



Postal consumers in Northern Ireland

Experiences and attitudes of vulnerable consumers and businesses
to the postal service

August 2017

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1. Executive Summary

1.1 Consumers have seen significant changes to the way they use the post in recent years, with the rise in digital communication and increase in parcel deliveries from online shopping. The opportunities and consequences from these changes are still unfolding, however, some of these changes are likely to benefit certain consumers more than others.

1.2 To identify and assess the role of postal services for consumers, particularly those most vulnerable and businesses in the context of changing needs and attitudes, we commissioned Millward Brown to undertake a mixed-method approach of quantitative and qualitative research across Northern Ireland (NI).

Methodology

1.3 An integrated approach was taken to analysis, combining the findings from across all audiences. Quantitative and qualitative research was carried out by Millward Brown. This consisted of 1,000 quantitative interviews with consumers¹ and 200 interviews with businesses². Four focus group sessions were also carried out with vulnerable consumers and six in-depth interviews took place with small businesses which sold goods online. The research took place between 2 February and 27 March 2017.

¹ The consumer survey has a maximum margin for error of circa +/- 3% at 95% confidence.

² The business survey sample of n=200 has a maximum margin for error of circa +/- 6.9% at 95% confidence.

Key Findings

- 1.4 **The postal services continues to play an important role for those with a disability, older consumers, low income consumers and those living in rural areas.** Receiving mail is still important for older consumers (92%, n = 243), low income consumers (88%, n = 287), those with disabilities (92%, n = 151) and those living in rural area (88%, n = 258).
- 1.5 **Low awareness of choice in the parcel market.** Nearly half of consumers (49%, n = 140) and over a third (35%, n = 23) of businesses that send parcels say competition in the parcel market is limited.
- 1.6 **The importance of speed and reliability of the postal service and the high satisfaction levels in these areas.** Reliability (80%, n = 797) and speed (78%, n = 787) are among the top areas of importance for postal consumers.
- 1.7 **The emergence of potential issues around the price of sending second class parcels especially for those consumers with a disability.** Older consumers (28%, n = 55), those on low income (28%, n = 82) and those with disabilities (27%, n = 59) feel the second class price of sending parcels is poor value for money. This is greater compared to the consumers overall (23%, n = 207) who feel this service is poor value for money.

1.8 **Many consumers and businesses are receiving scam mail and there is limited reporting to the relevant authorities.** Nearly a third of consumers (30%, n = 304) say they have received mail they believe to be a scam. Those with a disability are most affected (35%, n = 54) by this issue. The problem is also being experienced by businesses across NI with over 1 in 6 (17%, n = 34) saying they receive mail believed to be a scam. Only one fifth (6%, n= 60) of those who received scam mail have reported the incident.

Recommendations

1.9 The results of this research will be used by The Consumer Council to influence debate over the future regulation and policy direction of the postal sector.

1.10 The key findings that require more immediate action include:

- Improving consumer awareness of choice in the parcel market. The Consumer Council will contribute to this recommendation by working with stakeholders to improve consumer awareness;
- Ofcom to fully consider how the PCA (Post Code Area) Quality of Service measure benefits consumers in the different nations of the UK;

- Ofcom to urgently look closer at the cost of sending second class parcels for vulnerable consumer groups to make sure they are not priced out of this service; and
- Royal Mail and the Scamwise NI partnership (including The Consumer Council) to explore developing a scam mail awareness campaign.

2. Background

2.1 The Consumer Council has a statutory remit to promote and safeguard the interests of consumers and has specific functions in relation to postal services, financial matters, energy, water, transport and food. We pay particular attention to consumers:

- Who are disabled or chronically sick;
- Of pensionable age³;
- With low incomes; and
- Who live in a rural areas.


2.2 Many consumers reliance on traditional forms of mail is decreasing in favour of faster alternatives such as telephone and online communication⁴. Yet many consumers, particularly those who are more vulnerable or digitally excluded continue to place significant importance on using a postal service. Owners of UK (United Kingdom) small businesses were typically more frequent users of post than residential consumers⁵. Understanding how the postal service is working for these consumers and businesses is vital to help develop policy for a future postal service that meets their needs. The images below set the context comparing how the key consumer and business groups in NI differ from those across the UK.

³ Referred to as older consumers throughout the rest of the report.

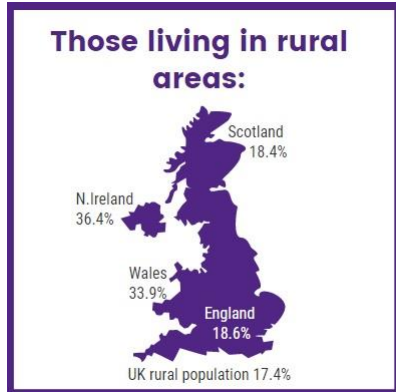
⁴ Ipsos Mori research commissioned by Ofcom: Postal Services: a consumer perspective -Qualitative research with residential consumers and small business owners UK (October 2012)

⁵ Ibid


Domestic Consumer



21% of the NI population have a long-term health problem or disability that limited their day-to-day activities.



18% of the UK population have a long-term health problem or disability that limited their day-to-day activities.



15% of the NI population is over 65



16% of the UK population is over 65



20% of people in NI are living in poverty
(before housing costs)



20% of people in NI are living in poverty
(after housing costs)

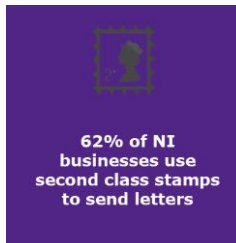


16% of people in the UK are living in poverty
(before housing costs)



21% of people in the UK are living in poverty
(after housing costs)

Business Consumer



3. Introduction

Importance of the postal service

- 3.1 Past research has illustrated the importance of the postal service to consumers in NI⁶. A report in 2013, which analysed the key findings from postal service annual surveys (from 2008 to 2012), highlighted that vulnerable groups⁷ tended to be more reliant on mail, and showed slower rates of switching to alternative digital communication methods. It also showed the universal postal service⁸ provided by Royal Mail, was highly valued by consumers.
- 3.2 However, there have been many changes in the postal market since 2012. The structural decline in the letters market has continued. Consumers are increasingly using digital communication methods to contact others. The parcels market has continued to grow. The cost of first class and second class stamps has increased significantly. For instance, the cost of first class stamps increased by 41% from 2012-2017 and the cost of second class stamps increased by 56% from 2012-2017.
- 3.3 Post is an essential form of communication. Given the unprecedented change in all areas of postal services in recent years, it is essential to look at how the current postal service is serving consumers with a

⁶ Consumer Focus Post. Annual Postal Service Surveys (2008-2012).

⁷ Consumer Focus Post. The Postal Consumer Perspective. April 2013.

⁸ Ensures the delivery of letters and parcels with an affordable one-price-goes-anywhere in the UK

particular focus on those with a disability, older consumers, low income consumers, those living in rural areas and businesses.

Competition

- 3.4 Previous research showed many businesses in NI were dependent on the universal service provider in the letters market. For instance, a NI study in 2014⁹ showed nearly all small and micro businesses (98%, n = 262) used Royal Mail to send letters. Consumers also rely on Royal Mail to send letters as it is the universal service provider.
- 3.5 While there are different parcels operators available, the NI study¹⁰ in 2014 also showed Royal Mail was the most used operator for consumers who send parcels. Nearly 9 in 10 (88%, n=397) used the universal service provider. The same study also showed the importance of the universal service provider to small and micro businesses¹¹. Three quarters (75%, n = 134) of businesses sending parcels used the universal service provider, Royal Mail.
- 3.6 The Consumer Council is supportive of competition and how it can benefit consumers and businesses through greater choice and keeping downward pressure on prices. However, while greater competition exists in the parcel market compared to the letter market it was

⁹ Consumer Futures (Post) research. March 2014. The small and micro business survey consisted of 300 telephone interviews.

¹⁰ Consumer Futures (Post) research. March 2014. The residential consumer survey consisted of 1002 face-to-face interviews with a representative sample of those aged 16+ across NI.

¹¹ Consumer Futures (Post) research. March 2014. The small and micro business survey consisted of 300 telephone interviews.

important to better understand consumer and business views about choice in this part of the postal market.

Quality of service

- 3.7 Royal Mail has successfully achieved the regulatory Quality of Service targets set for first class stamped and metered mail by Ofcom for BT Post Code Area (PCA) for many years which covers NI¹². This evaluates the percentage of items sent to NI from across the UK which are delivered the next working day against a target of 91.5%.
- 3.8 A report in 2013 stated that there was an important relationship between Royal Mail's achievement of its Quality of Service targets and NI consumers' positive view on the speed (88%, n = 891) and reliability (89%, n = 901)¹³ of the postal service¹⁴.
- 3.9 Ofcom announced its decision on the regulation of Royal Mail in March 2017¹⁵. However, it highlighted that Royal Mail felt parts of the Quality of Service framework should be reduced or removed. This included the PCA targets for the UK.
- 3.10 The potential risk of the reduction or removal of PCA targets is a concern for The Consumer Council. This measure improves

¹² <http://www.royalmailgroup.com/customers/quality-service/quality-service-reports>

¹³ Consumer Focus Post. The Postal Consumer Perspective. April 2013.

¹⁴ Consumer Focus Post. The Postal Consumer Perspective. April 2013.

¹⁵ https://www.ofcom.org.uk/_data/assets/pdf_file/0033/97863/Review-of-the-Regulation-of-Royal-Mail.pdf

transparency on how parts of the postal service perform in NI. It also ensures the accountability of the universal service provider to consumers and businesses located here. If these local measures were lost, a UK measure could mask a poorer quality of service in certain areas of the UK. Also, some lessons can be learnt from other parts of the postal market. For example, parcel surcharging shows the type of detriment that could arise for consumers if the service is not measured separately.

- 3.11 It is essential to establish currently how important the speed and reliability of the postal service is to consumers and businesses alongside their satisfaction levels. This would help indicate the continuing importance of measuring the quality of service at a local level within the regulatory framework.

Cost of postage

- 3.12 In April 2013, the predecessor consumer body for NI postal consumers Consumer Focus Post, identified potential issues with the cost of first and second class postage. It showed a significant proportion felt the postal service did not represent value for money. For example, in 2011 a third (33%, n = 331) felt second class stamps were poor value for money. Positively, Ofcom monitors consumers' views in this area across the UK.
- 3.13 However, one concern highlighted in the 2013 report was that future price increases would have a significant impact on vulnerable

consumers, for instance older consumers, those with a disability and those on low incomes¹⁶.

3.14 It is crucial to look at the attitudes and perceptions of these consumers, including those living in rural areas, on the price of sending letters and parcels using the second class service. The business view is also important to understand, as 3 in 10 say their business is dependent upon a postal service¹⁷.

Scam mail

3.15 A study by RAND Europe highlighted the impact of mass marketing fraud, which includes unsolicited mailings, emails or phone calls to victims across the UK¹⁸. It stated that the detriment in the UK was in the range of £1.2 – £5.8 billion each year. Several recommendations were made, including for Royal Mail to be able to proactively remove scam mail from the postal system.

3.16 The Scamwise NI partnership has a critical role to play in tackling scams¹⁹ affecting people, including scam mail. The partnership was set up in November 2016²⁰ and the Police Service of Northern Ireland (PSNI) has worked in partnership with a range of stakeholders including:

¹⁶ Consumer Focus Post. The Postal Consumer Perspective. April 2013.

¹⁷ Millward Brown – Vulnerable Postal Consumer Report 2017.

¹⁸ http://www.rand.org/content/dam/rand/pubs/research_reports/RR1500/RR1510/RAND_RR1510.pdf

¹⁹ <https://www.nidirect.gov.uk/articles/scamwiseni-initiative>

²⁰ <https://www.psni.police.uk/news/Latest-News/10112016-scamwise-launch/>

- Northern Ireland Policing Board;
- Department of Justice;
- Commissioner for Older People for Northern Ireland (COPNI);
- Age Sector Platform;
- Trading Standards; and
- The Consumer Council.

3.17 As a member of the Scamwise NI partnership, and with our role representing postal consumers, we sought to better understand which consumer groups were receiving scam mail and what they did in response.

3. Purpose of Report

4.1 This report outlines the key findings from recent independently commissioned research which looks at the NI postal consumer experience.

4.2 The report focuses on older consumers²¹; consumers with disabilities; low income consumers; and those living in rural areas. We also look at the NI business experience.

4.3 The key areas discussed are:

- Importance of postal services;
- Competition;
- Quality of service;
- Cost of postage; and
- Scam mail.

4.4 In each of these areas we identify the key findings from the recent research and, where relevant, make recommendations to maintain and improve the existing experience, avoid future issues or reduce existing detriment.

²¹ those aged 65 and over

5 Methodology

5.1 Quantitative and qualitative research was carried out by Millward Brown. This consisted of 1,000 quantitative interviews with consumers and 200 interviews with businesses. In addition four focus group sessions were carried out with vulnerable consumers and six in-depth interviews took place with small businesses which sold goods online. The research took place between 2 February and 27 March 2017.

5.2 The breakdown for the quantitative consumer study is:

- Older consumers: n = 276;
- Consumers with disabilities: n = 170;
- Low income consumers: n = 363; and
- Those living in rural areas: n = 321.

5.3 The breakdown for the quantitative business research is:

- Rural businesses: n = 83; and
- Businesses selling goods online: n = 32

6 Key Findings

Importance of postal services

6.1 The postal service continues to play an important role for those with a disability, older consumers²², low income consumers and those living in rural areas. Our research shows that:

- Older consumers (49%, n = 98) and those with disabilities (32%, n = 49) are most likely to use post to contact others compared to the consumers overall (27%, n = 274).
- Rural consumers (41%, n = 132) and those with a disability (39%, n = 58) are more likely to regularly send mail each month compared to consumers overall (35%, n = 222).
- Receiving mail is still important for many; for instance, older consumers (92%, n = 243), low income consumers (88%, n = 287), those with disabilities (92%, n = 151) and those living in rural area (88%, n = 258) say this is important to them.

6.2 The findings above helps to show the value of the postal service to these consumers. Postal services also continues to play an important role for businesses. For example, our research shows that rural businesses (67%, n = 56) and those that sell goods online (72%, n = 23) are using the postal service to contact others. Additionally, the postal service plays a critical role for the day to day running of businesses. Overall businesses use the postal service to regularly send invoices

²² those aged 65 and over

(90%, n = 93) and letters to its customers (80%, n = 67). Rural businesses are also more dependent on the postal service to receive a range of bill or financial related documents compared to businesses overall.

Competition

- 6.3 Consumers are still dependent upon the universal postal service provided by Royal Mail. For example, nearly all consumers who send letters (90%, n = 536) and those that send parcels use Royal Mail (81%, n = 232).
- 6.4 Businesses are also dependent on Royal Mail. The significant majority of those businesses that send letters use Royal Mail (87%, n = 137) and, for those that send parcels, again Royal Mail is the most used operator (72%, n = 48).
- 6.5 While competition exists in the parcel market a significant proportion say this is limited. Nearly half of consumers (49%, n = 140) and over a third (35%, n = 23) of businesses, including those in rural areas and those that sell online, share this view.
- 6.6 Additionally, a greater proportion of those with a disability (26%, n = 8), those on low incomes (22%, n = 13) and older consumers (18%, n = 12) compared to the general population (14%, n = 40) do not believe there is any competition in the parcel market at all.

6.7 This identifies an area where improvements are required and further work is needed.

Quality of service

6.8 Overall satisfaction levels with the universal postal service are high within a number of key service areas for consumers and businesses. However, some vulnerable groups have more negative views on the cost of postage and affordability. We discuss vulnerable consumers' concerns about the cost of postage below (paragraph 6.13 – 6.20).

"I am reasonably satisfied with the service. I do think they're hiking the prices up but then again that's probably supply and demand too...Say you've only something worth say £25 in it and they're going charge you maybe £18 to send it..." (Consumer with a disability).

6.9 Consumers want a quick and reliable postal service. Our research also shows that reliability (80%, n = 797) and speed (78%, n = 787) are among the top areas of importance for consumers. This is similar to the 2013 study.

6.10 Satisfaction levels among consumers are high in these two areas which is good news. However, for those with disabilities their satisfaction levels are significantly lower as shown in Table 1.

Table 1. Quality of Service. % satisfied with reliability and speed of the postal service			
		Reliability	Speed
Consumers overall²³	(n= 572)	85	86
Older consumers	(n = 184)	90	90
Consumers with disabilities	(n= 99)	77	75
Low income consumers	(n= 177)	88	88
Rural consumers	(n= 175)	87	89

6.11 Business consumers also say the top areas of importance are speed (86%, n = 171) and reliability (85%, n = 170). They also want a quick and reliable service. Again satisfaction level scores are positive in these areas (speed 91%, n = 129 and reliability 92%, n = 131).

6.12 There is a positive relationship between Royal Mail successfully achieving its PCA targets and the overall high satisfaction levels consumers and businesses in NI experienced especially those related to reliability and speed. The Consumer Council believes this target for BT PCA is an important part of the regulatory monitoring framework which helps to maintain and improve the level of service consumers and businesses receive. Equally PCA targets across the UK are important as it helps ensure consumers sending items to other areas parts of the UK receive a reliable and speedy service.

²³ All that use Royal Mail to send mail

Cost of postage – price safeguard cap

- 6.13 It is vital to protect consumers from price rises that negatively affect their behaviour or potentially exclude them from using universal postal service products. This is particularly important for the vulnerable, who are more dependent on mail as a form of communication, and those that send parcels.
- 6.14 Ofcom recognised the importance of the cost of postage to vulnerable consumers by introducing a price cap on second class stamps for letters and parcels up to 2kg. After recently reviewing the regulatory framework Ofcom said the safeguard cap will continue until March 2019 at which point it will be reviewed.
- 6.15 The continuation of the price cap until 2019 is good news for consumers but The Consumer Council must make sure a relevant safeguard to protect consumers exists after any future reviews. This is particularly important with the first and second class prices increases consumers experienced since 2012 (paragraph 3.2). Additionally, Ofcom's review of regulation decision document showed how the universal service provider increased the majority of its second class parcel prices from 2011-12. For example, all parcel prices which meet the medium sized criteria increased from 11% to 268%. The majority of parcel prices which meet the small sized criteria increased from 7%

to 111% although some heavier small parcel items decreased by 11% to 37%²⁴.

6.16 Our recent research shows consumers' attitude towards the price they are paying for second class letters and parcels. For instance:

- Older consumers (29%, n = 57) and those on low income (28%, n = 81) are significantly more likely to say the price of sending second class letters is poor value for money compared to the general population (22%, n = 222) who say this service is poor value for money.
- NI businesses are more price sensitive than consumers with two in five (40%, n = 80) saying second class letters are poor value for money. This is a greater proportion than those who say it represents value for money (37%, n = 72). Rural businesses (41%, n=34) have a similar view that the service is poor value for money.

6.17 Also, vulnerable consumers are significantly more likely to be negatively affected by potential future price increases, which could lead to a change in their behaviour. Those with a disability say at 63p the basic second class letter service would be too expensive for them to use. Also, rural businesses are more sensitive to higher prices for sending letters saying 71p is the point where the service would be too

²⁴ https://www.ofcom.org.uk/_data/assets/pdf_file/0033/97863/Review-of-the-Regulation-of-Royal-Mail.pdf

expensive for them to continue to use the service. These groups have a lower tolerance to price increases.

- 6.18 Our research shows older consumers (28%, n = 55), those on low income (28%, n = 82) and those with disabilities (27%, n = 59) feel the second class price of sending parcels is poor value for money. This is greater compared to the overall population (23%, n = 207) who feel this service is poor value for money.
- 6.19 Many businesses also say the cost of sending a second class parcel is poor value for money. Almost three in ten feel (29%, n = 58) this way. A similar proportion of rural businesses and those that sell online share this view.
- 6.20 However, there are more urgent considerations about the current cost of sending parcels. Vulnerable consumers are significantly more likely to be negatively affected by price increases for parcels as shown in Table 2. Specifically those with a disability are most at risk, with the lowest average tipping point (£2.85) lower than the current cost of sending small parcels using the second class service through Royal Mail or using online postage. This identifies an emerging issue which requires action.

Table 2. Consumer attitudes to the price of sending letters and parcel by 2nd Class	Letter Poor VFM	2nd Class Letter Tipping Point	2nd Class Parcel Poor VFM	Parcel Tipping Point
	(%)	(£)	(%)	(£)
Consumers overall	22 (n=222)	0.74	23 (n= 237)	3.16
Older consumers	29 (n= 57)	0.71	28 (n= 55)	3.01
Consumers with disabilities	21 (n=54)	0.63	27 (n= 42)	2.85
Low income consumers	28 (n=81)	0.72	28 (n= 82)	3.02
Rural consumers	23 (n=74)	0.73	25 (n= 81)	3.02

6.21 Businesses are much more resilient to future price increases to the cost of sending parcels using the second class service with £3.41 the average tipping point.

Scam mail

6.22 Scam mail is an area of concern in the postal market which can have a detrimental effect on consumers, especially the vulnerable. A recent report by the COPNI illustrates the devastating impact²⁵. In one case study it was estimated a consumer from NI sent at least £175,000 over a number of years in response to scam mail. Another case study showed the detriment goes beyond direct financial loss as the victim's marriage broke down and the family home was repossessed.

6.23 Recently Royal Mail has increased its efforts in dealing with scam mail so it better protects consumers²⁶. This is positive news. Some examples of the action being taken include:

²⁵ <https://www.copni.org/media/1117/whos-calling.pdf>

²⁶ <http://www.royalmailgroup.com/royal-mail-step-attack-scam-mail>

- An industry-wide code of practice to help tackle scam mail;
- Quicker sharing of intelligence between postal operators on potential scam mail;
- The introduction of anti-scam clauses into bulk mail; and
- Engaging with other postal operators across Europe.

6.24 However, there is more work to do to help consumers to avoid becoming a victim of scam mail. Our research shows the potential scale of the problem in NI. Nearly a third of consumers (30%, n = 304) say they have received mail they believe to be a scam. Those with a disability are most affected (35%, n = 54) by this issue. The problem is also being experienced by businesses across NI with over 1 in 6 (17%, n = 34) saying they receive mail believed to be a scam.

6.25 The research also shows very few consumers and businesses report the matter to Action Fraud, the PSNI or Royal Mail. This means there is the opportunity to improve the reporting of scam mail to the relevant organisations.

Table 3. Percentage receiving scam mail and percentage that told others		Received Scam Mail	Told Friends/Family	Reported
		(%)	(%)	(%)
Consumers overall	(n=1000)	30	10	6
Older consumers	(n=276)	30	6	11
Consumers with disabilities	(n=170)	35	10	7
Low income consumers	(n=363)	29	9	2
Rural consumers	(n=321)	21	21	11
Businesses	(n=200)	17	N/A	15

7 Conclusions and Recommendations

7.1 Our study shows the postal service is still important to those with a disability, older consumers²⁷, those on low incomes, rural consumers and businesses across NI.

7.2 Among these groups our research identifies a number of important findings. These consist of:

- Low awareness of choice in the parcel market especially among vulnerable consumers;
- The importance of speed and reliability of the postal service and the high satisfaction levels in these areas;
- The emergence of potential issues around the price of sending second class parcels especially for those consumers with a disability; and
- Many consumers and businesses are receiving scam mail and there is limited reporting to the relevant authorities.

7.3 The Consumer Council believes action is required in these areas and we make recommendations below.

- **Improve consumer awareness of choice in the parcel market.** The Consumer Council will contribute to this recommendation by working with stakeholders to improve consumer awareness. We will explore how best to do this by focusing on those consumer

²⁷ those aged 65 and over

groups who say they do not believe there is any competition in the parcel market.

- **Ofcom should fully consider how the PCA Quality of Service measure benefits consumers in the different nations of the UK.** The Consumer Council believes the current regulatory framework positively influences the high satisfaction levels in NI for postal services. This is an important consideration before Ofcom reaches its decision on whether to propose any changes to the Quality of Service targets including reducing or removing the PCA target. The Consumer Council will review Ofcom's proposals and provide a full response once Ofcom consults on its proposals.
- **Ofcom should urgently look closer at the cost of sending second class parcels for vulnerable consumer groups to make sure they are not priced out of this service.** Our research identifies an area of emerging potential detriment especially for consumers with a disability who send parcels. This area requires urgent action and it is essential this consumer group is able to continue to access this part of the universal postal service.
- **Royal Mail and the Scamwise NI partnership (including The Consumer Council) should explore developing a scam mail awareness campaign and continue to work together.** The Scamwise NI partnership has a critical role to play in tackling scams by increasing consumer awareness on how to spot a scam and by encouraging consumers to report these to the best placed

organisations. A collaborative approach will complement the work Royal Mail is currently undertaking in this area²⁸.

²⁸ At time of publication (February 2018) a Scamwise NI partnership and Royal Mail event on scam mail has been arranged for 5 March 2018.



Floor 3
Seatem House
28-32 Alfred Street
Belfast
BT2 8EN

Freephone: 0800 121 6022
Switchboard: 028 9025 1600
Fax: 028 9025 1663
E-mail: info@consumercouncil.org.uk
Website: www.consumercouncil.org.uk