



International Communications Market Report 2015

7 **Post**

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7.1 Key market developments in post

7.1.1 Introduction

The post chapter of this report is divided into three sections. These cover: parcel trends among our comparator countries where parcel data are available, an overview and country-level analysis of letter mail trends among our comparators, and consumer research into the use of post by residential consumers.

- The *Key market developments* section looks at parcels among our comparator countries, using information from WIK and relevant findings from our consumer research.
- The *Postal industry* section looks at letter mail volume and revenue trends since 2010, and presents a comparison of consumer stamp prices in our comparator countries.
- The *Post and the residential consumer* section looks at consumer trends in sending and receiving mail.

Figure 7.1 Industry metrics and summary

	UK	FRA	GER	ITA	USA	JPN	AUS	ESP	NED	SWE	POL	SGP	KOR	BRA	RUS	IND	CHN
Letter mail volume (billion items)	12.7	13.6	15.7	3.8	150.2	18.1	4.3	3.6	3.5	2.4	1.8	0.6	4.3	8.3	3.1	5.6	26.7
Letter mail revenue (£bn)	4.3	6.7	6.9	2.6	28.9	10.5	1.2	1.1	2.0	1.0	0.7	0.1	1.6	2.1	0.6	0.4	1.6
Letter mail volume per capita	197	211	191	62	471	143	183	75	210	253	46	118	87	41	21	4	20
Letter mail revenue per capita (£)	66.0	103.9	83.3	42.0	90.6	82.3	52.3	22.7	118.6	104.6	17.2	21.6	33.2	10.3	3.9	0.3	1.2
Standard (C5) domestic stamp price (£)	0.63	1.53	1.17	1.94	0.98	0.80	0.77	0.74	1.67	1.24	0.45	0.29	n/a	0.48	0.79	0.25	0.59

Sources: WIK / Ofcom analysis

7.1.2 Parcel volumes continue to grow

This section looks at parcel volume trends across those countries where parcel data are available.¹⁴⁰ It also highlights some of the findings from our consumer research into sending and receiving parcels.

Comparable data were available for the UK¹⁴¹, Germany, the US, Japan, the Netherlands, Sweden, Poland (2013 and 2014 only) and China. These data include parcels sent to

¹⁴⁰ Although it has not been possible to obtain robust and comparable data on mail volume by type for all our comparator countries, information on the size and growth of the parcel market has been included for all the countries for which this information is available.

¹⁴¹ UK parcel data are sourced from information collected by Ofcom from operators providing UK-wide services. Detailed information on the scope of this data collection is set out in Ofcom's *Annual*

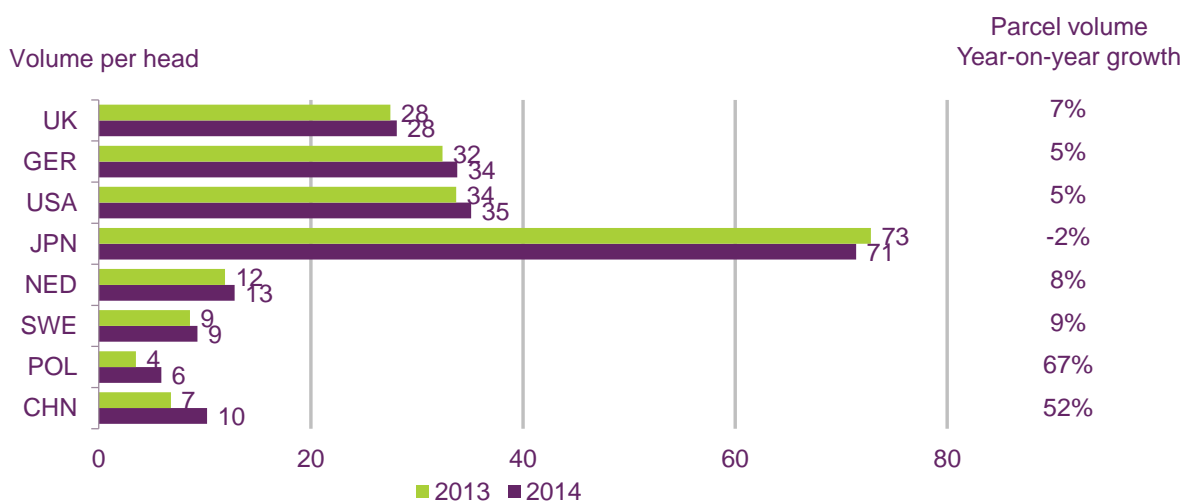
businesses as well as consumers. We conducted consumer research in the UK, France, Germany, Italy, the US, Japan, Australia, Spain and Sweden, where residential consumers were asked about parcels they had received.

Parcel volumes per head of population are highest in Japan

Although China has the largest overall parcel volume, when this is adjusted for population size, it is among the lowest among our comparator countries in terms of parcel volume per person. Japan has the highest parcel volume per head of population (71), followed by the US (35) and Germany (34). The high parcel volumes per head of population in Japan are probably due to a high number of parcels sent from businesses to other businesses. The equivalent figure for the UK is slightly lower at 28, although this is higher than the other European comparators for which we have comparable data (the Netherlands, Sweden and Poland).

Japan was the only country in Figure 7.2 where total parcel volumes declined year-on-year. This is likely to be due to the lack of economic growth in Japan, which has been fallen into recession a number of times since the 2008 global financial crisis. Year-on-year growth was high in Poland, where parcel volume increased by 67% and in China, where parcel volume increased by 52%.

Figure 7.2 Parcel volume per head of population: 2013-2014

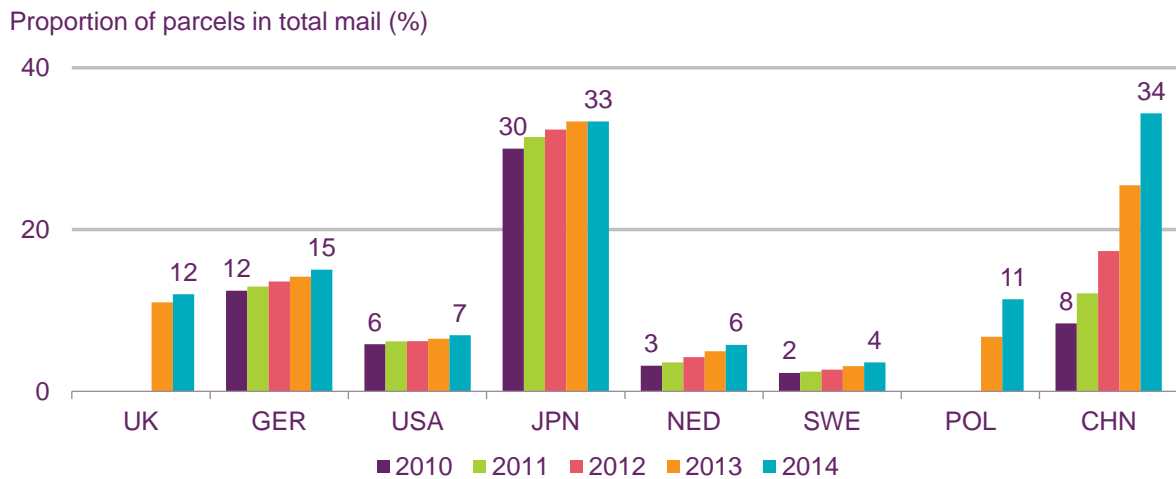


Source: WIK / Ofcom analysis

Parcels are becoming more important

The proportion of total mail volume made up of parcels is highest in China (34%) and in Japan (33%). In all the countries that we have data for, the proportion of total mail volume made up by parcels has increased each year since 2010. In the UK, 12% of mail volumes were parcels in 2014, up from 9% in 2010. This is comparable to Germany, where 15% of total volumes were parcels in 2014, up from 12% in 2010.

Figure 7.3 Proportion of parcels in total mail volume: 2010-2014



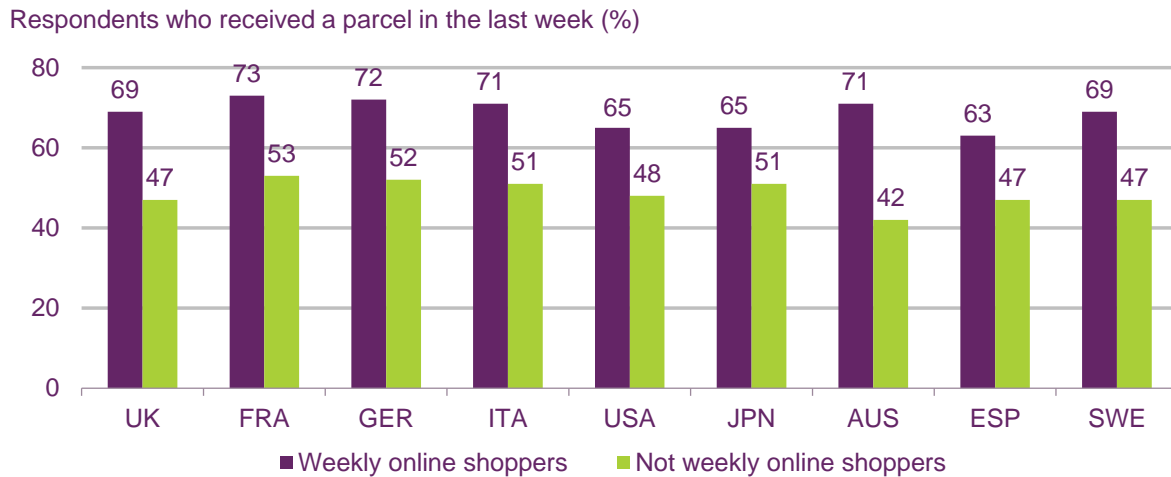
Source: WIK / Ofcom analysis

Around seven in ten online shoppers in most of the countries we surveyed said they had received a parcel in the past week

Parcel volume growth, particularly where items are sent from businesses to consumers, has been driven by continued increases in online shopping. The findings of Ofcom’s consumer research demonstrate this. Figure 7.4 shows the proportion of people who had received a parcel in the past week, split by whether they were a regular online shopper (i.e. shop online at least once a week) or not.

In all of our comparators, regular online shoppers were more likely than those who did not shop online on at least a weekly basis to have received a parcel, which indicates the influence of online shopping on parcel volumes. In most cases, around seven in ten regular online shoppers had received a parcel in the past week. The exceptions to this were Spain, where 63% of online shoppers had received a parcel and the US and Japan, where 65% had received a parcel in the past week.

Figure 7.4 Proportion of regular online shoppers and who had received a parcel in the last week compared to those who are not regular online shoppers



Source: Ofcom consumer research September - October 2015 Base: All weekly online shoppers who have received any items of post in the last week/non-weekly online shoppers who have received any items of post in the last week, UK=361/525, FRA=111/768, GER=257/616, ITA=187/523, USA=256/497, JPN=153/638, AUS=220/593, ESP=115/616, SWE=120/655 Q.16 Which of these types of items would you say you have personally received through the post in the last week? - NET: Any parcels

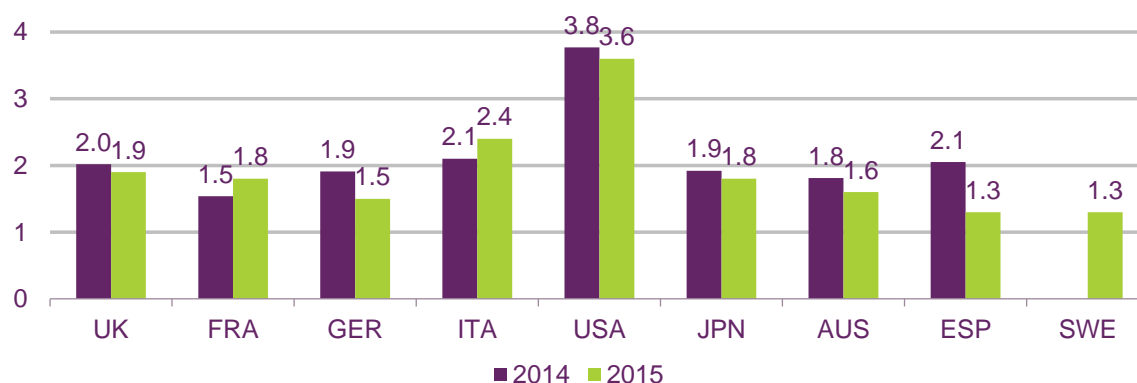
People in the US reported receiving the most parcels in the past week

Among people who had received a parcel in the past week, those in the US reported receiving the most parcels (3.6 on average). The only other country where the reported average was greater than two was Italy (2.4). Respondents in the UK reported receiving 1.9 parcels on average, close to the figure the previous year (2.0), broadly similar to France (1.8) and higher than Germany (1.5).

Although Japan has the highest parcel volume per head, as shown in Figure 7.2, people in Japan reported receiving an average of 1.8 parcels in the past week. The data from the consumer research shown in Figure 7.5 are not comparable with the parcel volume per head, as this is calculated from the total parcel volumes for the year, while the consumer research asks respondents to recall how many parcels they had received in the past week. The difference between the industry and the research data for Japan may be because a high number of parcels are sent from businesses to businesses in Japan.

Figure 7.5 Average number of parcels received in the past week

All respondents who have received any items of post in the last week



Source: Ofcom consumer research September - October 2015 Base: All respondents who have received any items of post in the last week, UK=888/886, FRA=896/879, GER=883/873, ITA=767/710, USA=739/753, JPN=838/791, AUS=865/813, ESP=700/731, SWE=775 Q.15
Approximately how many of these items you received in the last week were parcels i.e. items that wouldn't easily fit through a standard household letterbox?

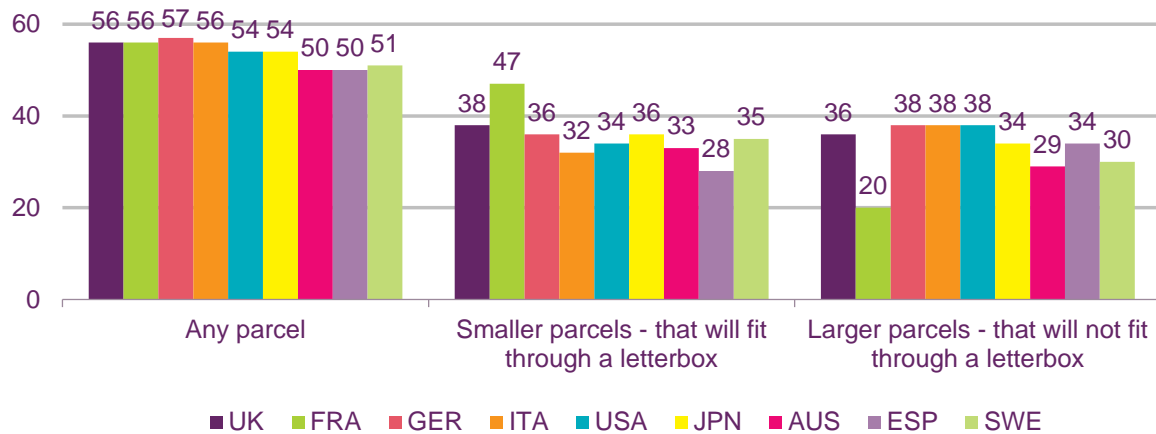
People in France were more likely to receive a small parcel than a large parcel

While at least 50% of all those who had received an item of post in the past week had received a parcel, across all of the countries that we surveyed, there were some differences in the types of parcels that people had received. Those in France were far more likely to have received a small parcel in the past week, with almost half (47%) having done so. People in the UK were the next most likely to have received a small parcel, at 38%, while those in Spain were the least likely to have received a small parcel (28%).

People in France were the least likely to have received a large parcel. A fifth (20%) of those who had received an item of post in the past week had received a large parcel, by far the lowest among the countries we surveyed. Respondents in Australia and Sweden were also less likely to have received a large parcel, with three in ten having received one in the past week. Those in the UK were among the most likely to have received a large parcel in the past week (36%), similar to Germany, Italy and the US (all 38%).

Figure 7.6 Types of parcel received in the past week

All respondents who have received any parcel in the last week (%)



Source: Ofcom consumer research September - October 2015 Base: All respondents who have received any items of post in the last week, UK=886, FRA=879, GER=873, ITA=710, USA=753, JPN=791, AUS=813, ESP=731, SWE=775 Q.16 Which of these types of items would you say you have personally received through the post in the last week?

7.2 The postal industry

7.2.1 Introduction

This section examines letter mail volume and revenue trends, and presents a comparison of consumer stamp prices across the countries analysed in this report. We also look at direct mail volumes in the countries where this information is available. The main findings include:

- **Letter mail volumes across our comparator countries have declined by 10.2% since 2010.** Volumes have fallen from a total of 309.7 billion items in 2010 to 278.2 billion items in 2014. Year on year, total volumes fell by 2.5%. The rate of decline varied among the countries included in this report and was faster among our European comparators (4.0%).
- **Year on year, letter mail revenues across all our comparators increased by 0.7%.** Revenue across all our comparator countries increased from £71.6bn in 2013 to £72.1bn in 2014. Revenue grew across all our country groups, with the exception of the European comparators, where revenue fell by 2.3%.
- **Volume decline year on year in the UK was among the lowest of our comparators.** Mail volume in the UK fell by 1.5% in 2014, the slowest rate of decline among our European comparators.
- **The UK was the only country among our European comparators in which revenue did not decline in 2014.** Letter revenue in the UK grew slightly in 2014, increasing by 0.4% year on year. Losses in revenue for our other European comparators were more pronounced, particularly in Italy and Spain, where declines in volume contributed to revenue losses of 8.2% and 6.8% respectively.
- **Italy is the most expensive country in which to send a small letter, followed by the UK.** At 65p, Italy is the most expensive country in which to send a small letter (DL size, 20g or less), followed by the UK at 63p. The price in the UK is only slightly more expensive than in Sweden (62p) and France (61p).
- **The UK is among the cheapest in Europe in which to send a medium-sized letter.** It costs 63p to send a First Class medium-sized (C5 size, 100g or less) letter in the UK. The only European country in which this is cheaper is Poland (45p). With the exception of Spain, it costs over £1 to send a medium-sized letter in all of our other European comparators.

7.2.2 Letter mail revenues and volumes across our comparator countries

Ofcom commissioned WIK-Consult to provide a range of metrics for the postal industry in our comparator countries. For the majority of the volume and revenue metrics, we have concentrated on addressed letter mail as much as possible. However, differences between countries mean that in some cases the categories of mail that are included are not an exact match.¹⁴² Where information is available only for the financial year, we have used estimates

¹⁴² The way that post is defined and volumes and revenues are recorded differs from country to country. In all of our comparators, addressed letter mail delivered within the country is included. In Australia and Japan, the volume and revenue figures also include unaddressed advertising mail as this could not be excluded from the reported figures. In South Korea, postal parcels could not be excluded from the reported volume and revenue figures.

to provide a calendar year figure. Finally, in the few cases where data are not available, market estimates based on long-term trends and local insight has been used.

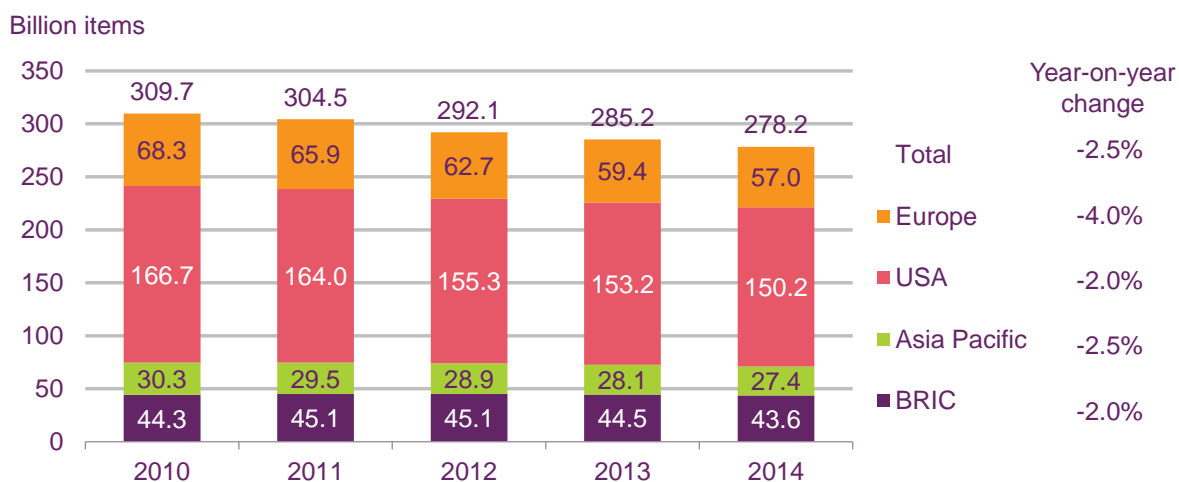
Letter mail volumes across our comparator countries have declined by 10.2% between 2010 and 2014

Across our comparator countries as a whole, mail volumes have fallen from 309.7 billion items in 2010 to 278.2 billion items in 2014. Decline has been fastest in our European comparators, where volumes fell by 16.6%, to 57.0 billion items, between 2010 and 2014.

The rate of decline in the US, which accounts for 54% of mail volumes among our comparators, was 9.9%, similar to the decline among our Asia Pacific comparators (9.7%). Mail volume was more stable among the BRICs, although still in decline, falling by 1.5% between 2010 and 2014.

Between 2013 and 2014, total volumes fell by 2.5%. Again, the rate of decline was faster among our European comparators (4.0%).

Figure 7.7 Total letter mail volumes in our comparator countries: 2010-2014



Source: WIK / Ofcom analysis

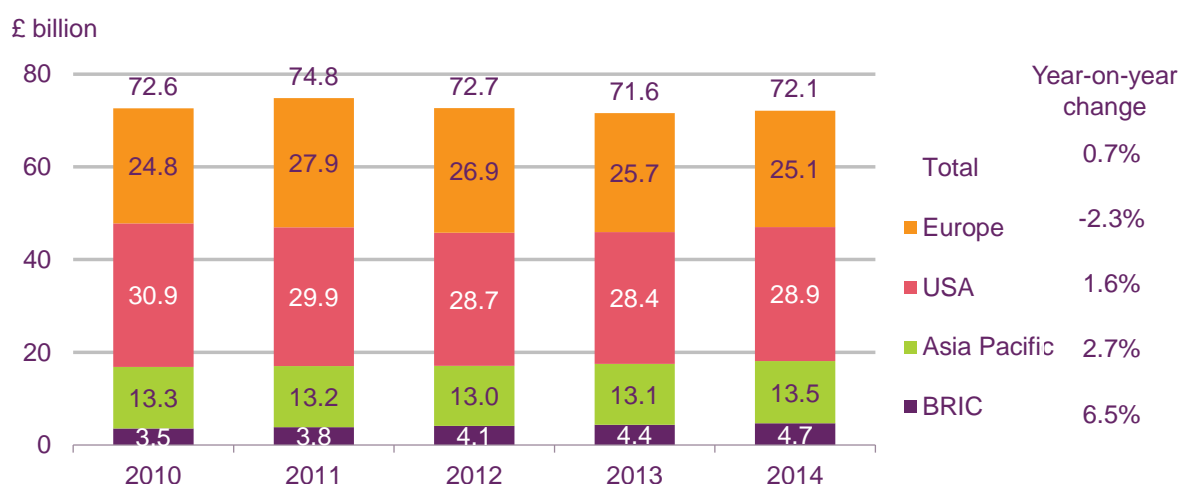
Year on year, letter mail revenues increased by 0.7%

Letter mail revenue across all our comparator countries increased from £71.6bn in 2013 to £72.1bn in 2014. Revenue grew across all our country groups, with the exception of the European comparators, where revenue fell by 2.3%.

Between 2010 and 2014, letter mail revenues across our comparator countries as a whole fell by 0.7%. In our European, Asia Pacific and BRIC comparators, revenues increased in this period, most notably in the BRICs, where revenue grew by 31.6%. For our European comparators the increase was 1.0%; to £25.1bn, and for the Asia Pacific countries there was 1.2% growth, to £13.5bn.

In the US, revenues declined by 6.6% between 2010 and 2014. As the US accounts for 40% of overall revenue among our comparators, the comparatively smaller increases from the other country groups did not fully offset this decline.

Figure 7.8 Total letter mail revenues in our comparator countries: 2010-2014



Source: WIK / Ofcom analysis

Note: Figures are nominal

7.2.3 Letter mail volumes in our comparator countries

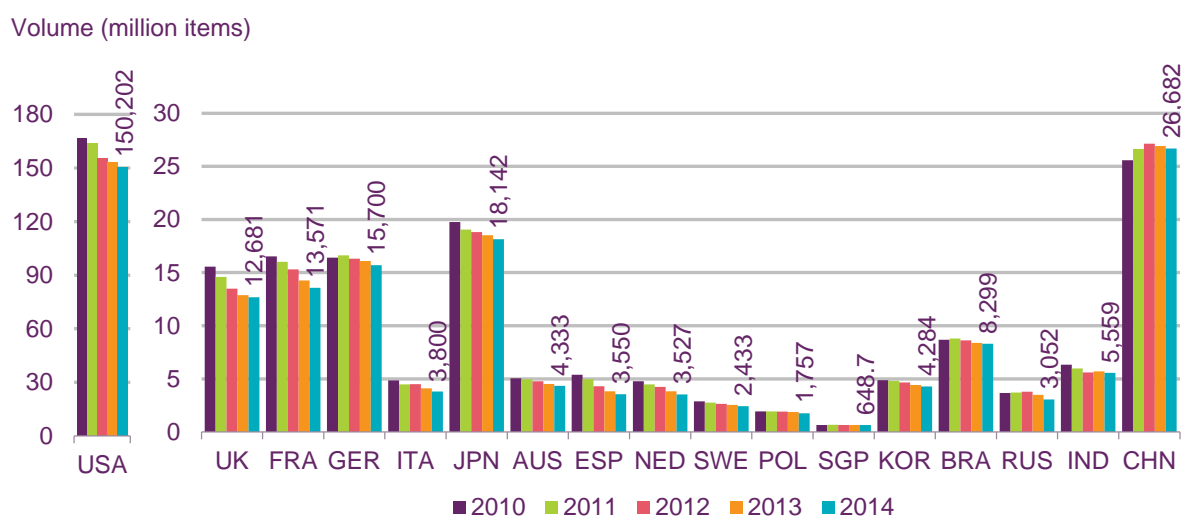
Letter mail volumes declined in all of our comparator countries in 2014

Mail volume declined in all of our comparator countries again in 2014, continuing the trend of structural decline in letter mail as continued growth in broadband take-up encourages the use of digital communications instead of letter mail.

The largest proportional decline was in Spain, where volume has declined by one third (34.2%) between 2010 and 2014. Decline has also been significant in the Netherlands, where volumes have fallen by more than a quarter (26.2%) and in Italy, where they have fallen by more than a fifth (21.8%).

Between 2010 and 2014, decline in the UK (18.5%) has been similar to France (17.9%). In Germany, decline has been much slower. In 2014 there were 700 million fewer items in Germany when compared to 2010; a 4.3% fall. However, there was some growth in Germany over the past four years, as volumes grew between 2010 and 2011, but they have declined each year since.

Figure 7.9 Letter mail volumes: 2010-2014



Source: WIK / Ofcom analysis

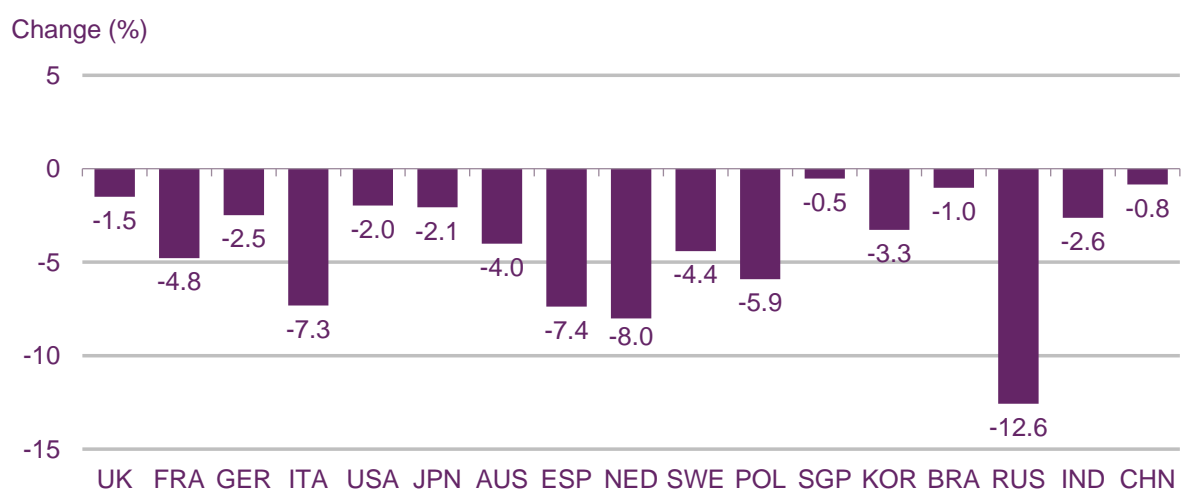
Volume decline year on year in the UK was among the lowest of our comparators

Mail volumes in the UK fell by 1.5% in 2014, the slowest rate of decline among our European comparators. This slower rate of decline may be partly due to the better economic conditions in the UK during 2014, and might also have been affected by the volume of election-related items sent during the Scottish referendum and the European Parliament elections. Only Singapore, Brazil and China had lower rates of decline.

The largest proportional fall among all of our comparators was in Russia, where volumes declined by 12.6%. This is the second year of decline in Russia. Volumes had been broadly stable until 2013, when volumes fell by 7.8% year on year.

The largest proportional declines for our European comparators were in the Netherlands (8.0%), Spain (7.4%) and Italy (7.3%). In Italy and Spain, volume decline is primarily driven by difficult economic conditions.

Figure 7.10 Proportional change in letter mail volume: 2013-2014



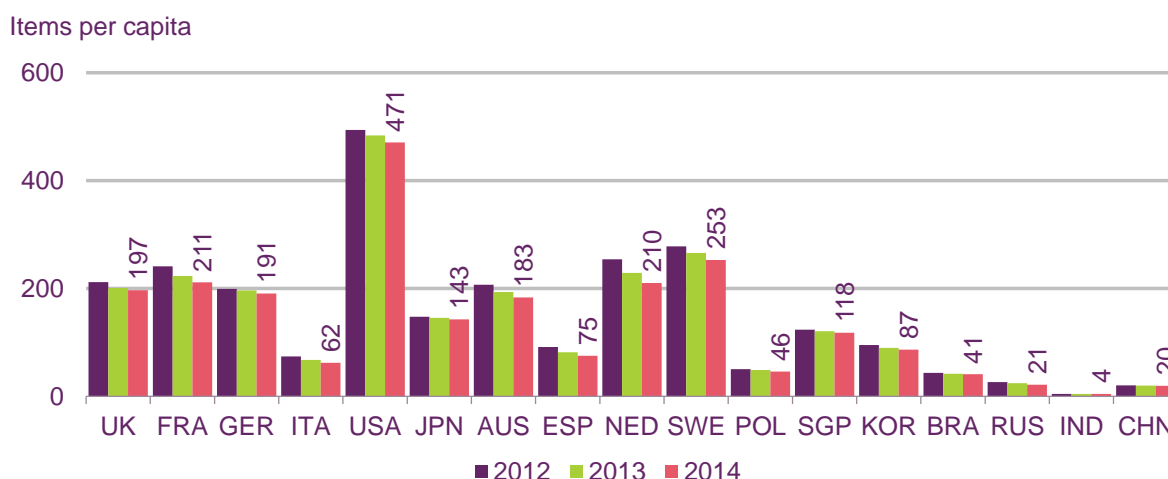
Source: WIK / Ofcom analysis

Mail volume per head of population was highest in the US

Volume per head of population in the US was 471 in 2014, down slightly from 484 in the previous year but still far higher than in any of our other comparators. This was followed by Sweden, at 253 items per head, then France and the Netherlands at 211 and 210 items per head respectively. In the UK, there were 197 items per head of population in 2014, slightly higher than Germany at 191 items.

The lowest volumes per head of population were in the BRIC countries, and Poland had the lowest among our European comparators (46).

Figure 7.11 Letter mail volume per head of population: 2012-2014



Source: WIK / Ofcom analysis

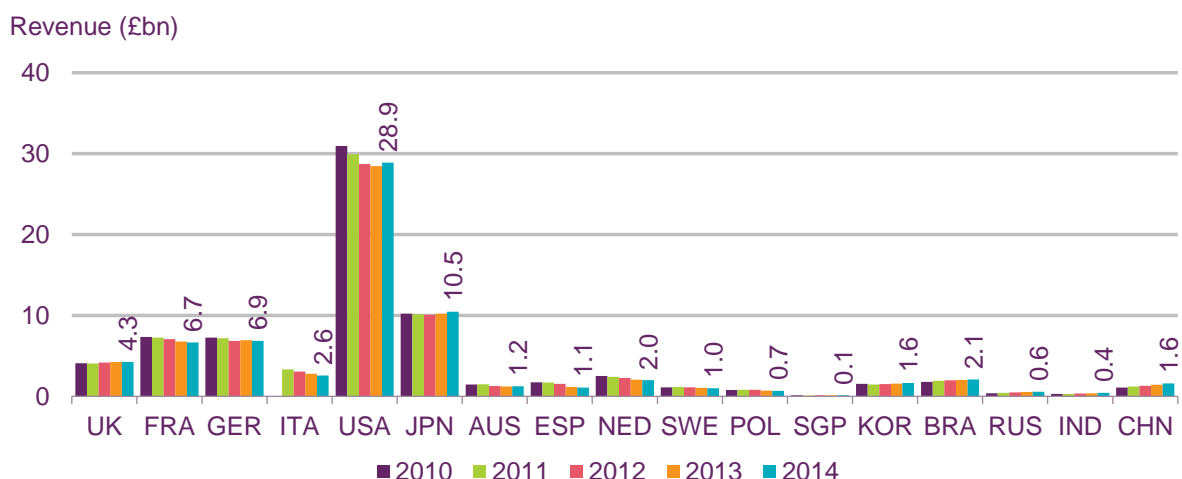
7.2.4 Letter mail revenues in our comparator countries

Despite falling volumes, revenues were more stable

Despite the long-term trend of falling volumes across all of our comparator countries, mail revenue has been more stable. In the US, Australia and Japan, revenues increased in 2014. For the US and Australia, this is the first increase in revenue since 2010 and is partly due to price increases in both countries.

Only the UK, Singapore, South Korea and the BRICs had higher revenue in 2014 than in 2010. In the BRICs, revenue has increased each year since 2010.

Figure 7.12 Letter mail revenues: 2010-2014



Source: WIK / Ofcom analysis

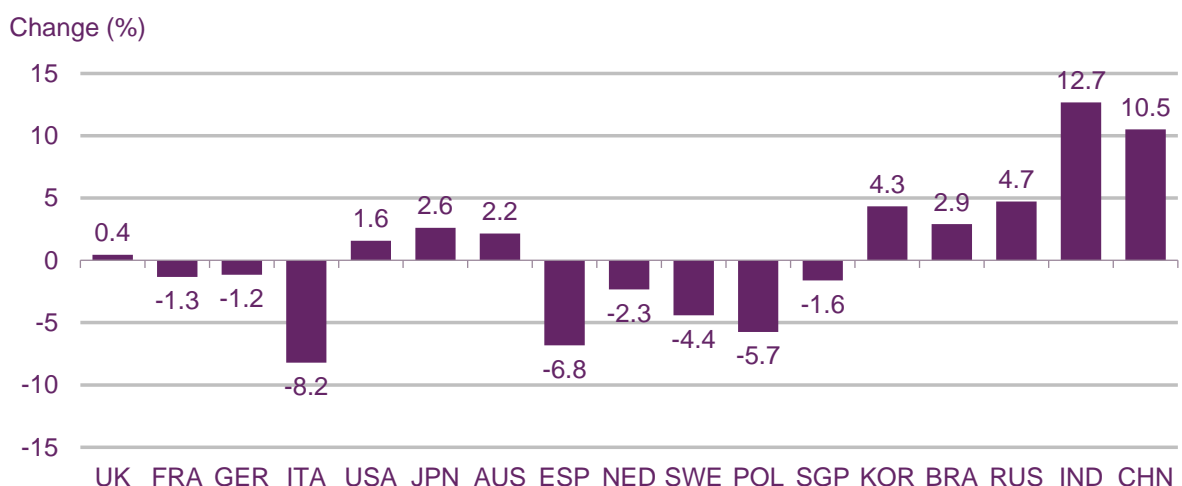
Note: Figures are nominal

The UK was the only country among our European comparators in which revenue did not decline in 2014

Letter revenue in the UK grew slightly in 2014, increasing by 0.4% year on year. This slight growth is partially due to the slower rate of volume decline, plus incremental price increases from Royal Mail. Royal Mail's revenue declined slightly, falling by 0.2%, but revenues from other operators delivering end-to-end¹⁴³ rose from £11m in 2013 to £35m in 2014, offsetting the £7m loss from Royal Mail's letter revenue.

In France and Germany, letter mail revenue fell by 1.3% and 1.2% respectively. Losses in revenue for our other European comparators were more pronounced, particularly in Italy and Spain, where declines in volume contributed to revenue losses of 8.2% and 6.8% respectively.

Figure 7.13 Proportional change in letter mail revenue: 2013-2014



¹⁴³ Primarily from Whistl, who have now ceased delivery operations and continue to be an access mail provider.

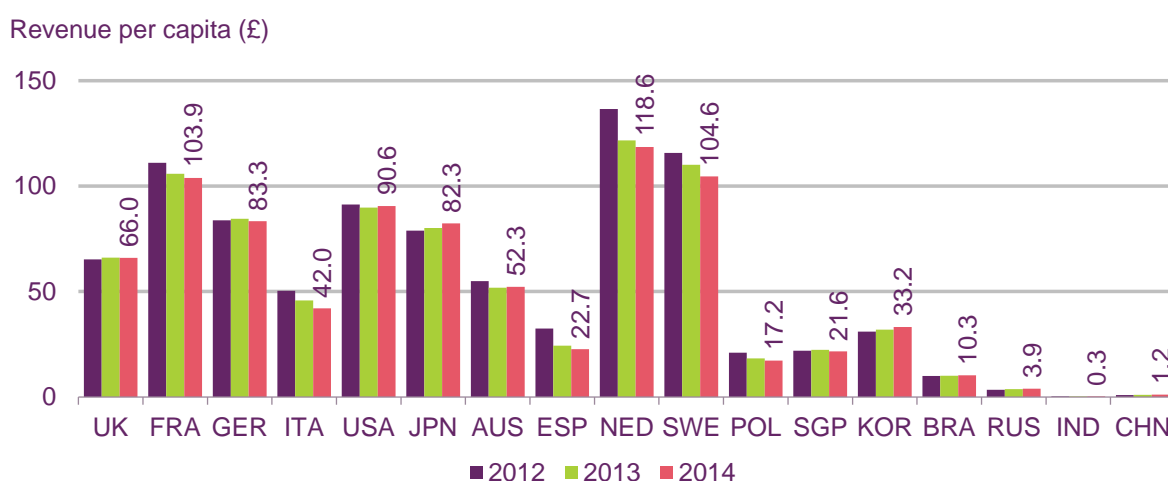
Source: WIK / Ofcom analysis
 Note: Figures are nominal

The Netherlands has the largest mail sector in terms of revenue per head

While the mail sector in the US is the largest among our comparators, in absolute terms for both volume and revenue, the Netherlands has the greatest revenue per head of population. In 2014, this was £118.60 in the Netherlands, followed by Sweden at £104.60 and France at £103.90. In the UK, this was £66.00. In Europe, the lowest revenue per head was in Poland (£17.20) followed by Spain (£22.70). The lowest revenue per head overall was in India (£0.30).

Figure 7.14 shows that revenue per head of population is higher in a number of comparator countries than it is in the US, despite the higher mail volumes per head in the US (Figure 7.11). As shown in our analysis in section 7.2.5, it is cheaper to send mail in the US than in these countries, which goes some way to explaining this difference. The disparity between the high volume per head and lower revenue per head in the US also suggests that the mix of mail in the US includes a higher proportion of lower-priced and pre-sorted bulk business mail.

Figure 7.14 Letter mail revenue per head of population: 2012-2014



Source: WIK / Ofcom analysis
 Note: Figures are nominal

7.2.5 Single-piece stamp prices in our comparator countries

This 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 most commonly has a next-day (D+1) delivery target; although as Figure 7.15 shows, there is some variance by country. The products that we have looked at are all single-piece, domestic tariffs, available to all consumers. In line with other currency conversions in this report, prices have been converted into British Sterling using the International Monetary Fund average exchange rates for 2014. The prices of the products are compared as they were published on the operators' websites on 31 October 2015, and have not been adjusted for purchasing power parity. Where we look at previous years' prices, these are the prices on 31 December of each year.

Figure 7.15 Delivery specifications for the fastest letter mail product

UK	FRA	GER	ITA	USA	JPN	AUS	ESP	NED	SWE	POL	SGA	BRA	RUS	IND	CHN
D+1	D+1	D+1	D+1	D+3	Variable	Variable	D+3	D+1	D+1	D+1	D+1	D+2-5	Variable	Variable	Variable

Source: WIK

Note: Delivery targets in Japan, Australia, Brazil, Russia, India 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:

- **a small letter** – based on a DL envelope, 110mm by 220mm by 5mm, weighing 20g or less;
- **a medium letter** – based on a C5 envelope, 229mm by 162mm by 5mm, weighing 100g or less;¹⁴⁴ and
- **a large letter** – based on a C4 envelope, 324mm by 224mm by 25mm, weighing 101-150g.

In those countries where a Second Class product is available, we have also looked at those prices. However, these products are available to consumers only in the UK, France, Sweden, Poland, South Korea and Russia.

Italy is the most expensive country in which to send a small letter, followed by the UK

At 65p, Italy is the most expensive country in which to send a small letter, followed by the UK at 63p. The price in the UK is only slightly more expensive than in Sweden (62p) and France (61p).

The cheapest country in which to send a small letter is India, where it costs 5p, followed by China (12p). Outside the BRC and the Asia Pacific countries, the US has the lowest price for sending a small letter (30p), followed by Spain (34p). As shown in Figure 7.15, both of these countries have a D+3 delivery standard for their fastest standard letter mail product.

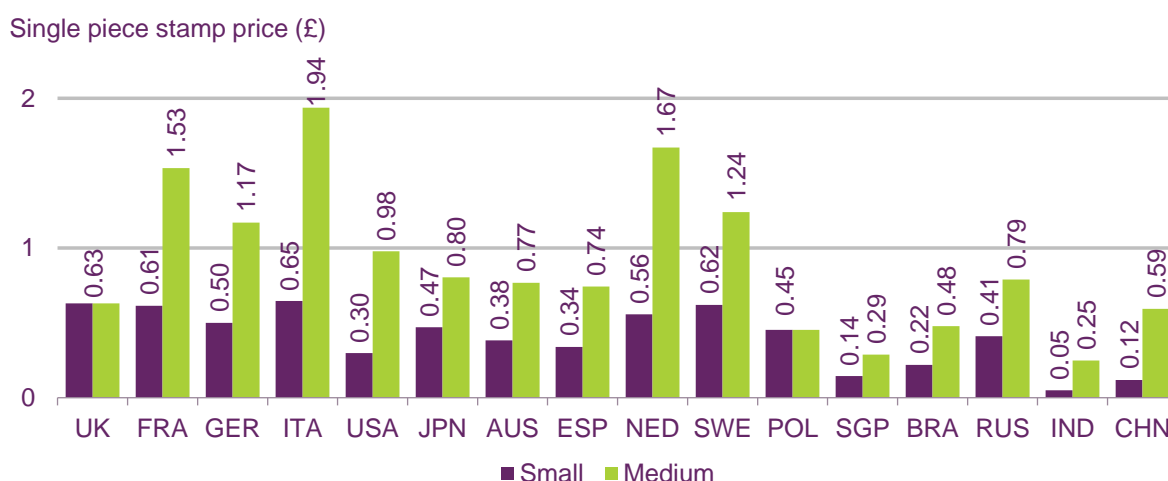
The UK is among the cheapest in Europe in which to send a medium-sized letter

It costs 63p to send a First Class medium-sized letter in the UK. The only European country in which this is cheaper is Poland (45p). With the exception of Spain, it costs over £1 to send a medium-sized letter in all of our other European comparators. The most expensive country is Italy (£1.94), where the price increased by 40% in 2013 and then by a further 14% in 2015. India is the cheapest country in which to send a medium-sized letter (25p), followed by Singapore (29p).

The reason that the UK is more expensive for a small letter and cheaper for a medium-sized letter is due to the different tariff structures that are used in each country. Most postal operators in Europe have a lower price for small letters and postcards weighing 20g or less, and a higher price for items which weigh more than 20g or exceed the dimensions of a DL envelope. In the UK, there is no separate price for a small letter, so the price is the same whether a small or medium-sized letter is being sent.

¹⁴⁴ Most greetings cards in the UK are no larger than a C5 envelope

Figure 7.16 Published stamp prices for small (DL) and medium (C5) domestic letters



Source: WIK / Ofcom analysis

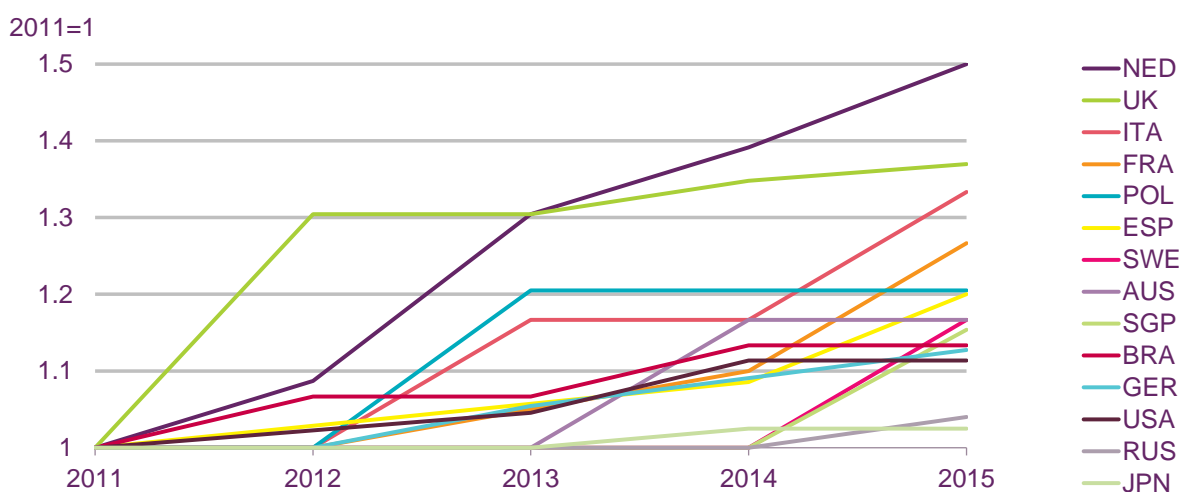
Note: South Korea is not included as the additional charge for the 'Priority Mail' product is not published.

The largest price increases for sending a small letter since 2011 have been in the Netherlands and the UK

On a nominal basis, 14 of our comparator countries have increased the price of the stamp required to send a small letter since 2011, as Figure 7.17 shows. The largest increase has been in the Netherlands, where it is now 50% more expensive than in 2011 to send a small letter. In the UK, it is now 37% more expensive to send a small letter using a First Class stamp.

Prices have risen by at least one fifth in Italy (33%), France (27%), Poland (21%) and Spain (20%). In Spain, the price has increased every year since 2011, and in France prices have risen each year since 2013. The entirety of the 21% increase in Poland took place in 2013 and is due to the reconfiguration of the tariff structure used there. Previously, there was a separate price for small and medium-sized letters. When this was changed, the price of a small letter increased, and the price of medium-sized letter fell slightly, as Figure 7.18 shows.

Figure 7.17 Nominal increase in stamp price for the fastest available small (DL) letter since 2011



Source: WIK / Ofcom analysis
 Note: Figures are nominal

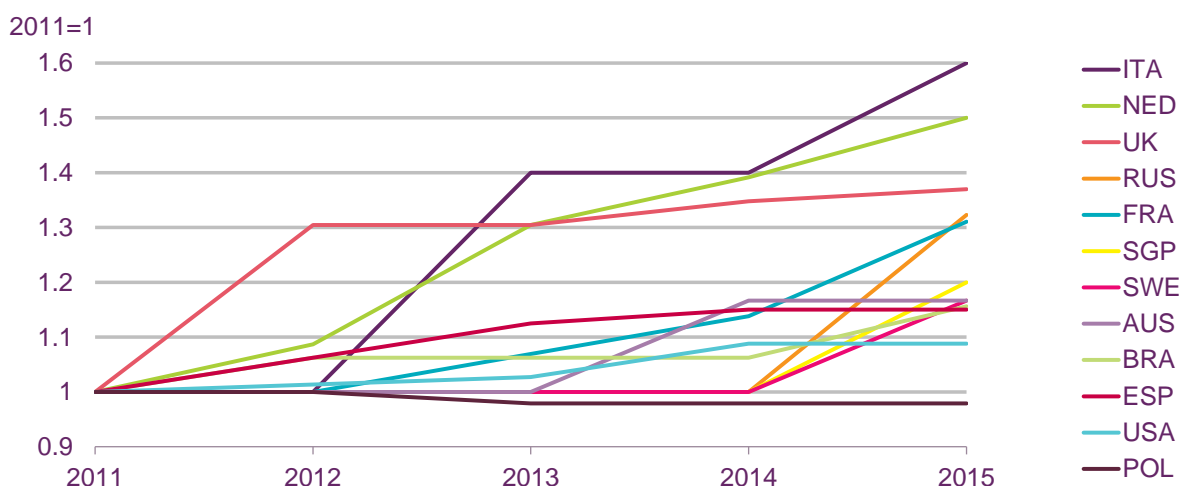
Medium-sized stamp prices have increased in Italy by 60% since 2011

Figure 7.18 shows the nominal trend in the price of sending a medium-sized letter since 2011. Current and previous years are indexed to 2011 prices, on a nominal basis, in each of the comparator countries in which prices have increased.

The highest proportional increase has been in Italy, where the price to send a medium-sized letter is now 60% higher than in 2011. Prices have also risen significantly in the Netherlands, and have increased each year; it is now 50% more expensive than 2011 to send a medium-sized letter in the Netherlands. In the UK, prices increased each year except 2013, and the price of a First Class stamp is now 37% higher than in 2011.

Poland is the only comparator country in which the price of sending a medium-sized letter has fallen. Before 2012, there were separate prices for small letters, weighing less than 20g, and for medium-sized letters. A new pricing structure was then introduced, with a single price for medium-sized letters and anything smaller, similar to the tariff structure in the UK.

Figure 7.18 Nominal increase in stamp price for the fastest available medium-sized (C5) letter since 2011



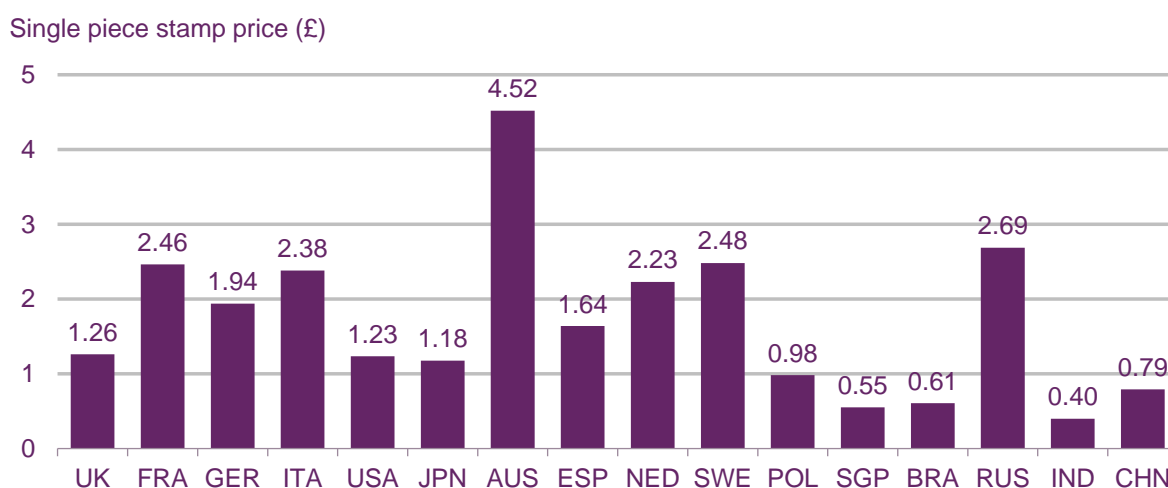
Source: WIK / Ofcom analysis
 Note: Figures are nominal

The UK is among the cheapest countries in Europe in which to send a large letter

Poland is the cheapest country among our European comparators in which to send a large letter (98p), followed by the UK (£1.26). In four of the eight European comparators, it costs more than £2 to send a large letter; Sweden is the most expensive at £2.48, closely followed by France at £2.46. The lowest price overall is in India (40p), followed by Singapore (55p).

The most expensive country to send a large letter is Australia (£4.52). 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 that are up to 25mm thick, this price represents the 'small parcel' price offered by Australia Post. To send a large letter up to 20mm thick in Australia would cost £1.15. Excepting Australia, Russia is the most expensive country in which to send a large letter, as we have defined it.

Figure 7.19 Published stamp prices for large (C4) domestic letters



Source: WIK / Ofcom analysis

Note: South Korea is not included as the additional charge for the 'Priority Mail' product is not published.

South Korea is the cheapest of our comparators in which to send a Second Class equivalent letter of any size

Not all of our comparator countries offer a lower-priced single piece product with a slower delivery standard, in the same way that First and Second Class are available in the UK. Alongside the UK, this choice is available to consumers in France, Sweden, Poland, South Korea and Russia. These are almost all D+3 products, with the exception of France and Russia, as shown in Figure 7.20.

Figure 7.20 Delivery specifications for the Second Class equivalent letter product

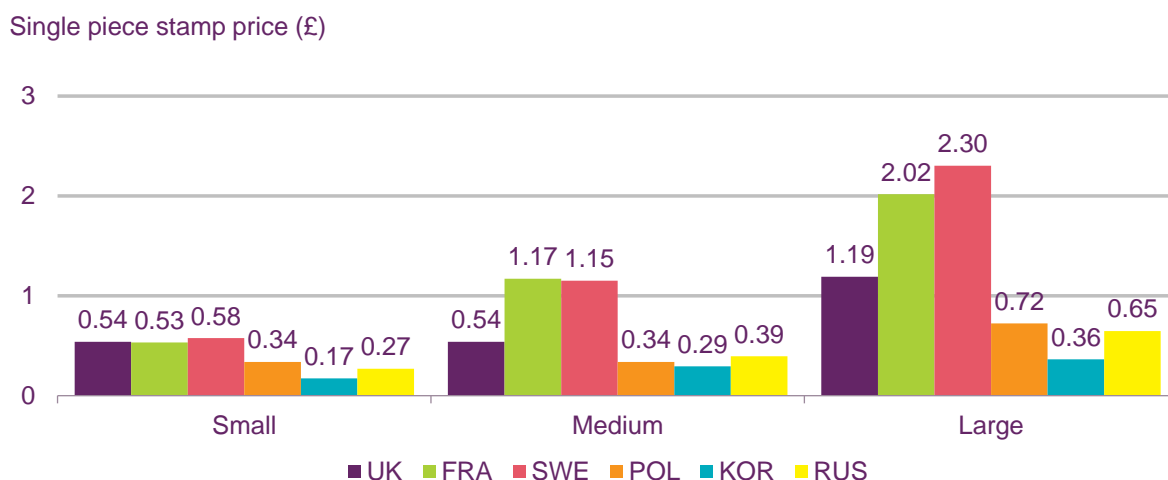
UK	FRA	SWE	POL	KOR	RUS
D+3	D+3-4	D+3	D+3	D+3	Variable

Source: WIK

Note: Delivery targets in Russia are dependent on the point of origin and destination.

South Korea is the cheapest country in which to send a Second Class equivalent letter, regardless of the format. To send a small letter, the price in the UK (54p) is comparable with France and Sweden where it costs 53p and 58p respectively. But it is far cheaper to send a medium-sized Second Class letter in the UK than in France or Sweden, where it costs more than £1. This is because the price to send a medium-sized letter in the UK is the same as a small letter.

Figure 7.21 Published stamp prices for Second Class small (DL), medium (C5) and large (C4) domestic letters: October 2015



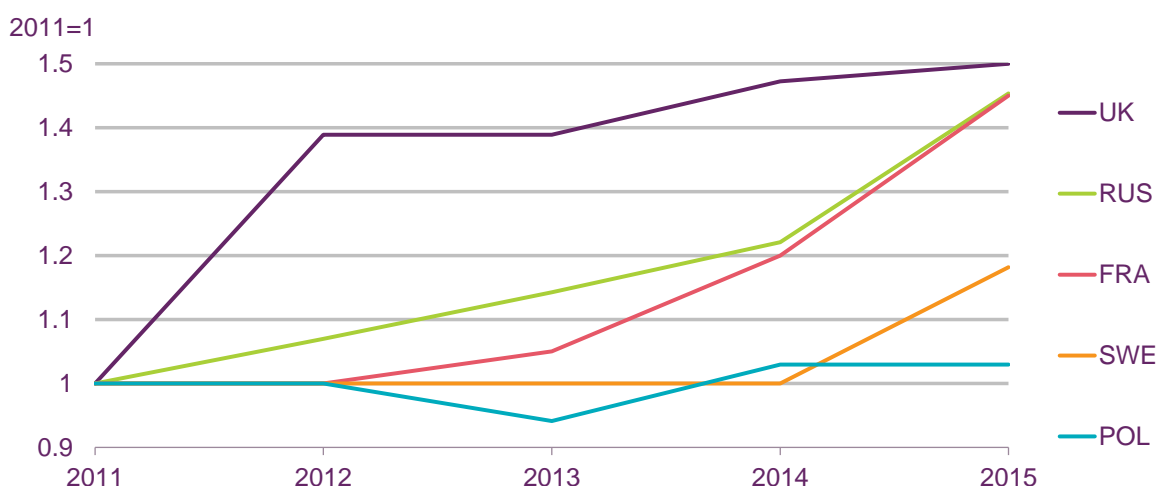
Source: WIK / Ofcom analysis

The price to send a Second Class medium-sized letter in the UK has increased by 50% since 2011

Price increases for the Second Class medium-sized letter in the UK have been the highest among our comparator countries that offer this product. The majority of the increase in the UK occurred in 2012, but smaller increases also took place in 2014 and 2015. Russia and France have also increased the price of a Second Class equivalent stamp, with significant increases in France in 2014 and 2015.

There was no change to the price of a Second Class stamp price in South Korea over this period.

Figure 7.22 Nominal increase in stamp price for Second Class equivalent medium-sized (C5) letter since 2010



Source: WIK / Ofcom analysis
 Note: Figures are nominal

7.2.6 Competition in letters

With the exception of the UK, operators other than those providing the universal postal service have a greater share of letters sector volume than revenue

This section looks at the share of the letters sector, by revenue and by delivered volume, accounted for by postal operators other than the provider of the universal postal service. Among our comparator countries, there are seven European comparators where letters competition exists, as set out in Figure 7.23.

There are two main forms of competition in the letters sector; access and end-to-end. Access competition is where the operator collects mail from the customer, sorts it and transports it to the universal service provider for delivery. This enables other operators to offer letter postal services to larger business customers without setting up their own delivery network. Access competition is well established in the UK and is the most predominant form of competition. Access also exists in Germany, where it is known as 'consolidation' or 'partial services'.

End-to-end competition is where an operator other than the universal service provider undertakes the entire process of collecting, sorting and delivering mail to the intended recipients.

Apart from the UK, in all of the countries in Figure 7.23 where data are available for both revenue and delivered volume from operators other than the universal postal service provider, these operators have a greater share of letters volume than of revenue. The difference is greatest in Poland, where competing postal operators have a 17.3% share of delivered volume and a 7.9% share of revenue. This is likely to be due to competitors to Poczta Polska, the universal postal service provider, primarily competing for lower-value bulk mail, particularly transactional mail from utility companies, and providing an end-to-end service for this mail.

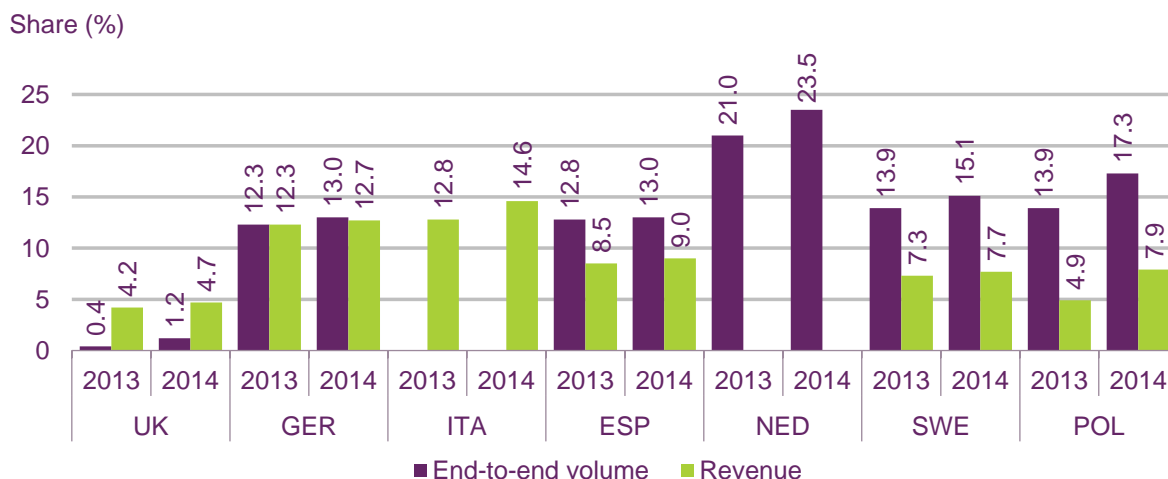
In the Netherlands, operators other than Post NL, the universal service provider in the Netherlands, have the highest share of delivered volume across all of our comparators. Sandd is the largest postal operator in the Netherlands after Post NL and the only other national end-to-end delivery provider. There are also a number of smaller operators offering end-to-end delivery in certain regions. Competition in letter delivery is more established in the Netherlands than in many other countries, and this is reflected in the higher share of delivered volume accounted for by competitors.

For the first time in the UK, the share of delivered letter volumes accounted for by operators other than Royal Mail was greater than 1%. Other operators' share by volume in 2014 was 1.2%, increasing from 0.4% the previous year. However, it is unlikely that this growth will continue. The majority of the increase in delivered volume (and therefore share) was due to Whistl, which began delivering letters end to end in April 2012. Although Whistl had extended its network to deliver to two million addresses, it announced the closure of its end-to-end operations in June 2015 after its investment partner, LDC, announced that it would not fund further roll-out.

In the UK, the higher share of letter revenue than delivered letter volume accounted for by postal operators other than Royal Mail reflects access competition. This is because access operators obtain revenue from providing these services but do not gain any share of delivered letter volumes as Royal Mail is the operator delivering the letters. Operators other than Royal Mail in the UK handled 56% of total letter volume in 2014, accounting for 3.9% of letter revenue. End-to-end competition accounted for 0.8% of total letters revenue.

Although access competition exists in Germany, it is not on as wide a scale as in the UK. Revenues from access operators in Germany accounted for a 1.4% share of the total letters market.¹⁴⁵

Figure 7.23 Revenue and end-to-end delivered letter shares accounted for by operators other than the universal postal service provider: 2013-2014



Source: WIK / Ofcom analysis

Note: 2014 shares for Spain are approximate. Data are not available for volumes in Italy and revenue in the Netherlands

7.2.7 Direct mail

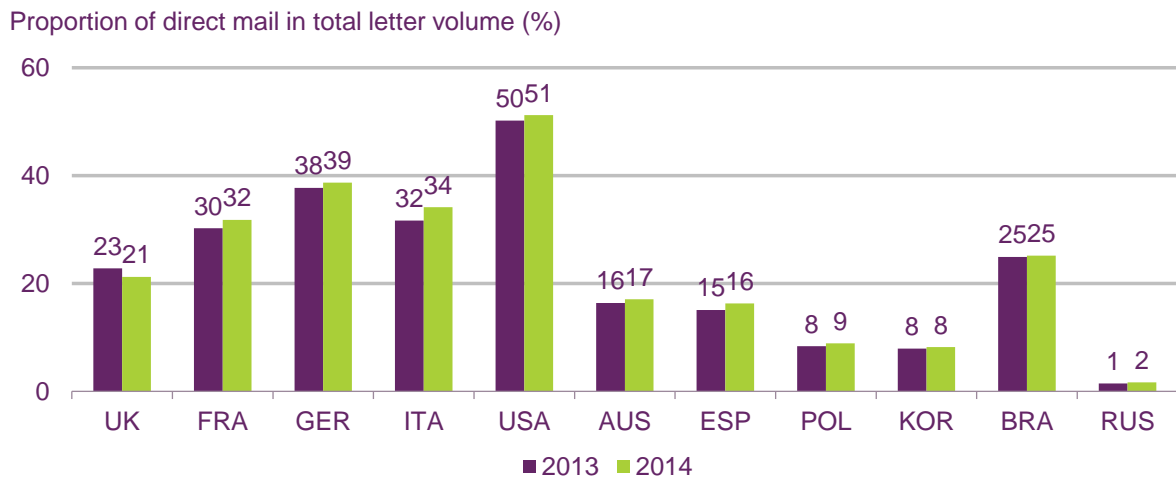
Over half of total mail volume in the US is advertising mail

The importance of direct advertising mail to total volumes is most striking in the US, where 51% of total mail in 2014 was direct mail. Direct mail accounts for 39% of total mail in Germany, the second highest among our comparator countries, followed by France, where 32% of total mail volumes are direct mail. Comparatively, direct mail accounted for 21% of total mail in the UK. The smallest proportion of direct mail in total mail volume was in Russia, where only 2% of total mail was made up of direct mail.

Despite contributing to only 2% of total mail, direct mail volume in Russia increased by 42.2% between 2012 and 2013 and by a further 61.1% in 2014. Russia is the only one of our comparators where the volume of direct mail has increased over the past two years.

¹⁴⁵ Bundesnetzagentur, *Marktuntersuchung Bericht über den lizenzpflichtigen Briefbereich 2014*, March 2015, p.11

Figure 7.24 Proportion of direct mail in total letter volume: 2013-2014



Source: WIK / Ofcom analysis

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 questions include sending and receiving post, the types of mail sent and received, and respondents' perceived reliance on post as a way of communicating. The key findings in this section are:

- **Seven in ten (72%) of the online population in the UK had sent an item of post in the past month.** Only in France and in Germany, where nearly eight in ten had sent at least one item, were people more likely to have sent something by post in the past month.
- **The average number of items of post sent per month has remained broadly stable in the UK and has increased in France, Italy and the US.** The average number of items sent per month in 2015 in the UK was 4.2, broadly similar to the average of 3.9 for the previous year. This is lower than in 2013, when the average number of items sent was 4.7.
- **Among those that had sent an item, six in ten of those in Spain and over half of those in the UK had sent a parcel.** For the UK, Germany, Italy, Australia and Spain, over half of those that had sent something in the past month had sent a parcel. This was highest in Spain, where 59% had done so.
- **People in the UK are more likely than those in any of the other countries we surveyed to send invitations, cards and postcards.** One-third of those in the UK who had sent any item of post in the past month had sent an invitation, card or postcard in this time period, higher than any of the other countries that we researched.
- **Nine in ten (88%) people in the UK had received an item of post in the past week.** People in the UK were among the most likely of those in our comparator countries to have received an item of post in the past week. Almost nine in ten (88%) had received at least one item, the same proportion as in France and Germany.
- **People in the US report receiving the most post of all our comparators.** The average number of items received by people in the US in 2015 was 9.3, the same as the previous year. The next highest average number of items received was in France (8.4), followed by the UK (6.7).
- **People in the UK and the US consider themselves more reliant in post in 2015 than they did in 2014.** In the UK, the proportion of people considering themselves reliant on post increased by 6 percentage points to 62%. In the US, this increased by 9 percentage points, also to 62%.

7.3.2 The number of items sent

Seven in ten (72%) of the online population in the UK had sent an item of post in the past month

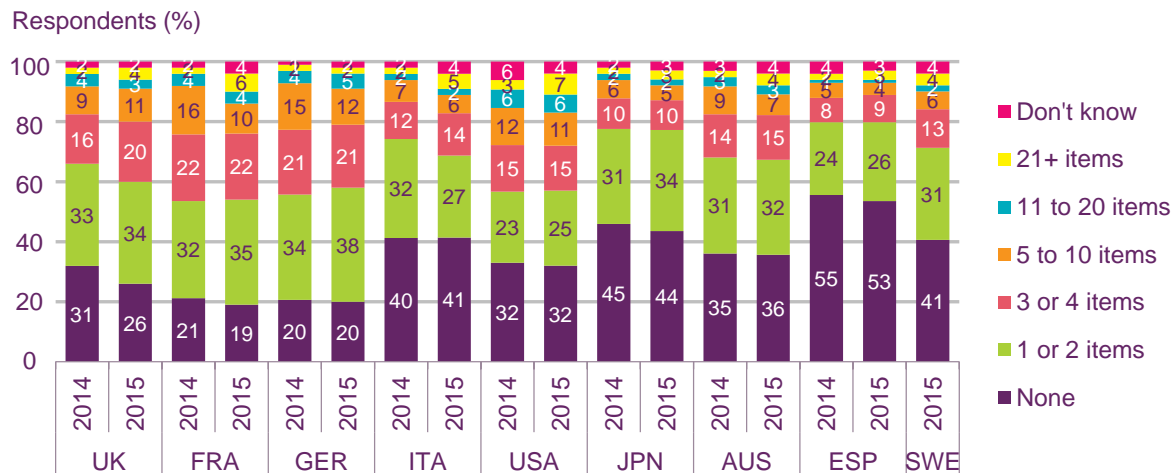
Respondents in the UK were among the most likely of those in all the countries we surveyed to have sent an item of post in the past month. Only in France and in Germany, where nearly

eight in ten had sent at least one item, were people more likely to have sent something by post in the past month.

In Spain, over half of those surveyed said that they had not sent anything by post in the past month, the highest of all the countries in Figure 7.25. Two-fifths of those in Japan (44%), Italy (41%) and Sweden (41%) had not posted anything in the past month.

Where people had sent something in the past month, they were most likely to have sent one or two items only, across all of our comparators.

Figure 7.25 Approximate number of items of post sent per month



Source: Ofcom consumer research September - October 2015

Base: All respondents, UK=1006, FRA=1003, GER=1007, ITA=1003, USA=1009, JPN=1006, AUS=1000, ESP=1002, SWE=1004

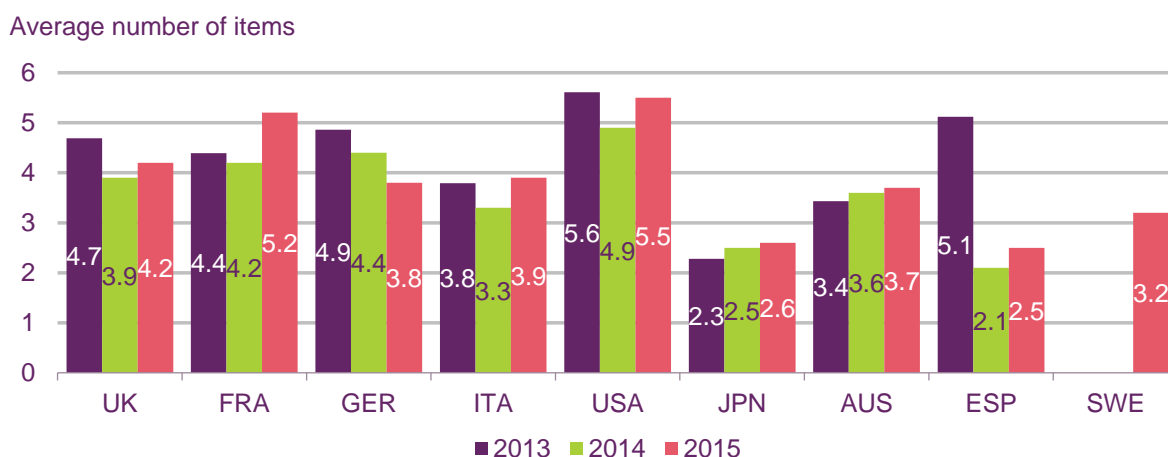
Q.12 Approximately how many items of post - including letters, cards and parcels - have you personally sent in the last month?

The average number of items of post sent per month has remained broadly stable in the UK and has increased in France, Italy and the US

The average number of items sent per month in 2015 in the UK was 4.2, broadly similar to the average of 3.9 for the previous year. This is lower than in 2013, when the average number of items sent was 4.7. The average number of items sent was also broadly stable in Japan, Australia and Spain.

The average number of items sent in France, Italy and the US has increased. In France, the average number of items rose from 4.2 in 2014 to 5.2 in 2015. This was the largest increase, and as Figure 7.25 shows, this is due to a larger proportion of people saying that they had sent more than 21 items in the past month. The increase in France brings the average number of items sent there into line with the US, where the number of items sent per month has been highest of all the countries we survey for the past three years.

Figure 7.26 Average number of items sent per month: 2013-2015



Source: Ofcom consumer research September - October 2015, October 2014, September 2013
 Base: All respondents, UK=1000/1011/1006, FRA=1007/1027/1003, GER=1010/1006/1007, ITA=1010/1006/1003, USA=1004/1000/1009, JPN=1005/1003/1006, AUS=1007/1000/1000, ESP=1020/1002/1002, SWE=1004 Q.12 Approximately how many items of post - including letters, cards and parcels - have you personally sent in the last month?

7.3.3 Types of items sent

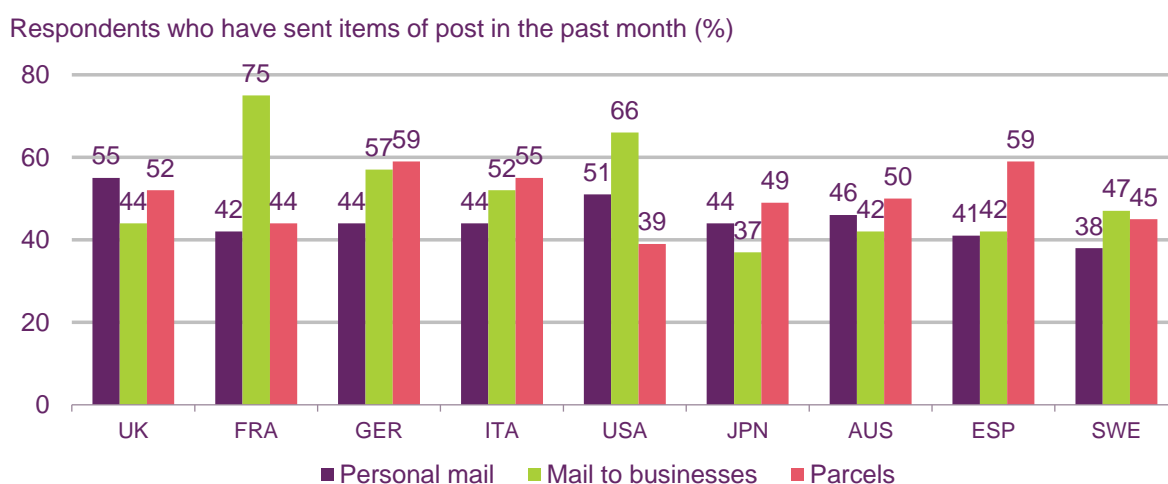
Among those who had sent any item of post, six in ten of those in Germany and Spain and around half of those in the UK, Australia and Italy had sent a parcel

In the UK, Germany, Italy, Australia and Spain, over half of those who had sent something in the past month had sent a parcel. This was highest in Spain, where 59% had done so. This is an increase of 11pp year on year.

People in the UK and the US were the most likely to have sent personal mail, with over half of those who had sent an item in the past month in these countries having sent this type of mail. The UK and the US were the only countries in which a higher proportion of people had sent personal mail than parcels.

In France and the US, the category of post sent most frequently by consumers was mail to businesses. Three-quarters (75%) of those in France and two-thirds (66%) of those in the US had sent this category of post. Over half of those in Germany (57%) and in Italy (52%) had sent mail to businesses. In France, the US and Sweden a higher proportion of people had sent mail to businesses than had sent a parcel. These were the only three countries in which this was the case.

Figure 7.27 Categories of post sent in the past month



Source: Ofcom consumer research September - October 2015

Base: All respondents who have sent any items of post in the last month, UK=731, FRA=772, GER=790, ITA=549, USA=643, JPN=533, AUS=601, ESP=435, SWE=547

Q.13 Which of these types of mail would you say you have personally sent in the last month by post?

People in the UK are more likely than those in any of the other countries we surveyed to send invitations, cards and postcards

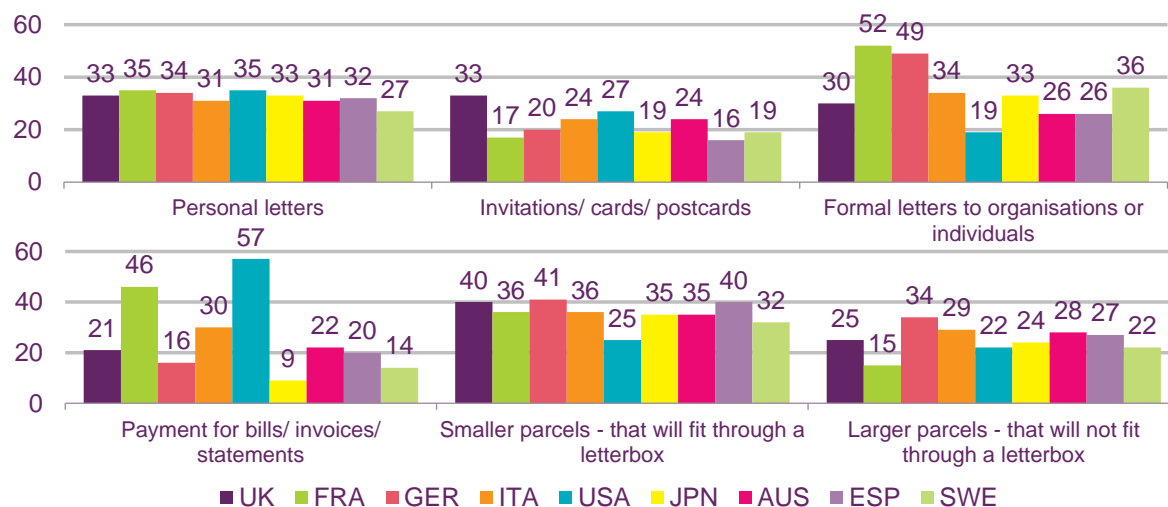
One-third of those in the UK who had sent any item of post in the past month had sent an invitation, card or postcard in this time period, higher than any of the other countries that we researched. This is the same proportion as the previous year. Those in the US were the next most likely to have sent this type of post, with 27% doing so.

As Figure 7.27 shows, people in France and the US were the most likely to send mail to businesses. Looking at the specific types of items sent (Figure 7.28) indicates that this is primarily driven by payments for bills being sent through the post.

People in the UK were among the most likely to have sent a small parcel in the past month, with two-fifths having done so. This is on a par with Germany (41%), and Spain (40%). People in Germany were the most likely to have sent a large parcel; one-third (34%) had sent this type of item in the past month.

Figure 7.28 Type of items sent in the past month

Respondents who have sent items of post in the past month (%)



Source: Ofcom consumer research September - October 2015

Base: All respondents who have sent any items of post in the last month, UK=731, FRA=772,

GER=790, ITA=549, USA=643, JPN=533, AUS=601, ESP=435, SWE=547

Q.13 Which of these types of mail would you say you have personally sent in the last month by post?

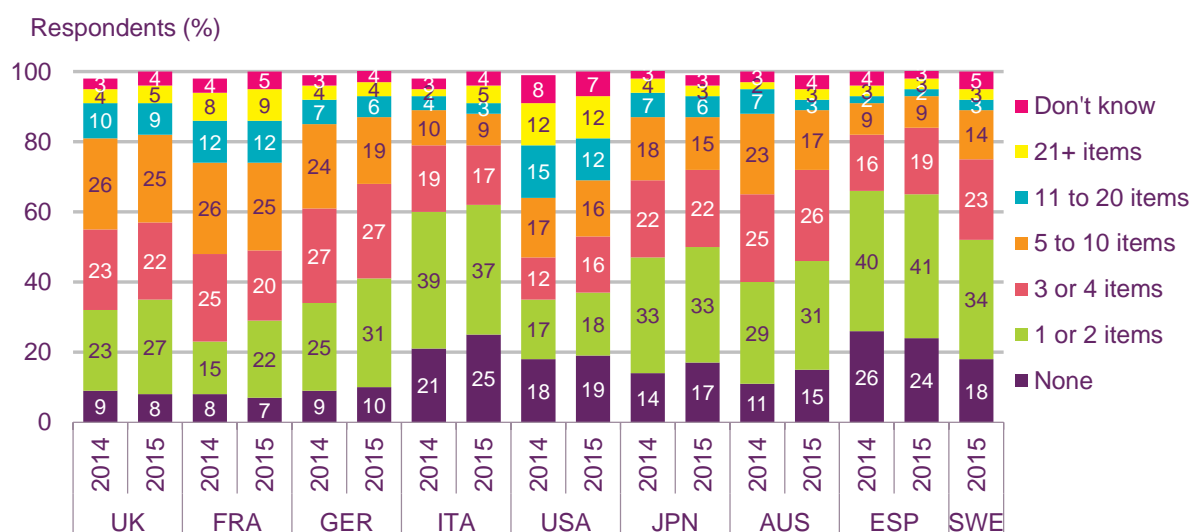
7.3.4 The number of items received

Nine in ten (88%) people in the UK had received an item of post in the past week

People in the UK were among the most likely of those in our comparator countries to have received an item of post in the past week. Almost nine in ten (88%) had received at least one item, the same proportion as in France and Germany.

People in Italy and in Spain were the most likely to have received no post in the past week, with a quarter of respondents in each of these countries saying that they had not received a single item.

Figure 7.29 Approximate number of items of post received in the past week



Source: Ofcom consumer research September - October 2015

Base: All respondents, UK=1006, FRA=1003, GER=1007, ITA=1003, USA=1009, JPN=1006, AUS=1000, ESP=1002, SWE=1004 Q.14 Approximately how many items of post - including letters, cards and parcels - have you personally received in the last week?

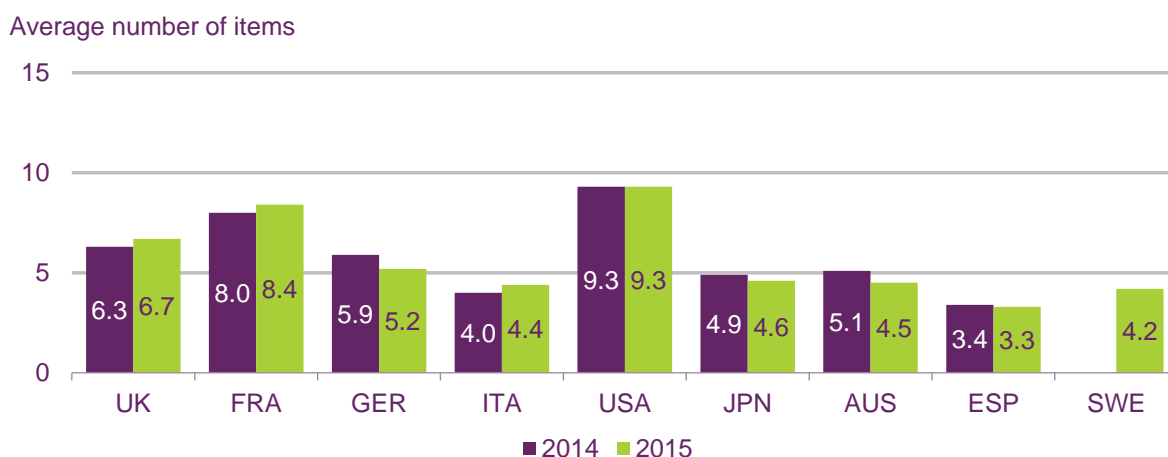
People in the US report receiving the most post of all our comparators

The average number of items received by people in the US in 2015 was 9.3, the same as the previous year. The next highest average number of items received was in France (8.4), followed by the UK (6.7).

This claimed measure is not consistent with the 'volume per head of population' metric, calculated from the industry data and set out in Figure 7.11. This is because the number of items received is sourced from consumer research, in which people are asked how many items of mail they have received in the past week, while the data in Figure 7.11 are derived from the total letter volume for each year divided by the population of each country. The consumer research does not include mail sent to businesses, which may explain why there is a high volume per head of population in Sweden, despite it having one of the lowest average numbers of items received by consumers.

The high number of items received in the US is likely to be driven by advertising mail, which accounts for 51% of total mail volume in that country. As section 7.3.5 shows, people in the US are the most likely among our comparators to have received advertising mail in the past week.

Figure 7.30 Number of items received in the past week



Source: Ofcom consumer research September - October 2015, October 2014,
 Base: All respondents, UK=1000/1011, FRA=1007/1027, GER=1010/1006/, ITA=1010/1006/,
 USA=1004/1000, JPN=1005/1003, AUS=1007/1000/, ESP=1020/1002, SWE=1004
 Q.14 Approximately how many items of post - including letters, cards and parcels - have you personally received in the last week

7.3.5 Types of items received in the past week

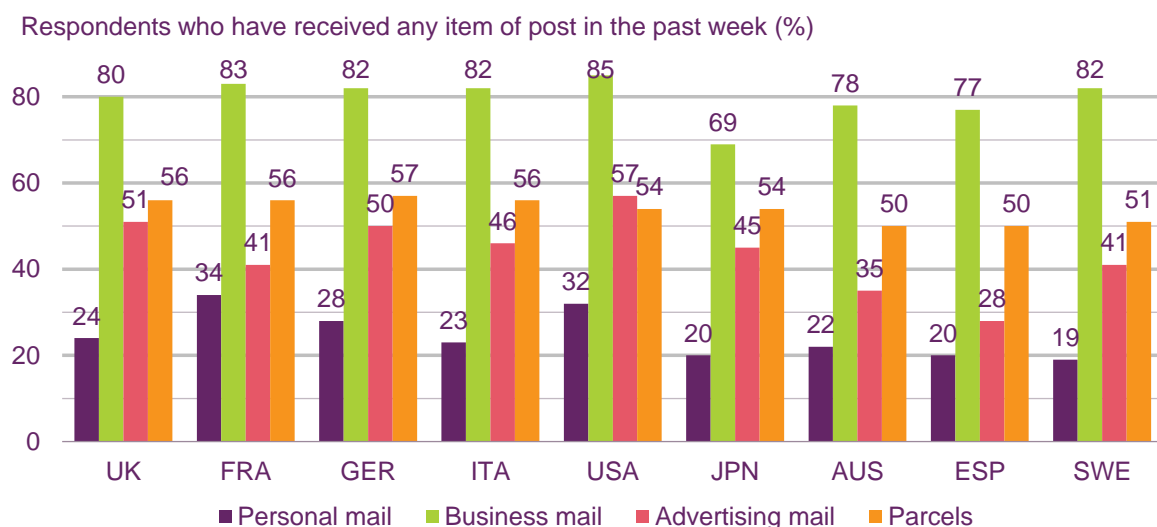
Mail from businesses is the category of mail most likely to be received, in all our comparator countries

With the exception of Japan, in all of our comparators around eight in ten people who had received an item of post in the past week had received mail from businesses. Although a smaller proportion of those in Japan had received this type, it was still the most likely category of mail to be received; seven in ten (69%) said they had received it.

In all of our comparators except the US, parcels were the next most likely category of mail to have been received, with at least half of those in each country who had received any post in the past week saying they had received at least one parcel during this time period.

A quarter (24%) of those in the UK who had received any post in the past week had received personal mail. This was lower than in France (34%) the US (32%) and Germany (28%).

Figure 7.31 Categories of items received in the past week



Source: Ofcom consumer research September - October 2015 Base: All respondents who received at least one item of post in the last week, UK=886, FRA=879, GER=873, ITA=710, USA=753, JPN=791, AUS=813, ESP=731, SWE=775 Q.16 Which of these types of items would you say you have personally RECEIVED through the post in the last WEEK? Please think about items that are addressed to you personally rather than items like leaflets or anything else that may come through your letterbox.

Although people in the UK are the most likely to have sent a card, those in the US are the most likely to have received one

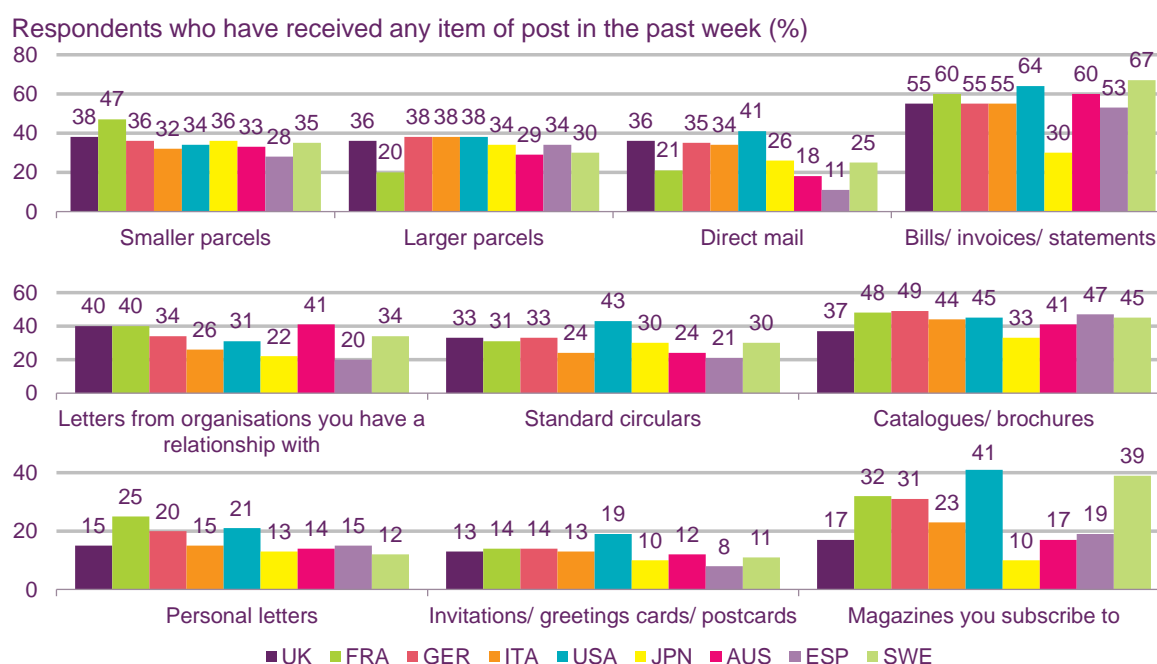
Although one-third of people in the UK who had sent mail in the past month had sent an invitation, greetings card or postcard (Figure 7.28), this type of mail had been received by just 13% of those who had received any mail during the past week. People in the US were most likely to have received this type of mail, with one-fifth (19%) saying that they had. This compares to the 27% who said they had sent a card in the past month.

The difference in the proportions who had sent and received this type of mail may be due to the differing time periods that are asked about in the consumer research. When asked about mail sent, respondents were asked to recall what they had sent in the past month; when asked about mail received, they were asked about the past week.

Those in the US were the most likely to have received direct mail, with two-fifths (41%) saying they had received direct mail in the past week. This was slightly higher than in the UK (36%), which was on a par with Germany (35%) and Italy (34%). Those in Spain and Australia were the least likely to have received direct mail in the past week.

In all countries apart from Japan, bills, invoices or statements were the type of mail that the highest proportion of people reported receiving in the past week. In Japan, the type of mail that the greatest proportion said they had received was a small parcel (36%).

Figure 7.32 Types of mail received in the past week



Source: Ofcom consumer research September - October 2015 Base: All respondents who had received any item of post in the past week, UK=886, FRA=879, GER=873, ITA=710, USA=753, JPN=791, AUS=813, ESP=731, SWE=775Q.16 Which of these types of items would you say you have personally received through the post in the last week?

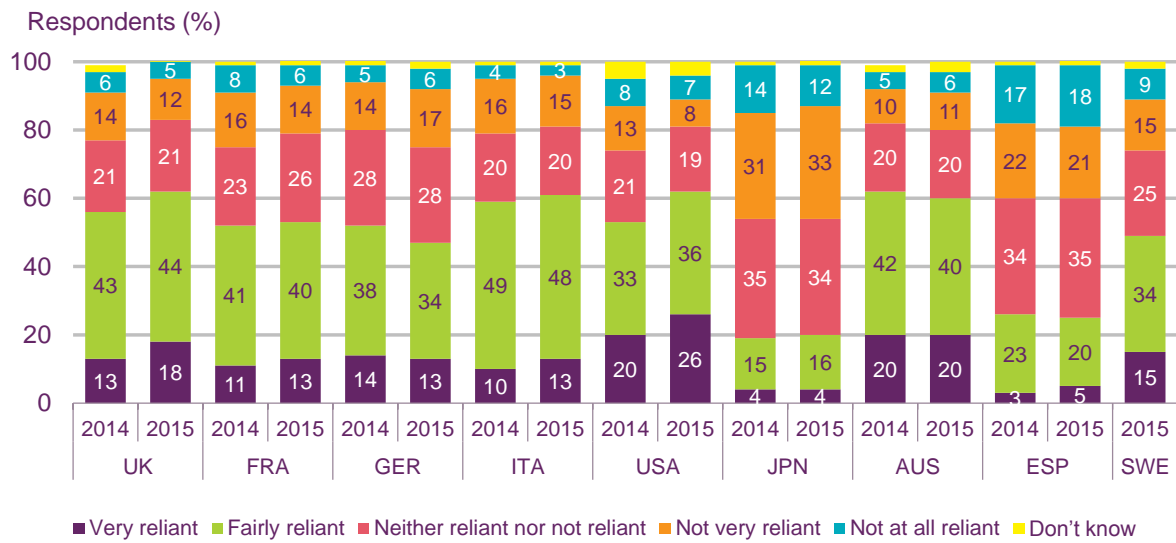
7.3.6 Reliance on post as a way of communicating

The proportion of people in the UK and the US who consider themselves reliant on post as a way of communicating has increased

The proportion of people in the UK who said they were either ‘very reliant’ or ‘fairly reliant’ on post as a way of communicating increased by 6pp in 2015 to 62%. In the US, the proportion of people who said this increased by 9pp, also to 62%. These two countries were the most reliant of all our comparator countries on post, followed by Italy (61%) and Australia (60%). In almost all of the other comparators, the proportion of people who considered themselves reliant on post remained broadly the same year on year. The exception was Germany, where the proportion of people who considered themselves reliant on post fell by 5pp to 47%.

People in Japan were the least likely to consider themselves reliant on post (20%), followed by Spain (25%).

Figure 7.33 Reliance on post as a way of communicating



Source: Ofcom consumer research October 2015, October 2014 Base: All respondents, UK=1006, FRA=1003, GER=1007, ITA=1003, USA=1009, JPN=1006, AUS=1000, ESP=1002, SWE=1004 Q.17 How reliant would you say you are on post as a way of communicating?