The Communications Market 2016

6 Post

Contents

6.1 Key market developments in post

6.1.1 Sector overview

With nearly a quarter of adults (23%) claiming that they prefer to shop online, the demand for parcel services is high. Research shows that shoppers value the ability to shop whenever they like and have their purchases delivered to their door. As such, home delivery rather than click-and-collect remains the most popular option for purchases. The majority of adults are aware of same-day and next-day delivery, although in most cases less than 50% of people had used them.

The letters sector continues to decline, with addressed letter volumes falling by 3.7% to 12.2bn in 2015. Access mail volumes rose very slightly and made up 58% of the addressed letter sector in 2015. The volume of addressed letters handled by end-to-end operators other than Royal Mail fell by 57% to 68m in 2015, primarily due to Whistl's withdrawal from the sector in June 2015. Business mail makes up nearly half of all addressed letter mail by revenue. In the parcels sector, multiple providers offer delivery services across the UK. We will be publishing more data on the parcels sector in our annual monitoring update later this year.

Generally, adults in the UK say they value postal services. The average number of items sent per month rose to 6.6 in 2015, of which 1.2 items on average were parcels. A majority of adults had not changed their use of post, compared to two years ago, and a majority do not expect their use of post to change in the next two years. Personal mail is the most common type of mail sent each month, albeit lower for the youngest adults (16-34s). A majority of adults say that they would feel cut off from society if they couldn't send or receive post, and six in ten adults say they are very or fairly reliant on letters and cards as a way of communicating.

Despite this, the use of digital substitutes remains high. Email, text messaging and mobile phone calls remain the most popular substitutes for post, with a majority of adults in the UK (56%) saying that they prefer to send emails rather than letters whenever possible. Nearly half of all adults (47%) say that they only use post if there is no alternative.

Figure 6.1 UK postal services: industry key metrics

UK postal services industry	2010	2011	2012	2013	2014	2015
Addressed letter volumes	15.6bn	14.6bn	13.5bn	12.9bn	12.7bn	12.2bn
Addressed letter revenues	£4.1bn	£4.1bn	£4.2bn	£4.2bn	£4.3bn	£4.2bn
Proportion of access in total mail	44%	49%	54%	56%	56%	58%
Letter volumes delivered by operators other than Royal Mail	11.3m	8.5m	18.0m	56.1m	158.5m	67.6m
Direct mail share of total advertising spend	15.9%	14.9%	14.5%	14.1%	13.9%	14.1%

Source: Royal Mail Regulatory Financial Statements, Royal Mail Wholesale, Royal Mail Group Annual Reports, AA/Warc.
Note: Royal Mail calendar year volume figures are derived from Ofcom calculations based on financial year figures in Royal Mail's Regulatory Statements and unaudited submissions to Ofcom and are therefore not directly comparable with Royal Mail's published accounts. Royal Mail figures relate to the 'Reported Business'. Earlier data are not comparable. Figures are nominal.

6.1.2 Cheaper, faster and better? Online shopping and parcel delivery in the UK

The UK leads the way in online shopping

The UK is increasingly a nation of online shoppers. It was noted in Ofcom's *International Communications Market Report 2015* that spend on e-commerce in the UK was £1591 per head in 2014; this was 50% higher than in the US, which was the next highest-valued market. The Office for National Statistics reported that the amount spent online in the UK in May 2016 accounted for 14.3% of all retail spending excluding automotive fuel, compared with 12.1% the previous year.[103]

The growth in online shopping is seen as a driver of the parcels sector in the UK. Royal Mail estimates that the total blended market of parcels will grow at 4% per year in the medium term, and that its returns volumes have grown by 24% in the past year.[104]

Below, we explore the online shopping and delivery sector, and examine the use of online shopping and customers' reported attitudes and experiences.

The willingness and desire to shop online is high

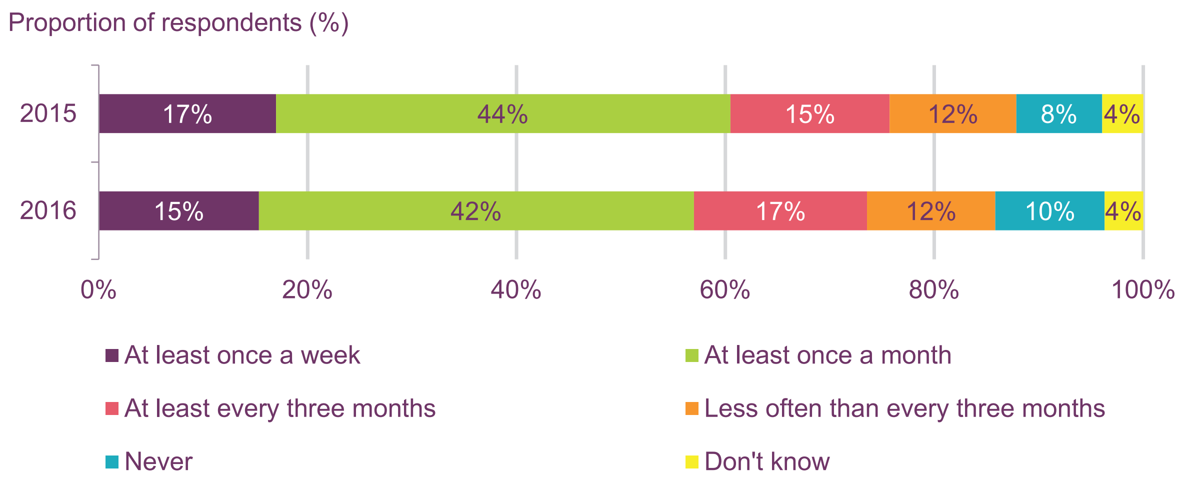
When YouGov asked UK adults about their preferred way of shopping, 23% said they preferred to shop online. Nearly half (46%) said they 'might shop online', depending on the product they were purchasing.

Research from Ofcom's *2015 Residential Postal Tracker* showed that nearly three-quarters of the adults (72%) surveyed had at some point ordered items to be delivered by post. This was more common among adults in the ABC1 group (80%) and respondents in rural locations (82%). Over-55s were the least likely to have ordered items to be delivered through the post, although a majority (60%) had done this.

The YouGov research noted that the number of adults who frequently shop online remains high. In 2016, only one in ten adults (10%) said that they never shopped online, while 15% said that they shopped online at least once a week.

[103] See section 6: *Internet sales in detail* of the Office for National Statistics' *Retail sales in Great Britain: May 2016 statistical bulletin*, https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/may2016,
[104] See page 8 of Royal Mail's Annual Report and Financial Statements 2015-16, http://www.royalmailgroup.com/sites/default/files/Annual%20Report%20and%20Accounts%202015-16_0.pdf.

Figure 6.2 Frequency of online shopping



Source: YouGov Reports, Innovations in Retailing 2016, fieldwork March 2016.
Base: nationally representative adults 16+, 2016: 2003, 2015: 2114
Q5: How often do you purchase products online (including via your mobile)?

'You can shop at a time convenient to you'

When asked about shopping online by YouGov, respondents agreed most commonly that 'you can shop at a time convenient to you' (62%). Delivery-related answers were also frequently chosen, such as 'I like the fact that the items are delivered direct to your door' (51%) although respondents also highlighted that 'It is a hassle when you have to return items' (38%) and '[I] do not like having to wait in for deliveries' (26%). When presented with the statement 'I do not like having to wait for my purchases to be delivered', over-55s are less likely than any other age group to agree (10%).

However, the study found that in-store shopping was appealing to some, as a large number of adults (65%) agreed with the statement 'I like being able to see, touch and try on the products before I buy'. The immediacy of in-store shopping was also highlighted, with half of the respondents (50%) agreeing with the statement 'I like being able to make the purchase and take it home with me'.

These findings may suggest that customers value immediacy and convenience wherever they shop. Fast, convenient delivery options and a smooth process for returns appeal to customers who say they like to 'try before they buy'. This might mean that a merged approach – perhaps the ability to try items ordered online at collection or return to a local store – might be a way to keep customers shopping happily online.

The challenge of 'quick and efficient delivery' at little customer cost

Adults in the UK appear to expect quick deliveries when ordering online. When asked by YouGov about acceptable delivery times for items excluding large goods/furniture, delivered from within the UK, the majority of people (51%) indicated that between one and three days would be considered acceptable, followed by just under a third (32%) who said between four and six days (32%). Only one in ten people (10%) considered any time greater than six days acceptable.

The YouGov survey shows that adults are more willing to wait for parcels delivered from overseas. A third of adults (33%) said that they would be willing to wait between seven and ten days for items excluding large goods/furniture. This was the most common response, followed by between 11 and 14 days (22%), between four and six days (11%), and up to three weeks (11%). Only 4% of respondents said they would expect to wait only between one and three days.

Data produced by IMRG/MetaPack show that 60% of domestic deliveries scheduled between January and December 2015 were economy delivery services (i.e. deliveries without an assured day or time slot, excluding next day). Just under four in ten (38%) deliveries were scheduled using specified-day services including next day, same day and nominated day. The remaining deliveries were sent using specified-time services. Purchasing habits continue to show a preference for economy delivery, which may reveal a desire for lower-price delivery.

In the YouGov survey, respondents were asked whether they would be willing to pay more for enhanced delivery features such as a faster delivery time, real-time tracking or changing delivery details after placing their order. A majority of respondents (55%) would not be prepared to pay to upgrade their deliveries at all. Less than one in five adults said they would be willing to pay for a 'faster delivery time' (16%) or a 'specified delivery time slot' (13%).

New delivery options are being trialled

A number of companies are developing or trialling new services or products for parcel delivery. None of the services described below have launched across the UK yet, but they illustrate some of the innovations that might develop in the next few years.

Starship Technologies has trialled local self-driving delivery robots on the streets of Greenwich in south-east London. Each robot buggy is designed for local delivery of goods and groceries within a three-mile radius. The robots navigate the pavements on six wheels and each is equipped with technology to help it avoid collisions. The compartment of the robot buggy is locked throughout the journey and can only be opened by the intended recipient at the point of delivery. It was announced in June 2016 that Hermes would be testing delivery with Starship Technologies in Germany in the summer.

DHL announced in May 2016 that it had trialled parcel delivery by remotely-operated drone between January and March 2016. The operation resulted in 130 successful drone deliveries of 'urgently needed medicine or last-minute sports equipment' to the Bavarian village of Reit im Winkl. DHL said that these deliveries involved heavy loads, long distances and difficult mountain terrain. Drone delivery is also being developed by other operators.

The survey explored the factors that can affect willingness to buy products online. Four in ten adults (42%) said that concerns over the delivery of their items had stopped them completing their purchase. Of those adults, a majority (52%) reported that this was because 'delivery charges were too high', two in five (42%) said they thought that the 'delivery time was too long' and one in five (18%) said they were put off because return charges were too high.

Compared to the previous year, the number of respondents who said that the delivery time was too long was down by 9pp. This may be because retailers are offering faster and more specified delivery options so online shoppers are finding delivery more convenient.

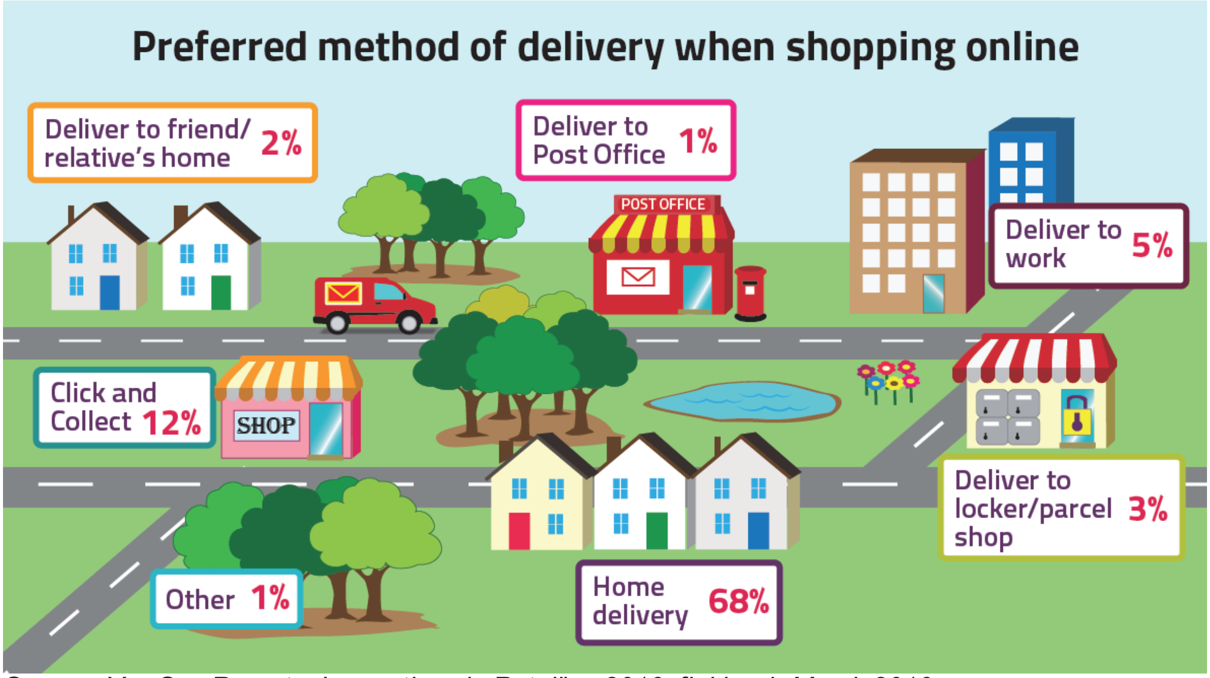
Figure 6.3 Reasons for stopping an online order

Source: YouGov Reports, Innovations in Retailing 2016, fieldwork March 2016
Base: All adults aged 16+ who have not ordered a product due to delivery concerns, 2016: 842, 2015: 937.
Q19: Why did your concerns regarding delivery stop you from ordering the product? Please choose all that apply.
Note: Three options were asked in 2016 for the first time so have no 2015 comparison.

The house, the locker and the shop – convenience of delivery

Online shoppers now have a number of options for delivery, including home delivery, 'click and collect' services in store, collection from a third-party parcel shop, and parcel locker collection, among others. Despite this, seven in ten (68%) adults in a YouGov survey expressed a preference for home delivery when asked about delivery of their online shopping. This was more than five times greater than those who said that they would prefer 'click and collect' (12%). No other option received a preference higher than 5%, including 'delivery to where you work' and 'delivery to a parcel locker or parcel shop'.

Figure 6.4 Preferred method of delivery when shopping online



Source: YouGov Reports, Innovations in Retailing 2016, fieldwork March 2016
Base: nationally representative adults aged 16+,2016: 2003. 'Don't know' (7%) responses not shown.
Q15: Now thinking about shopping online (including via your mobile) and the delivery of your purchases, in general which of the following do you prefer?

When asked why they preferred home delivery over 'click and collect', seven in ten adults (71%) said that it was 'more convenient'. This might partly be explained by the fact that one in three adults said that it was difficult to get to the shops or collection point (32%), or that they did not have the time to collect their parcels (27%). Nearly half of the adults who preferred home delivery (44%) said this was perfect for larger or heavier deliveries. Only around one in ten adults mentioned the availability of alerts or tracking (13%) or same-day/within-the hour delivery (7%) as a reason for preferring home delivery.

Over one in ten adults (12%) said they preferred 'click and collect' over home delivery. The most popular reasons for this were the convenience of being able to choose when to collect an order (68%), avoiding delivery charges (44%) and difficulty in arranging a time for home delivery (41%).

Although home delivery remains the most popular, more than a quarter of adults (26%) say they do not like having to wait in for their delivery. Shoppers' habits appear to be driven by their desire for convenience and this might mean something different to each shopper, including home delivery and click and collect.

Faster delivery options are available

Customers across the UK can now benefit from faster delivery than ever before. Same-day or within-the-hour delivery allows shoppers in certain geographic areas to receive their parcels shortly after placing the order. These services are now available from some online retailers, often at an additional cost.

Are same-day and within-the-hour the same?

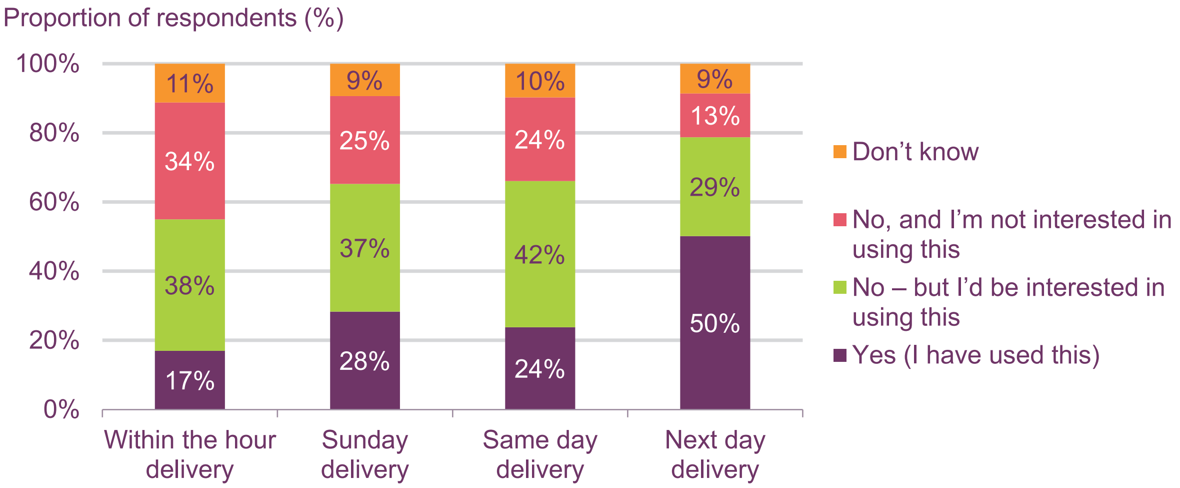
Same-day delivery is when parcels are delivered on the same day that the order was placed. These deliveries often have latest order times earlier in the day to ensure that delivery can be made that day, but tend to be offered on a wider selection of products. Examples include Argos Fast Track delivery, which offers same-day delivery by 10pm for orders placed before 6pm that day, from £3.95, and Amazon Prime. Similar same-day services are offered by retailers including eBay, Schuh and Hotel Chocolat in partnership with Shutl.

Within-the-hour delivery is when parcels are delivered within a few hours of the order, usually within a shorter timescale and smaller geographic area than same-day delivery. One example is Amazon Prime Now, which allows Amazon Prime customers to order a selection of goods for same-day delivery in slots as narrow as one hour. Amazon Prime Now launched in Sheffield - its tenth location - in 2016.

Awareness of faster, or Sunday, delivery options is generally high among adults in the UK. YouGov found that nine in ten adults (89%) were aware that next-day delivery was possible and seven in ten (69%) were aware of same-day delivery. Awareness was lowest for within-the-hour deliveries; only 38% knew that this was possible.

However, reported use of these services tends to be much lower. Fifty per cent of respondents said they had used next-day delivery at some point, and another three in ten (29%) said that they would be interested in using it. But less than one in five adults (17%) said they had used within-the-hour delivery, with four in ten (38%) indicating they would be interested in using it. As these delivery options tend to be charged at a premium, lower use of faster or specified services might result from unwillingness to pay for delivery upgrades.

Figure 6.5 Use of faster or Sunday delivery options



Source: YouGov Reports, Innovations in Retailing 2016, fieldwork March 2016.
Base: nationally representative adults aged 16+, 2016: 2003.
Q24: Have you ever used, or would you be interested in using same day delivery, within the hour delivery, Sunday delivery, and/or next day delivery?

6.2 The postal industry

6.2.1 Introduction

This section explores some of the developments and trends in the UK postal sector. It includes information on volumes, revenues, access and end-to-end competition, and letter and parcel prices for Royal Mail's products. It also gives a brief overview of the reasons why letter mail is used (applications) and how this is changing over time.

6.2.2 Addressed letter volumes

Addressed letter volumes fell by 3.7% in 2015

Addressed letter volumes fell again in 2015, and at a faster rate than the previous year. This accelerated rate of decline may be a result of continued switching of mail to other forms of communication. Royal Mail reported that the year-on-year rate of decline for 2015-16 was better than expected; decline was lower than its forecast of between 4% and 6%, primarily due to the return of end-to-end letter volumes following Whistl's exit. Royal Mail expects continued decline in addressed letter volumes in coming years.[105]

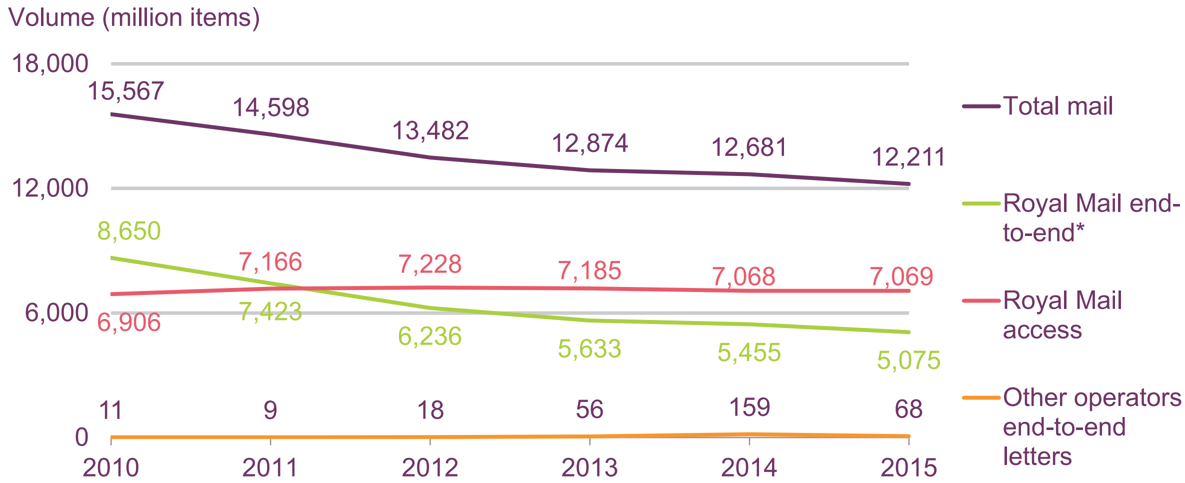
The volume of end-to-end addressed letters handled by Royal Mail fell by 7% to 5.1 billion items. In the five years since 2010, the volume of Royal Mail's end-to-end addressed letters has fallen by over 3.5 billion.

Access volumes slightly increased in 2015 and remain at around 7.1 billion items. This small increase is likely to be driven primarily by the return of some of Whist's end-to-end volumes to the access market following its exit from the end-to-end letter delivery sector in June 2015.

---

[105] See page 32 of Royal Mail's Annual Report an Financial Statements 2015-16, http://www.royalmailgroup.com/sites/default/files/Annual%20Report%20and%20Accounts%202015-16_0.pdf

Figure 6.6 Addressed letter volumes: 2010-2015



*Source: Royal Mail Regulatory Financial Statements, operator returns to Ofcom, Ofcom estimates. Royal Mail calendar year volume figures are derived from Ofcom calculations based on financial year figures in Royal Mail's Regulatory Statements and unaudited submissions to Ofcom and are therefore not directly comparable with Royal Mail's published accounts. Royal Mail figures relate to the 'Reported Business'. *Royal Mail end-to-end is an Ofcom calculation and refers to Royal Mail total letters volumes excepting access. Royal Mail access volumes are as per its Regulatory Financial Statements and include a small amount of parcels. The effect of this is that Royal Mail's access volumes are slightly overstated and its end-to-end volumes are slightly understated. Earlier data are not comparable.*

6.2.3 Addressed letter revenues

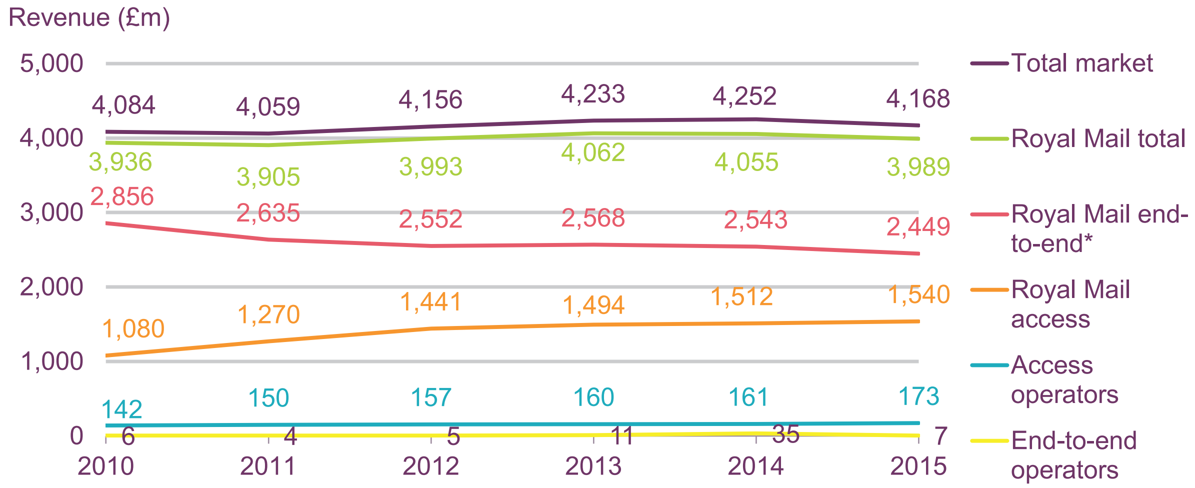
Addressed letter revenues fell by 2.0% in 2015

Addressed letter revenues fell by around £83m to around £4.2bn, down by 2.0% in 2015. Royal Mail accounts for the overwhelming majority of the revenue in the addressed letter sector (c. 96%). While the revenues generated by access operators rose by a small amount in 2015, this was not enough to offset the losses from Royal Mail and other end-to-end delivery operators.

Royal Mail's total addressed letter revenues fell by £66m to just below £4.0bn in 2015. This was a result of a decline in end-to-end addressed letter revenues of around £94m (3.7%) to £2.45bn. However, the small increase in Royal Mail's access revenues offset this to some extent, increasing by £28m (0.1%) to £1.54bn.

Access operators generated revenue of £173m in 2015. Other end-to-end operators generated £7m in addressed letter revenues in the same year. We expect other end-to-end operators' letter revenues to decline slightly in 2016, given Whistl's decision in mid-2015 to stop delivering letters.

Figure 6.7 Addressed letter revenues: 2010-2015



*Source: Royal Mail Regulatory Financial Statements, operator returns to Ofcom, Ofcom estimates. Royal Mail calendar year revenue figures are derived from Ofcom calculations based on financial year figures in Royal Mail's Regulatory Statements and unaudited submissions to Ofcom and are therefore not directly comparable with Royal Mail's published accounts. Royal Mail figures relate to the 'Reported Business'. *Royal Mail end-to-end is an Ofcom calculation and refers to Royal Mail total letters revenues excepting access. Royal Mail access revenues are as per its Regulatory Financial Statements and include a small amount of parcels. The effect of this is that Royal Mail's access revenues are slightly overstated and its end-to-end revenues are slightly understated. Earlier data are not comparable. Figures are nominal.*

6.2.4 Addressed letter competition

Within the postal sector, there are two main forms of competition: end-to-end and access. Access has been the predominant form of competition since the first access contract was signed in 2004.

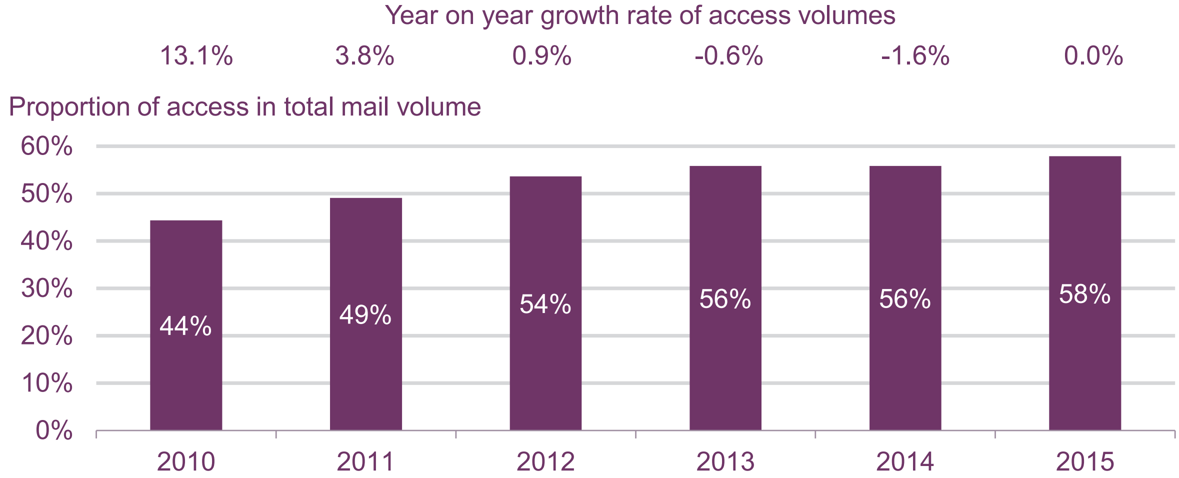
End-to-end competition is where mail is collected, sorted and delivered by an operator other than Royal Mail. There are currently no other national end-to-end postal operators, although there are a number of smaller operators delivering in specific geographic areas.

Access competition is where the collection and sortation is handled by an alternative operator which then transports it to Royal Mail's inward mail centres. From here, Royal Mail delivers the mail to the intended recipient. Royal Mail is subject to a regulatory condition requiring it to offer access to other operators for letters and large letters at its inward mail centres. This enables other operators to offer letter postal services to business customers without the need to establish a national delivery network.

Access mail now makes up 58% of total letter volumes

Access mail volumes increased very slightly this year (by less than 0.1%). However, the shrinking volumes of the total addressed letters sector means that the proportion of access in total mail increased to 58% - nearly six in every ten addressed letters are now handled by an operator other than Royal Mail. This is the first rise in the volume of access mail since 2012, and may be due to Whistl stopping its end-to-end letter delivery operations.

Figure 6.8 Proportion of access in total letters mail: 2010-2015



Source: Royal Mail Regulatory Financial Statements, Operators' returns, Ofcom estimates

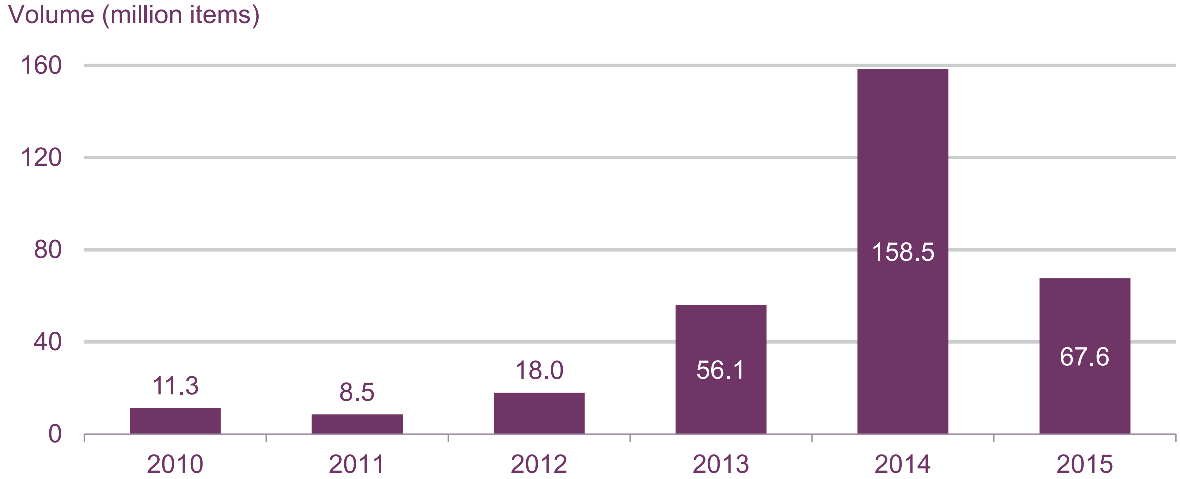
Operators other than Royal Mail delivered 68 million items in 2015

Operators other than Royal Mail also deliver letters end-to-end in some parts of the UK. In 2015, other operators were responsible for the end-to-end delivery of 68 million addressed letters. This represents around six in every thousand letters delivered across the UK.

The volume of letters delivered end-to-end by operators other than Royal Mail in 2015 fell by around 91 million since the previous year, representing a year-on-year decline of 57%. This was driven predominantly by Whistl's withdrawal from end-to-end letter delivery services in June 2015, from its peak of 158.5 million items in 2014. All other things being equal, we would expect end-to-end letter volumes to reduce again in 2016 as an ongoing effect of Whistl's decision.

Excluding Whistl, letter volumes delivered by other end-to-end operators were broadly stable throughout 2015. Cycle-based operators Velopost (which delivers in Bristol, Bath and Edinburgh) and Yellow Jersey Delivery (Coventry) have had the largest proportional increases in volumes over the year. In 2015, Velopost began to offer its delivery services to individual users through stamps and access points in local shops.

Figure 6.9 Other operators' end-to-end delivered volumes: 2010-2015



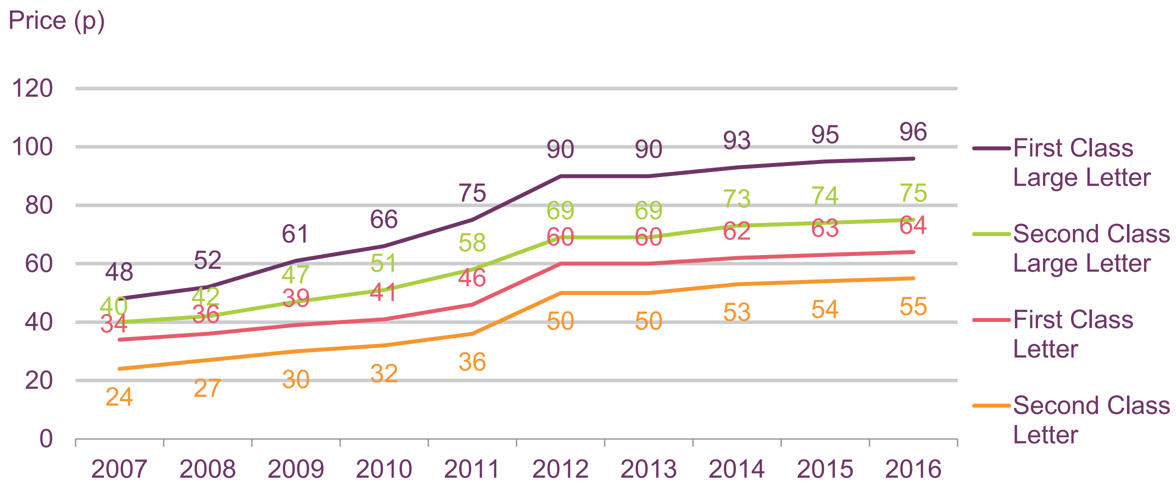
Source: Ofcom analysis of operators' returns

6.2.5 Letter and parcel single-piece prices

Stamp prices increased in 2016 for the third consecutive year

Stamp prices for letters and large letters went up at the end of March 2016. Prices for First Class and Second Class letters and large letters went up by 1p. A First Class stamp now costs 64p and a Second Class stamp now costs 55p.

Figure 6.10 Royal Mail First and Second Class single-piece stamp prices: 2007-2016



Source: Royal Mail. Figures are nominal. Prices refer to Royal Mail First and Second Class Standard and Large Letter list prices for letters up to 100g.

Royal Mail increased the prices of its First and Second Class small and medium parcels paid for over the counter, but froze online prices

From the end of March 2016, Royal Mail increased the prices of its First and Second Class small and medium parcels when bought over the counter. To send a Second Class small parcel now costs £2.85 and to send a Second Class medium parcel costs £4.95. Royal Mail reduced the price of its Second Class medium parcel by 31p in 2015 but introduced a 6p increase in 2016.

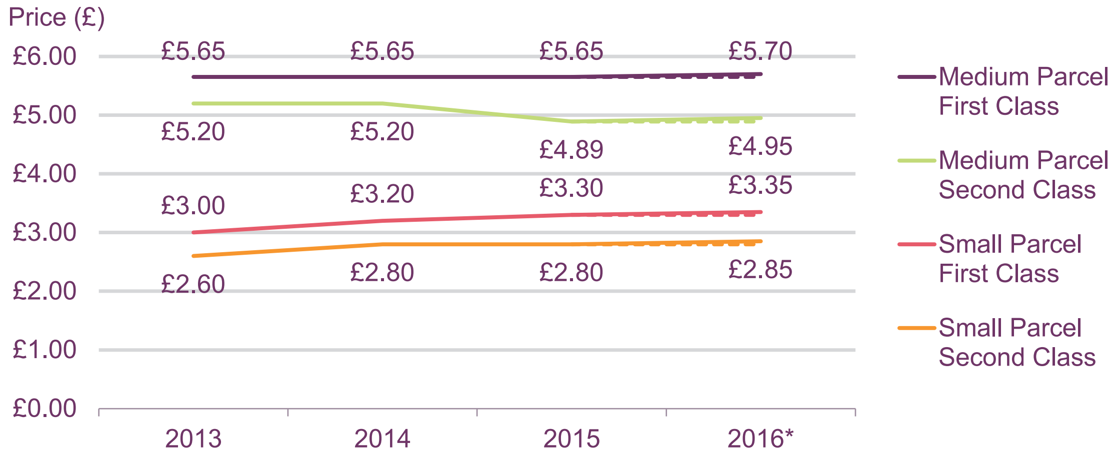
Royal Mail now offers a different price for parcel postage when bought online.[106] First and Second Class small and medium parcels bought online did not increase in price between 2015 and 2016. To send a Second Class small parcel with postage bought online costs £2.80.

Ofcom has conducted analysis on the prices of next-day and later-than-next-day parcel services from alternative providers as part of its *Review of the Regulation of Royal Mail*. These can be found in Annex 8 of the consultation document on our website.[107]

---

[106] The online price is available for postage purchased through Royal Mail Online Postage, Royal Mail Click & Drop and partner online channels including eBay Online Postage, PayPal and Amazon).
[107] See pages 100 and 101 of Annex 8 of the document *Review of the Regulation of Royal Mail*, http://stakeholders.ofcom.org.uk/binaries/consultations/royal-mail-review/annexes/Annexes-5-11.pdf

Figure 6.11 Royal Mail First and Second Class small and medium parcel prices: 2013-2016



Source: Royal Mail. Figures are nominal. Prices refer to Small Parcels (up to 45cm x 35cm x16cm) weighing up to 1kg and Medium Parcels (up to 61cmx46cmx46cm) weighing up to 1kg. Note: In 2016, Royal Mail introduced a different price for parcel postage bought online rather than in-store. Dashed line shows online prices.

Royal Mail offers lower prices to business customers

Royal Mail is able to offer discounted prices to some of its larger senders of mail. Customers with a franking machine or with an online business account with Royal Mail can send Second Class letters from as little as 37p.

Senders of bulk mail also qualify for discounts, based on the number of letters they send, or the way they present their mail. Different prices are available based on the type of mail that is being sent, including advertising mail and publishing mail.

Royal Mail publishes a business price guide on its website with further information.[108]

6.2.6 Uses of mail in industry

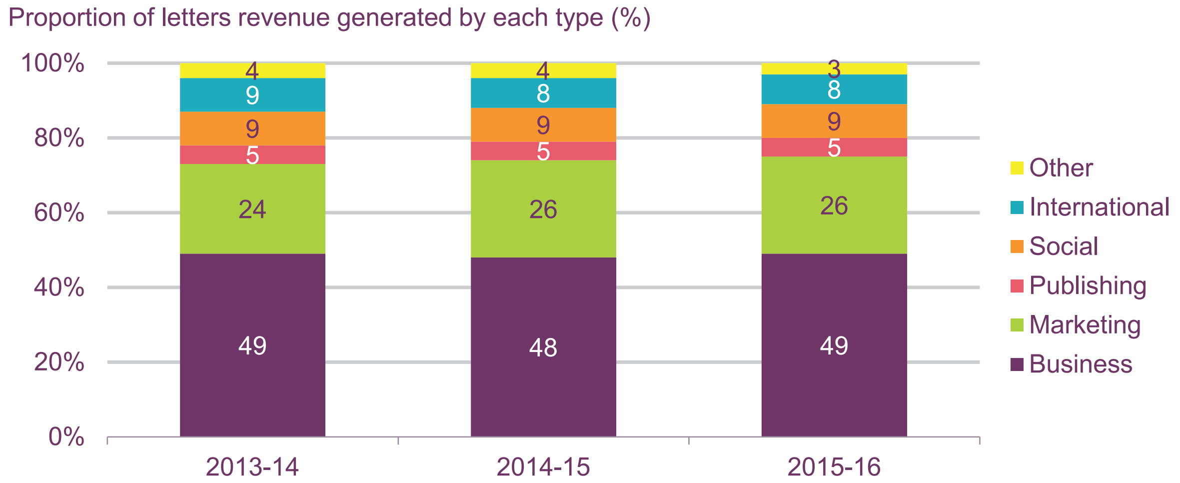
Three-quarters of letter revenue comes from business and marketing mail, and less than a tenth from personal letters

The proportions of letter revenue by application have remained fairly stable for a number of years, as shown in Figure 6.12. Business mail, which is primarily made up of transactional mail such as bills or statements, accounts for nearly half (49%) of all letter revenue. Marketing mail, which includes addressed advertising, accounts for 26% of all letter revenue.

Social mail, which is made up of letters sent between consumers, makes up just under one in every ten letters (9%) by revenue. But as social mail is generally sent with stamps, which cost more per item than bulk mail, we expect that social mail will make up a smaller proportion of total mail by volume.

[108] http://www.royalmail.com/sites/default/files/RM_Business_Price_Guide_Mar_2016_ENG_V8.pdf

Figure 6.12 Letter revenue, by type of mail: 2013-14-2015-16



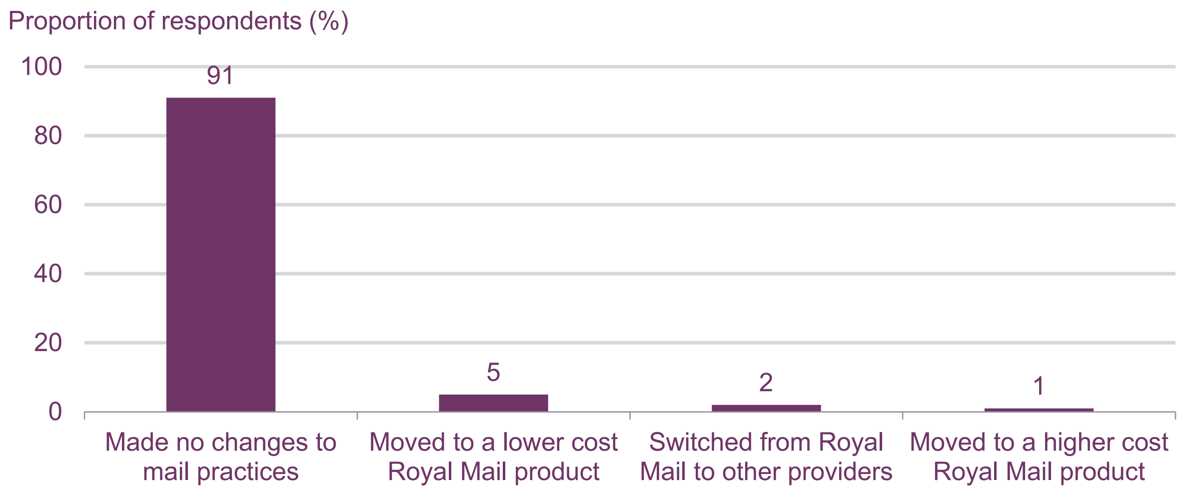
Source: Royal Mail plc, full year 2015-16 results, Royal Mail plc, full year 2014-15 results, and Royal Mail plc, full year 2013-14 results.
Note: relates to Royal Mail revenue and not the total market, so accounts for c.95% of total revenue

Nine in ten businesses have not changed their mail practices in the past year

As part of Ofcom's *Business Postal Tracker* survey, small and medium businesses were asked whether their mailing habits had changed in the past 12 months. Nine in ten businesses (91%) who used Royal Mail services said they had made no changes to their mail practices. One in twenty businesses (5%) said that they had moved from higher-cost to lower-cost Royal Mail products. Only 2% of respondents said they had switched away from Royal Mail to another service provider.

Businesses which said they regularly fulfilled orders using mail were the most likely to say they had switched to a lower-cost Royal Mail product or to another provider.

Figure 6.13 Businesses' changes in mail practices over the past year



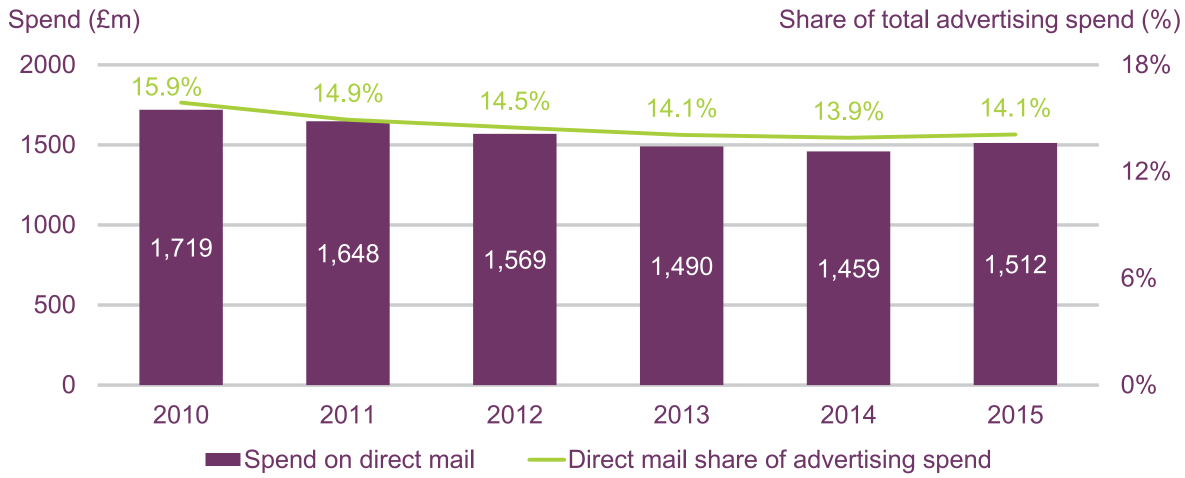
Source: Ofcom Business Postal Tracker 2015
Base: All respondents using Royal Mail services (n=1185)
QV7a: In the last 12 months, has your organisation…

Spend on direct mail advertising increased in 2015 for the first time in five years

As shown in Figure 6.14, advertisers spent just over £1.5bn on direct mail advertising in the UK in 2015. Spend on direct mail rose by 3.6% compared to 2014. These figures represent spend on the production and postage of direct mail advertising.

The proportion of total advertising spend accounted for by direct mail also increased in 2015, up by 0.2pp on 2014. This means that direct mail accounted for a similar proportion of total spend as in 2013.

Figure 6.14 UK direct mail advertising spend and share of total advertising: 2010-2015

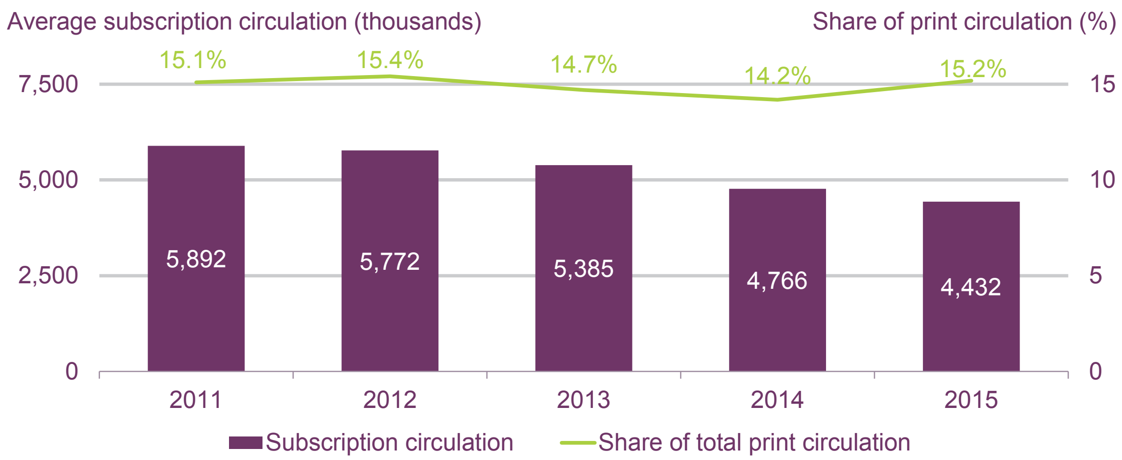


Source: AA/Warc Advertising Expenditure report. Figures are nominal

The volume of consumer magazine subscriptions, typically sent and delivered by post, fell by 7% year on year

The average circulation for consumer magazines fell from 4.8 million in 2014 to 4.4 million in 2015. This is a further year of decline in average circulation figures. However, the share of total print circulation that was made up of subscriptions rose to 15.2%. This suggests that the decline in total circulation was greater than that of subscription sales overall.

Figure 6.15 Magazine subscription circulation: 2011-2015



Source: Mediatel/ABC, 6-monthly average circulation and subscription sales

6.3 People's use of post

6.3.1 Introduction

This section presents some of the highlights of Ofcom's research into consumers' use of, and attitudes towards, postal services in the UK. The data presented here are sourced primarily from Ofcom's *Residential Postal Tracker* which has been running since July 2012.

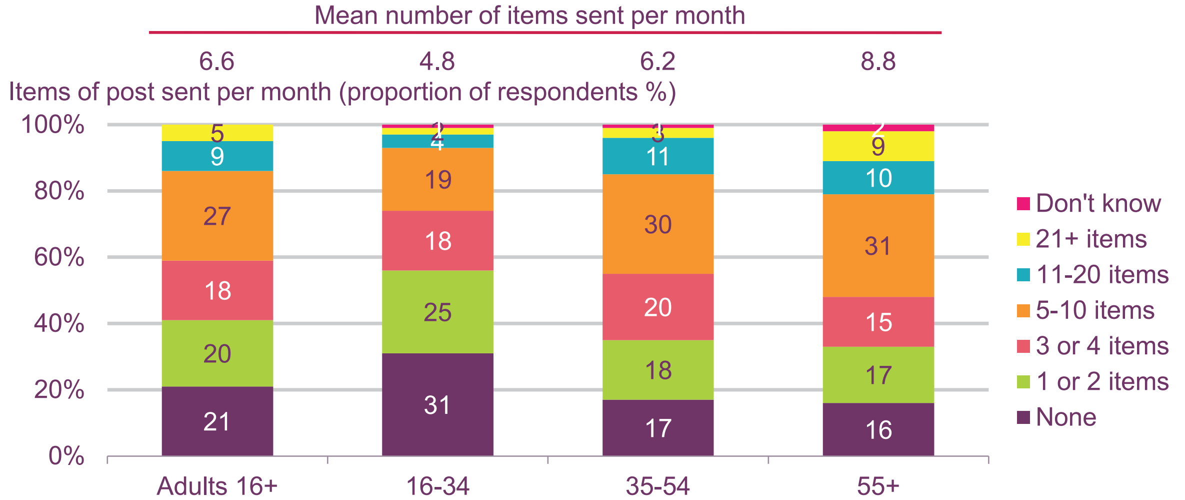
6.3.2 Sending post

One in five adults had not sent any items of post in the past month

The majority of adults (79%) had sent some post in the past month, with just over a quarter (27%) sending between five and ten items.

The average number of items sent per month is 6.6, but this is reportedly much lower for those aged 16-34, as shown in Figure 6.16. The younger age group are the most likely to have sent no items, with almost a third (31%) saying they had not sent an item of post in the past month. This is almost double the proportion of respondents (16%) aged 55+ who said this. Nearly one in five (19%) of those aged 55+ said they had sent more than 11 items of post in the past month.

Figure 6.16 Number of items sent per month



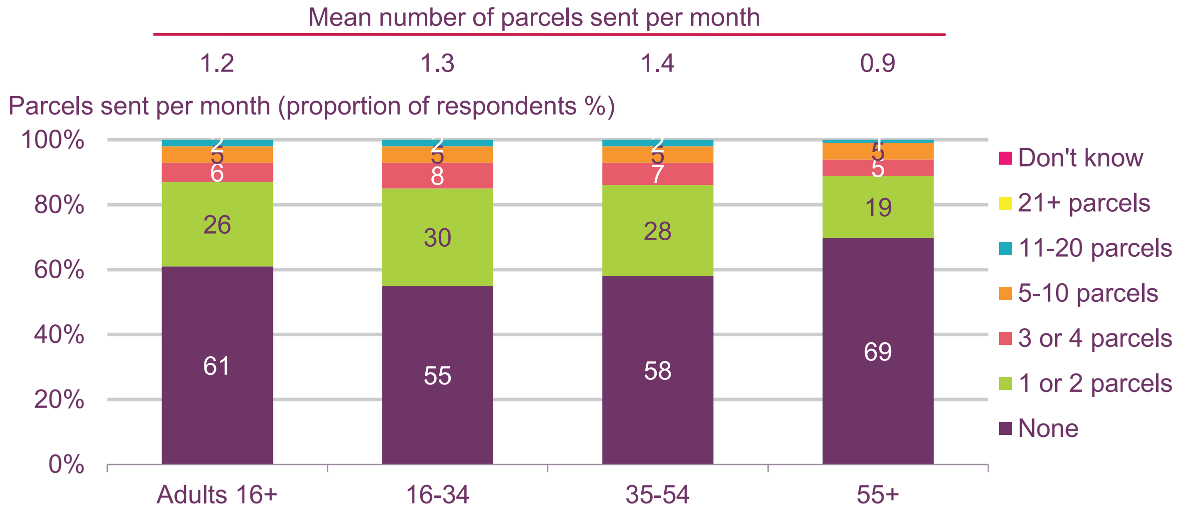
Source: Ofcom Residential Postal Tracker 2015
Base: All adults aged 16+ (n = 1946, 636 16-34, 675 35-54, 636 55+)
QC1. Approximately how many items of post – including letters, cards and parcels – have you personally sent in the last month?

Over-55s are the most likely to say they send no parcels each month

Over-55s are the age group least likely to send parcels, with nearly seven in ten (69%) saying that they had not sent a parcel in the past month, and two in ten (19%) saying that they had sent between one and two parcels in the past month. These are the highest and lowest proportions across all age groups.

On average, UK adults send 1.2 parcels each month. A slightly higher number are sent by 35-54s than by 16-34s and over-55s. This may be a result of returned parcels, generated by ordering items for delivery through the post, as those aged 35-54 were the age group most likely (49%) to say they had returned goods they had had delivered.

Figure 6.17 Number of parcels sent each month

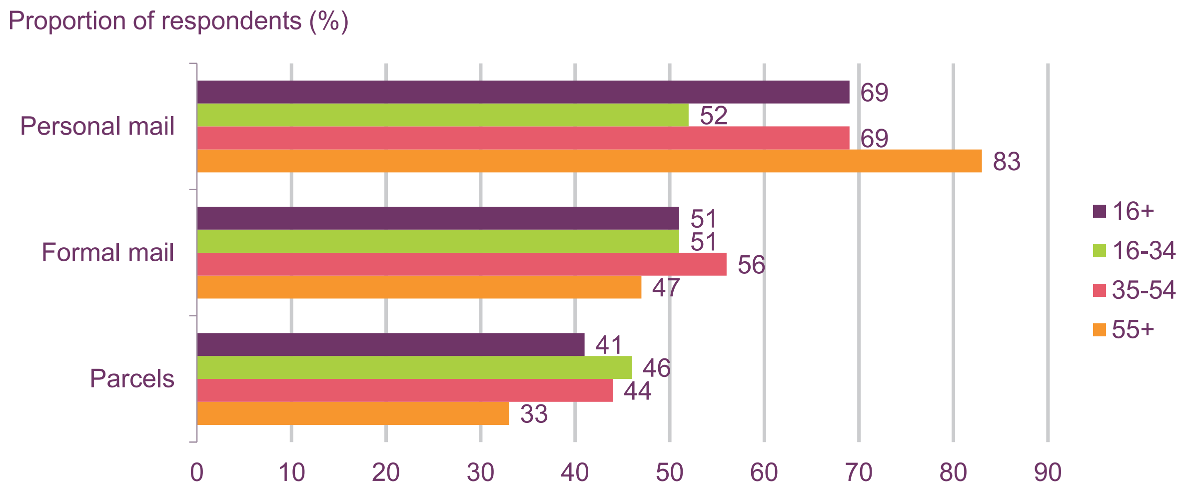


Source: Ofcom Residential Postal Tracker 2015
Base: All adults who have personally sent any items of post in the last month (n = 1491 adults 16+, 364 16-34, 536 35-54, 591 55+)QC2. And how many of these items sent in the last month were parcels rather than letters or cards?

Adults in the UK say they send more personal mail than any other type of mail

Seven in ten adults (69%) said they had sent an item of personal mail such as a greetings card or letter to a friend or relative in the past month. Those aged 55+ were the most likely to have sent an item of personal mail in the past month (83%) but the least likely to say that they had sent a parcel over the same period of time (33%). Those aged 16-34 were the least likely (at 52%) to say they had sent an item of personal mail, perhaps owing to the popularity of social media and digital messaging for this age group (see section 1.4). Half of all adults (51%) said they had sent an item of formal mail such as a letter to an organisation in the past month, with no significant differences by age group.

Figure 6.18 Types of mail sent in the past month



Source: Ofcom Residential Postal Tracker 2015
Base: All adults who have personally sent any items of post in the last month (n = 1491 adults 16+, 364 16-34, 536 35-54, 591 55+) QC5. Which of these types of mail would you say you have personally sent in the last month by post? (multicode)

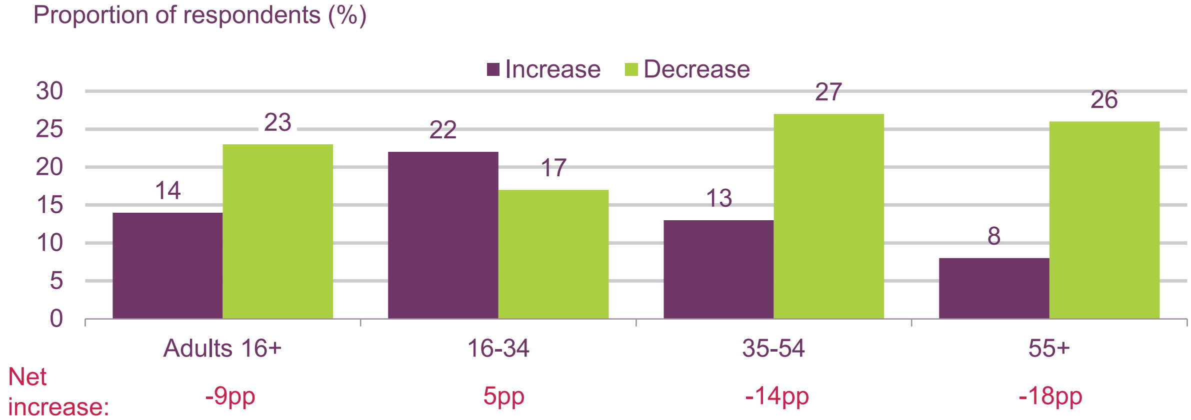
One in five adults say that they are sending fewer items of post than two years ago

When asked about their use of postal services now, compared to two years ago, one in five (23%) adults said there had been a decrease in the items they sent, whereas just over one in ten (14%) said they had sent more items. The net decrease for all adults was 9pp. The biggest net decrease was reported by adults aged 35-54 and 55+.

For those aged 16-34, there was a net increase of 5pp, with two in ten (22%) adults in this age group saying they sent more items now than two years previously. Our research might help to explain this. When those who said they were sending more items of post now compared to two years ago were asked which types of mail they were now sending more of, 16-34s reported sending more larger parcels (59%) and formal letters (40%). A possible explanation is that that 16-34s (who commonly shop online) are sending more parcels now than two years ago as they are more frequently returning items. For formal mail, it is possible that as respondents move into universities or employment and beyond, they have to correspond more frequently with companies and banks.

We also asked those who said they now send fewer items of post, which types of mail they are sending less of. Invitations, greetings cards and postcards were the option selected most often, by all age groups (48%). Other items that are sent less frequently include larger parcels (28%) and formal letters to organisations or individuals (27%). Over-55s were the most likely to say they were sending fewer invitations, greetings cards and postcards, with six in ten (62%) respondents selecting this option.

Figure 6.19 Adults' increasing or decreasing use of post compared to two years ago



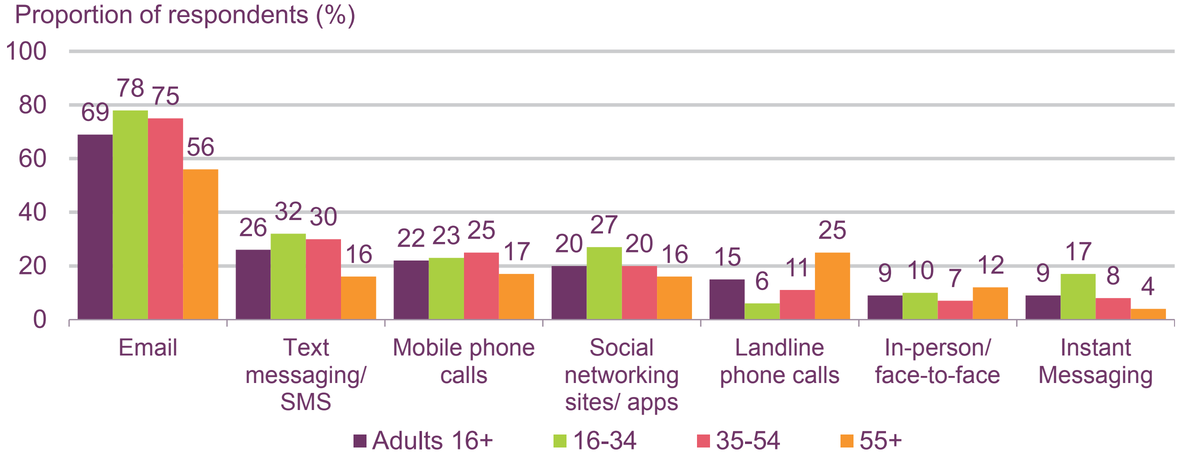
Source: Ofcom Residential Postal Tracker 2015
Base: All adults aged 16+, (n = 1946 adults 16+, 636 16-34, 675 35-54, 636 55+)
QC10. [showcard] Compared with two years ago, would you say that the number of items you send through the post has… increased greatly, increased slightly, stayed the same, decreased slightly, decreased greatly?

Email remains the most popular form of communication used as a replacement for post

Adults who said they were sending fewer items of post now compared to two years ago were asked which forms of communication they were using as a replacement. Among all adults, email was the most commonly selected option; seven in ten (69%) adults selected this. Text messaging (26%) and mobile phone calls (22%) were other commonly-selected methods of communication used instead of post.

Over-55s were the least likely (at 56%) to say that they had replaced post with email communication. They were the group most likely to say they had replaced post with landline phone calls; 25% of adults in this age group chose this option.

Figure 6.20 Methods of communication used as a replacement for post



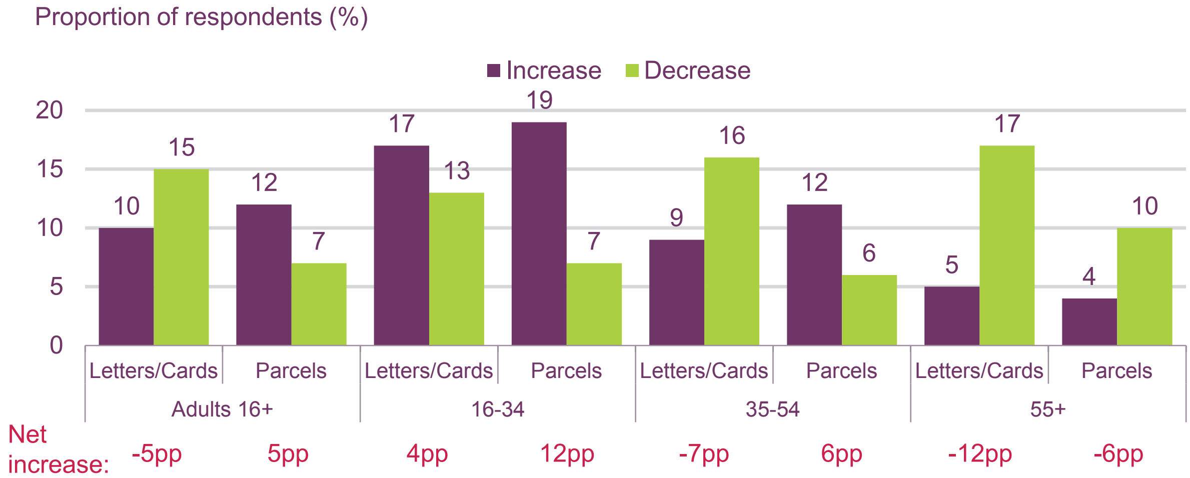
Source: Ofcom Residential Postal Tracker 2015
Base: All who say that the number of items sent by post has decreased, compared to two years ago (n = 455 adults 16+, 103 16-34, 190 35-54, 203 55+)
QC13. As your use of post has decreased compared with two years ago, which, if any, of these other forms of communication are you using more instead of post? (MULTICODE). Only responses above 5pc charted.

Some adults in the UK expect to be sending fewer letters, but more parcels, in two years' time

Adults were also asked what they expected their use of post might look like in two years' time. Overall, most adults in the UK (72%) believed there would be no change in their habits. Fifteen per cent thought there would be a decrease in their use of letters and cards, while only 10% thought there would be an increase. However, the reverse was true with parcels: 12% said they expected to be sending more parcels, while 7% said they expected to be sending fewer.

Those aged 16-34 said they expected to be sending more letters, cards and parcels, with almost one in five (19%) saying they expected to be sending more parcels. Among over-55s, 17% said they expected to be sending fewer letters and cards, and 10% thought they would be sending fewer parcels.

Figure 6.21 Expected use of post in two years' time



Source: Ofcom Residential Postal Tracker 2015
Base: All adults aged 16+ (n = 1946 adults, 636 16-34, 675 35-54, 636 55+)
QC25 and 26. SHOWCARD Looking to the future…Compared with now, would you say that the number of letters and cards/parcels you will be sending in the post two years from now will have… increased greatly, increased slightly, stayed the same, decreased slightly, decreased greatly?

6.3.3 Receiving post

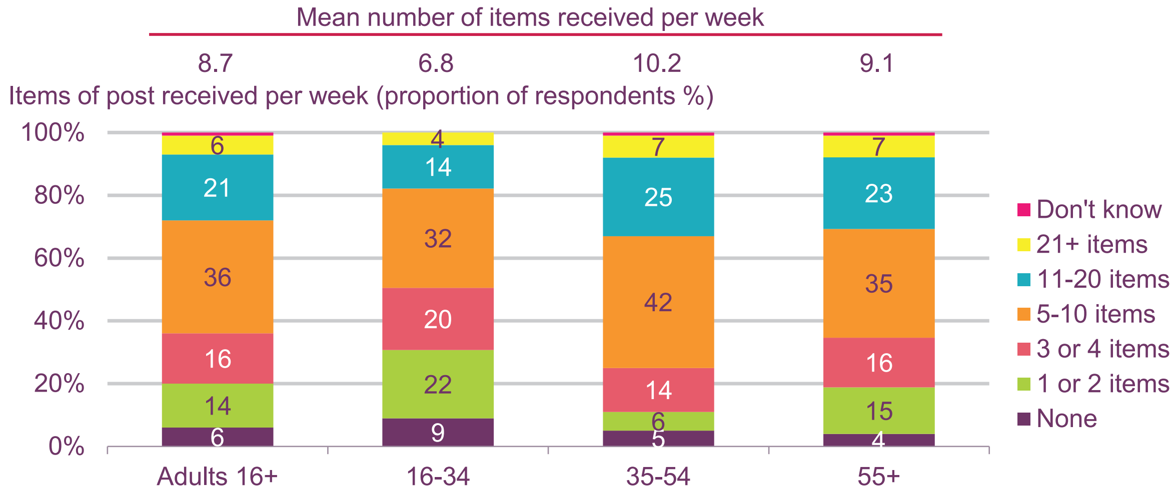
Nearly all adults said they had received some mail in the past week

A large majority of adults (93%) said that they had received some mail in the past week. More than a third of adults (36%) said they had received between five and ten items, while 27% had received more than 11 items in the past week.

Those in the 16-34 age group are generally the least likely to say they receive mail. Almost one in ten (9%) in this age group said they had received no mail at all, and around one in five (22%) said they had received only one or two items. About two in five adults (42%) in the 35-54 age group said they had received between five and ten items per week; this was the highest among all age groups for this quantity of mail.

This pattern can also be seen in the average number of items received per week. Adults in the 16-34 age group said they received only 6.8 items per week on average, compared to 10.2 items for adults aged 35-54, and the UK average of 8.7 items.

Figure 6.22 Number of items received per week



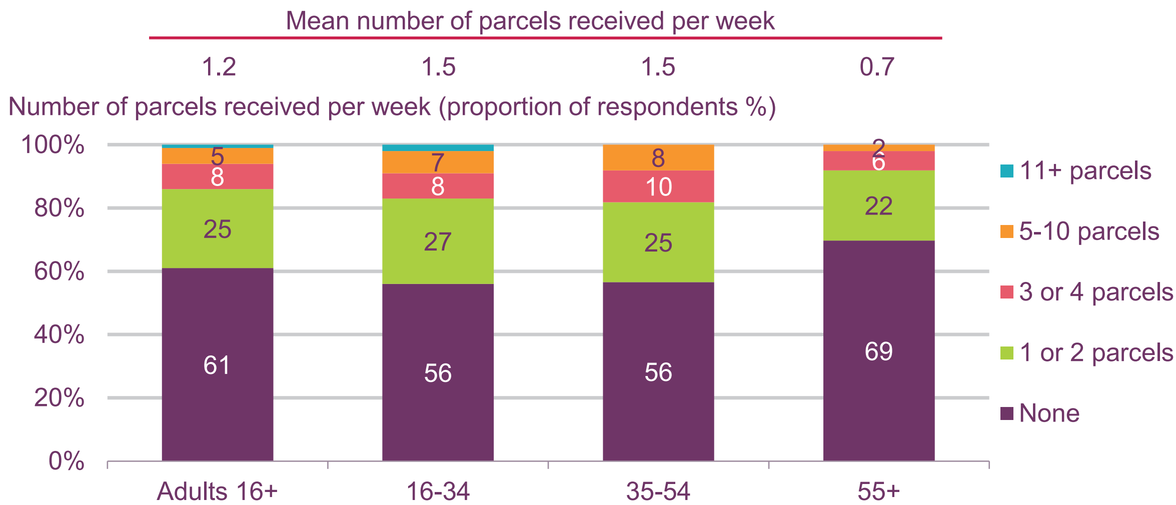
Source: Ofcom Residential Postal Tracker 2015
Base: All adults aged 16+ (n = 1946 adults, 636 16-34, 675 35-54, 636 55+)
QD1. Approximately how many items of post, including letters, cards and parcels, have you personally received in the last week?

Six in ten adults say that they have not received a parcel in the past week

Adults who said they had received some mail in the past week were asked how many of the items received had been parcels. Six in ten (61%) adults said that they hadn't received any parcels in the past week, while 25% had received between one and two parcels. The average number of parcels received each week, for all adults, was 1.2.

Over-55s were the most likely to say they had not received a parcel in the past week, at 69%. This group received an average of 0.7 parcels per week, lower than the other age groups

Figure 6.23 Number of parcels received per week



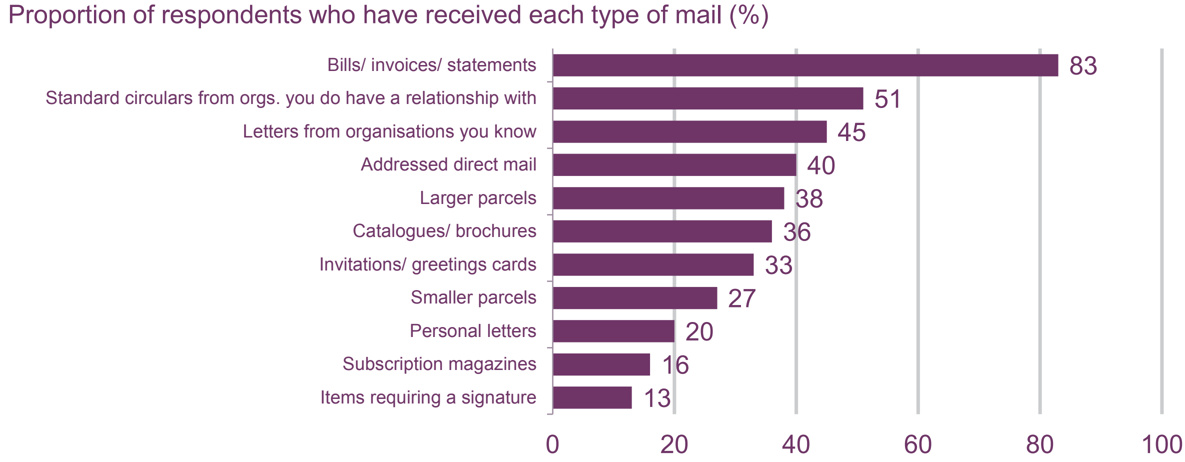
Source: Ofcom Residential Postal Tracker 2015
Base: All adults who have personally received any items of post in the past week (n = 1824 adults, 500 16-34, 628 35-54, 696 55+)
QD2. And how many of these items received in the last week were parcels rather than letters or cards?

Bills, invoices and statements are the items most commonly received by post

Adults in the UK were asked about what types of addressed mail (excluding leaflets or charity collection items) they had received in the past month. More than four in five (83%) adults said they had received a 'bill, invoice or statement' in the past month. Other commonly received items included 'standard circulars from organisations you have a relationship with' (51%), 'letters from organisations you know' (45%) and 'addressed direct mail' (40%).

A high proportion of the mail received by respondents was from businesses rather than individuals. A third (33%) of adults reported receiving 'invitations or greetings cards or postcards' and 20% said they had received a 'personal letter (e.g. from a friend)'. This might reflect the trend towards digital messaging and social media as a platform for personal communications.

Figure 6.24 Types of mail received in the past month



Source: Ofcom Residential Postal Tracker 2015
Base: all adults aged16+ (n = 1946 adults)
QD4. Please think about items that are addressed to you personally rather than leaflets or charity collection envelopes or bags that may come through your letterbox. Which of these types of items would you say you have personally received through the post in the last month? (MULTICODE)

Nearly half of all adults have had deliveries from providers other than Royal Mail

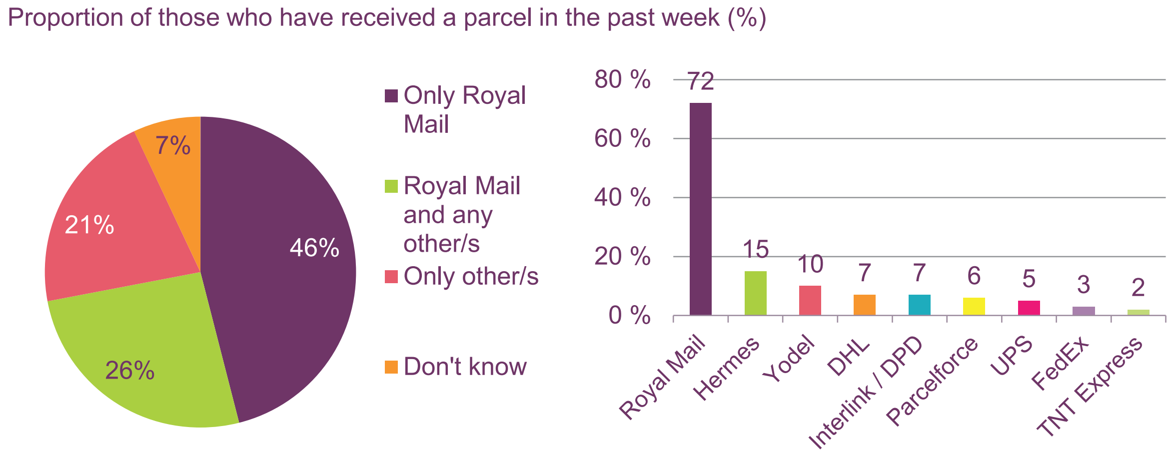
Adults in the survey were asked which providers had delivered their parcels in the past week. Nearly three-quarters of respondents (72%) said they had received at least one parcel from Royal Mail, the most commonly reported provider by a significant margin. However, 47% of adults who had received parcels in the past week said they had received at least one parcel from a provider other than Royal Mail.

Overall, awareness of alternative providers is high. Nearly three-quarters of adults had heard of DHL (73%) or FedEx (73%), and around six in ten people had heard of TNT Express (64%), Yodel (61%) or UPS (59%).

However, the use of alternative providers to send or receive an item is lower. Less than three in ten (28%) said they had used Yodel to send or receive an item of mail at some point, and a similar number of respondents (27%) said they had used Hermes to send or receive an item of mail.

As mentioned in our recent consultation, the *Review of the Regulation of Royal Mail*, consumers' awareness of alternative providers may be greater if they have had parcels delivered by these providers. The comparatively low use of alternative providers to send or receive an item may be due to lower consumer awareness of the single-piece parcel services for consumers that are offered by alternative providers.[109] For example, awareness of Yodel is higher than that of Collect+; the latter is a joint venture between Yodel and PayPoint and effectively functions as Yodel's equivalent to the Post Office.

Figure 6.25 Proportion of adults reporting delivery of parcels in the last week, by company



Source: Ofcom Residential Postal Tracker 2015
Base: All adults who have received any parcels in the last week (n= 678)
QD17. Thinking of the parcels that you have received in the last week, which of these companies delivered the parcels? (multicode)
Chart shows companies mentioned by more than 1% of those receiving any parcels in the last week.
Amazon Logistics was not included as an option in the survey.

6.3.4 Awareness of and attitudes to postal services

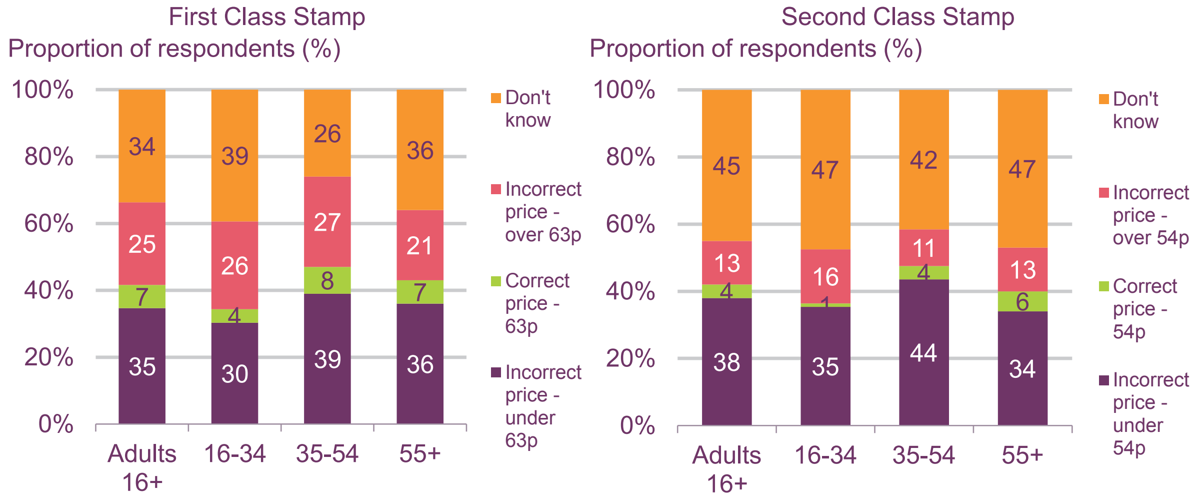
Less than one in ten adults know the price of a First or Second Class stamp

Adults in the survey were asked if they knew the prices of First and Second Class stamps offered by Royal Mail. Less than one in ten (7%) adults could correctly state the price of a First Class Stamp. Even fewer adults (4%) knew the price of a Second Class stamp.[110]

Adults aged 35-54 were the most likely to give an incorrect answer that was lower than the correct price. Two-thirds of adults in this age group (66%) gave a price that was below 63p for a First Class stamp, and more than two in five (44%) stated a price below 54p for a Second Class stamp.

[109] See paragraph 5.24 of section 5 of the document *Review of the Regulation of Royal Mail*, http://stakeholders.ofcom.org.uk/binaries/consultations/royal-mail-review/summary/Review-of-Royal-Mail-Regulation.pdf
[110] A First Class stamp was 63p and a Second Class stamp was 54p at the time of interviewing.

Figure 6.26 Awareness of letter stamp prices

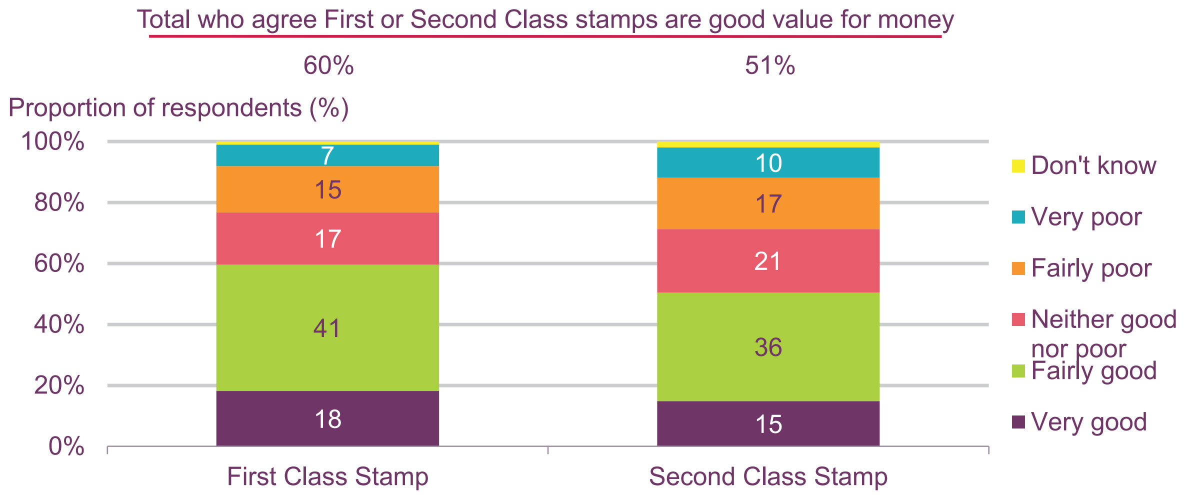


Source: Ofcom Residential Postal Tracker 2015
Base: All adults aged 16+ (n = 1358 adults, 389 16-34, 465 35-54, 504 55+)
QF1. As far as you know, how much does it currently cost to send a standard letter by First Class using a stamp? (single code)
QF2. As far as you know, how much does it currently cost to send a standard letter by Second Class using a stamp? (single code)
Note: Chart includes data from Q2 2015 onwards, due to a change in stamp prices during Q1 2015

A majority of adults say that First and Second Class stamps are good value for money

Having been told the correct prices, six in ten (60%) adults said that 63p represented 'very good' or 'fairly good' value for money for a First Class stamp. This was slightly lower with Second Class stamps; 51% of adults thought that 54p represented either 'very good' or 'fairly good' value for money.

Figure 6.27 Perception of value for money of First and Second Class stamps



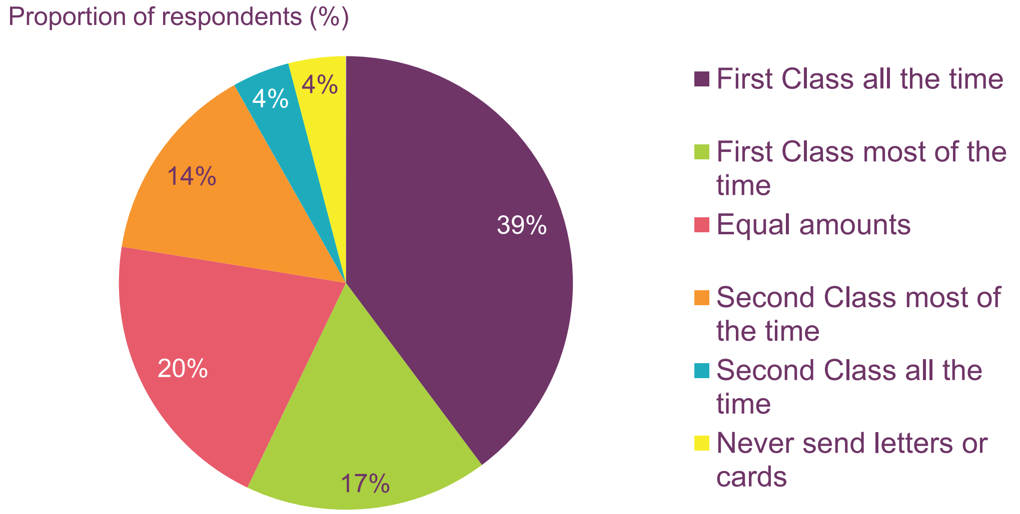
Source: Ofcom Residential Postal Tracker 2015
Base: All adults aged 16+ (n = 1358 adults)
QF3/4. It currently costs 63p/54p to send a standard letter First/ Second Class within the UK. How would you rate the Royal Mail's First/ Second Class service in terms of value for money? (single code)
Note: Chart includes data from Q2 2015 onwards, due to a change in stamp prices during Q1 2015

Speed of delivery is a key factor when choosing a service

Nearly four in ten (39%) adults said they used First Class all the time when sending letters or cards. This was nearly ten times more than those who said they used Second Class all the time (4%). A small majority (51%) of adults said they used a mixture of First and Second Class when sending letters and cards.

Among those who said they used First Class postage all or most of the time, more than eight in ten (85%) said it was because of the 'speed of delivery'. The next highest answer was that First Class postage was 'what stamps I have to hand' (16%); 'cost of postage' was selected by less than one in ten (7%). Nearly half (45%) of adults who use Second Class equally, or all or most of the time, said their decision was influenced by 'the cost of postage' or the 'speed of delivery'.

Figure 6.28 Service used when sending letters or cards



Source: Ofcom Residential Postal Tracker 2015
Base: All adults aged 16+ (n=1946)
QF6: When sending letters or cards, which service do you use? 'Don't know' responses not charted.

Attitudes to the postal service vary by age

Overall, 59% of adults say they are 'very reliant' or 'fairly reliant' on letters and cards as a way of communicating. However, younger adults are the most likely to say the opposite; over a third of adults aged 16-34 (36%) say they are either 'not very reliant' or 'not at all reliant'. Further, adults in the 16-34 age group are the least likely to agree with the statement 'I would feel cut off from society if I can't send or don't receive post' with more than four in ten (44%) saying they 'slightly agree' or 'strongly agree'. In contrast, nearly seven in ten (68%) of adults aged 55+ say they 'slightly agree' or 'strongly agree' with the statement.

Younger adults are more likely to favour digital alternatives to post. Adults in the 16-34 age group are the most likely to say that they prefer to send emails rather than letters; 71% of adults in this age group agree with this statement, compared to 37% of over-55s. More than half of over-55s (53%) say they 'slightly disagree' or 'strongly disagree' with the statement 'I only use post if there is no alternative'. This compares to just 26% of 16-34s.

When asked about statements relating to the speed and cost of postal services, almost a third of adults (29%) agreed with the statement 'I send fewer letters by post now due to the cost'. More than half of adults (52%) disagreed with this statement. Nearly three-quarters of adults aged 55+ (72%) said that they agreed with the statement 'I trust Second Class post to get there in a reasonable timeframe' - higher than the other age groups.

Figure 6.29 Attitudes to post among adults in the UK: agreement with proposed statements

	Adults 16+	16-34	35-54	55+
I prefer to send letters or emails to companies rather than make a phone call, so that I have a written record	60	61	64	55
I prefer to send emails rather than letters whenever possible	56	71 ▲	60	37
I only use post if there is no alternative	47	61 ▲	44	37
I send fewer letters by post now due to the cost	29	26	30	32
I would feel cut off from society if I can't send or don't receive post	55	44	55	68 ▲
I trust Second Class post to get there in a reasonable timeframe	63	58	60	72 ▲

Source: Ofcom Residential Postal Tracker 2015
Base: All adults aged 16+ (n = 1946 adults, 557 16-34, 662 35-54, 727 55+)
QH2B-H. Agreement with statements about sending/ receiving post
Significance testing - arrows show any difference between age groups.