

# Assessing user needs in postal services in the UK

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# Context



# Scenarios



# We considered several potential changes to the USO

5 days  
delivery

Delivery frequency of  
5 days per week for letters  
(with varying delivery speeds)

Single class

A combined single class for letters  
(no first and second class)  
with a delivery speed slower than  
current first class

3 days  
delivery

Delivery frequency of 3 days  
per week for letters

Delivery to a  
central point

Delivery to a post office, locker  
or local shop instead of the  
home

Different  
delivery days in  
different areas

For example, fewer delivery  
days in urban areas

Reduced  
service  
reliability

Reducing the requirement  
for the percentage of  
letters delivered on time

# We assess **reasonable** user needs

## Benefits

What will be the loss in benefits to users from a service reduction?

We measure this using a conjoint analysis

We also used focus groups and surveys to gauge opinion

## Costs

What are the cost savings from reducing the service?

Based on Ofcom's models of Royal Mail's costs

We also modelled the revenue implications for Royal Mail

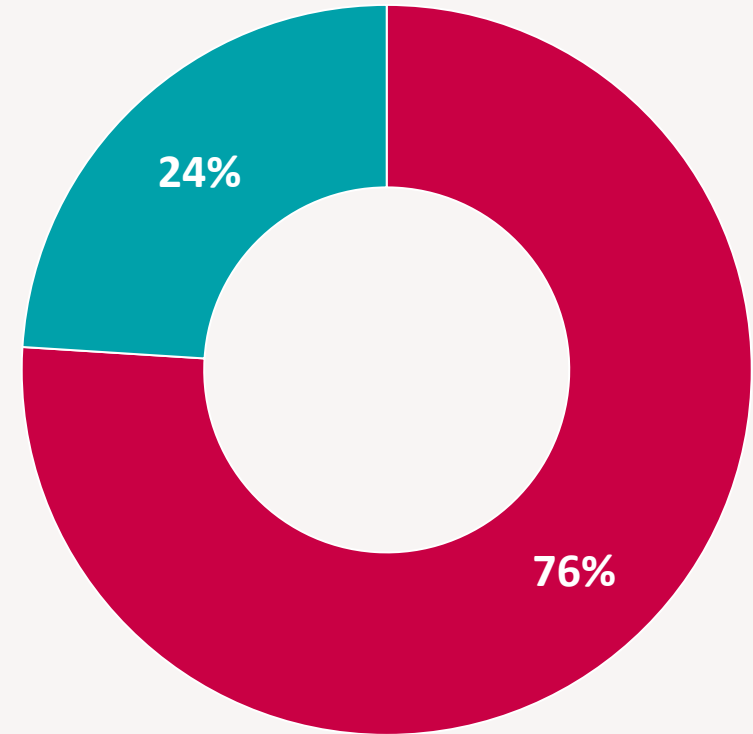
# The results I

The less plausible scenarios

# Delivery to a central locker is highly unpopular

**76%** of residential users and **82%** of SMEs are against delivery of **letters** to a central locker instead of to the door

**(64% and 77% against for parcels)**



# Different number of delivery days in different areas



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Various options: fewer delivery days in 'costly' rural areas; or fewer in urban areas where users are less dependent on post

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Potential cost savings for Royal Mail from reducing delivery days

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Not popular with users: people value the universality of the service and find it simple.

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Equity issues: different service levels depending on where you live

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We didn't explore this in detail



# Reducing service quality



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Royal Mail is currently required to deliver 93% of First-Class items 98.5% of Second-Class items on time.

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Royal Mail could reduce costs but not significantly

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However, users found this idea confusing and it was unpopular with business customers.

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Users value certainty over when mail will arrive.

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# Conjoint survey

Impact of service changes on users  
– focus on a few scenarios

# We used a conjoint analysis

	Option A	Option B
Days letters will be delivered	6 days a week	3 days a week – including Saturday
Level of service	First Class (arrives the next day) Second Class (arrives within 3 days)	Single Class (arrives within 2 days)
Example price of service	First Class standard letter 80p Second Class standard letter 70p	Single Class letter 61p

Q1: Which scenario do you prefer?

Q2: Does this service meet your needs?

# Conjoint results

Impact of service changes on users

# Impact of moving to letters five days per week: proportion that would consider their needs met

Current service



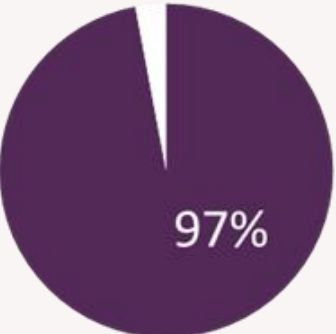
5 days letter delivery  
(Mon-Fri)



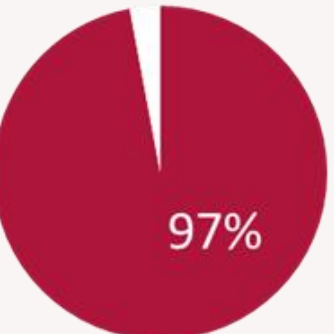
Residential users



Current service



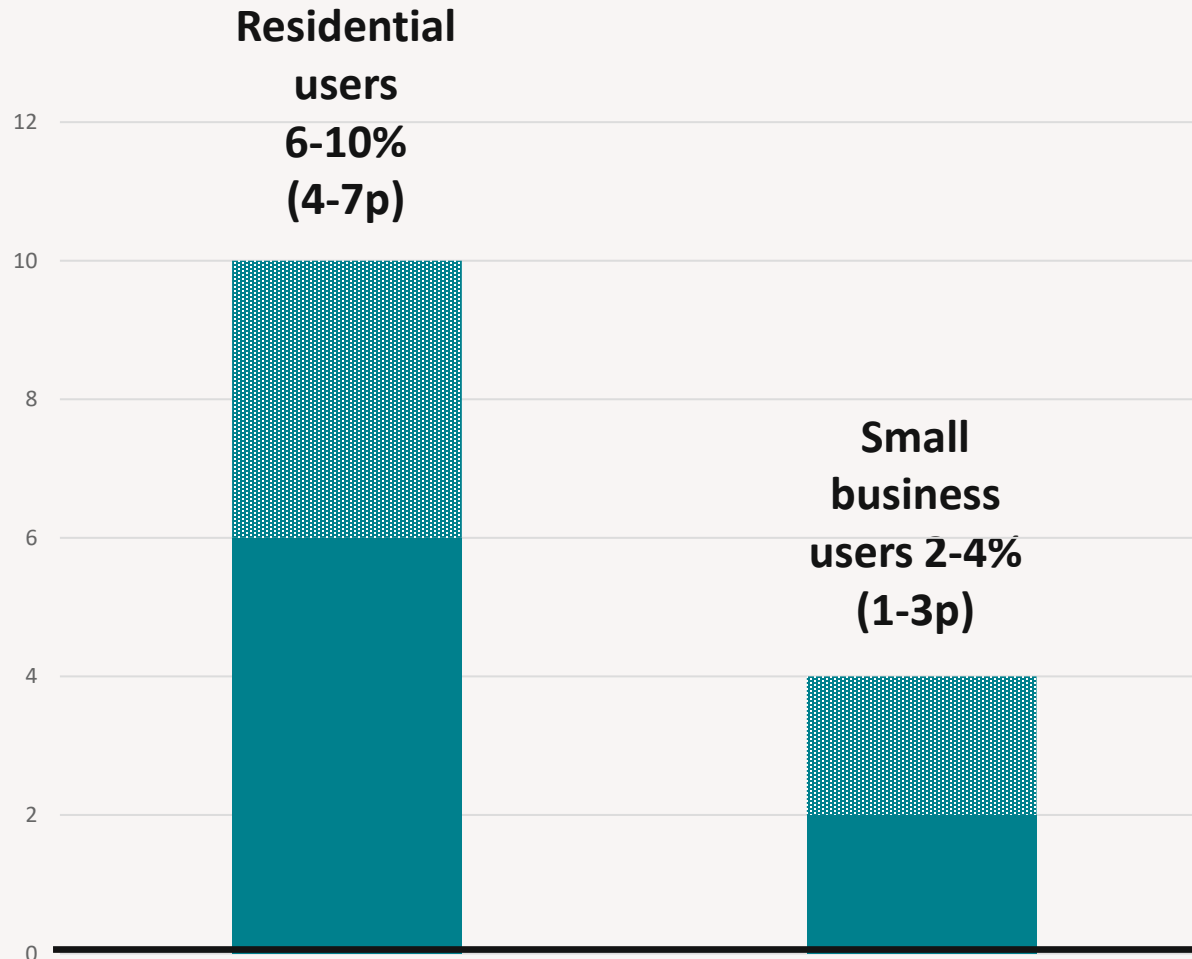
5 days letter delivery  
(Mon-Fri)



Small business users



# Impact of moving from 6 to 5 day delivery: equivalent % price increase in first class stamp

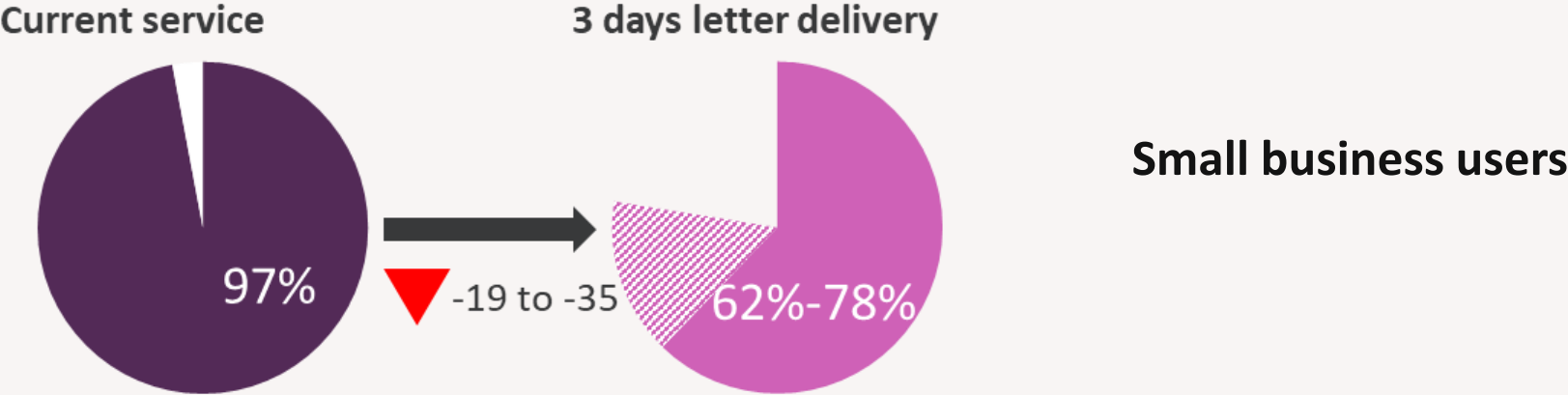


The loss in benefit was slightly higher for certain groups:

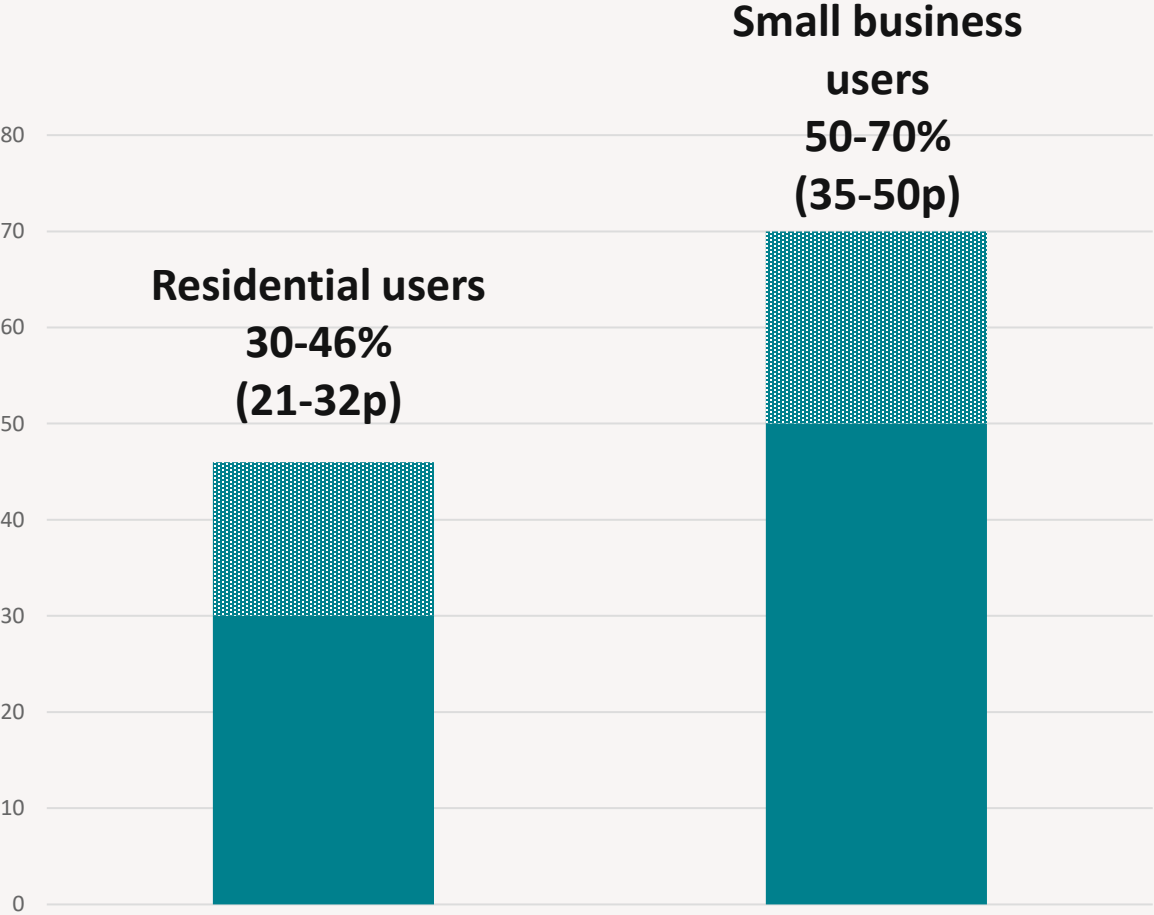
75+	7-12%	(5-8p)
Disabled	6-11%	(4-8p)
High volume	7-11%	(5-8p)
Rural users	7-12%	(5-8p)
Living in Wales	8-13%	(6-9p)

**Aggregate user loss in benefit:  
£75-150m per year**

# Impact of moving to letters three days a week: a lower proportion would consider their needs met



# Impact of moving from 6 to 3 day delivery: equivalent % price increase in first class stamp



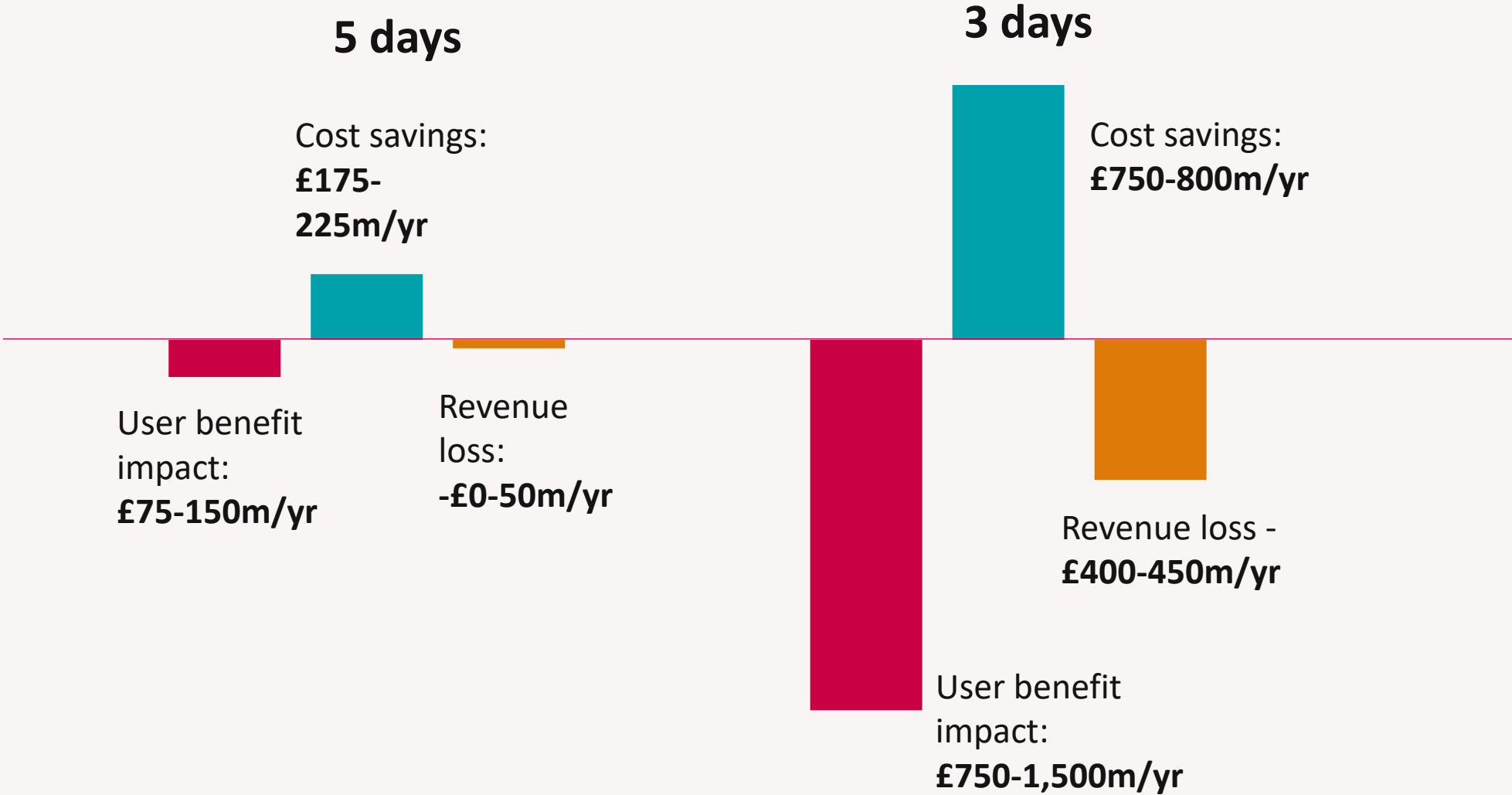
**Aggregate user loss in benefit:  
£750-1,500m per year  
(c. ten times that for 5 days per  
week)**



# Cost savings from service changes



# Comparison of benefit loss and cost savings for 3 and 5 day delivery



# Policy implications



# Summary of USO options: Impacts on users and Royal Mail costs and revenues

