this is something that Scotland can ill afford.

Recommendations

Citizens Advice Scotland recommends that retailers:

- Ensure that they comply with the Consumer Protection (Distance Selling) Regulations 2000 by clearly displaying delivery costs on their website prior to the point of sale.
- Reform their delivery policies to ensure that any charges are kept to a minimum and are based on actual costs incurred.
- Offer delivery via Royal Mail wherever possible.

and that Ofcom:

- Maintains the Royal Mail's Universal Service Obligation in order to protect rural and remote consumers from high costs for delivery.

CAS also recommend that the Office of Fair Trading, Trading Standards, business organisations and consumer advocates including CAS undertake joint action to help businesses to understand and comply with their obligations and to better serve the needs of consumers.

Acknowledgements

This campaign would not be possible without the work of Citizens Advice Bureaux across Scotland. Thanks to Orkney CAB, Shetland CAB, WICAS, Caithness CAB, East Sutherland CAB, Skye & Lochalsh CAB, North and West Sutherland CAB, Ross & Cromarty CAB, Inverness CAB, Nairn CAB, Moray CAB, Turriff & District CAB, Lochaber CAB and Argyll & Bute CAB for running the survey. Particular thanks go to Angela Murphy, Bureau Administrator & Social Policy Coordinator at Skye & Lochalsh CAB for picking up this important issue and taking it nationwide.

References

- 1 Ofcom. *Communications Market Report: Scotland 2011*. August 2011. Available online [<http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/cmr11/scotland/>]. Accessed on 6 September 2011.
- 2 Royal Mail. *Early bird shoppers get Xmas wrapped – almost nine in ten online shoppers have purchased presents by 1 December*. 30th November 2011. Available online [<http://www.royalmailgroup.com/news/2011/early-bird-shoppers-get-xmas-wrapped-%E2%80%93-almost-nine-ten-online-shoppers-have-purchased-pres>]. Accessed on 30 November 2011.
- 3 IMRG. *Country Profiles*. Available online [<http://www.imrg.org/IMRGWebSite/user/pages/homepage.aspx>]. Accessed on 1 December 2011.
- 4 The Boston Consulting Group. *The Connected Kingdom: How the Internet is Transforming the UK Economy*. October 2010. Available online [<http://www.connectedkingdom.co.uk/the-report/>]. Accessed on 1 December 2011.
- 5 PricewaterhouseCoopers LLP. *Champion for Digital Inclusion: The Economic Case for Digital Inclusion*. October 2009. Available online [http://raceonline2012.org/sites/default/files/resources/pwc_report.pdf]. Accessed 1 December 2011.
- 6 Ofcom. *Securing the Universal Postal Service: Proposals for the future framework for economic regulation*. October 2011. Available online [<http://stakeholders.ofcom.org.uk/binaries/consultations/securing-the-postal-service/summary/condoc.pdf>]. Accessed on 1 December 2011.
- 7 Office of Fair Trading. *A guide for businesses on distance selling*. September 2006. Available online [http://www.offt.gov.uk/shared_offt/business_leaflets/general/oft698.pdf]. Accessed 1 December 2011.
- 8 The Boston Consulting Group. *The Connected Kingdom: How the Internet is Transforming the UK Economy*. October 2010. Available online [<http://www.connectedkingdom.co.uk/the-report/>]. Accessed on 1 December 2011.
- 9 PricewaterhouseCoopers LLP. *Champion for Digital Inclusion: The Economic Case for Digital Inclusion*. October 2009. Available online [http://raceonline2012.org/sites/default/files/resources/pwc_report.pdf]. Accessed 1 December 2011