

# Annex A: Post themes

We advocate for a postal market that works in consumers' favour, in a sector that is rapidly changing. In the year ahead, our work in post will focus on 4 main areas:

**We will look at parcels.** The UK parcels market has grown by over 50% since 2010.<sup>1</sup> British consumers are more likely to shop online than those in any other European country<sup>2</sup>. Online shopping now makes up 16.9% of all retail sales in Great Britain, and consumers spend on average £1.2 billion *per week* in online retail.<sup>3</sup> This rapidly evolving parcels market brings significant benefits for consumers, who rely on parcel deliveries to underpin this shift in the way they shop. As the delivery market continues to develop, we will review where services and consumer protections can be improved, and what can be done for consumers who are excluded.

**We will look at regulations and protections in postal markets.** Against the backdrop of a changing postal sector, with letters in decline and parcel volumes increasing, we will represent consumers in discussions that impact them, ensuring that decision-makers are well-informed from a consumer perspective. These include discussions on any changes resulting from the Brexit negotiations, and any potential changes to the Universal Service Obligation. We will also work with other consumer bodies and industry to ensure consumers have adequate routes to redress when things go wrong.

**We will advocate for vulnerable consumers.** In 2017/18 we have developed an understanding of how consumers with different disabilities access post and post offices. We will draw on these findings and advocate for meaningful changes in 2018/19. We will also investigate what can be done to help homeless people access mail services and how take up of freepost by low-income consumers can be improved.

**We will monitor changes to the post office network.** Since 2012, the post office network has received £2 billion of government investment during the Network Transformation Programme. As this period of significant investment draws to a close, we will adapt our approach to focus on monitoring and oversight of the post office network. We will monitor headline metrics (such as number of

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<sup>1</sup> [UK Parcels Market Insight Report 2017](#), Apex Insight, February 2017

<sup>2</sup> [E-commerce statistics for individuals](#), Eurostat, 2016

<sup>3</sup> [Retail sales, Great Britain](#), Office for National Statistics, October 2017

branches or consumer satisfaction) and target research only where we believe there is a threat to consumer access.

### **1.1 Secure the best Brexit deal for consumers**

Brexit presents short and medium-term opportunities and challenges for UK consumers and consumer advocacy.

In the short-term, our priority is making sure that existing consumer rights are defended and, where opportunities exist, enhanced during the EU negotiations. We will encourage the relevant authorities to reflect on how our competition regime can be reformed in the best interests of consumers. We will also scrutinise the process of transposing EU regulations into UK law. Many protections at EU level are the result of hard fought lobbying by consumer groups, and it is vital that these are well transposed. We have begun this work already, developing consumer principles to test the final Brexit agreement against, making sure that consumer outcomes are being considered at every stage of the process.

We will ensure that the voice of postal consumers is heard as decisions are made about our future relationship with the EU. It is vital, for example, that consumers buying parcels across borders are not hit by disproportionate charges and lengthy delays. Consumer rights originating from the EU which protect consumers from bad practice in the postal market must also be retained. We'll work flexibly in this area, adapting our approach as new information on the detail of Brexit becomes available - producing briefings, meeting with officials and representing postal consumers at stakeholder forums as appropriate.

### **1.3 Understand the impact of potential changes to the Universal Service Obligation**

Universal Service Providers globally are facing drastically reduced mail volumes, reduced profitability and Quality of Service Issues. In the UK Royal Mail's addressed letter volumes have decreased by 22% over the last 5 years, and profitability has also decreased.<sup>4</sup> In September 2017, Royal Mail was downgraded from the FTSE 100 to the FTSE 250 for the first time since privatisation.<sup>5</sup>

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<sup>4</sup> See, for example: Royal Mail, [Annual Report and Financial Statements 2016-17](#), June 2017; Royal Mail, [Annual Report and Financial Statements 2012-13](#), July 2013

<sup>5</sup> BBC News, [Royal Mail leaves the FTSE 100 in quarterly shake-up](#), 2017

Internationally, governments are responding to these market trends by taking steps to amend or adjust the USO. In Finland, for example, delivery in urban areas has been reduced from 5 to 3 days per week, and strict requirements on the location of post offices have been relaxed to only guarantee 1 service point per municipality.<sup>6</sup> In Denmark first class postage has been scrapped, delivery times increased, delivery days reduced and the redirection service limited in efforts to save money.<sup>7</sup>

We will undertake in-house research and work with partners, such as the European Commission and global postal operators, to ascertain the impacts on consumers of these changes. We will raise awareness of these impacts, and inform UK policy-makers in their future approach to the USO. Our work will have particular regard to vulnerable groups, and whether their access to post has been limited by reduced delivery frequency, increased costs, or fewer access points.

### **1.7 Push for a parcels market that works for consumers - Post**

The UK parcels market has a value of almost £10 billion,<sup>8</sup> with consumers receiving an average of 31 parcels per year.<sup>9</sup> Over 80% of UK adults shop online at least once a year, the highest number anywhere in the EU,<sup>10</sup> with nearly a quarter of consumers preferring to shop online rather than in store.<sup>11</sup>

With UK consumers increasingly reliant on the ability to receive goods bought online, it is vital that the parcels market serves them well. Our work has already highlighted areas for improvement and we are working with industry to address these. Our research has found that almost two thirds of consumers have experienced problems with parcel delivery, with the biggest single problem being receiving a 'sorry you were out slip' when someone was home.<sup>12</sup> To help improve first time delivery rates, we are working with Citizens Advice Scotland and industry to explore the feasibility of options such as expanded access to parcel lockers and community collection points.

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<sup>6</sup> Yle Uutiset, Mail deliveries to drop to three days a week in Finnish cities, 15 September 2017

<sup>7</sup> The Local, [Denmark's postal service just got even worse](#), 3 May 2016

<sup>8</sup> Financial Times, [UK parcels market nears £10bn in annual turnover](#), 2017

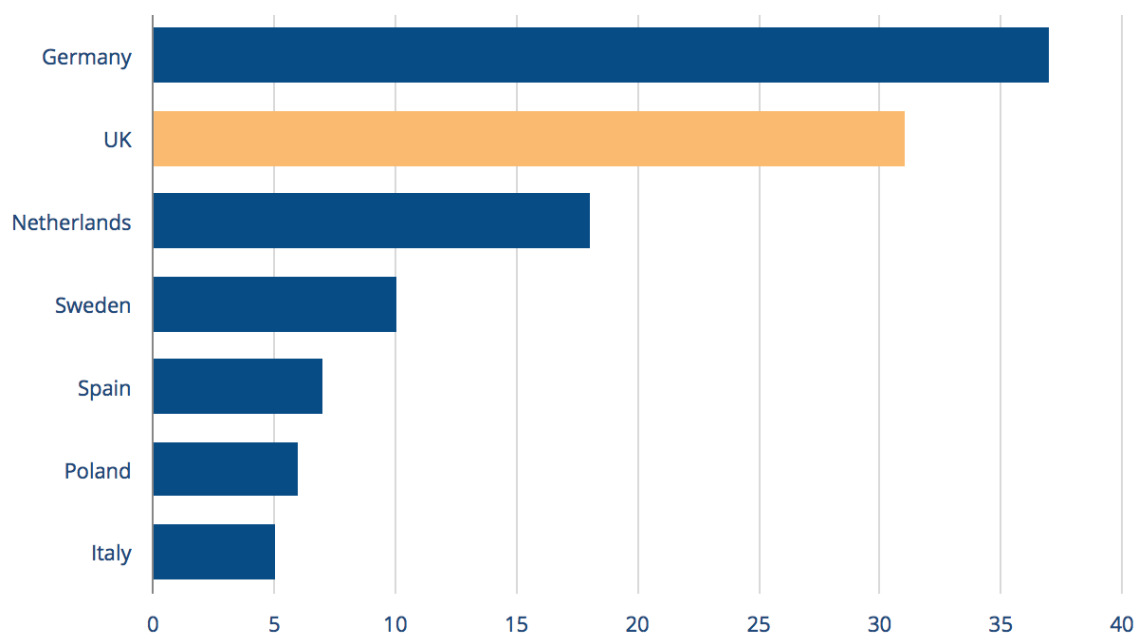
<sup>9</sup> Ofcom, [International Communications Market Report](#), 2016

<sup>10</sup> Eurostat, [E-commerce statistics for individuals](#), 2016

<sup>11</sup> Ofcom, [International Communications Market Report](#), 2016

<sup>12</sup> Citizens Advice, [Parcel delivery: Delivery services in the online shopping market](#), June 2017

## UK consumers, on average, receive over 30 parcels per year (2015)<sup>13</sup>



We will build on our existing work by using our understanding of what a well functioning market should look like. We will undertake in-house research and examine existing industry data. Where further issues are identified, we will work with industry and partners to develop solutions to consumer issues such as quality of service and access to redress. We will also commission external research to build on our unique geospatial analysis of parcel collection points across England, Scotland and Wales. This will help us to better understand consumer use of collection points and their experience of collecting, sending and returning parcels.

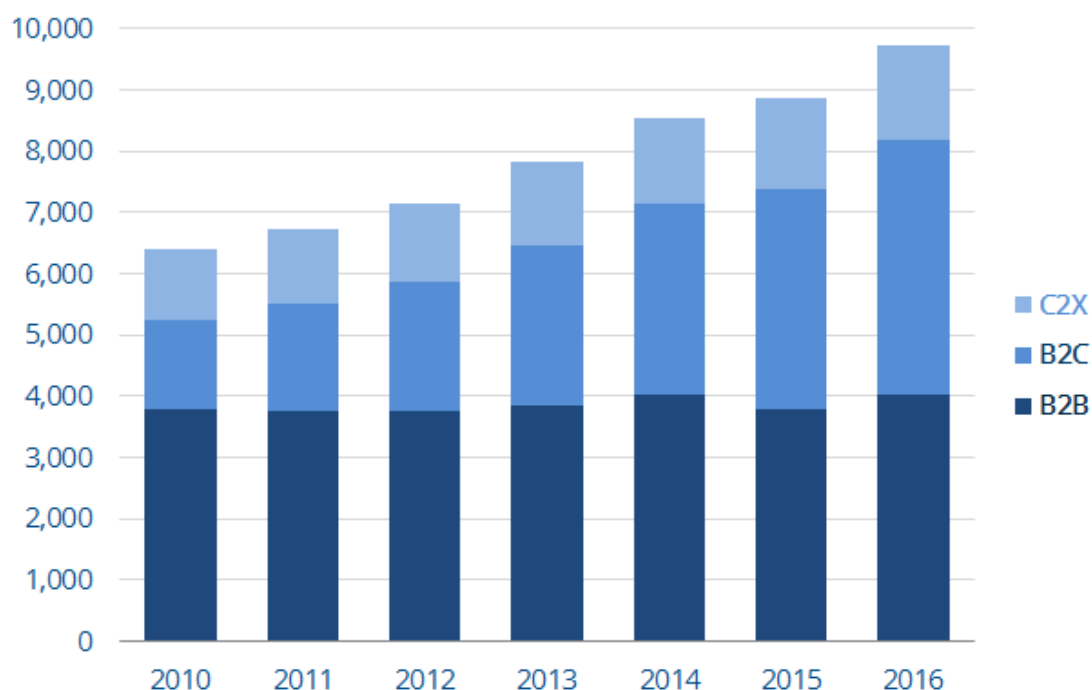
The size of the UK parcels market has grown by over 50% since 2010.<sup>14</sup> Most of this growth comes from e-commerce deliveries, with the B2C segment growing at 19% CAGR between 2010 and 2015 (see chart, below). But growth is also increasingly being driven by parcels sent by consumers and small businesses (C2X parcels). At the same time, new models have entered the market with consumers able to purchase delivery services through brokers as well as directly through Royal Mail or other parcel operators.<sup>15</sup>

<sup>13</sup> Ofcom, [International Communications Market Report](#), 2016

<sup>14</sup> Apex Insight, [UK Parcels Market Insight Report 2017](#), February 2017

<sup>15</sup> Parcel brokers such as Parcel2Go, D2D Xpress, and Parcel Monkey act as intermediaries between consumers and parcel operators or couriers. By aggregating demand, parcel brokers are able to offer lower rates to consumers than if they were to approach companies individually.

## B2C parcels have grown significantly since 2010 (turnover £ million)<sup>16</sup>



With such rapid change it is important that consumers can navigate this market effectively and are able to choose the most appropriate products for the best price. We will commission research to understand the size and shape of the C2X market segment. This will look at whether these services are accessible, pricing is transparent, consumers have access to redress, and small businesses understand their rights and obligations.

Our research shows that many consumers are not aware of their rights when it comes to parcel delivery. Only 50% correctly identified that it is the retailer who is responsible for ensuring their parcel arrives safely, 75% do not know the length of the cooling off period, and 83% do not understand their rights to a refund.<sup>17</sup> We will educate consumers on their parcel delivery rights, developing and delivering consumer education campaigns coinciding with peak e-retail periods such as Black Friday and Christmas.

<sup>16</sup> Apex Insight, [UK Parcels Market Insight Report 2017](#), February 2017 (CAGR 2010-15: C2X 7.7%, B2C 18.9%, B2B 1.4%)

<sup>17</sup> Citizens Advice, [Parcel Delivery: Delivery services in the online shopping market](#), June 2017

## **1.9 Ensure consumers have access to redress, resolution and automatic compensation**

In postal services, the rights and routes to redress available to consumers are complex. Although Royal Mail customers have access to a clearly defined complaints process and an Alternative Dispute Resolution (ADR) service, those that use it often report being dissatisfied with the process. For example, 4 in 10 report concerns with how their complaint was handled (42%), how their complaint was resolved (42%) or how long it took (38%).<sup>18</sup> These type of problems are often exacerbated in the parcels market, where the complex relationship between consumers, retailers, national and regional carriers means consumers can feel stuck between companies with nobody willing to take responsibility for the problem.<sup>19</sup>

Understanding the scale and nature of problems that people encounter with postal services can be challenging. Royal Mail is required by Ofcom to publish a breakdown of its complaints data. But in practice this often reveals little about the specific types and impact of problems consumers experience. Meanwhile, in the wider parcels sector, operators are not required to publish any complaints data at all. This presents a challenge to policy makers seeking to ensure that the needs of postal consumers are being met.

This year, we will work with the Consumer Council of Northern Ireland and Citizens Advice Scotland to consider whether existing requirements on postal services providers to publish data on the volume and nature of the consumer complaints they receive are sufficient. We will engage with industry to identify whether current disclosure of information regarding consumer experience and complaints is appropriate. We will also look to other sources of insight, such as complaints raised through social media, to better understand consumers' experiences.

## **1.10 Ensure consumers can effectively opt-out of marketing mail**

Last financial year Royal Mail delivered 3 billion unaddressed letters,<sup>20</sup> with direct mail making up around one third of all letters sent in the UK.<sup>21</sup> Although revenue made by delivering marketing mail helps subsidise the cost of social mail for consumers, receiving excessive amounts of mail can be a nuisance.<sup>22</sup>

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<sup>18</sup> Ofcom, [Residential Postal Tracker \(January - December 2016\)](#), 2017

<sup>19</sup> Citizens Advice, [Parcel delivery: Delivery services in the online shopping market](#), June 2017

<sup>20</sup> Royal Mail, [Annual Report and Financial Statements 2016-17](#), June 2017

<sup>21</sup> PwC, [The outlook for UK mail volumes to 2023](#), 2013

<sup>22</sup> Richard Hooper CBE, [Saving the Royal Mail's universal postal service in the digital age](#), 2010

In the telecoms market, consumers are able to register with the Telephone Preference Service (TPS) to opt out of all unsolicited sales and marketing calls. It is a legal requirement on all organisations to not contact consumers who have registered with the TPS unless they have consent to do so. Although there is an equivalent Mail Preference Service (MPS) only 3.5 million consumers are registered, compared to 23 million phone numbers recorded in the TPS.<sup>23</sup> Crucially, there is also no legal obligation on Direct Marketing Agencies to check, or adhere to, the MPS before sending marketing materials.

UK consumers need a consistent and straightforward process for making their preferences known. We will work with organisations such as Royal Mail and the Direct Marketing Association to develop effective opt-out solutions.

## **2.4 Ensuring consumer access to a high-quality Post Office network.**

The Post Office Network Transformation Programme is due to conclude in April 2018. During this programme, around 7,500 post offices have been modernised or moved to new premises. We have worked with Post Office Ltd. to agree improvements or clarifications in three quarters of off-site cases following public consultation over this period.<sup>24</sup> As this programme concludes, we will focus on aggregate monitoring of post office access. We will review the number and location of post offices across England, Scotland and Wales to ensure customers are not at risk of detriment, which could arise from a cumulative increase in temporary closures or reductions in opening hours or services. If we identify adverse trends we will make recommendations to Post Office Ltd. to help them develop measures to preserve consumer access.

More than 20% of all Post Office Crown branches have been franchised since 2012. Crown branches are usually in town centre locations and have four times as many customers per week than other post offices. We will continue to oversee the public consultation of Crown POs. We will also publish analysis of recent Crown post office changes as well as new analysis of our existing evidence on post office service standards.

Unlike mail services, there is no public data on customer experience of post office services. We will commission a survey on a focused range of measures for customer satisfaction and post office use, supplemented by existing commercial data where possible. To ensure the voice of vulnerable consumers is at the heart

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<sup>23</sup> Telephone Preference Service corporate website, [TPS residential file](#), last modified 12 December 2017

<sup>24</sup> [Post offices matter to communities](#), Citizens Advice, October 2017.

of this work, our sample will include groups at high risk of detriment, for example rural consumers and people with mental health problems.

### **4.3 Ensure vulnerable people are not disadvantaged when accessing post offices or receiving post.**

Following our UK-wide research on disabled people's experience of accessing postal services, we will work with industry to implement recommendations ensuring disabled people's needs are being met. We will use this data to look at specific types of disability, such as mental health problems, and advocate for additional improvements for these groups.

Post Offices are used by all sections of society, with 97% of consumers and 93% of small businesses using a post office at least once a year.<sup>25</sup> Post offices are of particular importance, however, to people in rural areas and for vulnerable groups such as older people and people on low incomes.<sup>26</sup> Our research found that 9 in 10 disabled and older consumers describe the post office as "essential".<sup>27</sup> Therefore, we will review existing data to understand how changes to the post office network have impacted on consumers.

Our research found people in rural areas are more likely than those in urban areas to depend on their local post office for access postal services, with 1 in 3 (31%) rural residents using a post office at least weekly compared to 1 in 5 (21%) in urban areas.<sup>28</sup> Using these and other existing findings on community post offices and postal operator access points we will advocate for rural consumers to ensure adequate access to high-quality Post Office and postal services.

### **4.4 Ensure access to post for those with no permanent address**

There are over 300,000 homeless people in Britain, up 4% since 2016<sup>29</sup>. 1 in 200 people are currently homeless, rising to 1 in 25 in some areas.<sup>30</sup> Having no fixed address, or moving between temporary accommodations can be a significant barrier to receiving post. This can lead to problems accessing essential services banking or voter registration. Regular and reliable access to post is even more

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<sup>25</sup> [Consumer Use of Post Offices](#), Citizens Advice, 2017

<sup>26</sup> [Consumer Use of Post Offices](#), Citizens Advice, 2017

<sup>27</sup> [New model post office access for disabled consumers](#), Citizens Advice, 2017

<sup>28</sup> [Rural Post Office Use](#), Citizens Advice, 2017

<sup>29</sup> [Far from alone](#), Shelter, 2017 (This figure includes people identified as rough sleepers, single people in hostels, households owed a statutory homeless duty by a local authority and homeless households being accommodated by social services.)

<sup>30</sup> [Far from alone](#), Shelter, 2017



important for correspondence that is highly time sensitive, such as letters regarding court hearings and benefits.

We will investigate the effects of this detriment, examine the options available for homeless people across the UK to access post, and make recommendations to ensure these are as accessible as possible. This research will be conducted in-house by Citizens Advice.

#### **4.5 Increase the uptake of Freepost**

Our research suggests that over 50% of people who are provided with a freepost envelope during their benefits claim do not use it, opting instead to pay for an alternative service.<sup>31</sup> We want to understand why this is the case and will commission research with UK consumers to understand the barriers to using Freepost and other low-cost services. We will identify appropriate actions to ensure people on already stretched budgets are not spending more than they need to.

### **Representing postal consumers**

Alongside our program of research and advocacy projects, Citizens Advice ensures the voice of postal consumers is heard in key debates, for example through responding to consultations and convening and sitting on working groups. In 2018/19 this work will include:

- Continuing our advocacy to influence government, the regulator and market players to improve policies and practices in areas of detriment identified through existing research. For example, our research into consumer detriment in the parcels market, published in June 2017 identified a number of issues that can cause consumers harm, and proposed solutions that could be further explored by industry. Often, Citizens Advice is the only voice representing consumers in conversations about the sector, playing an important role in helping to ensure consumer interests are part of the debate and on the agenda. We will continue to present the results and recommendations of our work to relevant stakeholders, and work with them to develop improvements.
- Building stronger, more productive relationships with core stakeholders, as well as the wider postal policy community. This will strengthen the

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<sup>31</sup> [Using the post to access benefits](#), Citizens Advice, 2017

reach, and impact of our work, while adding value by allowing us to gather more diverse intelligence and insight on the issues facing postal services consumers today.

- Responding to the government's upcoming announcement on future funding for the Post Office network.
- Convening the Post Offices Advisory Group. This stakeholder group meets quarterly and includes national charities, Government officials, rural agencies and representatives of Post Office operators and Post Office Ltd. These meetings are an opportunity for members to share news on developments relevant to the Post Office sector, and facilitate policy development.
- Monitoring and analysing data gathered via the Consumer Service Helpline, the Post Line, website visits and complaints recorded through social media. Where possible, we use these insights to highlight service failures and barriers to securing redress in parcel delivery and letter services.
- We will monitor the impact of any changes in the postal sector on consumers and adapt our own services to ensure we are giving accurate, timely advice on postal services issues.
- Responding to relevant Ofcom consultations, for example on changes to the Universal Service Provider Access Condition.
- Monitoring Royal Mail's performance against core metrics, including quality of service, provision of Post Offices and collection time information. Where Royal Mail are falling short of their obligations we will push for improvements and, where necessary, ask the regulator to take action.

## Success

We'll have succeeded in delivering on our key aims in post if:

- **We help shape a parcels market that is easy to navigate for consumers**, allowing them to make genuine choices about aspects of the delivery process which are important to them and providing them with robust and effective complaints processes for when things go wrong. We

will understand the consumer journey for parcel collection and drop off - and advocate to improve it where necessary.

- **All changes to the Post Office network deliver good long term outcomes for consumers** who have reliable access to high quality services as part of a sustainable nation-wide network, even in rural areas.
- **Consumers have a better understanding of when and how to use postal services such as Freepost** and action is taken to reduce any barriers to uptake or for those that have the opportunity to do so. And we will develop an accessible, affordable solution to receiving post for consumers who have no permanent address.
- **We've ensured that policy-makers are well informed of consumer interests in any future deliberations over policy affecting the sector, such as the USO. Decision-makers take consideration of the needs of consumers in all parts of the UK**, and that vulnerable consumers are easily and adequately able to access high quality postal services at a reasonable price.