



Ofcom Call for Inputs Response

Consultation Title: Call for Inputs: Review of Postal Regulation

Organization Name: Amazon UK

Amazon seeks to be Earth's most customer-centric company, Earth's safest place to work, and Earth's Best Employer. Since our founding in 1994, we have been guided by four principles: customer obsession, passion for innovation, commitment to operational excellence, and long-term thinking. In 1998, Amazon expanded internationally to the United Kingdom; today, we have invested over £32 billion in UK operations, creating over 70,000 jobs and supporting tens of thousands of small-and-medium sized enterprises (SMEs) in the UK.

Through our retail websites and mobile applications, Amazon's retail customers can browse, read reviews, search, and purchase goods for home delivery or collection from one of our Amazon Hub locations. We also offer services that enable a wide variety of independent merchants (including manufacturers, wholesalers, and retailers, many of which are family operations or small businesses) to sell their products on Amazon. Some merchants elect to have Amazon fulfill their customer orders through the Amazon Fulfillment Network (AFN), which uses our operations and transportation network; others fulfill orders themselves, through the Merchant Fulfillment Network (MFN).

Amazon's mission begins and ends with our customers. We work constantly to earn and keep customer trust, and our obsession with delivering an outstanding customer experience is at the heart of everything we do. This holds true whether the customer is purchasing an item from Amazon or a SME seller; whether the order is shipped from one of our fulfillment centers or from a seller's home business; and whether that order is delivered by a large commercial carrier like Royal Mail, or a local delivery provider.

From the founding days of our company, we have worked with postal services to invent and deliver for our customers. In the UK, the postal system serves as both a vital communications channel, and as part of the critical infrastructure for national economic growth and job creation. We partner with Royal Mail on a range of services, from direct Business-to-Consumer (B2C) bulk parcels, to a range of C2X products, such as returns and marketplace single-piece packages. Royal Mail's universal service network is uniquely suited to last-mile delivery of packages to every address in the UK, helping connect both sellers and customers nationwide. Together, we have delivered hundreds of millions of packages to customers across the country, and we look forward to growing and innovating together into the future.

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As discussed in detail in our responses below, Amazon supports Ofcom's overall regulatory approach towards postal services, and believes that this framework is currently achieving its objectives of ensuring affordable universal service, a level competitive playing field, and providing adequate protections for consumers.

Amazon sees a bright future for postal services in the UK, and we are proud of our growing partnerships with a range of delivery providers, including Royal Mail, to deliver to customers across the country. Please find enclosed our responses to the Call for Inputs. We look forward to further engaging with Ofcom on the development of postal regulation for 2022 through 2027.

Question 2.1: Do you agree with Ofcom's proposed regulatory approach for regulating postal services over the next 5-year period (2022-2027)? If not, please explain the changes you think should be made, with supporting evidence.

Amazon supports Ofcom's overall regulatory approach for postal services for 2022-2027. Despite significant changes since 2017, Ofcom's approach has proven effective at promoting competition, enabling growth in key areas including business-to-consumer (B2C) parcels, and ensuring universal service. Going forward, Amazon strongly supports (1) the continued need for **universal, affordable postal services for letters and parcels**; (2) the **promotion of competition** in postal services **for the benefit of consumers**; and (3) **improvements to consumer protection** that benefit all customers, and especially people with disabilities.

As we have previously stated, the foundation of postal regulation is the requirement for **universal, affordable postal services for letters and parcels**. Universal postal service ties communities together, drives economic inclusion and growth, and is especially vital for rural and underserved areas. A 2020 study by Copenhagen Economics found that universal postal service allows SME businesses to tap into e-commerce growth opportunities, supporting over EUR 45 billion in sales and 120,000 jobs in Europe's rural regions, including UK.¹ Continued growth in e-commerce presents tremendous opportunity, both for postal providers and users.

The need for universal postal services has never been more apparent than during the COVID-19 pandemic. Around the world, small businesses that traditionally saw a majority of business through in-person transactions were forced to rapidly adapt to a hybrid or e-commerce model, using the postal system to reach customers both far and near.² Universal service providers, like Royal Mail, ensure that consumers and businesses of all sizes can participate and compete, no matter where they, or their customers, are located.

Likewise, **Amazon supports Ofcom's pro-competition, pro-consumer approach to regulating postal market segments**. We agree with Ofcom's assessment that the postal market segments in the UK remain highly competitive, and especially that B2C parcels is a

¹ Copenhagen Economics. [The Economic Opportunity from Accessing Online Selling in the EU's Peripheral Areas](#). September 2020.

² Bank for International Settlements. ["E-commerce in the Pandemic and Beyond."](#) Bulletin No. 36. 1 January 2021.

dynamic, differentiated segment, that is “broadly competitive,” in which “competition is growing”³ and “the market is working well for consumers.”⁴ This assessment is aligned with the European Commission’s Evaluation of the Postal Services Directive, published in November 2021, finding that the parcels segment is highly competitive across the continent and that regulatory intervention in this space is unwarranted.⁵

When competition is healthy, as it in the UK and European B2C parcel delivery space, customers win. There is no one-size-fits-all approach for meeting customer demands, and no one characteristic – whether that is price, speed, reliability, locality, convenience, security, or any number of technological features like tracking, visibility, or delivery confirmation – is solely deterministic of success. The incredible growth in new entrants and diversity of offerings in this space is a testament to the effectiveness of Ofcom’s pro-customer, pro-competition approach.

Finally, **Amazon agrees that, as an industry and as a company, there is more we can do to address customer concerns, especially customers with a health condition or physical impairment.** We are pleased to see Ofcom’s findings that customers are generally happy with their parcel delivery service, and that many encounter no issues at all. However, there is always room for improvement on behalf of our customers, and we agree with Ofcom’s proposals and guidance to ensure that customers with a health condition or physical impairment have access to postal and delivery services, have their needs addressed by delivery providers, and that any complaints are addressed in a timely, transparent, and equitable fashion.

Amazon is committed to diversity, equity, and inclusion, and that includes **delivering to customers with particular needs such as a health condition or physical impairment.** E-commerce is a force for good, especially for customers who may face unique challenges in an offline retail environment. However, as Ofcom notes in its findings, these customers can also face more significant challenges when receiving parcel deliveries. We continually work with our customers, their advocates, and our internal experts to ensure that we are meeting their particular needs when receiving parcels, whether that is through our own Amazon Logistics delivery service, or through a partner like Royal Mail. In subsection 6.3, we provide more detailed feedback regarding these proposals, and look forward to working with Ofcom, our industry partners, and our customers to facilitate a better delivery experience for all customers, including those with specific needs.

Question 3.1: Do you agree with our proposed approach to sustainability of the universal service? Please substantiate your response with reasons and evidence.

Yes. Amazon concurs with Ofcom’s position that an efficient and effective universal service provider (USP) can, and should be able to operate on a financially self-sustaining basis in the long-term. While maintaining a nationwide network presents challenges, the USO also

³ Ofcom, 2022. [Consultation: Review of Postal Regulation](#). Page 9.

⁴ Id. Page 102.

⁵ European Commission, 2021. [Report on the Evaluation of the Postal Services Directive](#).

confers considerable benefits, including revenue opportunities and cost advantages in the form of scope and scale economies. The USO should be financially supported by revenues generated by services using the universal network, both regulated and unregulated. Likewise, the USP should be given significant commercial flexibility to expand revenue-generating services, partner with other transportation, logistics and delivery providers, and leverage its unique nationwide coverage to maximize financial contribution to the USO.

As Ofcom and other expert regulators have recognized, postal operators around the world have grappled with seismic shifts over the past decade, and especially over the past two years.⁶ Electronic diversion, shifting letter mail volumes, and increased e-commerce volume continue to present challenges for USPs; these trends were magnified by the global COVID-19 pandemic.⁷ However, Royal Mail has proven adaptive, and the long-term outlook is stable and profitable.⁸ We strongly support Royal Mail's efforts to improve network and delivery efficiency, and agree with Ofcom's assessment that "the provision of universal service will be financially sustainable" for the foreseeable future.⁹

Finally, while Amazon generally agrees that Royal Mail's success – like any other company in the highly competitive business of parcel delivery – depends on continued efficiency improvements, we would caution that Royal Mail itself has the best vantage point for overseeing those efforts. With this in mind, we urge that Ofcom continue to grant Royal Mail significant flexibility and autonomy in pursuing efficiency initiatives. These changes require regulatory stability, competitive pricing, and customer confidence and trust. Material regulatory changes are unlikely to be helpful in growing volumes, and may distract Royal Mail from the core task of improving efficiency and driving new revenue.

Question 4.1: Do you agree with our proposal to maintain the historic approach but with the additional requirement on Royal Mail to set and report against a five-year expectation? Please substantiate your response with reasons and evidence.

Amazon agrees with Ofcom's proposal to maintain the historic approach. Again, regulatory stability and consistency are vital when undergoing operational and network transformations. We note Royal Mail's commitment to transforming its network and delivery operations to support increased parcel volume growth, and reiterate the importance of these changes in maintaining long-term financial sustainability. Regarding the additional requirement to report against a five-year expectation, Amazon takes no position but cautions that such long-term outlooks are inherently difficult given the dynamic nature of the industry.

⁶ Consultation: Review of Postal Regulation. Page 8-10.

⁷ See, e.g., European Commission. [Report on the Evaluation of the Postal Services Directive](#). Page 3.

⁸ Royal Mail, 2021. [Full Year Financials](#).

⁹ Consultation: Review of Postal Regulation. Page 19.

Question 5.1: Do you agree with our proposed approach of maintaining the current regulatory safeguards of the safeguard cap, high quality of services standards, and requirements on access to universal services? Please substantiate your response with reasons and evidence.

Amazon supports the continued use of the safeguard cap to maintain affordable, uniform prices for single-piece letter and parcel services. However, we reiterate prior concerns that Ofcom should seek predictability for customers by limiting price increases to once per annum. Nearly all businesses using postal services forecast their business and pricing plans annually, and mid-year changes can disrupt those business plans and the customer experience. We understand that Ofcom will address issues related to the price cap in a separate process later this year, and we look forward to an opportunity to expand on these issues at that time.

Question 6.1: Do you agree with our assessment of the parcels market, namely that it is generally working well for consumers, but improvements are needed in relation to complaints handling and meeting disabled consumers' needs? Please substantiate your response with reasons and evidence.

Overall, Amazon agrees that the UK parcels market is working well, and we agree with Ofcom's assessment that especially the B2C parcels segment continues to be highly competitive, dynamic, and growing.¹⁰ This assessment is in line with the findings of the European Commission in other European countries. Amazon also agrees that demand for parcel services within the B2C space is highly diverse, with no one feature being deterministic for success. Retailers and end-customers alike seek a broad range of services, and while "several parcel operators compete for all types of parcel customers," there are also many delivery firms that provide niche services, including same-day delivery, cold-chain storage for pharmaceuticals, food, or other sensitive items, and sustainable options including net zero carbon shipping. This diversity of offerings indicates a healthy, thriving market for delivery services, with consumers as a key beneficiary.

Amazon agrees with Ofcom's findings regarding customer satisfaction, and especially that "competition is driving innovation in the parcels market."¹¹ Our experience, both in the UK and internationally, has been that customer trust is difficult to earn, but easy to lose. We constantly seek a better understanding of how we can serve our customers more effectively, with higher delivery success rates, fewer customer complaints, and a better overall experience. Technology has driven significant advances in customer communication and package tracking; for example, when receiving an order via Amazon Logistics, customers can often track the delivery in real time along the route, and opt to receive notifications when a shipment is a certain number of stops away.

¹⁰ Consultation: Review of Postal Regulation. Page 104.

¹¹ Id. Page 111.

Question 6.2: Do you agree with our assessment of the consumer issues in relation to complaints handling and our proposed guidance? Please substantiate your response with reasons and evidence.

Overall, we agree with Ofcom's assessment of customer issues related to complaints, and we especially agree that while overall customer satisfaction is high,¹² there is always more we can do as a company, and as an industry, to improve the delivery experience. In part, this is rooted in Amazon's customer-obsessed mentality: we know that customer expectations are never static; they go up. This reflects of the tremendous power of choice that each and every customer has in today's marketplace. Customer trust is difficult to earn, but easy to lose – whether that is through a poor delivery experience or an inability to communicate effectively and resolve the issue.

Amazon also agrees with Ofcom's assessment that customers should receive a service that meets their needs,¹³ and that if that service does not meet their needs, it should be simple and straightforward to seek redress from the shipper (or retailer) or the delivery service provider, whatever the case may be. That said, competition continues to result in innovation in parcel delivery, especially on the side of customer communication and technology. Features that were once considered supplementary or optional – like real-time visibility of shipment status, or delivery notifications pushed out to customers – are now increasingly the industry standard. We support Ofcom's approach of setting guidelines that define outcomes – rather than prescribe process – allow for continued competition-driven innovation in this space.

Question 6.3: Do you agree with our assessment of the issues faced by disabled consumers in relation to parcel services and our proposed new condition to better meet disabled consumers' needs? Please substantiate your response with reasons and evidence.

Amazon is committed to diversity, equity and inclusion, and that includes when delivering to customers with particular needs. Customers are able to input specific delivery preferences when setting up and using their Amazon customer account, including for example, designating a preferred safe space, requesting delivery to a neighbour, or choosing delivery to a convenient collection point such as an Amazon Hub pickup location, which includes a self-service Amazon Locker or an assisted Counter location. Amazon Lockers are a secure self-service kiosk typically located in local public or commercial spaces and are accessible to customers during relevant operating hours, which for public space Amazon Lockers is often 24 hours. operating hours.

Where a customer provides us with a specific delivery preference we convey those instructions to our third party delivery services providers. In the event of a customer concern involving accessibility, our dedicated Customer Service and Delivery Experience teams will

¹² Ofcom at 111-13.

¹³ Ofcom at 117.

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work closely with the affected customer to understand their particular needs and ensure a practical solution is implemented.

Overall, we agree with Ofcom's proposed regulatory approach, which focuses on the outcome for customers but leaves opportunity for delivery providers to innovate, collaborate, and continuously improve processes on behalf of our customers. As with all customers, we see a significant opportunity for technology to play a role in improving experience and mitigating common issues. For example, improved real-time customer communication with drivers, visibility features like stop-by-stop tracking, and advanced notification based on a customer's particular needs, are all important drivers of customer experience and delivery success rate.