The Communications Market 2012

6 Post

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Figure 6.1 UK postal industry key metrics

UK postal services industry	2006	2007	2008	2009	2010	2011
Addressed mail volumes	22.0bn	21.6bn	20.6bn	18.6bn	17.5bn	16.6bn
Mail revenues	£6.8bn	£6.8bn	£6.8bn	£6.6bn	£6.5bn	£6.7bn
Proportion of access mail in total mail	9.6%	16.9%	24.6%	32.7%	39.9%	43.6%
Direct mail share of advertising spend	14.2%	12.7%	12.3%	11.6%	10.9%	10.7%
Value of UK e-retail market	£30.2bn	£35.2bn	£43.8bn	£49.8bn	£58.8bn	£68.0bn

Source: Royal Mail Regulatory Financial Statements, Royal Mail Wholesale, Royal Mail Group Annual Reports, AA/Warc. Revenue figures are nominal. Note: Addressed mail volumes and revenues include Royal Mail total mails (excluding Parcelforce and 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 examines the characteristics of the UK postal services industry. It includes an outline of Ofcom's new responsibilities for post, now that the Postal Services Act 2011 has come into force, and information on the universal service and competition.

6.1.3 Ofcom's new responsibilities in post and the Act

Ofcom's duties under the Postal Services Act 2011

In October 2011, the Postal Services Act 2011 ("the Act") came into force and Ofcom gained the responsibility and powers to regulate postal services. The Act gives us a primary duty to carry out our functions in relation to post in a way which we consider will secure the provision of a universal postal service. In discharging our duties in relation to the universal service, the Act also requires us to have regard to the need for the provision of the universal service to be financially sustainable and to become efficient within a reasonable time.

Ofcom's principal duty under the Communications Act 2003 ("the 2003 Act") is to further the interests of citizens and consumers, where appropriate by promoting competition. This duty, together with our general duties under the 2003 Act, also applies when we carry out our functions in relation to post. The 2011 Act also provides that, where we are carrying out our functions in relation to postal services, in the case of a conflict between our duty to secure the provision of the universal postal service and our general duties under the 2003 Act, our duty to the universal service takes precedence.

The Act also changes the scope of the regulator's duties compared to the previous postal legislation, the Postal Services Act 2000 ("the 2000 Act"). It replaced the previous licensing regime with a general authorisation to provide postal services, subject to conditions imposed by Ofcom. The new Act is clear that the primary focus of regulation should be on the provision of the universal service.

6.1.4 The universal service

Central to the role that post plays in society is the universal service obligation. This requires Royal Mail to deliver and collect letters six days a week, and states that prices for services that are part of the universal service must be affordable and uniform throughout the UK.

The universal postal service must, as a minimum, include each of the services set out in section 31 of the Act. These services are known as the 'minimum requirements' and comprise (in summary):

- at least one delivery of letters every Monday to Saturday, and at least one delivery of other postal packets every Monday to Friday;
- at least one collection of letters every Monday to Saturday, and at least one collection of other postal packets every Monday to Friday;
- a service of conveying postal packets from one place to another by post at affordable, geographically uniform prices through the UK;
- a registered items service at affordable, geographically uniform prices through the UK;
- an insured items service at affordable, geographically uniform prices through the UK;
- the provision of certain free services to the blind/partially sighted; and
- the free conveyance of certain legislative petitions and addresses.

How the universal service is delivered

To provide the universal service, Royal Mail has a nationwide network of 57 mail centres and 1,356 delivery offices across the UK, linked by a predominantly road-based transport network. The process which mail goes through from collection to delivery is commonly referred to as the 'pipeline'. Including the transportation of mail around the country, there are six main stages to this process, as illustrated in Figure 6.2.

Figure 6.2 Royal Mail's pipeline

Mail is collected from pillarboxes, Post Office branches and businesses before being transported to mail centres for outward sortation. Each mail centre serves a geographical area, so mail which is for the local area stays at the mail centre. Items for other postcode areas are sorted together and then transported to the appropriate mail centres, either directly or via the national distribution centre at Northampton. These items then go through the process of inward sortation at the mail centre and are grouped together for local distribution to delivery offices before final delivery.

At the core of the pipeline are the mail centres. These facilities undertake dual functions at different stages of the process. First, they operate as outward mail centres (OMC) when mail collected in a local area is processed and sorted to be despatched to other postcode areas.

Later in the process they operate as inward mail centres (IMC) and receive mail from other areas to process for distribution to delivery offices.

Financing the universal service in a declining market

The postal sector remains essential to the UK economy. In 2011, 16.6 billion letters were delivered to 29 million addresses. Royal Mail was responsible for delivering 99% of these.

But nevertheless, the sector faces major challenges. The volume of mail in the UK has fallen by over a quarter since 2006. The revenue loss due to this volume decline has been compounded by customers, particularly businesses, moving away from higher-value traditional products (such as First and Second Class mail) and towards lower-value services, such as bulk mail (post sent in high volume typically by business customers). Together these factors have meant that Royal Mail's revenues have fallen by 4.8% between 2006 and 2010.

These challenges were set out in the two reports undertaken on behalf of the government by Richard Hooper in 2008 and 2010.[160] These argued that the status quo was not tenable and recommended that Royal Mail needed to be opened to private investment; that the pension deficit needed to be moved to the Treasury; and that responsibility for regulating post should be transferred to Ofcom.

More recently, successive years of price rises and greater commercial freedoms, under the new regulatory framework, are showing signs of supporting some improvement to Royal Mail's finances. Its financial results for 2011-12 showed improving profitability and positive cash flow for the first time in four years. The core UK business (UKPIL) returned to operating profit (after modernisation costs) of £23m from a loss of £120m in 2011.

However, Royal Mail faces ongoing challenges. Mail volumes are likely to continue to decline as more customers switch to electronic alternatives. While mail will continue to play an essential role within the wider communications landscape, it has yet to reach a new steady state and the future remains highly uncertain.

The new regulatory framework

With our duties in mind, we proposed and implemented a major change in the regulation of the sector. In broad terms, we granted Royal Mail pricing freedom coupled with key safeguards to ensure that it would have strong incentives to improve efficiency and to protect vulnerable consumers.

Following consultations in October 2011 and December 2011, we published our final statement on the economic regulation of postal services on 27 March 2012. Our regulatory changes came into effect on 1 April 2012. At the heart of our conclusions and decisions in relation to a range of issues are the following:

- A commitment to the continued provision of the universal postal service.
- Granting Royal Mail sufficient pricing flexibility to ensure that it can continue to provide these services on a sustainable basis.
- An effective and ongoing monitoring regime to track Royal Mail's performance in respect of the universal service, efficiency levels and pricing.

[160] Hooper et al, *Modernise or decline: Policies to maintain the universal postal service in the United Kingdom*, December 2008
Hooper, *Saving the Royal Mail's universal postal service in the digital age*, September 2010

- To put in place a safeguard price cap in relation to Second Class mail to ensure that vulnerable consumers remain able to access a basic universal service.

- Granting further commercial and operational freedoms to Royal Mail so that it is better able to respond to customer requirements, and adapt to the challenging environment.

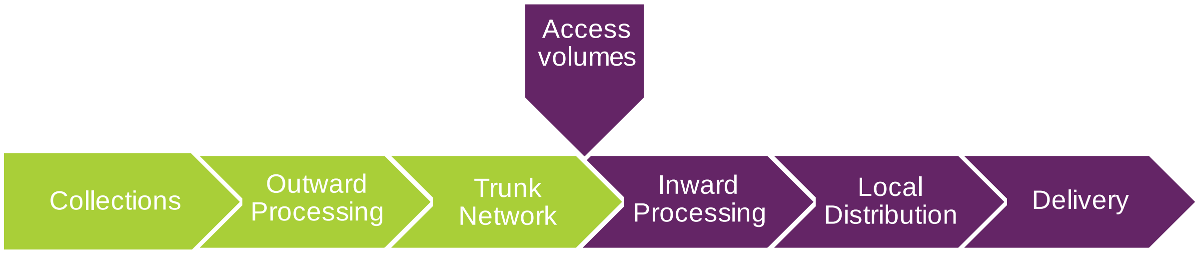
- To ensure that the benefits of competition are obtained in a manner that supports the universal service.

- To require Royal Mail to provide detailed financial information to Ofcom, to a sufficient level to enable us to carry out our regulatory duties.

6.1.5 Competition

There are two main kinds of competition in the UK postal sector, known as end-to-end and downstream access. An end-to-end competitor entirely bypasses Royal Mail's network and undertakes its own collection, sorting and delivery. Access competitors collect mail from customers and then access Royal Mail's network for the mail to be delivered to the final recipient, as shown on Figure 6.3. Royal Mail is obliged to grant access to competitors at the IMC. Access competition is the main form of competition in the UK today and in 2011 access operators handled 7.2 billion items.

Figure 6.3 Access operations in the pipeline



End-to-end competition also exists in the UK, albeit on a far smaller scale than access competition. End-to-end competitors bypass Royal Mail's network, collecting, sorting and ultimately delivering their customers' mail entirely through their own networks. Most regulated postal operators in the UK operate small networks covering specific postcode areas. Many end-to-end operators are cycle couriers, sole traders or have established unaddressed delivery networks.

TNT Post UK, a subsidiary of the Dutch universal service provider PostNL and an established access operator in the UK, launched a trial for end-to-end deliveries in west London in April 2012.This follows the conclusion of an earlier smaller-scale trial in Merseyside, which had been running since 2009. TNT has stated that the trial is intended to carry out further testing and analysis of its operations and that it intends to roll out a broader end-to-end service.

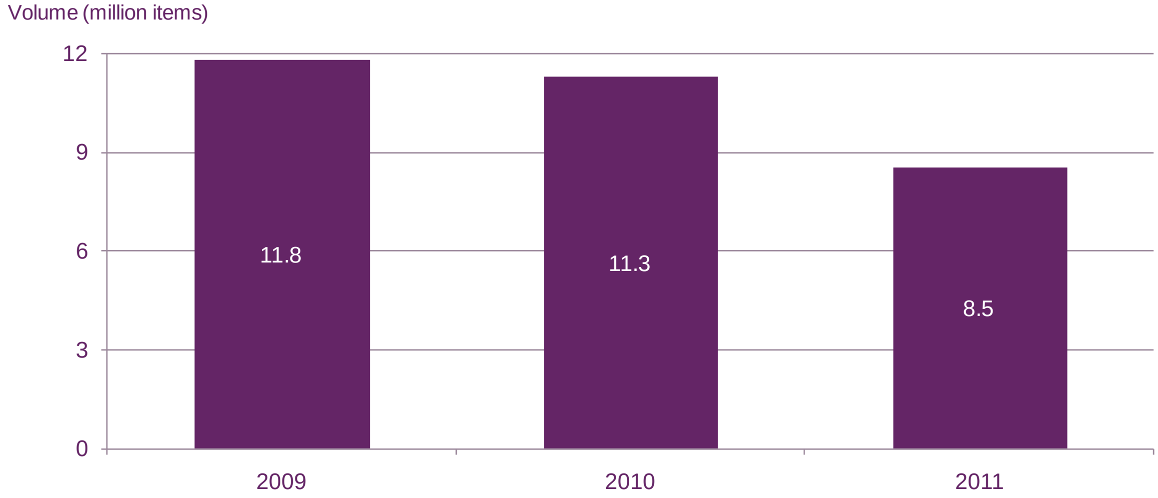
Volumes delivered by other operators have fallen

Typically, the volume of mail handled by end-to-end operators is relatively small, reflecting the smaller geographical areas served by these operators. As Figure 6.4 shows, operators other than Royal Mail delivered 8.5 million items entirely through their own networks in 2011.

End-to-end operators have also reported falling volumes. Sixteen operators reported to Ofcom that they delivered end-to-end addressed mail during 2011. While the overall picture is of declining volumes, it should be noted that a number of smaller operators have seen significant growth in their own volumes as their businesses become more established and as customers are acquired.

Please note that the volumes reported in the chart below refer to regulated post only, and do not include other types of mail handled by these providers, such as unaddressed mail, express and publications. Volumes handled through document exchange networks by the providers which offer this service are also excluded.

Figure 6.4 Other operators' end-to-end delivered volumes: 2009 to 2011



Source: Operators' returns, based on former licensed area delivered volumes

6.2 The postal services industry

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

Key points in this section include:

The decline in postal revenues has slowed, following years of decline. In 2011, revenue increased in nominal terms for the first time in four years (to £6.7bn), driven by price increases for Royal Mail bulk mail products. Mail volumes and revenues have been declining since 2007, although annual price increases for Royal Mail products have meant that revenue has fallen at a slower rate than volumes.

Mail volumes continued to fall. Mail volumes have been falling consistently for the past five years, and declined by 25% between 2006 and 2011 due to the effects of negative economic growth and senders using electronic alternatives instead of physical mail. Royal Mail delivered 16.6 billion items; approximately 58 million items each working day.

Direct mail volumes have remained steady as its share of total volume has increased. After consecutive years of decline between 2006 and 2010 (including a year-on-year decline of 18% between 2008 and 2009), direct mail volumes remained broadly stable between 2010 and 2011. Direct mail is a key use of mail, and accounts for around a fifth of total mail volume. Expenditure on direct mail remained stable at £1.7bn in 2011, with spend on postage accounting for 44% of the total.

The value of the UK e-retail market has continued to grow, reaching £68bn in 2011. According to statistics from the Interactive Media in Retail Group, the value of online shopping in the UK grew by15.6% between 2010 and 2011 and is now worth £68bn.

Growth in access volumes has slowed. Year-on-year growth has now slowed to less than 4%, indicating that the majority of the customers who have been able to take advantage of the benefits of switching their volumes to an access operator have now done so. Access mail refers to bulk mail that is collected and transported by operators other than Royal Mail before being handed over to Royal Mail for final delivery. Access now accounts for 44% of total mail volume.

6.2.1 Postal industry revenue

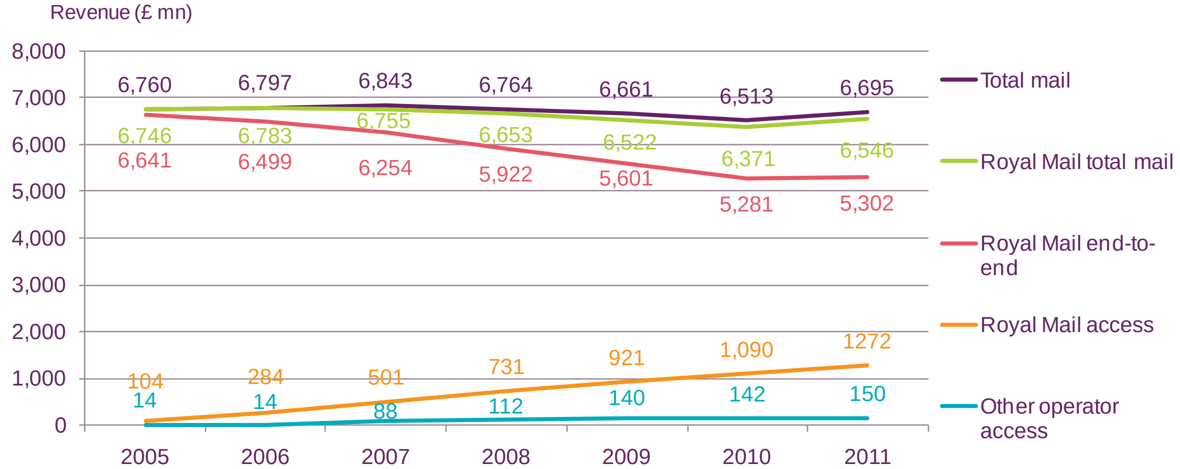
Revenues have showed improvement following years of decline

For the first time in four years, mail revenue has increased nominally, rising to £6.7bn in 2011. The majority of this rise is due to increases in the price charged by Royal Mail for bulk and access mail services, which took effect in May 2011. Increases in stamp and single-piece mail prices of around 10-12% in April 2011 will also have contributed to this rise. (Figure 6.5) Mail revenues have been declining alongside falling volumes since 2007, falling by 4.8% between 2007and 2010.

Access revenues have seen constant year-on-year growth since the first access agreement between Royal Mail and UK Mail in 2004. Since then, a number of providers have entered the market for upstream services. Comparing the access revenues won by other operators to those of Royal Mail since 2005 shows that growth in other operators' revenues has been slower. Typically, access operators will retain around 10-20% of the price of a posting, while Royal Mail will get the other 80-90%. In addition, customers' choice of access provider is also partly driven by cost, so competition in this part of the market has kept down the prices offered by access operators.

Royal Mail's revenues for mail handled entirely through its own network (end-to-end) have fallen. This decline has been driven primarily by the increasing popularity of access, as large customers switch their bulk volumes to access operators or establish their own access agreements with Royal Mail.

Figure 6.5 Mail market revenue: 2005 to 2011



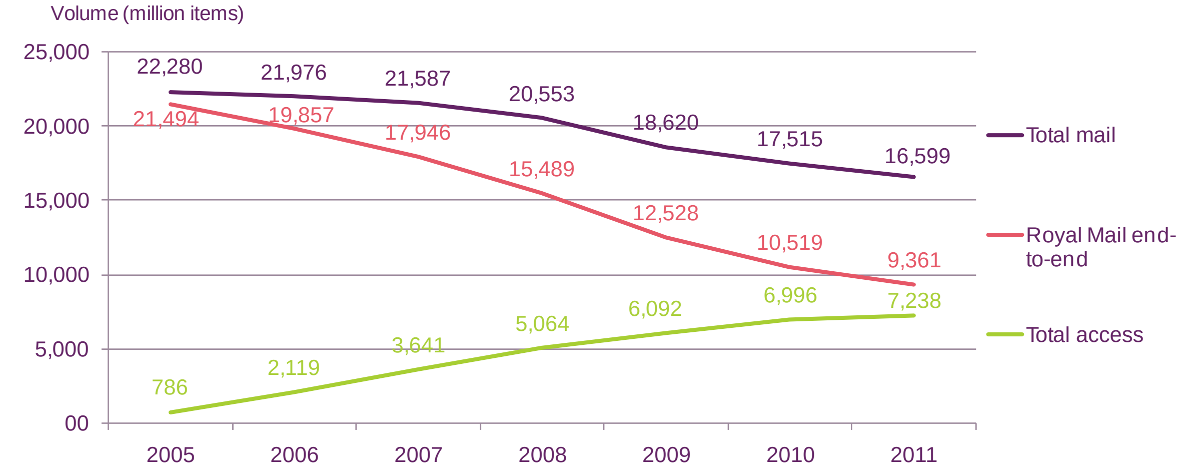
Source: Royal Mail Regulatory Financial Statements, operator returns to Ofcom, Ofcom estimates
Note: Royal Mail end-to-end refers to Royal Mail total mail revenues excepting access. Royal Mail calendar year revenue figures are derived from Ofcom calculations based on financial year figures in Royal Mail's Regulatory Statements and estimates of 2011-12 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.

6.2.2 Postal industry volumes

Mail volumes have continued to fall

Mail volumes have been in decline since 2005, falling from 22.3 billion items to 16.6 billion items as businesses and consumers move an increasing amount of communications online. Although the increase in online shopping has led to an increase in fulfilment mail, this has not been sufficient to offset decline in the traditional letter market. (Figure 6.6)

Figure 6.6 Mail volumes: 2005 to 2011

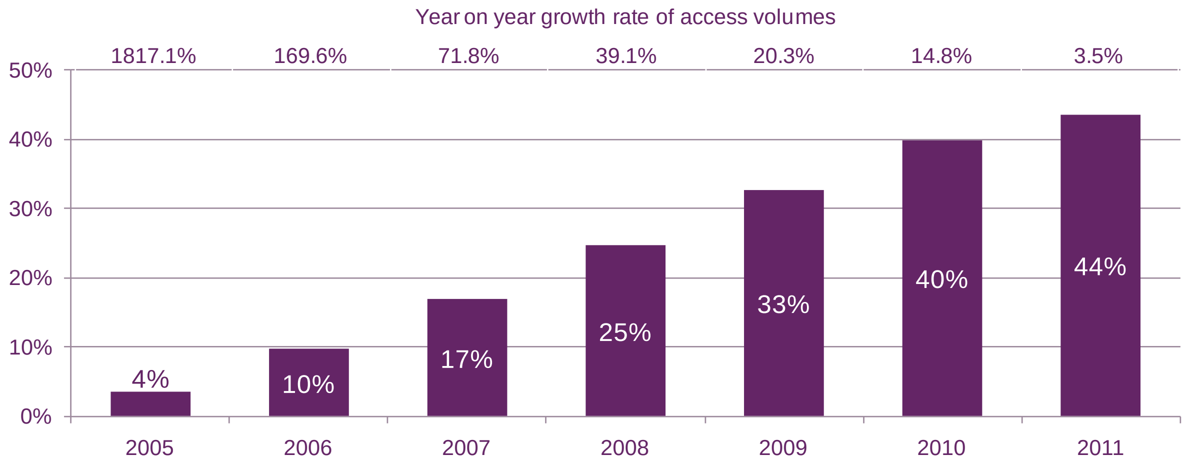


Source: Royal Mail Wholesale, Royal Mail Regulatory Financial Statements, Ofcom estimates
Note: Royal Mail end-to-end refers to total mail volumes excepting access. Royal Mail calendar year volume and revenue figures are derived from Ofcom calculations based on financial year figures in Royal Mail's 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. Addressed mail only.

Access volumes now account for 44% of total mail volume

Although total mail volumes have been falling, access volumes have continued to increase year on year, and access now accounts for 44% of total mail volume, as Figure 6.7 shows.

Figure 6.7 Proportion of access in total mail: 2005 to 2011

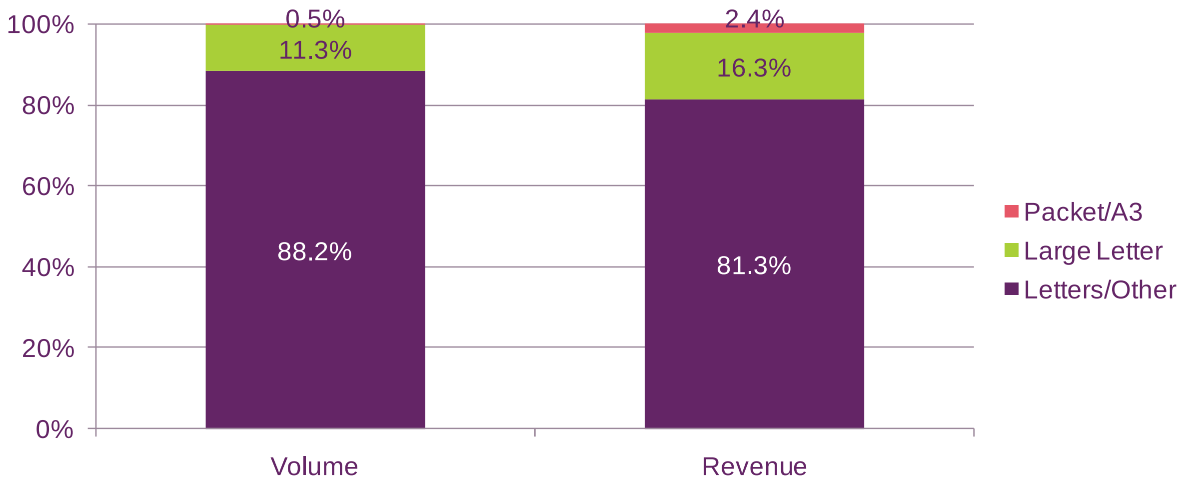


Source: Royal Mail Wholesale, Royal Mail Regulatory Financial Statements, Ofcom estimates

Since its introduction in 2004, the growth of access volumes has been rapid. Volumes increased from 41 million items in 2004 to 786 million items in 2005. This initial growth rate has not been sustained (as Figure 6.7 shows), although the year-on-year growth has been substantial. Each year, the growth rate has decreased, and this year it fell to 3.5% (242 million items). The slower growth rate of access mail suggests that this market is maturing and that the majority of customers who are able to switch to using access mail have now done so.

The majority of access mail is transactional mail, such as bank statements and bills, and advertising mail sent from businesses to consumers. Standard-sized letters account for the bulk of access volumes and revenue. Packets and large letter formats take up a far lower share of volume (12%), but account for a greater proportion of revenue (19%) due to the higher unit price associated with their larger size. (Figure 6.8)

Figure 6.8 Access volumes and Royal Mail's access revenue, by format

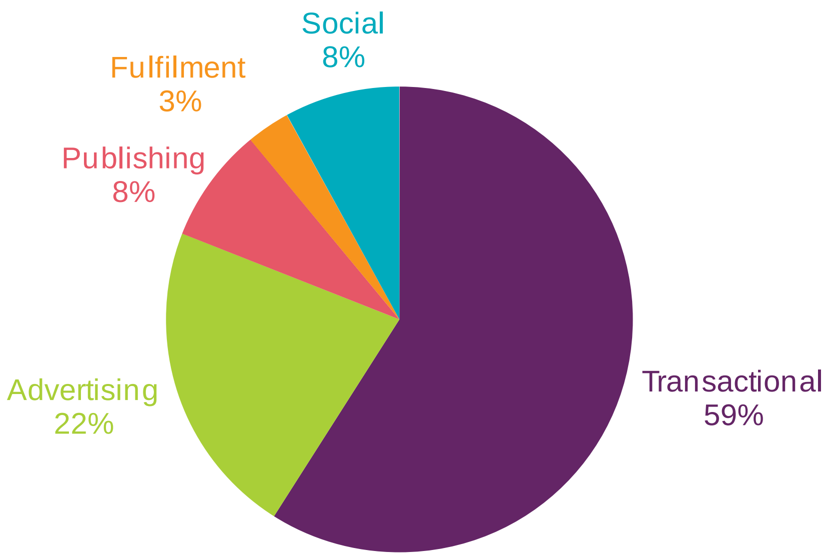


Source: Royal Mail Wholesale, 2011-12

6.2.3 Applications of mail

Four main applications are the main drivers of mail volumes: advertising, transactional (for example, bank statements and utility bills), publishing (such as subscriptions) and fulfilment (such as the delivery of goods ordered online). Figure 6.9 shows the estimated proportion of each application within the mix of mail.

Figure 6.9 Applications of mail, by volume



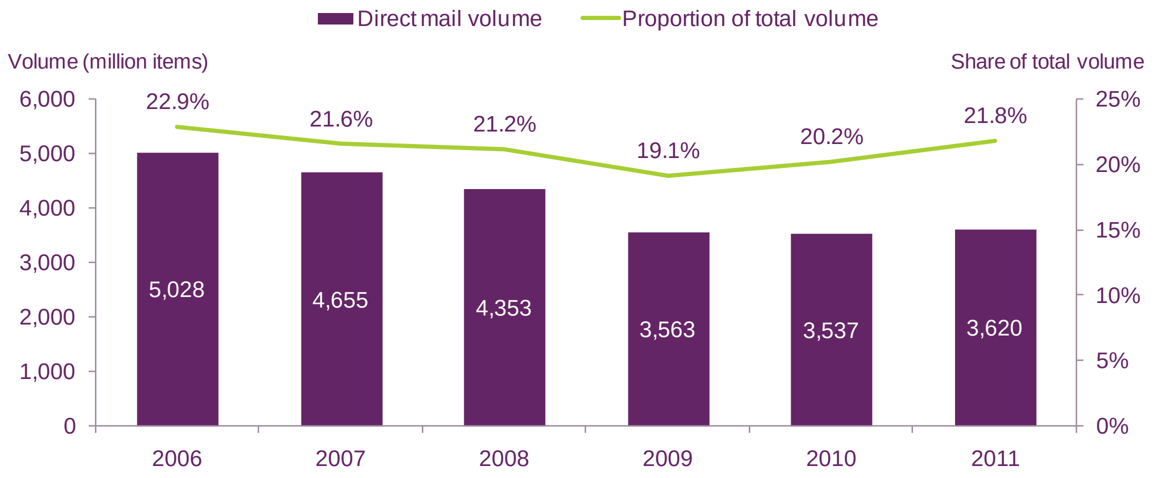
Source: Ofcom estimates

Direct mail volumes have remained steady as its share of total volume increases

After consecutive years of decline between 2006 and 2010 (including a year-on-year decline of 18% between 2008 and 2009), direct mail volumes remained broadly stable between 2010 and 2011 (Figure 6.10). This may be driven partly by the relatively slower rate of price increases for Royal Mail's Advertising Mail product, in comparison to other bulk mail products.

Direct mail is a key use of mail, accounting for around a fifth of total mail volume. The stable volumes of direct mail in recent years and the fall in total mail volumes mean that direct mail now accounts for a marginally larger share of total mail than it has done for several years.

Figure 6.10 Direct mail volume and proportion of total mail 2006-2011



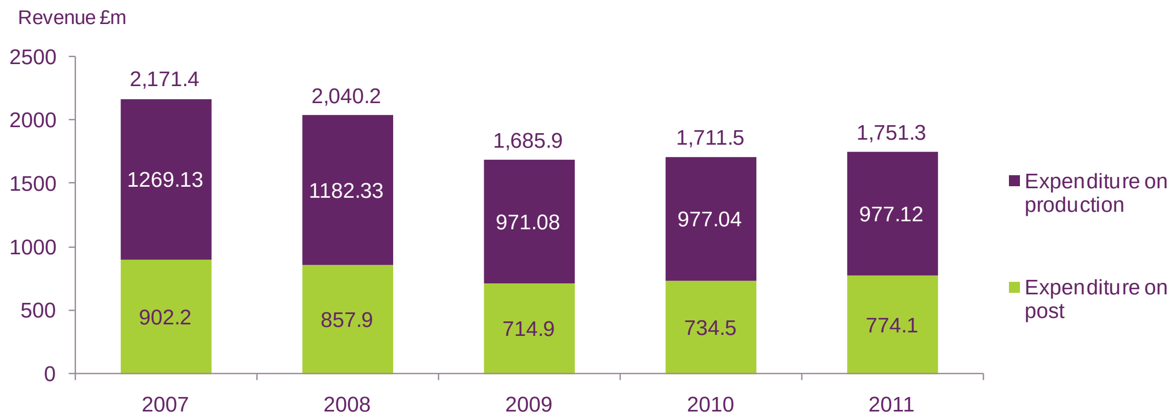
Source: Mediatel, Royal Mail Regulatory Statements

Expenditure on direct mail has remained stable

Expenditure on direct mail remained stable at £1.7bn in 2011, reflecting the general trend in direct mail volumes shown in Figure 6.10. Since 2009, spend on the production of direct mail has remained broadly the same, while spend on post has seen small nominal year-on-year increases, rising to £774m in 2011. (Figure 6.11) Expenditure of post accounts for 44% of total spend on direct mail. Although total expenditure has stabilised in recent years, after periods of decline, direct mail's share of media advertising has fallen from 12.7% in 2007 to 10.7% in 2011.[161]

[161] An overview of the total UK advertising expenditure by category can be found in Figure 4.9 of this report.

Figure 6.11 Spend on direct mail production and postage: 2007-2011

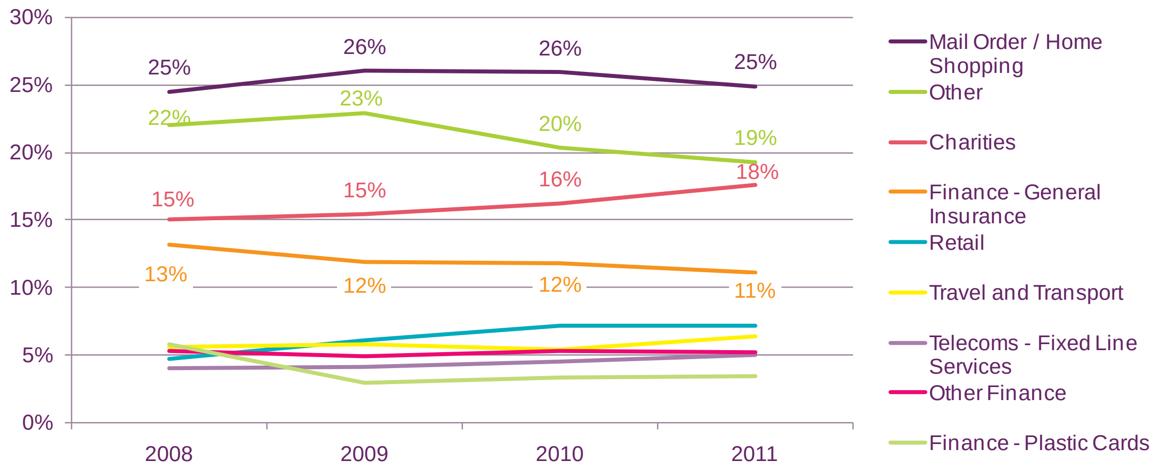


Source: Mediatel. Figures are nominal.

Home shopping companies have the greatest share of direct mail spend, but charity organisations' spend is rising

As Figure 6.12 shows, home shopping companies continued to account for the largest share of direct mail expenditure by sector, claiming 25% of spend in 2011. This is possibly due to the higher costs associated with mailing larger promotional items such as catalogues and brochures. The share of direct mail spend accounted for by financial services, particularly those offering insurance and credit cards, has fallen in recent years. The share of direct mail spend by charity organisations increased by 3pp between 2008 and 2011, making up 18% of total direct mail expenditure in 2011.

Figure 6.12 Share of direct mail expenditure, by sector



Source: Nielsen Addynamix

The value of the UK e-retail market has continued to grow, reaching £68bn in 2011

According to statistics from the Interactive Media in Retail Group, the value of online shopping in the UK grew by 15.6% year on year in 2011 and is now worth £68bn. (Figure 6.13) In the past five years, the value of online shopping has almost doubled, rising by 93% between 2007 and 2011. The convenience of shopping from home, the increase in broadband take-up and consumers' increased confidence in online shopping has attracted customers and retailers to the channel.

Figure 6.13 Value of online shopping in the UK: 2000-2012

Source: Interactive Media in Retail Group

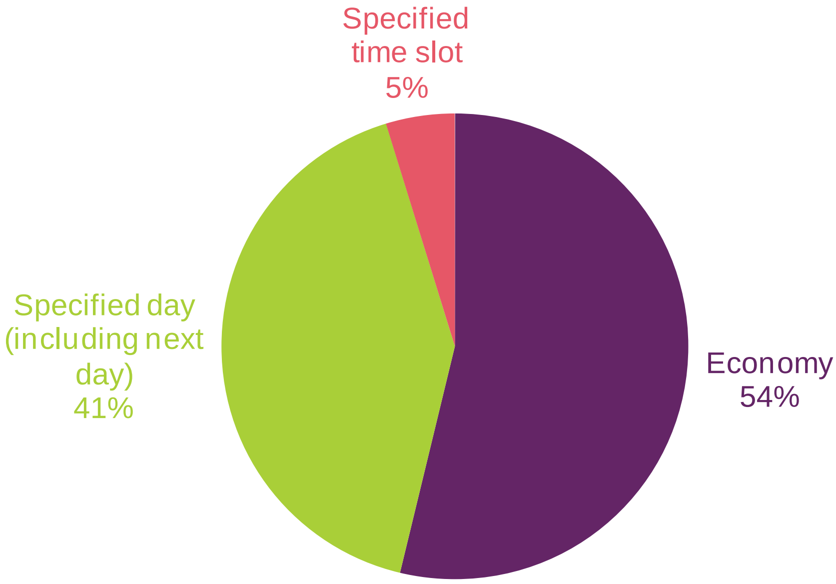
Although it is clear that growth in e-retail will lead to an increase in fulfilment mail, this increase does not directly translate into growth in volumes and growth in revenue. Items which can be fulfilled electronically as well as physically, such as music and other media, are also included in the Interactive Media in Retail Group (IMRG) online shopping estimates. In contrast to the 15.6% growth in the value of the e-retail market, Royal Mail stated that its packet volumes grew 6% between 2010-11 and 2011-12.[162]

Economy services are the most popular types of service used for the fulfilment of e-retail orders

Looking at the proportion of service types used for the fulfilment of e-retail orders delivered in the UK, it is clear that economy services are the most popular, accounting for a 54% share (Figure 6.14). The popularity of these services is likely to be due to customers preferring the free-delivery options offered by retailers, and avoiding the premiums charged for next-day and specified-day deliveries. It is likely that the majority of economy services will be provided by Royal Mail. Nevertheless, specified-day services (including next-day services) are also popular, accounting for 41% of services, suggesting that customers are willing to pay for the convenience. Specified time slot deliveries (including deliveries before midday) attract a share of 5%, perhaps due to the relatively small amount of carriers offering this and the higher price of this service.

[162] Royal Mail Group Annual Report and Financial Statements, 2011-12

Figure 6.14 Proportion of service types used for the fulfilment of e-retail: April 2012



Source: IMRG/Metapack Delivery Index April 2012
Note: Proportions rebased to exclude international

Residential consumers claim to receive more parcels than they send

The effects of e-retail and home shopping can be seen in the difference between the number of parcels which residential consumers send and receive each month. As Figure 6.15 shows, 64% of consumers claim to receive one or more parcels each month, compared to 19% of consumers who send one or more parcels. These figures indicate that more parcels are sent by businesses than consumers, and the fulfilment of orders placed online contributes to this.

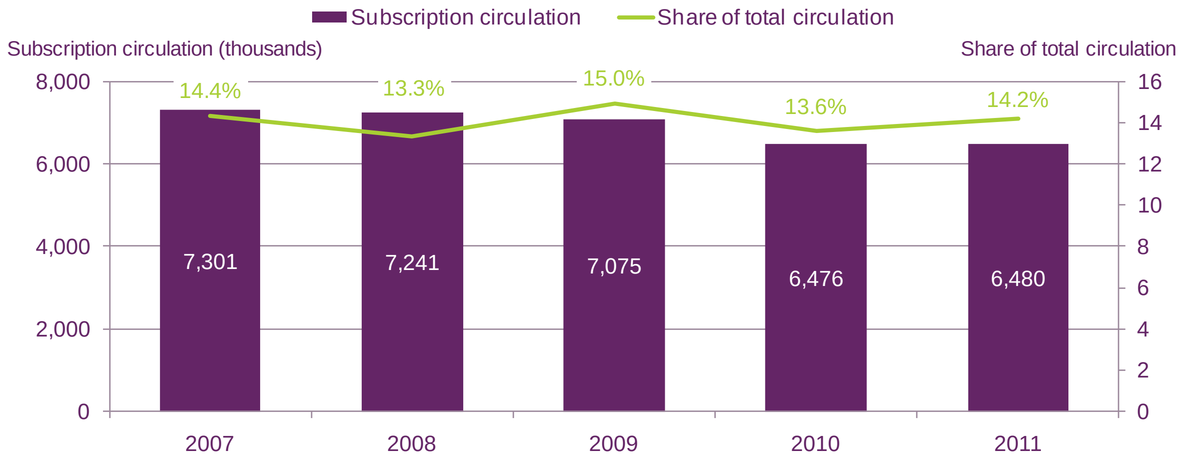
Figure 6.15 Number of parcels sent and received each month by residential consumers

Source: Ofcom Post Omnibus 2011 - fieldwork 1st Dec – 13th Dec 2011
*Base: All consumers responsible for sending or receiving post (n= 3621)Q: Please now think about the parcels you send. How many parcels do you send in an average month? *Assuming those saying 'don't always send one each month' send 1 parcel every 3 months; Q: 'Approximately how many parcels do you receive on average in a month?'*assuming those saying 'don't always receive one each month' receive 1 parcel every 3 months*

Magazine subscription volumes

Over the five-year period 2007-2011, the net average circulation of magazine subscriptions has fallen by 11.2%.(Figure 6.16) Figures from 2010 and 2011, however, suggest that this figure may be stabilising at about 6.5 million. Although subscription circulation has fallen, this is in line with a general decline in magazine print circulation, accounting for approximately 14% of print volumes across the five-year period.

Figure 6.16 Magazine subscription volumes: 2007-2011



Source: Mediatel/ABC, 6-monthly net average circulation subscription sales 2007-2011

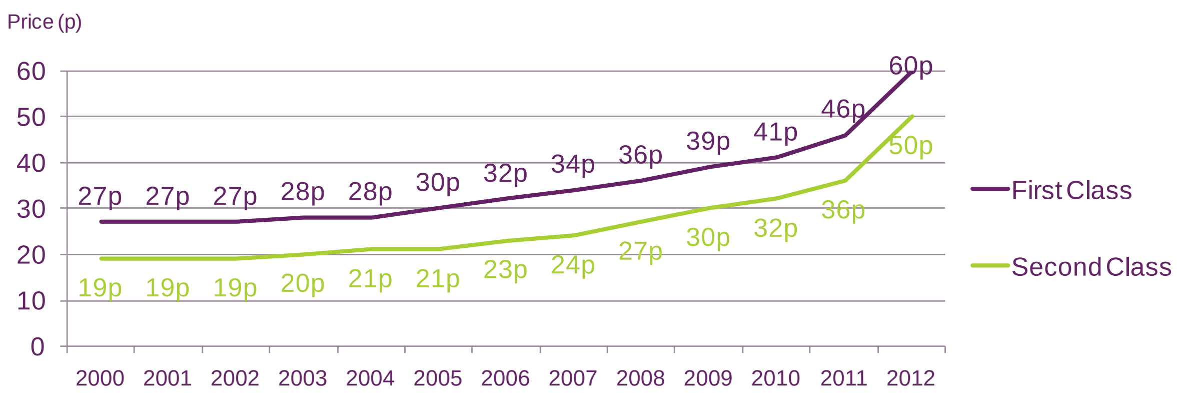
6.2.4 Stamp prices

First Class stamp prices increased by 14p to 60p

The prices for sending individual letters and postcards have increased every year since 2004. Until 2006, however, the increases in stamp prices did not keep pace with inflation. The largest increase in stamp prices took place in 2012 as both First and Second Class stamps rose by 14p; to 60p and 50p respectively.

The regulatory framework implemented by Ofcom in March this year removed price controls from Royal Mail's products generally and imposed a safeguard cap of 55p on Second Class stamp prices for the next seven years. Taking advantage of the greater commercial freedom granted by the new regulatory framework, Royal Mail increased its prices. (Figure 6.17)

Figure 6.17 Royal Mail First and Second Class stamp prices: 2000-2012



Source: Royal Mail. Figures are nominal

6.3 Post and the residential consumer

6.3.1 Introduction

This section of the report includes the results of a face-to-face survey of UK residential consumers, conducted in December 2011. In total 3,615 UK adults with responsibility for their household's post were interviewed.

Ofcom is currently conducting further research among users of the postal service across the UK, which will allow us to report further on the experiences of business and residential users of the postal services, including those in remote locations.

Key points in this section include:

Almost half of residential postal users in the UK said they use First Class stamps all of the time. This is despite only one in ten saying that all of their mail needed to arrive the day following posting.

Consumers receive more post than they send. Adults in the UK claim to receive an average of 8.5 letters or cards in an average week, compared to an average of approximately 3.2 letters or cards sent in an average month. This illustrates that residential consumers send less than 10% of mail in the UK.

Consumers aged 45 and over are more likely to send more post. Fifty-two per cent of adults aged 65-74 send three or more letters a month, compared with 18% of 16-24s. In the 16-24 age group, 48% either don't, or don't always, send letters each month, compared to around a quarter of adults aged 45+.

Among residential consumers, more post is sent for social than for formal reasons. Consumers are more likely to send social mail - invitations, birthday cards and postcards (58% say they send these at least once a month) - than more formal types of mail such as legal, medical or insurance documents, or payment of bills (43% say they send these).

One in five adults in the UK sends at least one parcel a month. Around one in five adults claim to send one or more parcels each month (19%). Half claim to send parcels less frequently, while the remaining three in ten consumers (30%) do not send parcels at all.

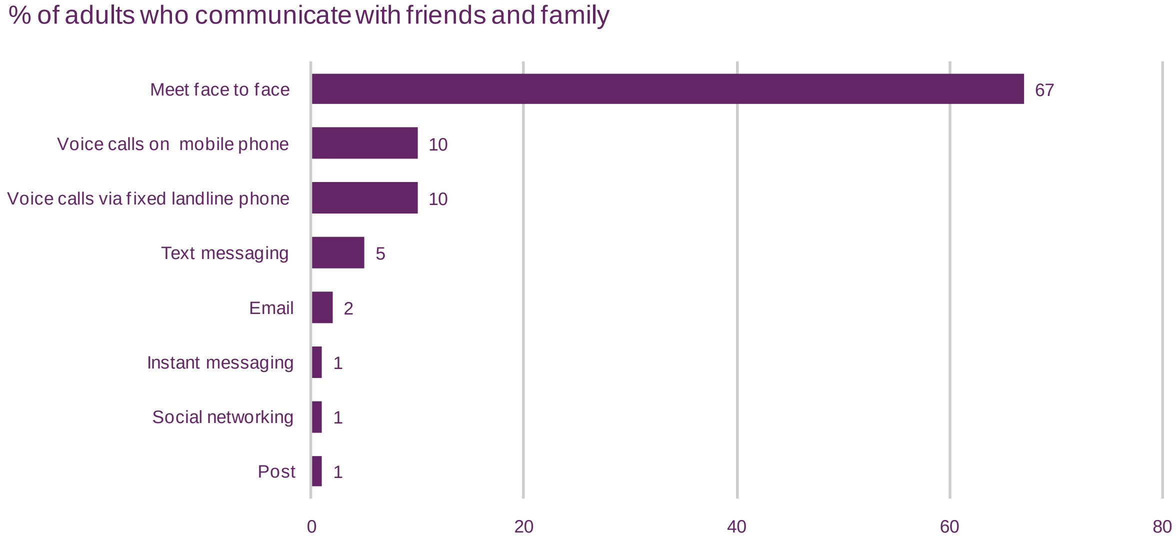
6.3.2 How consumers' use of post fits in with other methods of communication

As a preferred method of communication, post is as popular as instant messaging and social networking

In addition to specific research into consumers' use of post, we have undertaken research into the use of communications services in the UK. This research was commissioned in February/ March 2012 and 2,012 UK adults aged 16+ were interviewed.

The survey found that face-to-face is by far the preferred means of personal communication with friends and family, with 67% preferring to communicate in this way. Post was the preferred method of communication for 1% of respondents, on a par with social networking and instant messaging. (Figure 6.18)

Figure 6.18 Preferred method of communication with friends and family

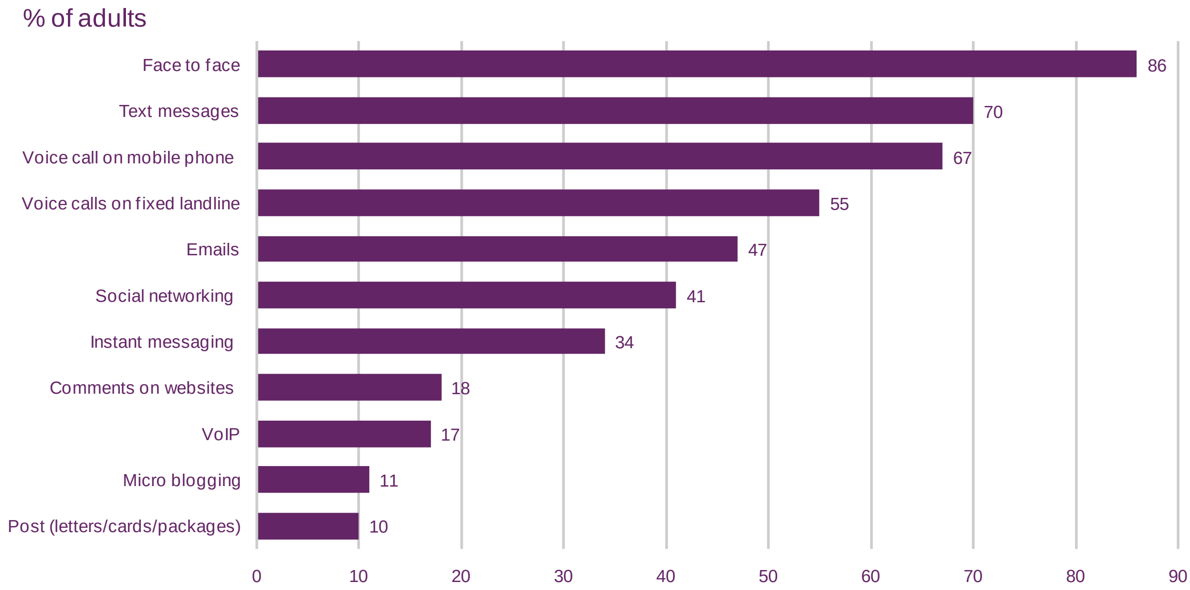


Q5a: If you had to pick one method of communicating with friends and family which one would it be?
Source: Use of communication services research, 2012
Base: all who ever use at least one form of communication: Friends and family, n= 2007.

10% of adults use post on a weekly basis

The use of communications on a weekly basis is broadly consistent with stated preferences, as Figure 6.19 shows. One in ten adults use post on a weekly basis to keep in touch with friends and family. For the same question on a daily basis, use of post stood at 1%.

Figure 6.19 Methods used at least once a week to communicate with friends and family

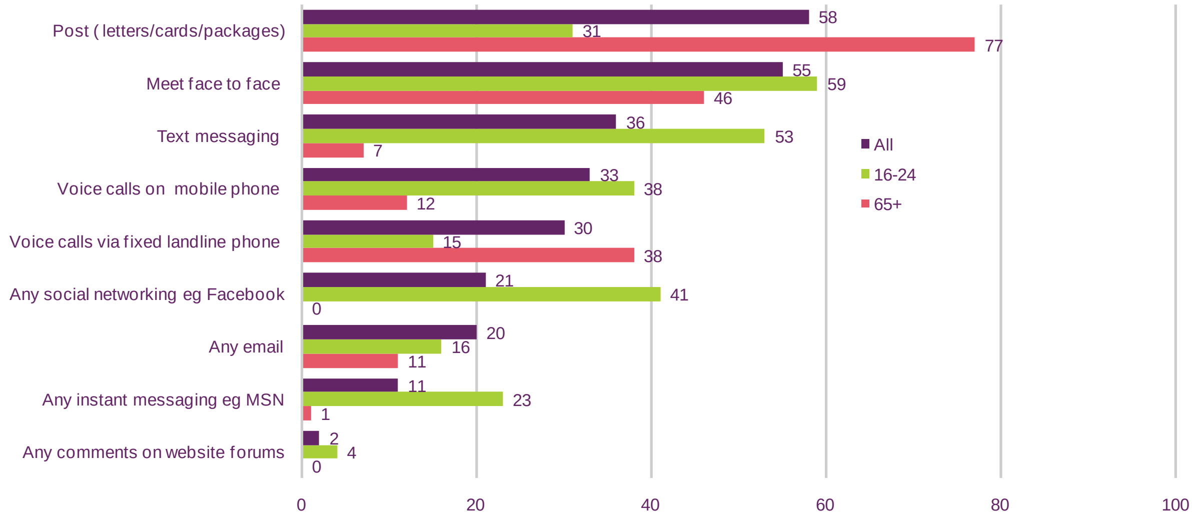


Source: Use of communication services research, 2012
Q2a: How often do you use x to communicate with friends and family?
Base: UK adults aged 16+, n = 2012

Post is the preferred way to send a greeting – although for 16-24 year olds it is less popular than text messages and social networking

However, when it comes to communicating in different circumstances, post is more widely used. Over half (58%) of respondents frequently use post when it comes to greetings such as birthdays. In the case of those aged 65+, three-quarters (77%) use post to send letters, cards or packets when they send a greeting. This is a contrast to those aged 16-24 where use of post to send greetings is far less common (31%), falling behind electronic means of communication such as social networking (41%) and text messaging (53%). (Figure 6.20)

Figure 6.20 Communication methods ever used to send greetings (e.g. birthdays)



Source: Use of communication services research, 2012
Q3a: …which of these methods do you ever use to send greetings for occasions such as birthdays, get well, congratulations etc.
Base: All UK adults aged 16+ who communicate with friends and family, n = 2007

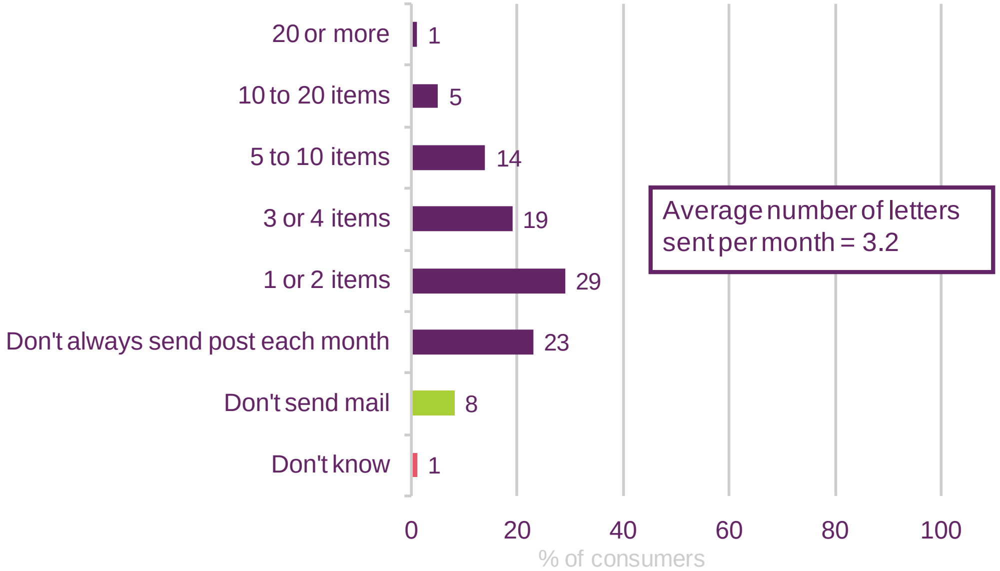
6.3.3 Sending and receiving post

More post is sent by residential consumers for social than for formal reasons

The post omnibus found that adults in the UK claim to send an average of 3.2 letters or cards in an average month (Figure 6.21). Consumers attributed this to a general increase in online and telephone communication for both social and formal uses.

Consumers are more likely to send social mail, such as invitations, birthday cards and postcards (58% say they send these at least once a month) than to more formal types of mail such as legal, medical or insurance documents or payment of bills (43% say they send these).

Figure 6.21 Approximate number of letters and cards sent per month: personal mail

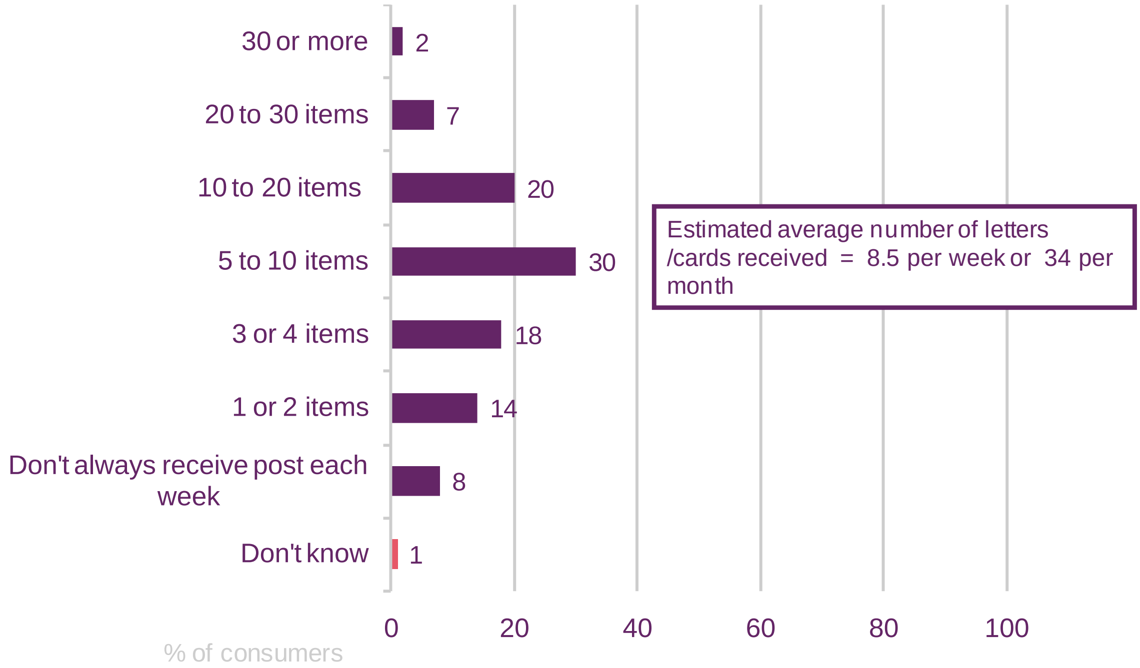


Source: Ofcom Post Omnibus 2011 - fieldwork 1st Dec – 13th Dec 2011
Base: All consumers responsible for sending or receiving post (n= 3621) Q: Approximately how many letters and cards, do you personally send in an average month? This should exclude any items you send from home in connection with running a business, if you do this from home. We will ask about parcels separately.

Consumers receive more post than they send

Adults in the UK claim to receive an average of 8.5 letters or cards in an average week (Figure 6.22) compared to an average of approximately 3.2 letters or cards sent in an average month. This difference is due to the fact that the majority of UK mail is sent by businesses to households. This is borne out by consumer claims that the majority receive mail from businesses at least once a month, e.g. formal mail such as bills, legal, or medical letters (91%), advertising mail (67%) or magazines, catalogues and newspaper (57%). In comparison, 44% say they receive social types of mail like invitations, birthday cards or postcards each month.

Figure 6.22 Approximate number of letters and cards received per week

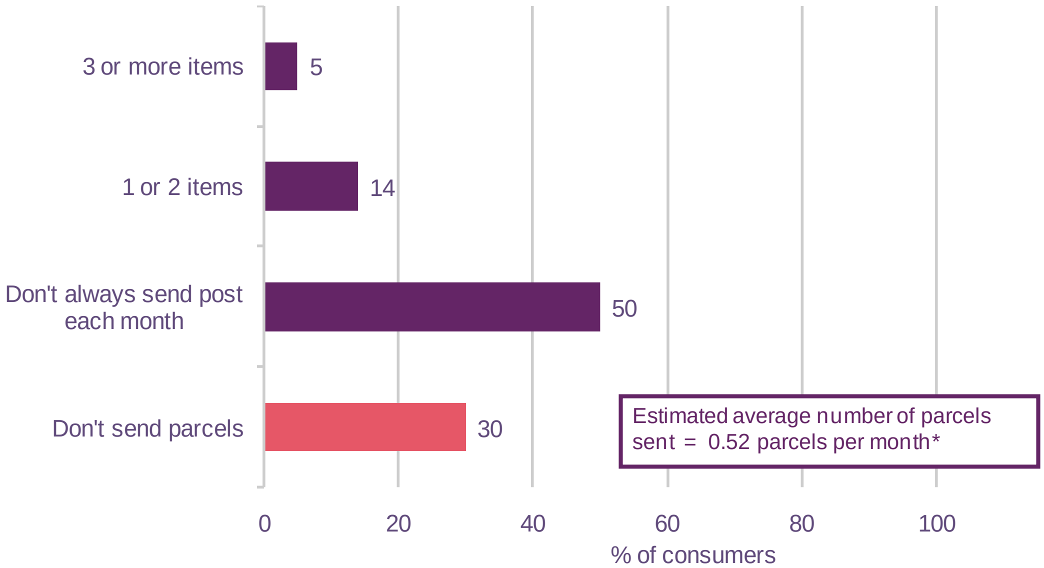


Source: Ofcom Post Omnibus 2011 - fieldwork 1st Dec – 13th Dec 2011
Base: All consumers responsible for sending or receiving post (n= 3621) Q: Approximately how many letters or cards do you receive in an average week? Please don't include parcels, we will ask you about these separately.

One in five adults in the UK send at least one parcel a month

Around one in five adults claim to send one or more parcels each month (19%) (Figure 6.23). Half claim to send parcels less frequently, while the remaining three in ten consumers (30%) do not send parcels at all.

Figure 6.23 Approximate number of parcels sent per month: personal mail

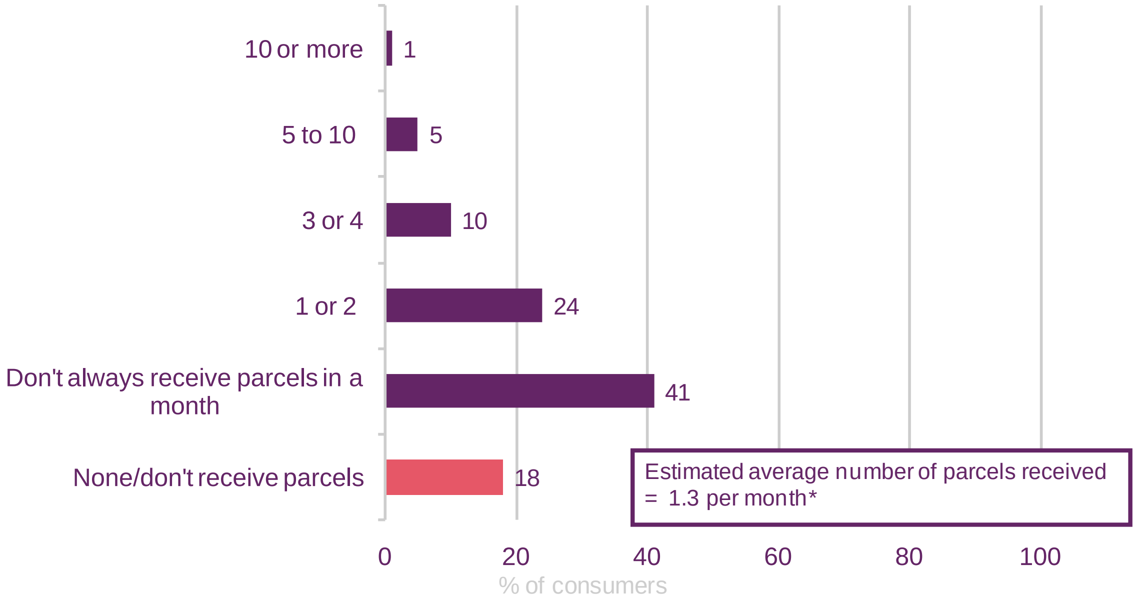


Source: Ofcom Post Omnibus 2011 - fieldwork 1st Dec – 13th Dec 2011
*Base: All consumers responsible for sending or receiving post (n= 3621)Q: Please now think about the parcels you send. How many parcels do you send in an average month? *Assuming those saying 'don't always send one each month' send 1 parcel every 3 months*

Adults in the UK receive an average of 1.3 parcels per month

Across the UK, in recent years, the volume of parcels delivered to households has been increasing as consumers have ordered more items online for delivery to their homes. The number of packages received by people varies considerably; with a substantial minority (16%) receiving three or more parcels per month and just under one-third saying they never receive parcels (30%). (Figure 6.24)

Figure 6.24 Approximate number of parcels received per month: personal mail



Source: Ofcom Post Omnibus 2011 - fieldwork 1st Dec – 13th Dec 2011
*Base: All consumers responsible for sending or receiving post (n= 3621) Q: 'Approximately how many parcels do you receive on average in a month?'*assuming those saying 'don't always receive one each month' receive 1 parcel every 3 months*

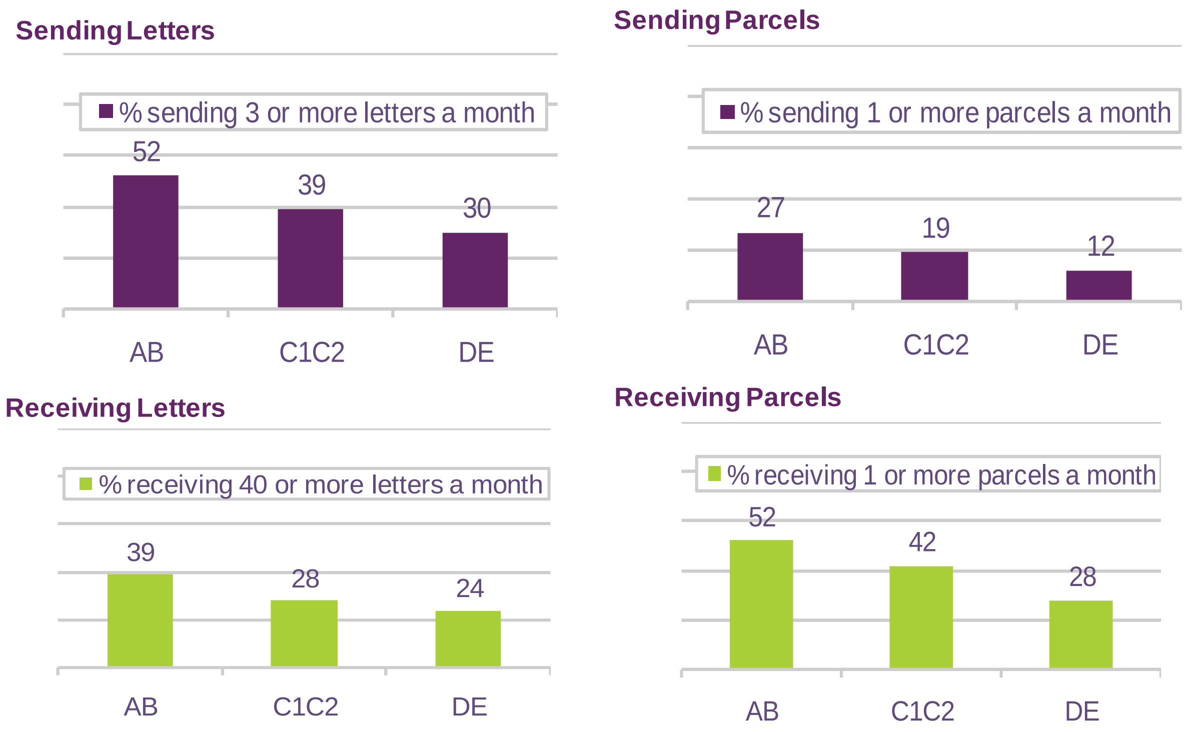
Use of postal services differs according to demographic factors and location

Demographic analysis shows that claimed high use of the postal service is often underpinned by demographic factors and whether or not consumers live in rural locations. Patterns of use of letters/cards and parcels differ according to various demographic factors, as explored below.

Consumers in AB social groups send and receive more post

Consumers in socio-economic groups A and B (higher/intermediate managerial, administrative or professional roles) claim to send and receive more letters and parcels than those in other social groups (Figure 6.25). One reason for this, identified in qualitative research, is the fact that they are more likely to use post for social reasons, particularly special occasions such as Christmas and birthday cards, and wedding invitations. Consumers in AB social groups also tended to say they are doing an increasing amount of shopping online, which has increased the amount of packets and parcels they receive.

Figure 6.25 Use of postal services, by social group

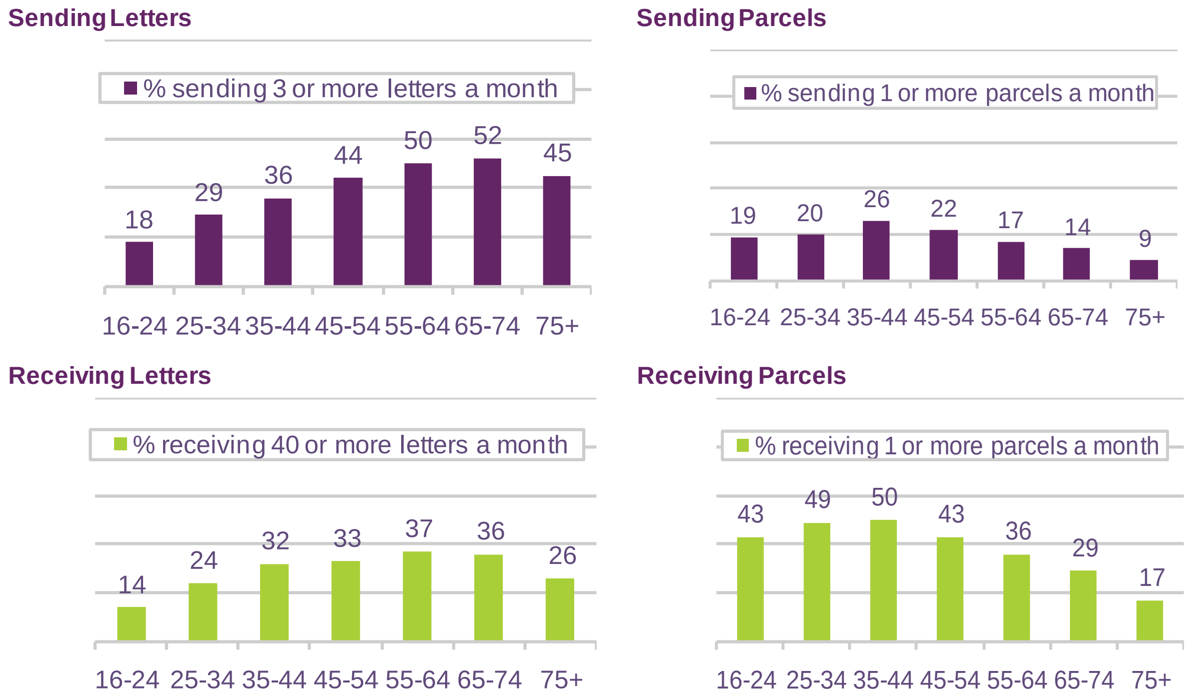


Source: Ofcom Post Omnibus 2011 - fieldwork 1st Dec – 13th Dec 2011. Base: All consumers responsible for sending or receiving post (n= 3621, AB = 718, C1C2 = 1628, DE = 1269)

55-74 year olds send and receive high volumes of letters while 35-44 year olds send and receive high volumes of parcels

Consumers aged between 35 and 74 send and receive more letters than younger people and the 75+ age group (Figure 6.26). In particular, around half of 55-74 year olds send three or more letters a month and just over one-third of this age group receive 40 or more letters a month. Consumers aged between 35-44 years are more likely than other age groups to send and receive more parcels.

Figure 6.26 Use of postal services, by age

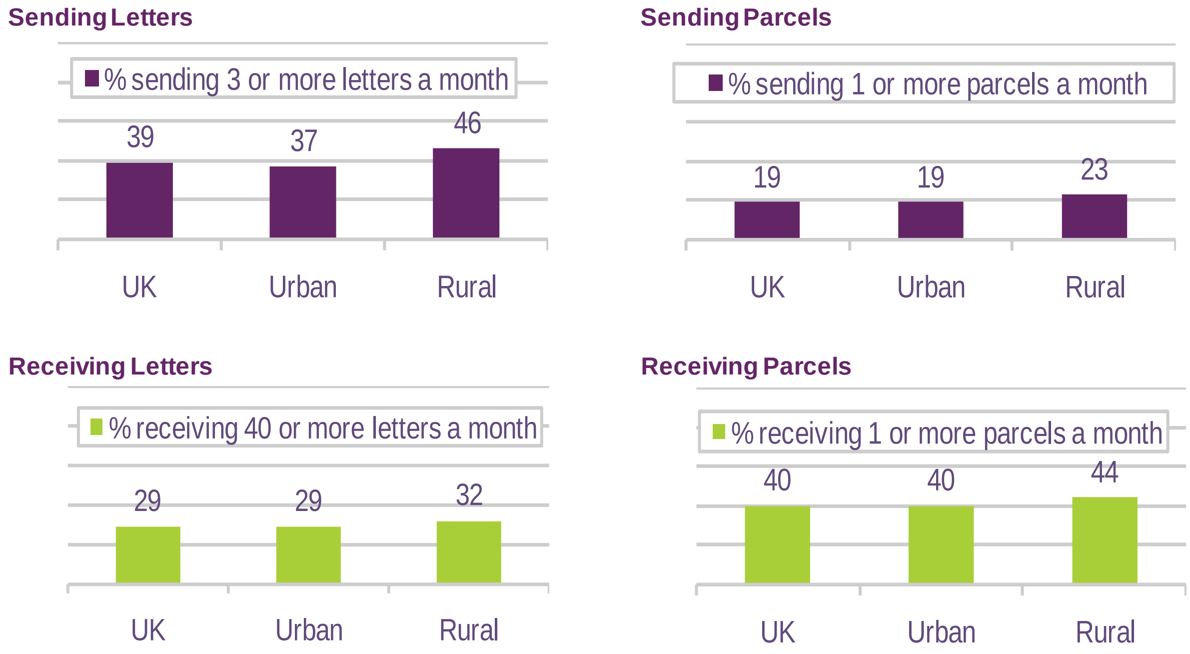


Source: Ofcom Post Omnibus 2011 - fieldwork 1st Dec – 13th Dec 2011. Base: All consumers responsible for sending or receiving post (n= 3621, 16-24 = 397, 25-34 = 577,35-44 = 594, 45-54 = 551, 55-64 = 575,65-74 = 535, 75+ = 386)

Rural consumers send more letters/cards than urban consumers

Consumers living in rural locations claim to send more letters each month; 46% of rural consumers said they send three or more letters a month compared to 37% of consumers living in urban areas (Figure 6.27). Such marked significant differences are not seen between rural and urban consumers in terms of sending and receiving parcels. Differences between rural and urban consumers were not particularly strong in the qualitative research and less marked than the other demographic characteristics already mentioned.

Figure 6.27 Use of postal services, by urban or rural location



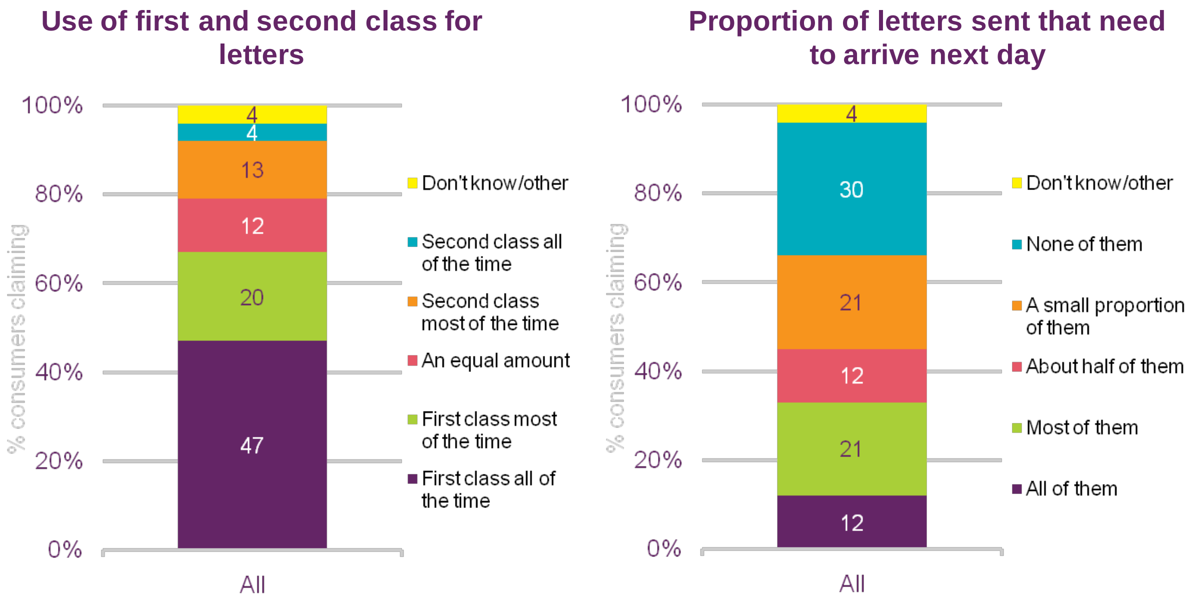
Source: Ofcom Post Omnibus 2011 - fieldwork 1st Dec – 13th Dec 2011. Base: All consumers responsible for sending or receiving post (UK= 3621, Urban = 2945, Rural = 594)

6.3.4 Stamps

Almost half of consumers in the UK use First Class stamps all of the time

Two-thirds (67%) of postal users in the UK said that they use First Class stamps more than Second Class stamps and almost half (47%) said that they use First Class all the time (Figure 6.28). This is despite the fact that only a minority say their mail has to arrive the next day, with 12% saying that all of their mail needs to arrive next day, and 21% saying that most of it does.

Figure 6.28 Use of First and Second class post



Source: Ofcom omnibus research, December 2011
Base: All adults aged 16+ with responsibility for post in (n = 3616) Q. When sending letters/ cards which do you use? And what proportion of these letters/cards have to be at their destination the next working day?

Demographic analysis finds that *within* each subgroup based on age, gender, social group, ethnicity, and having a disability, a higher proportion claim to use First Class stamps all/most of the time than claim to use Second Class stamps all/most of the time.

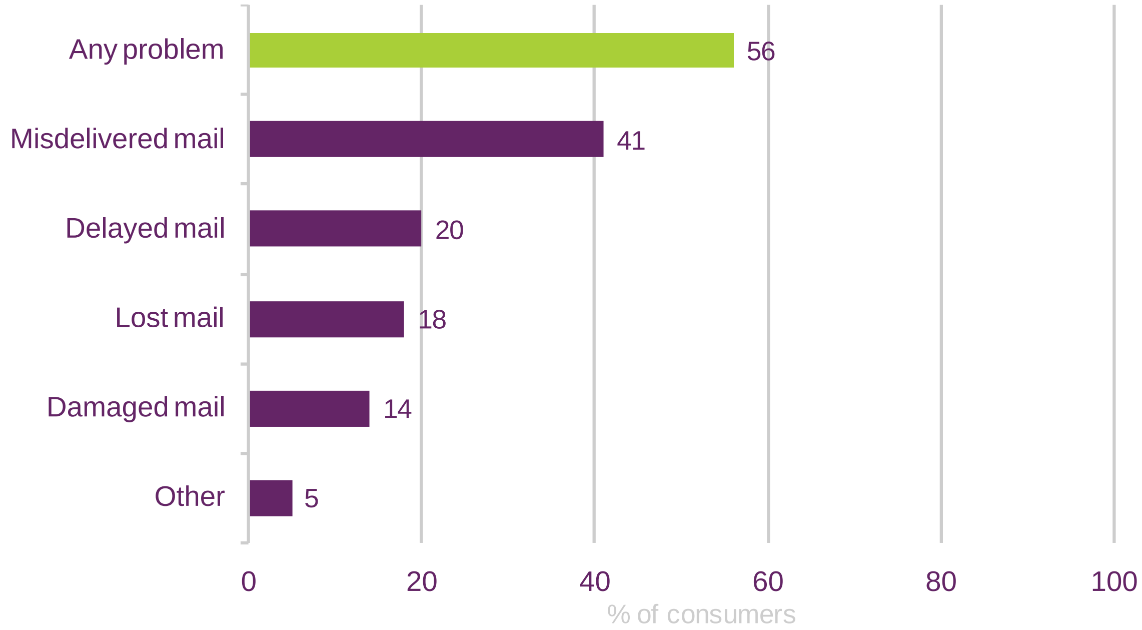
However, some sub-groups are more likely than other sub-groups to say they tend to use Second Class often; for example, more consumers aged 55 or over say this, ABs are more likely to say this than those in the other social groups, those with a long-term illness or disability are more likely to say this than those without, and White British consumers are more likely to say this than those in a minority ethnic group.

6.3.5 Problems and frustrations with the postal service

Over half of residential consumers have had a problem with their postal service in the past year

In the quantitative research, 56% of adults said they had experienced some sort of problem with the service they had received from Royal Mail in the past year. The most prevalent issue, chosen from a list of options, was mail delivered to the wrong address, with four in ten adults having experienced this (41%). Delayed mail (20%) and lost mail (18%) were mentioned by around two in ten adults (Figure 6.29).

Figure 6.29 Problems with postal service in the past year



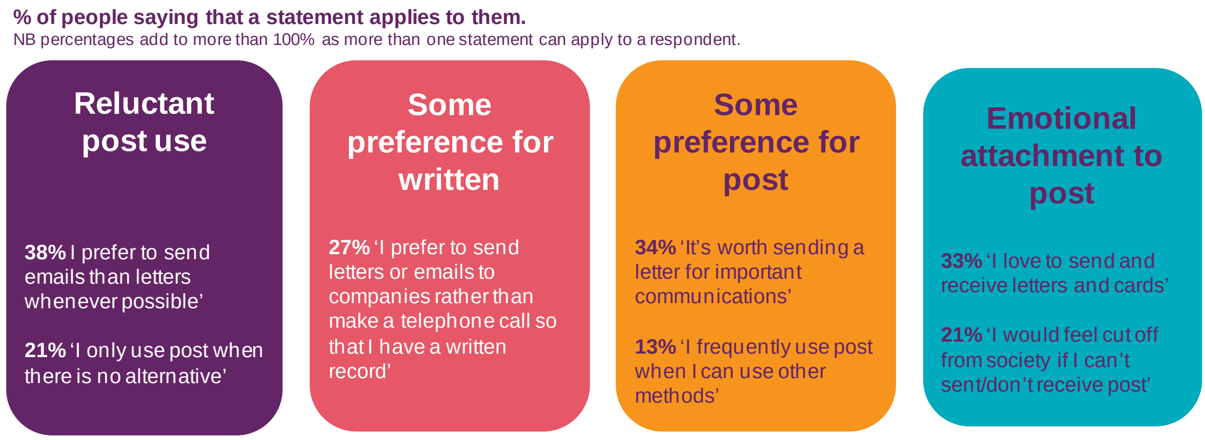
Source: Ofcom Post Omnibus 2011 - fieldwork 1st Dec – 13th Dec 2011
Base: All consumers responsible for sending or receiving post (n= 3621) Q: In the last 12 months have you experienced problems with Royal Mail's service in terms of…(read out item)?'

6.3.6 Attitudes towards the postal service

Four in ten adults use post only when there is no alternative

The omnibus research indicates the range of attitudes and feelings towards the postal service. For example, one in five adults (21%) in the UK agree that they use post only when there is no alternative, although a similar amount (21%) say that they would feel cut off from society if they could not send or receive post. Some consumers state that written communications have benefits over calls (27%) and one-third (34%) stated that it is worth sending a letter for important communications.

Figure 6.30 Agreement with statements about post



Source: Ofcom omnibus research, December 2011
Base: All adults aged 16+ with responsibility for post (n = 3615) Q. Which of these statements applies to you? (List of statements on a showcard)

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