



The Communications Market 2013

6 Post

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6.1 Key market developments in post

6.1.1 Industry metrics and summary

Figure 6.1 UK postal industry: key metrics

UK postal services industry	2006	2007	2008	2009	2010	2011	2012
Addressed mail volumes	22.0bn	21.6bn	20.6bn	18.6bn	17.5bn	16.6bn	15.7bn
Addressed mail revenues	£6.8bn	£6.8bn	£6.8bn	£6.6bn	£6.5bn	£6.7bn	£7.2bn
Proportion of access mail in total mail	9.6%	16.9%	24.6%	32.7%	39.9%	43.6%	46.0%
Value of UK e-retail market	£30.2bn	£35.2bn	£43.8bn	£49.8bn	£58.8bn	£68.0bn	£78.2bn

Source: Royal Mail Regulatory Financial Statements, Royal Mail Wholesale, Royal Mail Group Annual Reports. Revenue figures are nominal. Note: Addressed mail volumes and revenues include Royal Mail total mails (excluding unaddressed), access revenues and end-to-end delivered addressed letter mail. This does not include courier or express volumes and revenues. Royal Mail calendar year volume and revenue figures are derived from Ofcom calculations based on financial year figures in Royal Mail's Regulatory Statements and estimates of 2011-12 performance informed by Royal Mail's Report and Accounts and are therefore not directly comparable with Royal Mail's published accounts.

6.1.2 Introduction

This section explores the growth in online retail which is leading to a greater need for a cost-effective delivery service that is convenient for the consumer. The key findings include:

UK internet retail spend has increased by 21%. Across the year to March 2013, although overall retail spend in the UK increased by just 0.1%, the average weekly spend on online retail purchases increased by 20.5%.

Almost two-thirds of adults with broadband have bought goods online. The most frequently purchased items are clothing and footwear, with 59% of adults claiming to have bought this type of item in the past six months.

Almost a third of adults are influenced by the delivery options offered by a retailer before choosing to buy online. The main concern has been with the cost of delivery; one in four shoppers (25%) say this has stopped them from buying online in the past. Almost six in ten online shoppers (59%) say that free delivery influences their choice of delivery method, while 38% say they choose the cheapest delivery option.

6.1.3 Online shoppers and offline delivery

Internet retail spend in the UK has increased by 21%

According to the ONS, the amount spent in the UK retail sector increased by just 0.1% between March 2012 and March 2013¹²³. However, across the same period, the average weekly spend online increased by 20.5%; evidence of the increasing appeal of home shopping¹²⁴.

¹²³ <http://www.ons.gov.uk/ons/rel/rsi/retail-sales/march-2013/stb-rsi-march-2013.html>

¹²⁴ http://www.ons.gov.uk/ons/dcp171778_307078.pdf

eBay and Amazon are the most popular retail sites among online shoppers in the UK, each with over 22 million unique users.¹²⁵

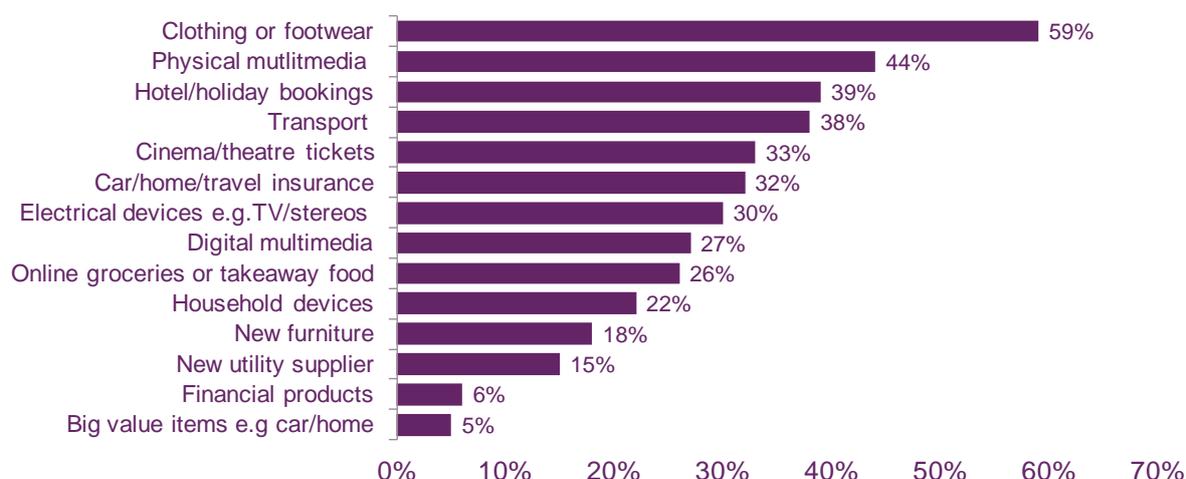
This growth has led to shifts in the nature of the residential postal service, as more people are ordering items to be delivered at home and using a range of delivery providers.

Almost two-thirds of adults with a home broadband connection have purchased goods online

Almost two-thirds of adults (65%) with a broadband connection have ever purchased goods or services online, with 34% claiming to have done this in the past week¹²⁶. We commissioned some research to explore these online shoppers in more detail. Figure 6.2 shows that the most-purchased items online are clothing and footwear, with almost six in ten (59%) online shoppers saying they have bought this sort of item in the past six months. Although increasing amounts of traditional media are being substituted with digital alternatives¹²⁷, more online shoppers had purchased physical multimedia (44%) than digital multimedia (27%) online in the past six months.

The online shopping habits of younger adults differ from those of older people. Compared to people aged 55 and older, 16-34 year olds are more likely to purchase: clothing and footwear (63% v 49% of those aged 55+), online groceries (33% v 11%) and new furniture (20% v 9%). But older online shoppers are more likely to book holidays online (45% v 32% of 16-34s) and buy household devices (28% v 16%).

Figure 6.2 Products or services bought online in the past six months



Source: Kantar Media Omnibus, March 2013

Base: All who use online shopping in the UK (N=1221)

Q.10A Which products or services have you bought online in the last 6 months?

Almost a third of adults are influenced by the delivery options offered by a retailer when they buy online

As shown in Figure 6.3, people browsing online are influenced by many elements of a website when they are deciding where to buy from. Familiarity is the biggest factor, with over half (54%) of online shoppers taking this into account before buying. After looking at

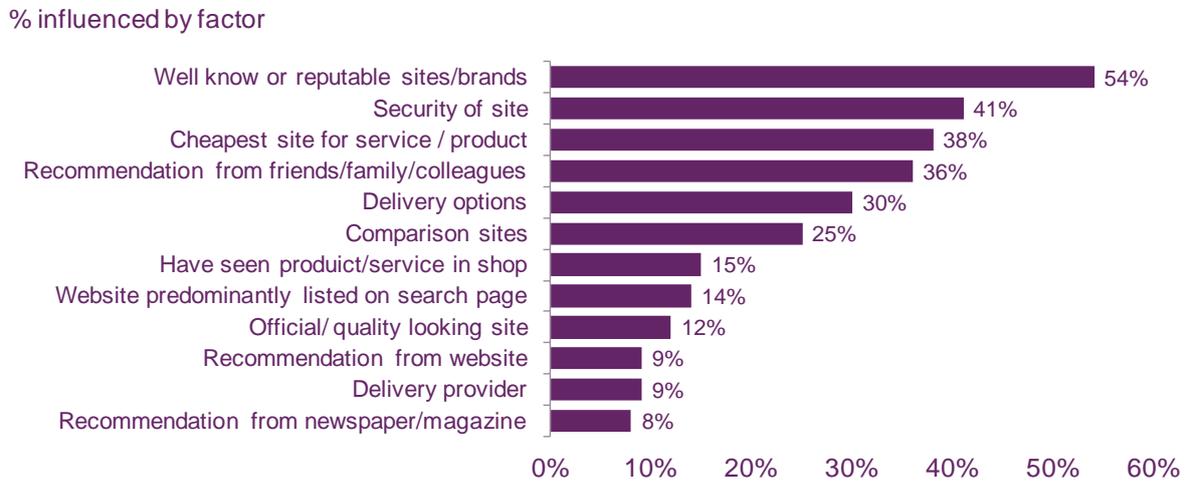
¹²⁵ comScore, MMX MP, April 2013

¹²⁶ Ofcom Technology Tracker Q2 2013

¹²⁷ Such as music, as explored in section 3.2.7

price, payment security and trusted recommendations, three in ten online shoppers (30%) assess the delivery options before deciding to 'click to buy'. Fewer respondents were influenced by the delivery company used by the online retailer, with just 9% citing this as a consideration before they made a purchase.

Figure 6.3 Factors that influence choice of online vendor



Source: Kantar Media Omnibus, March 2013

Base: All who use online shopping in the UK (N=1221)

Q.10B And when buying these products online, which factors influence your decision of which website to buy these from?

Two-fifths of online shoppers say concerns about delivery have prevented them from buying items online

Figure 6.4 shows that 40% of online shoppers have had concerns about delivery options which have prevented them from buying online. The main concern has been with the cost of delivery, with one in four shoppers (25%) saying this has stopped them from buying online. The next-frequently-cited delivery concern is convenience, and not being able to be at home to receive the item (11%).

Figure 6.4 Delivery concerns preventing online purchasing



Source: Kantar Media Omnibus, March 2013

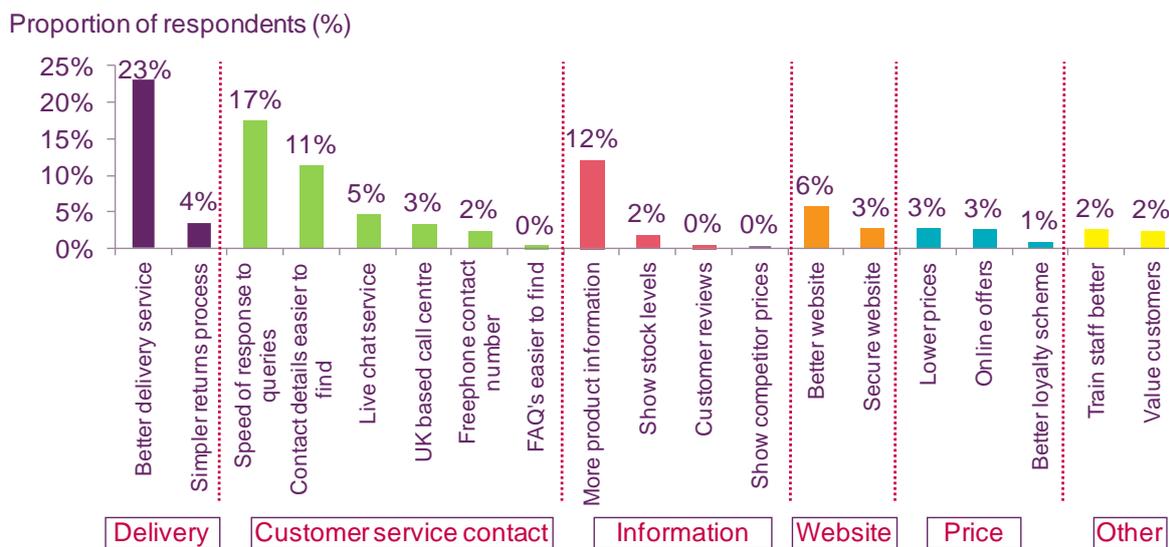
Base: All who use online shopping in the UK (N=1221)

Q.14 Have delivery concerns ever prevented you from buying items online? If yes, which of the following reasons prevented you from shopping?

One in four online shoppers would like to see improvements in delivery services

An Interactive Media in Retail Group (IMRG) tracking survey of online shoppers¹²⁸ has found that although consumers consistently rate delivery highly, almost one in four (23%) say they would like to see improvements by retailers in this area. A separate survey by IMRG¹²⁹ found that 74% of respondents say that a good delivery experience would encourage them to shop online again with a particular retailer.

Figure 6.5 Key improvement areas for online customers



Source: IMRG/eDigitalResearch, June 2013

Base: Online consumers aged 16+ (n=1,660)

Question: What one thing could retailers do to most improve their customer service?

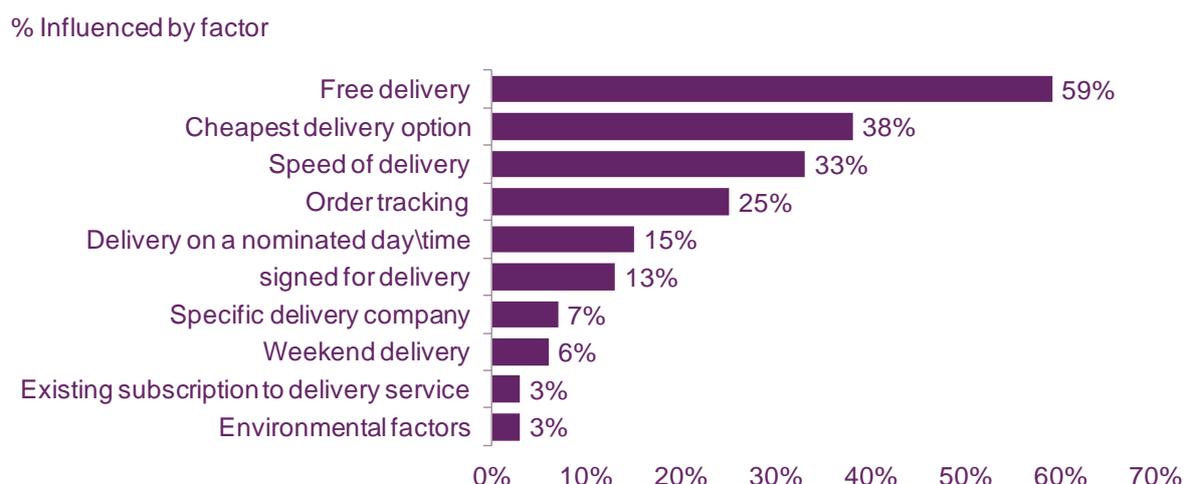
Cost is a key influence in deciding which delivery option to choose for an online purchase

Once a consumer has made the decision to buy online, there are more decisions to be made regarding delivery options. Many retailers offer a choice of delivery methods, which affect speed of delivery, cost and convenience. The main driver appears to be cost of delivery; almost six in ten online shoppers (59%) say that free delivery influences their choice, while 38% say they choose the cheapest delivery option. Other delivery options are less important than cost, from the perspective of the consumer. The ability to track an order was mentioned as an influence by one in four (25%) respondents, and being able to choose the day or time of delivery by 15%.

¹²⁸ Keeping your customers satisfied: The rise of online satisfaction, IMRG/eDigital, June 2013
http://www.imrg.org/ImrgWebsite/IMRGContents/Files/eDR_IMRG_Cust_Sat_June13.pdf

¹²⁹ IMRG UK Consumer Home Delivery Review 2013
http://www.imrg.org/ImrgWebsite/User/Pages/IMRG_Consumer_Delivery_Review_2013.aspx

Figure 6.6 Factors influencing choice of delivery method



Source: Kantar Media Omnibus, March 2013

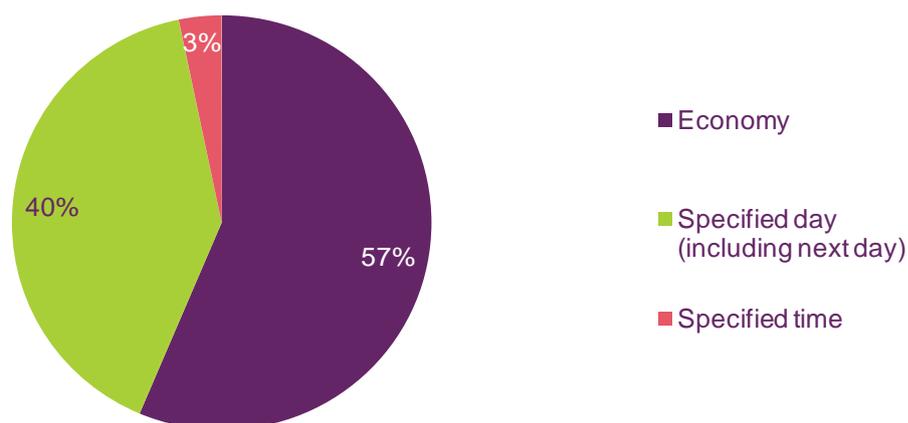
Base: All who use online shopping in the UK (N=1221)

Q.13 And which of the following factors influence your decision on which delivery method you choose? PROBE: Any others?

Over half of e-retail orders in 2012 were fulfilled using economy delivery services

Consumers prefer to use lower-cost delivery options; this is evident in the types of services used to fulfil e-retail orders. Figure 6.7 shows the ways in which a large sample of retailers dispatched ordered goods to consumers. Fifty seven per cent of orders were sent using economy services, reflecting consumers' preference for free and low-cost delivery options. As Figure 6.6 shows, one third (33%) of respondents cited speed of delivery as a factor in their choice of delivery method. This preference is also evident in the service types used to fulfil e-retail orders; 37% of orders were sent using a next-day service.

Figure 6.7 Service types used for the fulfilment of e-retail, by proportion: 2012



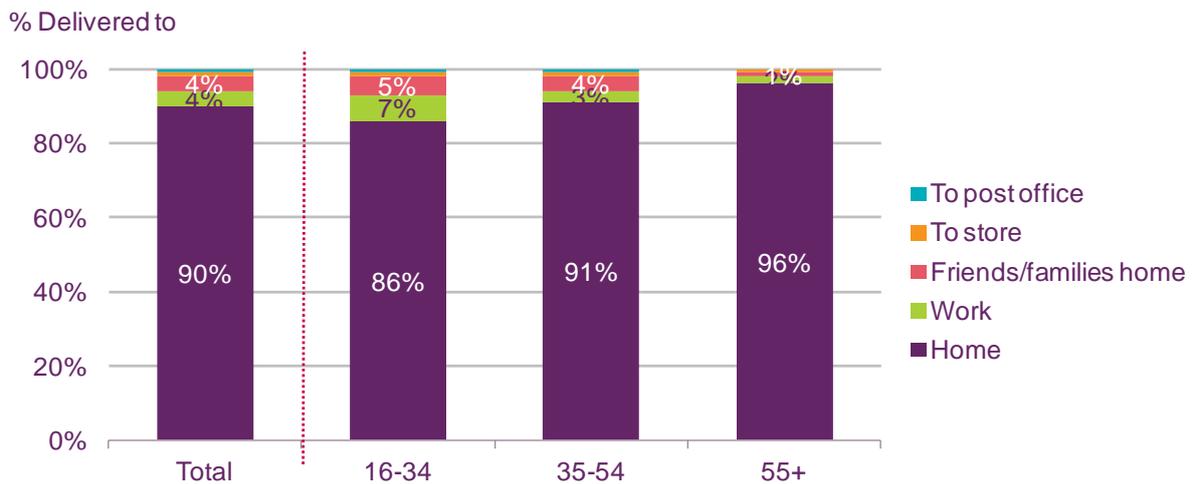
Source: Ofcom analysis of IMRG/Metapack Delivery Index, January – December 2012

Note: Specified time includes, AM, PM, Before 10am, Evening and School run; Specified day includes Same day and Next day. Proportions rebased to exclude International

The majority of online shoppers get their items delivered to their home address

Choosing a delivery destination is another decision to be made before a shopper can be united with their online purchase. The consumer's home address is the most likely destination; nine in ten (90%) say they normally choose this option. Young people are more likely than older people to ask for their items to be delivered to their work address, although this figure is still small, at 7%.

Figure 6.8 Where items bought online are 'usually' delivered



Source: Kantar Media Omnibus, March 2013

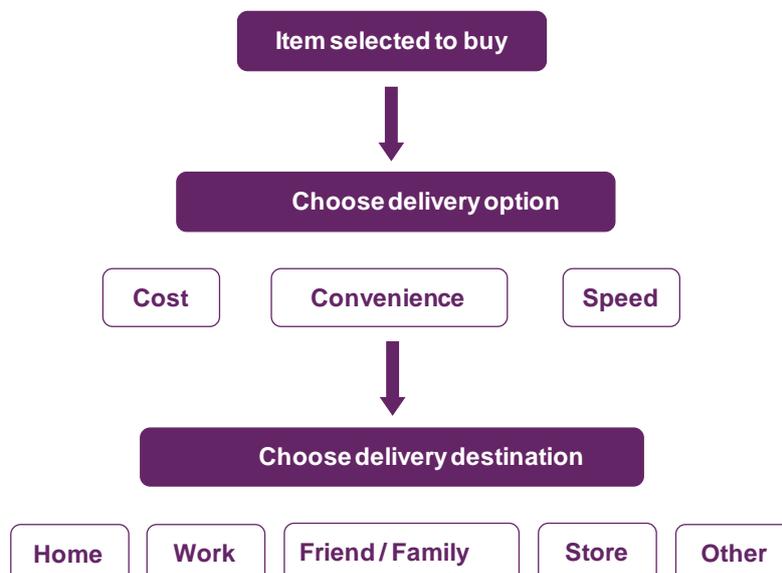
Base: All who use online shopping in the UK (N=1221)

Q.12 When shopping online where do you usually get the items delivered to?

Choosing an item to buy is only the first step in an online purchase: there are a number of delivery options to choose from

The evidence above shows that although 'range of products and appeal of item' is the first priority in deciding to make a purchase online, delivery is also a key element in the process. As shown in Figure 6.9, this can be a multi-stage process, with cost and convenience the primary motivators in choosing a delivery method.

Figure 6.9 Delivery decision tree after choosing to buy an item online



The delivery process is evolving to meet the needs of the consumer

Retailers are becoming increasingly aware of the need to improve their delivery services if they are to improve customer satisfaction with, and loyalty to, their online offering. In an effort to offer greater convenience to the consumer (and to increase footfall to their high street stores), many retailers are now offering a 'Click and Collect' service as an alternative to home delivery.

A recent report published by ExperienceLab¹³⁰ found that with many online shoppers at work during normal delivery hours, a Click and Collect service can provide greater convenience, which leads to greater satisfaction with the purchasing process.

Amazon, a retailer without a high street presence, is also recognising this need to enhance delivery choice and has started offering 'Pickup Locations' as a delivery option for its customers. These include Amazon Lockers, Yodel and the Paypoint network of Collect+ stores¹³¹.

Other operators, including InPost, ByBox and Local Letterbox, have announced the expansion of existing networks or the implementation of new networks of locker terminals or high street outlets, with the intention of offering 'Click and Collect' services for online shoppers. These services are typically available in certain areas of mainland UK such as large shopping centres, newsagents and railway stations.

These evolving changes to the delivery services offered at the online checkout suggest that the postal service is evolving to meet the demands of the consumer.

¹³⁰ ExperienceLab, Click & Collect Customer Experience, February 2013
http://www.serco.com/Images/Click%26Collect%203MB_tcm3-40383.pdf

¹³¹ See Amazon's website:
http://www.amazon.co.uk/gp/help/customer/display.html/ref=hp_left_ac?ie=UTF8&nodeId=200742950

6.2 The postal services industry

6.2.1 Introduction

This section explores some of the significant developments and trends in the UK postal services market. It includes information on mail volumes, revenues and stamp prices.

Key points in this section include:

Mail revenue has increased for the second year in a row. In 2012, total mail revenues grew by 7% to £7.2bn. This rise is partly due to increases in the prices charged by Royal Mail, which took effect in April 2012.

Addressed mail volumes fell by 5.9% in 2012. Mail volumes continued to fall in 2012, declining by 5.9% to 15.7 billion items. This is a 27.4% decline since 2007.

Growth in access volumes continued to slow in 2012, as the total number of items handled under access agreements reached 7.2 billion items. This is equivalent to 46% of total mail volumes. While access volumes have continued to grow, Royal Mail's retail bulk mail volumes have fallen.

Operators other than Royal Mail delivered 18 million letters in 2012 – less than 0.2% of the addressed letter market. Although this is a very small market share, it is more than double the amount of items delivered by other operators in 2011.

6.2.2 Mail revenues

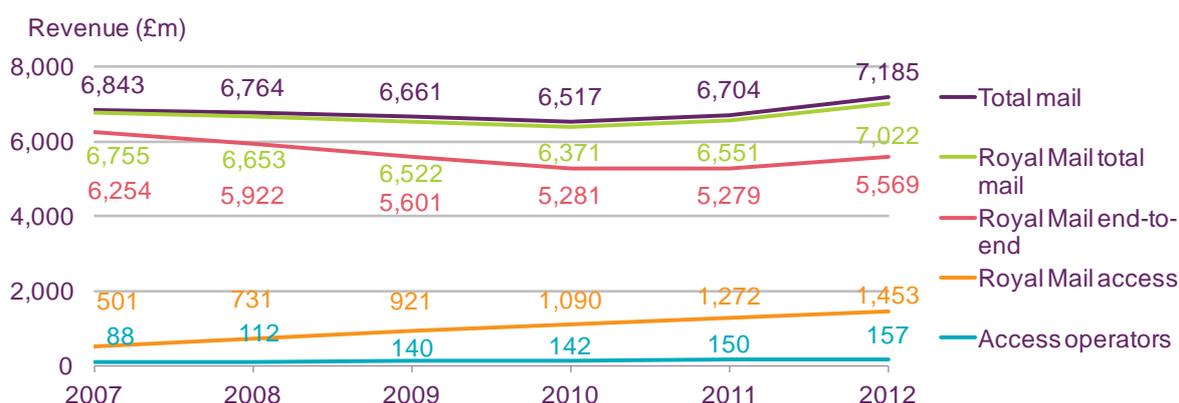
For the second year in a row, mail revenue has increased

In 2012, total mail revenues grew by 7% to £7.2bn. This rise is partly due to increases in the prices charged by Royal Mail, which took effect in April 2012 (Figure 6.10). A change in the mix of mail, driven by increased e-retail, has also led to increased revenues. Prices rose across Royal Mail's products, with stamp prices for First Class letters rising 30% to 60p, Second Class letter stamp prices increasing 39% to 50p and bulk mail prices rising by an average of 11%. Royal Mail has reported growing profits. Its preliminary financial results for 2012-13 reported a year-on-year increase in operating profit for UKPIL¹³² from 0.5% to 3.9%.

Revenue from access operations increased, both for Royal Mail and for the access operators. Price rises for these products meant that Royal Mail grew its access revenues by 14% to £1.5bn. At the same time access operators managed to increase their revenues for these products by 4% to £157m, despite access volumes growing by less than 1%.

¹³² UK Parcels, International and Letters – the division of Royal Mail Group which is responsible for providing the universal service.

Figure 6.10 Mail revenue: 2007-2012



Source: Royal Mail Regulatory Financial Statements, operator returns to Ofcom, Ofcom estimates.
 Note: Royal Mail end-to-end refers to Royal Mail total mail revenues excepting access. Royal Mail calendar year revenue figures are derived from Ofcom calculations based on financial year figures in Royal Mail's Regulatory Statements and estimates of 2012-13 performance informed by Royal Mail's Report and Accounts and are therefore not directly comparable with Royal Mail's published accounts. Addressed mail only. Figures are nominal.

6.2.3 Mail volumes

Addressed mail volumes fell by 5.9% in 2012

Mail volumes continued to fall in 2012, declining by 5.9% to 15.7 billion items. This is a 27.4% decline since 2007. Access volumes grew slightly year-on-year, increasing by 0.9% to 7.2 billion items. The volume of items handled end-to-end by Royal Mail fell by 11.1%.

Figure 6.11 Mail volumes: 2007-2012



Source: Royal Mail Wholesale, Royal Mail Regulatory Financial Statements, Operators' returns, Ofcom estimates
 Note: Royal Mail end-to-end refers to Royal Mail total mail volumes excepting access. Royal Mail calendar year volume figures are derived from Ofcom calculations based on financial year figures in Royal Mail's Regulatory Statements and estimates of 2012-13 performance informed by Royal Mail's Report and Accounts and are therefore not directly comparable with Royal Mail's published accounts. Addressed mail only. Total mail includes volumes delivered by operators other than Royal Mail.

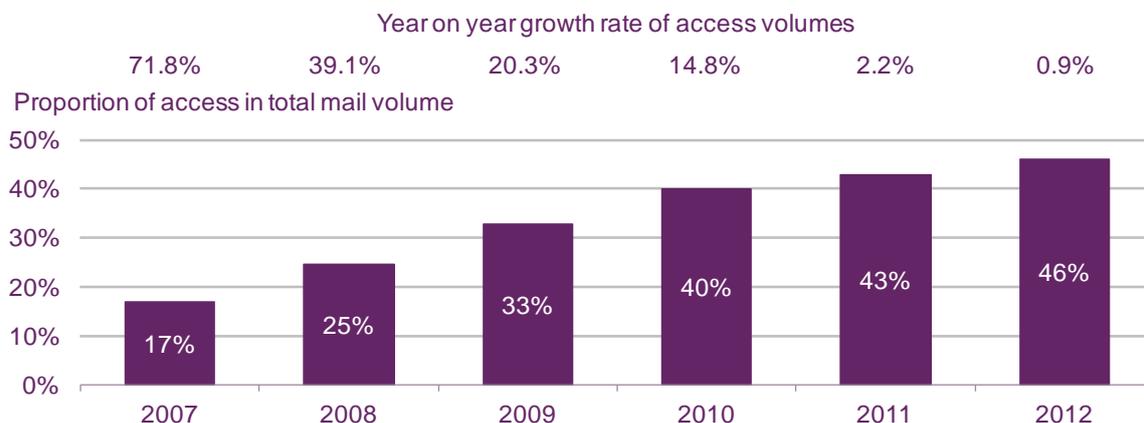
Growth in access volumes has slowed to 0.9%

Growth in access volumes continued to slow in 2012, as the total number of items handled under access agreements reached 7.2 billion items. This is equivalent to 46% of total mail

volumes. The growth rate of access volumes has fallen each year as the market has become more mature, although as total volumes fall, the proportion of access mail in total mail volumes will continue to increase.

Although there are a number of operators handling access mail, the bulk of the volumes are handled by two companies, TNT Post UK and UK Mail.

Figure 6.12 Proportion of access mail in total mail: 2007-2012



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

One-third of access mail is advertising mail sent from businesses to consumers, with the majority consisting of transactional mail, such as bank statements and bills, and publications.¹³³ As such, standard-sized letters account for the bulk of access volumes and revenues. The proportion of access volumes accounted for by packets and large letters has remained broadly stable between 2011 and 2012 (increasing by 0.5pp only), but the amount that these formats contribute to the total revenue has grown by 1.2pp. This is due to the higher unit price, and higher cost of delivery, associated with their large size.

Figure 6.13 Access volumes and Royal Mail's access revenue, by format: 2011-2012



Source: Royal Mail Wholesale, 2011-12 to 2012-13

¹³³ Figures published by Royal Mail Wholesale, available at <http://www.royalmailwholesale.com/>

Operators other than Royal Mail delivered 18 million letters in 2012

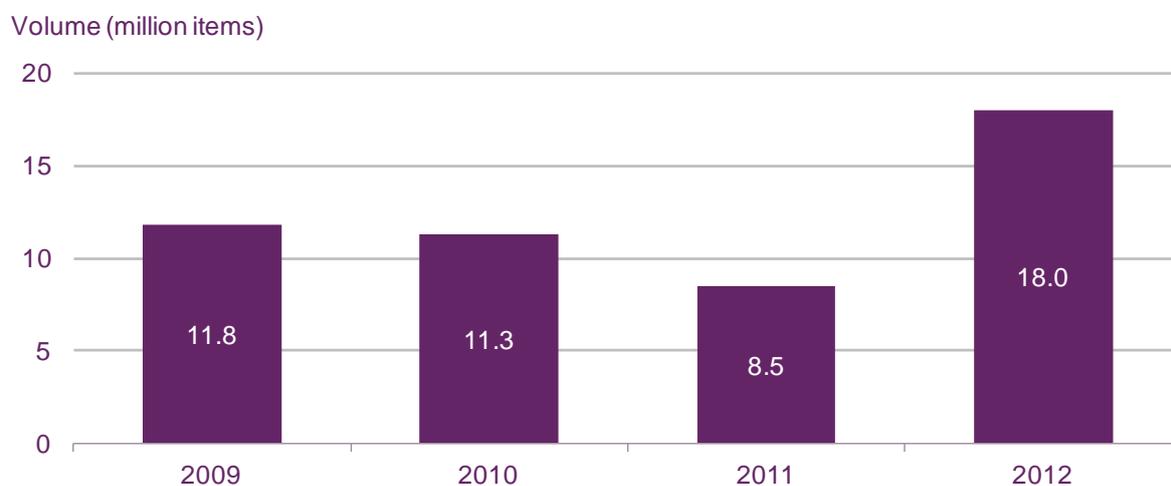
Alternative operators to Royal Mail delivered 18 million letters entirely through their own networks in 2012 – less than 0.2% of the addressed letter mail market. Although this represents only a small proportion of the addressed mail market, it is more than double the amount of items delivered by other operators in 2011.

The large percentage increase in these volumes is due to TNT Post UK, which began trialling the delivery of letters in London in April 2012. TNT Post UK has increased the size of the area in which it delivers and has also increased its volumes throughout the year. In recent press releases, TNT Post UK's parent company PostNL has stated that all six of its delivery units are operational, preparations are being made to extend delivery to the London SW area and that volumes have risen from an average of 345,000 per week in December 2012 to an average of 600,000 per week in March 2013.¹³⁴

Other smaller-scale operators also increased their volumes in 2012. Two cycle delivery firms, which collect and deliver in a specific range of local postcodes within the cities in which they operate, have done particularly well. Coventry operator Yellow Jersey Delivery has doubled its volumes year on year, and City Cycle Couriers, operating in Plymouth, has almost doubled its volumes. These operators include medical centres, dentists, accountants and other local businesses in their customer bases.

TNT Post UK has been able to increase its volumes faster than existing end-to-end operators as it is already well established as an access operator and can therefore offer its delivery services to its existing customer base. Other operators who are entering the market have to acquire, rather than convert, their customers.

Figure 6.14 Other operators' end-to-end delivered volumes: 2009-2012



Source: Operators' returns

¹³⁴ Post NL, Q1 2013 Results: Press release, 7 May 2013, http://www.postnl.com/Images/20130507-postnl-2013-q1-press-release_tcm216-670692.pdf

Post NL, Q4 and FY 2012 Results, Press release, 25 February 2013, http://www.postnl.com/Images/20130225-postnl-2012-q4-press-release_tcm216-666131.pdf

6.2.4 Stamp prices

There was no increase in stamp prices in April 2013

For the first time since 2004, the prices for sending individual letters and postcards did not increase in 2013. The largest increase in recent years took place in 2012 when both First and Second Class stamp prices rose by 14p as Royal Mail took advantage of commercial freedoms afforded to it by the new regulatory framework. Further increases in Second Class Letter and Large Letter stamp prices are restricted due to the safeguard cap on the price of these products, implemented by Ofcom.

Despite price increases, ONS figures show that the average household spend on post remained at an average of £2.17 per month between 2011 and 2012. Further information on household spend on communications services is included in section 1.1.

Ofcom's recent research into the affordability of universal postal services found that universal postal services are affordable both for residential consumers (including low income and other vulnerable consumers) and businesses (including small and medium businesses) at current prices.¹³⁵

Figure 6.15 First and Second Class stamp prices



Source: Royal Mail. Figures are nominal.

¹³⁵ Ofcom, *The affordability of universal postal services*, March 2013

<http://stakeholders.ofcom.org.uk/post/affordability/>

We note that our research findings indicate that there are some very limited circumstances in which a consumer could be at risk from not being able to afford universal postal services. These circumstances are where a consumer suffers significant financial difficulty or very low income, and has a frequent need to send post items which they consider to be essential. This reflects very particular circumstances and severe financial hardship. It is likely that consumers in such circumstances would have concerns about the prices of universal postal services, even at much lower prices.

6.3 Post and the residential consumer

6.3.1 Introduction

In order to support our duty to safeguard the universal postal service in the UK and to support our ongoing monitoring regime, we have started a programme of market research to ensure that we have constant access to up-to-date consumer metrics on the postal market. This includes two separate surveys to track use of, and attitudes towards, post: one focused on residential consumers and the other on business consumers. The tracker began in July 2012 and as this is the first full year of data, there are no historical data for comparison.

This section summarises the key findings from the first four waves of the *Ofcom Residential Postal Tracker* (Q3 2012 - Q2 2013).

Key points in this section include:

Over half of all adults say they love to send and receive letters and cards. However, for young people, email is the preferred form of communication, with almost three-quarters of 16-24 year olds preferring to send emails whenever possible.

Two-fifths of those that send mail have sent a parcel in the last month. Although invitations, greetings cards or postcards are the most common types of item sent in the post, with 58% of adults claiming to have sent these in the past month, 40% of adults have also sent a parcel. Over a third (34%) of adults who have received post in the last week say that they have received at least one parcel.

Almost half of all adults are sending fewer personal letters compared to two years ago. Seventy per cent of adults who send fewer items say they now use online methods more, including social networking and emails.

Almost two-thirds of adults say they are reliant on post as a form of communication. In addition, the majority of adults (87%) are satisfied with the postal service, increasing to 93% among those who say they are reliant on this form of communication.

6.3.2 Sending post

Although over half of all adults say they love to send and receive letters and cards, almost three-quarters of 16-24 year olds say they prefer to send emails whenever possible

Over half of all adults (58%) say they love to send and receive letters and cards, increasing to over two-thirds (67%) of those aged 55 and older. For older people in particular, post is a way of helping to keep them in touch with the rest of society; 63% say they would feel cut off without the facility to send and receive post. Younger people are more likely to say they prefer to send emails whenever possible; 68% of those aged 16-34 agree with this statement.

Figure 6.16 Attitudes to statements about sending / receiving post

Proportion of all respondents agreeing with each statement %
Ranked by adults 16+

	Adults 16+	16-34	35-54	55+
I prefer to send letters or emails to companies rather than make a phone call so I have a written record	61%	62%	65%	56%
I trust second class post to get there in reasonable timeframe	59%	55%	56%	66%
I love to send and receive letters and cards	58%	52%	57%	67%
I prefer to send emails rather than letters whenever possible	53%	68%	57%	33%
I would feel cut off from society if I can't send/don't receive post	51%	41%	48%	63%
I only send mail first class if it needs to get there next day	50%	45%	48%	56%
I only use post if there is no alternative	44%	54%	41%	36%
I send fewer letters due to cost	29%	25%	29%	33%

Source: Ofcom Residential Postal Tracker, Q3 2012-Q2 2013

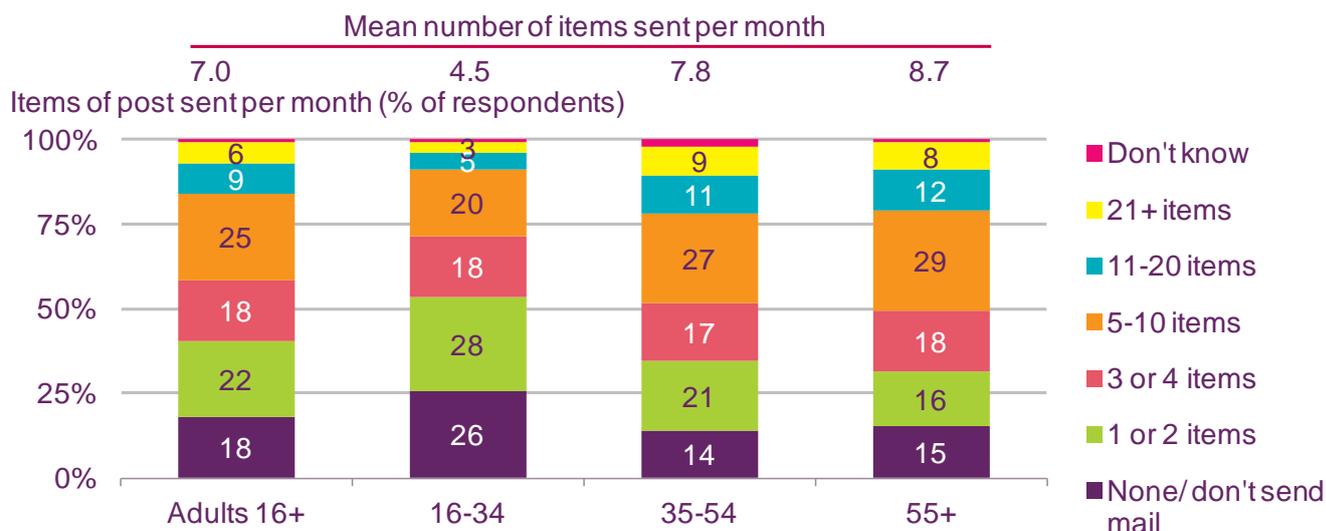
Base: All respondents (n = 4844 adults 16+, 1338 16-34, 1582 35-54, 1924 55+)
QH2A-H. Agreement with statements about sending / receiving post

Older people send the most items of post each month

The majority of adults (81%) in the UK have sent post in the past month, with more than two in five adults (41%) claiming to have sent at least five items. The average number of items sent each month is 7.0, including parcels.

But over a quarter of young people aged 16-34 (26%) say they have not sent any post in the past month, and among those that have, they are more likely than any other age group to have sent only one or two items. This is particularly driven by the younger end of this age band; 34% of 16-24 year olds say they have not sent any post recently.

Figure 6.17 Number of items of post sent per month (including letters, cards and parcels)



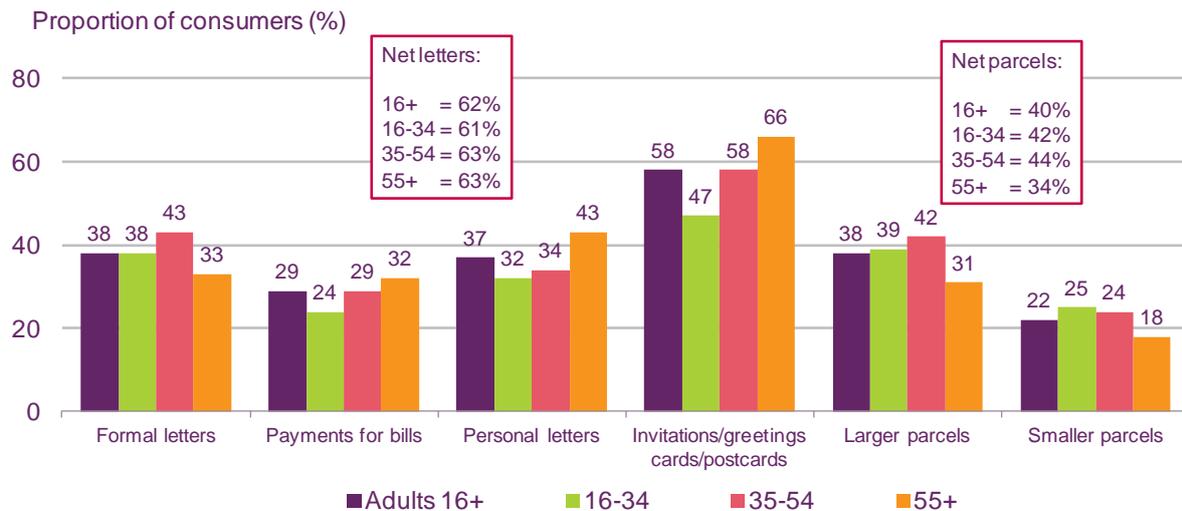
Source: Ofcom Residential Postal Tracker, Q3 2012-Q2 2013
 Base: All respondents (n = 4844 adults 16+, 1338 16-34, 1582 35-54, 1924 55+)
 QC1. Approximately how many items of post - including letters, cards and parcels - have you personally sent in the last month?

Two-fifths of those that send mail have sent a parcel in the past month

Looking now at the types of post people send, Figure 6.18 shows that invitations, greetings cards and postcards are the most common types of post sent - 58% of adults claim to have sent these in the past month. This is particularly driven by the older age groups, with two-thirds (66%) of those aged 55+ claiming to have used the post for this reason in the past month.

Two-fifths (40%) of adults have sent a parcel in the past month, although older people are the least likely to have done so (34%). Forty-four per cent of those with internet access at home have sent a parcel in the past month, compared to just 16% of those without home internet.

Figure 6.18 Types of post sent in the past month



Source: Ofcom Residential Postal Tracker, Q3 2012-Q2 2013

Base: All who have personally sent any items of post in the last week (n = 3889 16+, 956 16-34, 1330 35-54, 1603 55+)

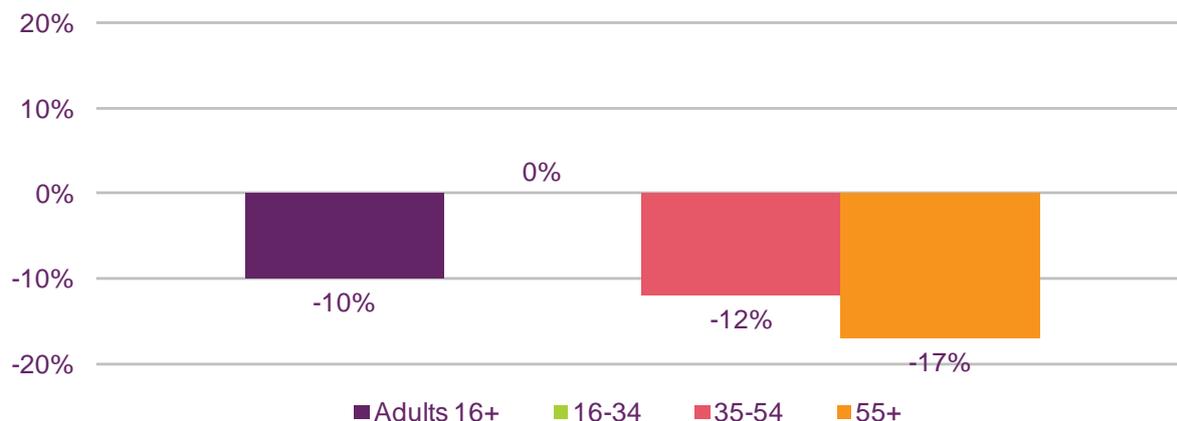
QC5. Which of these types of mail would you say you have personally sent in the last month by post? (MULTICODE)

Almost half of all adults are sending fewer personal letters, compared to two years ago

Taking into account the difference between the percentage of people who say they send more, and the percentage who say they send less, there is an overall decrease in the amount of post people across the UK say they send, particularly among the older age groups (-10% adults 16+, -17% 55+). However, among those aged 16-24 there has been an overall net increase in the amount of post sent, compared to two years ago (+11%).

When asked about the type of post they are sending less of, compared to two years ago, the most-cited categories are personal letters and payments; 45% of people say they send fewer of these items. Seventy per cent of adults who send fewer items say they now use online methods, including social networking and emails.

Figure 6.19 Net percentage of respondents reporting increasing or decreasing amount of post sent in the past two years



Source: Ofcom Residential Postal Tracker, Q3 2012-Q2 2013

Base: All respondents (n = 4844 adults 16+, 1338 16-34, 1582 35-54, 1924 55+)

QC10: 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?

Note: chart shows net percentage (% who claim their use has increased - % those who claim their use has decreased)

6.3.3 Cost of postage

More adults think a First Class stamp is good value for money than think a Second Class stamp is good value

Only 30% of adults are aware of the correct price of a First Class stamp¹³⁶, with 35% indicating an incorrect price and 34% stating they did not know. Considering Second Class stamps, only 18% of people are able to state the correct price (50p).

Once informed of the correct price of each type of stamp, Figure 6.20 shows the extent to which people think they offer good value for money. Just under half (49%) of all adults think First Class stamps are good value whereas two-fifths (40%) think Second Class stamps offer good value for money. Age makes a difference: more of those in the 16-34 age group than in the 55+ group rate First Class as good value for money (53% and 45% respectively).

¹³⁶ 60p at time of survey

Figure 6.20 Perceived value for money of First and Second Class Stamps

Value for money of First and Second Class stamps (% of respondents)



Source: Ofcom Residential Postal Tracker, Q3 2012-Q2 2013

Base: All respondents (n = 4844)

QF3/4. It currently costs 60p/50p 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

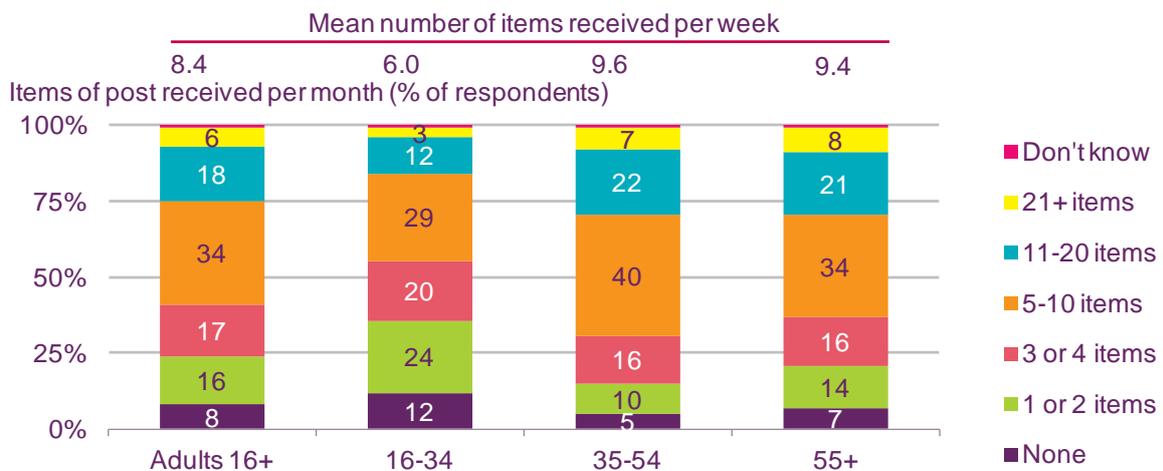
6.3.4 Receiving post

Over a third of adults who have received post in the past week have received at least one parcel

Around nine in ten (91%) adults said that they had received post in the past week, with each person receiving an average of 8.4 items in that period. Older people, particularly those aged 55+, are more likely to have received post; 92% of people in this age group claim to have received post in the past week, compared to 87% of those aged 16-34.

In line with the findings in section 6.1.3, which showed that 65% of adults with broadband have shopped online, just over a third (34%) of adults who had received post in the last week said that they had received at least one parcel.

Figure 6.21 Approximate number of items of post received per week (including letters, cards and parcels)



Source: Ofcom Residential Postal Tracker, Q3 2012-Q2 2013

Base: All respondents (n = 4844 adults 16+, 1338 16-34, 1582 35-54, 1924 55+)

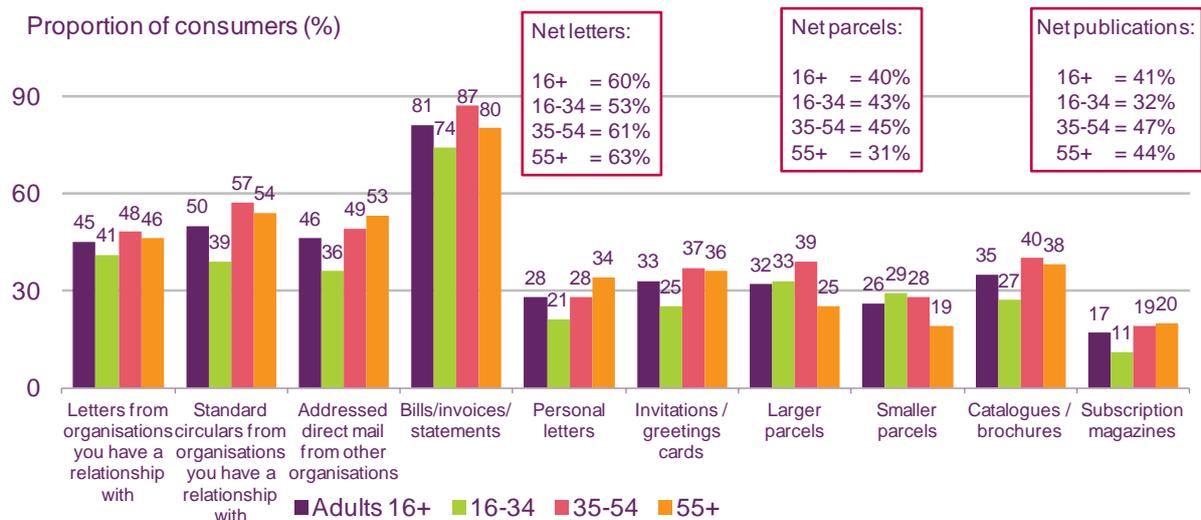
QD1. Approximately how many items of post - including letters, cards and parcels - have you personally received in the last week?

Two-fifths of adults have received a parcel in the past month

We look now at the types of post that people receive. Figure 6.22 shows that bills, invoices or statements are the most common types of post received, with 81% of adults claiming to have received these in the past month. This is particularly driven by the 35-54 age group, of whom 87% claim to have received this type of post in the past month.

Two-fifths (40% net) of adults have received a parcel in the past month, although older people are the least likely to have received this type of post (31% net). As seen with those who send parcels, (Figure 6.18) those with home internet access are more likely to have received a parcel in the past month, compared to those without (45% v 15%).

Figure 6.22 Types of post received in the past month



Source: Ofcom Residential Postal Tracker, Q3 2012-Q2 2013

Base: All respondents (n = 4844 adults 16+, 1338 16-34, 1582 35-54, 1924 55+)

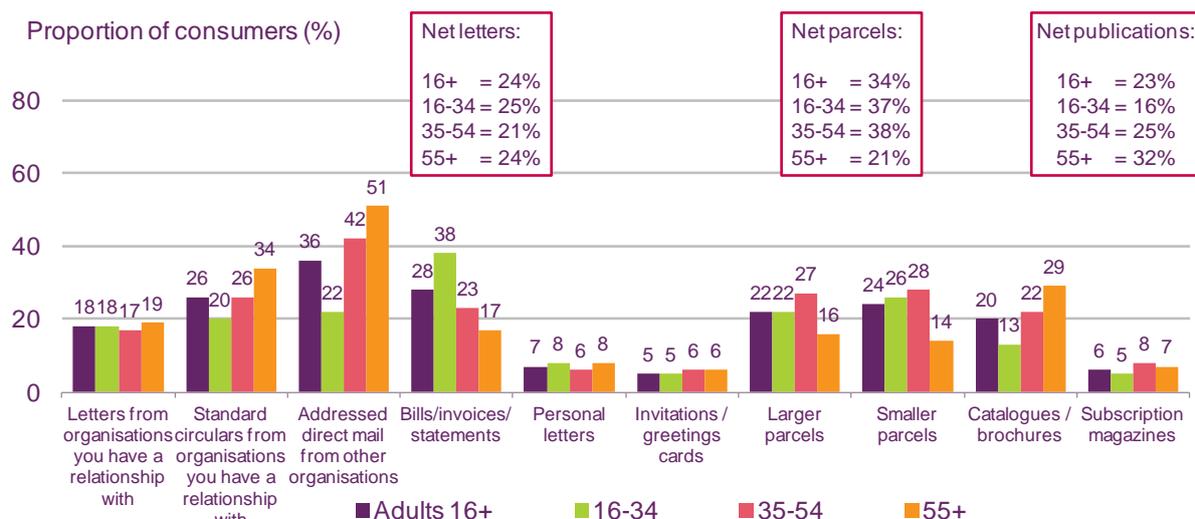
QD4. Please think about items that are addressed to you personally rather than leaflets or charity collection envelopes or bags that may come through your letterbox. Which of these types of items would you say you have personally received through the post in the last month? (MULTI CODE)

Among adults who claim to be receiving more post, compared to two years ago, those with home internet access are more likely to say they are receiving more parcels

Taking into account the difference between the percentage of people who say they are receiving more, and the percentage who say they are receiving less, compared to two years ago, there has been a slight increase (9%) in the perceived amount of post people receive. Figure 6.23 shows the types of post people now claim to be receiving more of. Among all the adults who claim to be receiving more mail, the largest increase is in unsolicited mail (36%); this increases to 51% among those aged 55 and older. Among the younger age group, the main increase is in the amount of bills and statements; 38% claim to be receiving more of this type of mail compared to two years ago. This is likely to be driven by those leaving education or starting higher education; 45% of 16-24 year olds say they are receiving more bills and statements, compared to 30% of those aged 25-34.

Reflecting the increase in online shopping and home deliveries, over a third of adults (34%) who say they are receiving more items of post say they are receiving more parcels now than two years ago (net). Among those who say the number of items of post they receive has increased, 37% of those with web access say they are receiving more parcels, compared to just 8% of those without access to the internet at home.

Figure 6.23 Types of post being received more often



Source: Ofcom Residential Postal Tracker, Q3 2012-Q2 2013

Base: All who say the number of items received by post has increased compared to two years ago (n = 1181 16+, 466 16-34, 371 35-54, 344 55+)

QD6. Which of these types of addressed items are you personally receiving more often through the post now? (MULTICODE)

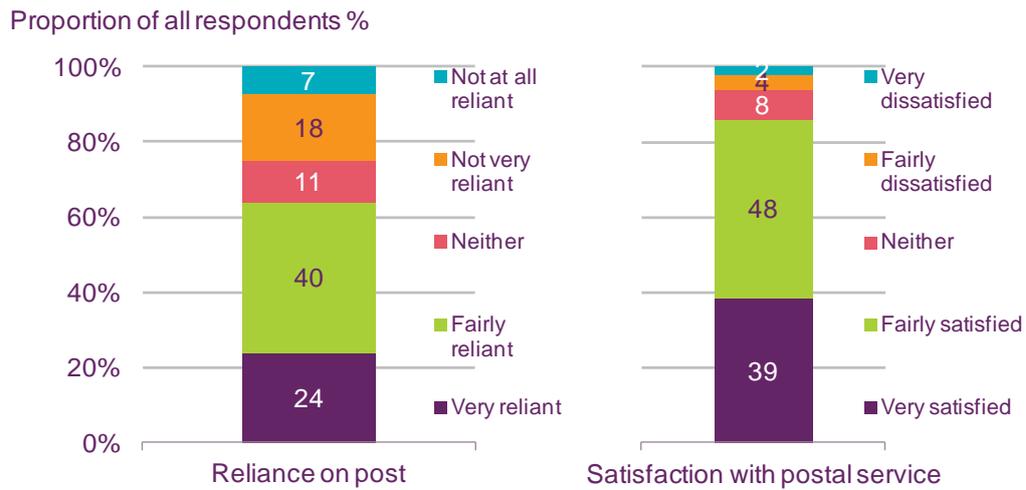
6.3.5 Attitudes towards the postal service

Almost two-thirds of adults say they are reliant on post as a form of communication

Post is still viewed as a key form of communication, with just under two-thirds (64%) of adults claiming to be reliant on post. The research asked how people felt about the postal service they currently receive: the majority (87%) were satisfied, increasing to 93% among those who say they are reliant on this form of communication. In addition, we see in Figure 6.16 that 63% of adults aged 55+ would feel cut off from society if they weren't able to send or receive post.

Similarly, when asked specifically about the service received from the Royal Mail, only 10% of adults said they had had a reason to complain over the past 12 months, although only 6% said they had actually complained. When prompted, the main problem experienced with Royal Mail over the past 12 months was with mis-delivered mail (22%) followed by delayed mail (16%).

Figure 6.24 Reliance on, and satisfaction with, postal service



Source: Ofcom Residential Postal Tracker, Q3 2012-Q2 2013

Base: All respondents (n = 4844 adults 16+, 1338 16-34, 1582 35-54, 1924 55+)

QE1. How reliant would you say you are on post as a way of communicating? (SINGLE CODE)

QE2. Thinking about your experience of using the postal service to send and receive mail, how would you rate your overall satisfaction with the postal service? (SINGLE CODE)

6.4 Post and the business consumer

6.4.1 Introduction

This section summarises the key findings from the first four waves of the *Ofcom Business Postal Tracker* (Q3 2012 - Q2 2013). Business users are particularly important in the postal market, as they account for a significant majority of the post that is sent. Approximately 90% of all mail in the UK is sent by businesses.

Key points in this section include:

Most organisations spend less than £1000 each year on post. An organisation's spend on post is broadly proportional to the size of the organisation. Most UK organisations (96%) employ nine or fewer people, and are classified as small companies. Sixty-nine per cent spend less than £83 each month, equivalent to less than £1000 each year.

For almost a third of organisations (31%) across the UK, the role of post is core to the running of the business. But for over half of businesses (52%), post plays primarily an administrative role in the organisation.

Larger organisations are more likely than smaller organisations to use franking machines to send post. This is the service used least frequently by businesses; only 16% of businesses say they ever use this method, either for First or Second Class post. However, 76% of businesses with between 100 and 249 employees used franked post.

Standard First and Second Class stamps are the Royal Mail services used most often by businesses to send items of post.

The greater the current spend on post by an organisation, the higher the likelihood that the volume of post sent by that business will increase. Almost three-quarters of businesses across the UK (72%) have moved some mail to other forms of communication over the past year. Only 4% of the businesses which spend less than £1000 on post each year predict that the amount of post they send will increase, compared to a third (31%) of the businesses spending more than £5000 each year.

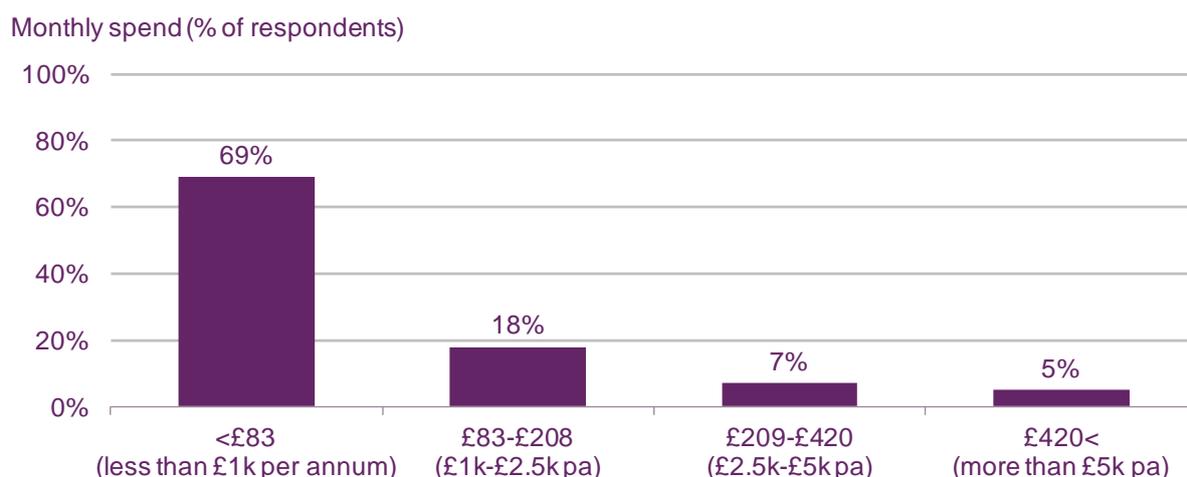
6.4.2 Sending post

Less than a third of organisations across the UK (31%) spend more than £1000 each year on sending post

Thirty one per cent of organisations across the UK claim that the role of post is core to the running of their business. But for over half of all businesses (52%) post plays primarily an administrative role in the organisation.

As Figure 6.25 shows, 69% of businesses spend less than £83 each month on sending post, equivalent to less than £1000 each year. Among the 5% of businesses which spend more than £5000 on post each year, two-thirds (66%) say that post is core to the functioning of their organisation.

Figure 6.25 Monthly spend on sending postal items



Source: Ofcom Business Postal Tracker, Q3 2012-Q2 2013

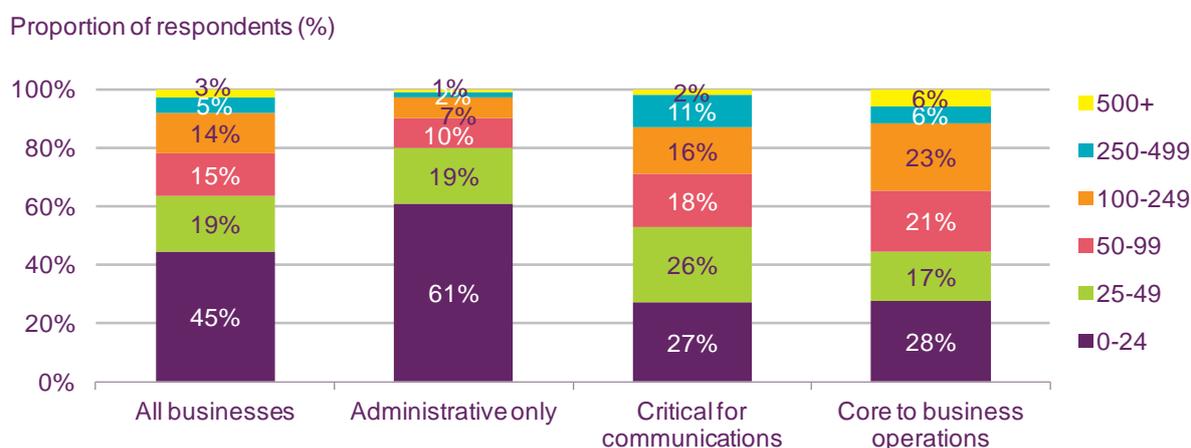
Base: All respondents (n = 1604)

QV1. On average, how much money does your organisation spend per month on sending mail items? Please think about all the letters, packets and parcels you may send as an organisation.

Nearly two-thirds of organisations send fewer than 50 letters each month

When asked to consider only the volume of letters they send each month, 64% of organisations say they send fewer than 50 items. Among businesses for whom post serves mainly an administrative role, four-fifths (80%) send fewer than 50 letters each month. However, the volume of letters sent on a monthly basis increases in organisations where it is seen as critical to the business; with 47% of these sending more than 50 items.

Figure 6.26 Volume of letters sent each month



Source: Ofcom Business Postal Tracker, Q3 2012-Q2 2013

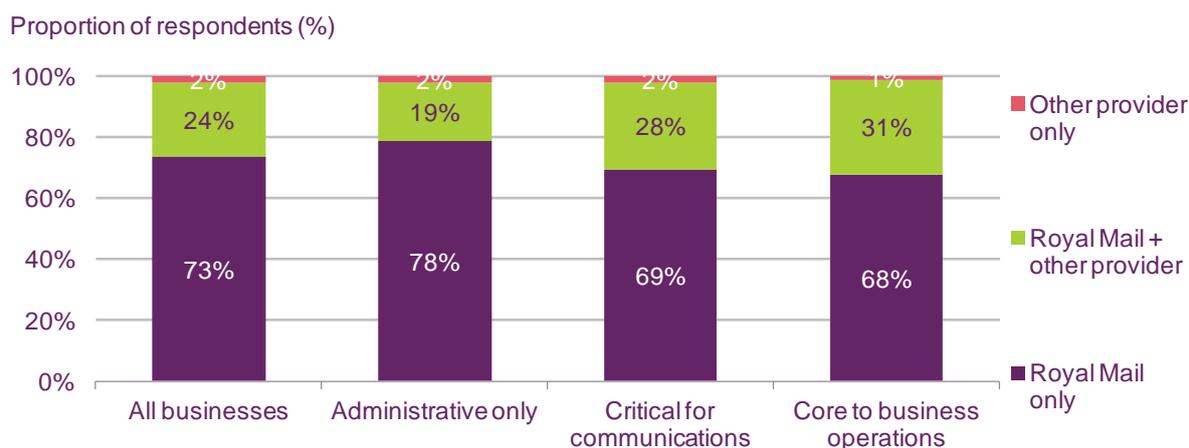
Base: All respondents (n = 1604)

QV2a. On average, how many letter items does your organisation send per month? Please think ONLY about all the letters and large letters you may send as an organisation.

Almost three-quarters of businesses use Royal Mail as their only postal operator

Seventy three per cent of organisations say they use only Royal Mail for their postal needs. Almost a quarter (24%) say they also use another provider; the most frequently mentioned are TNT (5%), Parcelforce, UPS and DHL (all 3%). The organisations for which post is seen as mainly administrative in their business are more likely to use only Royal Mail (78%).

Figure 6.27 Postal operators used



Source: Ofcom Business Postal Tracker, Q3 2012-Q2 2013

Base: All respondents (n = 1604)

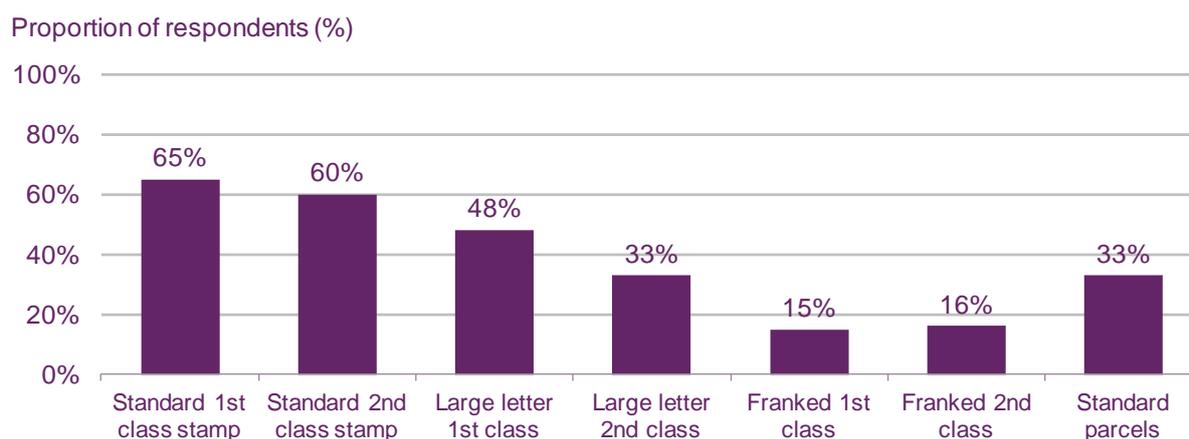
QV4. And who does your organisation use for its mail service?

Larger organisations are more likely than smaller organisations to use franking machines to send post

Figure 6.28 shows that standard First and Second Class stamps are the Royal Mail services used most often by businesses to send items of post. Of the Royal Mail standard delivery services used, the service used least frequently is franked mail, with only 15% of businesses saying they ever use this method for First Class post and 16% for Second Class post.

For businesses that spend less than £1000 each year on post, only 10% use the franked First Class service, compared to 49% of the organisations that invest more than £5000 each year in post. In addition, larger organisations are more likely to use franking machines: 76% of businesses with between 100 and 249 employees used franked post, compared to just 17% of those employing fewer than ten staff members.

Figure 6.28 Royal Mail services used to send standard mail



Source: Ofcom Business Postal Tracker, Q3 2012-Q2 2013

Base: All respondents using RM standard delivery services (n = 1460)

QV6d. Which, if any, of the following Royal Mail services does your organisation use to send your standard mail?

The greater an organisation’s current spend on post, the more likely it is that the volume of post sent by that business will increase

Almost three-quarters of businesses across the UK (72%) have moved some mail to other forms of communication over the past year. However, over three-quarters of businesses (76%) predict that the volume of post they will send over the next 12 months will remain the same. Figure 6.29 shows how this forecast differs depending on the amount a business currently invests in sending mail. It shows that as spend on mail increases, the likelihood of increasing the volume of mail also increases. For example, only 5% of businesses which spend less than £1000 on post each year predict that the amount of post they send will increase, compared to almost a third of businesses (31%) which spend more than £5000 each year.

Figure 6.29 Predicted change in volume of sent mail by businesses over the next year



Source: Ofcom Business Postal Tracker, Q3 2012-Q2 2013

Base: All respondents (n = 1604, less than £1k = 1016, £1k-£2.5k = 311, £2.5k-£5k = 127, more than £5k = 150)

QS1. In the next 12 months, do you anticipate the volume of mail your organisation sends to increase, decrease or stay about the same?