



**Consumer
Focus**
Campaigning for a fair deal

Consumer Focus response to Ofcom's consultation on the roll- out of Royal Mail's Delivery to Neighbour scheme

August 2012

About Consumer Focus

Consumer Focus is the statutory consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland.

We operate across the whole of the economy, persuading businesses, public services and policy makers to put consumers at the heart of what they do.

Consumer Focus tackles the issues that matter to consumers, and aims to give people a stronger voice. We don't just draw attention to problems – we work with consumers and with a range of organisations to champion creative solutions that make a difference to consumers' lives.

Our response

Consumer Focus welcomes the opportunity to respond to Ofcom's consultation on Royal Mail's request to roll out its Delivery to Neighbour scheme across the UK. In this response we focus on Q1: *Do you agree that Ofcom should grant approval to Royal Mail for the Delivery to Neighbour service?* We are heartened to see Royal Mail addressing the growing problem of delivery convenience and supported its initial Delivery to Neighbour trial. Subject to the caveats detailed below we now also support its wider roll-out across the UK, but we would like to highlight several outstanding areas of concern in this response. We also continue to urge Royal Mail to explore alternative delivery methods to improve delivery convenience for all consumers.

Background and Consumer Focus's involvement

Consumer Focus has been heavily involved in the trial of this scheme that has been taking place in six areas since November 2011. In our role as the consumer watchdog for postal affairs we have conducted several pieces of research into consumer responses to the trial. When Royal Mail first proposed the trial in July 2011 our omnibus survey of UK consumers found that they were concerned about mail integrity, privacy and responsibility. In particular the clear majority of consumers believed they should be able to choose whether to participate. When Postcomm granted Royal Mail permission to proceed with the trial it was with several important safeguards in place, including an opt-out for consumers as recipients and neighbours. Royal Mail was also required to retain liability for mail delivered in the trial areas on the same basis as for mail delivered outside the trial areas, to provide details of its key performance indicators (KPIs), and to advise Ofcom and Consumer Focus of its communications plan and trial evaluation results.

We believed that these safeguards would go some way towards reassuring consumers in the trial areas, but we wanted to conduct our own independent assessment of the trial procedures and consumer attitudes to the trial. During the trial we therefore commissioned two further pieces of research involving a mystery shopping exercise in which packets/signature items¹ were posted to the trial areas, plus a survey of consumers living in the trial areas. The results of this research can be found in our report '*Everybody needs good neighbours*'² which we published in June 2012. Our main findings were as follows:

1. **Individual delivery convenience:** In those circumstances when packets/signature post was left with a neighbour as part of the trial and the trial guidelines were correctly followed, delivery convenience for these recipients was improved and they believed they benefited from the trial
2. **Trial procedures:** We believe that the safeguards included in the trial (such as the opt-out option, the 'Something for you' card and the exclusion of Special Delivery) were proportionate and effective, but they were not always applied correctly. If the scheme is rolled-out nationally Royal Mail needs to ensure that postmen/women are aware of the guidelines and monitor its implementation carefully to ensure that the guidelines are adhered to

¹ Second Class parcels and Recorded Signed For items, with Special Delivery as a control

² Available at <http://bit.ly/NmDQ80>

3. **Opt-out:** Although the percentage that chose to opt out was very small, only one in five consumers was aware that they had this option. We therefore recommend that Royal Mail investigates ways to improve this level of awareness as part of any wider roll-out, and that it would benefit from further investigation into the needs of those who choose not to participate
4. **Awareness of the trial:** Awareness of the trial is low among consumers in the trial areas, but given the high levels of recall of the leaflet from those who were aware of the trial we believe this method was effective. If the trial is rolled-out nationally Royal Mail needs to ensure that consumers are kept well-informed, especially so that those consumers who do not wish to participate are aware of the opt-out
5. **Senders:** If the scheme is rolled-out nationally an effective national communications strategy would improve sender awareness and as such information provision in post offices could be limited to ongoing counter staff briefing
6. **Overall delivery convenience:** It is important that Royal Mail continues to explore alternative delivery methods to improve delivery convenience for consumers, especially younger consumers who are fuelling the increase in fulfilment post but who were less engaged with the Delivery to Neighbour trial.

The proposed roll-out

We agree with Ofcom's analysis that the roll-out of Delivery to Neighbour would improve delivery convenience for items that are too big to fit through a letterbox or require a signature if recipients are not at home to receive these items. It would reduce the number of items returned to the Delivery Office as undeliverable and thus the number of trips consumers have to make to retrieve these items (and the number of re-deliveries). We believe that the success of the trial is partly due to the safeguards that were implemented, and that they help to explain the low number of complaints that Royal Mail received. We are very pleased that Ofcom found our research helpful when considering the roll-out of the service and that it has taken account of the recommendations in our research report. While we very much appreciate Ofcom's consumer-centred approach to this issue and believe that the proposals in this consultation will help to ensure that consumers receive the benefits that this service can offer, we have a few detailed points that we would like Ofcom to consider:

Key safeguards

We are pleased that Ofcom has recognised the importance of the opt-out option as a consumer safeguard and that Royal Mail has confirmed it will continue to offer the opt-out as part of a national roll-out. This has benefits both for consumers, who can feel secure that if for whatever reason they would prefer that their post is returned to the Delivery Office this option is available, and for Royal Mail, who is likely to enjoy higher customer approval for the scheme with an opt-out included. Similarly, consumers will be reassured that Royal Mail has confirmed it will continue to retain liability for all undeliverable items until they are received by the original addressee. Additionally, we believe that the products included in the scheme are appropriate, and we are pleased that Ofcom has proposed that any national roll-out continues to exclude Special Delivery as the product designed for valuable items.

Consumer awareness

Ofcom noted our research indicating low levels of consumer awareness of the trial and, importantly, the opt-out option. We are pleased that Royal Mail intends to send a letter to every household in the UK if the scheme is rolled-out nationally; our research found that the leaflet sent to households in the trial areas was the most effective communications method employed during the trial. We also agree that national publicity, for example via information on Royal Mail's website, would be an appropriate way to raise awareness. In particular, it is crucial that any such publicity reminds consumers that they have the option to opt out of the scheme.

Local issues

Royal Mail intends to allow delivery staff the flexibility to judge which neighbour to approach under a definition of a neighbour as someone living within close proximity of the addressee. We agree that postmen/women should be empowered to use their local knowledge to inform their use of the Delivery to Neighbour option and to ensure that, should they choose to leave an item with a neighbour, that neighbour is an appropriate recipient. Some flexibility to employ the most appropriate solution is likely to be particularly important for vulnerable consumers. For example, we believe that at the moment delivery staff make local arrangements to notify blind or partially sighted recipients of an item's whereabouts. If they leave an item with a neighbour a standard P739 card would not be accessible to a blind or partially sighted person, who might need the notification by phone, large print, Braille etc. Similarly, if an item is left with a next door neighbour this would probably improve their delivery convenience compared to a trip to the Delivery Office. However, leaving the item with a neighbour further away might be worse for a blind or partially sighted person than a redelivery directly to their address on a different day.

One of the strengths of Consumer Focus is its national-level understanding of policy issues. It has been brought to our attention that a roll-out of the scheme could have particular local problems for Northern Ireland postal consumers. Northern Ireland was the only nation of the UK that was not included in the trial of the Delivery to Neighbour scheme. In particular, some areas of Belfast and other urban areas of Northern Ireland can be described as segregated with problematic interface and boundary areas. While we accept that delivery staff on the ground will be aware of visible and invisible boundary issues within these communities, it is a problem that is unique to Northern Ireland and should be explored fully.

We would therefore welcome a trial prior to any roll-out of this scheme in Northern Ireland. The most appropriate location would be the Greater Belfast area (ie Belfast Delivery Office which covers North, South and West Belfast) as not only does this area have the highest population density in the region but also the widest demographic spectrum of consumers, including those living in boundary communities. This would help to identify any issues that have particular relevance to Northern Ireland consumers and would allow key decision makers to take appropriate account of these before a full Northern Ireland wide roll-out is implemented. As a minimum Royal Mail will need to conduct extensive monitoring of the scheme if and when it is implemented in Northern Ireland.

Scheme guidelines

On the basis of our research findings we agree with Ofcom that Royal Mail needs to ensure that its delivery and customer services staff are aware of the rules of the scheme. Our mystery shopping exercise found that a few postmen/women 'over extended' their use of the Delivery to Neighbour option to include recipients and items that were specifically excluded from the trial.

In particular, we uncovered a specific issue of postmen/women in the Norwich area leaving parcels with neighbours even when the recipient had opted out of the trial. Similarly, some postmen/women left Special Delivery items with a neighbour (even though these were specifically excluded from the trial) and some recipients did not always receive a 'Something for you' card (P739 card) containing the full set of relevant information when they should have done. This scheme will require clear national-level guidelines whose implementation is monitored at a local level.

Royal Mail's Postal Scheme changes consultation

Postal Schemes set out the legal obligations that postal operators have towards consumers in the course of providing postal services. Royal Mail has recently consulted on amendments it would like to make to its two of its schemes to clarify what happens to an item that cannot be delivered on the first attempt³. This was partly driven by its proposed national roll-out of the Delivery to Neighbour service and the regulatory changes that this would require. It is vital that these schemes fully reflect the important safeguards that Ofcom has recognised are essential and that Royal Mail itself has confirmed for inclusion in its application to Ofcom. In our consultation response⁴ we expressed our concerns that the proposed amendments did not achieve this goal in several areas, including the following three key safeguards:

1. **Opt out:** the scheme wording must explicitly reflect and enshrine the availability of a free opt-out mechanism that is easily accessible to consumers (including vulnerable consumers). We recognise that the mechanism by which consumers register their wish to opt out may change from time to time, and that the level of detail in the wording may need to reflect the ability of Royal Mail to change the mechanism from the current opt-out sticker
2. **Liability:** the current drafting of the schemes means that there is still legal uncertainty as to the compensation payable for loss or damage to items that are left with a neighbour. We note that Ofcom specifically indicates that if approval is granted for the national roll-out Royal Mail should consider any changes that may need to be made to its compensation policy for lost items. We believe that the provisions in the new schemes must unambiguously reflect that liability to pay compensation for lost and/or damaged items remains with Royal Mail – notwithstanding that the item is delivered to a neighbour. This should be expressly stated for the avoidance of doubt and so that it is clear to consumers when referring to the scheme that this is the stated intention

³ Royal Mail (2012) *Scheme proposals to clarify treatment of postal packets when no one is available to accept them*

⁴ *Consumer Focus response to Royal Mail consultation on postal scheme changes* (2012)

<http://bit.ly/P9G0Xd>

3. **Neighbour:** the schemes should provide an adequate definition of a 'neighbour' which at a minimum reflects the need for delivery officers to consider the suitability of the person in choosing an appropriate person in close proximity to the addressee. Not all persons in close proximity to the addressee will be suitable delivery points and the delivery officer needs to ensure that in these circumstances an appropriate person is chosen. The definition also needs to take into account that the criteria for choosing a neighbour will differ across locations according to whether it is a high-density city, urban, rural or remote rural location

In our response we have identified the specific sections of the schemes where greater clarity is required and have suggested amendments to ensure that all of these important points can be accurately reflected in the re-drafting exercise.

Post offices

Ofcom has sensibly considered that post office counter staff need to be aware of the scheme guidelines. Royal Mail and Post Office Limited (POL) will need to work together to ensure that consumers with a query about the scheme are provided with appropriate information by counter staff, especially in light of the recent separation between the companies. POL commissions a rolling programme of mystery shopping that tests in-branch performance on measures such as queue times and service quality. We believe it would be appropriate for POL to include a test of the information and advice around the delivery to neighbour scheme in future mystery shopping exercises.

P739 cards

This scheme provides an opportunity for Royal Mail to address the long-standing issue of postmen/women leaving P739 cards instead of attempting to deliver packets/signature items. This practice makes delivery convenience an unnecessary issue for the recipient. Consumer Focus's 2009 omnibus survey⁵ revealed that 55 per cent of consumers had received one of these cards while they were at home to receive the item during the 12 months prior to the survey. Nearly a quarter (23 per cent) reported that this had happened at least three times. We therefore support Ofcom's suggestion of setting key performance indicators (KPIs) on the percentage of items returned to the Delivery Office, complaints relating to P739 cards and P739 complaints relating to undelivered items.

We have suggested in our response⁶ to Royal Mail's consultation on amendments to its Postal Schemes⁷ that one way to improve the P739 service would be to expand the schemes to enshrine standard practice on the information provided on the cards, including:

- the time and date of the attempted delivery
- the addressee and their address
- the reason for the card being left, for example the item required a signature or it was too big for the letterbox
- the Delivery Office or post office where the item parcel can be collected
- opening times of the Delivery Office or post office

⁵ Consumer Focus (2009) *Postal omnibus survey*

⁶ *Consumer Focus response to Royal Mail consultation on postal scheme changes* (2012)

<http://bit.ly/P9G0Xd>

⁷ Royal Mail (2012) *Scheme proposals to clarify treatment of postal packets when no one is available to accept them*

- the length of time that the items will be held at the Delivery Office or post office

Royal Mail believes that Delivery to Neighbour should have a positive impact on this issue (presumably because delivery should become less onerous for staff who are able to leave items with a neighbour rather than return them to the Delivery Office) and we are pleased that Ofcom intends to monitor this issue going forward.

Other issues

As Ofcom notes, given the safeguards that Ofcom has included we support the proposed roll-out of Delivery to Neighbour and the related regulatory changes this requires. More widely, we believe that the process of establishing Delivery to Neighbour as an alternative delivery point demonstrates the importance of regulatory oversight of Royal Mail in ensuring consumers' needs are considered when changes are proposed. As the universal service provider Royal Mail has a near total monopoly on letter services for residential and small business consumers and is the largest player in the parcels market. As such any changes to its delivery practices could potentially affect millions of householders⁸ and this necessitates a more detailed regulatory regime. The responses to the public consultation that Postcomm held prior to the trial led to the inclusion of the opt-out option and the requirement for Royal Mail to retain liability for all items until they are delivered to the original addressee. We believe that it was partly thanks to safeguards such as these that the trial was successful in reducing the number of undeliverable items while maintaining consumer confidence in Royal Mail's delivery practices.

We will be interested to learn more about the KPI that Royal Mail will set to monitor the effectiveness of Delivery to Neighbour as an alternative delivery method. However, Delivery to Neighbour is not the single solution to the issue of delivery convenience; for example, our research found that younger consumers, particularly those aged 18-24, were less likely to believe they had benefitted from the trial, which is probably related to their low levels of awareness of the trial. We recommend that Royal Mail continues to explore and expand its range of delivery options. Delivery options should to be tailored to the needs of individual consumers, and Royal Mail will need to pay close attention to these needs if it is to capture and retain their parcel traffic.

⁸ According to the *2011-12 Annual Report and Financial Statements* of Royal Mail Holdings plc, Royal Mail Group delivers to over 29 million addresses across the UK



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