



Ofcom: Second Class Safeguard Cap Consultation Evri Response

About Evri

Evri (formerly Hermes) is the UK's largest dedicated parcel company. We deliver parcels for some of the largest retailers, both online and on the High Street, including John Lewis, M&S, Next and Asos, as well as SME's and small independent sellers.

We offer consumer to consumer parcel delivery via our web site, App and in our Parcel Shops and customer can also collect their parcels from one of our 10,000+ Parcel Shops or lockers.

Evri has around 7,000 employees and contracts with around 20,000 self-employed couriers who deliver parcels across the UK.

Evri delivers around 700 million domestic and international parcels a year, seven days a week across the UK. We have three parcel sorting hubs in Warrington, Rugby and a new site in Barnsley, which opened in September 2022. We also have a dedicated returns hub in Rugby. From these hubs all our parcels feed into our network of 26 depots across the UK, for onward distribution to around 600 delivery units, from where our couriers collect parcels for final mile delivery to consumers.

Consultation questions

Evri's responses focus on the parcels market as we do not offer a letters service.

Q5: Do you agree with our analysis of the market in relation to Second Class parcels up to 2kg? Please state your reasons and provide evidence to support your view.

Yes. While Royal Mail retains a strong position in the 0-2kg parcel segment, other companies are successfully competing in this space, including Evri. This is, in part, due to the continued rise of online selling platforms such as Vinted, Depop and Ebay and consumers' preference for tracked services when buying and selling in the C2X market, which Evri offers as standard and Royal Mail prices at a premium.

Evri has invested in increasing our access points and pick up drop off (PUDO) locations since the last review in 2018/19 to ensure we can offer a more comprehensive C2X service. We now have over 10,000 ParcelShops and lockers, where consumers can send and receive parcels and we are also available in over 900 Post Offices and 1,300 Tesco stores. From September this will increase and in addition Post Offices will actively sell Evri services to consumers who come in to send a parcel.

The C2X market is an area where we have a clear plan for continued investment and expansion of products and services to consumers and the data in the consultation shows an increased willingness from consumers to choose parcel companies other than Royal Mail.



Question 7: Do you agree with our assessment of the affordability of Second Class postal prices? Please state your reasons and provide evidence to support your view.

Yes, we agree these services are affordable for most consumers. Consumers continue to spend very low levels on postal services, but value for money remains high and consumers have more discretion over expenditure on parcels compared with letters. Sending parcels is more of a choice rather than a necessity, so when they do send parcels it tends to be out of choice: sending a present, selling an item online etc.

There is a lot of competition across the market for C2X parcels and consumers have choice not only or carrier, but how to send. They can purchase services online or in person at a Post Office or pick up drop off point (PUDO), such as an Evri Parcel Shop. How they choose to send their parcel can further reduce the cost of sending, with delivery to a PUDO cheaper than delivery to a consumers' door.

Moreover, we price very competitively in the knowledge that, especially in the 0- 2kg weight category, Royal Mail can set prices low due to the lack of VAT on universal service products and services. As noted in the consultation, we also introduced a Postable service which is a letterbox sized service for small and lower cost items, which offers guaranteed first time delivery as it does not need to be received directly by a consumer and can go through the letter box. This service was designed primarily to offer more choice of affordable products to consumers in the lower weight categories, largely dominated by Royal Mail and directly compete with Royal Mail.

One thing to note is that the sender of a C2X parcel does not always incur fee for postage. When parcels are bought via platforms such as eBay and Vinted, the buyer usually pays for postage.

Q13: Do you agree with our proposal to remove the safeguard cap from Second Class parcels up to 2kg? Please state your reasons and provide evidence to support your view.

Yes, we agree that a price cap on Second Class parcels is no longer required to protect consumers due to competition in the C2X market providing a constraint on pricing. It is important to protect consumers, especially those who are vulnerable from excessive pricing, especially on non-discretionary services, but the evidence shows that a cap is no longer needed.

The basket cap does not seem to have had any substantive impact on Royal Mail's pricing and it has significant headroom under the cap.

For some time, Royal Mail has been pricing under the cap and, while many other companies, have increased prices to cover increased operational costs, Royal Mail has, in real terms, managed to cut prices for Second Class parcels under 2kg in weight. It is unclear how Royal Mail has managed to do this, while raising stamp prices to maximum levels, especially when Ofcom's market research suggests residential consumers are not price sensitive when it comes to sending parcels.

Evri works hard to match Royal Mail's pricing as much as possible, while providing consumers with more. All Evri services are tracked as standard, unlike Royal Mail's standard Second Class 0-2kg parcel service. We will continue to invest in the C2X segment on the postal market to offer consumers choice in carrier and value for money and as selling via platforms like ebay and Vinted looks set to continue to increase, it is likely other postal operators will invest here too ensuring this remains a competitive area.