Universal Service Obligation
Postal User Needs 2012
Quantitative research report
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Executive Summary

Ofcom has a statutory obligation to assess the extent to which the postal service is meeting the reasonable needs of users. Ofcom commissioned TNS-BMRB to conduct quantitative research amongst residential and business customers to understand and identify their needs from a universal postal service, and their willingness to pay to maintain/enhance elements of the service.

The research involved 4,085 interviews with residential customers and 1,126 interviews with business customers in April-June 2012. The interviews included trade-off exercises to identify the relative importance of the various aspects of the universal postal service and the acceptability and attractiveness of various alternative service level options.

The role of the postal service in society

The place of the postal service in society is an important backdrop to other findings in this research. Over half (58%) of residential customers, said that they would feel cut off from society if they could not send or receive post.

Volume and type of post sent

The volume of mail reportedly sent by residential customers was relatively low, at an average of 1.5 items per week.

The most common types of mail claimed to be sent by residential customers were personal communications and general correspondence. Compared to the 2010 research results, fewer residential customers in 2012 reported sending personal communications or bill payments by mail at least once a month.

Three-fifths (59%) of residential customers reported using First Class post all or most of the time, the main motive for using First Class was stated to be speed of delivery, but other research\(^1\) has also shown that it is perceived to be a higher quality service offering greater control and reliability.

\(^1\) Postcomm and Consumer Focus, 2010. Consumer needs from a sustainable universal postal service in the UK
Most residential customers agreed that there will always be things that they will need to send by post, in particular personal communications and parcels/packets. Such items would predominately be sent using First Class post.

Very small businesses comprise the majority of UK businesses. Three-quarters of UK businesses consist of just one or two members of staff. Just under half of businesses (45%) surveyed spent under £10 per month. A relatively small number of businesses accounted for much of the spend.

Four-fifths of businesses (83%) said that they use Royal Mail for all or almost all of their postal spend. Most businesses (87%) used stamps to pay for postage. Larger businesses and those with higher spends were more likely to use meters/PPI rather than stamps.

On average, businesses said that they sent two-thirds of their post First Class, the motive was speed. However, fewer than half of business customers felt that all or most of the items they sent First Class actually needed to be there the next day.

Business customers were more likely than residential customers to make use of the Standard Parcels, Recorded Delivery and Special Delivery services.

The vast majority of businesses agreed that there are things that they will always need to send by post.

**Sending post via post boxes**

Two-thirds of residential customers and three-quarters of businesses used a post box at least once a month.

Satisfaction with post box location was very high. On average, residential customers were willing to go 0.72 miles to post letters, and business customers 1.1 miles.

The most important factor for customers in choosing which post box to use was convenient location i.e. closest to home/business. Most
customers therefore used the closest post box. Those customers requiring later collection times tended to use post offices.

Two-thirds of residential and almost eight in ten business customers claimed to know the final collection time of their nearest post box on weekdays. Fewer (two-fifths) knew the final collection time on Saturdays.

**Receiving post**

On average, residential customers reported receiving nine items of mail per week. Bills and statements were the items most commonly received domestically, followed by direct mail and correspondence from businesses.

Most businesses said they received a wide variety of post every month, covering financial paperwork, direct mail, general correspondence, catalogues/brochures and parcels.

A small minority (9%) of residential customers claimed that they needed to deal with all or most of the post they received on the day it arrives, although 55% said that at least a small proportion did fall into this category.

Business customers were more likely to think that they needed to deal with post as it arrived. Fifteen percent said that all or most needs dealing with the same day and three-quarters said this was the case for at least a small proportion of it. The type of post most often reported as needing to be dealt with urgently was finance related.

Half of residential customers predicted that they will be ordering more goods that will need to have delivered to them by post in three years’ time.

**Potential changes to the postal service**

When considering potential changes to the postal service, residential customers were not keen on changing postal deliveries to either a weatherproof letterbox at the edge of their property or a secure locker in a central location in the area. Of the two, the former was more acceptable, but still over half were against the idea.
On average, residential customers preferred the idea of a single tier postal service (slightly more expensive than current Second Class, but quicker) over the current two-tier (First and Second Class) service. This preference was strengthened if the price of First Class increased from the current price of 60p to 90p. The average business customer, on the other hand, preferred the two-tier service, prioritising the option of maximum potential speed (First Class) over price.

Having a guaranteed next day service was important to both business and residential customers.

If the price of First Class mail increased to 90p and Second Class to 70p, it would not affect the volume of post sent by most customers, but would encourage business and residential customers to send more post Second Class.

When presented with a list of some possible reductions in the postal service, a quarter of residential customers (28%) and business customers (25%) said that none of the changes would have a significant impact on them or their business. The potential change which business customers were most likely to say would have a negative impact was not having a guaranteed next day delivery service. This was followed by the rise in cost of First Class to 90p, delivery time put back to 6pm and bringing forward the (last) collection time from post boxes. Residential customers were most likely to be worried about a rise in the price of First Class stamps to 90p, followed by no next day delivery service and post boxes being located further away.

One in ten customers (both residential and business) claimed that the most negative change for them would have a severe impact on them\their ability to run the business. Two-fifths said it would be a major inconvenience or make running the business more costly but they would work round it.

To explore further what is important to them, customers were asked to suggest one thing (unprompted) which they would improve about the postal service. The most popular answer amongst both business and residential customers was to ask for cheaper prices, and the second most popular was to make deliveries earlier. When residential customers were asked a similar question, but this time being shown a list of possible
improvements (from which cheaper prices was excluded), the preferences were very similar: making deliveries earlier was the most popular choice. This was followed by the evening delivery of items that cannot fit through the letterbox. Fourteen percent of customers (in both the residential and business surveys) stated that they did not have any suggested improvements to the existing service.

**Tolerability of changes to the universal service**
Choice based conjoint analysis was included in the study to identify customers’ needs from the postal service. Conjoint analysis is a statistical technique that helps us better understand what people really value in products and services and what drives these decisions.

In a conjoint exercise respondents are asked to choose between different product concepts - descriptions of the full product or service with different combinations of the component features. Based on their choices, we can determine what is driving their behaviour and the relative appeal of the different elements being tested. This allows us to look at the tolerability\(^2\) of the different packages and customers’ willingness to pay to maintain or improve the service; this, in turn, helps to better understand what customers need or value from the service.

In this survey respondents were presented with a range of options for changes to the current service. The price of First Class mail was found to be the greatest driver of choice for both residential and business customers. The second strongest driver of choice was the number of days per week that mail is collected and delivered. The option of having additional delivery slots was not found to have much of an impact on customers’ choice of package.

More than nine in ten business and residential customers found the current service tolerable. There were a few sub-groups (such as elderly people, residential customers living in deep rural areas, small offshore businesses and businesses spending moderate amounts (£450-2500) on post each month) who were less likely to find the current service tolerable.

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\(^2\) A package is tolerable if it meets the customers’ minimum requirements from the postal service. If a package is untolerable to a customer, it means that the postal service would not meet their minimum requirement and, as such, they would have to switch to another method of communication.
tolerable, but even so, most of these customers (more than eight out of ten) still found the service to be tolerable.

Customers were found to be very tolerant of changes to the postal service even if the service was made considerably worse. For residential customers tolerability dropped to 86.7 for the worst possible service (i.e. 86.7% of consumers would find the service acceptable), whereas for businesses it dropped to 81.7.

If the current service was improved by making latest delivery times one hour earlier and introducing Saturday/evening delivery of non-letterboxable items, this would make the service marginally more tolerable. These changes would also make the service more attractive to customers.

Making a single change to the service (reducing the service or increasing the price) does not have much of an impact on tolerability for customers. The worst individual reduction (a rise in the cost of First Class post to 90p) was still tolerable for nine in ten customers. The results indicate that customers in general would tolerate significant reductions in the service to maintain prices or minimise further price rises.

3 The tolerability shows whether a service meets customers’ minimum needs. Attractiveness provides us with a measure of how much customers like services and help us to differentiate between services of equal tolerability.
Monetising the conjoint research results

As First Class price was included in the conjoint model, we were able to equate the attractiveness of changes to the postal service to attractiveness of changes in the price of First Class. This offers a convenient way of measuring how much respondents value each aspect of the postal service.

Having collections and deliveries of post six days a week was the aspect of the service that residential customers valued most. Residential customers valued losing a six day a week delivery and collection service, and replacing it with a five day service the same as a 12p rise in the price of First Class.

Businesses valued having Monday to Friday delivery and collections more than anything else; they valued losing a week day delivery and collection the same as a 14p rise in the price of First Class. However, business customers in general did not need delivery and collection of post on Saturdays and would not be willing to pay any more to maintain Saturday delivery and collections.

The feature which was most valuable to customers after the number of days of delivery and collection was the quality of service of First Class. Reducing the quality of service so that 80% of items were received within one working day was valued the same as an increase in the price of First Class of 8p for business and residential customers.

Both business and residential customers did not really value having final deliveries one hour earlier. Making deliveries one to three hours later was valued the same as an increase in the price of First Class of 4 or 6p for businesses and 4p for residential customers.

Conclusions
Despite declining mail volumes, the postal service continues to be needed and valued. Whilst they would ideally wish to maintain the current service, most customers would be very tolerant of changes. Customers

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4 The six day service would be reduced to a five day service, on weekdays only or four week days and a Saturday
would tolerate significant reductions in the service, including the loss of collection and deliveries on Saturdays and reduction in the quality of First Class service to maintain prices or minimise further price rises. These changes would not have a significant impact on volumes of post sent. However, significant price rises will encourage customers to send more post Second Class.
1. Introduction

1.1 Background

Following the Postal Services Act 2011 ("the Act"), regulatory responsibility for postal services was transferred from Postcomm to Ofcom. Ofcom has a duty under the Act to carry out its functions in relation to postal services in a way which it considers will secure the provision of a universal postal service in the UK.

The universal service ensures that anyone in the UK can post letters and parcels to any other part of the country at the same uniform price. It also guarantees one delivery of mail for every UK household and business and one collection of mail from every post office and post box, six days a week (Monday-Saturday).

In more detail, the key legal requirements of the universal postal service are:

- At least one delivery of letters to every home or premises in the UK every Monday to Saturday
- At least one collection of letters from every post box, post office and other access points5 in the UK every Monday to Saturday
- At least one delivery of other postal packets to every home or premises in the UK every Monday to Friday
- At least one collection of other postal packets from every access point in the UK used for that purpose every Monday to Friday
- A service of conveying letters and other postal packets by post at affordable prices in accordance with a public tariff which is uniform throughout the UK
- A registered items service and an insured items service
- Certain specified services to the blind or partially sighted and a service of conveying qualifying legislative petitions free of charge

Ofcom also requires, through the imposition of regulatory conditions under the Act, quality of service targets, in particular to deliver a minimum of 93% of First Class mail within one working day and 98.5% of Second Class mail within three working days.

5 “Access point” means any box, receptacle or other facility provided for the purpose of receiving postal packets for onward transmission by post.
The Act allows Ofcom to designate who is a universal service provider. Royal Mail was designated as the sole provider of the universal service with effect from 1 October 2011, meaning that Royal Mail is required to provide a universal postal service as defined by the Act and the Postal Services (Universal Postal Service) Order 2012 (SI 2012/936).

Following the introduction of the Act and the Postal Services Order 2012, Ofcom must carry out an assessment of the extent to which the market for provision of postal services in the UK is meeting the reasonable needs of users, and that assessment must be completed by the by end of March 2012.

Ofcom commissioned TNS BMRB to carry out quantitative research amongst postal service users to understand their needs from the universal service. Ofcom also commissioned qualitative research from Ipsos MORI to complement this quantitative study. The research will help to inform Ofcom’s review of users needs.

The research updates similar research by TNS BMRB for Postcomm and Consumer Focus in 2010\(^6\).

### 1.2 Research objectives

To meet the overall aim of informing the review of the universal postal service, the key objectives of this quantitative research were to:

1) Identify customers’ **needs** from the universal postal service and how these drive their **use** of postal services
2) Examine the **importance** of different universal service elements to customers and **willingness to pay** to maintain/enhance these elements
3) Understand the **benefits and value** of the universal service to residential and business customers and society as a whole

The research covered the following two groups of customers, and their needs as both senders and recipients of single item mail:

- **Representative cross section of residential** customers aged 16+ in the UK

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Representative cross section of UK businesses of all sizes and types

The overall research objectives were similar for both groups but the emphasis reflected the different customer types and products used.

The research also covered key sub-groups of residential and business customers with sufficient robustness to show how they differ from other customers. Some of these key sub-groups are those who are particularly reliant on the existence of a universal postal service, and who are particularly vulnerable to disadvantage by any detrimental changes to the service or its prices. These are discussed in more detail in the research method section that follows.

1.3 Research method

The research consisted of two surveys:

1) 4,085 face to face interviews of residential customers
2) 1,126 telephone interviews of business customers

The following two sub-sections describe these surveys in more detail.

1.3.1 Survey of residential customers

The target population for the survey of residential customers consisted of the general public (aged 16+) in the UK.

A nationally representative sample of this population was obtained by including questions on the TNS regular face to face omnibus survey. Further details of the omnibus sampling methodology are given in Appendix A. In addition, extra “boost” interviews amongst specific sub-groups were conducted via a targeted ad hoc survey. Further details of the ad hoc survey methodology are given in Appendix B. Details of how the data were combined and weighted are given in Appendix C.

The residential customer sub-groups of particular interest were:

- People aged over 75
- People on low incomes
- People without access to the internet/smart phones
- People living in England, Scotland, Wales and Northern Ireland
• People living in urban, rural and deep-rural\textsuperscript{7} /remote locations
• People living on offshore UK islands
• People who are housebound or have difficulty leaving the home
• People with disabilities

A total of 4,085 residential customers were interviewed in-home, face-to-face with the questionnaire displayed on a laptop computer carried by the interviewer (known as Computer Assisted Personal Interviewing, or CAPI). The residential customer questionnaire is in Appendix D.

The interviews were carried out between 27 April and 5 June 2012 and lasted for an average of up to 25 minutes. Fieldwork coincided with the increase in charges for First and Second Class post, which were introduced on 30 April 2012.

The sample profile achieved for residential customers is shown in Table 1.1 below.

\textbf{Table 1.1: Sample profile – residential customers}

<table>
<thead>
<tr>
<th>Group</th>
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</tr>
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<tbody>
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<td>Female</td>
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<td>\textit{Age}</td>
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<td>16-34</td>
<td>1,023</td>
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<td>639</td>
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<td>75+</td>
<td>1,150</td>
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<tr>
<td>\textit{Socio-economic}</td>
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<tr>
<td>AB</td>
<td>813</td>
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<tr>
<td>C1</td>
<td>1,079</td>
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<tr>
<td>C2</td>
<td>820</td>
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<tr>
<td>DE</td>
<td>1,373</td>
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<tr>
<td>\textit{Group}</td>
<td>\textit{Number}</td>
</tr>
<tr>
<td>Urban/rural</td>
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</tr>
<tr>
<td>Urban</td>
<td>2,446</td>
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<tr>
<td>Rural</td>
<td>1,291</td>
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<tr>
<td>Deep rural</td>
<td>348</td>
</tr>
<tr>
<td>\textit{Country}</td>
<td></td>
</tr>
<tr>
<td>England</td>
<td>2,601</td>
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<tr>
<td>Scotland</td>
<td>533</td>
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<td>Wales</td>
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<td>Northern Ireland</td>
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<td>Isle of Man</td>
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<td>Offshore</td>
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<td>Disabled</td>
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<td>Housebound</td>
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<tr>
<td>\textit{No access to internet}</td>
<td>934</td>
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</tbody>
</table>

\textsuperscript{7} The deep rural classification varies from country to country and was based on ONS/NRS/NISRA definitions. The deep rural designation in England and Wales was “hamlets and isolated dwellings”, in Northern Ireland it was “small hamlets (with less than 1,000 inhabitants)” and in Scotland “very remote” or “remote rural” (fewer than 3,000 inhabitants and a 30 minute drive or more from an urban centre). A full definition of urban, rural and deep rural classification is provided in Appendix I
1.3.2 Survey of business customers

The target population for the survey of business customers consisted of all businesses (enterprises) in the UK, who use postal services to send mail\textsuperscript{8}.

A nationally representative sample of UK businesses was purchased from Experian. This covered all types and sizes of businesses, including sole traders, and those not registered for VAT. Quotas were set to ensure a robust sample size for key sub-groups. Further details of the business sampling methodology and the weighting applied to the data are given in Appendix E.

As with residential customers, it was important to ensure that the following sub-groups of businesses were robustly represented:

- Businesses in England, Scotland, Wales and Northern Ireland
- Businesses in urban, rural and deep-rural/remote locations
- Businesses on offshore UK islands

Further sub-groups of interest amongst businesses were based on:

- Number of employees
- Size of monthly postal spend
- Those trading from home
- Those for whom the post is critical to their business model
- Those using stamps versus meters and PPI (printed postage impressions)

A total of 1,126 business customer interviews were conducted over the telephone with the person best able to answer questions about postal services in that business. The questionnaire was read out by the interviewers from a computer screen, an approach known as Computer Assisted Telephone Interviewing, or CATI.

\textsuperscript{8} Those businesses who claimed they spent nothing on posting mail in a typical month were excluded from the research
Where respondents had access to the internet, the section of the questionnaire which asks respondents to compare different “packages” of service features was self-completed mid-interview online. For the small number without internet access (29), the interview was completed solely on the telephone once the respondent had received hard copy show card materials by post/fax instead.

The business customers’ questionnaire is in Appendix F.

The interviews were carried out between 25 April and 10 June 2012 and lasted for an average of 25-30 minutes. Fieldwork similarly coincided with the introduction of the higher postal charges on 30 April 2012.

The sample profile achieved for business customers is shown in Table 1.2 below.
1.3.3 Trade-off/conjoint methodology

The research used a trade-off approach in order to identify customers’ priorities from a postal service i.e. their needs as opposed to their wants.

Choice-based conjoint analysis, a form of trade-off analysis, was used to help identify customers’ needs for postal services and which parts of the universal service were particularly valued. It is the most suitable method for trading off a moderate number of variables with multiple levels. The conjoint design was the same for residential and business customers.

Seven different components (or attributes) of the service were tested, represented by different levels including the current level:

- Whether to retain the current quality of service standard on First Class post which requires that 93%⁹ of post is delivered the next working day or to reduce the service to:
  - 80% delivered next day; or
  - 90% of First Class post sent locally arrives within one day and 90% of First Class post sent elsewhere in UK arrives within 2 days

<table>
<thead>
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<td>3-10</td>
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<td>11-50</td>
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<td>Wales</td>
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<td>Northern Ireland</td>
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<td>Offshore</td>
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<td>Group</td>
<td>Number</td>
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<td>Urban/rural</td>
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<td>Rural</td>
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<td>Deep rural</td>
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<td>Monthly postal spend</td>
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<td>&lt;£50</td>
<td>552</td>
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<td>£51-£100</td>
<td>101</td>
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<tr>
<td>£101-£449</td>
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<tr>
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<td>177</td>
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<tr>
<td>£2,500+</td>
<td>113</td>
</tr>
<tr>
<td>Home traders</td>
<td>219</td>
</tr>
<tr>
<td>Post critical to business model</td>
<td>226</td>
</tr>
<tr>
<td>No internet</td>
<td>29</td>
</tr>
</tbody>
</table>

⁹ For simplicity, the current service level was described as 90%.
• Whether to continue to **deliver and collect** post six days a week or whether this could be reduced to five days a week; either Monday-Friday or Saturday plus 4 weekdays

• Whether to retain **last collection times** as 3.00pm at rural/local boxes and 6.30pm at town centre boxes or make last collection times at local/rural boxes earlier (but maintain last collection times at town centre boxes) to:
  o 12.00 noon at rural/local boxes (& 6.30pm at town centre boxes)
  o 10.00am at rural/local boxes (& 6.30pm at town centre boxes)

• Whether to maintain current **delivery times** whereby all post is delivered by 4.00pm in rural areas and 3.00pm in towns and cities, or to make the cut off earlier, 3.00pm in rural areas and 2.00pm in towns and cities, or later and standardised across all areas to:
  o Post is delivered by 5.00pm in all areas
  o Post is delivered by 6.00pm in all areas

• Whether to offer an **additional service** enabling the sender to specify delivery in the evening or on Saturday for post that cannot fit through a letterbox and/or requires a signature for a fee of £4.50

• The price of stamps was included in the modelling to enable us to monetise the findings from the conjoint. The options given were the current **price of a First Class and a Second Class stamp** at 60p or 50p respectively (44p and 33p for businesses using Meters or PPI), or the following higher prices:
  o 70, 80 or 90p for First Class (54p, 64p or 74p for business meter/PPI)
  o 60p for Second Class (43p for business meter/PPI)
1.3.4 Year on year comparisons

A study on customer needs was carried out for Postcomm in 2010\textsuperscript{10}. Comparisons between the results from the 2010 and 2012 residential customer surveys are valid. However, this is not the case for the business customer samples. The differences between the population definitions for the 2010 and 2012 business customer surveys are shown in Table 1.4.

Table 1.4: Comparison of 2010 and 2012 business population definitions

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of business</strong></td>
<td>Only those registered for VAT or PAYE</td>
<td>All</td>
</tr>
<tr>
<td><strong>Type of mail users</strong></td>
<td>Single item mail users only</td>
<td>Both single item and bulk item mail users (although questions only asked about single item mail)</td>
</tr>
<tr>
<td><strong>Basis for sampling</strong></td>
<td>Site-level sampling i.e. where businesses operated across more than one site, interviews covered postal use at that site only</td>
<td>Enterprise-level sampling i.e. interviews covered postal use across the business</td>
</tr>
</tbody>
</table>

The differences between the 2010 and 2012 business population definitions mean that comparisons of the survey findings would not be valid.

1.3.5 Report structure

The remainder of this report begins with a very short scene-setting chapter (Chapter 2) on the role of the postal service in society. Chapters 3-5 describe current behaviour and opinion around sending and receiving post. Chapter 6 then explores attitudes towards potential changes to the universal postal service. The results of the trade-off exercises are

\textsuperscript{10} Postcomm and Consumer Focus, 2010. Business customer needs from a sustainable universal postal service in the UK.
presented in Chapter 7, showing the relative importance of the various aspects of the universal postal service and the acceptability and attractiveness of various alternative service level options. The findings of the conjoint were also monetised to provide an indication of the relative value or benefit of different aspects of the service. These findings are briefly outlined in Chapter 8.

Chapters 3-7 start with a summary of key points.

1.3.6 Technical notes
The reporting of the results includes testing for statistical significance to ensure that the differences highlighted are real differences and not differences that might be observed because only a sample has been surveyed, rather than the whole population. For the purposes of this report, only differences that are found to be significant at the 95% confidence level are highlighted.

Percentages are shown rounded to the nearest whole number. This may cause some mutually exclusive categories to sum to slightly more or less than 100%. For open-ended and multi coded questions, respondents may give more than one answer. When this happens, the percentages representing different responses may add to considerably more than 100%. Where figures in the text appear not to match figures in the graphics (particularly where sub-groups have been combined), this can be due to decimals being rounded up or down when combining these figures. In some cases, answers of ‘Don’t know’ or ‘Not applicable’ may not have been shown, meaning that the percentages do not add up to 100%.
2. The role of the postal service in society

It is important to base the research findings in the context of the role that is played by the post in UK society. The qualitative research conducted by Ipsos-MORI in 2012 covers this question in some detail. In brief, this revealed an appreciation amongst some members of the public and business community of the potential of the postal service to connect individuals with society and in providing regular human contact via the postman/woman, especially in rural areas. Others, though, focused solely on the functional aspects of the postal service.

This quantitative research also explored the extent to which users feel the post connects them to the world. Residential customers were asked how far they agreed/disagreed that they would feel cut off from society if they were not able to send or receive post. The balance of opinion was in agreement that they would feel cut off, albeit not particularly strong or high levels of agreement. Fifty eight percent agreed that they would feel cut off without the post (19% strongly). The detailed results are shown in Chart 2.1.

Chart 2.1: Agreement that I would feel cut off from society without the post – residential customers

<table>
<thead>
<tr>
<th>Agreement Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>19%</td>
</tr>
<tr>
<td>Agree</td>
<td>39%</td>
</tr>
<tr>
<td>Neither agree nor disagree</td>
<td>17%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>20%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Residential Survey F2  
Base: All residential respondents (4085)
Those who are more reliant on the post as a form of communication or transaction channel were more likely to agree that they would feel cut off from society without the post – older people, those in rural/deep rural areas, those offshore, disabled or housebound people and those without the internet. Table 2.1 shows the agreement figures for these sub-groups.

**Chart 2.2: Agreement that I would feel cut off from society without the post – residential customer sub-groups**

![Chart showing agreement percentages for various sub-groups](chart.png)

- **Age:** 16-24 (47%), 65+ (69%)
- **Area:** Urban (56%), Rural (65%), Deep Rural (69%)
- **Location:** Mainland (58%), Offshore (69%)
- **Housebound:** Yes (64%), No (57%)
- **Disabled:** Yes (71%), No (55%)
- **Internet:** Yes (57%), No (62%)

*Source: Residential Survey F2
Base: All residential respondents (4085)*
3. Post sent

This chapter describes current behaviour and opinion around sending post for both residential and business customers. Volume and types of mail sent are established. The use of various Royal Mail services, including First and Second Class post, is explored. Business customers’ spend on post, proportion of spend with Royal Mail, use of stamps versus other payment mechanisms and use of bulk mail are all investigated. Customers’ anticipated need to continue to send mail is examined.

The key findings are summarised first, followed by a closer look at each topic area.
Summary - residential customers

- The volume of mail sent was low – an average of 1.5 items a week
- The items most commonly sent (by a third of people) are personal correspondence and general correspondence
- Most people (59%) reported using First Class all or most of the time and the main reason for using First Class was said to be the speed of delivery and because it is perceived to be a high quality service offering more control and reliability
  - Proportion using First Class all/most of the time decreased a little since 2010 survey (66%)
- Most people were of the opinion that there are things they will always need to send by post, such as personal communications and parcels/packets
  - Those living in rural, deep rural and offshore areas were more likely to be of this opinion
- The sort of things that will always need to be sent by post would predominantly be sent using First Class
Summary - business customers

- Most businesses reported spending little on post (almost half spent under £10 a month)
  - Spend was correlated with size of business with larger businesses spending more on average
  - Businesses that said mail is core to their operations also tended to spend more

- Most businesses sent all of their post with Royal Mail, around one-fifth used other operators and 7% used bulk mail services
  - This is correlated with postage spend, those who spent the most were more likely to use other operators

- Most used stamps (87%), but larger businesses, those with higher spends and those that said mail is core to their operations were more likely to use meters (or PPI)

- On average two-thirds of post sent by businesses is First Class
  - Smaller companies and home traders used First Class for more of their post

- Despite three-quarters saying they used First Class rather than Second because the service was faster, fewer than half of respondents felt that all or most of the items they sent using First Class needed to be at their destination the next day

- The vast majority of businesses were in agreement that there are things that they will always need to send by post
  - Larger businesses were more likely to be of this opinion than their smaller counterparts
3.1 Volume and type of post sent by residential customers

For residential customers, the volume of items reportedly sent by post was relatively low, at a mean average of 1.5 items per week. This was similar to the volume reported in the 2010 research, which was a mean average of 5 items per month. The right hand side of Chart 3.1 details the volume of claimed post sent.

Chart 3.1: Type and volume of mail reportedly sent – residential customers

The claimed volume of items sent by post was highest amongst residential customers in the highest social grade (ABs: 2.2 items per week) and highest income bracket (£50k+ pa: 2.3 items per week).

Those who live offshore reported sending more post than those on the mainland (2.0 vs. 1.5 items per week). Those who live in rural or deep rural areas reported sending more post than those in urban areas (1.9 and 2.0 items respectively vs. 1.4 items). Those who are disabled or housebound sent more post (respectively, 1.8 and 1.9 items per week vs. 1.4, in both cases, for those who are not).
Customers under 35 years of age sent far fewer items than older customers. The number of items sent peaked in the 35-44 age bracket at 2.1 per week. By contrast, 16-24 year olds only sent an average of 0.5 items per week. From age 45 upwards, the average number of items sent was similar for every age group, at 1.6-1.7 per week. Given the relationship between age and other factors such as social grade and income, it not possible to say whether the differences in reported behaviour by those aged under 35 years are a permanent structural change in the market, or merely a reflection of life stage.

These sub-group differences are detailed in Table 3.1.
Table 3.1: Mean average number of items of post reportedly sent per week

<table>
<thead>
<tr>
<th>Sub-group of residential customers</th>
<th>Base size (unweighted)</th>
<th>Mean average number of items of post</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16-24</td>
<td>423</td>
<td>0.5</td>
</tr>
<tr>
<td>25-34</td>
<td>600</td>
<td>0.9</td>
</tr>
<tr>
<td>35-44</td>
<td>602</td>
<td>2.1</td>
</tr>
<tr>
<td>45-54</td>
<td>671</td>
<td>1.7</td>
</tr>
<tr>
<td>55-64</td>
<td>639</td>
<td>1.6</td>
</tr>
<tr>
<td>65-74</td>
<td>681</td>
<td>1.7</td>
</tr>
<tr>
<td>75+</td>
<td>469</td>
<td>1.7</td>
</tr>
<tr>
<td>Social grade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AB</td>
<td>813</td>
<td>2.2</td>
</tr>
<tr>
<td>C1</td>
<td>1079</td>
<td>1.3</td>
</tr>
<tr>
<td>C2</td>
<td>820</td>
<td>1.7</td>
</tr>
<tr>
<td>DE</td>
<td>1373</td>
<td>1.0</td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;£11.5k</td>
<td>789</td>
<td>1.1</td>
</tr>
<tr>
<td>£11.5-17,499</td>
<td>512</td>
<td>1.3</td>
</tr>
<tr>
<td>£17.5-29,999</td>
<td>636</td>
<td>1.5</td>
</tr>
<tr>
<td>30-£49,999</td>
<td>472</td>
<td>1.9</td>
</tr>
<tr>
<td>£50k+</td>
<td>304</td>
<td>2.3</td>
</tr>
<tr>
<td>Area</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mainland</td>
<td>3806</td>
<td>1.5</td>
</tr>
<tr>
<td>Offshore</td>
<td>279</td>
<td>2.0</td>
</tr>
<tr>
<td>Location</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>2446</td>
<td>1.4</td>
</tr>
<tr>
<td>Rural</td>
<td>1291</td>
<td>1.9</td>
</tr>
<tr>
<td>Deep rural</td>
<td>348</td>
<td>2.0</td>
</tr>
<tr>
<td>Disability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>786</td>
<td>1.8</td>
</tr>
<tr>
<td>No</td>
<td>3281</td>
<td>1.4</td>
</tr>
<tr>
<td>Housebound</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>362</td>
<td>1.9</td>
</tr>
<tr>
<td>No</td>
<td>3716</td>
<td>1.4</td>
</tr>
</tbody>
</table>
The most common types of mail said by residential customers to be sent by them were personal communications (35% send at least once a month) and general correspondence (31%). Parcels/packets were reported as being sent less frequently than letters (20%), as were bill payments (19%). These figures are shown on the left hand side of Chart 3.1 above.

Compared to the 2010 research results, fewer residential customers reported sending personal communications by mail at least once a month in 2012 (35% vs. 48% in 2010). The proportion saying they sent bill payments by post at least once a month was also lower (19% vs. 27% in 2010).

Those most likely to say they send parcels/packets at least once a month were those who live offshore (31% vs. 20% on the mainland), those who have internet access (23% vs. 10% without internet access), 25-44 year olds (26% vs. 9-21% for other age groups) and ABs (28% vs. 13-22% for other social grades).

3.2 Profile of business customers

It is important to appreciate the extreme profile of the business market when considering the postal market.

Three-quarters of UK businesses consist of just one or two members of staff. Those with up to ten employees make up 95% of businesses. In other words, very small businesses completely dominate the business sector by number.

In line with the dominance of small businesses in numerical terms, half of UK businesses are run from home. A third turnover less than £50k pa and two-thirds have a turnover of less than £250k pa.

Eighty seven percent of businesses are in England, as opposed to in Wales (4%), Scotland (6%) or Northern Ireland (3%). Virtually all businesses are on the mainland. Fewer than 1% are offshore. Seventy eight percent of businesses are in urban areas, 4% are in deep rural areas and 17% are in (non-deep) rural areas.
3.3 Spend on post by business customers

The reported mean average monthly spend on post by business customers was £245. The left hand side of Chart 3.2 shows the proportion of businesses in each spend bracket. Taken with the mean spend, this indicates that a relatively small number of business customers accounted for much of the spend. A symptom of this was that 45% of businesses spent under £10 per month.

Spend on post was linked to size of business. Fifty one percent of businesses with only one or two employees spent under £10 a month, whereas over half of those with 51+ employees spent £101 or more. As expected, businesses who said mail is core to their operations spent more; only 9% of these businesses said they spend less than £10 a month.

A large proportion (83%) of businesses said that they use Royal Mail for all or almost all of their postal spend. This is shown on the right hand side of Chart 3.2. These businesses typically spent an average of £142 on post per month. Other businesses, i.e. those not using Royal Mail exclusively, tended to be those spending more on post – on average £748 per month. In other words, companies with higher postal spends were less likely to spend it all with Royal Mail.

Chart 3.2: Business mail spend

<table>
<thead>
<tr>
<th>Monthly business spend – Mean £245</th>
<th>Proportion spent with Royal Mail compared with other operators?</th>
</tr>
</thead>
<tbody>
<tr>
<td>£450+</td>
<td>&gt;50% of businesses with 51+ employees</td>
</tr>
<tr>
<td>£101-£449</td>
<td></td>
</tr>
<tr>
<td>£51-£100</td>
<td></td>
</tr>
<tr>
<td>£26-£50</td>
<td></td>
</tr>
<tr>
<td>£10-£25</td>
<td></td>
</tr>
<tr>
<td>&lt;£10</td>
<td>51% of businesses with 1-2 employees</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Source: Business survey A3 &amp; A4</td>
<td></td>
</tr>
<tr>
<td>Base: All business respondents (1126)</td>
<td></td>
</tr>
</tbody>
</table>
3.4 Type of mail sent by business customers

The most common type of outbound business mail was finance-related. Two-thirds (66%) of business customers reported sending such mail at least once a month, and a third said it was the sort of mail they sent most of.

General correspondence sent by businesses was almost as common as finance-related post. Sixty four percent said they sent such items at least once a month.

As amongst residential customers, sending parcels/packets was less common than letters. Business customers sent more parcels/packets than did residential customers. Forty four percent of business customers claimed to do so at least once a month, compared to 20% of residential customers.

Chart 3.3 displays businesses’ estimates of how commonly they send various types of mail, including forms, direct mail and catalogues/brochures.

Chart 3.3: Type of mail sent – business customers
Larger companies were more likely to send every type of mail than smaller companies. Offshore companies were also more likely than mainland companies to send every type of mail except direct mail and catalogues/brochures.

Companies for which mail is core to their operations were more likely than other businesses to send parcels/packets (84% send at least once a month vs. 44% of all businesses).

As shown in Chart 3.4, the recipient of mail sent by businesses is more likely to be another business than a consumer. A third of businesses reported only sending business-to-business mail. A further quarter said their post went mostly to other businesses. In contrast, only 6% of business customers said all their post went to residential addresses. Businesses in the retail leisure and public sectors were the most likely to be sending post mostly or exclusively to consumers.

It should be noted that this analysis is not based on volumes of mail sent. Residential customers send only around 10% of Royal Mail’s volume (much of it being sent at Christmas). By comparison, business customers provide around 90% of Royal Mail’s addressed letter volumes, with Royal Mail’s top 50 customers sending around 40% of all mail.

Chart 3.4 shows the mix of those to whom business mail was reportedly sent.
3.5 Method of postage used by business customers

The vast majority (87%) of businesses said that they pay for postage using stamps as opposed to via meters, online, in bulk or by printed postage impressions (PPI). This is linked to the large number of very small businesses in the business community, with small businesses being more likely than large businesses to use stamps. Larger businesses were more likely to use meters than other payment mechanisms: 82% of those with 51+ employees said that they use meters. Businesses who said that mail is core to their business still predominately used stamps, but were more likely to use PPI than other sorts of businesses (13% vs. <1%).
As shown in Chart 3.6, just 7% of businesses reported using bulk mail services for all or some of their mail. This reflects dominance of very small businesses in the UK business market. Not surprisingly, large companies (24% of those with 251+ employees) and those with higher postal spends (36% of those spending £2,500+ per month) were more likely to say that they use bulk mail. As expected, those businesses which said mail is core to their business were also more likely to report using bulk mail (21%). The proportion of total postal spend accounted for by bulk services varied, with 2% spending 90% or more on bulk services and similar proportion (2%) on services other than bulk mail.
Usage of Royal Mail services

As well as ordinary letter post, Royal Mail also offers a Standard Parcels service (for non-urgent packages, taking three to five working days for delivery and insured for loss/damage up to £46, with a certificate of posting if required), a Recorded delivery service (where the item has to be signed for on delivery) and Special Delivery (where the item is guaranteed to be delivered before 1pm the next working day and is insured for loss/damage up to £2,500).

Business customers were more likely than residential customers to make use of the Standard Parcels, Recorded delivery and Special Delivery services. Of these, Recorded delivery was the most commonly used by businesses, with 70% of business customers saying they had used it in the past 12 months. Around half of businesses claimed to have used parcel delivery (51%) or Special Delivery (55%). Chart 3.7 displays the proportions of business customers and of residential customers who have used these services.
Those who tend to be heavier post users were more likely to use the services shown in Chart 3.7. Specifically for business customers the more frequent users were larger companies, those with the highest spend on mail, and those who said post is core to their business (Table 3.2). For residential customers, the more frequent users were ABs, those aged 25-64, those offshore and those in deep rural and rural areas (Table 3.3).
Table 3.2: Usage of Royal Mail services in last 12 months by sub-group – business customers

<table>
<thead>
<tr>
<th>Sub-group of business customers</th>
<th>Base size (unweighted)</th>
<th>% using any of Standard Parcel/Recorded delivery/Special Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Size of company</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>251+ staff</td>
<td>216</td>
<td>99</td>
</tr>
<tr>
<td>&lt;251 staff</td>
<td>910</td>
<td>19</td>
</tr>
<tr>
<td><strong>Monthly spend on mail</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£2,500+</td>
<td>113</td>
<td>100</td>
</tr>
<tr>
<td>&lt;£50</td>
<td>552</td>
<td>77</td>
</tr>
<tr>
<td><strong>Post core/not</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post is core to business</td>
<td>226</td>
<td>98</td>
</tr>
<tr>
<td>Post is not core to business</td>
<td>612</td>
<td>74</td>
</tr>
</tbody>
</table>
Table 3.3: Usage of Royal Mail services in last 12 months by sub-group – residential customers

<table>
<thead>
<tr>
<th>Sub-group of residential customers</th>
<th>Base size (unweighted)</th>
<th>% using any of Standard Parcel/Recorded delivery/Special Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social grade</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AB</td>
<td>813</td>
<td>84</td>
</tr>
<tr>
<td>C1</td>
<td>1079</td>
<td>77</td>
</tr>
<tr>
<td>C2</td>
<td>820</td>
<td>70</td>
</tr>
<tr>
<td>DE</td>
<td>1373</td>
<td>55</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16-24</td>
<td>423</td>
<td>65</td>
</tr>
<tr>
<td>25-64</td>
<td>2512</td>
<td>77</td>
</tr>
<tr>
<td>65+</td>
<td>1150</td>
<td>54</td>
</tr>
<tr>
<td><strong>Area</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offshore</td>
<td>279</td>
<td>81</td>
</tr>
<tr>
<td>Mainland</td>
<td>3806</td>
<td>71</td>
</tr>
<tr>
<td><strong>Location</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deep rural</td>
<td>348</td>
<td>78</td>
</tr>
<tr>
<td>Rural</td>
<td>1291</td>
<td>72</td>
</tr>
<tr>
<td>Urban</td>
<td>2446</td>
<td>70</td>
</tr>
</tbody>
</table>

3.7 Use of First vs. Second Class post

The majority of residential and business customers favoured First over Second Class post.

Fifty nine percent of residential customers said that they use First Class post all or most of the time. This was 66% in 2010 so the proportion has dropped. The detail of First vs. Second Class postage usage is shown on the left hand side of Chart 3.8.

The tendency to favour First Class post occurred across all types of residential customers. Where the tendency was weakest was amongst those aged over 65, but still more said they use First Class all or most of the time (43%) than Second Class (34%). The better-off are more likely
than lower income groups to use First Class (72% of those earning £50k+ pa always or almost always used First Class vs. only 58% of those earning less than £11.5k pa).

**Chart 3.8 Use of First vs. Second Class post – residential customers**

The right hand side of Chart 3.8 displays the reasons given by residential customers for using First Class. Overwhelmingly, the stated motive was speed of delivery, and this is consistent across sub-groups. In London, there appears to be a perception that First Class is more secure; 14% cited that as a reason for using First Class compared to 5% for residential customers as a whole. However, the previous 2010 Postcomm study and recent qualitative work indicated that customers also use First Class post as they feel it is a better quality service, offering greater control and reliability.

On average, business customers claimed to send 66% of their mail by First Class post. The distribution of answers by proportion of mail is shown in the left hand side of Chart 3.9. As with residential customers, the most common reason for using First Class was speed (cited by 76%) but other research has similarly shown that it is also used as it is perceived to be a better quality service.
Smaller businesses would appear to be more anxious than larger businesses for their mail to be delivered fast. Businesses with one or two members of staff reported sending an average of 70% of their mail First Class. Those with 251+ staff said they send an average of 55% First Class. This is still more than half, but is a significantly lower proportion than for the smallest businesses.

**Chart 3.9 Use of First vs. Second Class post – business customers**

Business customers who use First Class post more often than Second Class were asked what proportion of that First Class post actually needs to be at its destination the next working day. Only a minority (46%) said all or most of it did. The detailed proportions are shown on the right hand side of Chart 3.9.

Although noted earlier that smaller businesses would appear by their greater propensity to use First Class post to be more anxious than larger businesses for their mail to be delivered fast, smaller businesses were in fact more likely to say that none of the post they sent First Class actually needed to be there the next day (30% amongst companies with one or two staff vs. just 4% amongst companies with 251+ staff). This would suggest that the stated motive of speed is not a complete explanation for using First Class post for such companies. As noted earlier, perception of a better quality service also drives use of First Class post.
Companies in the financial sector were more likely than other businesses to say that all or most of their First Class post does need to be delivered the next day (58% vs. 46% amongst all businesses). Offshore businesses were more likely than mainland businesses to claim that all their First Class post was urgent (42% vs. 26%).

**3.8 Anticipated need to continue to send mail**

Business and residential customers were asked the extent to which they agree that ‘there are some things that my business/I will always need to send by post’. More than eight in ten of both types of customer agreed that this would be the case. This is similar to the proportions seen in 2010 (93% of business customers agreed in 2010 vs. 87% in 2012; 85% of residential customers agreed in 2010 vs. 82% in 2012).

Business customers were more likely than residential customers to strongly agree that they will continue to need to send mail (59% vs. 24%). Chart 3.10 shows the detail of the responses.

**Chart 3.10: Agreement that some things will always need to be sent by post**

How far do you agree or disagree with the following statement? There are some things that my business/I will always need to send by post

- **Agree**: 87% for Business, 82% for Residential
  - Strongly agree: 59% for Business, 24% for Residential
  - Agree: 28% for Business, 57% for Residential
  - Neither agree nor disagree: 7% for Business, 10% for Residential
  - Disagree: 7% for Business, 7% for Residential
  - Strongly disagree: 5% for Business, 5% for Residential

Source: Business Survey F1, Residential Survey F2
Base: All business respondents (1126), All residential respondents (4095)
Those in the largest businesses were more likely to agree, and strongly, that they would always need to send some things by post (71% of businesses employing 251+ staff strongly agreed vs. 59% of those with 1-10 staff). Those in retail leisure businesses were also more likely to agree that there will be a continuing need than businesses on average (95% vs. 87%). On the other hand, businesses in deep rural areas were less likely to agree there will be a future need than businesses on average (74% vs. 87%). This does not seem to be linked to business size – deep rural businesses in the sample were in fact less likely (65%) to have only one or two members of staff than those in urban (76%) or non deep rural areas (86%).

Amongst residential customers, those who were heavier users of the post were more likely to agree that some things will always need to be sent by post. Eighty six percent of those with internet access (who it was noted earlier are more likely than those without the internet to send parcels) agreed there would continue to be a need vs. 76% of those without internet access. 91% of those in deep rural areas agreed with this statement (vs. 85 % in non deep rural and 80% in urban areas). Ninety two percent of those offshore agreed vs. only 82% of those on the mainland.

Residential customers were also asked what sort of items they felt they would always continue to need to send by post, and whether they would send them First or Second Class. Residential customers were most likely to anticipate that personal communications and parcels/packets would continue to go by post.

Women, older people and those in the highest social grades (AB) would appear to be particularly committed to continuing sending personal communications by post. These sub-group comparisons are shown in Table 3.4.

Residential customers in rural and deep rural areas were more likely than those in urban areas to anticipate continuing to need to send all forms of post. These propensities are compared in Table 3.5. Offshore customers were more likely than those on the mainland to expect to send personal correspondence (70% vs. 63%) and parcels/packets (67% vs. 55%) by post in the future.
### Table 3.4: Propensity of residential customer sub-groups to agree that they will always need to send personal communications by post

<table>
<thead>
<tr>
<th>Sub-group of residential customers</th>
<th>Base size (unweighted)</th>
<th>% agreeing that they will always need to send personal communications by post</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>1861</td>
<td>71</td>
</tr>
<tr>
<td>Male</td>
<td>1591</td>
<td>54</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16-34</td>
<td>823</td>
<td>49</td>
</tr>
<tr>
<td>35-54</td>
<td>1098</td>
<td>63</td>
</tr>
<tr>
<td>55+</td>
<td>1531</td>
<td>75</td>
</tr>
<tr>
<td>Social grade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AB</td>
<td>727</td>
<td>70</td>
</tr>
<tr>
<td>C1C2DE</td>
<td>2725</td>
<td>61</td>
</tr>
</tbody>
</table>

### Table 3.5: Propensity of residential customer sub-groups to agree that they will always need to send mail by type of post

<table>
<thead>
<tr>
<th>They will always need to send by post....</th>
<th>Urban % agreeing</th>
<th>Rural % agreeing</th>
<th>Deep rural % agreeing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base size (unweighted)</td>
<td>2001</td>
<td>1135</td>
<td>316</td>
</tr>
<tr>
<td>Personal communications</td>
<td>61</td>
<td>71</td>
<td>68</td>
</tr>
<tr>
<td>Parcels/packets</td>
<td>54</td>
<td>61</td>
<td>65</td>
</tr>
<tr>
<td>General correspondence</td>
<td>34</td>
<td>36</td>
<td>42</td>
</tr>
<tr>
<td>Payments for bills</td>
<td>18</td>
<td>26</td>
<td>29</td>
</tr>
</tbody>
</table>

### 3.9 Anticipated future mail-sending behaviour

Twice as many residential customers expected to be sending less mail in three years’ time (22%) than expected to be sending more mail (11%). This is in line with market trends.
The only group where a greater proportion expected to be sending more rather than less mail in three years’ time was 16-24 year olds. Thirty eight percent of 16-24s said that they expected to be sending more mail (vs. 11% for all customers) and only 15% of 16-24s said that they expected to be sending less mail (vs. 22% for all customers). It is not clear from this study whether this is because they anticipate life stage changes which will involve more need to send mail, or if it is an anticipated consequence of an expected increase in their online shopping (which often involves returning goods by post as well as receiving them), but previous work (2010 Postcomm research) suggested there were both factors.
4. Sending post: post boxes

This chapter describes current behaviour and opinion around post boxes. Frequency of usage, reason for choosing a particular post box and satisfaction with location are explored.

The key findings are summarised first, followed by a closer look at each topic area.

**Summary – residential customers**

- Two-thirds used a post box at least once a month, those living in rural/deep rural areas, offshore, older people and better off used post boxes more regularly
- Almost all were satisfied with the location of post boxes, but housebound and disabled were slightly less likely to be satisfied
- The most important factor in choosing which post box to use was a convenient location, although one-in-ten based their decision predominantly on collection times
- The vast majority of people most commonly used the post box closest to their home, although 14% used a post office
  - Those that said the most important factor in choosing which post box to use is the collection time were more likely to use a post office (25%)
- Most people knew the collection time of their closest post box
- On average (mean) people were willing to go 0.72 miles to post letters
Summary – business customers

• Three-quarters of businesses used a post box at least once a month
  o However, three-quarters of larger businesses (251+ employees) never used a post box

• Almost all were satisfied with the location of post boxes

• The location of post boxes was the most important factor in choosing which post box to use for most businesses
  o One-fifth said that later collection time is the most important factor, this is particularly the case for larger businesses and those that said mail is core to their operations

• The majority (four-fifths) knew what the collection time is Monday-Friday for their nearest post box, knowledge of Saturday collection times was lower

• Businesses were on average (mean) willing to go 1.1 miles to post letters
4.1 Use of post boxes

Two-thirds of residential customers (65%) and three-quarters of businesses (75%) reported using a post box at least once a month (see Chart 4.1).

Heavier residential postal customers used post boxes more often – the better off, older people, those living in rural/deep rural areas and those offshore.

Bigger businesses were less likely than smaller businesses to use a post box. Seventy two percent of businesses with 251+ employees never used a post box, whereas 76% of businesses with 1-10 employees used a post box at least once a month.

Chart 4.1: Use of post boxes

![Chart showing use of post boxes by business and residential categories.](chart4_1.png)

Source: Business Survey D2, Residential Survey C2
Base: All business respondents (1128), All residential respondents (4085)
4.2 Location of post boxes

As shown in Chart 4.2, almost all customers were satisfied with the location of post boxes near them (92% of business customers and 89% of residential customers were very or fairly satisfied). Businesses were more likely than residential customers to say they were very satisfied, though.

Chart 4.2: Satisfaction with location of post boxes

Smaller businesses were more likely to be satisfied with post box location than larger businesses: 93% of those with 1-10 employees were satisfied vs. 85% of those with 251+ employees. Urban businesses were more satisfied (94%) than rural (90%) or deep rural (78%) businesses.

Amongst residential customers, satisfaction was high across all sub-groups, although the housebound and the disabled were slightly less likely to be satisfied (83% and 85% respectively).
As shown in chart 4.3, most residential and business customers used the post box closest to their home/business. A minority posted their mail at a post office. Those who did so were more likely to be those for whom collection time was a key factor.

**Chart 4.3: Location of post box used the most**

When asked which factor was the most important to them in choosing which post box to use, convenience was the most important for both residential (88%) and business (79%) customers. One in ten residential customers (9%) and two in ten business customers (19%) based their choice on where there was a later collection time and these were the ones who were most likely to use post offices. The choice drivers are shown in Chart 4.4.

There were few differences driving choice of post box amongst sub-groups of residential customers. Those in rural/deep rural locations in Scotland, Wales or Northern Ireland were slightly more likely to cite later collection time as a key factor (12%, 13% and 14% respectively vs. 9% across all residential customers). Amongst those residential customers dissatisfied with post box location, 13% chose a box with a later collection time, suggesting that the collection time, rather than distance to, their nearest post box is mainly causing this dissatisfaction.
Small businesses (1-10 staff) and businesses in deep rural areas were more likely than larger businesses and those in urban areas to cite convenience as a driver of post box choice. Larger businesses (51+ staff) and those to whom mail is core to their business were more likely than smaller businesses and those for whom mail is not core to choose a location based on later collection time. Larger businesses were also more likely than smaller businesses to go for a location accepting metered mail.

**Chart 4.4: Most important factors in choosing a post box**

Which of the following three (business)/two (residential) factors is the most important to your business in choosing which post boxes you use?

- 79% A convenient location
- 19% A later collection time
- 3% Accepts metered mail
- 9% Don’t know
- 9% A convenient location
- 88% A later collection time
- 3% Don’t know

Source: Business Survey D4, Residential Survey C4
Base: All business respondents who use a post box (757), All residential respondents who use a post box (3699)

**4.3 Knowledge of collection times**

Two-thirds of residential and almost eight in ten business customers claimed to know the final collection time of their nearest post box on weekdays. Fewer (41% of businesses and residents) knew the final collection time on Saturdays. This might be indicative of lower numbers posting mail on Saturdays. These findings are displayed in Chart 4.5.

There were few differences amongst sub-groups of residential customers in their knowledge of collection times. The smallest businesses were twice as likely as the largest businesses to know the collection time on Saturdays.
4.4 Distance prepared to travel to post letters

When asked how far they would be prepared to travel to post their letters, the mean average answer was 0.72 miles for residential customers and 1.10 miles for business customers. The distribution of answers for both groups is shown in Chart 4.6.

Residential and business customers in rural/deep rural locations were prepared to travel further than those in urban locations to post letters. Those who choose a post box on the basis of its later collection time, and those dissatisfied with the location of their nearest box were also prepared to travel further than average.

These sub-group comparisons are detailed in Tables 4.1 and 4.2.
Chart 4.6: Distance prepared to travel to post letters

How far would you be prepared to travel to post your letters?

<table>
<thead>
<tr>
<th>Distance</th>
<th>Business</th>
<th>Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 0.1 miles</td>
<td>12%</td>
<td>16%</td>
</tr>
<tr>
<td>0.2 miles</td>
<td>2%</td>
<td>8%</td>
</tr>
<tr>
<td>0.3 miles</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>0.4 miles</td>
<td>0%</td>
<td>4%</td>
</tr>
<tr>
<td>0.5 miles</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>More than half a mile to 1 mile</td>
<td>14%</td>
<td>13%</td>
</tr>
<tr>
<td>More than 1 mile to 2 miles</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>More than 2 miles to 5 miles</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>More than 5 miles</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>It doesn’t matter as I don’t use the post box nearest to my business/home</td>
<td>2%</td>
<td>4%</td>
</tr>
</tbody>
</table>

More than half a mile:
- Business: 35%
- Residential: 27%

Mean (miles):
- Residential: 0.72
- Business: 1.10

Source: Business Survey Q9, Residential Survey C8
Base: All business respondents who use a post box (757), All residential respondents who use a post box (3699)
Table 4.1: Differences by sub-group in distance prepared to travel to post letters – residential customers

<table>
<thead>
<tr>
<th>Sub-group</th>
<th>Base size (unweighted)</th>
<th>Distance prepared to travel to post letters (miles)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Location</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>2446</td>
<td>0.60</td>
</tr>
<tr>
<td>Rural</td>
<td>1291</td>
<td>1.13</td>
</tr>
<tr>
<td>Deep rural</td>
<td>348</td>
<td>1.28</td>
</tr>
<tr>
<td><strong>Choice of post box due to</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convenient location</td>
<td>3242</td>
<td>0.71</td>
</tr>
<tr>
<td>Later collection time</td>
<td>355</td>
<td>0.87</td>
</tr>
<tr>
<td><strong>Satisfaction with location of local post boxes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfied</td>
<td>3304</td>
<td>0.71</td>
</tr>
<tr>
<td>Fairly dissatisfied</td>
<td>113</td>
<td>0.81</td>
</tr>
<tr>
<td>Very dissatisfied</td>
<td>78</td>
<td>0.97</td>
</tr>
</tbody>
</table>

Table 4.2: Differences by sub-group in distance prepared to travel to post letters – business customers

<table>
<thead>
<tr>
<th>Sub-group</th>
<th>Base size (unweighted)</th>
<th>Distance prepared to travel to post letters (miles)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Location</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>492</td>
<td>0.88</td>
</tr>
<tr>
<td>Rural</td>
<td>167</td>
<td>1.85</td>
</tr>
<tr>
<td>Deep rural</td>
<td>98</td>
<td>1.92</td>
</tr>
<tr>
<td><strong>Choice of post box due to</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convenient location</td>
<td>549</td>
<td>1.00</td>
</tr>
<tr>
<td>Later collection time</td>
<td>168</td>
<td>1.47</td>
</tr>
<tr>
<td><strong>Satisfaction with location of local post boxes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfied</td>
<td>662</td>
<td>1.10</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>41</td>
<td>2.02</td>
</tr>
</tbody>
</table>
5. Post received

This chapter describes current levels and types of mail received by residential and business customers, and how quickly they deal with it. Anticipated future ordering of goods by post is assessed. The importance of receiving post as a connection with society is explored.

The key findings are summarised first, followed by a closer look at each topic area.

Summary – residential customers

- On average (mean) people received nine items a week, older people and those with higher incomes tended to receive more

- Bills and statements were the items most commonly received, followed by direct mail and correspondence from businesses
  - Parcels, packets and goods ordered were received by a third of people – this figure has increased since the 2010 survey

- Almost half of people said they deal with none of their post on the day they receive it and only a minority (9%) dealt with all or most of it

- Only one in ten believed they will send more post in three years time, however half thought they will be ordering more goods that are delivered by post
Summary – business customers

- Businesses received a wide variety of post, most reported receiving financial transactions, direct mail, general correspondence, catalogues/brochures and parcels
  - Bigger companies and businesses that said mail is core to their operations were more likely than others to receive all types of post

- Only 15% said that all/most of the post they receive has to be dealt with on the day it arrives with three-quarters saying this was true for a small proportion or none
  - Bigger businesses were more likely to say that all/most of the post has to be dealt with on the day of arrival (two-fifths)
  - The sort of mail that has to be dealt with on the day of arrival tended to be financial transactions
5.1 Volume and type of post received

Residential customers reported receiving a mean average of nine items of post per week. The distribution is shown on the right hand side of Chart 5.1. Those who were heavier senders of post also tended to receive more – older people (aged 65+: 10 items; aged 16-24: 5 items) and the better off (ABs: 12 items). Those in rural/deep rural parts of Scotland or Wales received more than average (12 items).

Chart 5.1: Number and type of mail received – residential customers

<table>
<thead>
<tr>
<th>Which of these types of mail would you say you personally receive by post at least once a month?</th>
<th>Approximately how many items of post, do you personally receive in an average week?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bills/statements</td>
<td>Mean=9.3</td>
</tr>
<tr>
<td>Direct mail</td>
<td>15%</td>
</tr>
<tr>
<td>Correspondence from businesses or organisations</td>
<td>4%</td>
</tr>
<tr>
<td>Post from friends/family</td>
<td>14%</td>
</tr>
<tr>
<td>Parcels/packets</td>
<td>19%</td>
</tr>
<tr>
<td>Catalogues</td>
<td>15%</td>
</tr>
<tr>
<td>Newspaper or magazines</td>
<td>15%</td>
</tr>
</tbody>
</table>

The types of mail received are shown on the left hand side of Chart 5.1. The most commonly received type was financial (bills/statements), followed by direct mail and general correspondence from businesses.

Around a third of residential customers received packets/parcels at least once a month. This has increased by eight percentage points since the 2010 research, no doubt due to the increase in internet shopping. Those in offshore and rural/deep rural areas were more likely than average to receive parcels/packets. Those in rural/deep rural areas were also more likely than average to receive catalogues. These sub-group comparisons are shown in Table 5.1.
Table 5.1: Sub-group comparisons for type of mail received at least once a month – residential customers

<table>
<thead>
<tr>
<th>Sub-group</th>
<th>Base size (unweighted)</th>
<th>% receiving packets/parcels</th>
<th>% receiving catalogues</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Area</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>2446</td>
<td>34</td>
<td>32</td>
</tr>
<tr>
<td>Rural</td>
<td>1291</td>
<td>39</td>
<td>41</td>
</tr>
<tr>
<td>Deep Rural</td>
<td>348</td>
<td>47</td>
<td>51</td>
</tr>
<tr>
<td><strong>Location</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mainland</td>
<td>3806</td>
<td>35</td>
<td>34</td>
</tr>
<tr>
<td>Offshore</td>
<td>279</td>
<td>54</td>
<td>41</td>
</tr>
</tbody>
</table>

Businesses receive a wide variety of mail. The vast majority reported receiving financial documents, direct mail, general correspondence, catalogues/brochures and parcels/packets at least once a month. This is shown in Chart 5.2.

Chart 5.2: Type of mail received – business customers

![Chart 5.2](image)

Larger companies were more likely to report receiving each type of mail, as did those for whom mail is core to their business. Businesses in rural/deep rural areas were more likely than average to receive general
correspondence by post (90% and 93% respectively vs. average of 85%). Businesses in deep rural areas were more likely to report receiving packets/parcels (84% vs. 74%)

### 5.2 How quickly received mail is dealt with

Recipients of mail tended not to feel that most of the post they receive is urgent. Only 9% of residential customers said that they need to deal with all or most of their post on the day they receive it, although a total of 55% said that at least a small proportion falls into this category. Business customers were more likely to feel the need to deal with post promptly. Fifteen percent felt they had to deal with all or most of it the same day, and 77% claimed at least a small proportion needed urgent attention.

#### Chart 5.3: Proportion of post need to deal with on day of arrival

The propensity to need to deal with received mail the same day did not vary much by residential customer sub-group. The main differences were amongst those who used a post box several times a week, and those in deep rural locations. Both these groups were more likely than average to say that they needed to deal with all or most of the post the same day it came (17% and 14% respectively).
Amongst business customers, the largest companies (those with 251+ staff) were more likely than average to say that all or most of the post needed to be dealt with the same day (40%). Businesses for which mail is core were also more likely to fall into this category (34%).

The type of mail which businesses feel most under pressure to deal promptly with was finance related. Chart 5.4 shows the proportions categorising each type as urgent.

**Chart 5.4: Type of mail dealt with on day of arrival – business customers**

<table>
<thead>
<tr>
<th>Type of Mail</th>
<th>Proportion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial transactions</td>
<td>65%</td>
</tr>
<tr>
<td>General correspondence</td>
<td>45%</td>
</tr>
<tr>
<td>It varies</td>
<td>32%</td>
</tr>
<tr>
<td>Parcels/packets</td>
<td>31%</td>
</tr>
<tr>
<td>Forms</td>
<td>20%</td>
</tr>
<tr>
<td>Direct mail</td>
<td>10%</td>
</tr>
<tr>
<td>Catalogues and brochures</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: Business Survey B3
Base: All business respondents who gave a response at B2 (948)

Thirty one percent of business customers needing to deal with mail the same day said parcels/packets were of that ilk. The equivalent figure for businesses for which mail is core was 53%.

The largest companies were much more likely than the smallest to say that financial post needed to be dealt with the same day. Only 56% of businesses turning over under £50k pa said they dealt with financial post the same day whereas 93% of businesses with a £1million pa or higher turnover would do so. It is not clear whether this was because large companies were more likely to have procedures requiring staff to deal with financial post promptly or if their financial post is genuinely more likely to be urgent than small businesses.
5.3 Anticipated future receipt of goods by post

Residential customers were asked to what extent they agreed/disagreed that in three years’ time they will be ordering more goods which they will receive through the post. Half (51%) agreed with this, a rise from 2010 where the equivalent figure was 43% (although the statement wording then was “...I expect to do more shopping online for goods...”). The levels of agreement are shown on Chart 5.5.

Chart 5.5: Agreement that will be ordering more goods that are sent by post – residential customers

Agreement that they are more likely in future to be ordering goods that will be delivered by post was higher amongst those with internet access (57% agreement vs. only 22% amongst those with no internet connection). This behaviour was also highly correlated with age and income. Sixty three percent of 16-24 year olds agreed (vs. only 18% of those aged 75+). A similar proportion (65%) of those who earn £50k or more pa agreed (vs. only 42% amongst those with an income of less than £11.5k pa).
6. Potential changes to universal service

This chapter explores customer reactions to potential changes to the postal service. Specific areas such as alternative delivery locations, the importance of guaranteed next day delivery and preference of a two-tier (First Class/Second Class) service or a one tier-service are examined, and then customer reactions to a wider set of potential changes to the offer are explored. This included potential increases in price although this would not represent a specific change to the universal service.

The key findings are summarised first, followed by a closer look at each topic area.
Summary – residential customers

- Residential customers were against the alternative delivery options proposed
  - Strength of feeling was lesser for the option of having weatherproof letterboxes at the edge of property, but still over half were against this idea

- Residential customers generally preferred a single tier service over a two-tier service, particularly if the price of First Class increased to 90p

- Having a guaranteed next day service was important to people, particularly for younger people just 11% of those aged 16-35 did not think it was important, compared to 31% aged over 65 who did not think it was important

- Most residential customers were of the opinion that an increase in the price of First Class stamps to 90p would not impact on the volume of mail they sent, however a quarter said it would decrease
  - The increase in prices would lead to people switching the class which they use to send items; in particular, 43% of those that currently mainly use First Class would use Second more

- A quarter of respondents (28%) said that none of the changes discussed would have a significant negative impact on them

- The potential changes which would have the most negative impact would be:
  - First class stamps at 90p
  - Not having a guaranteed next day service
  - Post boxes being located further from peoples’ homes

- When asked how much of a negative impact each potential change would have, one in ten (11%) said it would have a severe impact and two-fifths said it would be a major inconvenience

- Given the choice of making any one improvement to the postal service, a quarter of respondents (26%) would make prices cheaper
  - The second most popular option would be to make deliveries earlier

- When prompted with a list of possible improvements to the postal service the earlier delivery of post was the preferred option (25%),
Summary – business customers

- At current prices, businesses preferred to stick with the two-tier service. However, if First Class were to increase to 90p and Second Class to 60p, the average business would favour the introduction of a one-tier service. The very highest postal spender, though, would still prefer a two-tier option.

- Three-fifths (61%) of business customers thought that it is important to have a next day guaranteed service.
  - This is particularly the case for larger businesses and those that said mail is core to their operations.

- Around a third of businesses would send less post if prices increased to 90p for First Class stamps (74p for PPI and meters).

- The increase in prices would lead to some businesses using First Class less.
  - Only 44% of businesses that currently mainly/only use First Class would continue doing so.

- A quarter of businesses (25%) said that none of the changes discussed would have a significant negative impact on them.

- The potential changes which would have the most negative impact would be:
  - Not having a guaranteed next day service.
  - First class stamps at 90p.
  - Later delivery times (post by 6pm).
  - Earlier collection from post boxes.

- When asked how much of a negative impact each potential change would have, one in ten (10%) said it would have a severe impact on their ability to run a business and two-fifths (37%) said it would make running the business more costly but that they would find a way around it.

- Given the choice of making any one improvement to the postal service, the two preferred options were to make prices cheaper or to make deliveries earlier.
6.1 Alternative delivery locations

Residential customers in the UK currently receive post directly into their home through their front door letterbox. The research gauged their reaction to two alternative ways of having their post delivered (which would be less time-consuming for Royal Mail for some addresses); to a letterbox at the edge of the property or to a secure locker in a central location in the local area. Respondents were informed the latter could also accommodate items which were too big to be posted through a letterbox.

Half said they were strongly against the idea of a letterbox at the edge of their property and three-quarters felt the same about having post dropped at a locker in a central location. Just one in ten and one in twenty respectively were in favour.

Chart 6.1: Alternative mail delivery locations – residential customers

Older people were considerably more likely to be against each of these ideas than younger people. Those who live offshore were slightly more likely than those on the mainland to be against these ideas.

Those in the lowest social groups (DEs) were more likely than average to be against the letterbox idea. It is possible that these groups tend to live in areas where crime is more common and they are worried about the
security of their post. Housebound people were also more likely to be against the idea.

The locker in a central location idea was also unpopular with those in rural and deep rural areas.

Table 6.1 shows the detail of sub-group differences in their hostility towards the two alternative delivery ideas.

Table 6.1: Hostility towards alternative delivery locations amongst residential customer sub-groups

<table>
<thead>
<tr>
<th>Sub-group</th>
<th>Base size (unweighted)</th>
<th>% against letterbox idea</th>
<th>% against secure locker idea</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16-24</td>
<td>423</td>
<td>46</td>
<td>74</td>
</tr>
<tr>
<td>65+</td>
<td>1150</td>
<td>67</td>
<td>91</td>
</tr>
<tr>
<td><strong>Social grade</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AB</td>
<td>813</td>
<td>55</td>
<td>no differences</td>
</tr>
<tr>
<td>DE</td>
<td>1373</td>
<td>63</td>
<td></td>
</tr>
<tr>
<td><strong>Area</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>2446</td>
<td>no differences</td>
<td>82</td>
</tr>
<tr>
<td>Rural</td>
<td>1291</td>
<td>90</td>
<td></td>
</tr>
<tr>
<td>Deep rural</td>
<td>348</td>
<td>90</td>
<td></td>
</tr>
<tr>
<td><strong>Location</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mainland</td>
<td>3806</td>
<td>58</td>
<td>83</td>
</tr>
<tr>
<td>Offshore</td>
<td>279</td>
<td>63</td>
<td>88</td>
</tr>
</tbody>
</table>

6.2 Guaranteed next day delivery

The current universal service obligation on Royal Mail includes the requirement to deliver a minimum of 93% of First Class mail within one working day, but this is not guaranteed. Alternatively, users can pay from £5.90 for the Special Delivery service, which guarantees next day delivery before 1pm and also registers and insures the item. The current universal service obligation only includes the requirement for a registered and insured service, but this is currently bundled with the guaranteed element of the Special Delivery service.
Residential and business customers were asked the importance of providing a guaranteed next day delivery service. As shown in Chart 6.2, 61% of business customers and 59% of residential customers thought it was extremely or very important; businesses were significantly more likely to feel it was extremely important (31% vs. 18% for residential customers).

**Chart 6.2: Importance of providing a guaranteed next day service**

| How important is it that the Royal Mail provides a guaranteed next day delivery service? |
|-----------------|-----------------|
| Extremely/Very Important | 61% |
| Extremely important | 31% |
| Very important | 30% |
| Somewhat important | 23% |
| Not very important | 11% |
| Not important at all | 5% |
| Residential | 59% |
| Extremely important | 18% |
| Very important | 41% |
| Somewhat important | 22% |
| Not very important | 13% |
| Not important at all | 4% |
| Don’t know | 1% |

Source: Business Survey FX3, Residential Survey FX3
Base: All business respondents (1126), All residential respondents (4085)

Residential customer sub-groups who were particularly likely to say a next day service is important were those under 65 years old, those with internet access, those with a higher income and those in deep rural areas. Those who preferred a two-tier service (see Section 6.3) were more likely than those who preferred a one-tier service to say that next day delivery is extremely or very important (67% vs. 55%).

Amongst business customers, a next day service was most likely to be important to larger businesses\(^{11}\). The importance of predictability of

\(^{11}\) Although, as noted in section 3.7, smaller businesses would appear by their greater propensity to use first class post to be more anxious than larger businesses for their mail to be delivered fast, smaller businesses were in fact more likely to say that none of the post they sent first class actually needed to be there the next day.
delivery time to large businesses was also noted in the qualitative research. Three quarters (75%) of those with 51+ employees said it was extremely/very important compared to 59%-66% of smaller businesses. Those businesses who said that mail was core to their organisation were more likely than those for whom it is only administrative to rate a next day service as important (75% vs. 55%).

As for residential customers, those who favoured having a two-tier service were more likely than those who preferred a one-tier service to say that next day delivery is extremely/very important (80% vs. c.50%).

### 6.3 Single vs two-tier service

Currently, Royal Mail customers can choose from First Class post at 60p which should get there the next day (Monday-Saturday), or Second Class post at 50p which takes up to 3 working days. The research tested preference for the current two-tier service against both of the following alternatives:

- a single tier service priced at 53p with 95% being delivered within two days;
- a single tier service priced at 55p with 98% being delivered within 2 days.

This preference exercise was then repeated with higher prices (First Class pitched at 90p and Second Class at 60p and the single tier service tested at 63p and also at 70p).

At current prices, the most popular option amongst *residential* customers was a **one-tier** service at 53p with 95% arriving within 2 days, which was chosen by 39%. This was twice as popular as the 55p one-tier service with a 98% service level, and was marginally more popular than the current two-tier service (chosen by 36%). Thus, residential customers favoured a service that is slightly more expensive than current Second Class but quicker. This is a change from the 2010 research\(^{12}\), where 52% expressed a preference for a two-tier service. This change is likely to be the result of higher postal charges in 2012, i.e. there is a tipping point at

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\(^{12}\) Postcomm and Consumer Focus, 2010. Consumer needs from a sustainable universal postal service in the UK. The single tier price specified in 2010 was 35p, for the two-tier system First Class was 41p and Second Class was 32p.
which the potential speed of First Class is sacrificed for greater affordability.

Demand amongst residential customers for a one-tier service (“a universal two-day stamp”) was predicted by the qualitative research, which indicated that customers liked the simplicity of a one-tier service. At higher prices the preference for the cheaper version of the one-tier service over the two-tier service was more pronounced, with 46% preferring the former and 32% the latter. As before, the more expensive one-tier service but with a slightly higher service level was much less attractive than either of the other two options.

These results are shown in the yellow bars in Chart 6.3.

Those who are likely to be particularly price-conscious - those on low incomes, those aged 65+, those in social groups DE and those who use Second Class post all or most of the time – were even more likely than average to favour the cheaper of the one-tier services over the two-tier service when the price of First/Second Class is as high as 90p/60p. This suggests that responses were driven by the cost of First Class post, as Second Class post under the two-tier system would be the cheapest option.

This pattern of residential customers tending to favour a one-tier service was consistent across most sub-groups. An exception was amongst those in rural/deep rural areas within Scotland, Wales and Northern Ireland, who favoured a two-tier service at both current and higher price levels.

Another exception was amongst those for whom a guaranteed next day service is extremely/very important. These customers were slightly more likely to favour the two-tier service at current price levels (41% preferred the two-tier service vs. 38% who preferred option B). Conversely, those for whom a guaranteed service is not important were more likely to favour a one-tier option at either current or higher prices. This suggests that the two-tier service is preferred by those who want a greater choice and quality of service. It reflects, as discussed in the previous section, that those who felt a guaranteed next day delivery service was more important tended to favour retaining the two-tier option.
Unlike residential customers, at current prices business customers on average were more likely to prioritise retaining the next day delivery option inherent in the two-tier scheme. These findings are shown by the red bars in Chart 6.3. The most popular option amongst business customers was therefore the two-tier option, chosen by 41% (vs. only 32% selecting one-tier option B). When the prices of the two-tier option were much higher, though, business customers tended to be more like residential customers and prefer the cheaper of the two one-tier options. Again, this suggests that the two-tier service is preferred by those who want a greater choice and/or quality of service; with those businesses that felt a guaranteed next day delivery service was more important tending to favour retaining the two-tier option. The qualitative research also highlighted a potential need for a lower cost guaranteed next day delivery service, if a one-tier service was introduced.

The average pattern amongst business customers masks some sub-group differences, though. Those businesses with high postal spends tended to prefer the lower-priced version of the one-tier options (option B), as did those who currently mainly use Second Class post. The latter finding suggests that these groups are willing to pay slightly more for something
a little faster than they currently get. However, there is an indication (based on a small number of respondents) that the very highest spenders on post tended to prefer the two-tier option. The qualitative research suggests that this is because such organisations value the lower cost of the Second Class service over speed.

Those businesses which deal with all or most of their post the same day they receive it were also more likely than average to favour the two-tier option at either current or higher prices (presumably because of the faster First Class service). Those in deep rural areas were also slightly more likely than average to favour the two-tier system at either price level (e.g. 49% in favour of the two-tier system for the current prices option vs. 41% amongst all businesses).

6.4 Price rises

Customers were asked about the impact of a price rise to 90p for First Class (74p for metered/PPI customers) and 60p for Second Class post (41p for metered/PPI customers) on volume and Class of post used13 While this is not part of any proposed change to the USO, it was included in order to help examine the price sensitivity of customers.

Two-thirds of business customers anticipated that these price rises would have no impact on the volume of mail they would send. About a third said that they would send less. In terms of the impact on using First vs. Second Class post, 60% of businesses claimed that such a price increase would lead them to use Second Class all or most of the time. Only 44% of those which currently mainly or only use First Class said they would continue to do so. These results are displayed in Chart 6.4.

Those businesses who favoured a one-tier service if prices increased (see Section 6.3) were more likely than those who favoured a two-tier service to anticipate that they would send less mail if this happened (two-fifths of those favouring a one-tier service said they would send less vs. only one in four of those favouring a two-tier service). Similarly, these businesses were more likely to say that they would use Second Class all or most of

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13 Current prices are 60p First Class and 50p Second Class and 44p First Class, 31p Second Class for metered/PPI customers
the time if prices increased (two-thirds vs. a half of those who said they would favour a two-tier service).

**Chart 6.4: Impact of higher prices on business customers**

<table>
<thead>
<tr>
<th>If the price of First class stamps was 90p and the price of second class stamps was 60p…</th>
<th>… Would you use?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Would send more</td>
<td>66%</td>
</tr>
<tr>
<td>Remain the same</td>
<td>28%</td>
</tr>
<tr>
<td>Would send a little less</td>
<td>11%</td>
</tr>
<tr>
<td>Would send a lot less</td>
<td>99%</td>
</tr>
<tr>
<td>Wouldn’t send any post</td>
<td>1%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>1%</td>
</tr>
</tbody>
</table>

A slightly larger proportion of **residential** than business customers claimed that the price rise would have no impact on the volume of mail they would send (70% saying no impact vs. 66%). A quarter said they would send less. However, as previously shown, businesses reported that they currently send on average two thirds (67%) of mail First Class. Chart 6.4 above shows that businesses claim that this would fall significantly (39% stated they would send First Class either all/most of the time, or at least equally with Second Class).

The anticipated impact on residential customers’ use of First vs. Second Class post was that it would lead to 44% using Second Class all or most of the time. These results are displayed in Chart 6.5.

The likelihood of a residential customer saying they would send a little or a lot less mail if the prices went up increased with the volume of post sent. Thirty six percent of those who sent 3+ pieces of mail per week said they would send fewer vs. 27% for those who sent one or two pieces vs. 21% for those who sent even fewer than this. Residential customers who
favoured a one-tier pricing system were more likely than those who favoured a two-tier structure to send less post if prices increased.

Of those residential customers who currently used First Class all or most of the time, only 57% would continue to do so if prices increased. 27% would switch instead to Second Class all or most of the time. Of those residential customers who currently used First and Second Class equally often, 51% would switch to using Second Class all or most of the time.

**Chart 6.5: Impact of higher prices on residential customers**

<table>
<thead>
<tr>
<th>If the price of First class stamps was 90p and the price of second class stamps was 60p...</th>
<th>... Would you use?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Would send more</td>
<td>70%</td>
</tr>
<tr>
<td>Remain the same</td>
<td>11%</td>
</tr>
<tr>
<td>Would send a little less</td>
<td>17%</td>
</tr>
<tr>
<td>Would send a lot less</td>
<td>35%</td>
</tr>
<tr>
<td>Wouldn’t send any post</td>
<td>45%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>14%</td>
</tr>
</tbody>
</table>

Source: Residential Survey FX1a, FX1b, FX2
Base: All residential respondents (4083)

### 6.5 Potential change with most significant negative impact

Residential and business customers were then shown a further list of potential changes to the postal service which might make things worse for them by disrupting the way they usually do things. They were asked to say which change from the wider list of proposed changes would have the most significant negative impact on them.

The most common response amongst both groups of customers was that none of the changes would have a significant impact (around a quarter said this).
The potential change which business customers were most likely to say would have a negative impact was not having a guaranteed next day delivery service, chosen by 22% (Chart 6.6). This was followed by the rise in cost of First Class to 90p (14%), delivery time put back to 6pm (10%) and bringing forward of the collection time from post boxes (8%).

Residential customers were most likely to be worried about a rise in the price of First Class stamps to 90p (15%), followed by no next day delivery service (12%) and post box being located further away (10%).

**Chart 6.6: Change which would have most significant negative impact**

![Chart showing the percentage of business and residential customers concerned about various potential changes to the postal service.]

Amongst sub-groups of business customers, those companies with 51+ staff were the most likely to fear a negative impact of some kind (i.e. they were least likely to say that none of the changes would impact them). Public sector organisations and those who spend all or most of their postal budget with Royal Mail were most likely to be concerned about the First Class price increase. Firms who said mail is core to their business were more likely than average to select as the most negative change not having a guaranteed next day service (29% vs. 22%) and a
later delivery time (21% vs. 10%). Businesses in deep rural locations were more likely than average to be concerned about earlier collection of post (12% vs. 8%). Home traders were more likely than those in business premises to cite the post box being further away as having the biggest negative impact (9% vs. 4%). Of those who had said they were dissatisfied with the location of the post box in their area, just 10% picked the box being further away as their top negative impact; the price of First Class and later delivery times were much more likely to be the main concern.

For residential customers, customers aged 65+, housebound people and those on low incomes were more likely than average to select the First Class stamp price rise as the change which would have most negative impact on them. For younger people and those of higher social grade, the main concern was much more likely to be lack of a guaranteed next day service than a price rise. Those in rural and deep rural parts of Scotland, Wales and Northern Ireland were more likely than average to be concerned about their post box being further away.

Residential and business customers were asked about the size of the impact of the change that would most affect them along the scales shown on Chart 6.7.
One in ten business customers claimed that the most negative change would have a severe impact on the ability to run the business. Thirty seven percent said it would make running the business more costly, but they would work round it. Similarly, one in ten residential customers chose the “top box” answer that there would be a severe impact, and 39% chose the “second box” response that it would be a major inconvenience but they would work round it. When the severity of impact of price changes is removed (i.e. excluding respondents who said price changes would have the most significant impact on them), to only look at the impact of changes to the quality of service, the figures in chart 6.7 do not change for residential customers. For businesses, excluding those that said price changes would have the most significant impact makes the percentage that answered “it would make running the business more costly” decrease by 7 percentage points and those that said it would be an inconvenience increase by 8 percentage points.

Larger businesses were more likely than smaller businesses to say that the potential change would have a severe impact on them (17% amongst those with 251+ staff vs. 10% amongst those with one or two staff).
Businesses which used PPI to pay for postage (whose chief potential change concern was not having a guaranteed next day service) were almost four times as likely as the average business to say the impact would be severe. Those who used bulk mail and those to whom mail was core to the business were also much more likely than average to predict a severe impact.

Older people, those from DE social grades, disabled or housebound people and those sending 4+ items of post per week were the most likely to say that the most negative change would have a severe impact on them.

6.6 Improvements customers would like to see

Residential and business customers were asked what one thing they would improve about the postal service. The most common answer for both groups was to make prices cheaper (mentioned by 20% of business customers and 26% of residential customers). The second most common answer for both groups was to make deliveries earlier (mentioned by 11% of business customers and 16% of residential customers). These results are shown in Chart 6.8. It should also be noted that about a quarter of respondents could not think of one thing they wished to improve (including 14% who said there was nothing they wanted to improve).

Customers had been subjected to price rises around the time of the research, and many would no doubt still remember when Royal Mail used to deliver twice a day instead of just once (at breakfast time as well as at lunchtime). These experiences may have been responsible for the prevalence of these answers. The qualitative research noted that nostalgia and loss aversion have an impact on views. It also highlighted that customers expect a downward pressure on Royal Mail’s prices regardless of whether they perceive Royal Mail as being in the public sector or private sector arena.

Residential customers’ propensity to suggest cheaper prices is correlated with wealth. Thirty two percent of DEs suggest cheaper prices vs. only 19% of ABs. Thirty four percent of those earning under £11.5k pa wanted lower prices vs. only 14% of those earning 50k+ pa. Those who already used Second Class for all or most of their post were also more likely than average to suggest cutting prices (31%). Residential customers in deep
rural areas were more likely than average to mention wanting a
guaranteed next day First Class delivery service (5% vs. average of 2%).
Amongst business customers, those most likely to suggest price cuts were those who used PPI and meters (mentioned by 30% of PPI customers and 24% of meter customers) and those who always or mainly use Second Class post already (28%). Those who used bulk services were less likely than average to suggest cheaper prices (14% vs. average of 20%), particularly those who used a bulk provider other than Royal Mail (11% vs. 20%). Instead, bulk mail users’ priority was for earlier deliveries (16% vs. average of 11%).

Residential customers were further prompted with a list of possible improvements to the postal service and asked which one they would most like. The list is shown in Chart 6.9. Note that cheaper prices was not an option. Taking that into account, the most popular suggestions were very similar to customers’ own, namely earlier delivery of post (26%) and evening delivery of items that cannot fit through the letterbox (19%).
Chart 6.9: Preference for potential changes (prompted) – residential customers

Propensity to favour evening delivery of items that cannot fit through the letterbox was higher than average among younger and wealthier customers, those with internet access, those who receive parcels/packets at least once a month and those who work full time. The qualitative research also highlighted having a service which fits with the demands of modern life as being one of the core postal user needs, in particular the growing propensity to buy online and hence to receive packets/parcels through the post.

Those particularly likely to prioritise the earlier delivery of post were those in lower social grades. Details of sub-group differences are given in Tables 6.2 and 6.3.
Table 6.2: Sub-group differences in (prompted) preference for evening delivery of items that cannot fit through letterbox

<table>
<thead>
<tr>
<th>Sub-group</th>
<th>Base size (unweighted)</th>
<th>% selecting evening delivery of items that cannot fit through letterbox</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16-24</td>
<td>423</td>
<td>21</td>
</tr>
<tr>
<td>25-34</td>
<td>600</td>
<td>27</td>
</tr>
<tr>
<td>35-64</td>
<td>1912</td>
<td>20</td>
</tr>
<tr>
<td>65+</td>
<td>1150</td>
<td>9</td>
</tr>
<tr>
<td><strong>Social grade</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AB</td>
<td>813</td>
<td>24</td>
</tr>
<tr>
<td>DE</td>
<td>1373</td>
<td>13</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;17.5k pa</td>
<td>1301</td>
<td>14</td>
</tr>
<tr>
<td>£17,00-£29,999 pa</td>
<td>636</td>
<td>23</td>
</tr>
<tr>
<td>&gt;£30k pa</td>
<td>776</td>
<td>28</td>
</tr>
<tr>
<td><strong>Internet access</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>1351</td>
<td>21</td>
</tr>
<tr>
<td>No</td>
<td>934</td>
<td>10</td>
</tr>
<tr>
<td><strong>Receive packets/parcels at least once a month</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>1467</td>
<td>23</td>
</tr>
<tr>
<td>No</td>
<td>2618</td>
<td>17</td>
</tr>
<tr>
<td><strong>Working status</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full/part time</td>
<td>1888</td>
<td>25</td>
</tr>
<tr>
<td>Retired/not working</td>
<td>2197</td>
<td>13</td>
</tr>
</tbody>
</table>

Table 6.3: Sub-group differences in (prompted) preference for earlier delivery of post

<table>
<thead>
<tr>
<th>Sub-group</th>
<th>Base size (unweighted)</th>
<th>% selecting earlier delivery of post</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social grade</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ABC1</td>
<td>1892</td>
<td>24</td>
</tr>
<tr>
<td>C2DE</td>
<td>2193</td>
<td>29</td>
</tr>
</tbody>
</table>
7. Acceptability of changing the universal service

Summary – residential customers

- The current service was found tolerable by more than nine in ten residential customers, with little difference across sub-groups
  - It was least acceptable to vulnerable groups: people aged 75+, those housebound, or living in rural areas

- Customers were found to be very tolerant of the postal service even if the service was made considerably worse
  - Older, housebound or disabled people, and those in socio economic groups DE were more negative towards changes and might be the most disadvantaged by price increases

- The change that was found to be the least tolerable across the sub-groups is the price increase of First Class mail to 90p

- Residential customers would be more tolerant of changes to the service than price increases

- They would tolerate significant reductions in the service to maintain prices or minimise further price rises in future

- Maintaining a six day collection and delivery service was valued the highest – it was found to be equivalent to a 12p rise in the price of First Class

- Reducing the quality of service so that 80% arrives within one working day was found to be equivalent to a 8p increase in price

- Changing collection times so that post in rural/local areas is collected at 10am equated to a 6p rise
Summary – business customers

• More than nine in ten businesses found the current service provided tolerable
  o Businesses that spend between £400 and £2499 per month and use stamps or online postage had the lowest level of tolerability, together with rural and small offshore businesses

• Customers were found to be very tolerable of the postal service; even if the service was made considerably worse, tolerability dropped to 81.7 for the worst possible service
  o Business customers were generally more sensitive to changes in the offer than residential customers

• Larger businesses with the highest postal spend were the most sensitive to price increases

• Changes in the service were less tolerable for small businesses in rural and deep rural locations

• Businesses were more sensitive to losing a weekday of service than they were to losing mail delivery on a Saturday

• The introduction of an optional service offering evening or Saturday delivery was much more attractive to businesses than residential customers

• Businesses would not be willing to pay any more to maintain Saturday delivery and collections, however, losing a weekday was equivalent to a 14p rise in First Class

• Businesses would be as willing to pay 12p more for First Class post as for the quality of service of First Class to be reduced to 80% of items arriving within one working day
7.1 The trade-off exercise

Choice based conjoint analysis, a form of trade-off analysis, was included in the study to help identify customers’ needs from the postal service and the elements of the universal service they particularly value. Below we outline how this technique was used to identify customers’ needs. Further details are provided in Appendix G.

Conjoint analysis is a statistical technique that helps us better understand what people really value in products and services and what drives these decisions. Customers find it difficult to answer questions about what they value directly and rationalise their choices, partly because we are asking them to think about their preferences in a way that is unfamiliar to them, and partly because other factors such as the desire to appear logical or socially responsible constrain their responses.

In a conjoint exercise respondents are asked to choose between different product concepts - descriptions of the full product or service with different combinations of the component features. Based on their choices, we can determine what is driving their behaviour and the relative appeal of the different elements being tested. The task is therefore much more straightforward for the respondent than asking them to rationalise the choices they make themselves, as we simply ask what they would choose.

Seven different components (or attributes) of the service were tested, represented by different levels including the current level14:

- Whether to retain the current quality of service standard on First Class post which requires that 93%15 of post is delivered the next working day or to reduce the service to:
  - 80% delivered next day; or
  - 90% of First Class post sent locally arrives within one day and 90% of First Class post sent elsewhere in the UK arrives within two days

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14 The levels set were designed to be realistic but also sufficiently discriminating to enable respondents to make choices between the different service packages and to enable us to monetise the findings of the conjoint.

15 For simplicity, the current service level was described as 90%.
• Whether to continue to deliver and collect post six days a week or whether this could be reduced to five days a week; either Monday-Friday or Saturday plus four weekdays

• Whether to retain last collection times as 3.00pm at rural/local boxes and 6.30pm at town centre boxes, or make last collection times at local/rural boxes earlier (but maintain last collection times at town centre boxes) to:
  o 12.00 noon at rural/local boxes (and 6.30pm at town centre boxes)
  o 10.00am at rural/local boxes (and 6.30pm at town centre boxes)

• Whether to maintain current delivery times whereby all post is delivered by 4.00pm in rural areas and 3.00pm in towns and cities, or to make the cut off earlier, 3.00pm in rural areas and 2.00pm in towns and cities, or later and standardised across all areas to:
  o Post is delivered by 5.00pm in all areas
  o Post is delivered by 6.00pm in all areas

• Whether to offer an additional service enabling the sender to specify delivery in the evening or on Saturday for post that cannot fit through a letterbox and/or requires a signature for a fee of £4.50

• Whether to maintain the price of a First Class and a Second Class stamp at 60p or 50p respectively (44p and 33p for businesses using Meters or PPI), or raise prices to:
  o 70, 80 or 90p for First Class (54p, 64p or 74p for business meter/PPI)
  o 60p for Second Class (43p for business meter/PPI)

Respondents were shown two different packages at a time and asked to choose the one that best met their postal needs (see the example shown in Table 7.1). They also had the option to say that neither was acceptable16.

16 When choosing between packages, there may be occasions when neither of the options is acceptable to them. While they may have a preference for one over the other, the reality is that they would not choose either of them. The inclusion of the “none” option avoids spurious choices being made. It also enables the modelling of the level at which elements become sufficiently
Table 7.1: Example of trade-off conjoint package comparison

<table>
<thead>
<tr>
<th></th>
<th>Option A</th>
<th>Option B</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Collection and delivery</strong></td>
<td>Delivery and collection 6 days a week</td>
<td>Delivery and collection 5 days a week (Mon – Fri)</td>
</tr>
<tr>
<td><strong>Last collection times</strong></td>
<td>3.00pm at rural/local boxes and 6.30pm at town centre boxes</td>
<td>12 noon at rural/local boxes and 6.30pm at town centre boxes</td>
</tr>
<tr>
<td><strong>Latest delivery times</strong></td>
<td>Post is delivered by 4.00pm in all areas</td>
<td>Post is delivered by 3pm in rural areas and 2pm in towns and cities</td>
</tr>
<tr>
<td><strong>Service</strong></td>
<td>95% of First Class post arrives within one working day</td>
<td>80% of First Class post arrives within one working day</td>
</tr>
<tr>
<td><strong>Price of stamp(s)</strong></td>
<td>First Class 80p, Second Class 60p</td>
<td>First Class 65p, Second Class 50p</td>
</tr>
<tr>
<td><strong>Additional delivery options</strong></td>
<td>No option to specify evening / Saturday delivery</td>
<td>You can specify evening or Saturday delivery for a fee of £4.50</td>
</tr>
</tbody>
</table>

Each customer was shown seven different pairs of packages, so that, across all 14 packages, customers would have been exposed to each level of each attribute three to four times. This enables us to determine how much customers value each attribute as well as the overall package. More specifically, we are also able to look at the tolerability of the different packages and customers’ willingness to pay, to help determine what customers’ needs are from the service and what aspects they particularly value.

attractive to be chosen or where it would make the service unacceptable. When taking part in the survey, respondents were told: “Choosing ‘Neither’ means that you would not be able to post, send or receive the items you wish using either option, and that you would have to find an alternative communication method to meet this need, including not sending or receiving the item at all.”

17 A package is tolerable if it meets the customers’ minimum requirements from the postal service. If a package is untolerable to a customer, it means that the postal service would not meet their minimum requirement and, as such, they would have to switch to another method of communication.
If an aspect of the postal service is removed or made worse and the level of tolerability of the package does not change much, this implies that customers do not really need this feature and that they will make do or adapt their use of the postal system accordingly, rather than find an alternative method of communication. Conversely, if the level of tolerability falls, this indicates a real need for a number of people and means that these users would be very likely to look at alternatives to the Royal Mail service.

Furthermore, by looking more broadly across the seven choices made by respondents we are able to determine how changes in the different attributes of the service influence tolerability and which attributes and levels are the main drivers of decision making.

Further details of the conjoint packages tested and the conjoint analysis are given in Appendix G.

### 7.1.1 Comments on the methodology

It was decided to use a conjoint approach as asking respondents to react to a whole package is better than evaluating attributes separately because it gives a better picture of whether the overall service is acceptable and because it avoids the need for respondents to assess how important things are and trying to rationalise their choices themselves. By analysing the choices to deduce the underlying needs and wants we get a truer picture of them, in terms of whether they really have an impact rather than whether people feel like they ought to be important (or they should say that they are). There are a number of weaknesses/criticisms which can be levelled at this approach and these are outlined along with the actions we took to mitigate them below.

Conjoint can be viewed as an artificial exercise as people do not have to choose between postal services in real life. They can therefore treat it as a game and not a “real” decision. Because it isn’t real, they can also tend to seek perfection and when choosing between services could be tempted to reject them both for failing to reach this level, although in reality they would accept them. However, the questions were carefully designed (through an extensive process of piloting) and phrased in such a way that respondents understood what they were doing, and could therefore see the point in comparing services and saying which they would prefer,
whilst also avoiding spurious rejections of services which would really be acceptable.

It is always possible that respondents do not answer “correctly” and simply pick a service because they have been asked to do so. If their choices are random, though, they will not greatly affect the results as, without a pattern to their answers, the analysis will not identify dominant issues driving their behaviour.

If respondents’ preferences in real life were very slight, it may have been possible that asking them to make a choice overstated the impact of small differences between services. However, unless there is a consistent pattern behind the choices respondents made, it is unlikely to have had a major impact on results and produce false readings on which attributes are important (instead tending to produce flatter results with less in the way of key factors emerging). The type of false response patterns which would be of concern is if people had a clear strategy for answering the questions which did not reflect (or massively overstated) their behaviour, but this is likely to have been a very rare occurrence.

The other area in which conjoint can be weak is if people do not really understand the issues that are being evaluated. However, this risk was mitigated by explaining the exercise in depth before asking respondents to answer questions. The extensive piloting carried out as part of the development of the survey demonstrated that respondents were able to understand the task.

Finally, the exercise examined a relatively large number of different attributes of the service (seven). Best practice is to test no more than four to five. However, in this case a number of the attributes tested were closely related (e.g. days and times of collections and deliveries and price of First and Second Class post) which mitigated the impact and the extensive piloting checked that respondents were able to discriminate sufficiently between the different packages tested and were not unduly fatigued by the exercise.

7.2 Importance of attributes
The first, most basic, level of analysis of the conjoint model is to compare the impact of changing the performance levels of the different attributes.
This is done to show that some changes have more effect on the attractiveness of the total offer than others.

Chart 7.1 shows the relative importance of the seven different attributes which were tested in the conjoint exercise. The relative difference between the attributes is more important than the actual scores in isolation; the relative difference between these scores indicates which are the strongest drivers of customer choices. It is important to note that the importance of these attributes is based on the levels which were tested in the conjoint exercise. Should different levels be tested within each attribute (e.g. higher prices or fewer days of delivery and collection), then the importance of the attributes might be different.
The price of First Class mail is the greatest driver of choice for both business and residential customers. Customers were given different price options for First Class mail that started at the current price of 60p and rose to 90p. The second strongest driver of choice was the number of days per week that mail is collected and delivered. Customers were given options, starting with the current six day service, and then two five day services (Monday to Friday, and four weekdays and Saturday).

There was a larger difference for business customers between the top two drivers of choice than for residential customers. Business customers were generally more price sensitive than residential customers and also less interested in mail being collected and delivered on Saturdays. The overall order of the other attributes is broadly similar among business customers and residential customers, with quality of First Class service being slightly stronger driver of choice than delivery and collection times, and the two weakest drivers of choice being the price of Second Class mail (which only had a comparison of 50p and 60p) and the option of additional evening and weekend delivery services.

Delivery time was a slightly stronger driver of choice for residential than business customers.
7.3 Tolerability of the current service

Before looking at any proposed changes to the service, this report will highlight how residential and business customers thought the current service was meeting their needs, as this provides a useful benchmark (see Tables 7.2-3).

More than nine in ten businesses (93.9%) and residential customers (92.5%) found the current service provided tolerable.

Table 7.2: Table showing tolerability of current service for businesses

<table>
<thead>
<tr>
<th></th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL BUSINESS</td>
<td>93.9</td>
</tr>
<tr>
<td>1-2 Employees</td>
<td>93.5</td>
</tr>
<tr>
<td>3-10 Employees</td>
<td>96.8</td>
</tr>
<tr>
<td>11-50 Employees</td>
<td>90.3</td>
</tr>
<tr>
<td>51-250 Employees</td>
<td>94.3</td>
</tr>
<tr>
<td>251+ Employees</td>
<td>90.6</td>
</tr>
<tr>
<td>Monthly mail spend less than £50</td>
<td>94.8</td>
</tr>
<tr>
<td>Monthly mail spend £51-£100</td>
<td>90.6</td>
</tr>
<tr>
<td>Monthly mail spend £101-£449</td>
<td>94</td>
</tr>
<tr>
<td>Monthly mail spend £450-£2,499</td>
<td>85.4</td>
</tr>
<tr>
<td>Monthly mail spend £2,500-£16,499</td>
<td>97</td>
</tr>
<tr>
<td>Mostly use stamps/online postage</td>
<td>93.8</td>
</tr>
<tr>
<td>Mostly use metered/franked/PPI</td>
<td>94.6</td>
</tr>
<tr>
<td>Home traders</td>
<td>94.8</td>
</tr>
<tr>
<td>Mail is core</td>
<td>93.3</td>
</tr>
<tr>
<td>Mail is critical</td>
<td>92.7</td>
</tr>
<tr>
<td>Rural</td>
<td>91.4</td>
</tr>
<tr>
<td>Deep rural</td>
<td>92.6</td>
</tr>
<tr>
<td>Offshore</td>
<td>92.2</td>
</tr>
<tr>
<td>Small businesses - rural</td>
<td>91.3</td>
</tr>
<tr>
<td>Small businesses - deep rural</td>
<td>92.7</td>
</tr>
<tr>
<td>Small businesses - offshore</td>
<td>89.5</td>
</tr>
<tr>
<td>England</td>
<td>93.7</td>
</tr>
<tr>
<td>Scotland</td>
<td>94.3</td>
</tr>
<tr>
<td>Wales</td>
<td>95.3</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>98.5</td>
</tr>
</tbody>
</table>
Table 7.3: Table showing tolerability of current service for residential customers

<table>
<thead>
<tr>
<th></th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL RESIDENTIAL</td>
<td>92.5</td>
</tr>
<tr>
<td>65+</td>
<td>89.1</td>
</tr>
<tr>
<td><strong>75+</strong></td>
<td><strong>85.4</strong></td>
</tr>
<tr>
<td>DE</td>
<td>89.5</td>
</tr>
<tr>
<td>Have Disability</td>
<td>90.5</td>
</tr>
<tr>
<td><strong>Housebound</strong></td>
<td><strong>88.9</strong></td>
</tr>
<tr>
<td>BME</td>
<td>92.0</td>
</tr>
<tr>
<td><strong>Rural</strong></td>
<td><strong>94.3</strong></td>
</tr>
<tr>
<td><strong>Deep Rural</strong></td>
<td><strong>87.0</strong></td>
</tr>
<tr>
<td><strong>Offshore</strong></td>
<td><strong>97.8</strong></td>
</tr>
<tr>
<td>Rural/Deep Rural England</td>
<td>93.4</td>
</tr>
<tr>
<td><strong>Rural/Deep Rural Scotland</strong></td>
<td><strong>94.3</strong></td>
</tr>
<tr>
<td>Rural/Deep Rural Wales</td>
<td>92.8</td>
</tr>
<tr>
<td><strong>Rural/Deep Rural Northern Ireland</strong></td>
<td><strong>85.9</strong></td>
</tr>
<tr>
<td>England</td>
<td>92.8</td>
</tr>
<tr>
<td>Scotland</td>
<td>90.6</td>
</tr>
<tr>
<td>Wales</td>
<td>93.0</td>
</tr>
<tr>
<td><strong>Northern Ireland</strong></td>
<td><strong>89.9</strong></td>
</tr>
<tr>
<td>Receive Packets/Parcels</td>
<td>95.7</td>
</tr>
<tr>
<td>Internet access</td>
<td>93.6</td>
</tr>
</tbody>
</table>

On the whole there was little difference in the proportion of residential customers who found the current service tolerable across the sub-groups. The largest difference was to be found with age. Residential customers aged 75 years or older were the least likely to feel the current service was tolerable (85.4%).

There was a slightly lower level of tolerability of the current service among housebound residential customers (88.9%).

Residential customers living in deep rural areas, especially if they were located in Northern Ireland, were relatively less tolerant of the current service (87% deep rural, 85.9% Northern Ireland rural or deep rural). Conversely, almost all business customers in Northern Ireland were tolerant of the current service (98.5%).

There was a difference between deep rural and rural residential customers; those in rural areas had a higher level of tolerability with the current service (94.5%). The reverse was the case amongst businesses in
rural areas; they had a slightly lower level of tolerability to the current service (91.4%).

The highest level of tolerability with the current service amongst residential customers was with those who live offshore (97.8%). There was a lower level of tolerability among small offshore businesses (89.5%).

There was also a slightly higher level of acceptability for those who receive fulfilment goods (packets or parcels) at 95.7%.

While businesses that spend over £2500 per month on mail had a higher level of tolerability with the current service, it should be remembered that almost all of these businesses use PPI or meter. Half of businesses that spend between £450 and £2499 per month used stamps or online postage. They had the lowest level of tolerability among businesses (85.4%). Postage rates for meter/PPI are cheaper than stamps and the gap has widened significantly with the new price rises introduced in April 2012.

7.3.1 Range of tolerability
Table 7.4 summarises the range of tolerability; this is the difference in tolerability between the most acceptable and the least acceptable package. The table shows what elements are included in the best/most tolerable offer, and the worst/least tolerable offer.

Table 7.4: Range of tolerability
The table shows that there was a wider range of tolerability between the highest rating offer and the worst rating offer among business customers (range of 13%) than residential customers (range of 6.1%), illustrating that residential customers were more tolerant of reductions to the level of the postal services. It is also likely that the fact that residential customers send less post than businesses in general meant that they were more likely to find higher prices and a degradation of the service tolerable.

The fact that residential users have a smaller range of tolerability suggests they need post more than businesses – i.e. even with an increase in price or worsening of service they still would use the service. In contrast, businesses are more likely to say they would not tolerate the service (i.e. they don’t need it as much as they could make do with an alternative means of communication).

For both groups, the level of tolerability for the best offer was similar to the current service, but the level of tolerability for the worst offer was significantly less than the current offer. The current offer was close to the peak service and proposed changes to the service resulted in a lower level of tolerability. This reflected that most of the options tested represented a reduction in the level of the postal service. Even at this level, the worst offer was tolerated by more than eight in ten residential and business customers.
The range of tolerability was greater for some sub-groups, as shown in Table 7.5. They were always slightly more likely to be less tolerant of the proposed packages, regardless of what was included, with slightly lower proportions finding the current and best packages tolerable as well as the worst.

**Table 7.5: Range of tolerability by sub-group**

<table>
<thead>
<tr>
<th>Residential</th>
<th>Best %</th>
<th>Worst %</th>
<th>Range %</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>92.8</td>
<td>86.7</td>
<td>6.1</td>
</tr>
<tr>
<td>65+</td>
<td>89.5</td>
<td>79.8</td>
<td>9.6</td>
</tr>
<tr>
<td>75+</td>
<td>85.8</td>
<td>76.6</td>
<td>9.2</td>
</tr>
<tr>
<td>Retired</td>
<td>90.0</td>
<td>81.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Have disability</td>
<td>90.8</td>
<td>83.1</td>
<td>7.8</td>
</tr>
<tr>
<td>Rural/Deep rural</td>
<td>93.3</td>
<td>82.4</td>
<td>10.9</td>
</tr>
<tr>
<td>Wales</td>
<td>93.4</td>
<td>84.0</td>
<td>9.4</td>
</tr>
<tr>
<td>Scotland</td>
<td>91.1</td>
<td>80.8</td>
<td>10.3</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>90.3</td>
<td>83.6</td>
<td>6.7</td>
</tr>
<tr>
<td>Deep rural</td>
<td>87.4</td>
<td>80.4</td>
<td>7.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business</th>
<th>Best %</th>
<th>Worst %</th>
<th>Range %</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>94.7</td>
<td>81.7</td>
<td>13.0</td>
</tr>
<tr>
<td>Monthly mail spend</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£2,500+</td>
<td>97.9</td>
<td>73.7</td>
<td>24.2</td>
</tr>
<tr>
<td>£2,500-£6,499</td>
<td>98.3</td>
<td>71.3</td>
<td>27.0</td>
</tr>
<tr>
<td>£450-£4,999</td>
<td>87.0</td>
<td>71.5</td>
<td>15.5</td>
</tr>
<tr>
<td>Rural</td>
<td>92.3</td>
<td>75.5</td>
<td>16.7</td>
</tr>
<tr>
<td>Deep rural</td>
<td>94.3</td>
<td>79.1</td>
<td>15.2</td>
</tr>
<tr>
<td>Small business –</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>rural</td>
<td>92.2</td>
<td>75.5</td>
<td>16.7</td>
</tr>
<tr>
<td>Small business –</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>offshore</td>
<td>91.0</td>
<td>75.0</td>
<td>16.0</td>
</tr>
<tr>
<td>Turnover £1m – £5m</td>
<td>94.2</td>
<td>64.6</td>
<td>29.6</td>
</tr>
<tr>
<td>Turnover £5m+</td>
<td>93.3</td>
<td>66.5</td>
<td>26.9</td>
</tr>
</tbody>
</table>

*Base: All business respondents (1126), All residential respondents (4085)*

Older people, aged 65+ were significantly less likely to find all the packages tolerable. They found the current and best packages significantly less tolerable than all other groups and the difference in the tolerability between the best and worst package was 9.6% for those aged 65+ and 9.2% for those aged 75+. However, those aged 75+ found the worst package less tolerable than any other sub-group (score of 76.6). This suggests that they might be more disadvantaged by a change in the service. They were particularly sensitive to the price increases (First Class mail costing 90p), as discussed in the next section.

Reflecting that they are generally older, people who were retired or disabled also had a greater range of tolerability and found the worst package less tolerable than average.
Those in Wales, especially the rural or deep rural population in Wales and in Scotland, or deep rural areas had a wider range of tolerability, and this indicates they would be more affected by service changes than other groups.

Businesses had double the range of tolerability to offer changes than residential customers (13% compared to 6.1%), indicating more sensitivity to changes in the offer than residents. This was particularly the case for businesses with larger mail spends (monthly mail spend more than £2500 per month=24.2%). Businesses with high turnovers, those in rural or deep rural areas, and small businesses in rural and offshore areas had a wider range of tolerability than the norm. It is also important to note that all of these groups (with the exception of deep rural businesses) were significantly less tolerant of worst package than businesses generally.

7.4 Effect of improvements to the offer

Two potential improvements to the current offer were tested; making latest delivery times one hour earlier and a service for delivering items that cannot fit through a letterbox or require a signature in the evenings or on Saturday. This section examines the changes to the levels of tolerability and attractiveness from making improvements to the offer.

So far, in this report, we have only looked at the tolerability of different services, but conjoint analysis also allows us to look at the attractiveness. The tolerability only allows us to know whether a service meets customers’ minimum needs and not how much customers like a service. In contrast to this, the attractiveness provides us with a measure of how much customers like services and helps us to differentiate between services with equal levels of tolerability. It is only appropriate to use the attractiveness scores for assessing need for improvements to the service. The other changes assessed would make the service poorer and, thus, will not improve its attractiveness.

Table 7.6 shows the impact on tolerability and attractiveness of making one improvement to the current service with all other elements remaining the same, and then the impact of making both improvements.
Table 7.6: Impact on tolerability/attractiveness of improvements to the service

<table>
<thead>
<tr>
<th>Service</th>
<th>Tolerability/Attractiveness</th>
<th>With both improvements, makes current service more tolerable to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service</td>
<td>Residential – 92.5/100</td>
<td>Businesses</td>
</tr>
<tr>
<td></td>
<td>Business – 93.9/100</td>
<td>Mail spend £450-£2,499</td>
</tr>
<tr>
<td>Current service + evening/weekend delivery</td>
<td>Residential – 92.6/103.6</td>
<td>Deep rural</td>
</tr>
<tr>
<td>option</td>
<td>Business – 94.4/105.3</td>
<td>Small businesses offshore</td>
</tr>
<tr>
<td>Current service + earlier delivery</td>
<td>Residential – 92.7/104.4</td>
<td>London</td>
</tr>
<tr>
<td></td>
<td>Business – 94.3/102.4</td>
<td>Residents</td>
</tr>
<tr>
<td>Current service + evening/weekend delivery</td>
<td>Residential – 92.8/108</td>
<td>75+</td>
</tr>
<tr>
<td>option &amp; earlier delivery</td>
<td>Business – 94.7/107.8</td>
<td>Wales (rural and deep rural)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Retired</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deep rural</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Scot, Wales and Northern Ireland</td>
</tr>
</tbody>
</table>

Base: All business respondents (1126), All residential respondents (4085)

The best offer (including both improvements) led to an increase of 0.3% for residential customers, and 0.8% for businesses. Neither of the individual changes, adding an evening/weekend optional delivery service (with a £4.50 surcharge), or providing an earlier latest delivery time, made much of a difference.

However, the improvements resulted in a small but significant increase in the attractiveness of the service compared to the current service, for both residential and business customers. Residential customers found either improvement equally attractive, but business customers found the evening and Saturday delivery option slightly more attractive than earlier delivery times.

There was some variation among residential sub-groups. With both changes there were improvements to tolerability for the elderly, those living in deep rural areas and those living in Scotland, Wales or Northern Ireland (increasing by 0.4 or 0.5 for all of these groups). Those who receive fulfilment goods had the highest tolerability to the proposed improved service (96%), but this was equivalent to this sub-groups’ tolerability of the existing service (95.7%).
For businesses there was no consistent pattern in increase of attractiveness or tolerability of the offer when the two improvements were offered. While businesses in deep rural areas and small offshore businesses increased at a slightly higher level, so did businesses in London, the largest urban area.

7.5 Effect of single changes to the offer

This section examines the impact that making one change to the service has on the tolerability of the service itself. This covers reductions in the service or increases in the price.

As the worst offered combination of quality of service, delivery and collection times, price of mail, and days the service is offered has a range of 6% for residential customers and 13% for businesses, each individual change offered did not have much impact on its own.

Table 7.7: Impact on tolerability/attractiveness of a single change – residential customers

<table>
<thead>
<tr>
<th>Change to the service</th>
<th>Tolerability</th>
</tr>
</thead>
<tbody>
<tr>
<td>90% arrives within 1 day locally / 2 days elsewhere</td>
<td>92.3</td>
</tr>
<tr>
<td>12.00 noon at rural/local &amp; 6.30 pm at town centre</td>
<td>92.3</td>
</tr>
<tr>
<td>By 5.00 pm in all areas</td>
<td>92.2</td>
</tr>
<tr>
<td>80% arrives within one day</td>
<td>92.1</td>
</tr>
<tr>
<td>By 6.00 pm in all areas</td>
<td>92.1</td>
</tr>
<tr>
<td>10.00 am at rural/local &amp; 6.30 pm at town centre</td>
<td>92.0</td>
</tr>
<tr>
<td>70p first class</td>
<td>91.6</td>
</tr>
<tr>
<td>5 days a week, Saturday + 4 weekdays</td>
<td>91.4</td>
</tr>
<tr>
<td>5 days a week, Monday to Friday</td>
<td>91.3</td>
</tr>
<tr>
<td>60p second class ( &amp; 70p first class)</td>
<td>91.2</td>
</tr>
<tr>
<td>80p first class</td>
<td>91.1</td>
</tr>
<tr>
<td>90p first class</td>
<td>90.1</td>
</tr>
</tbody>
</table>

Range of 2.2

Base: All residential respondents (4085)
Table 7.8: Impact on tolerability/attractiveness of a single change – business customers

<table>
<thead>
<tr>
<th>Change to the service</th>
<th>Tolerability</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 days a week, Monday to Friday</td>
<td>93.9</td>
</tr>
<tr>
<td>90% arrives within 1 day locally / 2 days elsewhere</td>
<td>93.4</td>
</tr>
<tr>
<td>By 5.00 pm in all areas</td>
<td>93.3</td>
</tr>
<tr>
<td>By 6.00 pm in all areas</td>
<td>93</td>
</tr>
<tr>
<td>54p / 70p first class</td>
<td>92.7</td>
</tr>
<tr>
<td>12.00 noon at rural/local &amp; 6.30 pm at town centre</td>
<td>92.7</td>
</tr>
<tr>
<td>80% arrives within one day</td>
<td>92.6</td>
</tr>
<tr>
<td>10.00 am at rural/local &amp; 6.30 pm at town centre</td>
<td>92.5</td>
</tr>
<tr>
<td>41p / 60p second class &amp; (54p / 70p first class)</td>
<td>92.6</td>
</tr>
<tr>
<td>64p / 80p first class</td>
<td>91.4</td>
</tr>
<tr>
<td>5 days a week, Saturday + 4 weekdays</td>
<td>91.2</td>
</tr>
<tr>
<td>74p / 90p first class</td>
<td>88.2</td>
</tr>
</tbody>
</table>

There was a range of 2.2% between all of the reductions in service for residential customers, and 5.7% for business customers. The worst individual reduction was still tolerable for nine in ten customers (90% residential, 88% business). Tables 7.7-8 show that customers were more sensitive to price changes than other differences, although the only statistically significant difference was for 90p First Class mail. It indicates that customers would be more tolerant of changes to the service than price increases and would tolerate significant reductions in the service to maintain prices or minimise further price rises in future. This includes cutting collections and deliveries to five days per week and a significant reduction in the quality of service on First Class post to 80% having to arrive within 24 hours, along with more minor changes to collection and delivery times.

Businesses were more sensitive to losing a weekday of service than they were to losing mail delivery on a Saturday. This change reduced the tolerability of the service by 2.7% and was felt to be worse than all changes other than a price rise in First Class post to 90p.
7.6 Impact of single changes on sub-groups

A number of differences were observed by sub-group and these are discussed below.
Looking at sub-group trends across each of the single changes, the following key trends emerged:

- Those aged 75+, housebound, disabled and those living in deep rural areas were more negative to all changes (as well as the current service)

- Residential customers living in rural areas and offshore found the proposed changes slightly more tolerable than the wider population. However, it should be noted that a higher proportion of rural residents were in high income groups and social grade AB and generally more tolerant of changes

- Changes in the service were less tolerable for small businesses in rural, deep rural and offshore locations

It is also important to note, that, in general, the vulnerable groups that show lower levels of tolerability to changes, also start from a lower base of tolerability towards the current service.

7.6.1 Days of delivery and collection

Residential

Residential customers on the whole found it equally tolerable to lose Saturday delivery and collection as to lose delivery and collection on a weekday.

There were a number of differences observed; sub-groups less likely to find a reduction in the number of days of delivery and collection tolerable included older people, those in deep rural areas, the housebound, disabled and those living in Northern Ireland or Scotland.
Table 7.9: Days of delivery and collection – residential customers

<table>
<thead>
<tr>
<th></th>
<th>Losing a Saturday delivery / collection</th>
<th>Losing a weekday delivery / collection</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL RESIDENTIAL</strong></td>
<td>91.3</td>
<td>91.4</td>
</tr>
<tr>
<td>16-24</td>
<td>93.7</td>
<td>93.7</td>
</tr>
<tr>
<td>25-34</td>
<td>93.3</td>
<td>93.3</td>
</tr>
<tr>
<td>75+</td>
<td>83.5</td>
<td>83.6</td>
</tr>
<tr>
<td>Urban</td>
<td>91.2</td>
<td>91.3</td>
</tr>
<tr>
<td>Rural</td>
<td>92.9</td>
<td>93.0</td>
</tr>
<tr>
<td>Deep rural</td>
<td>85.1</td>
<td>85.2</td>
</tr>
<tr>
<td>Housebound</td>
<td>87.9</td>
<td>88.0</td>
</tr>
<tr>
<td>Disabled</td>
<td>88.5</td>
<td>88.7</td>
</tr>
<tr>
<td>Annual income £50,000+</td>
<td>96.0</td>
<td>96.3</td>
</tr>
<tr>
<td>DE</td>
<td>88.5</td>
<td>88.5</td>
</tr>
<tr>
<td>Offshore</td>
<td>97.1</td>
<td>97.1</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>88.2</td>
<td>88.3</td>
</tr>
<tr>
<td>Scotland</td>
<td>88.3</td>
<td>88.5</td>
</tr>
<tr>
<td>Northern Ireland rural / deep rural</td>
<td>84.4</td>
<td>84.5</td>
</tr>
<tr>
<td>Scotland rural/deep rural</td>
<td>93.3</td>
<td>93.3</td>
</tr>
</tbody>
</table>

**Business**

Businesses did not necessarily feel that cutting delivery and collection of mail on Saturdays was a reduction in the service, as the tolerability of the service was the same as for the current service (93.9%). This reflects that most businesses are not open on Saturdays, or do not need to deal with post on Saturdays.

Businesses were less tolerant of the loss of a weekday than a Saturday service; this was found to be the case across all sub-groups.

As shown in Table 7.10, the businesses which would find the reduction in the number of days of collection and delivery least tolerable tended to be large (251+ employees), situated in rural areas, offshore (particularly small businesses), or located in London or the South East.
Businesses in London and those employing 250 or more were less tolerant of both changes, but they were markedly less tolerant of losing a weekday service.

Those who found these changes most tolerable were businesses employing between three and ten people, those situated in Northern Ireland and those with the highest spend on post (£2,500+ a month).

**Table 7.10: Days of delivery and collection – business customers**

<table>
<thead>
<tr>
<th></th>
<th>Losing a Saturday delivery / collection</th>
<th>Losing a weekday delivery / collection</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL BUSINESS</strong></td>
<td>93.9</td>
<td>91.2</td>
</tr>
<tr>
<td>3-10 employees</td>
<td>97.2</td>
<td>95.2</td>
</tr>
<tr>
<td>251+ employees</td>
<td>91.5</td>
<td>86.5</td>
</tr>
<tr>
<td>Rural</td>
<td>91.2</td>
<td>89.2</td>
</tr>
<tr>
<td>Small businesses - rural</td>
<td>91.1</td>
<td>89.1</td>
</tr>
<tr>
<td>London</td>
<td>91.8</td>
<td>86.6</td>
</tr>
<tr>
<td>South East</td>
<td>88.1</td>
<td>85.4</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>97.3</td>
<td>94.6</td>
</tr>
<tr>
<td>Offshore</td>
<td>90.6</td>
<td>87.4</td>
</tr>
<tr>
<td>Small businesses - offshore</td>
<td>87.1</td>
<td>83.0</td>
</tr>
<tr>
<td>Monthly mail spend £2,500+</td>
<td>97.2</td>
<td>95.7</td>
</tr>
</tbody>
</table>
7.6.2 Final collection time

Residential

Overall, there was no significant difference in residential customers’ tolerance of earlier collection times for post in rural/local areas. The tolerability score for the earliest collection time of 10am in rural/local areas was 92.0 compared to 92.3 for a collection time of 12 noon in rural/local areas.

A number of sub-group differences were observed and these are shown in Table 7.10. In particular, those that were less tolerant of earlier final collection times in rural/local areas were older, of a lower social grade, retired, housebound and lived in deep rural areas (particularly in Northern Ireland).

Table 7.11: Final collection time – residential customers

<table>
<thead>
<tr>
<th></th>
<th>12pm rural / local &amp; 6.30pm town centre</th>
<th>10am rural / local &amp; 6.30pm town centre</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL RESIDENTIAL</strong></td>
<td>92.3</td>
<td>92.0</td>
</tr>
<tr>
<td>16-24</td>
<td>94.0</td>
<td>93.9</td>
</tr>
<tr>
<td>75+</td>
<td>85.1</td>
<td>84.7</td>
</tr>
<tr>
<td>Annual income £50,000 +</td>
<td>97.4</td>
<td>97.2</td>
</tr>
<tr>
<td>DE</td>
<td>89.2</td>
<td>89.0</td>
</tr>
<tr>
<td>Retired</td>
<td>89.3</td>
<td>88.9</td>
</tr>
<tr>
<td>Housebound</td>
<td>88.6</td>
<td>88.5</td>
</tr>
<tr>
<td>Rural</td>
<td>94.0</td>
<td>93.8</td>
</tr>
<tr>
<td>Deep rural</td>
<td>86.6</td>
<td>86.2</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>89.5</td>
<td>89.2</td>
</tr>
<tr>
<td>NI rural/deep rural</td>
<td>85.6</td>
<td>85.4</td>
</tr>
<tr>
<td>Scotland rural/deep rural</td>
<td>94.0</td>
<td>93.8</td>
</tr>
<tr>
<td>Offshore</td>
<td>97.7</td>
<td>97.6</td>
</tr>
</tbody>
</table>
Business
As for residential customers, businesses were similarly as tolerant of a final collection time of 12pm in rural/local areas than a final collection as 10am (92.7 compared with 92.5).

Small businesses in rural/deep rural areas or located offshore were generally less tolerant of earlier final collection. This was also found to be the case for larger businesses (251+ employees or an annual turnover of £5m+).

Table 7.12: Final collection time – business customers

<table>
<thead>
<tr>
<th></th>
<th>12pm rural / local &amp; 6.30pm town centre</th>
<th>10am rural / local &amp; 6.30pm town centre</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL BUSINESS</td>
<td>Tolerability</td>
<td>Tolerability</td>
</tr>
<tr>
<td>3-10 employees</td>
<td>96.1</td>
<td>95.9</td>
</tr>
<tr>
<td>11-50 employees</td>
<td>89.0</td>
<td>88.7</td>
</tr>
<tr>
<td>251+ employees</td>
<td>88.8</td>
<td>88.5</td>
</tr>
<tr>
<td>Turnover £5,000,000+</td>
<td>83.3</td>
<td>81.1</td>
</tr>
<tr>
<td>Monthly mail spend £450-£2,499</td>
<td>84.2</td>
<td>83.9</td>
</tr>
<tr>
<td>Monthly mail spend £2,500+</td>
<td>96.1</td>
<td>95.9</td>
</tr>
<tr>
<td>Rural</td>
<td>89.4</td>
<td>89.1</td>
</tr>
<tr>
<td>Deep rural</td>
<td>90.2</td>
<td>89.7</td>
</tr>
<tr>
<td>London</td>
<td>89.4</td>
<td>89.3</td>
</tr>
<tr>
<td>South East</td>
<td>87.2</td>
<td>86.8</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>97.5</td>
<td>97.3</td>
</tr>
<tr>
<td>Small businesses - rural</td>
<td>89.2</td>
<td>88.9</td>
</tr>
<tr>
<td>Small businesses - offshore</td>
<td>87.4</td>
<td>87.0</td>
</tr>
<tr>
<td>Small businesses - deep rural</td>
<td>90.3</td>
<td>89.8</td>
</tr>
</tbody>
</table>
### 7.6.3 Later delivery time

**Residential**

A final delivery time of 5pm was found to be tolerable by 92.2% of residential customers, moving back the final delivery time by another hour had no real further impact (92.1).

Younger people, those from higher income households, those living in rural areas or offshore were more likely to find later final delivery times tolerable.

A number of sub-groups were less likely to find these changes tolerable, these included older people, lower social grades, the housebound, disabled, and those living in deep rural areas. The full differences are shown below.

**Table 7.13: Later delivery time – residential customers**

<table>
<thead>
<tr>
<th></th>
<th>Delivered by 5pm</th>
<th>Delivered by 6pm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL RESIDENTIAL</strong></td>
<td>92.2</td>
<td>92.1</td>
</tr>
<tr>
<td>16-24</td>
<td>94.0</td>
<td>93.9</td>
</tr>
<tr>
<td>25-34</td>
<td>93.8</td>
<td>93.7</td>
</tr>
<tr>
<td>75+</td>
<td>85.0</td>
<td>84.8</td>
</tr>
<tr>
<td>Annual income £50,000+</td>
<td>97.4</td>
<td>97.3</td>
</tr>
<tr>
<td>DE</td>
<td>89.2</td>
<td>89.0</td>
</tr>
<tr>
<td>Retired</td>
<td>89.3</td>
<td>89.0</td>
</tr>
<tr>
<td>Housebound</td>
<td>88.5</td>
<td>88.4</td>
</tr>
<tr>
<td>London</td>
<td>89.4</td>
<td>89.3</td>
</tr>
<tr>
<td>Rural</td>
<td>94.0</td>
<td>93.9</td>
</tr>
<tr>
<td>Deep rural</td>
<td>86.6</td>
<td>86.4</td>
</tr>
<tr>
<td>NI rural/deep rural</td>
<td>85.5</td>
<td>85.3</td>
</tr>
<tr>
<td>Scotland</td>
<td>90.0</td>
<td>89.6</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>89.4</td>
<td>89.2</td>
</tr>
<tr>
<td>Offshore</td>
<td>97.7</td>
<td>97.6</td>
</tr>
</tbody>
</table>
Business

Overall, businesses were also tolerant of later delivery times; there being no significant difference in tolerability of a latest delivery time of 6pm (93.0) than 5pm (93.3).

Larger companies and those located in London and the South East were amongst those who were less likely to find these changes tolerable. Businesses located in rural areas and deep rural areas, as well as small businesses located offshore were also more sensitive to this change and less likely to have found it tolerable.

Table 7.14: Later delivery time – business customers

<table>
<thead>
<tr>
<th></th>
<th>Delivered by 5pm</th>
<th>Delivered by 6pm</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL BUSINESS</td>
<td>Tolerability</td>
<td>Tolerability</td>
</tr>
<tr>
<td>Monthly mail spend £450-£2,499</td>
<td>84.2</td>
<td>83.7</td>
</tr>
<tr>
<td>Monthly mail spend £2,500+</td>
<td>95.7</td>
<td>95.5</td>
</tr>
<tr>
<td>3-10 employees</td>
<td>96.5</td>
<td>96.3</td>
</tr>
<tr>
<td>11-50 employees</td>
<td>89.1</td>
<td>88.8</td>
</tr>
<tr>
<td>251+ employees</td>
<td>89.5</td>
<td>89.0</td>
</tr>
<tr>
<td>London</td>
<td>89.8</td>
<td>89.3</td>
</tr>
<tr>
<td>South East</td>
<td>88.6</td>
<td>88.3</td>
</tr>
<tr>
<td>Urban</td>
<td>94.0</td>
<td>93.7</td>
</tr>
<tr>
<td>Rural</td>
<td>90.5</td>
<td>90.3</td>
</tr>
<tr>
<td>Deep rural</td>
<td>91.4</td>
<td>91.0</td>
</tr>
<tr>
<td>Small businesses - rural</td>
<td>90.5</td>
<td>90.2</td>
</tr>
<tr>
<td>Small businesses - offshore</td>
<td>88.1</td>
<td>87.5</td>
</tr>
</tbody>
</table>
7.6.1 First Class quality of service

Residential

On the whole, residential customers would find a first class service where 90% of First Class post arrived within one day locally and two days elsewhere or for 80% to arrive within one day nationally equally tolerable.

A number of sub-group differences were found as shown in Table 7.15.

The vulnerable groups which were less likely to find these changes tolerable were older people, those in lower social classes, those in deep rural areas and those with disabilities or that are housebound.

Table 7.15: First Class quality of service – residential customers

<table>
<thead>
<tr>
<th></th>
<th>80% of First Class within one working day</th>
<th>90% of First Class within one day locally / two days elsewhere</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tolerability</td>
<td>Tolerability</td>
</tr>
<tr>
<td>TOTAL RESIDENTIAL</td>
<td>92.1</td>
<td>92.3</td>
</tr>
<tr>
<td>16-24</td>
<td>93.9</td>
<td>94.0</td>
</tr>
<tr>
<td>25-34</td>
<td>93.7</td>
<td>93.9</td>
</tr>
<tr>
<td>75+</td>
<td>84.7</td>
<td>85.0</td>
</tr>
<tr>
<td>Annual income £50,000 +</td>
<td>97.3</td>
<td>97.5</td>
</tr>
<tr>
<td>DE</td>
<td>89.0</td>
<td>89.3</td>
</tr>
<tr>
<td>Retired</td>
<td>89.0</td>
<td>89.3</td>
</tr>
<tr>
<td>Scotland</td>
<td>89.8</td>
<td>90.1</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>89.3</td>
<td>89.5</td>
</tr>
<tr>
<td>London</td>
<td>89.3</td>
<td>89.6</td>
</tr>
<tr>
<td>Deep rural</td>
<td>86.4</td>
<td>86.7</td>
</tr>
<tr>
<td>Rural</td>
<td>93.9</td>
<td>94.1</td>
</tr>
<tr>
<td>Scotland rural/deep rural</td>
<td>93.8</td>
<td>94.0</td>
</tr>
<tr>
<td>NI rural/deep rural</td>
<td>85.4</td>
<td>85.6</td>
</tr>
<tr>
<td>Have disability</td>
<td>90.0</td>
<td>90.3</td>
</tr>
<tr>
<td>Housebound</td>
<td>88.4</td>
<td>88.7</td>
</tr>
<tr>
<td>Offshore</td>
<td>97.6</td>
<td>97.7</td>
</tr>
</tbody>
</table>
Business

Businesses were slightly more likely to find 90% of First Class post to arrive within one day locally and two days elsewhere tolerable (93.4) than for 80% to arrive within one day nationally (92.6).

Small businesses located offshore and in rural areas were less likely than others to find these changes tolerable.

A number of other sub-group differences were observed as shown in the following table.

**Table 7.16: First Class quality of service – business customers**

<table>
<thead>
<tr>
<th></th>
<th>80% of First Class within one working day</th>
<th>90% of First Class within one day locally / two days elsewhere</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL BUSINESS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3-10 employees</td>
<td>96.2</td>
<td>96.5</td>
</tr>
<tr>
<td>251+ employees</td>
<td>88.3</td>
<td>89.5</td>
</tr>
<tr>
<td>London</td>
<td>88.5</td>
<td>89.7</td>
</tr>
<tr>
<td>South East</td>
<td>87.4</td>
<td>88.4</td>
</tr>
<tr>
<td>Rural</td>
<td>89.9</td>
<td>90.6</td>
</tr>
<tr>
<td>Turnover under £50,000</td>
<td>94.6</td>
<td>95.2</td>
</tr>
<tr>
<td>Monthly mail spend £450-£2,499</td>
<td>83.0</td>
<td>84.3</td>
</tr>
<tr>
<td>Monthly mail spend £2,500+</td>
<td>95.4</td>
<td>95.9</td>
</tr>
<tr>
<td>Small businesses - rural</td>
<td>89.8</td>
<td>90.5</td>
</tr>
<tr>
<td>Small businesses - offshore</td>
<td>87.3</td>
<td>88.4</td>
</tr>
</tbody>
</table>
7.7 Comparison of two small changes with one large change

A single change to the price of First Class mail to 90 pence was either less tolerable, or equivalent to making a change to the service (days offered, or quality of service) and raising the price of First Class mail to 70 pence (see Table 7.17).

Table 7.17: Impact on tolerability/attractiveness of two small changes compared with large single change

<table>
<thead>
<tr>
<th>Changes to the service</th>
<th>Business</th>
<th>Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 days a week, Monday to Friday + 70p first class</td>
<td>92.8</td>
<td>90.2</td>
</tr>
<tr>
<td>90% arrives within 1 day locally / 2 days elsewhere + 70p first class</td>
<td>92.2</td>
<td>91.3</td>
</tr>
<tr>
<td>80% arrives within one day + 70p first class</td>
<td>91.3</td>
<td>91.0</td>
</tr>
<tr>
<td>5 days a week, Saturday + 4 weekdays + 70p first class</td>
<td>89.8</td>
<td>90.3</td>
</tr>
<tr>
<td>90p first class</td>
<td>88.2</td>
<td>90.1</td>
</tr>
</tbody>
</table>

Base: All business respondents (1126), All residential respondents (4085)

The range was slightly wider for businesses, indicating the extra sensitivity to price with businesses, especially for the larger businesses, or the businesses spending more on mail per month (£450 to £2499 on mail every month). There was no sub-group of residential or business customers where a 90p First Class mail service was significantly more tolerable than making any two other changes.
7.8 Monetising the conjoint

7.8.1 Method of monetisation
As the price of a First Class letter was included in the conjoint model, it is possible to equate the impact of changes to the postal service to the impact of changes in the price. This offers a convenient way of measuring how much respondents value each aspect of the postal service in monetary terms ("monetised results"). Essentially it shows how much extra they would be willing to pay to retain such a service.

It is important to note that this measure is in terms of First class letter prices and does not take into account the price of Second Class letters. Some respondents might be willing to pay much higher First class prices because they do not, or do not intend to, use First class much.

The monetised results have been derived from the conjoint by modelling respondents’ preference for retaining or losing each aspect of the service against various price levels for a first class letter. If an aspect is important to a respondent, it will be retained even when price raises, if not then its loss will be acceptable if price remains lower. The price at which as many respondents would choose to pay extra to retain the aspect as would choose to keep costs the same and lose it, can be taken as the value that the market as a whole puts on the service. This price can be equated to the willingness to pay to retain the current service.

For example, Chart 7.2 shows the proportion of users who opt for Monday to Friday delivery and collections (i.e. losing Saturday) under various prices for the current service. This chart shows that 50% of respondents choose to lose Saturday delivery when the price of the current service is about 72p. This means that postal residential users as a whole view the loss of Saturday delivery as equivalent to the current service with a price increase of 12p on a First class letter.
In Sections 7. 8.2 and 7.8.3, the results for each single change to the postal service tested in the conjoint are examined for residential and business customers.

Charts for all of the models of single changes to the postal service for both business and residential customers have been included in the Appendix H.

**7.8.2 Business customers**

Business customers in general would not be willing to pay any more to maintain Saturday delivery and collections. In contrast to this, the feature of the service they value the most, and would be most willing to pay to maintain, is delivery and collection Monday to Friday; they value this the same as a 14p rise in the price of First Class.

Businesses would be as willing to pay 12p more for First Class post as for the quality of service of First Class to be reduced to 80%. Changing the
quality of service so that 90% of First Class arrives within one day locally and two days elsewhere was valued the same as a 4p increase in price.

Businesses valued a latest delivery time of 5pm as the same as a 4p rise in the cost of First Class. Delivery by 6pm was valued higher: the same as a 6p rise. This suggests they would be willing to pay the equivalent of an additional 2p on the price of first class post to ensure that the latest delivery time did not get moved back from 5pm to 6pm.

Changing collection times to 12pm in local/rural areas was valued the same as rise in the cost of First Class of 6p. They would be as willing to pay 8p more for First Class as for collection times to be brought forwards further to 10am in local/rural areas.

**Table 7.18: Comparison of monetisation – business**

<table>
<thead>
<tr>
<th>Monetised value</th>
<th>Price increase (p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery and collection 5 days a week, Monday to Friday</td>
<td>0</td>
</tr>
<tr>
<td>Post is delivered by 5.00pm in all areas</td>
<td>4</td>
</tr>
<tr>
<td>90% of First Class arrives within 1 day locally / 2 days elsewhere</td>
<td>4</td>
</tr>
<tr>
<td>Last collection 12.00 noon at rural/local &amp; 6.30pm at town centre</td>
<td>6</td>
</tr>
<tr>
<td>Post is delivered by 6.00pm in all areas</td>
<td>6</td>
</tr>
<tr>
<td>Last collection 10.00am at rural/local &amp; 6.30pm at town centre</td>
<td>8</td>
</tr>
<tr>
<td>80% of First Class arrives within one day</td>
<td>12</td>
</tr>
<tr>
<td>Delivery and collection 5 days a week, Saturday + 4 weekdays</td>
<td>14</td>
</tr>
</tbody>
</table>

### 7.8.3 Residential customers

Retaining a six day a week delivery and collection service was found to be valued the highest by residential customers. Residential customers would be as willing to pay 12p more for First Class as to lose a six day a week service.
Changing collection times so that post in rural/local areas would be collected at 12pm equated a 2p rise in the cost of First Class and 10am collection equated a 6p rise.

Residential customers valued the final delivery by 5pm or 6pm the same as a 4p rise in the price of First Class. This reflects as discussed earlier that they are equally tolerant of final delivery times being extended to 5pm or 6pm.

Reducing the First Class quality of service so that 80% of post arrives within one working day was found to be equivalent to increasing the price of First Class by 8p. Residential customers were more willing for the quality of service to be changed so that 90% of First Class arrives within one day locally and two days elsewhere and valued this the same as a 4p increase in the price of First Class.

**Table 7.19: Comparison of monetisation – residential customers**

<table>
<thead>
<tr>
<th>Monetised value</th>
<th>Price increase (p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last collection 12.00 noon at rural/local &amp; 6.30pm at town centre</td>
<td>2</td>
</tr>
<tr>
<td>Post is delivered by 5.00pm in all areas</td>
<td>4</td>
</tr>
<tr>
<td>90% of First Class arrives within 1 day locally / 2 days elsewhere</td>
<td>4</td>
</tr>
<tr>
<td>Post is delivered by 6.00pm in all areas</td>
<td>4</td>
</tr>
<tr>
<td>Last collection 10.00am at rural/local &amp; 6.30pm at town centre</td>
<td>6</td>
</tr>
<tr>
<td>80% of First Class arrives within one day</td>
<td>8</td>
</tr>
<tr>
<td>Delivery and collection 5 days a week, Saturday + 4 weekdays</td>
<td>12</td>
</tr>
<tr>
<td>Delivery and collection 5 days a week, Monday to Friday</td>
<td>12</td>
</tr>
</tbody>
</table>

**7.8.1 Monetising improvements to the service**

The conjoint model also allows us to monetise the results for the two improvements to the service which were included in the exercise. The approach used to do this still involves modelling two services against each other but is slightly different to the method set out above. The model is used to compare the current service to the upgraded service. When
looking at these two improvements the price of the upgraded service is modified until the point at which an equal number of respondents prefer each option.

Charts for the improvements have been included in Appendix H.

**Table 7.20: Monetisation of improvements**

<table>
<thead>
<tr>
<th></th>
<th>Residential</th>
<th>Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option to specify evening/weekend delivery</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Delivery by 2pm in urban areas and 3pm in rural areas</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

Business customers were found to be as willing to pay 4p more for a First Class stamp and to be able to specify evening or weekend delivery as to maintain the current service at current prices. Delivery by 2pm in urban areas and 3pm in rural areas was only valued at 2p by businesses.

Residential customers were found to value the option of evening/weekend delivery and earlier delivery times at 2p.
7.9 Overall findings from the conjoint

Overall, the findings from the conjoint indicate that customers were tolerant of changes to the service. They would be more tolerant of changes to the service than price increases and would tolerate significant reductions in the service to maintain prices or minimise further price rises in future. This includes cutting collections and deliveries to five days per week and a significant reduction in the quality of service on First Class post to 80% having to arrive within 24 hours, along with more minor changes to collection and delivery times.

It confirms earlier findings (see Section 6.5) that whilst customers would ideally like to maintain the current service, these reductions would not significantly impact on most customers’ way of life or business or volumes of post sent.

Customers would find improvements to the service, namely slightly earlier cut off for deliveries and a service allowing customers to specify evening or Saturday deliveries for items which are too big to be put through a letterbox or require a signature attractive, but these improvements would not significantly increase the acceptability of the current service. Although, aside from lower prices, earlier delivery times was the change that customers, particularly residential customers, would most like to see. The introduction of an optional service offering evening or Saturday delivery was more attractive to businesses, seeing it as a way to adapt the service to better meet the needs of their customers receiving parcels and items requiring a signature.
Appendix A: Residential customers main survey: omnibus sampling methodology

The face to face Omnibus employs a random location methodology, using sampling points which are sub samples of those determined in a stratified sampling system.

Sampling frame
2001 Census small area statistics and the Postal Address File (PAF) were used to define sample points. These are areas of similar population sizes formed by the combination of wards, with the constraint that each point must be contained within a single Government Office Region (GOR). In addition, geographic systems were employed to minimise the drive time required to cover each area as optimally as possible.

600 points were defined south of the Caledonian Canal in Great Britain, and, another 25 points were defined in a similar fashion in Northern Ireland. A further 5 points were defined north of the Caledonian Canal. These differed in size from the other points and each other to meet the need to separately cover the different parts of the Highlands and Islands.

Stratification and sample point selection
The points were selected for use by the Omnibus after stratification by Government Office Region and Social Grade. They were also checked to ensure they were representative by an urban and rural classification. The points were divided into two replicates. Each set was used in alternate weeks.

16 of the points in Northern Ireland were selected and divided into four replicates. Those replicates were used in rotation to give a wide spread across the Province over time in the UK samples.

Similarly, the statistical accuracy of the GB sampling was maximised by issuing sequential waves of fieldwork systematically across the sampling frame to provide maximum geographical dispersion. This ensured that the sample point selection remains representative for any specific fieldwork wave.
Selection of clusters within sampling points
All the sample points in the sampling frame were divided into two geographically distinct segments, each containing, as far as possible, equal populations. The segments comprised aggregations of complete wards.

Wards were selected and Census Output Areas selected within those wards. Groups of Output Areas containing a minimum of 125 addresses were sampled in those areas from the PAF.

Interviewing and quota controls
Assignments were conducted over two days of fieldwork and are carried out on weekdays from 2pm to 8pm and at the weekend. Quotas were set by sex (male, female housewife, female non-housewife); within female housewife, presence of children and working status, and within men, working status, to ensure a balanced sample of adults within effective contacted addresses, primarily to account for different probabilities of people being in when the interviewer calls. Interviewers were instructed to leave three doors between each successful interview.
Appendix B: Residential customers
ad hoc boost survey: sampling methodology

The sampling was in two stages, the first element was the omnibus interviews and the second element an ad hoc boost to achieve the minimums required in cells where the omnibus interviews would not be sufficient. Details on the Omnibus sampling methodology have been provided in a separate appendix.

The number of interviews expected from the Omnibus element for each target (region, urbanisation, urbanisation by Country, offshore, etc.) were estimated using national proportions. The design of the ad hoc boost was based on ensuring that a minimum of 250 interviews was achieved for each of the target groups.

For the ad hoc boost element a sample frame of all eligible OAs (Output Areas in geographic areas that needed boosting) was set up. This was sorted with element by Local Authority and Ward and then an OA selected PPS (Probability Proportional to Size) to the number of Households. Adjacent OAs were selected within the same strata if required, so that there was a minimum of 120 addresses per point.

As for the Omnibus survey, assignments were conducted on weekdays from 2pm to 8pm and at the weekend. Quotas were set by sex and working status, to ensure a balanced sample of adults within effective contacted addresses, primarily to account for different probabilities of people being in when the interviewer calls. Interviewers were instructed to leave three doors between each successful interview.
Appendix C: Weighting of the residential survey

The results were weighted to adjust for any imbalances introduced by the sampling approach and ensure the findings were representative of all residential and business customers in the UK.

Rim weighting\textsuperscript{18} was applied at the analysis stage; there were two reasons for this.

First, the study was designed to oversample some geographic regions and sub-groups in order to boost their sample sizes to make it possible to look at their results separately. This meant that it was necessary to weight respondents from groups which were oversampled down so that they were not over-represented in the final sample.

Further weights were then applied to gender, social grade, age and region to ensure that the sample was representative of the population in the UK. The weighting applied was based on figures from the 2001 Census.

The following tables show the demographic characteristics of the achieved sample and the weighted profile

\textsuperscript{18} Rim weighting is used when applying more than one weighting target and uses algorithms to ensure the weighting applied is the best fit between the different targets.
<table>
<thead>
<tr>
<th></th>
<th>Unweighted (%)</th>
<th>Weighted (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>47%</td>
<td>49%</td>
</tr>
<tr>
<td>Female</td>
<td>53%</td>
<td>51%</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16-24</td>
<td>10%</td>
<td>13%</td>
</tr>
<tr>
<td>25-34</td>
<td>15%</td>
<td>18%</td>
</tr>
<tr>
<td>35-44</td>
<td>15%</td>
<td>19%</td>
</tr>
<tr>
<td>45-54</td>
<td>16%</td>
<td>17%</td>
</tr>
<tr>
<td>55-64</td>
<td>16%</td>
<td>13%</td>
</tr>
<tr>
<td>65-74</td>
<td>17%</td>
<td>12%</td>
</tr>
<tr>
<td>75+</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Social grade</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AB</td>
<td>20%</td>
<td>22%</td>
</tr>
<tr>
<td>C1</td>
<td>26%</td>
<td>32%</td>
</tr>
<tr>
<td>C2</td>
<td>20%</td>
<td>17%</td>
</tr>
<tr>
<td>DE</td>
<td>34%</td>
<td>29%</td>
</tr>
<tr>
<td><strong>Country</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>England</td>
<td>64%</td>
<td>84%</td>
</tr>
<tr>
<td>Scotland</td>
<td>13%</td>
<td>9%</td>
</tr>
<tr>
<td>Wales</td>
<td>11%</td>
<td>5%</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>11%</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Region</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North East</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>North West</td>
<td>7%</td>
<td>12%</td>
</tr>
<tr>
<td>Yorkshire and the Humber</td>
<td>7%</td>
<td>9%</td>
</tr>
<tr>
<td>East Midlands</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>West Midlands</td>
<td>7%</td>
<td>9%</td>
</tr>
<tr>
<td>East of England</td>
<td>7%</td>
<td>9%</td>
</tr>
<tr>
<td>London</td>
<td>6%</td>
<td>14%</td>
</tr>
<tr>
<td>South East</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>South West</td>
<td>7%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Urban / rural</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>60%</td>
<td>79%</td>
</tr>
<tr>
<td>Rural</td>
<td>32%</td>
<td>17%</td>
</tr>
<tr>
<td>Deep rural</td>
<td>9%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Offshore</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mainland</td>
<td>93%</td>
<td>100%</td>
</tr>
<tr>
<td>Onshore</td>
<td>7%</td>
<td>*</td>
</tr>
</tbody>
</table>
Appendix D: Residential customers: questionnaire

PART 1 INTRO

OMNIBUS INTRO
I would now like to ask you some questions about your use of postal services. By this I mean letters, parcels and packets that you send and receive. These questions are being asked for the postal regulator Ofcom and the results of this study will help Ofcom better understand your current postal needs and how these might change in the future. Some of the questions include descriptions of future scenarios. These scenarios are purely hypothetical and they do not represent changes that are currently proposed by Ofcom or the Government. Certain features of the postal service can only be changed by the government.

BOOST SURVEY
Hello. My name is ...........I work for Kantar Operations and I am conducting a survey on behalf of TNS-BMRB, the leading market research company. The survey is on your use of postal services. By this I mean letters, parcels and packets that you send and receive. This research has been commissioned by the postal regulator Ofcom and the results of this study will help Ofcom better understand your current postal needs and how these might change in the future. Some of the questions include descriptions of future scenarios. These scenarios are purely hypothetical and they do not represent changes that are currently proposed by Ofcom or the Government. Certain features of the postal service can only be changed by the government.

The interview length depends on the answers you provide but on average lasts about 30 minutes.

Here is a leaflet which tells you about market research and explains your rights under our industry code and the Data Protection Act.

SCREENER QUESTIONS FOR THE BOOST SURVEY
S1 Sex of respondent?
Male
Female

S2a What was your age last birthday?
ENTER YOUR RESPONSE USING THE PAD ON SCREEN IF REFUSED TAP "R"
MINIMUM 16
MAXIMUM 98
"R" BUTTON

IF S2A = REFUSED
S2b INTERVIEWER - ESTIMATE AGE GROUP OF RESPONDENT

Age of respondent
16-17
18-24
25-34
35-44
45-54
55-64
65-74
75+

S3 Working status?
Full-time paid work (30+ hours per week)
Part-time paid work (8-29 hours per week)
Part-time paid work (under 8 hours per week)
Retired
Still at school
In full time higher education
Unemployed (seeking work)
Not in paid employment (not seeking work)
"R" BUTTON

PART 2 CURRENT USE OF SERVICE - RECEIVING POST

When answering these questions, please only think about the post that you personally send and receive, not post for other members of the household.

Firstly, I would like to talk briefly about the post that you receive.

By this I mean all letters, parcels, bills, adverts, etc that are addressed to you and that you receive at your home.
INTERVIEWER NOTE – CAN INCLUDE IF JOINT ADDRESSEE
A1 Approximately how many items of post, including letters, postcards and parcels do you personally receive in an average week?
**NUMERICAL OPEN (RANGE 0 – 95)**

**INTERVIEWER:**
If respondent is unsure ask for an estimate or how many received last week.
Note an average week does not include the run up to Christmas, we want a typical week.
Make sure respondent includes items sent with other companies as well as Royal Mail.

A2 Which of these types of mail would you say you personally receive by post at least once a month?
**SHOW SCREEN**
**MULTI CODE**

- Post from friends/ family (letters, cards, invitations, etc.)
- Bills/ statements
- Newspaper/ magazines/ other subscriptions
- Catalogues/ brochures
- Correspondence from businesses, organisations, government, etc (e.g. medical, legal, insurance, etc.)
- Parcels/ packets/ goods ordered
- Direct mail/other unsolicited mail
- Other (please specify) **TYPE IN**
- DK
- None

**A3a What proportion of the post that you receive do you have to respond to or deal with on the day it arrives. . Would you say it was...?**
**READ OUT**
**SINGLE CODE, ROTATE THE ORDER OF THE SCALE**
- All or almost all
- Most (around three-quarters)
- About half
- A small proportion
- None
- Don’t know
PART 3  SENDING POST

I am now going to ask you some questions about the post that you send.

By this I mean all letters, parcels and packets that you send with Royal Mail or other postal service operators.

RESIDENTIAL ONLY
B1. Approximately how many items of post, including letters, postcards and parcels, do you personally send in an average week?
NUMERICAL OPEN (RANGE 0 – 95)

INTERVIEWER:
IF RESPONDENT IS UNSURE ASK FOR AN ESTIMATE – OR HOW MANY SENT LAST WEEK
NOTE AN AVERAGE WEEK DOES NOT INCLUDE CHRISTMAS, WE WANT A TYPICAL WEEK
MAKE SURE RESPONDENT INCLUDES ITEMS SENT WITH OTHER COMPANIES AS WELL AS ROYAL MAIL

B2 Which of the following Royal Mail services have you used to send something in the post in the last twelve months?
SHOW SCREEN

INTERVIEWER IF RESPONDENT IS CONFUSED:
SPECIAL DELIVERY – GUARANTEED NEXT DAY DELIVERY AND YOU CAN RECEIVE COMPENSATION IF THE ITEM DOES NOT ARRIVE ON TIME
RECORDED – PROVIDES PROOF THAT MAIL HAS BEEN RECEIVED
STANDARD PARCEL - USED TO SEND PARCELS OF UP TO 20 KG, DELIVERED IN 3 – 5 DAYS
MULTI CODE
Recorded
Special Delivery
Standard parcel
N - EXCLUSIVE
DK - EXCLUSIVE

B3 Which of these types of mail would you say you personally send at least once a month by post?
SHOW SCREEN
MULTI CODE
Personal communications to friends/family (letters, cards, invitations, etc.)
Payment for bills
General correspondence (with businesses, organisations, government, etc)
Parcels/ packets (gifts, returning items ordered, etc.)
Other (please specify) TYPE IN
Don’t know
None

B4 When sending letters do you use...
SINGLE CODE
First Class all of the time
First Class most of the time
First Class and Second Class an equal amount
Second Class most of the time
Second Class all of the time
DK

ASK IF RESPONDENT ANSWERED “FIRST CLASS ALL OF THE TIME”, “FIRST CLASS MOST OF THE TIME”, “FIRST CLASS AND SECOND CLASS AN EQUAL AMOUNT”,
INTERVIEWER: DO NOT SHOW THE SCREEN TO RESPONDENTS AT THE NEXT QUESTION
Why do you choose to use First Class when sending letters? CODE ALL THAT APPLY. DO NOT PROMPT.

Not much difference in cost between First and Second Class post
Speed of delivery
Not wanting others to think that I am unwilling to use a First Class stamp

Makes the letter look more important
Value of the item
Security/privacy
Other (please specify)
NONE
DON’T KNOW

B5b Now looking at this screen, which of these reasons describe why you choose to use First Class when sending letters? CODE ALL THAT APPLY.

Not much difference in cost between First and Second Class post
Speed of delivery
Not wanting others to think that I am unwilling to use a First Class stamp
Makes the letter look more important
Value of the item
Security/privacy
Other (please specify)
NONE
DON’T KNOW
C2. How often do you use post boxes to send mail?
Show screen
SINGLE CODE
Several times a week
Once a week
Once a fortnight
Once a month
Less than once a month
Never
DK

IF “NEVER” AT C2 SKIP TO D1

C3. Which of the following statements best describes the location of the post box which you use most?
SHOW SCREEN
SINGLECODE
The closest post box to your home
Another post box in your local area
A post box close to the place where you work
A post box close to a transport hub (e.g. bus stop or train station)
A post box in the centre of town / shops
A post office
Other SPECIFY
None – EXCLUSIVE
Don’t know – EXCLUSIVE

C4 Which of the following two factors is the most important to you in choosing which post box to use?
SHOW SCREEN
SINGLE CODE – RANDOMISE TOP TWO OPTIONS
A convenient location
A later collection time
Don’t know
C5 Do you know what the final collection time of the post box nearest to your home is on Monday to Friday and on Saturdays?

**CODE ALL APPLY**
- Yes- Monday-Friday
- Yes - Saturday
- No
- Don’t know

**INTERVIEWER:** Do not show the screen to respondents at the next question

C8 What is the maximum distance you would be prepared to travel to post your letters?

**DO NOT SHOW SCREEN OR READ OUT CODES**

**SINGLE CODE**
- Up to 0.1 miles (around 160m)/ 1-2 minute walk
- 0.2 miles (around 320m)/ 3-5 minute walk
- 0.3 miles / third of a mile (around 500m)/ 6-7 minute walk
- 0.4 miles (around 640m)/ 8 minute walk
- 0.5 miles / half mile (around 800m)/ 9-10 minute walk
- More than half a mile to 1 mile/ 11-20 minute walk
- More than 1 mile to 2 miles/ 20-40 minute walk or 2-5 minute drive
- More than 2 miles to 5 miles/ 5-10 minute drive
- More than 5 miles/ 10 mins+ drive
- Don’t know
- It doesn’t matter as I don’t use the box nearest to my home

C9 How satisfied or dissatisfied are you with the location of post boxes in your local area?

**SINGLE CODE**
- Very satisfied
- Fairly satisfied
- Neither satisfied nor dissatisfied
- Fairly dissatisfied
- Very dissatisfied
- Don’t know
D1. For the following statements please give me a score out of five, where 1 means you strongly favour the idea, 5 means you are strongly against the idea and 3 means you don’t mind either way

SHOW SCREEN
SINGLE CODE

How would you feel if...

**Instead of mail being delivered to your door, it would be delivered to a secure weatherproof letter box at the edge of your property or block of flats**
The box would be lockable to ensure the security of the mail, but could only be used to deliver items that fit through a letterbox as now. For larger items the postman / woman would still need to knock.

**Instead of mail being delivered to your door, it would be delivered to a secure locker in a central location (such as your local train station, village or town centre)**
This would not be a personal locker, but a central bank of lockers. If you needed to pick something up you would be sent a code which you could use to access the locker. The postman/woman would leave your post including large parcels in the locker for you to come and pick up at a convenient time.

1- Strongly favour idea
2
3 --Don’t mind
4
5 Strongly against idea
Don’t know—EXCLUSIVE
PART 5  BEHAVIOURAL CHANGE

F1. In three years time, do you think you will send more, less or about the same amount of mail? By this I mean all letters, parcels and packets you send.

SINGLE CODE
Much more
Slightly more
About the same
Slightly less
Much less
Don’t know – EXCLUSIVE

F2. How far do you agree or disagree with the following statements?

SHOW SCREEN

There are some things that I will always need to send by post
In three years time I think I will be ordering more goods that are sent by post
I would feel cut off from society if I were not able to send or receive post’

SINGLE CODE
Strongly agree
Agree
Neither agree nor disagree
Disagree
Strongly disagree
DK – EXCLUSIVE

IF AGREE WITH F2 STATEMENT 1
F3a What sort of items will you always need to send by post?

SHOW SCREEN
MULTICODE
Personal communications to friends/ family (letters, cards, invitations, etc.)
Payment for bills
General correspondence (with businesses, organisations, government, etc)
Parcels/ packets (gifts, returning items ordered, etc.)
Other (please specify) TYPE IN
Don’t know

IF AGREE WITH F2 STATEMENT 1
F3b Thinking about the sorts of things that you always need to send by post, would you send these using First Class post or Second Class post?
SHOW SCREEN
SINGLE CODE
All would have to be sent using First Class
Most would have to be sent using First Class
About half would have to be First Class and around half Second Class
Most would have to be sent using Second Class
All would have to be sent using Second Class
Don’t know

PART 6 CONJOINT

As I mentioned earlier, the way that people use postal services is changing so it is important to find out what people need from the service.

The next exercise aims to determine how important different aspects of the postal service are to you. I will show you an example before we do the exercise.

NEW SCREEN
SHOW POSTAL SERVICE CARD AND EXPLAIN THE TABLE USING THE FOLLOWING TEXT:

Here is a table which compares two different postal services and shows you all of the information about both of them.

As part of this exercise you will be presented with two alternative postal services and you will have to select the service which you prefer.

I will now briefly talk through the table with you.
<table>
<thead>
<tr>
<th></th>
<th><strong>Option A</strong></th>
<th><strong>Option B</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Collection and delivery</strong></td>
<td>Delivery and collection 6 days a week</td>
<td>Delivery and collection 5 days a week</td>
</tr>
<tr>
<td><strong>Last collection times</strong></td>
<td>3.00pm at rural/local boxes and 6.30pm at town centre boxes</td>
<td>12 noon at rural/local boxes and 6.30pm at town centre boxes</td>
</tr>
<tr>
<td><strong>Latest delivery times</strong></td>
<td>Post is delivered by 4.00pm in all areas</td>
<td>Post is delivered by 3pm in rural areas and 2pm in towns and cities</td>
</tr>
<tr>
<td><strong>Service</strong></td>
<td>95% of First Class post arrives within one working day</td>
<td>80% of First Class post arrives within one working day</td>
</tr>
<tr>
<td><strong>Additional delivery options</strong></td>
<td>No option to specify evening / Saturday delivery</td>
<td>You can specify evening or Saturday delivery for a fee of £4.50</td>
</tr>
<tr>
<td><strong>Price of stamp(s)</strong></td>
<td>First Class 80p</td>
<td>First Class 65p</td>
</tr>
<tr>
<td></td>
<td>Second Class 60p</td>
<td>Second Class 50p</td>
</tr>
</tbody>
</table>

**Option A** is a postal service where mail is collected and delivered six days a week. The last collection time from post boxes would be 3.00pm at boxes in rural / out of town locations and 6.30pm at town centre boxes. Post would be delivered to all homes by 4pm.

95% of post sent First Class has to arrive the day after it is posted. This is more than 9 out of every 10 items sent.

It costs 80p to send a letter using First Class and 60p to send it using Second Class.

This service has no facility to specify evening or Saturday delivery of items that require a signature or are too large to put through a letterbox.

You can see that **Option B** is a postal service where mail is delivered and collected five days a week (Monday to Friday), compared with six days a week in option A. The last collection time from post boxes would be noon at boxes in rural / out of town locations – this is three hours earlier than Option A. However, the last collection time at town centre boxes is the same as Option A (6.30pm).
Post would be delivered to houses in rural areas by 3pm and those in towns and cities by 2pm. This is earlier than Option A.

But only 80% of post sent First Class mail has to arrive the day after it is posted – that’s 8 out of every 10 letters posted compared with more than 9 out of 10 in option A.

However, this second option is cheaper; it costs 65p to send a letter using First Class and 50p to send it using Second Class.

This option has the facility to specify evening or Saturday delivery for items that require a signature or are too large to put through a letterbox for an extra fee of £4.50.

You will be asked to choose whether option A or B better meets your needs. You will also see an option for ‘Neither’ - it is very important that you only chose this option if NEITHER Option A nor Option B meet your needs.

Choosing ‘Neither’ means that you would not be able to post, send or receive the items you wish using either option, and that you would have to find an alternative communication method to meet this need, including not sending or receiving the item at all.

NEW SCREEN
READ OUT:
Ok, so that’s the end of the introductory example.

In the next eight questions you are asked to repeat this exercise for different combinations of postal services. The options may look very similar but there will be minor changes between them.

OK, so I would now like you to make your first choice.

SCRIPTING – WE NEED TO ASK FX 8 TIMES – RANDOMISE WHICH VERSION IS USED – AND RANDOMISE ORDER WITHIN EACH VERSION
NEW SCREEN
Fx Thinking about what you need from the postal service, if you could choose what was offered, which of these options would you choose?

SINGLE CODE
Option A
Option B
Neither SCRIPT AS BUTTON

AFTER EIGHT ITERATIONS OF FX

Fz1 I now want to do another quick exercise with you to find out your thoughts about having a postal service where there is only one single tier, by this I mean First and Second Class post would be replaced with one single service.

The following table shows you three different postal services, one of which enables you to send mail using First Class or Second Class, and two services which only have a single tier.

Thinking about what you need from the postal service, if you could choose what was offered, which of these options would you choose?
### Universal Service Obligation – Postal user needs 2012

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#### Option A

- **Number of tiers**: Two
- **Price**:
  - First Class post: 90p
  - Second Class post: 60p
- **Service**:
  - 93% of First Class arrives within one working day
  - 98% of Second Class arrives with three working days

#### Option B

- **Number of tiers**: One
- **Price**:
  - Single Class post: 63p
- **Service**:
  - 95% of post arrives with two working days

#### Option C

- **Number of tiers**: One
- **Price**:
  - Single Class post: 70p
- **Service**:
  - 98% of post arrives with two working days

None of these

---

**Fz2** Now looking at this table and thinking about what you need from the postal service, if you could choose what was offered, which of these options would you choose?

### None of these

<table>
<thead>
<tr>
<th>Number of tiers</th>
<th>Option A</th>
<th>Option B</th>
<th>Option C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Two</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>One</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Price</th>
<th>Option A</th>
<th>Option B</th>
<th>Option C</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Class post</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>90p</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Class post</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>60p</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service</th>
<th>Option A</th>
<th>Option B</th>
<th>Option C</th>
</tr>
</thead>
<tbody>
<tr>
<td>93% of First Class post arrives within one working day</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>98% of Second Class arrives with three working days</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service</th>
<th>Option B</th>
<th>Option C</th>
</tr>
</thead>
<tbody>
<tr>
<td>95% of post arrives with two working days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>98% of post arrives with two working days</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

None of these
Fx1a If the price of First Class stamps was 90p and the price of Second Class stamps was 60p, how do you think this would affect the amount of post that you send? Would you send more or less post than you currently do or would it remain the same?

**SINGLE CODE**

- Would send more
- Remain the same
- Would send less
- Don’t know

**IF FX1A IS “WOULD SEND LESS”**

Fx1a Do you think you would send a little less, much less than you currently do or nothing at all?

**SINGLE CODE**

- A little less
- Much less
- Wouldn’t send any post
- Don’t know

Fx2 If the price of First Class stamps was 90p and the price of Second Class stamps was 60p, would you use...

**SINGLE CODE**

- First Class all of the time
- First Class most of the time
- First Class and Second Class an equal amount
- Second Class most of the time
- Second Class all of the time
- Don’t know

Fx3 How important is it that the Royal Mail provides a guaranteed next day delivery service?

**INTERVIEWER:** THIS OPTION IS NOT FREE, THERE IS A CHARGE ASSOCIATED WITH IT DEPENDING ON SIZE AND WEIGHT (LIKE SPECIAL DELIVERY)

- Extremely important
Very important
Somewhat important
Not very important
Not important at all
Don’t Know

PART 7  IMPROVEMENTS

DO NOT SHOW THE SCREEN FOR THE NEXT QUESTION

G1. If you could choose one thing to improve about the postal service, what would it be?

DO NOT SHOW SCREEN OR READ OUT CODES

SINGLE CODE

Delivery and collection of post on seven days a week, including Sundays
Earlier delivery of post
A later final collection of post from post boxes
Evening delivery of items that cannot fit through a letterbox
Weekend delivery of items that cannot fit through a letterbox
Post box closer to my home
Having a secure locker at edge of property where any post including parcels can be posted
Having your post, including parcels delivered to a secure locker in a central location rather than your home
Cheaper price
Other (SPECIFY)
NOTHING - EXCLUSIVE
Don’t Know - EXCLUSIVE

G2. On this screen there is a list of improvements which could potentially be made to the postal service. Which ONE of these would you most like?

SHOW SCREEN

SINGLE CODE, RANDOMISE ORDER

Delivery and collection of post on seven days a week, including Sundays
Earlier delivery of post
A later final collection of post from post boxes
Evening delivery of items that cannot fit through a letterbox
Weekend delivery of items that cannot fit through a letterbox
Post box closer to my home
Having a secure locker at edge of property where any post including parcels can be posted
Having your post, including parcels delivered to a secure locker in a central location rather than your home
None of these – EXCLUSIVE
Don’t know – EXCLUSIVE

G3 Some potential changes to the service might make things worse for you by disrupting the way you do things. Which, ONE, of the following potential changes to the postal service would have the most SIGNIFICANT negative impact on your life?

SHOW SCREEN,
SINGLE CODE
RANDOMISE ORDER BUT KEEP “NONE OF THESE WOULD SIGNIFICANTLY IMPACT ON MY LIFE” AT THE TOP

None of these would significantly impact my life – EXCLUSIVE
Delivery reduced to 5 days per week (Mon-Fri)
Earlier collection of post from post boxes
Later delivery times (post is delivered by 6pm)
90% of First Class post sent locally arrives within one day and 90% of First Class post sent elsewhere in UK arrives within 2 days
There is no guaranteed next day delivery service available
There is no insured service available
First Class stamps are priced 90p
Post box further from your home
DK – EXCLUSIVE

G4 You mentioned [the change mentioned at G3] would have the most significant impact on your life. Which of the following statements would best describe the impact of this change?

It would have a serious impact on my life and would mean I was cut off from people or businesses that I need to contact
It would be a major inconvenience, but I would work a way around it/ find alternatives
It would be a minor inconvenience
It would have little or no impact
DK

PART 8 DEMOGRAPHICS

DEMOGRAPHICS IN AD HOC SURVEY

Z1 Which of these describes you?
Single
Married
Living as a couple
Widowed
Divorced
Separated
“R” button

ENTER YOUR RESPONSE USING THE PAD ON SCREEN

Z2 How many people are there in your household altogether, including any children and yourself?
MAXIMUM 95
MINIMUM 1
“R” (96)

IF Z2>1

Z3 And how many children under the age of 16 are there in the household?
MAXIMUM [Z2 - 1]
User defined button : 96 "R"

Z4 Tenure?
Own outright
Own with a mortgage
Rent from council
Rent privately
Other
“R” BUTTON
SHOW SCREEN

Z5 Which of these best describes your ethnic group?

(IF NECESSARY: By this I mean your cultural background)
White British
White Irish
Any other white background
White & Black African
White & Asian
Any other mixed background
Pakistani
Bangladeshi
Any other Asian background
African
Any other Black background
Any other (specify)
“R” button

SHOW SCREEN - MULTI CHOICE

Z6 Do you have any of the following?

INTERNET ACCESS E-MAIL
Access to the Internet at home on a computer\laptop An e-mail address at home
Access to the Internet at home on a games console An e-mail address at work
Internet at home through your TV screen via a computer Other e-mail address
Access to the Internet at work on a computer\laptop
Access to the Internet at school\college\university on a computer
Internet access from a library on a computer
Internet access in a café\bar on a computer
Access to the Internet via a mobile phone
Access to the Internet on a Palmtop or Personal Digital Assistant (PDA)\Pocket PC
Internet access at a friends or relatives house on a computer
Other Internet access
“None of these” BUTTON
“R” BUTTON
Social Grade Questions

DEMOGRAPHICS ASKED IN OMNIBUS AND AD HOC

X1 Looking at this screen, could you please give me the letter for the group in which you would place your total household income from all sources, before tax and other deductions?
Please just read out the letter that applies
SINGLE CODE

<table>
<thead>
<tr>
<th>Per week</th>
<th>Per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Up to £221</td>
<td>Under £11,500</td>
</tr>
<tr>
<td>B £222 - £336</td>
<td>£11,500 - £17,499</td>
</tr>
<tr>
<td>C £337 - £576</td>
<td>£17,500 - £29,999</td>
</tr>
<tr>
<td>D £578 - £961</td>
<td>£30,000 - £49,999</td>
</tr>
<tr>
<td>E £962 or over</td>
<td>£50,000+</td>
</tr>
<tr>
<td>DK/ Refused</td>
<td></td>
</tr>
</tbody>
</table>

X2 Do you have any long standing physical or mental impairment, illness, or disability? By ‘long standing’ I mean anything that has troubled you over a period of at least 12 months or that it is likely to affect you over a period of at least 12 months?
Yes
No
Refused

X2 Are you unable to leave your house without help, because you are ill or disabled?
INTERVIEWER IF NEEDED: By this I mean are you housebound?
Yes
No
Don’t know

READ OUT
Thank you
Appendix E: Business customers: sampling and data weighting

Sampling
Using the business universe, the minimum number of interviews needed for each sub-group and a sample ratio of 30:1, the number of pieces of sample to order in each cell was calculated. The sample was then ordered from Experian, who selected the required sample from the business universe at random.

At the beginning of the interview, respondents were screened to ensure that we interviewed the person at the establishment called who was responsible for decisions made about the sending and receiving of post.

Weighting
This appendix provides details of how the results were weighted to adjust for any imbalances introduced by the sampling approach and ensure the findings were representative of all residential and business customers in the UK.

Rim weighting\(^{19}\) was applied at the analysis stage; there were two reasons for this.

First, the study was designed to oversample some geographic regions and sub-groups in order to boost their sample sizes to make it possible to look at their results separately. This meant that it was necessary to weight respondents from groups which were oversampled down, so that they were not over-represented in the final sample.

Further weights were then applied to number of employees, sector and region to ensure that the sample was representative of businesses in the UK. The weighting applied was based on figures from the Business Population Estimates 2011. Where BPE did not provide figures (such as on rural/urban split), it was assumed that the distribution matched that of the general population and Census 2001 figures were used.

\(^{19}\) Rim weighting is used when applying more than one weighting target and uses algorithms, to ensure the weighting applied is the best fit between the different targets.
<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Unweighted (%)</th>
<th>Weighted (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 2</td>
<td>30%</td>
<td>77%</td>
</tr>
<tr>
<td>3 - 10</td>
<td>16%</td>
<td>18%</td>
</tr>
<tr>
<td>11 – 50</td>
<td>14%</td>
<td>4%</td>
</tr>
<tr>
<td>51 – 250</td>
<td>21%</td>
<td>1%</td>
</tr>
<tr>
<td>251+</td>
<td>19%</td>
<td>*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sector</th>
<th>Unweighted (%)</th>
<th>Weighted (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>19%</td>
<td>28%</td>
</tr>
<tr>
<td>Retail leisure services</td>
<td>17%</td>
<td>14%</td>
</tr>
<tr>
<td>Financial and business</td>
<td>23%</td>
<td>30%</td>
</tr>
<tr>
<td>Public services</td>
<td>30%</td>
<td>16%</td>
</tr>
<tr>
<td>Other services</td>
<td>10%</td>
<td>11%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Unweighted (%)</th>
<th>Weighted (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>69%</td>
<td>87%</td>
</tr>
<tr>
<td>Scotland</td>
<td>13%</td>
<td>6%</td>
</tr>
<tr>
<td>Wales</td>
<td>9%</td>
<td>4%</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>9%</td>
<td>3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Urban / rural</th>
<th>Unweighted (%)</th>
<th>Weighted (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>67%</td>
<td>78%</td>
</tr>
<tr>
<td>Rural</td>
<td>21%</td>
<td>17%</td>
</tr>
<tr>
<td>Deep rural</td>
<td>13%</td>
<td>4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Offshore</th>
<th>Unweighted (%)</th>
<th>Weighted (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mainland</td>
<td>91%</td>
<td>100%</td>
</tr>
<tr>
<td>Onshore</td>
<td>9%</td>
<td>*</td>
</tr>
</tbody>
</table>
Appendix F: Business customers: questionnaire

PART 1  INTRO/ SCREENER

S1a. Hello.

Can I just check that I have got through to <<INSERT COMPANY NAME FROM SAMPLE>>?

Yes  CONTINUE
No  CLOSE

S1b.
QUESTION Textfill according to number of employees in sample

IF <5 SHOW
Can I please speak to the owner or manager of your business?

IF 5+ SHOW
I would like to speak to the person in your business who is responsible for decisions made about the sending and receiving of post. Can you please put me through to them?

IF MORE THAN ONE PERSON IS RESPONSIBLE, ASK TO SPEAK TO THE MOST SENIOR.

IF ASKED FOR A JOB TITLE – ASK FOR POST MANAGER, IF NO POST MANAGER ASK FOR OFFICE MANAGER LOGISTICS MANAGER OR PERSON IN ACCOUNTS THAT IS RESPONSIBLE

Put through to them – GO TO S2
They are not currently there - GO TO S3
Refusal

S2. Can I just check, are you the person responsible for the post for your organisation and that you have a good idea of the amount you spend on post and volumes of post sent and received.?

IF MORE THAN ONE PERSON IS RESPONSIBLE, ASK TO SPEAK TO THE MOST SENIOR.

Yes – GO TO S4
No – GO TO S2B

S2b. So who would be better to talk to?

INTERVIEWER: ASK FOR NAME AND JOB TITLE AND ASK TO BE PUT THROUGH

NOTE THAT WE WANT TO SPEAK TO THE PERSON RESPONSIBLE FOR DECISIONS MADE ABOUT THE SENDING AND RECEIVING OF POST BY YOUR BUSINESS INCLUDING ANY OTHER SITES YOU HAVE.

IF MORE THAN ONE PERSON IS RESPONSIBLE, ASK TO SPEAK TO THE MOST SENIOR.

Put through to them – GO TO S2C
They are not currently there - GO TO S3
Refusal

S2c. Can I just check, are you the person responsible for the post for your organisation and that you have a good idea of the amount you spend on post and volumes of post sent and received.?

IF MORE THAN ONE PERSON IS RESPONSIBLE, ASK TO SPEAK TO THE MOST SENIOR.

Yes – GO TO S4
No – GO TO S3

S3. Can you please give me their telephone number and let me know when a convenient time to call them back would be?

MAKE APPOINTMENT CLOSE

S4. I am xx from TNS-BMRB, an independent market research agency. We have been commissioned by the regulator Ofcom to conduct an important study into businesses’ needs from the postal service.

The results of this study will help Ofcom better understand your current postal needs and how these might change in the future. It will contribute to Ofcom’s development of new regulations that will shape the postal service, so it is important that we listen to the views of businesses like yours. Some of the questions include descriptions of future scenarios. These scenarios are purely hypothetical and they do not represent changes that are currently proposed by Ofcom or the Government. Certain features of the postal service can only be
changed by the government.

INTERVIEWER: PLEASE USE THESE REASSURANCES IF NECESSARY OFCOM IS THE INDEPENDENT REGULATOR OF POSTAL SERVICES. THEY ARE RESPONSIBLE FOR ENSURING THAT ROYAL MAIL PROVIDES A UNIVERSAL POSTAL SERVICE ACROSS THE UK AT AN AFFORDABLE, UNIFORM PRICE.

IT IS IMPORTANT THAT WE UNDERSTAND THE NEEDS FOR ALL SIZES AND TYPES OF BUSINESSES WHETHER YOU SEND AND/OR RECEIVE LITTLE POST.

THE WAY WE COMMUNICATE IS CHANGING RAPIDLY SO IT IS IMPORTANT THAT OFCOM UNDERSTANDS HOW USE OF THE POSTAL SERVICES HAS AND WILL CONTINUE TO CHANGE OVER THE NEXT FEW YEARS.

THE INTERVIEW SHOULD NOT LAST MORE THAN 20-25 MINUTES

THE INTERVIEW WILL BE CONDUCTED IN ACCORDANCE WITH THE RULES OF THE MARKET RESEARCH SOCIETY I.E. ANONYMITY IS GUARANTEED UNLESS YOU SPECIFICALLY GIVE US PERMISSION TO IDENTIFY YOUR RESPONSES.

S5. Are you willing to take part in this survey?
Yes - CONTINUE
No - CLOSE

S6. In order to take part in this survey, you will need to access the internet whilst I am on the phone to you, do you have access to the internet now?
Yes – GO TO MAIN SURVEY
No, not at this moment – ASK S7
No, I do not have access to the internet at all – GO TO S8

S7. Can I call you back at a time that is convenient when you will have access to the internet?
Yes - MAKE APPOINTMENT
No I do not have internet access at all – GO TO S8
Refusal - CLOSE

S8 To help us with this study, I would like to send you some information materials that will help you to answer some of the questions, I can send this to you either by fax or by post.
Would you prefer the information faxed or posted to you?

Post
Fax
Refused – THANK AND CLOSE INTERVIEW

IF FAX, RECORD FAX NUMBER:

IF POST, RECORD FULL ADDRESS INC POSTCODE:

S9 Thank you for helping us with this study, the information will be sent to you in the next couple of days.

When would be a good time to call back to conduct the interview?

Interviewer: Please allow sufficient gap to allow materials to be received by the respondent (a week)

SCRIPTER – IF RESPONDENT IS “OFFLINE” I.E. AN APPOINTMENT IS MADE AT S9 THIS NEEDS TO BE STORED AS WHEN THE INTERVIEWER CALLS BACK THIS NEEDS TO BE USED FOR A QUOTA & TO TRIGGER FOLLOWING ROUTING

WHEN CALLING BACK THOSE WE HAVE SENT MATERIAL TO:

AFTER S5, DO NOT ASK S6, INSTEAD ASK:

S62 In order to take part in this survey, you will need to have to hand the materials which were posted / faxed to you, do you have these in front of you?
Yes – GO TO MAIN SURVEY
No, not at this moment – ASK S72
No, I have not received them – GO TO S8

S72 Can you go and get these materials now?
Yes – GO TO MAIN SURVEY
No, not right now – MAKE APPOINTMENT
No, I have not received them – GO TO S8
Firstly, I would just like to find out a few things about your business

A1 Approximately how many people work for your business in the UK (including yourself)?
INTERVIEWER: IF RESPONDENT IS UNSURE USE THE FOLLOWING PROMPT-
Is it <<INSERT NUMBER FROM SAMPLE>>?

SINGLE CODE
1-2
3-10
11-50
51-250
251+
DK – SCREEN OUT

IF NUMBER OF EMPLOYEES IS <10 ASK
A2 And does your business operate from business premises or from your home

Business premises
Home

READ OUT
If you have more than one site, when taking part in this survey can you please think about the post your business sends and receives across all your sites in the UK.

ASK ALL
A3. Approximately how much does your business spend on postage for letters and parcels in an average month?
INTERVIEWER: PROMPT AS NECESSARY USING RANGES
IF RESPONDENT IS UNSURE ASK FOR AN ESTIMATE; WHAT SPENT LAST MONTH
NOTE AN AVERAGE MONTH DOES NOT INCLUDE CHRISTMAS, WE WANT A TYPICAL MONTH
MAKE SURE RESPONDENT INCLUDES ITEMS SENT WITH OTHER COMPANIES (INCLUDING COURIERS) AS WELL AS ROYAL MAIL
None - CLOSE
1. Less than £10
2. £10 – £25
3. £26 - £50
4. £51 - £100
5. £101 - £449
6. £450 - £999
7. £1,000 - £2,499
8. £2,500 - £4,999
9. £5000 – £9,999
10. £10,000 to £16,499
11. £16,500 to £29,999
12. £30,000 to £41,499
13. £41,500+
14. DK - CLOSE
15. REFUSED - CLOSE

A4 Of this, what proportion is spent with Royal Mail compared to other operators?
PROMPT AS NECESSARY
SINGLE CODE, ROTATE THE ORDER OF THE SCALE
All or almost all
Most (around three quarters)
About half
A small proportion
None

A5 Which of the following statements best describes the role of the mail services to your organisation?
Mail is core to our business operations
Mail is critical for our customer communications and statements but not core to our business
Mail is used mainly for our administrative needs and is not core to our service delivery
Don’t know

IF DK AT A5 SKIP A6
A6 And do you think that this will remain true over the next three years?
SINGLE CODE

Yes
No
DK - EXCLUSIVE
A7 What is the turnover of your business overall in the UK?
INTERVIEWER: IF RESPONDENT IS NOT SURE, PLEASE ASK THEM TO ESTIMATE AND PROMPT WITH RANGES
SINGLE CODE
Under £50,000
£50,000 - £99,999
£100,000 - £249,999
£250,000 - £499,999
£500,000 - £999,999
£1,000,000 - £4,999,999
£5,000,000+
Don’t know
Refused

PART 3 CURRENT USE OF SERVICE - RECEIVING POST

I am now going to ask you some questions about the post that your business receives. By this I mean all letters, parcels, bills, direct mail etc. that your business receives.

B1 Which of these types of mail would you say your business receives at least once a month by post?
MULTI CODE AND RANDOMISE
Financial transactions (bills, payment for bills, invoices, etc)
General correspondence (with businesses, organisations, government, customers etc)
Parcels, packets and goods ordered
Catalogues and brochures
Direct mail or other unsolicited mail
Forms (such as for membership, contact or payment details, etc)
Other (please specify)
DK
None

B2 And what proportion of the post that you receive do you have to respond to or deal with on the day it arrives.
Would you say it was...?
READ OUT
SINGLE CODE, ROTATE THE ORDER OF THE SCALE
All or almost all
Most (around three-quarters)
About half
A small proportion
None
Don’t know

IF “DK” OR “NONE” AT B2 SKIP B3
B3 You said that <ANSWER FROM B2> of the post that your business receives needs to be dealt with on the day it arrives. What type of mail does this tend to be?
MULTI CODE
SHOW CODES SELECTED AT B1
Other (please specify)
It varies
DK
None

PART 4 SENDING POST

I am now going to ask you some questions about the post that your business sends.

By this I mean all letters, parcels and packets that are sent with Royal Mail or other postal service operators.

C1 Which of these types of mail would you say your business sends at least once a month by post?
MULTI CODE AND RANDOMISE
Financial transactions (bills, payment for bills, invoices, etc)
General correspondence (with businesses, organisations, government, customers, etc)
Parcels or packets or product orders, etc.
Catalogues and brochures
Direct mail or other unsolicited mail
Forms (such as for membership, contact or payment details, etc)
Other (please specify)
Don’t know
None

**IF MORE THAN ONE ANSWER GIVEN AT C1**
*C1a Which of these types of mail would you say your business sends the most of by post?*
**SINGLE CODE**
SHOW ANSWER SELECTED AT C1
Don’t know

*C2 Would you say that the mail your business sends in a typical month mostly goes to businesses or residential addresses?...READ OUT?*
**SINGLE CODE**
Only to businesses
Mostly to businesses, but some to residential addresses
A mixture of both
Mostly to residential addresses, but some to businesses
Only to residential addresses
DK

*C3 When sending post with Royal Mail, which of the following methods does your business use ...READ OUT?*
**MULTI CODE**
INTERVIEWER IF RESPONDENT ONLY SAYS BULK MAIL PRODUCTS PROBE
:And what method do you use when sending single items of mail AND CODE BELOW

Stamps
Online postage – smartstamps, for example
Metered or franked
PPI
Bulk mail products

**ASK ALL**
*C4 And can I just check does your business use bulk mail services from other postal operators*
Yes
No
Don’t know

IF “YES” AT C4 OR “BULK MAIL PRODUCTS” AT C3
C5 You said that your business spends <ANSWER FROM A3> on postage for letters and parcels in an average month.

What proportion of this is spent on bulk mail services provided by Royal Mail or other operators and what proportion is spent on other services?
SINGLE CODE
Over 90% spent on bulk services
Between half (50%) and 90% spent on bulk services
Half on bulk services and half on other services
Between half (50%) and 90% on other services
Over 90% on other services
DK

IF “YES” AT C4 OR “BULK MAIL PRODUCTS” AT C3
When answering the questions in the rest of this survey we would like you to only think of single item mail you send, not of any post you send by bulk mail.

ASK ALL
C6a When sending mail what proportion does your business send using First Class?
OPEN NUMERIC (RANGE 0 -100)
DK

IF C6A=100 SKIP C6B
C6b When sending mail what proportion does your business send using Second Class?
OPEN NUMERIC (RANGE 0 -100)
DK

LOGIC CHECK THAT C6A AND C6B ADD UP TO 100, IF MORE OR LESS THAN 100 SHOW:
NOTE THAT IF DK ENTERED AT C6A OR C6B THERE IS NO NEED FOR LOGIC CHECK
INTERVIEWER: THE ANSWERS ENTERED ADD UP TO MORE (OR LESS) THAN 100%, PLEASE GO BACK AND CORRECT THIS

IF C6A IS 50 OR MORE
C7 Thinking about the letters your business sends First Class, what proportion has to be at their destination the next working day after you post them?
SINGLE CODE
All or almost all
Most (around three-quarters)
About half
A small proportion
None
DK

IF C6A IS 50 OR MORE
C8 Why do you choose to use first Class when sending letters?
CODE ALL THAT APPLY. DO NOT PROMPT.
Not much difference in cost between First and Second Class post
Speed of delivery
Not wanting others to think that I am unwilling to use a First Class stamp
Makes the letter look more important
Provides a better service for clients/ customers
Value of the item
Security/privacy
Other (please specify)
NONE
DON’T KNOW

ASK ALL
C10 Which of these Royal Mail services has your business used in the last twelve months READ OUT?
MULTI CODE - RANDOMISE
Recorded Signed For
Special Delivery
Standard parcel
None of these – EXCLUSIVE
IF ONLY GIVEN ONE ANSWER AT C3 (EXCLUDING BULK MAIL), SKIP C11 AND WRITE DATA IN C11
You mentioned earlier that when sending post with Royal Mail your business uses STAMPS/ONLINE POSTAGE SUCH AS SMART STAMPS/METERED POST /PPI, which method do you use most?
INTERVIEWER: PLEASE ENCOURAGE RESPONDENT TO GIVE AN ANSWER AT THIS QUESTION AS FAR AS POSSIBLE
SINGLE CODE
Stamps
Online postage e.g. Smart stamps
Metered/ franked
PPI
PART 5  ACCESS POINT (POST BOXES)

ASK ALL

D2. How often do you use post boxes to send mail?
Several times a week
Once a week
Once a fortnight
Once a month
Less than once a month
Never
DK

IF “NEVER” AT D2 SKIP TO F1, ELSE CONTINUE

D3. Which of the following statements best describes the location of the post boxes which your business uses most?
READ OUT – SINGLE CODE
The closest post box to your business
Another post box in the local area
A post box close to the place where you or the person who posts the mail lives
A post box close to a transport hub (e.g. bus stop or train station)
A post box in the centre of a town or shops
A post office
Other - SPECIFY
None – EXCLUSIVE
Don’t know – EXCLUSIVE

D4. Which of the following three factors is the most important to your business in choosing which post boxes you use...
READ OUT
SINGLE CODE – RANDOMISE OPTIONS
A convenient location
A later collection time
Accepts metered mail
Don’t know
D5 Do you know what the final collection time of the post box nearest to your business is on Monday to Friday and on Saturdays?
CODE ALL APPLY
Yes- Monday-Friday
Yes - Saturday
No
Don’t know

D9 How far would you be prepared to travel to post your letters?
DO NOT READ OUT
SINGLE CODE
Up to 0.1 miles (around 160m)/ 1-2 minute walk
0.2 miles (around 320m)/ 3-5 minute walk
0.3 miles / third of a mile (around 500m)/ 6-7 minute walk
0.4 miles (around 640m)/ 8 minute walk
0.5 miles / half mile (around 800m)/ 9-10 minute walk
More than half a mile to 1 mile/ 11-20 minute walk
More than 1 mile to 2 miles/ 20-40 minute walk or 2-5 minute drive
More than 2 miles to 5 miles/ 5-10 minute drive
More than 5 miles/ 10 mins+ drive
Don’t know
It doesn’t matter as I don’t use the box nearest to my business

D8 How satisfied or dissatisfied are you with the location of post boxes in the area local to your business?
IF SATISFIED/DISSATISFIED PROBE —ARE YOU VERY OR FAIRLY SATISFIED/DISSATISFIED?

SINGLE CODE
Very satisfied
Fairly satisfied
Neither satisfied nor dissatisfied
Fairly dissatisfied
Very dissatisfied
Don’t know
F1. How far do you agree or disagree with the following statement?
There are some things that my business will always need to send by post.

DO YOU... READ OUT
SINGLE CODE
Strongly agree
Agree
Neither agree nor disagree
Disagree
Strongly disagree
DK – EXCLUSIVE

PART 7  CONJOINT

IF RESPONDENT HAS INTERNET ACCESS
Can you now please go on to the internet? Once you are on the internet can you please go to your web/internet browser and type in: www.postsurvey.co.uk

Please do not use Google or any other search engine.

INTERVIEWER: YOU MAY NEED TO SPELL OUT THE ADDRESS.

IF RESPONDENTS ARE NOT FAMILIAR WITH INTERNET/WEB BROWSER SAY THAT THIS IS WHERE YOU TYPE IN THE WEB ADDRESS TO GO TO A WEBSITE.

Once this web page has loaded, you should see an introductory screen which welcomes you to the web survey element of the survey. There will be a pink TNS logo in the top left corner and a progress bar across the top. Before we continue, can you please confirm that you are at this website?
At the bottom of the screen there is a button with two arrows pointing to the right on it “>>” (the one on the right hand side) please click this to go to the next screen.

You should now be looking at a screen which is asking you to enter an ID number, can you please enter <<INSERT NUMBER FROM SAMPLE>>?

INTERVIEWER: PLEASE READ OUT THE NUMBER SLOWLY AND GET THE RESPONDENT TO READ IT BACK TO YOU TO ENSURE THEY HAVE INPUTTED IT CORRECTLY

Now, please continue to the next screen.

This screen should now be showing you the name of the business or organisation that you work for. If this is correct, please confirm that this is the case by clicking the “yes” option and then continuing.

Interviewer: if details are correct continue

IF DETAILS ARE INCORRECT THE ONLINE SCRIPT WILL MAKE THE RESPONDENT RETURN TO THE PREVIOUS SCREEN TO RE-ENTER THEIR ID, SO PLEASE READ OUT TO THEM AGAIN AND ENSURE THEY ENTER IT CORRECTLY THIS TIME.

JUST TO REMIND YOU, THE ID NUMBER THE RESPONDENT NEEDS TO ENTER IS <INSERT NUMBER FROM SAMPLE>

Now there is a question on your screen asking you which method you use to send most of your mail. Earlier in this questionnaire you told me that you mainly used <<INSERT ANSWER FROM C3/C11>>, can you please select this and continue.

As I mentioned earlier, the way that businesses use postal services is changing so it is important to find out what businesses like yours need from the service.
The next exercise aims to determine how important different aspects of the postal service are to you. I will show you an example before we do the exercise.

Please now go to the next screen.

On your screen now there is a table which compares two different postal services, and shows you all of the information about both of them.

As part of this exercise you will be presented with two alternative postal services and you will have to select the service which you prefer.
I will now briefly talk through the table with you.

<table>
<thead>
<tr>
<th></th>
<th>Option A</th>
<th>Option B</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Collection and delivery</strong></td>
<td>Delivery and collection 6 days a week</td>
<td>Delivery and collection 5 days a week (Mon – Fri)</td>
</tr>
<tr>
<td><strong>Last collection times</strong></td>
<td>3.00pm at rural/local boxes and 6.30pm at town centre boxes</td>
<td>12 noon at rural/local boxes and 6.30pm at town centre boxes</td>
</tr>
<tr>
<td><strong>Latest delivery times</strong></td>
<td>Post is delivered by 4.00pm in all areas</td>
<td>Post is delivered by 3pm in rural areas and 2pm in towns and cities</td>
</tr>
<tr>
<td><strong>Service</strong></td>
<td>95% of First Class post arrives within one working day</td>
<td>80% of First Class post arrives within one working day</td>
</tr>
<tr>
<td><strong>Price of stamp(s)</strong></td>
<td>First Class 80p, Second Class 60p</td>
<td>First Class 65p, Second Class 50p</td>
</tr>
<tr>
<td><strong>Additional delivery options</strong></td>
<td>No option to specify evening / Saturday delivery</td>
<td>You can specify evening or Saturday delivery for a fee of £4.50</td>
</tr>
</tbody>
</table>

**Option A** is a postal service where mail is collected and delivered six days a week. The last collection time from post boxes would be 3.00pm at boxes in rural / out of town locations and 6.30pm at town centre boxes. Post would be delivered to all addresses by 4pm.

95% of post sent First Class has to arrive the day after it is posted. This is more than 9 out of every 10 items sent.

This service has no facility to specify evening or Saturday delivery of items that require a signature or are too large to put through a letterbox.

It costs 80p to send a letter using First Class and 60p to send it using Second Class.

You can see that **Option B** is a postal service where mail is delivered and collected five days a week (Monday to Friday), compared with six days a week in option A. The last collection time from post boxes would be noon at boxes in rural / out of town locations – this is three hours earlier than
Option A. However, the last collection time at town centre boxes is the same as Option A (6.30pm).

Post would be delivered to all addresses in rural areas by 3pm and those in towns and cities by 2pm. This is earlier than Option A.

But only 80% of post sent First Class mail has to arrive the day after it is posted – that’s 8 out of every 10 letters posted compared with more than 9 out of 10 in option A.

This option has the facility to specify evening or Saturday delivery for items that require a signature or are too large to put through a letterbox for an extra fee of £4.50.

However, this second option is cheaper; it costs 65p to send a letter using First Class and 50p to send it using Second Class.

You will be asked to choose whether option A or B better meets your needs. You will also see an option for ‘Neither’ - it is very important that you only choose this option if NEITHER Option A nor Option B meet your needs.

Choosing ‘Neither’ means that you would not be able to post, send or receive the items you wish using either option, and that you would have to find an alternative communication method to meet this need, including not sending or receiving the item at all.

Ok, so that’s the end of the introductory example.

NEW SCREEN
You will now be asked to look at eight different combinations of postal services. The options may look very similar but there will be minor changes between them.
If you require any help, please give me the question number which appears above the table and I will help you to answer the question.

Please tell me when you have answered all eight questions, but I will check how you are doing from time to time.

When the respondent says that they have finished continue to the next screen.

NEW SCREEN
I now want to do another quick exercise with you to find out your thoughts about having a postal service where there is only one single tier, by this I mean First and Second Class post would be replaced with one single service.

IF BULK USER ADD Again please answer these questions just about the single item mail you send and not about the mail you send using specialist bulk mail services

The table which is now on your screen shows you three different postal services, one of which enables you to send mail using First Class or Second Class, and two services which only have a single tier.

Thinking about what you need from the postal service, if you could choose what was offered, which of these options would you choose? Please enter the answer on your computer screen.
<table>
<thead>
<tr>
<th></th>
<th>Option A</th>
<th>Option B</th>
<th>Option C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of tiers</strong></td>
<td>Two</td>
<td>One</td>
<td>One</td>
</tr>
<tr>
<td><strong>Price</strong></td>
<td>First Class post</td>
<td>Single Class post</td>
<td>Single Class post</td>
</tr>
<tr>
<td></td>
<td>90p</td>
<td>63p</td>
<td>70p</td>
</tr>
<tr>
<td></td>
<td>Second Class post</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>60p</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Service</strong></td>
<td>93% of First Class</td>
<td>95% of post</td>
<td>98% of post</td>
</tr>
<tr>
<td></td>
<td>arrives within <strong>one</strong></td>
<td>arrives with <strong>two</strong></td>
<td>arrives with <strong>two</strong></td>
</tr>
<tr>
<td></td>
<td>working day</td>
<td>working days</td>
<td>working days</td>
</tr>
<tr>
<td></td>
<td>98% of Second</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Class arrives with</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>three</strong> working</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>days</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

None of these
Fz2 You will now be looking at another table, looking at this table now and thinking about what you need from the postal service, if you could choose what was offered, which of these options would you choose?

<table>
<thead>
<tr>
<th>Feature</th>
<th>Option A</th>
<th>Option B</th>
<th>Option C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of tiers</td>
<td>Two</td>
<td>One</td>
<td>One</td>
</tr>
<tr>
<td>Price</td>
<td>First Class post 60p</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Second Class post 50p</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Single Class post 53p</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Single Class post 55p</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td>93% of First Class arrives within one working day</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>98% of Second Class arrives with three working days</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>95% of post arrives with two working days</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>98% of post arrives with two working days</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

None of these

NEW SCREEN

Please tell me the ID number that appears on your screen?

VERIFY THE NUMBER AND CONTINUE

INTERVIEWER: PLEASE NOTE THAT THE ID IS MADE UP OF BOTH LETTERS AND NUMBERS

IF RESPONDENT IS “OFFLINE” (I.E. ANSWERED “POST” OR “FAX” TO S8)

Can you now please refer to the information which was sent to you.

If necessary: This information has a TNS logo in the top left corner and it says “Material for Ofcom post survey” on the front.

Before we continue can you please confirm that you have this information to hand?

If yes continue

No, allow respondent to get the materials to hand
As I mentioned earlier, the way that businesses use postal services is changing so it is important to find out what businesses like yours need from the service.

The next exercise aims to determine how important different aspects of the postal service are to you. I will show you an example before we do the exercise.

Please look at the second page.

On this page there is a table which compares two different postal services, and shows you all of the information about both of them.

As part of this exercise you will be presented with two alternative postal services and you will have to select the service which you prefer.

I will now briefly talk through the table with you.
**Option A** is a postal service where mail is collected and delivered six days a week. The last collection time from post boxes would be 3.00pm at boxes in rural / out of town locations and 6.30pm at town centre boxes. Post would be delivered to all addresses by 4pm.

95% of post sent First Class has to arrive the day after it is posted. This is more than 9 out of every 10 items sent.

It costs 80p to send a letter using First Class stamps and 60p to send it using Second Class stamps. The cost for using meters / PPI are indicated in brackets – they are 64p for First Class and 41p for Second Class.

You can see that **Option B** is a postal service where mail is delivered and collected five days a week (Monday to Friday), compared with six days a week in option A. The last collection time from post boxes would be noon at boxes in rural / out of town locations – this is three hours earlier than Option A. However, the last collection time at town centre boxes is the same as Option A (6.30pm).

Post would be delivered to all addresses in rural areas by 3pm and those in towns and cities by 2pm. This is earlier than Option A.

But only 80% of post sent First Class mail has to arrive the day after it is posted – that’s 8 out of every 10 letters posted compared with more than 9 out of 10 in option A.

However, this second option is cheaper; it costs 65p to send a letter using First Class stamps and 50p to send it using Second Class stamps. The cost for using meters / PPI are indicated in brackets – they are 50p for First Class and 31p for Second Class.

**You will be asked to choose whether option A or B better meets your needs.**

**You will also see an option for ‘Neither’ - it is very important that you only choose this option if NEITHER Option A nor Option B meet your needs**
Choosing ‘Neither’ means that you would not be able to post, send or receive the items you wish using either option, and that you would have to find an alternative communication method to meet this need, including not sending or receiving the item at all.

Ok, so that’s the end of the introductory example.

You will now be asked to look at eight different combinations of postal services. The options may look very similar but there will be minor changes between them.

**POST1**
Looking at table one on page three.

Thinking about what you need from the postal service, if you could choose what was offered, which of these options would you choose?
Option A
Option B
Neither of these would be acceptable, I would have to use an alternative method?

**POST2**
Looking at table two on page four.

Thinking about what you need from the postal service, if you could choose what was offered, which of these options would you choose?
Option A
Option B
Neither of these would be acceptable, I would have to use an alternative method?

**POST3**
Looking at table three on page five.
Thinking about what you need from the postal service, if you could choose what was offered, which of these options would you choose?
Option A
Option B
Neither of these would be acceptable, I would have to use an alternative method?

POST4
Looking at table four on page six.

Thinking about what you need from the postal service, if you could choose what was offered, which of these options would you choose?
Option A
Option B
Neither of these would be acceptable, I would have to use an alternative method?

POST5
Looking at table five on page seven.

Thinking about what you need from the postal service, if you could choose what was offered, which of these options would you choose?
Option A
Option B
Neither of these would be acceptable, I would have to use an alternative method?

POST6
Looking at table six on page eight.

Thinking about what you need from the postal service, if you could choose what was offered, which of these options would you choose?
Option A
Option B
Neither of these would be acceptable, I would have to use an alternative method?
POST7
Looking at table seven on page nine.

Thinking about what you need from the postal service, if you could choose what was offered, which of these options would you choose?
Option A
Option B
Neither of these would be acceptable, I would have to use an alternative method?

POST8
Looking at table eight on page ten.

Thinking about what you need from the postal service, if you could choose what was offered, which of these options would you choose?
Option A
Option B
Neither of these would be acceptable, I would have to use an alternative method?

NEW SCREEN
I now want to do another quick exercise with you to find out your thoughts about having a postal service where there is only one single tier, by this I mean First and Second Class post would be replaced with one single service.

Fz1a The table which is on page 11 shows you three different postal services, one of which enables you to send mail using First Class or Second Class, and two services which only have a single tier..

Thinking about what you need from the postal service, if you could choose what was offered, which of these options would you choose? Option A
Option B
Option C
None of these

**Fz2a On page 12 there is another table.**

*Looking at this table now and thinking about what you need from the postal service, if you could choose what was offered, which of these options would you choose?*

- Option A
- Option B
- Option C
- None of these
I now have just a few last questions to ask you.

Fx1a If the price of First Class was 90p (74P IF MAINLY USE METERED /PPI FROM C3/C11) and the price of Second Class was 60p (41P IF MAINLY USE METERED /PPI FROM C3/C11), how do you think this would affect the amount of post that you send? Would you send more or less post than you currently do or would it remain the same?

SINGLE CODE
- Would send more
- Remain the same
- Would send less
- Don’t know

IF FX1A IS “WOULD SEND LESS”
Fx1b Do you think you would send a little less than you currently do, much less than you currently do or nothing at all?

SINGLE CODE
- A little less
- Much less
- Wouldn’t send any post
- Don’t know

Fx2 If the price of First Class was 90p (74P IF MAINLY USE METERED /PPI FROM C3/C11) and the price of Second Class was 60p (41P IF MAINLY USE METERED /PPI FROM C3/C11), do you think you would use First Class or Second Class more?

Would you use...

SINGLE CODE
- First Class all of the time
- First Class most of the time
- First Class and Second Class an equal amount
- Second Class most of the time
- Second Class all of the time
- Don’t know
Fx3 How important is it that the Royal Mail provides a guaranteed next day delivery service?
INTERVIEWER: THIS OPTION IS NOT FREE, THERE IS A CHARGE ASSOCIATED WITH IT DEPENDING ON SIZE AND WEIGHT (LIKE SPECIAL DELIVERY)

Extremely important
Very important
Somewhat important
Not very important
Not important at all
Don’t Know
G1. If your business could choose one thing to improve about the postal service, what would it be?

**DO NOT PROMPT SINGLE CODE ONLY**

- Cheaper prices
- Delivery and collection of post on seven days a week, including Sundays
- Earlier delivery of post
- A later final collection of post from post boxes
- Evening delivery of items that cannot fit through a letterbox to residential homes
- Weekend delivery of items that cannot fit through a letterbox to residential homes
- Post box closer to my business
- Other (SPECIFY)

NOTHING - **EXCLUSIVE**

Don’t Know - **EXCLUSIVE**

G3 Some potential changes to the postal services may make things worse for you by disrupting the way you do things. Which, **ONE**, of the following potential changes to the postal service would have the most **SIGNIFICANT** negative impact on your business? **SELECT ONE**

**SHOW SCREEN, SINGLE CODE RANDOMISE ORDER BUT KEEP “NONE OF THESE WOULD SIGNIFICANTLY IMPACT ON MY LIFE” AT THE TOP**

None of these would significantly impact my life – **EXCLUSIVE**

- Delivery reduced to 5 days per week (Mon-Fri)
- Earlier collection of post from post boxes
- Later delivery times (post is delivered by 6pm)
- 90% of First Class post sent locally arrives within one day and 90% of First Class post sent elsewhere in UK arrives within 2 days
- There is no guaranteed next day delivery service available
- There is no insured service available
- First Class stamps are priced 90p (74P IF MAINLY USE METERED /PPI FROM C3/C11)
- Post box further from your business
G4 You mentioned [the change mentioned at G3] would have the most significant impact on your business. Which of the following statements would best describe the impact of this change?

- It would have a severe impact on the ability to run the business
- It would make running the business more costly, but we would work our way around it/ find alternatives
- It would be an inconvenience, but not a major one
- It would have little or no impact on running the business

PART 9 ENF OF QUESTIONNAIRE

Finally just a few questions to wrap up the interview.

Can I please take down your name?
OPEN
R

Can you please also give me your job title?
OPEN
R

READ TO ALL

Thank you
Appendix G: Conjoint: packages tested and analysis

This appendix provides a short explanation of conjoint analysis and further details about the propositions tested and the way the results have been analysed.

Conjoint analysis
Conjoint analysis is a statistical technique that helps us better understand what people really value in products and services and how they make these decisions. Every customer making choices between products and services is faced with trade-offs. Is high quality more important than a low price and quick delivery, for instance? Customers find it difficult to answer these questions directly and rationalise their choices, partly because we are asking them to think about their preferences in a way that is unfamiliar to them, and partly because other factors such as the desire to appear logical or socially responsible constrain their responses.

Conjoint enables us to obtain the information on what choices people make and what is driving their behaviour in a simpler and more reliable way. In a conjoint exercise respondents are asked to choose between different product concepts - descriptions of the full product or service with different combinations of the component features. The task is therefore much more straightforward for the respondent than asking them to rationalise the choices they make themselves, as we simply ask what they would choose.

Conjoint analysis is used to analyse the choices people made and to help us understand which features are driving those choices. The analysis provides us with scores that not only summarise the influence different features have, but that can also be used to model the appeal or acceptability of any combination of the features tested, not just those combinations which were evaluated in the exercise. Conjoint therefore provides us with an identification of what is really driving customer behaviour, rather than what customers say is important to them, and also offers a means of evaluating many more product combinations than we could reasonably ask a respondent to do directly.
**Propositions tested**
The following figure summarises the propositions tested. Each feature is represented by an attribute that has between two and four levels which define the range of different levels of service which may be available within that feature. The levels include the current service level.

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collection and delivery of mail</td>
<td>Delivery and collection 6 days a week</td>
</tr>
<tr>
<td></td>
<td>5 days a week, Monday to Friday</td>
</tr>
<tr>
<td></td>
<td>5 days a week, Saturday + 4 weekdays</td>
</tr>
<tr>
<td>Last collection time</td>
<td>Last collection 3.00 pm at rural &amp; 6.30pm town centre</td>
</tr>
<tr>
<td></td>
<td>12.00 noon at rural/local &amp; 6.30pm town centre</td>
</tr>
<tr>
<td></td>
<td>10.00am at rural/local &amp; 6.30pm town centre</td>
</tr>
<tr>
<td>Latest delivery time</td>
<td>Post is delivered by 3.00 pm rural / 2.00 pm urban</td>
</tr>
<tr>
<td></td>
<td>4.00pm in rural areas / 3.00pm urban</td>
</tr>
<tr>
<td></td>
<td>5.00pm in all areas</td>
</tr>
<tr>
<td></td>
<td>6.00pm in all areas</td>
</tr>
<tr>
<td>Quality of service of First Class</td>
<td>90% of First Class arrives within one day</td>
</tr>
<tr>
<td></td>
<td>80% of First Class arrives within one day</td>
</tr>
<tr>
<td></td>
<td>90% of First Class arrives within one day locally / two days elsewhere</td>
</tr>
<tr>
<td>Ability to specify evening / Saturday delivery</td>
<td>No option to specify evening / Saturday delivery</td>
</tr>
<tr>
<td>Ability to specify evening / Saturday delivery</td>
<td>Can specify evening or Saturday delivery for fee of £4.50</td>
</tr>
<tr>
<td>Ability to specify evening / Saturday delivery</td>
<td>Stamps: 60p</td>
</tr>
<tr>
<td>Ability to specify evening / Saturday delivery</td>
<td>Meter / PPI: 44p</td>
</tr>
<tr>
<td>Ability to specify evening / Saturday delivery</td>
<td>Stamps: 70p</td>
</tr>
<tr>
<td>Ability to specify evening / Saturday delivery</td>
<td>Meter / PPI: 54p</td>
</tr>
<tr>
<td>Ability to specify evening / Saturday delivery</td>
<td>Stamps: 80p</td>
</tr>
<tr>
<td>Ability to specify evening / Saturday delivery</td>
<td>Meter / PPI: 64p</td>
</tr>
<tr>
<td>Ability to specify evening / Saturday delivery</td>
<td>Stamps: 90p</td>
</tr>
<tr>
<td>Ability to specify evening / Saturday delivery</td>
<td>Meter / PPI: 74p</td>
</tr>
<tr>
<td>Price of First Class*</td>
<td>Stamps: 60p</td>
</tr>
<tr>
<td>Price of First Class*</td>
<td>Meter / PPI: 44p</td>
</tr>
<tr>
<td>Price of First Class*</td>
<td>Stamps: 70p</td>
</tr>
<tr>
<td>Price of First Class*</td>
<td>Meter / PPI: 54p</td>
</tr>
<tr>
<td>Price of First Class*</td>
<td>Stamps: 80p</td>
</tr>
<tr>
<td>Price of First Class*</td>
<td>Meter / PPI: 64p</td>
</tr>
<tr>
<td>Price of First Class*</td>
<td>Stamps: 90p</td>
</tr>
<tr>
<td>Price of First Class*</td>
<td>Meter / PPI: 74p</td>
</tr>
</tbody>
</table>

*Businesses who mainly used meters or PPI were shown adjusted prices.

**Methodology**
Rather than ask about attributes independently, the conjoint requires respondents to assess them as part of a package. This avoids the pitfalls of a simple evaluation of individual attributes, which can often result in everything being important and little real discrimination between features.
The use of levels within features is also important in aiding more accurate measurement. Without levels, we would simply be asking about the importance of each attribute as a concept, which may be very easy to answer but is very difficult to answer accurately or in a way we can really use the responses. For example, the impact that price has on people’s perceptions of the service depends on what price range we are considering – if we were to put up the price by 100%, then it is reasonable to assume that this would matter a lot more to customers than a 10% price rise. It is impossible, therefore, to have a truly meaningful response to the importance of price without knowing what the parameters are – so by defining levels within the features we have clearly set these parameters.

The levels of the attributes are combined to form concepts, which represented different potential descriptions of the universal service offer. These are then presented in pairs to the respondents who are asked which service they prefer.

The questions used do not represent specific questions we want to answer nor they include particular concepts / offers of interest, but are structured to form a balanced design. The concepts are designed so that, not only is each level of each feature shown a similar number of times, but so that the combinations of levels across different features is also similarly well balanced. The aim is to cover as many different combinations as possible, so that the resultant model can examine any combination of features, not just those tested.

To gather as much detail as possible, it is desirable to use many different questions, covering as many different combinations as we can. However, limited interviewing time and the need to make the exercise as respondent-friendly as possible mean that we cannot ask everyone to respond to a complete set of possible offers. The approach used is to have a number of different questionnaire designs that use different sets of product offers. These are balanced within each set, so everyone sees all the different features but are also balanced across each version so that overall we have covered all combinations of features.

A total of 160 ‘packages’ were designed covering different combinations of the attributes and levels within them. Customers were shown two packages at a time and asked to choose the one that best met their
postal needs. They also had the option to say that neither was acceptable. Each customer was shown eight different pairs of packages, so that across all 16 packages, business customers would have been exposed to each of the elements three to four times.

When choosing between concepts, there may be occasions when none of the options presented to the respondent is very acceptable to them. While they may have a preference for one over the other, the reality is that they would not choose either of them.

By including a ‘none of these’ option to indicate this within the conjoint data collection we not only avoid spurious choices being made, when in reality nothing would be chosen, but also enable to modelling of the point at which items become sufficiently attractive to be chosen. We can then identify not just which combinations of features are more or less attractive, but which are attractive enough to be acceptable choices and which are not.

The analysis not only creates values for each of the features and levels included, but also calculates a value for the “none of these” option. This equates to a threshold which we can include when modelling the attractiveness of different packages, which tells us whether any given package is above or below this point at which it becomes an acceptable option.
Appendix H: Monetisation

Residential

Monday – Friday delivery and collection vs. increase in the price of First Class

![Graph showing the percentage of respondents who prefer to lose Saturday delivery or one weekday delivery vs. the price of First Class letters.]

Saturday and four weekday delivery and collection vs. increase in the price of First Class

![Graph showing the percentage of respondents who prefer to lose one weekday delivery vs. the price of First Class letters.]
Last collection 12pm at rural/local and 6.30pm at town centre vs. increase in the price of First Class

Last collection 10am at rural/local and 6.30pm at town centre vs. increase in the price of First Class
Final delivery by 6pm vs. increase in the price of First Class

% of respondents who prefer earlier latest delivery

Price of First class letter: current service

Final delivery by 5pm vs. increase in the price of First Class

% of respondents who prefer earlier latest delivery

Price of First class letter: current service
Ninety percent of First Class post arrives within one working day locally / two days elsewhere vs. increase in the price of First Class

Eighty percent of First Class post arrives within one day vs. increase in the price of First Class
Option for evening/weekend delivery and increase in the price of First Class vs. Current service

Delivery by 2pm in urban areas and 3pm in rural areas and increase in the price of First Class vs. Current service
Business

Monday – Friday delivery and collection vs. increase in the price of First Class

Saturday and four weekday delivery and collection vs. increase in the price of First Class
### Last collection 12pm at rural/local and 6.30pm at town centre vs. increase in the price of First Class

![Graph showing the relationship between the percentage of respondents who prefer earlier final collection and the price of First class letter: current service. The graph indicates that as the price increases, the percentage of respondents preferring earlier collection also increases.](image)

### Last collection 10am at rural/local and 6.30pm at town centre vs. increase in the price of First Class

![Graph showing the relationship between the percentage of respondents who prefer earlier final collection and the price of First class letter: current service. The graph indicates that as the price increases, the percentage of respondents preferring earlier collection also increases.](image)
Ninety percent of First Class post arrives within one working day locally / two days elsewhere vs. increase in the price of First Class

Eighty percent of First Class post arrives within one day vs. increase in the price of First Class
Option for evening/weekend delivery and increase in the price of First Class vs. Current service

Delivery by 2pm in urban areas and 3pm in rural areas and increase in the price of First Class vs. Current service
# Appendix I: Rural and offshore definitions

**Urbanisation**

This was defined from ONS/NRS/NISRA definitions:

<table>
<thead>
<tr>
<th>Country</th>
<th>Definition</th>
<th>Urbanisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>England &amp; Wales</td>
<td>Hamlet &amp; Isolated dwelling - Less sparse</td>
<td>Deep Rural</td>
</tr>
<tr>
<td>England &amp; Wales</td>
<td>Hamlet &amp; Isolated dwelling - sparse</td>
<td>Deep Rural</td>
</tr>
<tr>
<td>England &amp; Wales</td>
<td>Town &amp; Fringe - Less sparse</td>
<td>Rural</td>
</tr>
<tr>
<td>England &amp; Wales</td>
<td>Town &amp; Fringe - sparse</td>
<td>Rural</td>
</tr>
<tr>
<td>England &amp; Wales</td>
<td>Village - Less sparse</td>
<td>Rural</td>
</tr>
<tr>
<td>England &amp; Wales</td>
<td>Village - sparse</td>
<td>Rural</td>
</tr>
<tr>
<td>England &amp; Wales</td>
<td>Urban =&gt; 10k - Less sparse</td>
<td>Urban</td>
</tr>
<tr>
<td>England &amp; Wales</td>
<td>Urban =&gt; 10k - sparse</td>
<td>Urban</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>Small hamlet - less than 1,000</td>
<td>Deep Rural</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>Intermediate: 2,250 and under 4,500</td>
<td>Rural</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>Small Town: 4,500 and under 10,000</td>
<td>Rural</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>Village: 1,000 and under 2,250</td>
<td>Rural</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>Belfast Metropolitan Area</td>
<td>Urban</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>Derry Urban area</td>
<td>Urban</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>Large town, 18,000 and under 75,000</td>
<td>Urban</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>Medium town: 10,000 and under 18,000</td>
<td>Urban</td>
</tr>
<tr>
<td>Scotland</td>
<td>Remote rural (&lt;3,000, 30-60min drive time)</td>
<td>Deep Rural</td>
</tr>
<tr>
<td>Scotland</td>
<td>Very remote rural (&lt;3,000, &gt;60 drive time)</td>
<td>Deep Rural</td>
</tr>
<tr>
<td>Scotland</td>
<td>Accessible rural (&lt;3,000, &lt;30 drive time)</td>
<td>Rural</td>
</tr>
<tr>
<td>Scotland</td>
<td>Accessible small town (3,000 - 10,000, &lt;30 drive time)</td>
<td>Rural</td>
</tr>
<tr>
<td>Scotland</td>
<td>Remote small town (3,000 - 10,000, 30-60min drive time)</td>
<td>Rural</td>
</tr>
<tr>
<td>Scotland</td>
<td>Very remote small town (3,000 - 10,000, &gt;60 drive time)</td>
<td>Rural</td>
</tr>
<tr>
<td>Scotland</td>
<td>Large urban area (over 125,000 people)</td>
<td>Urban</td>
</tr>
<tr>
<td>Scotland</td>
<td>Other urban area (settlement of 10,000 to 125,000)</td>
<td>Urban</td>
</tr>
</tbody>
</table>

**Islands**

These were defined as any offshore Island that is not connected to the Mainland by a road bridge.
Appendix J: Pen Portraits of residential consumers

Disabled or housebound people
Those who are disabled or housebound were much more likely to be older people or retired. Around a quarter of disabled people, and about the same proportion of housebound people were 75 years old or older, compared to only 8% of this age group in the population. No doubt linked to this, both disabled and housebound people were slightly more likely than the population to be female (53% of disabled and 56% of housebound people were female, compared to 51% of the population). They were also more likely to be separated/widowed/divorced or living alone. For example, 40% of disabled people and 36% of housebound people live alone, compared to 21% of the population.

The housebound and disabled people in the research had similar profiles, but the housebound were more represented among younger age groups than were the disabled, and more housebound than disabled people worked full time. Around half of housebound people were also disabled, whereas only a quarter of disabled people were also housebound. The two groups’ internet access levels were similar, at 65% and 64% respectively, which was lower than for the population as a whole (82%).

Disabled or housebound people were significantly more likely than average to be in social grades D and E (48% of disabled and 51% of housebound people vs. only 29% of the population), although they were represented in reasonable numbers in higher grade households too. For example, 14% of those who were housebound were from AB households vs. 22% of the population. Not surprisingly, disabled or housebound people were more likely to be in the lowest income bracket. 30% of disabled people and 25% of housebound people had a household income of less than £11.5k pa compared to 18% of the population.

Disabled or housebound people were represented in roughly their expected proportions in all the constituent countries of the UK, although disabled people were very slightly more prevalent than average in Scotland (11% vs. 9%), and being housebound was slightly more prevalent than average in Wales (7% vs. 5%). Some English regions had a slightly higher concentration of disabled people than the population as a
whole – North West, Yorkshire & Humberside and East Midlands. The South East region had a much higher proportion of housebound people than average (18% vs. 10%). White people are over-represented amongst the disabled and housebound, due to the lower age profile of BMEs.

Disabled people are as likely as the rest of the population to live in urban, rural and deep rural areas. Housebound people are slightly more likely than average to live in urban areas (83% vs. 79%).

Disabled or housebound people tended to send and receive a higher volume of post than average. Being more reliant on the post, people in these groups were more likely to agree that they would feel cut off from society without the post (71% and 64% respectively vs. 58% for the population overall).

Those who are disabled or housebound sent an average of 1.8 and 1.9 items per week respectively, compared to 1.4 items by the population overall. Disabled or housebound people reported more frequent use of post boxes than average. Eleven percent of disabled people and 12% of housebound people said that they used a post box several times a week, compared to only 8% of the population. Their satisfaction with the location of post boxes in their area was high amongst users, but lower than for the general population, at 85% and 83% satisfaction respectively vs. 89% for the user population overall.

Disabled or housebound people were less likely than average to make use of postal services such as Standard Parcels, Special Delivery and Recorded Delivery. 41% and 36% respectively had used none of these in the last 12 months, compared to 29% of the population. Disabled people’s correspondence was relatively heavily dominated by personal communications to friends/family (41% sent something of this type at least once a month, on average, vs. only 35% amongst the population). Disabled and housebound people were similar to the population in their propensity to use First Class stamps all or most of the time when sending mail, although the housebound were slightly less likely than the disabled and the population overall to do so (54% vs. 58%/59%). There was also a slight tendency for more disabled and housebound people than the rest of the population to use Second Class post all or most of the time (24%/25% vs. 21%).
In terms of mail received, those who are disabled or housebound reported receiving a higher number of items of post per week than average – 10.0 and 9.5 respectively vs. 9.3 for the overall population. These groups were more likely than average to be against an alternative delivery option of mail to secure letterboxes at the edge of their property (65%/66% against vs. 58%).

Disabled or housebound people were about as likely as the rest of the population to receive packets/parcels at least once a month. However, they were less likely than average to predict that they would be ordering more goods in three years’ time that would be sent by post (41%/43% agreed vs. 51% of the population).

In terms of potential changes to the postal service, disabled or housebound people were more likely than average to select, as the change to the postal service which would have most negative impact on them, the post box being further away (14% in both cases vs. 10%). The housebound were also more likely than average to select the rise in cost of First Class to 90p (20% vs. 15%). It is also worth noting that the anticipated severity of the impact on those disabled or housebound people who did say that a particular detriment would have the most impact on them was higher for them than for the population. For example, twice as many disabled or housebound people predicted a serious impact on them of a price rise of First Class to 90p, compared to the proportion of the population overall saying this.

Disabled or housebound people were slightly more likely than the population as a whole to favour a one-tier (single Class) postal service over a two-tier service. At current prices of 60p/50p, 41%/42% said that they would choose a single tier service at 53p over a two-tier service. This compares to 39% for the population as a whole. At higher prices (90p/60p) the preference for a one-tier service at 63p was higher than average amongst disabled people, at 49% vs. 46% amongst the population as a whole. Disabled or housebound people were more likely than average to claim that, if prices did rise to 60p/50p, they would send a lot less post (21% in both cases vs. 14% of the population overall). The vast majority of disabled or housebound people (more than eight out of ten) found the current postal service package tolerable, in that they were willing to select it as preferable from a pair of alternative service options, rather than say that neither service option would be acceptable.
Nevertheless, fewer of the housebound compared to the population overall found it tolerable. Disabled people were also less likely than average to find the worst service package tolerable. This suggests that they might be more disadvantaged than average by a detrimental change to the service.

People who were housebound or had disabilities were more price sensitive than average. Housebound residents were more price sensitive than other groups, being least tolerant of price rises to 90p (86.1%). Disabled residents were also relatively more negative towards all of the changes; they had lower levels of tolerability towards a price rise to 90p (87.4%) and reducing collection and delivery services to Monday-Friday (88.5%). Disabled and housebound customers were also willing to pay a lower premium than average to retain First Class delivery speed targets as high as currently.

**Residential customers in Highlands and Islands of Scotland**

Residents of the Highlands and Islands of Scotland comprised just under half a percent of the UK population, and 5% of the Scottish population. Two thirds of the Highlands and Islands residents surveyed were on the mainland and one third were offshore. All Highlands and Islands residents were in rural or deep rural locations; none was in an urban area. Three-quarters were in rural and a quarter were in deep rural locations. As such, it is appropriate to compare highland and island residents with all rural/deep rural residents of Scotland to highlight any particular differences from this wider group. Highland and island residents form 19% of this wider group.

Given the small proportion of the UK population overall who live in the Highlands and Islands of Scotland, the research artificially boosted the numbers interviewed in these locations. This was in order to improve the robustness of the survey results for this sub-group. The number of interviews in these locations, and on which the results are based, was still relatively small at 124. This limits the comparisons which can be made between this and other sub-groups with the total UK population.

The demographic profile of the Highlands and Islands residents and that of all rural/deep rural Scottish residents were statistically indistinguishable. Like those in rural/deep rural areas anywhere in the UK,
both these rural/deep rural Scottish groups have an older and more upmarket profile than the UK population overall. For example, 50% of the UK population was aged 45+ compared to 59% of all rural/deep rural Scottish residents, and 54% of the UK population was of ABC1 social grade compared to 59% of all rural/deep rural Scottish residents. Although the rural/deep rural Scottish residents had an older profile, they were more economically active than average. 44% worked full time and only 18% worked fewer than 8 hours per week, compared to 38% and 25% respectively for the UK population overall.

As in other rural/deep rural areas of the UK, the population of highland and island residents and of rural/deep rural Scotland was almost exclusively white. This compares to only 86% across the UK. Like the rest of the UK, the vast majority of highland and island residents and of rural/deep rural Scotland were on the internet (89% and 84% respectively).

In terms of behavioural differences, those in rural, deep rural and offshore locations sent and received a higher volume of post than average. This was also the case for those in the Highlands and Islands of Scotland and of rural/deep rural Scotland overall. The average number of items of post reportedly received per week by Highlands and Islands residents was 11.0 and the average for all those in rural/deep rural Scotland was 12.1. This compares to 9.3 for UK residents overall. The average number of items of post reportedly sent per week by Highlands and Islands residents and by all rural/deep rural Scotland residents was 1.7 in both cases. This compares to 1.5 for all UK residents.

Compared to all those living in rural/deep rural Scotland, residents of the Highlands and Islands were more likely to receive post from friends/family at least once a month (60% vs. 47% vs. 37% for UK population overall) and packets/parcels (57% vs. 45% vs. 35% for UK population overall). Likewise, both groups were more likely than the UK population overall to have sent post to friends/family and to have sent packets/parcels. Both groups were more likely than the UK population to have used Recorded Delivery (e.g. 57% in Highlands and Islands vs. 40% across UK) and Standard Parcel service (e.g. 56% in Highlands and Islands vs. 44% across UK) when sending mail.
Those who live in the Highlands and Islands were particularly likely to agree that they would feel cut off from society without the post (71% agreement compared to 58% for the UK population overall). This was also the case for those in all rural/deep rural Scotland (65% agreement). The vast majority of residential customers (92.5%) found the current postal service package tolerable, in that they were willing to select it as preferable from a pair of alternative service options rather than say that neither service option would be acceptable. The extent of tolerability was higher than average amongst those in rural/deep rural Scotland (94.3%). Despite being more likely than average to find the current postal service tolerable, those in rural/deep rural Scotland and in the Highlands and Islands were more price sensitive than average. The details in the following paragraphs illustrate this tendency.

Those in the Highlands and Islands and all those in rural/deep rural Scotland were less likely than average to use First Class post all or most of the time. Only 47% of highland and island residents and 53% of all those in rural/deep rural Scotland did this compared to 59% of the UK population.

The general pattern amongst residential customers was for them to favour a one-tier postal service over the current two-tier (First Class and Second Class) service. Those in rural/deep rural areas of Scotland were the exception. These customers preferred a two-tier service, at both current and higher price levels. The pattern amongst the sub-group of these residents from the islands and highlands was similar to this at current price levels, but was more evenly split between the one-tier and the two-tier option at the higher price level.

On average, residential customers were willing to pay to retain current collection times. In particular, changing collection times so that post in rural/local areas would be collected at 12 pm equated to a 5p rise in the cost of First Class and 10 am collection equated to a 9p rise. Those living in rural/deep rural Scotland valued collection time less highly than others in that they were willing to pay less than average to retain the status quo in the case of the 12 pm collection option (4p vs. 5p).

On average, residential customers valued losing a six day a week delivery and collection service the same as an 18p rise in the price of a First Class stamp. Those living in rural/deep rural areas of Scotland were willing to
pay less than the average (only 16p) to retain the current six day postal delivery service.

Reducing the quality of the First Class postal service so that 80% arrives within one working day was equivalent to a 13p increase in the price of First Class post to residential customers overall. An alternative option of 90% arriving within one day locally but within 2 days elsewhere was valued the same as a 6p increase in price. Those living in rural Scotland valued this second reduction in service less highly than average. They valued it as the equivalent of only a 5p increase in price.

The greater than average price sensitivity of residential customers in rural/deep rural parts of Scotland, including in the islands and highlands, suggests that they would feel any postal price rises particularly keenly.

**Low income (social grades D and E)**

People in households where the chief income earner is in an unskilled manual occupation (social grade D), or where the household is totally reliant on State benefits (social grade E) formed 29% of the population. Not surprisingly, they were much more likely than average to be on low incomes. A third of DEs lived on less than £11.5k pa, compared to 18% of the population. DEs were found across all age groups, although a higher proportion were aged 75+ (13%) compared to in the overall population (8%). Possibly because of this slightly more elderly profile, there was also a slight female bias amongst DEs, with 54% being women compared to 51% of the overall population. Similarly, DEs were also more likely than average to be widowed or separated (24% vs. 14%), or to be in single person households (32% vs. 21%). A greater proportion of DEs were disabled (26%) or housebound (13%) than in the population as a whole (16% and 7% respectively). DEs were less likely to be on the internet (61% vs. 82% of the population overall).

DEs were represented in their expected proportions in all the constituent countries of the UK. Some English regions had a slightly higher concentration of DEs than the population as a whole – the North East, Yorkshire & Humberside, East Midlands and West Midlands. DEs were slightly more likely than the population overall to be from a black or minority ethnic group (15% vs. 13%). DEs were slightly more likely to be
living in an urban area than average (83% vs. 79%). Consequently, fewer than average were living in rural (15% vs. 17%) or deep rural areas (2% vs. 4%). This under-representation in rural/deep rural areas was confined to England though; DEs were as likely as any other social group to be found in rural/deep rural areas of Scotland, Wales, Northern Ireland and the Isle of Man.

Those in DE social grades tended to send and receive a lower volume of post than those in higher social grades. In terms of sending post, DEs sent an average of 1.0 items per week compared to an average of 1.5 items for the population overall. DEs are also less likely than average to use Royal Mail services other than First/Second Class post. Only 55% had used Standard Parcel, Special Delivery or Recorded Delivery in the past 12 months, compared to 84% of those in social grades A or B.

When it comes to receiving post, DEs tended to receive a slightly lower volume than average, at eight items per week vs. nine for the population overall. DEs were notably less keen than the rest of the population on the idea of their post being delivered to a secure weatherproof box at the edge of their property (63% against the idea vs. 58% of the population). This is possibly because these groups might live in areas where crime is more common and they are worried about the security of their post, or because of the higher proportion of housebound people amongst DEs. Despite their generally lower income, DEs were slightly more likely than average to always use First Class post (39% vs. 26%). When examined on a purely income basis, the preference for Second Class amongst lower income groups becomes stronger. 72% of those in the population earning £50k+ pa always or almost always used First Class vs. only 58% of those earning less than £11.5k pa.

Probably due to their relatively low discretionary spend and lower internet usage penetration, DEs were less likely than the population to predict that in three years’ time they will be ordering more goods that are sent by post. In line with this, DEs were also less likely than average to express a preference for a potential service enhancement of an evening delivery of items which cannot fit through a letterbox. Only 13% selected this as their most preferred enhancement, compared to 24% of ABs. The importance of providing a guaranteed next day postal service was also lower for DEs than for the population overall (55% rated it as extremely or very important vs. 59% of population).
People in DE households were particularly likely to be price-conscious about First Class post. When presented with the option of a one-tier postal service, they were more likely than average to favour the one-tier option over a two-tier (First/Second Class) service. 43% chose a one tier service at 53p over the current 60p/50p service, compared to 39% of the population. 49% chose a one-tier service at 63p over a 90p/60p service, compared to 46% of the population. However, DEs were similar to the population when anticipating which one, if any, of various possible detriments to the postal service would have the most impact on them, including a rise in the cost of First Class to 90p. As mentioned earlier, when examined on a purely income basis, though, price-consciousness was more strongly evident. It is also worth noting that the anticipated severity of the impact on those DEs who did say that a particular detriment would have the most impact on them was higher for DEs than for the population. For example, 15% of such DEs predicted a serious impact on them of a price rise of First Class to 90p vs. an average in the population of 12% saying this.

The price-consciousness of DEs was also revealed when customers were asked what one thing they would improve about the postal service. DEs were much more likely than average to say to make prices cheaper (mentioned by 32% of DEs vs. by 26% of population overall). The vast majority of those in social groups D and E (almost nine in ten) found the current postal service package tolerable, in that they were willing to select it as preferable from a pair of alternative service options rather than say that neither service option would be acceptable. Nevertheless, this was fewer than amongst the population as a whole, where more than nine in ten found the current service tolerable. When various possible service packages were tested against each other, DEs were less tolerant of changes to the current service compared to other social groups. They were also more price-sensitive. The least tolerable change for them was a price rise to 90p. As such, DEs are one of the groups likely to be at risk of greatest detriment if postal prices were to rise further.

Customers in social groups D and E were also willing to pay a lower premium than average to retain deliveries at the current level of six days per week or to keep final collection times for letters as late as currently.
National differences amongst residential customers

English residents were 84% of the population, Scottish people were 9%, the Welsh 5% and those from Northern Ireland were 3%. The national profiles were similar in terms of gender, age and social grade. The English sample was more ethnically diverse, with 15% being from black or minority ethnic groups, compared to only 6% in Wales, 3% in Scotland and 2% in Northern Ireland. Scottish residents in the sample were slightly less likely to be on low incomes than those in the other nations. Only 22% of those in Scotland had a household income of less than £17.5k pa compared to 32% in Wales, 30% in Northern Ireland and 28% in England. English residents were the most urbanised, Northern Irish the least. 81% of English residents lived in urban areas compared to 59% in Northern Ireland. The equivalent figures for Scotland and Wales were 73% and 64% respectively.

Despite being a more rural population, those in Northern Ireland reported sending and receiving less post than residents of other nations. The Northern Irish received an average of 7.4 items per week. Those in Wales received the most, at 10.6 items. Scottish people received 10.0 items and those in England received 9.2 items. In terms of sending mail, residents of Northern Ireland reported sending only 1.2 items, on average, per week. Those in the other nations reported sending 1.5-1.6 items. Northern Ireland residents were the most likely of the nations to be sending bill payments by post (28% vs. 16%-23% in the other nations) despite being just as likely to be on the internet (84%; other nations: 81%-85%). Scottish and Welsh residential customers were the most likely to report receiving direct or unsolicited mail (66% and 72% respectively vs. 55% in Northern Ireland and 57% in England).

Those in Wales and those in Scotland had a wider than average range of tolerability between the best and the worst postal service packages tested, and this indicates that they would be more affected by service changes than other groups. The average range for the UK population was 6.1 percentage points. Scottish residents had a range of 10.3 and Welsh residents had a range of 9.4.

Two potential improvements to the current service offer were tested; making latest delivery times one hour earlier and a service for delivering items that cannot fit through a letterbox or require a signature in the evenings or on Saturday. If both improvements were made, the service...
became marginally more tolerable for those living in Scotland, Wales or Northern Ireland (increasing by 0.4 or 0.5 percentage point in each case). Those residential customers in Scotland showed the largest drop in tolerability from the current service to a 90p First Class mail service (a drop of 5.3 from 90.6%).

On average, residential customers valued losing a six day a week delivery and collection service the same as an 18p rise in the price of a First Class stamp. Those living in Scotland and Wales were more price sensitive than average, and were willing to pay less (16p vs. 18p) to retain a six days a week service.

On average, residential customers were willing to pay to retain current collection times. In particular, changing collection times so that post in rural/local areas would be collected at 12 pm equated to a 5p rise in the cost of First Class and 10 am collection equated to a 9p rise. Those living in Wales valued the collection time less i.e. they would not be willing to pay as much as others to ensure that the service did not change (only 4p vs. 5p and only 8p vs. 9p).

Reducing the quality of the First Class postal service so that 80% arrives within one working day was equivalent to a 13p increase in the price of First Class post to residential customers. An alternative option of 90% arriving within one day locally but within 2 days elsewhere was valued the same as a 6p increase in price. Those living in Scotland or Wales valued these reductions in service less highly. They valued the reduction to 80% arriving within one day as the equivalent of an increase in price of only 11p and 12p respectively, and the second option as the equivalent of only a 5p increase in price.

**Older people (aged 65+/75+)**
Those aged 75+ were particularly likely to be in households reliant on an unskilled manual labour wage or State benefits. 46% of those aged 75+ were in DE social grades, compared to 29% of the population overall and 38% of 65-74 year olds. Consequently, the proportion of older people living on less than £11.5k pa was relatively high: 30% of those aged 75+ and 23% of those aged 65-74, compared to 18% for the population overall.
Just over half (56%) of those aged 75+ were living alone, compared to a third (34%) of 65-74 year olds and just 21% of the population overall. Just under half (45%) of those aged 75+ said they have a disability, which is three times as many as in the population overall (16%) and considerably higher than amongst those aged 65-74 years (28%). As one might expect, therefore, there were more who described themselves as housebound among those aged 75+ (19% vs. 10% of 65-74 year olds and 7% of the population overall).

Older people were more likely to be living in rural areas than average (23% of 65+ vs. 17% of population overall). Internet penetration was relatively low amongst those aged 75+, at just 29%. Those aged 64-75 were twice as likely as this to be on the internet (64%), although not as likely as the population overall (82%).

As a broad generalisation, older people sent and received a higher volume of post than younger people. In terms of sending post, from age 45 years upwards the average number of items sent was similar for every age group at 1.6-1.7 per week (vs. 0.5 items per week amongst 16-24s). So, those aged 65+ were actually no different from the middle-aged in this respect. When it comes to receiving post, those aged 65+ tended to receive a slightly higher volume than average, at 10 items per week vs. nine for the population overall.

Given the lower levels of internet penetration and the higher levels of living alone and being housebound than average amongst those aged 65+, it is not surprising that older people were more likely to say that they would feel cut off from society if they could not send or receive post. 69% of those aged 65+ agreed that this would be the case compared to 58% of the population overall.

In line with their greater than average propensity to send mail, older people were more likely to use a post box once a month or more often than younger people (72% of those aged 65+, compared to 64% for the population as a whole). However, those over 75 years were less likely than average to use services other than ordinary post, such as Standard Parcel service, Recorded delivery or Special Delivery (60% in last 12 months vs. 77% of 25-64 year olds).
The tendency to favour First Class post over Second Class was weaker than average amongst those aged over 65, but still more said that they use First Class all or most of the time (43%) than did Second Class (34%). The tendency to favour First Class was slightly weaker amongst those aged 75+ than it was amongst those aged 65-74 (46% of the latter used First Class all or most of the time vs. only 39% of the former). Older people were considerably more likely than younger people to be against the idea of changing delivery to a letterbox at the edge of their property or to a locker in a central location. Two thirds (67%) of over 65s were against the letterbox idea and 91% were against the secure locker idea vs. 46% and 74% respectively amongst 16-24 year olds. Those over 75 years tended to be slightly more adverse to these ideas than those aged 64-75.

In terms of potential changes to the postal service, customers over 65 years of age were more likely than average to select the First Class stamp price rise as the change which would have most negative impact on them (21% vs. 15% amongst the population as a whole). However, more than this (29%) of those aged 65+ said that none of the changes would significantly impact them. Older people were also amongst the groups most likely to say that the most negative change for them would have a severe impact.

Those aged 65 were more likely than the population as a whole to favour a one-tier (single Class) postal service over a two-tier service. At current prices of 60p/50p, 48% of 65+s said they would choose a single tier service at 53p over a two-tier service. This compares to 39% for the population as a whole. At higher prices (90p/60p) the preference for a one-tier service at 63p amongst the over 65s was 56% vs. 46% amongst the population as a whole. If prices did rise to 90p/60p, a greater proportion of those aged 65+ than average said they would send less post as a result (24% vs. 14%).

The vast majority of older people (more than eight out of ten) found the current postal service package tolerable. Nevertheless, this was fewer than amongst the population as a whole, where more than nine out of ten found the current service tolerable.

Those aged 65+ were significantly less likely than average to find each of the service packages tolerable. This tendency was particularly marked for
the worst service package amongst those aged 75+, who were the least likely of any sub-group to find it tolerable. Nevertheless, the majority (more than seven in ten) of them would tolerate it.

The lower tolerance of those aged 75+ for the worst service package suggests that they might be more disadvantaged than other age groups by a detrimental change to the service. They were particularly sensitive to the price increase element of the worst service package, where First Class mail cost 90p. 81% of those aged 75+ found this price increase tolerable, compared to an average of 88% for residential customers as a whole. Older customers were also willing to pay a lower premium than average to retain deliveries at the current level of six days per week, or to keep final collection times for letters as late as currently, or to keep First Class delivery speed targets as high as currently.

Residents of rural or deep rural locations within nation
Those in rural/deep rural locations were a relatively small proportion of the overall UK population. Those in rural/deep rural locations in England were 21% of the UK population. Their equivalents in the smaller nations not surprisingly comprised smaller percentages; those in Scotland formed 2% of the UK population (of which 94% were on the mainland), as did those in Wales. Those in rural/deep rural locations in Northern Ireland were just 1% of the UK population. Therefore, the “voice” of those in rural/deep rural locations, particularly within the smaller nations, tends to be lost when looking at the average results for the UK population overall.

The nations varied considerably in the proportion of residents who were in rural/deep rural locations. England had the lowest proportion, at 19% of those in England. Northern Ireland had the highest proportion, with 40% of its population in rural/deep rural locations. Wales had the next highest, at 36%. The proportion of the Scottish population in rural/deep rural locations was 27%. Furthermore, the rural versus deep rural split was very different for Northern Ireland. For the UK overall, it was much more common for people to live in rural as opposed to deep rural areas. In Scotland and England, the split was 84% rural vs. 16% deep rural. In Wales, 100% of those sampled were in rural as opposed to deep rural areas. In Northern Ireland by contrast, the split was 65% in deep rural locations and only 35% in rural. These figures highlight the importance of considering the characteristics of each nation individually, as well as the UK population overall.
Given the small proportion of the UK population overall who live in rural/deep rural areas in Scotland, Wales and Northern Ireland, the research artificially boosted the numbers interviewed in these locations. This was in order to improve the robustness of the survey results for these sub-groups. Nevertheless, the numbers of interviews in these locations on which the results are based were still relatively small – around 250-350 interviews. This limits the comparisons which can be made amongst the groups, and between each group and the total UK population. This is because the smaller the sample of people on which a finding is based, the larger a difference in results has to be in order to be deemed statistically significant (as opposed to having occurred merely by chance). As a rule of thumb, a difference in a survey finding of at least ten percentage points is required for there to be a significant difference between two sub-groups where each is based on 250 interviews.

On average, those who lived in rural and deep rural areas tended to be older, more likely to be retired and more upmarket than the UK population overall. For example, 44% of those living in rural areas were aged 55+ compared to 33% of the population. Thirty six percent of those in deep rural areas were in AB social grades compared to 22% of the UK population. These averages are necessarily dominated by the majority of English residents and mask some profile differences amongst the rural/deep rural residents of each nation who were surveyed. Those in Northern Ireland had a much lower age profile compared to rural/deep rural residents surveyed in other nations, with 42% aged under 35 years, compared to only 21%-24% of the equivalent group in the other nations. In line with this, a lower proportion of rural/deep rural residents in Northern Ireland lived alone (8%) compared to in other nations (17%-19%). The other key profile difference between rural/deep rural residents of the various nations was that a much higher proportion of those surveyed in Wales were housebound (16%) compared to those in other nations (3%-5%). These profile differences are likely to contribute to the reported behavioural and attitudinal differences described below between the rural/deep rural national sub-groups.

In terms of reported behavioural differences, those in rural/deep rural areas in Northern Ireland were more typical of the younger age profile of which they were comprised. They sent and received fewer items of post than those in the equivalent areas in the other nations, despite the dominance of deep rural over rural residents. Those in Northern Ireland’s
rural/deep rural areas reported receiving an average of 5.8 items of post per week compared to 10.6-12.3 amongst the other nations. They reported sending only an average of 1.1 items per week compared to 1.7-2.1 items amongst rural/deep rural residents in the other nations. In both cases, rural/deep rural residents in Wales sent and received the highest number of items.

When sending mail, those in rural/deep rural locations in Scotland, Wales or Northern Ireland were slightly more likely to cite later collection time as a key factor in driving choice of post box location (12%, 13% and 14% respectively vs. 9% across all residential customers). When asked to select from a list the change to the postal service which would have most impact on them, those in rural and deep rural parts of Scotland, Wales and Northern Ireland were slightly more likely than average to be concerned about their post box being further away (14%, 16% and 17% respectively, vs. 10% for the UK population overall).

On average, residential customers were willing to pay to retain current collection times. In particular, changing collection times so that post in rural/local areas would be collected at 12 pm equated to a 5p rise in the cost of First Class and 10 am collection equated to a 9p rise. Those living in deep rural areas, especially in Northern Ireland, valued collection time more than others and would be willing to pay more to retain the status quo (6p vs. 5p and 11p vs. 9p).

On average, residential customers valued losing a six day a week delivery and collection service the same as an 18p rise in the price of a First Class stamp. Those living in rural/deep rural areas of Northern Ireland were one of the few sub-groups who would be willing to pay more than the average (21p) to retain the current six day postal delivery service. The general pattern amongst residential customers was for them to favour a one-tier postal service over the current two-tier service. Those in rural/deep rural areas of Scotland, Wales and Northern Ireland were exceptions. These customers preferred a two-tier service, at both current and higher price levels.

Residential customers living in deep rural areas were relatively less tolerant of the current postal service “package”. 87% of deep rural customers were willing to select the current postal service from a pair of alternative service options, rather than say that neither service option
would be acceptable. This compares to 92.5% of the total population. This lower tolerance tendency was particularly the case for customers in Northern Ireland where 85.9% of rural/deep rural customers were tolerant of the current service.

Those in Wales, especially the rural or deep rural population in Wales, had a wider than average range of tolerability between the best and the worst postal service packages tested, and this indicates that they would be more affected by service changes than other groups. One of the largest changes in tolerability from the current service towards a 90p First Class mail service for residential customers was also from those in rural or deep rural Wales (a drop of 5.2 percentage points from 92.8%).

**Residents of rural, deep rural or offshore locations**

About 17% of the population lived in rural areas, a further 4% lived in deep rural areas and fewer than 1% lived offshore. Of those living offshore, around two fifths lived in urban areas, two fifths in rural areas and a fifth in deep rural areas.

Those who lived in rural and deep rural areas tended to be older, more likely to be retired and more upmarket than average for the population. For example, 44% of those living in rural areas were aged 55+ compared to 33% of the population. 36% of those in deep rural areas were in AB social grades compared to 22% of the population. Those living in offshore locations tended to be closer to the population average in terms of age and social grade profile.

Deep rural residents were relatively highly prevalent in Northern Ireland. Northern Ireland constitutes just 3% of the population, yet 21% of those living deep rurally were in Northern Ireland. Other areas with more than their fair share of deep rural residents were South East and South West England. Rural and offshore communities were more likely than average to be white – around 98%, compared to 86% for the population as a whole.

The vast majority of rural, deep rural and offshore residents are on the internet and are generally more likely to be so than the rest of the population (83%, 86% and 84% respectively vs. 82%).
Those in rural, deep rural and offshore locations sent and received a higher volume of post than average. In terms of **sending** post, the average number of items sent per week was 1.9, 2.0 and 2.0 respectively, compared to 1.5 for the population as a whole. When it comes to **receiving** post, those in rural, deep rural and offshore locations tended to receive a slightly higher volume than average, at 10.7, 10.1 and 9.5 items per week respectively vs. nine for the population overall. Given their greater reliance on the post, it is not surprising that people in these more remote locations were more likely to say that they would feel cut off from society if they could not send or receive post. 65% of rural residents and 69% of deep rural and offshore residents agreed that this would be the case compared to 58% of the population overall.

In line with their greater than average propensity to send mail, those in rural, deep rural or offshore locations were more likely than average to use a post box once a month or more (70%, 73% and 73% respectively compared to 64% for the population as a whole). Residents in rural/deep rural locations were prepared to travel further than those in urban locations to post letters (1.13 and 1.28 miles respectively vs. 0.60 miles amongst those in urban areas).

Rural, deep rural and offshore customers were more likely than average to use services other than ordinary post, such as Standard Parcel service, Recorded delivery or Special Delivery. Deep rural customers were particularly likely to say a next day service is extremely or very important (65% vs. 59% of the all population). They were also more likely than average to mention a guaranteed next day First Class delivery service as the one thing they would suggest is improved about the postal service (5% vs. average of 2%).

Those in more remote locations were more likely to agree that some things will always need to be sent by post. 91% of those in deep rural areas agreed with this statement, 85% in rural areas, compared to 80% in urban areas. 92% of those offshore agreed vs. only 82% of those on the mainland.

Residential customers were also asked what sort of items they felt they would always continue to need to send by post. Those in rural and deep rural areas were more likely than those in urban areas to anticipate continuing to need to send all forms of post. Offshore customers were
more likely than those on the mainland to expect to send personal correspondence (70% vs. 63%) and parcels/packets (67% vs. 55%) by post in the future.

Around a third of residential customers received packets/parcels at least once a month. Those in offshore, rural or deep rural areas were more likely (54%, 39% and 47% respectively) than those on the mainland (35%) or in urban areas (34%) to receive parcels/packets. Those in offshore/rural/deep rural areas (41%, 41% and 51% respectively) were also more likely than those on the mainland (34%) or those in urban areas (32%) to receive catalogues.

The propensity to need to deal with all or most the mail received the same day was higher than average amongst those in deep rural locations (14% vs. 9% in the overall population).

The idea of receiving mail to a centrally located secure locker was more unpopular in rural and deep rural areas than in urban areas. Nine in ten (90%) of those in rural/deep rural areas were against the idea compared to 82% of those in urban areas.

Residential customers living in deep rural areas were relatively less tolerant of the current postal service. Eighty seven percent of deep rural customers were willing to select the current postal service from a pair of alternative service options, rather than say that neither service option would be acceptable. This compares to 92.5% of the total population. However, this was not the case for rural customers, who were more likely to be tolerant of the current service than average (94.3%). The highest level of tolerability with the current service amongst residential customers was amongst those who live offshore (97.8%).

Service tolerance levels increased marginally amongst deep rural customers if both an evening/Saturday delivery option for large parcels/packets and earlier delivery times for letters were offered. When faced with scenarios involving worse service than currently those living in deep rural areas were more negative than the wider population to all changes. This lower tolerance suggests that they might be more disadvantaged than those in other areas by a detrimental change to the service. An increase in price of First Class stamps to 90p was the change they found least tolerable (84.6%). The next ones were the reduction of
delivery and collections to five days a week (Monday-Friday 85.1%; Saturday plus 4 weekdays 85.2%). In contrast, residential customers living in rural areas and offshore found the proposed changes slightly more tolerable than the wider population. However, it should be noted that a higher proportion of rural residents were in high income groups and social grade AB, which offsets any price rise.

Those living offshore were willing to pay a lower premium than average to retain deliveries at the current level of six days per week. Those living in rural areas and those living offshore were willing to pay a lower premium than average to retain delivery times as early as present. Those living in rural areas were willing to pay a lower premium than average to keep First Class delivery speed targets as high as currently.

On the other hand, those living in deep rural areas were willing to pay a higher premium than average to keep final collection times for letters as late as currently.

In terms of the value of improvements to the current service, those in rural or deep rural areas were willing to pay a higher premium than average for earlier postal deliveries than at present.
Appendix K: Pen Portraits of business consumers

Business customers – home traders
Three-quarters of UK businesses consist of just one or two members of staff. Those with up to ten employees make up 95% of businesses. In other words, very small businesses completely dominate the business sector by number. In line with the dominance of small businesses in numerical terms, half of UK businesses are run from home. Ninety six percent of home-based businesses surveyed had only one or two members of staff. Not surprisingly, none had more than ten employees. A higher proportion of home-based businesses than average said that their turnover was under £50k pa (54% vs. 36% amongst all businesses).

Home traders were located around the UK in roughly the expected proportions, although there were slightly fewer as a proportion of all businesses in England (only 83% of businesses being home-based, but England having 87% of all UK businesses) and slightly more in Scotland (9% being home-based, but Scotland having only 6% of all UK businesses) than would be expected. Within England, there were slightly fewer home-based businesses in London (only 11%, whereas 16% of all UK businesses were based there) and slightly more in the rest of the South East (20% vs. 16% of all UK businesses) than would be expected.

Like most UK businesses, home-based businesses were most likely to be in urban areas. However, fewer were in urban areas compared to all UK businesses – only 74% vs. 78% for all businesses. Home traders were slightly more likely than average to be in rural areas (but not deep rural) with 21% located in such places compared to an average of only 17%. Home-based businesses were lower spenders on post than average. 91% of home traders said that they spend less than £50 per month on mail (compared to 79% off all businesses). None spent as much as £2,500 a month or more. Home traders were less likely than average to say that the post is core to their business (only 12% vs. 16% for all businesses). They were more likely than average to say that it serves an admin role only (75% vs. 67% for all businesses). The sorts of recipients of mail sent by home traders were similar to those of all UK businesses. Half (54%) of home traders said they were sending mail only or mostly to other
businesses. 29% were sending mail exclusively or mostly to consumers and the remainder were posting to both.

Almost all home traders said that they used stamps to pay for postage, a higher proportion than UK businesses overall (94% vs 86%). Only 3% used metered or franked mail, compared to 9% of businesses overall. Home traders were similar to the average business in their use of bulk mail (5% used it vs. 7% for businesses overall). Two-thirds of home traders said that they mainly used First Class post, which was a higher proportion than average (66% vs 60% amongst all businesses). Home traders’ use of Royal Mail was similar to that by UK businesses as a whole. 83% said that they used Royal Mail for all or almost all of their postal spend. 5% spent none of it with Royal Mail.

Home traders were more likely than average to ever use post boxes (only 8% said that they never used one compared with 15% of all businesses). Business customers were shown a list of potential changes to the postal service which might make things worse for them by disrupting the way they usually do things. They were asked to say which one would have the most significant negative impact on them. Home traders were more likely than those in business premises to cite the post box being further away as having the biggest negative impact (9% vs. 4%).

Home traders’ preferences around one-tier and two-tier postal services were identical to those of businesses overall. At current prices, they preferred the current two-tier (First Class and Second Class) service. However, if First Class were to increase to 90p and Second Class to 60p, they would favour the introduction of a one-tier service.

Like other small businesses, home traders were slightly less likely than the average business to anticipate reducing how much mail they would send if the cost of First and Second class post went up to 90p/60p (only 29% would cut the volume of post they sent vs. 33% amongst businesses overall).

Home traders had similar levels of tolerance towards the current postal service as businesses overall, in that more than nine in ten of them were willing to select it as preferable from a pair of alternative service options rather than say that neither service option would be acceptable. Home traders were no different to businesses as a whole in their level of
tolerance to reductions in the service. That is, they were highly tolerant of potential changes, and would be more tolerant of such changes than of price increases. Such changes include cutting collections and deliveries to five days a week and a significant reduction in the quality of service for First Class post to 80% arriving within 24 hours, along with more minor changes to collection and delivery times. Like other business customers, they would find improvements to the service attractive, namely slightly earlier deadline for deliveries and a service allowing customers to specify evening or Saturday deliveries for items which are too big to be put through a letterbox or require a signature, but these improvements would not significantly increase the acceptability of the current service.

National differences amongst business customers
Eighty seven percent of businesses are in England, as opposed to in Wales (4%), Scotland (6%) or Northern Ireland (3%).

Given the small proportion of businesses in Scotland, Wales and Northern Ireland, the research artificially boosted the numbers interviewed in these locations. This was in order to improve the robustness of the survey results for these sub-groups. Nevertheless, the number of interviews in these locations, and on which the results are based, was still relatively small at 147 in Scotland and 101 in each of Wales and Northern Ireland. This limits the comparisons which can be made amongst these sub-groups and with businesses in England or the total business population. This is because the smaller the sample on which a finding is based, the larger a difference in results has to be in order to be deemed statistically significant (as opposed to having occurred merely by chance). As a rough rule of thumb, at the sample sizes involved, a difference in findings of at least ten percentage points is required for the difference to be deemed statistically significant. So a difference would need to be relatively large to qualify, and this makes it harder to identify any statistically robust differences.

Given that businesses in England form 87% of all UK businesses, the profile of English businesses is generally going to be very similar to that of the average business. For example, the profile of businesses in England in terms of number of employees was almost identical to the average. Businesses in Scotland and Northern Ireland, however, were more likely than average to be small in terms of staff numbers. Only 87% of Scottish businesses and 88% of Northern Irish businesses had one or two
employees compared to 77% of all UK businesses. Businesses in Scotland and Wales tended to have a lower turnover than those in England. Eleven percent of English businesses had a turnover of £500k+ pa, whereas only around 1% of Scottish and Welsh businesses did. Businesses in Scotland were more likely than average to be home-based (70% vs. 49% of all businesses). They were also more likely than average to be production businesses (42% vs. 28% for all businesses). Retail leisure businesses had a marginally higher than average presence in Wales (20% vs. 14% for businesses overall). This probably links to the higher than average propensity of Welsh businesses to be predominately sending mail to consumers. 45% of them did so vs. 32% of businesses on average.

Businesses in Scotland and Wales were more likely than average to be in rural areas (38% and 31% respectively vs. 17% of all businesses). Northern Ireland had a relatively high proportion of its businesses in deep rural areas (14% vs. 4%).

Spend on mail by businesses was very similar across the nations, and the proportion spent with Royal Mail was uniformly high. The tendency to use stamps to pay for post, and not to use bulk mail services was also universally common.

Businesses in Wales were particularly likely to be sending parcels/packets at least once a month (53% vs. 44% for all businesses). Likewise, they were also the most likely to be receiving parcels/packets (84% vs. 74% of all businesses). Northern Irish businesses were the most likely to be sending finance-related post (81% vs. 66% of all businesses). Those in Scotland were the least likely to be sending out forms (only 14% vs. 31% on average). Scottish businesses were the most likely to say that none of the post they receive needs to be dealt with the same day (31% vs. 22% of all businesses).

Businesses in Wales were the most likely to agree that there will always be some items that they will need to send by post (93%) and those in Scotland the least likely to agree (78%).

Welsh businesses were the least likely to use First Class and the most likely to use Second Class post. Only 55% sent 50%+ of their mail by First Class compared to 69% of businesses overall. 32% of businesses in Wales sent 90%+ of their mail Second Class compared to only 18% of businesses overall. Businesses in Northern Ireland were also more likely
than average to send 90%+ of their mail Second Class (29%). Businesses in England were the most likely to use First Class post. English businesses reported sending 68% of their post by First Class compared to only 59% in Scotland, 56% in Wales and 57% in Northern Ireland.

Post box user businesses in Scotland and Northern Ireland were more likely than average to prioritise collection times when choosing which box to use. 25% of post box user businesses in Scotland and 24% in Northern Ireland did so compared to only 19% of all businesses. Post box users in these nations were also more likely than average to know the Saturday collection time from their nearest box (61% in Scotland and 59% in Northern Ireland, compared to only 41% of all businesses using post boxes). Business customers in Scotland were also prepared to travel further to post letters, at an average of 1.8 miles, compared to only 1.1 miles for the average business customer. Scottish businesses were the least likely to be satisfied with the location of post boxes in the area local to their business. Only 82% were satisfied vs. 92% of all businesses.

At current prices, the general pattern amongst business customers was to favour the existing two-tier (First Class and Second Class) postal service over a one-tier service, thus retaining the next day delivery option inherent in the two-tier scheme. When the prices of the two-tier option were much higher, though, business customers overall tended to prefer the cheaper of the one-tier options. However, the average pattern masks some national differences.

At current prices, businesses in Wales and Northern Ireland expressed the opposite tendency to those in England and Scotland. Businesses in Wales and Northern Ireland were the least likely to prefer the two-tier service (only 32% and 29% respectively vs. 41% on average). They were more likely than average to prefer a one-tier service, with those in Wales preferring the more expensive/higher service one-tier option (44% vs. 26% of all businesses) and those in Northern Ireland preferring the less expensive/lower service one-tier option (45% vs. 32% of all businesses). At higher prices, the nations’ preferences were more similar, with all tending to prefer the cheaper of the one-tier options.

If prices were to increase to 90p for First Class and to 60p for Second Class, those in Wales were more likely than average to say that they would carry on sending the same amount of mail (80% vs. 66% of all
businesses). Northern Ireland businesses would appear to be the most sensitive to price. When asked what one improvement they would make to the postal service, businesses in Northern Ireland were more likely than average to say cheaper prices (29% vs. 20% of all businesses). Scottish businesses were the least likely to say this (11%). Businesses in Northern Ireland were the most likely to say that the change which would have the greatest negative impact on them would be if First Class went up to 90p (20%) and Scottish businesses were the least likely to say this (11%). English businesses were more likely than those elsewhere to say that the biggest negative impact for them would be if there were no guaranteed next day service in future (24% vs. 11%-14% amongst other nations).

More than nine in ten business customers overall found the current service tolerable in that they were willing to select it as preferable from a pair of alternative service options rather than say that neither service option would be acceptable. Businesses in Northern Ireland had the highest tolerability level of any sub-group examined (98.5% vs. 93.9% for businesses overall).

Changes in tolerability of service were examined for reductions in various aspects of the service and for increases in price. There were no national differences amongst business customers in the levels of tolerability observed. Overall, these findings indicate that business customers were tolerant of changes to safeguard the service. They would be more tolerant of changes to the service than price increases and would tolerate significant reductions in the service to maintain prices or minimise further price rises in future. This includes cutting collections and deliveries to five days per week and a significant reduction in the quality of service on first class post to 80% having to arrive within 24 hours, along with more minor changes to collection and delivery times. Whilst most businesses would ideally like to maintain the current service, these reductions would not significantly impact most businesses.

**Business customers – post is core to business model**

The proportion of businesses which said that the post is core to their business model was 16%. Like the majority of businesses in the UK, they are small businesses, although larger than the average business. Only 69% had just one or two staff compared to 77% of all businesses, and 24% had 3-10 employees compared to only 18% of all businesses. The
turnover of these businesses was also higher than average. Fewer than average had a turnover of less than £50k pa (only 25% vs. 36% of all businesses) and more than average had a turnover of £50,000-£99,999 (25% vs. 19%), or £250,000-£499,999 (12% vs. 6%), or £5 million+ (4% vs. 2%). In line with their greater than average size, post-core businesses are more likely than average to be run from business premises (61% vs. only 51% for businesses overall).

Post-core businesses were located around the UK in the expected proportions. Within England, though, there was a higher concentration of post-core businesses within London than would be expected (23% were in London vs. only 16% of all businesses) and also in the South West (14% vs. 9%). There were fewer than expected in the South East (only 6% vs. 16% of all businesses). Perhaps related to the higher prevalence than average in London, post-core businesses were a little more likely than average to be in urban areas (83% vs. 78% of all businesses).

As would be expected, post-core businesses spent more than the average business on mail. For example, there were five times as many of such businesses compared to businesses overall which were spending £450-£2,499 or £2,500-£16,499 per month on sending post. The majority (74%) of post-core businesses said that they spent all or almost all of their postal spend with Royal Mail. However, this was a lower proportion than businesses as a whole (83%).

Post-core businesses are more likely than average to be in the retail leisure sector (23% vs. 14% of businesses overall). As such, they were more likely than average to be sending mail mainly to consumers (49% vs. only 32% of businesses overall), although sending mail mainly to businesses was still very common (43% vs. 53% of all businesses). Post-core businesses were more likely than average to make use of services such as Recorded Delivery (88% vs. 70% of all businesses), Special Delivery (79% vs. 55%), or Standard Parcel service (77% vs. 51%). Such businesses were also around twice as likely as the average business to be sending out parcels/packets (84% vs. only 44% of all businesses) or catalogues/brochures (26% vs. 10%) at least once a month.

Like other businesses, post-core businesses tended to mainly use First Class post as opposed to mainly using Second Class post. However, the
predominance of First Class usage was lower than for businesses overall (only 55% mainly using First Class vs. 60% for all businesses). The requirement for items sent by post-core businesses to be delivered the next day was slightly greater than it was for businesses overall, although by no means absolute. 61% of post-core businesses said that all, almost all, or most of their outbound post needed to be there the next day. This compares to 46% for all businesses. Post-core businesses were more likely than average to say that it is extremely or very important that Royal Mail provides a guaranteed next day delivery service (75% vs. 61% of all businesses).

Not surprisingly, post-core businesses are more likely than average to anticipate that there are some things that their business will always need to send by post. 96% of them agreed with this compared to 87% of businesses overall.

Most (61%) post-core businesses were using stamps, although this payment method was less prevalent than among businesses overall (86%). The use of metered/PPI and online payment by post-core businesses was commensurately higher than average, at 18% (vs. 9%), 13% (vs. 2%) and at 8% (vs. 3%) respectively. Unsurprisingly, the use of bulk mail services was more common amongst post-core businesses. 21% reported using bulk services, compared to only 7% of businesses overall. Roughly a third of these bulk mail users used Royal Mail for bulk mail and two-thirds did not, which was a very similar split to that of bulk mail users overall.

Post-core businesses are much less likely than average to use a post box. Only 69% of such businesses reported ever doing so compared to 85% of all businesses. Those post-core businesses who do use a post box were more likely than average to say that the one they use the most is at a post office (22% vs. 13% for businesses overall). These businesses were also more likely than average to say that the favoured post box location is driven by later collection time (27% said this vs. 19% of all businesses). Related to this, they were also more likely than average to claim to be aware of the final collection time of the box nearest their business (90% aware vs. 79% for all businesses for Monday-Friday collections; 47% vs. 41% aware for Saturday collections).
As well as sending more mail, post-core businesses were more likely than average to receive mail of all types. In particular, they were more likely to receive parcels/packets (96% vs. 74% of all businesses) and forms/contact details/payment details (70% vs. 56%) at least once a month. They were twice as likely as other businesses to say that they needed to deal with all or most of this incoming post the day it arrives (34% vs. 15% for all businesses). This is particularly the case for parcels/packets (53% needed to deal with these the same day vs. only 31% of all businesses).

Business customers were shown a list of potential changes to the postal service which might make things worse for them by disrupting the way they usually do things. They were asked to say which one would have the most significant negative impact on them. Post-core businesses were more likely than average to say that there being no guaranteed next day service (29% vs. 22% of all businesses), or post being delivered later (21% vs. 10%) would have the most significant negative impact on them. However, they were less likely than average to choose a rise in the cost of First Class to 90p as the most negative change for them (only 9% vs. 14% of all businesses).

Post-core businesses’ preferences around one-tier and two-tier postal services were identical to those of businesses overall. At current prices, they preferred the current two-tier (First Class and Second Class) service. However, if First Class were to increase to 90p and Second Class to 60p, they would favour the introduction of a one-tier service.

Post-core businesses were less likely than the average business to anticipate reducing how much mail they would send if the cost of First and Second Class post went up to 90p/60p (only 26% would cut the volume of post they sent vs. 34% amongst businesses overall). As many as 70% of these businesses said the volume they would send would be unaffected (vs. 66% for businesses overall). Fewer than average said that it would result in their sending a little less (4% vs. 13% for all businesses).

Post-core businesses had similar levels of tolerance towards the current postal service as businesses overall, in that more than nine in ten of them were willing to select it as preferable from a pair of alternative service options, rather than say that neither service option would be acceptable.
Post-core businesses were no different to businesses as a whole in their level of tolerance to reductions in the service. That is, they were highly tolerant of potential changes, and would be more tolerant of such changes than of price increases. Such changes include cutting collections and deliveries to five days a week and a significant reduction in the quality of service for First Class post to 80% arriving within 24 hours, along with more minor changes to collection and delivery times. Like other business customers, they would find improvements to the service attractive, namely slightly earlier deadline for deliveries and a service allowing customers to specify evening or Saturday deliveries for items which are too big to be put through a letterbox or require a signature, but these improvements would not significantly increase the acceptability of the current service.

**Business customers – rural/deep rural/offshore locations**

Most businesses were in urban areas. Only 17% were in rural areas and a further 4% were in deep rural areas. Virtually all businesses were on the mainland. Fewer than one percent were off-shore.

Given the small proportion of businesses in deep rural and offshore areas, the research artificially boosted the numbers interviewed in these locations. This was in order to improve the robustness of the survey results for these sub-groups. Nevertheless, the number of interviews in these locations, on which the results are based, was still relatively small, at 141 and 99 respectively. This limits the comparisons which can be made between these and other sub-groups and with the total business population. This is because the smaller the sample on which a finding is based, the larger a difference in results has to be in order to be deemed statistically significant (as opposed to having occurred merely by chance). As a rough rule of thumb, at the sample sizes involved, a difference in findings between the deep rural sample or the offshore sample and the overall business sample or the urban business sample of at least ten percentage points is required for the difference to be deemed statistically significant. So a difference would need to be relatively large to qualify, and this makes it harder to identify any statistically robust differences.

The rural, deep rural and offshore businesses had different size profiles. Rural businesses tended to conform to the very small (one or two persons) business stereotype. However, deep rural businesses and offshore businesses did not. Rural businesses were more likely than
average to have only one or two members of staff (86% vs. 77% of all businesses). Deep rural businesses did tend to be small businesses, but not quite as small as rural businesses; the proportion of deep rural businesses with 3-10 staff, as opposed to only one or two staff, was higher than average (30% vs. 18% of all businesses). Offshore businesses were far more likely than average to have 51-250 employees (25% vs. 1% of all businesses) or 3-10 employees (40% vs. 18% of all businesses), and far less likely to have only one or two members of staff (31% vs. 77% of all businesses). Turnover patterns were also commensurate with these patterns of employee numbers.

The explanation of the much higher than average offshore business size probably lies in their sector profile. A far higher proportion than average of offshore businesses were in the public services sector (39% vs. only 16% of all businesses). In line with this, offshore businesses were more likely than average to be sending mail to consumers (44% vs. 32% for all businesses). They were also far more likely than average to say that mail is core to their operations (40% vs. 16% of all businesses) and to agree that there will always be some items that they need to send by post (92% vs. 87% of all businesses). In contrast, businesses in deep rural areas were less likely than average to say this (only 74% vs. 87%). Not surprisingly, the monthly mail spend by offshore businesses was also higher than average. Only 55% spent less than £50 per month on post, compared to 79% of all businesses, and 34% spent £51-£100 compared to only 9% of all businesses. In contrast, the rural businesses spent less than average on post, with 85% spending less than £50 per month.

Given the greater propensity of mail to be core to offshore businesses, a higher than average proportion of them said that they used bulk mail services (26% vs. 7% of all businesses). Amongst this 26% who use bulk mail services, the tendency was to use companies other than Royal Mail for bulk services. In line with their greater reliance on mail, far fewer offshore businesses used stamps most often (only 62% vs. 86% of all businesses) and far more used metered/franked mail most often (37% vs. only 9% of all businesses). In line with the tendency amongst businesses to which post is core, offshore businesses were far more likely than average to mainly use Second Class post (43% vs. only 27% of all businesses).
Not surprisingly, offshore businesses were more likely than average to report receiving every type of mail. They were particularly likely to receive forms (82% vs. 56% of all businesses) and packets/parcels (89% vs. 74%). Deep rural businesses were also more likely than average to report receiving parcels (84%). Offshore businesses were more likely than average to report sending most types of mail, in particular forms (55% vs. 31% of all businesses) and general correspondence (84% vs. 64%). They were also more likely than average to have used Recorded Delivery in the last 12 months (82% vs. 70% of all businesses), Special Delivery (69% vs. 55%) or Standard Parcel service (67% vs. 51%). Deep rural businesses were also more likely than average to have used Standard Parcel service (63%).

Rural businesses were slightly less likely to be located in England than expected (76% vs. 87% of all businesses) and slightly more likely to be located in Scotland (14% vs. 6% of all businesses) and Wales (8% vs. 4% of all businesses). Within England, rural businesses were particularly highly represented in the South East (21% vs. 16% of all businesses), the East of England (16% vs. 10% of all businesses) and in the South West (14% vs. 9% of all businesses). However, the inability by definition of rural businesses to be in London will have inflated the proportions in other regions.

Deep rural businesses tended to be less satisfied (78%) than rural (90%) or urban (94%) businesses with post box location. Businesses in deep rural areas were more likely than those in rural or urban areas to cite convenience as a driver of post box choice (90% vs. 63% and 81% respectively). However, business customers in rural or deep rural locations were prepared to travel further to post letters (1.85 miles and 1.92 miles respectively) than those in urban locations (0.88 miles).

At current prices, the general pattern amongst business customers was to favour the existing two-tier (First Class and Second Class) postal service over a one-tier service, thus retaining the next day delivery option inherent in the two-tier scheme. When the prices of the two-tier option were much higher, though, business customers overall tended to prefer the cheaper of the one-tier options. However, the average pattern masks some sub-group differences. Rural businesses were similar to the average in their choices. Deep rural businesses were slightly more likely than average to favour the two-tier system at either price level. Offshore businesses tended to make the opposite choices to the average business.
At current prices, they tended to prefer the higher service level one-tier option over the two-tier option. At higher prices, they tended to prefer the two-tier option (probably to benefit from the lower cost of Second Class). More than nine in ten business customers found the current service tolerable in that they were willing to select it as preferable from a pair of alternative service options rather than say that neither service option would be acceptable. Businesses in rural areas were slightly less likely than average to find it tolerable (91.4% vs. 93.9% amongst all businesses).

A higher range of tolerability to offer changes indicates greater sensitivity to changes. Businesses in rural or deep rural areas had a wider range of tolerability than the norm (a range of 16.7 and 15.2 respectively vs. 13.0 for all businesses.)

Detrimental changes in the service were less tolerable for small businesses in rural, deep rural and offshore locations. The worst change for each of these would be a price increase to 90p for First Class.

**Business customers – size and postal spend**

Three-quarters of UK businesses consist of just one or two members of staff. Those with up to ten employees make up 95% of businesses. In other words, very small businesses completely dominate the business sector by number.

The reported mean average monthly spend on post by business customers was £245. A relatively small number of business customers accounted for much of the spend. A symptom of this was that 48% of businesses spent under £10 per month.

Spend on post was linked to size of business. 55% of businesses with only one or two employees spent under £10 a month, whereas businesses with 51+ employees were more likely to spend £101 or more. Not surprisingly, larger companies were more likely to send every type of mail than smaller companies. They were also more likely than smaller companies to use Recorded Delivery, Special Delivery or Standard Parcel services.

The vast majority (86%) of businesses said that they pay for postage using stamps, as opposed to via meters, online, in bulk or by printed postage impressions (PPI). This is linked to the high number of very small
businesses in the business community, with small businesses being more likely than large businesses to use stamps. Larger businesses were more likely to use meters than other payment mechanisms: 82% of those with 51+ employees said that they use meters.

Most businesses (83%) sent all or almost all of their post with Royal Mail, around one-fifth used other operators and 7% used bulk mail services. This is correlated with postage spend, with those who spent the most more likely to use other operators. Businesses using exclusively (or almost exclusively) Royal Mail services spent an average of £142 on post per month. Other businesses, i.e. those not using Royal Mail exclusively, spent an average £748 per month.

The small proportion (7%) of businesses using bulk mail services for all or some of their mail reflected the dominance of very small businesses in the UK business market. Not surprisingly, large companies (24% of those with 251+ employees) and those with higher postal spends (36% of those spending £2,500+ per month) were more likely to say that they use bulk mail.

On average, two-thirds of post sent by businesses was reported to be First Class. Smaller companies and home traders said that they used First Class for more of their post. These businesses would therefore appear to be more anxious than larger businesses for their mail to be delivered fast. Businesses with one or two members of staff reported sending an average of 70% of their mail First Class. Those with 251+ staff said they send an average of 55% First Class. This is still more than half, but is a significantly lower proportion than for the smallest businesses. Although noted earlier that smaller businesses would appear, by their greater propensity to use First Class post to be more anxious than larger businesses for their mail to be delivered fast, smaller businesses were in fact more likely to say that none of the post they sent First Class actually needed to be there the next day (30% amongst companies with one or two staff vs. just 4% amongst companies with 251+ staff). This would suggest that the stated motive of speed is not a complete explanation for using First Class post for such companies.

The vast majority of businesses were in agreement that there are things that they will always need to send by post. Larger businesses were more likely to be of this opinion than their smaller counterparts. Those in the
largest businesses were more likely to agree, and strongly, that they would always need to send some things by post (71% of businesses employing 251+ staff strongly agree vs. 59% of those with 1-10 staff).

Three-quarters of businesses used a post box at least once a month. However, three-quarters of larger businesses (251+ employees) never used a post box. Larger businesses were more likely than smaller businesses to go for a location accepting metered mail.

The location of post boxes was the most important factor in choosing which post box to use for most businesses. Small businesses (1-10 staff) were more likely than larger businesses to cite convenience as a driver of post box choice. On the other hand, one-fifth of businesses said that later collection time is the most important factor, and this was particularly the case for larger businesses. The smallest businesses were twice as likely as the largest businesses to know the postal collection time on Saturdays. Smaller businesses were more likely to be satisfied with post box location than larger businesses: 93% of those with 1-10 employees were satisfied vs. 85% of those with 251+ employees.

Businesses received a wide variety of post. Most reported receiving financial transactions, direct mail, general correspondence, catalogues/brochures and parcels. Not surprisingly, bigger companies were more likely than others to receive all types of post.

Only 15% of businesses said that all/most of the post they receive has to be dealt with on the day. Bigger businesses (those with 251+ staff) were more likely to say that all/most of the post has to be dealt with on the day of arrival (40%). The largest companies were much more likely than the smallest to say that financial post needed to be dealt with the same day. Only 56% of businesses turning over under £50k pa said they dealt with financial post the same day, whereas 93% of businesses with a £1million pa or higher turnover would do so. It is not clear whether this was because large companies were more likely to have procedures requiring staff to deal with financial post promptly, or if their financial post was genuinely more likely to be urgent than that of small businesses.

Three-fifths of business customers thought that it is important to have a next day guaranteed service. A next day service was most likely to be important to larger businesses. The importance of predictability of
delivery time to large businesses was also noted in the qualitative research. 75% of those with 51+ employees said it was extremely/very important compared to 60%-66% of smaller businesses.

Larger businesses were more likely than smaller businesses to react negatively to potential reductions in service. Residential and business customers were shown a list of potential changes to the postal service which might make things worse for them by disrupting the way they usually do things. They were asked to say which one would have the most significant negative impact on them. The most common response amongst both groups of customers was that none of the changes would have a significant impact (around a quarter said this). Amongst sub-groups of business customers, those companies with 51+ staff were the most likely to fear a negative impact of some kind (i.e. they were least likely to say that none of the changes would impact them). Overall, one in ten business customers claimed that the most negative change would have a severe impact on the ability to run the business. 37% said it would make running the business more costly, but they would work round it. Larger businesses were more likely than smaller businesses to say that the potential change would have a severe impact on them (17% amongst those with 251+ staff vs. 10% amongst those with one or two staff).

At current prices, businesses preferred the current two-tier (First Class and Second Class) service. However, if First Class were to increase to 90p and second class to 60p, the average business would favour the introduction of a one-tier service. The average pattern amongst business customers masks some sub-group differences, though. Those businesses with high postal spends tended to prefer the lower-priced version of the one-tier options, as did those who currently mainly use Second Class post. The latter finding suggests that these groups are willing to pay slightly more for something a little faster than they currently get. However, there is an indication (based on a small number of respondents) that the very highest spenders on post tended to prefer the two-tier option. The qualitative research suggests that this is because such organisations value the lower cost of the Second Class service over speed.

More than nine in ten businesses found the current postal service provided tolerable, in that they were willing to select it as preferable from a pair of alternative service options rather than say that neither service option would be acceptable. Businesses spending between £400 and
£2499 per month and using stamps or online postage had the lowest level of tolerability. Even so, the vast majority of these customers (more than eight in ten) still found the current service to be tolerable.

While businesses that spend over £2500 per month on mail had a higher level of tolerability with the current service, it should be remembered that almost all of these businesses used PPI or a meter. Half of businesses spending between £400 and £2499 per month used stamps or online postage. They had the lowest level of tolerability among businesses (85.4%). Postage rates for meter/PPI are cheaper than stamps and the gap has widened significantly with the new price rises introduced in April 2012. Almost all businesses spending £400 or more a month would benefit from switching to metered post/PPI. These findings suggest that there is a need to communicate with these businesses about the enlarged price differential to encourage them to switch to meter/PPI to minimise the impact of the current and future price rises.

Customers tended to remain tolerant of the postal service even if the service was made considerably worse. However, business customers were generally more sensitive to changes in the offer than residential customers. Businesses had double the range of tolerability to offer changes than residential customers (13% compared to 6.1%). This sensitivity to price was particularly the case for businesses with larger mail spends (businesses with a monthly mail spend above £2500 had a tolerability range of 24.2%). These businesses were also significantly less tolerant of the worst package than businesses generally. Although larger businesses with the highest postal spend were more price sensitive than smaller businesses overall, it was in fact smaller businesses in rural/deep rural areas that would find changes in the service least tolerable and might potentially be most disadvantaged by them.

Businesses were more sensitive to losing a weekday of service than they were to losing mail delivery on a Saturday. Business customers in general would not be willing to pay any more to maintain Saturday delivery and collections. Businesses with the very highest postal spend (£16,500+ a month) were found to value Saturday delivery and collection so little that losing this day equated to a 21p decrease in the price of First Class. On average, businesses would be prepared to pay 13p more for First Class in order not to lose collection and delivery on a weekday. Those businesses with the highest postal spend would be willing to pay
much more (24p) for First Class in order to ensure that delivery and collection occurs Monday to Friday.

Business customers valued keeping the current collection time the same. Changing collection times forward to 12 pm in rural/local areas was valued the same as a 4p rise in the price of First Class. Bringing the final collection times in rural/local areas forward to 10 am was valued the same as a 10p rise in first class post. Larger businesses (by turnover) valued later collection times higher than average and were willing to pay more than smaller businesses to retain the current service. Conversely, businesses with high postal spends (£2,500+ per month) did not value collection times as highly as other groups.

On average, a latest delivery time of 5 pm was valued by businesses the same as a 3p rise in the cost of First Class, and a delivery by 6 pm the same as a 5p rise. Larger businesses (turnover and employees) and those with the highest monthly spend would be willing to pay more to maintain current delivery times.

Earlier delivery of mail was valued by businesses as the same as a 2p decrease in the cost of First Class, and evening or Saturday delivery for a fee of £4.50 was found to be equivalent to cutting the price of First Class by 3p. Those with the highest postal spend valued these potential improvements the most and considered them as the equivalent to higher than average decreases in the cost of First Class.

If the quality of service of First Class post were reduced to 80% of items arriving within one working day, this was the equivalent to businesses of an 11p rise in the cost of First Class post. Large businesses and those that spent the most on post valued the quality of the First Class service more highly than average. For example, businesses with 251+ employees valued the detriment at 14p and those spending £2500+ per month on post valued it at 16p.

**Business customers – use meters or PPI**

Eleven percent of businesses used meters or printed postage impressions (PPI). The majority of these (82%) used meters (or franking). Only 18% of them were using PPI.
Businesses using meters or PPI were larger than the average business, with only 38% having just one or two employees compared to 77% of all businesses. As such, a higher proportion than average was in business premises rather than being run from home (83% vs. 51% of all businesses). Their turnover was also commensurately higher than average. Only 11% had a turnover of less than £50k pa compared to 36% of all businesses. These businesses were more likely than average to be located in urban areas (90% vs. 78% of all businesses). They occurred in roughly the expected proportion by nation. Within English regions, they were slightly skewed away from South East and South West locations towards the North West, Yorkshire and Humberside, and East Midlands.

Meter/PPI-using businesses were proportionately represented in all industry sectors. They were more likely than average to be communicating mainly with consumers by post (42% vs. 32% of all businesses). Mail was core to the operation of a relatively high proportion of these businesses (42% vs. 16% of all businesses) and they were more likely than average to say that there would always be some things that they would need to send by post (94% vs. 87% of all businesses).

Meter/PPI-using businesses reported a higher monthly mail spend than average. One in four (26%) spent more than £450 a month compared to only 6% of all businesses. In line with the average, 84% spent all or almost all of this with Royal Mail. These businesses were more likely than average to report having used Recorded delivery (79% vs. 70%), Special Delivery (60% vs. 55%) or Standard Parcel service (62% vs. 51%) in the last 12 months. As was the tendency with larger businesses, meter/PPI-using businesses used Second Class post more often than the average business, with 35% reporting that they mainly used Second Class compared to only 27% of all businesses. In line with this, the proportion of mail sent Second Class by these companies was higher (42% of mail vs. 34% for all businesses), but was still a lower proportion than that sent First Class (58% of mail). A higher proportion of meter/PPI-using businesses than average (42% vs. 26%) said that the mail they sent by First Class post actually needs to arrive the next day.

Only 53% of meter/PPI-using businesses ever used a post box, compared to 85% of all businesses. Of those who did ever use a post box, later collection time was more likely than average to be a driver of which post box they used (24% vs. 19%), and convenience less likely than average
to be the driving factor (66% vs. 79%). Satisfaction with post box location in their area was similar to the average (90% were satisfied).

Meter/PPI-using businesses were more likely than average to receive and to send every type of mail at least once a month. They were more likely to need to deal with inward post the day it arrived (86% said this applied to any of their post compared to only 77% of all businesses). These businesses were more likely than average to say that the most common type of post they sent out was packets/parcels (40% vs. 22% of all businesses).

At current prices, the general pattern amongst business customers was to favour the existing two-tier (First Class and Second Class) postal service over a one-tier service, thus retaining the next day delivery option inherent in the two-tier scheme. When the prices of the two-tier option were much higher, though, business customers overall tended to prefer the cheaper of the one-tier options. However, the average pattern masks some sub-group differences. Businesses using meters or PPI tended to prefer the one-tier option at either price level. At current prices, 40% chose the cheaper of the one-tier options and only 32% chose the two-tier option. This compares to the reverse pattern amongst businesses overall. At 90p/60p pricing, meter/PPI-using businesses tended to make similar choices to businesses overall, with 52% of them opting for the cheaper of the one-tier options and only 27% choosing the two-tier option. Meter/PPI-using businesses were very similar to the average as to how likely they were to say that it is important that Royal Mail retains a guaranteed next day delivery service (62% said extremely/very important).

Meter/PPI-using businesses’ priority for an improvement to the postal service was more likely than average to be cheaper prices (25% mentioned vs. 20% of all businesses), earlier delivery of post during the day (18% vs. 11%), or quicker delivery of post (10% vs. 3%). When asked to say which one possible detriment to the service would have the most negative impact on them, meter/PPI-using businesses were similar to the average and were most likely to be concerned about a loss of the next day guaranteed delivery service (25%). An increase in price of First Class to 90p was less commonly their main concern (13%). These businesses were more likely than average to be most concerned about
delivery of post later in the day (17% vs. 10%), or about a reduction in the quality of the First Class post service (8% vs. 3%).

More than nine in ten business customers (93.9%) were tolerant of the current postal service, in that they were willing to select it as preferable from a pair of alternative service options rather than say that neither service option would be acceptable. Meter/PPI-using businesses showed similar levels of tolerability to the average. Detrimental changes in the service were as tolerable to meter/PPI-using businesses as to the average business, indicating that such businesses were tolerant of changes to safeguard the service. Like the average business, they would be more tolerant of changes to the service than price increases and would tolerate significant reductions in the service to maintain prices or minimise further price rises in future. This includes cutting collections and deliveries to five days per week and a significant reduction in the quality of service on First Class post to 80% having to arrive within 24 hours, along with more minor changes to collection and delivery times. Whilst businesses would ideally like to maintain the current service, these reductions would not have a significant impact on them.

**Business customers – use stamps or online postage**

Nine in ten (89%) businesses used stamps or online postage as their most common way of paying for postage. The majority of these (97%) used stamps. Only three percent of them used online postage.

Since businesses using stamps/online postage were such a high proportion of all businesses, many of their characteristics will be very close to that of the average business. So only differences from the average are highlighted here, of which there are very few.

Businesses using stamps or online postage tended to be smaller than the average business, with 82% having just one or two employees compared to 77% of all businesses. As such, a higher proportion than average was being run from home rather than from business premises (53% vs. 49% of all businesses).

Businesses using stamps/online postage reported a lower monthly mail spend than average. Eight five percent spent less than £50 per month compared to only 79% of all businesses. They were also less likely than average to say that mail was core to their business (only 12% vs. 16% of
all businesses). As is to be expected, businesses using stamps/online postage were more likely than average to use a post box at least once a month to send their mail (80% vs. 75% of all businesses).

There were no differences to the average business in tolerability towards the current service or changes to it.