



Residential Postal Affordability Research

Qualitative Research Report

June 2023

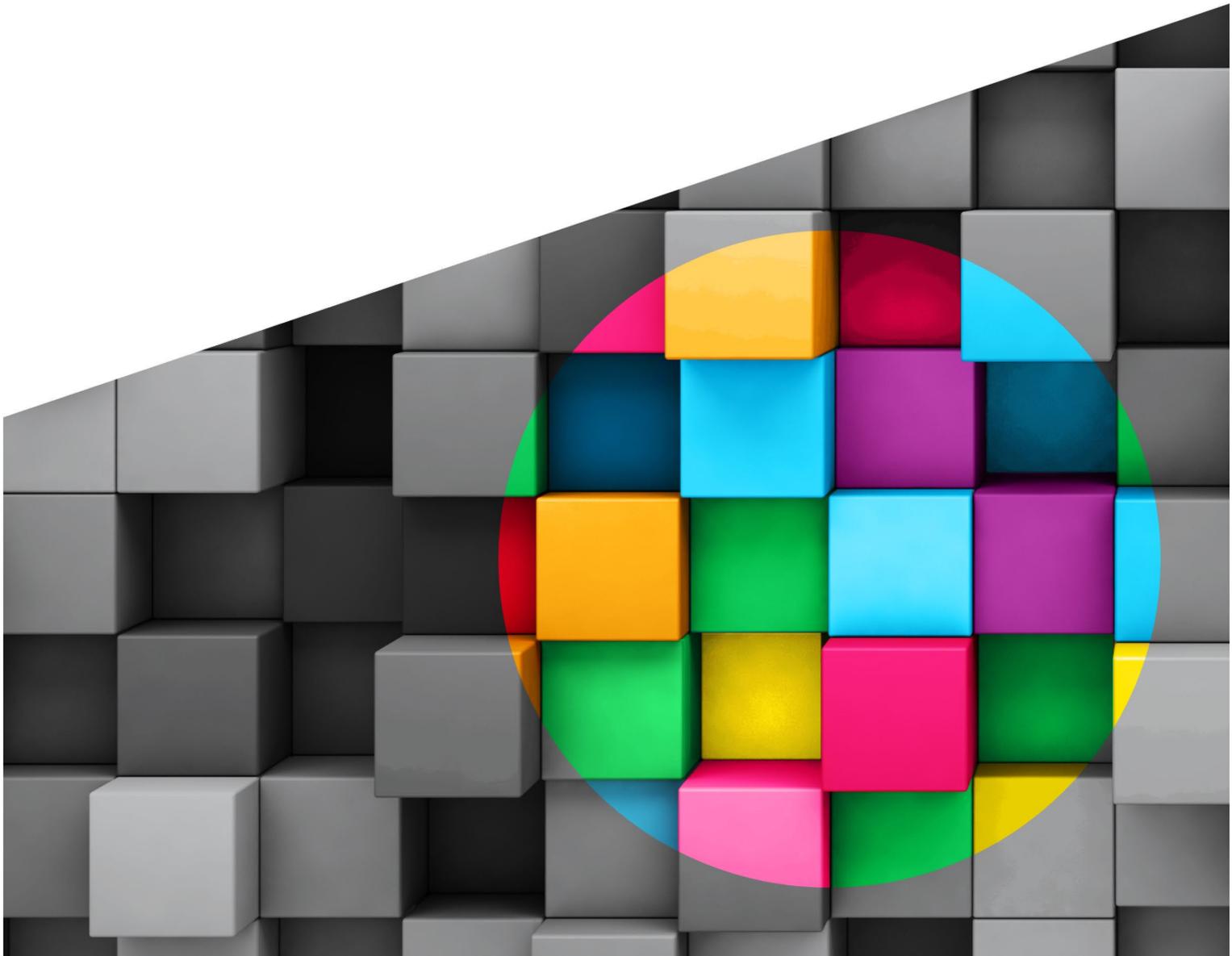


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1. Executive summary

1.1. Background and approach

Background

Ofcom is the regulator for the communications services that people use and rely on each day. These regulatory duties also cover postal services in the UK, as outlined in the Postal Services Act 2011 (“the Act”). Ofcom’s primary duty in relation to postal services is to carry out its regulatory functions in a way that it considers will secure the provision of a universal postal service. The provision of a universal postal service includes the provision of a number of end-to-end services (as defined in the Act), made available to the public at affordable prices.

Ofcom’s recent quantitative research¹ suggested that rising numbers of postal service users are claiming to have experienced affordability issues regarding postage stamps. The research found that an increasing proportion of consumers were reporting that they have reduced their use of postage stamps so that essentials can be afforded (14% in 2020-21 v 19% in 2021-22) or are cutting back on essentials to buy postage stamps (10% in 2020-21 v 14% in 2021-22). Of the c.5,000 respondents interviewed, 23% stated that they had either reduced their use of postage stamps so that essentials could be afforded or were cutting back on essentials to buy postage stamps, whilst 11% said that they had done both. Nominal prices of both 1st and 2nd class stamps have risen between 2019-20 and 2023-24 (1st: £0.70 v £1.10; 2nd: £0.61 v £0.75), representing real-term price rises of 28% and 5% respectively. Ofcom currently sets a price cap on 2nd class stamps at 65p + inflation (CPI), whilst there is currently no price cap on 1st class stamps. Large letters and parcels are also subject to a basket cap.

With the forthcoming review of the 2nd class price caps, and given the wider context of high inflation, the rising cost of living and the overall reduction in the volume of letters being sent via Royal Mail in recent years, it is important for Ofcom to understand the consequences for consumers who report experiencing affordability issues in the postal sector and how this relates specifically to the current price of stamps.

Objectives

Ofcom commissioned Jigsaw Research to conduct research to address two core overarching issues, namely to understand: (1) the consequences for consumers who report experiencing affordability issues in the postal sector; and (2) how this relates specifically to the current price of stamps. These overarching issues split into three areas as detailed below:

- 1) What affordability issues are consumers facing?
 - What general affordability issues, if any, consumers are experiencing. Are any specific costs (e.g. utilities, housing or food, etc.) causing issues?

¹ Ofcom Residential Postal Tracker - Weighted Tables (July 2021-June 2022)

- What post affordability issues, if any, consumers are experiencing. Which groups are particularly likely to experience affordability issues?
 - Whether post affordability concerns are caused directly by postal price increases or are they a result of issues caused by non-postal cost of living increases, or both?
 - How much are consumers spending on post more generally? Why has spending on stamps in particular been reduced?
 - If stamps or other postage items were substantially cheaper, what difference (if any) would this make to the overall household finances of consumers?
- 2) What problems do consumers experience as a result of not being able afford postal services?
- What is the impact of post affordability issues on consumers and their households?
 - How do post affordability issues compare to other general affordability issues (as identified above)?
 - What, if any, was the impact of reducing spending on post? What postage could not be sent, or what essential(s) could no longer be afforded?
 - What are the general purchasing habits of consumers reporting post affordability issues? What product(s) were they buying, and how has this changed?
 - Why were essentials cut back on to afford stamps or other postage? Were there no alternatives to post? Have consumers similarly cut back on other expenses, or does economic behaviour in relation to post differ?
- 3) In addition, the research needs to explore how respondents were responding to specific questions on the Residential Postal Tracker.
- To understand why there has been an increase in the proportion of customers experiencing affordability issues in the Residential Postal Tracker, a working hypothesis being that a large part of this could be driven by broader increases in the cost of living.
 - To explore how consumers are understanding and responding to the two affordability questions (questions 1 and 2 set out above). This includes how they are interpreting 'affordability'. For example, are some reacting to the price increase, rather than the actual affordability of the service?
 - To explore why some household groups are more likely to report affordability issues than others, e.g. why are higher income households more likely to report post affordability issues? Are they struggling with cost or are they expressing dissatisfaction at the price and/or value for money of postage?

Methodology

Jigsaw Research conducted 44 depth interviews; 24 of these were conducted over Zoom or on the telephone, 20 were conducted face to face in the respondent's home. Interviewing took place in April and early May 2023.

All participants took part in a light touch individual pre-task prior to the fieldwork which asked participants to consider their current household expenses and any general activities they were undertaking to cope with the cost of living crisis, as well as specific questions about their current habits in regard to using letters and cards.

Half of the participants had to agree with at least three of the following statements in regards to the impact that the increased cost of living had on them:

- I have had to cut down on essentials such as food, heating, or clothing for me (or my children [if applicable])
- I have had to cut down on non-essential expenses (e.g. subscriptions, holidays, nights out)
- At the end of the month, I often struggle to make ends meet
- I am often in debt
- I often struggle to pay my regular bills
- I (or my children [if applicable]) sometimes don't take part in social activities because I can't afford it
- Spending even on small items (i.e. £1 or less) is having an impact on my budget

All participants had reduced their spend and/or use of letters and cards in the last three months, having had to agree with at least two of the following statements; that in the last three months they have had to:

- Reduce the number of letters and cards you send so that you can afford essentials such as food, heating, or clothing
- Cut back on essentials such as food, heating, or clothing so that you can afford to send the same number of letters and cards
- Cut back on the number of letters and cards that you send because of the cost of stamps
- Cut back on the number of letters and cards that you send because of the increase in the cost of other products and services
- Switch from 1st to 2nd class stamps for cost reasons
- Think twice before you send something in the post for cost reasons

A range of audiences was included in the research, including those which the tracker had identified as most likely to report affordability issues with stamps and letters (e.g. younger people, social groups AB, single parent families, hobby sellers).

Seven participants were recruited from respondents who had completed the Residential Postal Tracking questionnaire, and four did not have access to the internet.

Full details of the research approach, including a description of the different components of the research, the stimulus material, sample criteria, and pre task and discussion guide are provided in the appendix.

1.2. Key Findings

The findings of this research can be summarised as follows:

The impact of the cost of living crisis on participants' behaviours and attitudes

Many participants stated that they were struggling in the current economic climate

To some extent, the current 'cost of living crisis' was framing all participants' attitudes to spending and their related behaviour, including both how and what they purchase and their behaviour related to saving money. The current economic climate helped to shape perceptions of affordability in general and also towards the postal service.

Increases in the price of energy, groceries and consumables and fuel were having the most impact on participants

The level of impact was driven by the absolute level of price increase, the frequency of purchase, and the importance (or essentialness) of the product or service. None of the participants mentioned the price of stamps as having a major impact on them.

All participants were taking some actions to cope with the increased prices

The level of action depended on their wealth and financial stability, with the most affluent making relatively minor changes (eating out slightly less often, looking for deals, etc). Those taking more drastic actions (such as using foodbanks, relying on family members to help pay for groceries) were less affluent and were often disabled, retired or single parents.

The cost of living crisis is having a detrimental impact on some participants

Broadly, the detriment experienced can be divided into physical or practical detriment and emotional or mental wellbeing. In some cases, physical or practical detriment can cause or contribute to a detriment in emotional or mental wellbeing.

Participants did not have a consistent definition of affordability in regard to general products and services

When asked what affordability meant to them, participants responded with a variety of answers, which although they all touched on issues of cost and purchasing, could vary considerably in their scope and sentiment. Taking a composite of all responses, the working definition of affordability would be: "Affordability is when a product or service can be comfortably purchased". This ambiguity may impact on how respondents answer survey questions that reference 'affordability'.

Implications for Postal affordability

Participants said that their use of postal services had declined

Most participants reported that their use of personal cards and letters has declined in recent years. For most this was driven by an increase in use of alternatives such as email, messenger services (e.g. WhatsApp), social media and video conference services, which were seen as offering significant benefits over cards and letters in terms of ease of use, speed, versatility and intimacy. For some the price increases to the postal service was a contributing factor – but was generally cited together with the reduced benefits compared to digital communications, rather than the key driver.

Some participants thought that cards and letters still have an important emotional and social role

Cards and letters were seen as having some benefits, especially regarding greeting cards, where use of a card was seen as 'more special' than digital communications – both to send and receive. For a minority of participants this was so important as to be seen as 'essential' to their emotional life, placed above other essentials.

Letters received from businesses and official bodies have also declined according to participants

Most mentioned that email, apps, text messages and websites have replaced most of the letters that used to be sent to official bodies or providers. A minority of participants trusted the physical post more than digital. The main use case for non-personal correspondence seemed to be when sending physical documents. Most only sent them when required to and would then use a premium service (such as Signed For). Given the rarity of sending such correspondence, most participants didn't think too much about the prices involved.

Most participants were aware that the price of stamps have increased

Participants were more aware of the price of stamps than they were before the cost of living crisis, which may have been prompted in part by an increased sensitivity to all prices. Almost all were aware that the price of stamps had increased, and most knew that the price of a 1st class stamp was above £1. The fact that 1st class stamps were now over £1 each seemed to have a greater impact than the absolute price increase. This seems to suggest that by going over £1, the price of stamps had broken a psychological threshold, making them appear more expensive and impacting more on usage than the actual, absolute price increase would suggest.

Participants' personal circumstances seemed to have a greater impact on perceptions of postal affordability than the price of a stamp

The personal circumstances that determine whether a participant thinks that sending a letter or card is affordable are their own financial situation (impacted by the cost of living crisis) and their reliance on post.

No participant thought that sending the *occasional* letter or card was unaffordable to the point that they couldn't send it regardless of the recent price increase, although most participants would now choose to use a 2nd rather than a 1st class stamp.

Most participants felt that cutting back on postal use would not impact their ability to afford essentials and that spending on post didn't require making sacrifices elsewhere.

This was mainly because they believed that the money spent on postage was relatively low compared to other areas such as groceries, heating or rent. That said, most were cutting back on their spend on stamps, but this was driven more by the general need to make savings, rather than specifically saving on postage because it was having a major impact on their disposable income.

The research suggests that the main reason why some participants considered the post to be unaffordable was primarily because everything else had gotten more expensive, not because of the increase in stamp prices in itself – although the latter does contribute to their perceptions.

A minority of participants said they were occasionally unable to afford using the post in the way they would like to, as a result of cashflow pressures at certain times in the month or an increased demand for post

There were specific times in the month or year where some participants did find that sending letters or cards could be unaffordable, for example when they were waiting for wages or benefits to be paid and their cashflow situation meant that they couldn't buy anything other than the absolute essentials – in these situations, postal is just one of many products or services that these participants could cut back on. Occasional affordability issues were particularly apparent with Signed For and Special Delivery in these situations, i.e. if the obligation to send an official letter coincided with a time when money was in short supply. Christmas was another example of postal affordability issues, driven by the short-term increased demand for postal services at that time, which also coincides with other non-routine expenses.

Occasional affordability mainly affected participants who displayed at least two of the following characteristics: they were struggling financially, they were more reliant on post, they were not using the internet, or they had mobility issues.

Most respondents saw sending cards and letters as an easy area in which to cut costs or change behaviour

Given that use of cards was seen as having declined, and they weren't seen as very important, this was an easy area in which participants could make savings. Also, the increase in the price of stamps was having a much smaller impact on most participants than the increases experienced in areas such as energy or groceries. Although participants were reducing postage costs, it was with little expectation that this would have a major impact on their long-term finances.

Some participants further stated that if the price of everything else hadn't increased (thereby putting pressure on their disposable income) then they would have been less likely to have reduced their postal costs (even if the post had gone up).

The main shift in participants' behaviour was a claimed move from using 1st to 2nd class stamps

The majority of participants stated that they were now simply switching from 1st to 2nd class stamps. This was seen as an easy adjustment to make, especially as the price difference between 1st and 2nd class was now more pronounced. This switch was also partly driven by a perceived fall in the quality of service of 1st class post. Some participants stated that they were reducing the number of cards and letters sent, either using digital alternatives or hand-delivering them/getting relatives to deliver them.

The majority of participants experienced no detriment (or, in some cases, minor inconvenience) from the increase in postal prices

For example, if a participant had switched from 1st to 2nd class stamps, the impact was having to plan more in advance, rather than use 1st class and send at the last minute. Other minor impacts included having to hand deliver cards or asking relatives to help them use online approaches.

The severity and types of detriment that rising postage prices can have on participants' lives depended on the extent to which they struggled financially and how much they relied on the post. Some participants on lower incomes also experienced some detriment in that they'd had to borrow money from family to pay for Signed For/Special Delivery for urgent official post.

For most participants, the detriment caused by rising postal prices paled in comparison to the impact the cost of living crisis has had.

Participants who were more emotionally invested in sending cards may have experienced a sense of loss

These participants (who were a minority) felt more of a sense of loss at not being able to send as many (or any) cards as they had previously.

A small minority of participants experienced greater detriment

This could happen when the participant didn't have enough money to pay for postage (generally for official purposes) and didn't have friends or family who could help who could help financially, in which case they may not have been able to afford certain essentials for a limited time. Some hobby sellers (i.e. people who sell online as a hobby or to supplement their income) stated that they had experienced some financial loss in relation to their online business, specifically if they were selling low value items where postage was a high percentage of the total price, and there was a risk that this could affect their sales.

2. Context in which the price of stamps has increased

To some extent, the current 'cost of living crisis' was framing all participants' attitudes to spending, and their related behaviour; including both how and what they purchase, and their behaviour in regard to saving money.

Almost all participants reported that most of their community (composed of friends, family, work colleagues and neighbours) was being affected to some extent by price increases. To some extent this meant that attitudes to being 'poor' or short of money had changed somewhat compared to the time preceding the 'cost of living crisis'. Frugality and being short of money were generally commonplace across participants from all social demographic groups, nations and ethnicities. Furthermore, there seemed to be a reduction in perceived stigma in looking for savings and buying cheaper products, cutting back or simply not being able to afford luxuries or treats.

This context is important as it helped to shape perceptions of affordability in general, and also regarding the postal service – as we will see in later sections of this report.

2.1. All participants were being impacted by general price increases to some degree

Almost all participants stated that their financial situation had changed for the worse in the last 12 months. The majority identified the increase in gas and electricity prices as the beginning of the significant price increases, often placing it around Autumn 2022.

A minority of participants saw the origins of their money problems as stemming from the Covid-19 pandemic. The pandemic was seen as negatively impacting on their income (for example, if they had a job in the construction industry or had been furloughed) and/or reduced physical or mental health.

The level of impact of the price increases differed depending on the participants' current wealth or affluence. Those with more money or the ability to work more hours were better able to cope with price increases than those on lower incomes. Some participants who are in receipt of what they described as formerly 'comfortable' pensions stated that they now needed to make savings as price increases had outstripped their monthly incomes.

Although some participants were more impacted than others, all were making practical changes to cope with the price increases they faced; these were generally a combination of changes to their purchasing behaviour and generally greater husbandry or care in how they used their resources.

2.2. The impact of a product price increase depends on the absolute price, frequency of purchase and importance of the product

Although participants experienced price increases in most of the products and services they were using, some were having more impact than others on their day-to-day ability to cope with the cost of living crisis. The impact of a price increase for any product was driven by three factors:

1. The absolute level of price increase. Energy bills and weekly grocery shops were most likely to be mentioned as having the greatest ongoing price increases, with people mentioning increases of up to £100 a month or more. Many participants struggled to meet these price increases, especially when the increase was often seen as quite sudden.
2. The frequency of buying/using the product or service. Price increases in frequently (weekly or monthly) bought products had much more impact than those that were purchased a few times a year.
3. The importance (or 'essentialness') of the product or service to the participant. This covers products that are physically important (e.g. food, energy, toiletries) and those that are emotionally important. Some participants may see Netflix or Disney+ as essential as they provide their (or their child's) only escape/pleasure in the midst of their struggles to cope with rising cost of living. Other participants mentioned that their mobile phone was essential as it enabled them to communicate with friends and family – and avoid being excluded from their community.

None of the participants spontaneously mentioned the price of stamps or postage as an area that was having a major impact on them. This was probably a result of the fact that unlike, for example, groceries, postage was not (for the vast majority of participants) fulfilling all three of the factors mentioned above as a driving impact on participants.

Based on the above, the three areas where prices had increased the most – and which were causing the most issues – were energy (gas and electricity), groceries (e.g. food, household goods, etc) and fuel (petrol and, to a lesser extent, diesel).

Other areas were also seen as causing some issues in regard to household finances, either in terms of eating into the money participants had available for other products or having to buy cheaper alternatives, cut back or stop purchasing altogether. These included rent/mortgage, council tax, technology, and so on.

2.3. Participants' approach to budgeting impacts on their perceptions of affordability

As might be expected, participants were placing a lot more scrutiny on what they bought and how much they spent than in the past. Most had a specific 'barometer' item in their minds that they would use as an example of the extent to which prices were rising. Very often this would be something like a 1 litre bottle of milk.

There seemed to be two ways in which participants thought about budgeting.

The majority seemed to recognise the individual price increases, and the approximate impact that would have on their overall outgoings, i.e. they saw that their energy bill had increased by £100 a month, and that their weekly grocery shopping had increased by £70. Based on this they would then attempt to reduce costs across the board to cope with the overall price increase they were facing. For example, they would cut back on the amount of time they had their heating on or buy cheaper food or cleaning brands to reduce their overall spending. Participants therefore rarely thought that if they reduced or stopped spending on a certain product this would directly enable them to buy more essentials or another product. This is an important point when it comes to thinking about whether they

have directly reduced their postal spend in order to be able to afford essentials, as will be further explored in section 3.1.

Conversely, a minority of participants did sometimes make a direct link to the reduction in spend in one area in order to be able to afford a different product. For example, a single mum from South London said that by using a food bank she was able to save up to take her children to a caravan for a week in Dymchurch.

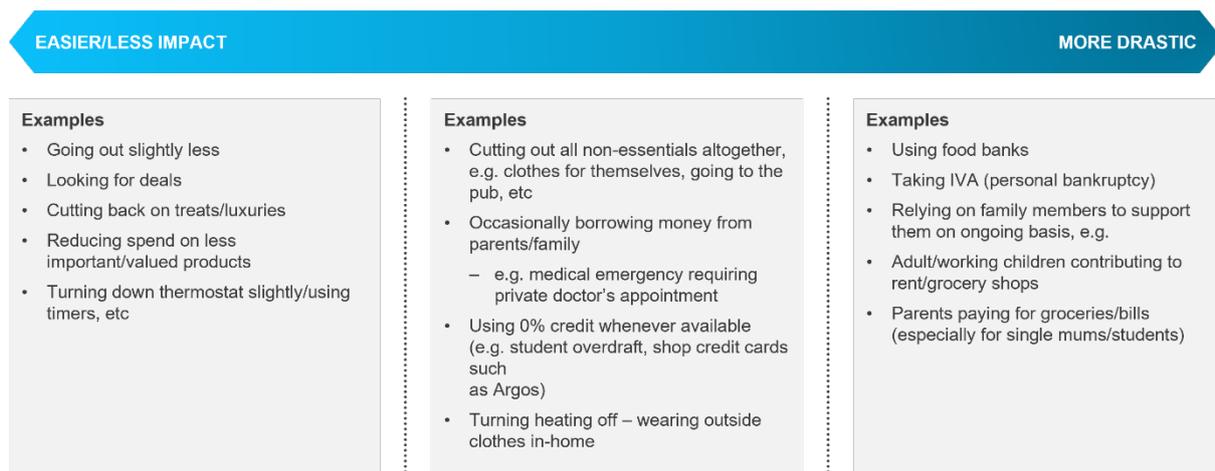
2.4. Actions taken to cope with price increases are strongly linked to affluence

All participants were taking some actions to cope with the price increases, as shown in chart 1 below. The actions differed based on the affluence of the participant. More affluent participants tended to be undertaking the activities at the left hand side of the chart – effectively, they were making some minor changes but not really altering their lifestyle in a major way. As well as having little impact on their lifestyle, these ‘cutbacks’ would also have little overall impact on their ability to cope with price increases. However, if someone was on a lower income, they would feel ‘forced’ to undertake some of the activities in the middle and right-hand side of the chart.

There are all sorts of things I have done, I switched my oven to electric so that when I cook a meal in the evening and my gas meter runs out, I can still finish cooking the meal in the oven because that's running on energy. (Woman, 50s, London)

The right-hand side of the chart details the more drastic or extreme activities, which tended to be made only by participants who were really struggling. These activities tended to have greater impact on respondents’ lifestyles.

Chart 1: The range of activities being undertaken by participants to cope with price increases.



2.5. Participants tended to focus on energy and groceries when looking to make savings

Faced with major cost savings, participants by necessity looked to save money in a variety of areas. The two main ones were energy and groceries/consumables.

Energy

Almost all participants had reduced the heating in their homes – ranging from simply turning the thermostat down by 1-2 degrees or shutting their windows, through to turning their heating off completely. Others had reduced the use of ‘high energy’ consuming devices. A minority had prepaid meters fitted to avoid getting into debt and a number had also negotiated with their suppliers to reduce their payments.

‘I’m turning the heating off. I bring my duvet down from the bedroom and lie on the sofa in a jumper under the duvet. The worst part of the day is 4pm to 7.30pm, before I turn the heating on for a bit (Male, 40s, disabled, Nottingham)

I’ve stopped the heating now. I did cut it down to 17.5 degrees. I can’t go lower that was my limit. (Female, 40s, Wales)

Groceries and consumables

Many participants were making changes to how they shopped for groceries. This included buying supermarket own label items, switching to cheaper stores, and so on. This was coupled with a greater degree of planning both in terms of buying and cooking. A minority of participants were also using foodbanks.

We’ve been tending to cook one big main meal - and then just having toast if you’re hungry in the morning rather than a full breakfast [...] Also, I don’t go out that much, so why do I need to buy new clothes? (Female, 50s, England)

I usually just stick 20 quid of petrol in the car and I just wouldn’t put more in than that in one go. And I would buy discounted things, discounted food for the kids and then just stick it in the freezer (Female, 30s, Belfast)

Both of the above two areas were having a major impact on participants’ lives – and were therefore also the areas where a lot could be done to reduce costs. As will be seen this contrasts with use of the postal service where little major impact could be achieved, even if wholesale cuts to usage were made.

2.6. Participants tended to see broadband and mobile phone services as essential

The focus of this report is not the activities that people were undertaking to cope with the increased cost of living, so we will not go into detail on all areas. However, reviewing broadband and mobile phone services (given participants’ reliance on them for communication and their position as an alternative to the post) can help put decisions regarding postal usage into context.

Broadband and Mobile phone services

Most participants had experienced smaller increases in their broadband and mobile phone services than many other areas, and of those experiencing increases the majority seemed to be ‘regular’ April/end of contract increases.

Broadband and mobile services were generally seen as essential to both practical and emotional daily life, so was not something participants would cut completely, most preferring to reduce heating or change grocery shopping habits than cut their communications services. That said, some participants were moving to cheaper packages or renegotiating their contracts. It was notable that none of the participants mentioned social tariffs at any point.²

Streaming services were also reviewed – many participants had reduced the number of SVoD subscriptions they had, keeping the one or two that were most important to them. Others were using spare logins from other members of their family.

As a service, both broadband and mobile were seen as much more important (and integral to their wellbeing) than post.

Broadband, TV, car insurance etc is the most difficult to cut. I go on Moneysaving Expert a lot. It's an ongoing struggle. Whenever my contract of something runs out, I go there and compare deals. (Female, 30s, Scotland)

I have cancelled all my subscriptions. Netflix, Spotify and so on. It's like with things you don't need but want to buy or do, like new clothes, these are not really affordable for me at the moment. (Female, 20s, Scotland)

2.7. The cost of living crisis was having a detrimental impact on some participants

The level of detriment caused by the cost of living crisis was driven by factors such as wealth and personal resilience. Broadly it can be divided into physical or practical detriment and emotional or mental wellbeing. In some cases physical or practical detriment can cause, or contribute to, a detriment in emotional or mental wellbeing.

The physical or practical detriment of the cost of living crisis varied among participants

Amongst more affluent or wealthy participants, the detriment was relatively minor. Some respondents noted that they were more restricted in the products they were purchasing or were choosing to buy their groceries from cheaper outlets or supermarkets. Many respondents also noted that they needed to plan more or take more care in terms of their spending or other cost-incurring activities than they had in the past. For example, one respondent mentioned that instead of going out for dinner and not worrying about the cost, he would now look for restaurants that were offering deals, thereby he was suffering detriment in terms of his choice of restaurant, but not in terms of limiting his activities.

I shop at Aldi now. When I go around, I ask do I need that or do I want that. I look at prices and I'm it when adding it up as I go round – I would never have done that before. I do

² In Ofcom's latest *Affordability of communications report*, 53% of benefits claimants were unaware of social tariffs - https://www.ofcom.org.uk/data/assets/pdf_file/0020/260147/2023-april-affordability-of-communications-services.pdf

shopping every few days as I don't want waste. I only eat meat once a week. (Male, 50s, Wales)

Amongst less affluent participants the detriment suffered could be much greater. Some reported actual physical detriment such as being cold during the winter or being hungry (as they sometimes had to miss a meal). Some parents reported that they had been forced to reduce the number of extra-curricular classes their children attended (such as kickboxing, etc) or other activities. This could be seen as detrimental to their children's development or happiness. Others also mentioned that having less money meant that they had less contact with family and friends.

I'm using a foodbank now. The pantry. It doesn't feel great. For £4.50 you get to choose 2 from the red crate, 4 pink or 8 yellow. Sometimes I can't afford the gas bill, it feels like you're constantly playing catch-up (Female, 30s, Southwark)

Things have been difficult enough at times. It's just everything. It's the increase on everything-you notice it. It's not an adjustment that anyone was ready for. And it's all big things [...] it's diesel, food, even a cup of coffee' [...] feels like fighting a fire every month to cover everything and then it comes around the month after' (Male, 40s, Belfast)

We're struggling quite a bit. We're going into debt with overdraft every month and my partner and I constantly discuss money which can be stressful. My mum is paying for groceries sometimes so we're not at the point yet where we can't buy essentials, but we have discussed foodbanks. (Woman, 20s, Wales)

Some participants experienced emotional detriment as a result of the cost of living crisis

As can be seen from the above quotes, emotional language is often used when relaying the practical detriments that the price increases have caused participants. For many participants the practical and physical impacts of increases in the cost of living were having a direct impact on their emotional or mental wellbeing.

The impact on emotional or mental wellbeing seemed to be more pronounced on the less affluent participants, especially those who were also experiencing greater physical detriment.

I'm using the bank of my mum. I hate asking for it. I'm selling on Vinted to get a bit more money. Put it into my account, can let it grow for a rainy day. It's made me more anxious, and I can't see a way out. The Government should step in. (Female, 30s, Stockport)

The outcomes for some were feelings of depression, anxiety and hopelessness. From the sample of participants we spoke to, it's not possible to say whether anyone was experiencing clinical conditions – but it does seem that the cost of living crisis was having a detrimental impact on their wellbeing.

Others also talk of the impact on their family life; feelings of guilt, caused by having to deny their children smalls treats or days out, increased arguments with their partners over money, and embarrassment at having to borrow money from family members. A minority of participants talked about feelings of 'shame' and being judged by others for being in financial difficulties.

The emotional impact and mental health and so on is big, also on the relationship with my husband. We are having a lot of arguments about money. Because you know when there's not

enough and you have to start prioritising things, that leads to fights because obviously we don't always have the same priorities. (Woman, 30s, Scotland)

I wouldn't be comfortable if things keep going up. [...] it's definitely harder to cover everything. I'm never going to say no to the kids - especially the likes of clubs and things...but I think I'm selling more online to try and make a wee bit more money (Female, 30s, Belfast)

Contrasted with this, a minority of participants did report a sense of satisfaction or savviness in how they've coped with the cost of living crisis.

Against extremes of detriment caused by overall cost of living issues, the possible detriment caused by increases in postage prices was seen as non-existent or quite minor by almost all participants; being forced to be cold and uncomfortable for hours every day was seen as much more detrimental than having to trade down from 1st to 2nd class stamps.

The audiences most likely to be impacted were those on lower incomes, and specifically those already on benefits, disabled, retired people and single parents.

2.8. There was not a single, consistent definition of affordability

When asked what affordability meant to them, participants responded with a variety of answers, which although they all touched on issues of cost and purchasing, could vary considerably in their scope and sentiment.

Responses to the question 'What does affordability mean to you?' included the following:

Being able to afford to live a life comfortably with what you have. Not sacrificing essentials (Female, 30s, Southwark)

Affordability means every bill should be affordable...You should be able to afford to eat properly. You should be able to afford to sit in a warm house when you're on dialysis and you feel the cold and your nails are blue. (Female, 40s, Wales)

Affordability is keeping within my own budget... all based around what I'm spending over the course of the year. It's £x a month. So I realised that I can't buy a new car or go on holiday, but I can afford golf and Virgin for sport. These are essential for my mental health (Male, 70s, Nottingham)

If it's within your monthly budget. I'm working with my monthly wage, and I know what has to go on bills, I know what I need to put away and I'll have an overview of what I need to get the kids that month - so if I can pay for something within that figure (it's affordable). So for example, I needed tyres, and they weren't affordable because I had to split that across a few months' (Female, 30s, Belfast)

Affordability is whether you can afford something (Female, 40s, Nottingham)

As can be seen, there does not appear to be a single, consistent definition of 'affordability' in the minds of participants. This in itself should be borne in mind when interpreting the increases over time in postal affordability issues seen in the Residential Postal Tracker.

However, taking all participant responses into account there is a commonality that can be used to build a working definition of affordability, which is:

"Affordability is when a product or service can be comfortably purchased".

When participants were answering the question, they seemed to take the following into account:

- The importance of the product or service in daily life; generally 'essential' products or services (electricity for heating the home or the weekly grocery shop) were what participants had in mind rather than luxury or rarely purchased products (a two-week holiday in the Caribbean)
- The income that they had available, specifically regarding their other commitments – and the impact of the price increases on their available budget
- 'Comfortably' was generally seen by participants as the ability to buy without taking away money needed for other essentials, so not requiring a participant to make a sacrifice or trade-off between heat or food

This definition of affordability helps understand participant perceptions of the affordability of letters and cards, as will be seen in section 3 below.

3. Current use of postal services

Before detailing participant perceptions of postal affordability, it's important to understand their current behaviour regarding letters and cards – and how it has changed in the light of the cost of living crisis. It should be noted that the sample included a mix of high and low postal usage.

3.1. Participants said that their use of personal cards and letters had declined

The majority of participants in this sample reported their use of cards and letters for regular communications had been steadily declining for the past few years. For most, this was driven by the increasing use of alternatives such as email, messenger services such as WhatsApp or Facebook messenger, social media such as Facebook and Instagram, and video conferencing services such as Zoom. Generally these services were seen as offering significant benefits over the post; they took less effort to use (i.e. participants didn't need to find and buy a card, write it, buy a stamp, then find a post box to post it), faster, allowed more spontaneous behaviour, more versatile (they enabled sending of photos, video, links, etc) and allowed a closer, more intimate connection (for example, in most cases seeing and speaking to a grandchild was better than sending a card to them).

For some the price increases to the postal service was a contributing factor – but was generally cited together with the reduced benefits compared to digital communications, rather than the key driver.

Overall, the post, especially for personal communications was seen as slightly old fashioned and having fewer use cases than it did in the past. For some, this trend had been accelerated by the Covid-19 lockdowns, which prompted many people to learn to use WhatsApp and Zoom for the first time.

Use of the post has decreased for me. It's a combination, it's 50% less need because of technology and 50% costs. It puts you off, having to pay the postage now (Female, 30s, Bristol)

It feels a bit archaic now to send letters in the post (Female, 30s, Belfast)

Some participants still felt that the post had important social and emotional benefits

Although the use cases for the post had declined overall, it was still seen as very important and highly valued in some circumstances, specifically the sending of birthday cards and Christmas cards, as well as (to a lesser degree) christening, wedding and Easter cards. In these contexts, physical cards provided several important benefits compared to digital communications.

Many people enjoyed the ritual of choosing a card and writing a message within – the fact that it was more effort than an email or text message signalled that the recipient was important to the sender. It's not surprising therefore that it was also noted by participants that receiving a real card was more 'wholesome' and special than receiving a WhatsApp message.

For some people, cards spoke to a sense of nostalgia, heritage and tradition. Some participants reported that they would feel a sense of loss if cards were to die out entirely, as they provided a link and connection to childhood and simpler times. They provided a tangible way of keeping in touch with

the extended family, especially those from older generations who were not able or willing to use digital communications.

Cards therefore fulfilled an important emotional and social role for some respondents. For a minority of participants this was so important as to be seen as 'essential' to their emotional life, placed above other more practical essentials. For example, one participant mentioned cutting back on food purchasing in order to be able to send postcards.

For some participants (especially non-internet user respondents for whom there were fewer alternatives), cards sometimes represented an important way in which they could express themselves on special occasions, and so were more valued.

That said, very few participants were sending personal letters – and none could recall any details – whilst most said they 'never' sent them.

3.2. Participants reported that their use of non-personal correspondence had also declined

By non-personal correspondence we are referring to official correspondence (from the council, housing associations, NHS, DWP, etc) or from providers (e.g. utilities, banks, communications).

Most official bodies were communicating to respondents digitally

Official correspondence was also seen to have declined in recent years. Participants reported that most of the official correspondence they received or sent was now digital – in the form of emails, text messages, apps or messaging via supplier/government websites. Also, when letters were used, it was more likely that the official body or provider was sending them a letter (such as a statement or contract) rather than the participant sending a letter to them.

I was trying to think of the last time that I sent anything by mail, like an official letter or anything like that, and I can't think of that at all. Most stuff like that tends to get done my email now, or online [...] I remember in the past, sending things for DVLA and things like that and now it's all online and it's instant now [...] (Male, 60s, Scotland)

Participants were generally only sending non-personal letters when they needed to include 'evidence' for claims, etc

Occasionally participants noted that they still had to send letters to official bodies or providers. This tended to be if they had to send supporting information for some reason. For example, one participant had to send details of their benefits and their bank statements to their housing association. In such situations participants had no choice but to send by post.

A minority of respondents preferred post over digital for official correspondence

These tended to be those with low digital literacy, or those that didn't trust digital communications for 'important' things. Non-internet users fell into this 'bracket' sometimes, but not always. Some non-internet participants would simply phone or visit in person (by preference) or get a grown-up child to help them.

The benefits of post over digital for official correspondence were seen to be the fact that they could use 'registered mail' (and thereby have proof of sending and confidence that it would be delivered), and for a minority the perception that, by having physically posted a letter, they had more tangibly completed the task.

I just feel better sending this type of thing with the post. I've just always done it this way. They answer faster, while with email I don't even know whether it was sent. It's just somewhere in the internet. (Woman, 50s, London)

3.3. Pre cost of living crisis use of cards and letters was variable amongst participants

Current usage of cards and letters, though generally on the decline, is variable.

Some participants stated that their use of cards and letters amounted to 2-3 cards at Christmas and birthdays – and nothing else throughout the year. At the other end of the scale a minority were sending 30 or more cards at Christmas and could be two or three cards a month for the rest of the year.

This variability meant that the number of cards or letters sent ranged from 2-3 to over 60 amongst the participants we interviewed, with the 'average' somewhere around 8-10. This in turn means that, although spend levels varied greatly, the majority of participants were spending less than £15 a year on personal cards and letters.

As noted, non-personal letters were also perceived as declining. Participants struggled to put an actual number on the non-personal letters they sent per year. Most stated it was simply 'not many' or 'rare'. When they do need to send non-personal letters these are generally obligated, and participants have little choice but to send them – especially if they need to send documents. In such cases they would often use Signed For (which participants still tended to call 'Recorded Delivery') or Special Delivery as they needed to ensure that it arrived and was on time. Given the rarity of sending such correspondence, most participants didn't think too much about the prices involved.

Most participants preferred to use 1st class stamps before the cost of living crisis

Prior to the cost of living crisis, the majority of participants were using 1st class stamps for letters and cards. 1st class was seen as providing a service that was both faster and more reliable than 2nd class. Furthermore, the price difference between 1st and 2nd class was seen by participants as so small that 1st class appeared much better value for money than 2nd class. Since Covid-19 the perceived difference in quality (as in the speed and reliability of the service) between 1st and 2nd class stamps seems to have lessened, in part driven by the industrial action seen in autumn and winter 2022/2023.

Few participants mentioned using large letters previously

Some did mention checking weight and size before posting, but this was new behaviour in the light of the cost of living crisis rather than 'normal' behaviour. A minority stated that they might send an item as a large letter rather than a parcel.

Signed For, Special Delivery and Tracked mail are often used for non-personal post

Participants often used the above terms interchangeably. They were most often used for official organisations, for example, when the participant wanted to send personal identifiable information (PII) or other valuable documents or wanted to get proof that they had sent the letter. In such cases the participant often felt that they had no choice but to use one of these methods and, in such cases, if the participant was on a low income or particularly struggling, then this could cause occasional affordability issues (see section 3.1).

On a personal basis they were used when sending a gift (or if the participant was selling something).

Parcels play a larger role in participants' assessment of postal affordability

Parcels were out of scope of this project, but worth touching on here as context to how cards and letters are used. For many participants, parcels were now more important than letters and cards. This was driven by three main use cases. Firstly, participants are buying a lot more online now than in the past (again this trend was accelerated by the Covid-19 pandemic), therefore parcels are a more important part of practical, day to day life. Although the majority of this is from business to customer, participants still have to return products occasionally, and sometimes have to pay all or some of the cost of doing so. It should also be noted that many participants were only sending parcels when returning items. Secondly, some participants are sending gifts to family members (often children) or friends. Sending a hand wrapped parcel with a personal message is seen as more emotionally rewarding and meaningful than sending a bank transfer or even sending a gift direct from a provider. Thirdly, a large minority of participants are selling unwanted clothes or other items on sites such as Vinted or eBay. These sites differ in how postage is applied to the price – for example, on Vinted the buyer pays for postage and the seller doesn't need to pay up front for it, while for eBay the seller has to add postage up-front. Either way postage costs impact on either their 'bottom line' or the likelihood of someone buying from them (e.g. for Vinted, even though the seller doesn't pay for postage, if the price is too much it may discourage a buyer from purchasing it).

Postage prices for parcels tended to be more front of mind than for cards or letters. Many participants also complained of the price of sending parcels to other countries.

It was also noticeable that there was a growing awareness and usage of competitors to the Royal Mail. Although still a minority, some participants had used companies such as Evri to send parcels.

3.4. Awareness of the price of stamps

Participants were more aware of the price of stamps than they were before the cost of living crisis

Almost all participants were aware of the fact that the price of stamps had increased, and most knew that the price of 1st class stamps was now above £1. It should be remembered that 1st class stamps had only increased approximately 1-2 weeks before the fieldwork took place, which highlights how quickly awareness had spread. This may have been in part due to news stories about it, but may also be due in part to heightened participant awareness of all price-related issues, and hence they were also more likely to notice and remember increases in the price of stamps.

Of those that knew that the price of 1st class stamps was above £1, a sizeable minority knew that the exact price was £1.10. The fact that 1st class stamps were now over £1 each seemed to have a greater impact than the absolute price increase. When talking about it, participants rarely mentioned

the actual amount a 1st class stamp had gone up by but would anchor their comments on the fact that it was over £1. This seems to suggest that by going over £1, the price of stamps had broken a psychological threshold, making them appear more expensive and impacting more on usage than the actual absolute price increase would suggest.

£1.10 is too much. When they went over its almost as if they thought you might as well be hung for a sheep as a lamb so... £1.10 is taking the Mick. Are they trying to run it down deliberately (Male, 60s, Wales)

Stamps are now about £1. I think that that seems a lot. If you think people can send emails and WhatsApp messages. It's getting to the stage where you do have to stop and think whether you do have to send things through the post now... If you're thinking about getting 6 1st class stamps now. I remember the days when it used to be less than £3. Now it's over £6 for those 1st class stamps. So it's getting more and more pricey. (Male, 50s, England)

Section 3.5 below discusses the impact that the price increase has on use of stamps.

Before moving on to that, it is worth noting that fewer participants were aware of the price of a 2nd class stamp, but generally had a vague idea that it was cheaper and hadn't gone up as much as 1st class stamps. This meant that value for money of a 1st class stamp compared to a 2nd class had been effectively eroded or removed in the minds of most participants.³

3.5. Postal behaviour amid the cost of living crisis

Most people were making changes to their use of cards and letters in response to the cost of living crisis

Most participants stated that they were either reducing the number of letters and cards they sent and/or reducing what they spend on stamps.

As noted previously, participants perceived that their use of letters and cards was declining anyway – and the cost of living crisis has further accelerated that trend. Given that cards and letters were generally not seen as very important by most participants, they were an easy area in which to reduce usage or spend. At the same time, the increase in the price of stamps was having a much smaller impact on most participants than the increases experienced in areas such as energy or groceries. Although people were reducing costs here, it was with little expectation that this would have a major impact on their long-term finances.

Some participants further stated that if the price of everything else hadn't increased (thereby putting pressure on their disposable income) then they would have been less likely to have reduced their postal spend (even if the post had gone up). This shows that that the wider cost of living context was having an impact on the perceived affordability of postal services.

Those who found it more difficult to reduce postal use tended to be in a minority and were relatively atypical; for example, one participant had a very large network of friends and family and enjoyed

³ (page 18)

writing and receiving cards (this was almost like a hobby to this person), and another wrote postcards to help cheer up people in hospices. It was also slightly harder for some of those not on the internet to reduce the cost of their postal services, however most participants not on the internet did not see it as a major issue; sending letters and cards was increasingly rare even for them, they could use the phone as an alternative, or they could ask for friends or family to help them use the internet for certain things.

The most common response to the cost of living crisis among participants – in terms of postal behaviour – was to stop using 1st Class stamps

One of the most common actions that the majority of participants said that they would take was simply to switch from 1st class to 2nd class stamps for the majority of their cards and letters. This was an easy adjustment to make and simply required a little more forward planning to ensure enough time was allowed for the slower 2nd class stamped item to arrive. A minority stated that they would stop buying stamps in books and buy them individually as needed.

Some participants also mentioned that they would reduce the number of cards and letters that they sent. This could be done in a number of ways. Increased use of digital alternatives (including e-cards) was mentioned by a number of participants, thereby negating the need to post a card. Others noted that they would simply send fewer cards, while others would hand deliver cards or give them to other family members to deliver.

A small number said that they would need to plan when to send cards so that they had enough money left for other essentials.

4. Postal affordability

As with affordability in general, participants' views on whether the post is affordable depends on a range of factors.

4.1. How personal circumstances determine perceptions of postal affordability

At an overall level, this research shows that individuals' personal circumstances have a greater impact on the perception of whether post is affordable than specific changes to the price of a 1st or 2nd class stamp. In fact, no participant thought that sending the *occasional* letter or card was unaffordable to the point that they couldn't send it regardless of the recent price increase, although most participants claimed they would now choose to use a 2nd rather than a 1st class stamp.

The personal circumstances that determine the extent to which a participant might think that post is not affordable mainly rests on a combination of three factors:

- Their own financial situation – i.e. the degree to which they are struggling financially in general.
- Their reliance on post – i.e. how much are they using post and how important this is to their lives and overall wellbeing. As noted earlier, the majority of participants stated that they didn't rely on the post and used it relatively rarely, but some do rely on it in certain circumstances (e.g. sending official post in cases where online is not an option or the person doesn't have easy access to the internet).
- For a minority of participants, their reliance is based on a more emotional connection with cards and letters. For these participants, sending cards was an essential activity of social life – they judged its affordability differently than to other non-essential items. For them, postage, even for non-official reasons, was an expense that was less negotiable and may even rise to the rank of an essential spend.

When these personal circumstances are considered in the context of the increase in the cost of living – specifically a reduced disposable income resulting from a prolonged inflationary period – postal affordability did become an issue for a minority of participants (the specific ways in which issues with postal affordability can affect people are explained in more detail in section 3.3).

The extent to which participants struggled financially, and the extent to which they relied on the post aren't binary factors. Therefore, importantly for the question of postal affordability, most participants in this research weren't struggling *enough* financially or weren't reliant on the post *enough* to say that post was unaffordable to them (despite the research intentionally overrepresenting people with lower incomes and higher postal usage).

Even in the context of double-digit inflation, most participants felt that cutting back on postal use would not impact their overall ability to afford other things. In reverse, this meant that spending on post, for most participants, didn't require making sacrifices elsewhere. This was mainly because the money spent on postage is relatively low compared to other areas such as groceries, heating, electricity or rent. That said, most were cutting back on their spend on stamps, but this was driven more by the

general need to make savings, rather than specifically saving on postage because it was having a major impact on their disposable income.

As explained in section 1.6, sacrificing one thing to be able to pay for another is an important part of the definition for affordability. Hence, under this definition, postal prices did not meet the non-affordability criteria for most participants.

I'd never be in a situation where I couldn't afford a 1st class stamp. Post is just another thing that you try and rein in a bit, like turning your laptop off to save 4p an hour. Little things add up over the course of a year. (Male, 70s, Nottingham)

Is the post affordable? It is for me. But it depends on what you're sending. If you're a business it might not be. For me I can justify it. But post is low in terms of importance to me, so if I was struggling, I'd just cut it (Female, 30s, Bristol)

Case study I: Daisy, 44 (Low income, Low reliance on post – No detriment)

 BACKGROUND	 COST-OF-LIVING	 POSTAL SERVICE	 POST AFFORDABILITY
<ul style="list-style-type: none"> Lives with son (14) and partner Has small mortgage Dependent on PIP and on dialysis Partner with income moved in After bills, ca. £140 for food, transport and leisure Needs to pay off loan to parents 	<ul style="list-style-type: none"> Feels she is struggling financially Hardest thing is to say no to son Actions to cope: <ul style="list-style-type: none"> Stop buying takeaways Selling things online Buying second hand Changing thermostat to 17.5 degrees Using hot blanket Shop at discounters Dyes her own hair No treats for dogs 	<ul style="list-style-type: none"> Rarely uses post Uses social media and emails for most things Benefit forms by post but pre-paid Stopped sending greeting cards and instead uses WhatsApp Delivers some cards in person Buys and sells on online marketplaces but tries to avoid posting 	<p><i>What affordability means:</i></p> <ul style="list-style-type: none"> Having a warm house and being able to do normal things, e.g. eat out or go to the cinema, without having to borrow money <p><i>Postal affordability:</i></p> <ul style="list-style-type: none"> Means being able to send something if you have to Deborah has been reducing post for a while due to cost Recent stamp price increases no major concern as not very reliant on post

"I understand why stamp prices are going up ... They must have gone up recently as I hear loads of people moaning: have you seen the price of stamps these days? I say no – I use emails! I understand why prices are going up. They've got their petrol costs and overheads going up. It doesn't bother me. Emails get there, WhatsApp too, it doesn't get lost. They're quicker, kinder to the world. It's convenience. You don't have to go to a post box. You can chat to companies online now."

4.2. Situations where post was seen as unaffordable

While postal spending in most cases doesn't require participants to make sacrifices elsewhere, and was therefore typically not considered to be unaffordable, there were specific times in the month or year where some participants did find that sending letters or cards could be *occasionally* unaffordable. Occasional non-affordability of the post tends to arise as a result of two situations: (1) Cashflow pressures and/or (2) increased demand for postal services

1) Cashflow pressures at specific times in the month to some people means any purchases other than the absolute essentials are considered to be not affordable at that particular time.

Specifically, some participants said that whether post is or isn't affordable for them changed throughout the month. For example, some tried to avoid buying any stamps or sending letters needing

premium postage (such as Signed For) during the 1st and 10th of the month as that is when Direct Debits normally get collected from their bank accounts. As the specific amount paid via Direct Debits often changes month on month (e.g. phone bills, metred utilities), some participants were particularly careful about spending on anything that wasn't absolutely essential to ensure that their bank account can cover the direct debits, without going overdrawn.

As another example, some participants noted that they struggled towards the end of the month, just before their salary or state benefit is paid out. Many participants told us that, with the current cost of living crisis, the end of the month had been getting more difficult financially, with some relying on overdrafts, help from family or simply reducing their spending. In that time period, post can become unaffordable to people who normally wouldn't cut back on it.

2) Increased demand for postal services at specific times in the year to some people means they are having to cut elsewhere so they can meet the demand

The festive seasons are another example of occasional non-affordability. A minority of participants reported that they could no longer afford to send the number of cards that they did in the past. This applies particularly to the limited number of participants who sent a large number of greeting cards (some send 30-50 cards each Christmas). Many participants said they have cut back on the number of greeting cards they send around Christmas and a minority had stopped sending them altogether. For example, one participant said that they had drastically cut back sending cards last Christmas to be able to afford more treats for their family. Almost all stated that they were now sending Christmas cards using 2nd class stamps.

In another example, one participant explained how her group of friends all happen to have their birthdays in the same week, so she finds it difficult nowadays to send greeting cards to all of them without cutting back on other things.

While the two situations can overlap (cashflow pressures and increased demand for post), for most participants in the research, it tended to be the latter that had the more detrimental impact. This is because people in these situations don't have the choice when to send a letter or card. For them, using the post in the way they would normally do, is indeed unaffordable at those times, even though they might consider the post to be affordable for the rest of the year.

The research showed that occasional non-affordability of post was more likely to be an issue with Signed For letters (or parcels) than with single stamps. When participants reported occasional affordability issues with post, it was often regarding an official letter they needed to send using Signed For or Special Delivery. For example, this could be sending proof of income or other evidence to an official body to qualify for benefit or other support.

Arguably, these examples of occasional non-affordability mainly affected participants whose personal circumstances made them more prone to considering post to be unaffordable in general (i.e. struggling financially and relying on post, as explained earlier). The point of post being *occasionally* unaffordable in these examples, however, is that it potentially affects a greater number of people than postal affordability in more general and ongoing terms. Speaking to the research participants suggests that practically anyone who doesn't typically have money left by the end of the month might be affected by *occasional* postal affordability issues (i.e. days rather than weeks or months), especially around Christmas.

When participants did end up in situations where they found it difficult to pay for post at a particular time of the month (either because they were making sure to cover upcoming Direct Debits or their demand for postal services was higher than usual), this was typically a result of the overall economic climate and their own financial situation, rather than the specific price of a stamp (although in cases where the participant used Signed For or Special Delivery the price itself added to the non-affordability).

Therefore, the research demonstrates the main reason why some participants consider the post to be unaffordable *sometimes* is primarily because everything else has gotten more expensive, not because of the increase in stamp prices in itself – although the latter does contribute to their perceptions.

It is quite expensive, and now I feel it especially. I don't send things frequently enough for it to be a massive issue though. But last Christmas I had to borrow from mum so that I could afford to buy stamps for postcards. (Female, 20s, Wales)

It's 50-50 for me. It's not affordable for me unless I budget for it, you see. If it's a one-off stamp I can afford it but if it's more I need to budget for it. (Female, 50s, London)

Case study II: Dave, 57 (Low income – Has cut back on post)

 BACKGROUND	 COST-OF-LIVING	 POSTAL SERVICE	 POST AFFORDABILITY
<ul style="list-style-type: none"> Lives with girlfriend and adult son Out of work for 5 years due to health issues Receives PIP and other benefits Partner gets Carers Allowance but also unwell. Had to sell house due to being out of work Now rents from a housing association Sold his car and shares his mum's now 	<ul style="list-style-type: none"> Hit hard by cost-of-living crisis Heating bills biggest problem Took out DWP loan Actions to cope <ul style="list-style-type: none"> No nights out No trips away Using air fryer instead of oven Reduce meat consumption Shops at discounters Reduce food waste 	<ul style="list-style-type: none"> Sends birthday cards to friends and family. Tends to have a book of 1st Class stamps Sometimes uses Signed For for parcels or DVLA Occasionally sells on online marketplaces 	<p><i>What affordability means:</i></p> <ul style="list-style-type: none"> Being able to get things when you need them, not having to save up <p><i>Postal affordability:</i></p> <ul style="list-style-type: none"> Generally affordable, but not if you had to send a lot of letters Has cut back on post. No longer sends Christmas cards, but uses FB instead Has cut down on number of birthday cards (only 4 last year) Uses post less because of stamp price increase But price rises only a minor issue, with other general cost of living a bigger concern

"My money is going on gas, electric and food. After that there's not a lot left. I've cut back on post, definitely. I've told people now, no more birthday cards at the moment. I phoned my mate instead of sending him a card and had a chat with him, with my mate in Australia... I sold and sent a jacket off (by post) and I remember I didn't have a lot on me, and I used the money in my wallet, but it left us short for milk. I knew when he received it, I'd get the money in my bank. It was just a short-term thing."

4.3. Detrimental effects of rising postage prices

The scale and types of detriment that rising postage prices can have on participants' lives depends, as noted, on the extent to which people struggle financially and the extent to which they rely on the post (be this practical or emotional reliance). Because of the relatively small expense of a stamp and the overall low day-to-day reliance on the post, most participants experienced no detriment or only minor inconvenience, whilst some felt detrimentally affected (but not severely) and only a small minority did give examples of greater detriment.

The majority of participants experienced no detriment, or at worst minor inconveniences from the increase in postal prices

The most common type of an inconvenience resulting from the rising postage prices is switching to 2nd class stamps. Almost every participant in the research stated that they would be more likely now to use a 2nd class stamp than they used to before this most recent price change. The reason for this is the increasing difference between the price of a 1st class and that of a 2nd class stamp, which has been made more pronounced by the recent price increases.

Prior to the last two rounds of stamp price changes, the difference between 1st and 2nd class stamps was 19p (85p vs 66p). This difference has nearly doubled in two years, amounting now to 35p (£1.10 vs 75p). For most participants, this level of difference justifies use of a slower 2nd class letter or card whereas before it didn't. In other words, the widening price gap between 1st and 2nd class stamps reduced the perceived value for money of the former while it increased it for the latter.

The main knock-on effect of switching to 2nd class stamps is that participants were having to plan ahead more to ensure that cards arrived in time. Unlike in previous research conducted on postal usage, participants in this research didn't mention feelings of embarrassment or shame for using a 2nd class stamp.⁴ Furthermore, for the majority of participants, the need to switch to 2nd class did not rise to the level of a detriment; inconvenience better describes how participants felt about this.

Another inconvenience of increased postage prices is that some participants – at least those for whom post can be unaffordable at times – choose to hand-deliver greeting cards rather than posting them. This of course is only a viable alternative for cards that would have otherwise been sent to people in close proximity to oneself. The inconvenience in these cases is the time it takes to hand-deliver cards versus posting them (although for some participants this was offset by the personal interaction with a loved one or a friend which they may gain because of hand-delivering a greeting card instead of posting them).

Participants who don't routinely use the internet – either because they don't have access or they lack the digital skills or confidence to do things online – could face the additional detriment of having to ask people to help them sort things online (e.g. correspondence with local/central government or businesses, submitting applications etc.). This only applies, however, if that participant was struggling financially and was looking for ways to cut their spending (including on post). In most cases, the person they asked for help was a family member or close friend, therefore the detriment is at worst an inconvenience. The research included one participant for whom the prospect of relying on family members to help her pay bills online (rather than via a cheque in the post) was more daunting, as it undermined her sense of self-worth and independence. This, however, was a minority view.

For most participants in the research, these inconveniences, whether they were switching to 2nd class, hand-delivering greeting cards or learning to do things online, rarely rose to the rank of a real

⁴ https://www.ofcom.org.uk/data/assets/pdf_file/0017/208214/2020-review-of-postal-user-needs-qualitative-report.pdf (page 18)

detriment. This was especially so when compared with the detriment caused by the price increases for products and services such as energy or groceries.

Therefore, the research suggests that, for most participants, there was no or only a light detrimental effect of increasing stamp prices. In fact, most participants felt that cutting back on postal use would not impact their ability to afford essentials and that spending on post didn't require making sacrifices elsewhere.

Some participants felt the rising stamp prices had a detrimental effect on them, but not to a great degree

While for most participants the detriment of increasing stamp prices was nearly non-existent, there were some where the detriment was felt more acutely.

The most common example of such a detriment applied mainly to participants for whom the tradition of sending greeting cards during festive seasons or for anniversaries was an important part of their social lives, i.e. as a means to connect with and participate in their social network. Those participants tended to send much larger amounts of cards than the average, so they were more likely to feel the impact of rising stamp prices (especially if they were also struggling financially, see above). Concretely, this means that participants finding themselves in a situation where they were having to reduce the number of greeting cards they send, experienced a sense of loss, and in the worst cases social isolation (NB: participants in this research didn't experience the latter themselves but were worried about some of their elderly relatives being in this situation).

Another type of light or medium detrimental effect of rising prices occurred when participants were unable to afford to send a specific letter or card and were left with no choice other than asking people close to them for money. Unsurprisingly, such a situation mainly affected participants on the lowest incomes and tended to relate to official post that requires the more expensive Special Delivery or Signed For postage or to specific periods in the year when large number of cards are sent (e.g. Christmas). Some of the participants in the research reported having been left out of pocket as a result of such situations. To afford to pay for their essential needs, they then had to ask family members to help by lending them money (e.g. pay for a train to work/school).

In very rare cases – one participant in the research mentioned this – participants may be detrimentally affected by rising stamp prices because they pay their bills through the postal service (i.e. via cheques). They are detrimentally affected insofar as rising stamp prices meant they paid more on their bills every month. However, a very specific combination of circumstances is required for this to amount to a detriment of a noteworthy severity: they must be unable to do online banking, have no easy access to a bank branch (e.g. because of remote location or mobility issues), and experience financial difficulty to an extent that paying more on postage every time they pay a bill has a discernible impact on their overall financial situation.

Case study III: Karen, 64 (Person with disability, Low income – Detrimently affected)

 BACKGROUND	 COST-OF-LIVING	 POSTAL SERVICE	 POST AFFORDABILITY
<ul style="list-style-type: none"> Lives alone with husband who recently retired Unfit to work due to mobility issues Partially deaf Struggles to write legibly Relies on husband for daily tasks 	<ul style="list-style-type: none"> Husband retirement poorly timed with cost-of-living crisis Struggle financially since then Actions to cope: <ul style="list-style-type: none"> Buy less food Heating only if essential Reduced number of phones in the home Stop using non-essential appliances (e.g. dishwasher) Using car less often (means cutting back on birdwatching hobby) Stop going out for meals or buying clothes 	<ul style="list-style-type: none"> Heavy user of postal service Sends 'Postcards of Kindness' every week <ul style="list-style-type: none"> I.e. sending postcards to care homes to provide people in the home with a contact with the outside world Often sends Birthday or Christmas cards Occasionally official documents sent by post 	<ul style="list-style-type: none"> Rarely uses 1st Class as 'too expensive' Cuts back on the number of Christmas cards Uses e-cards now for Birthdays (reluctantly) Uncertain if can continue with Postcards of Kindness. Keen to continue but is a big expense given the cost of living Already has cut back on the number she sends each week And has cut back on other items in the home to be able to continue to afford but she doesn't know if it is sustainable

"I don't think there is much left we can cut back on. The increase in husband's pension has been swallowed up by the rise in council tax. It is really important to me to carry on sending these cards and so I have cut back on what I can to continue but it doesn't feel very sustainable right now.... With my hand operation and my husband being retired we don't have any other ways to increase our income."

At the more challenging end of detrimental impact of increasing stamp prices were situations in which participants had to cut down on essentials to pay for post

What makes this different to a situation where participants are having to ask family or friends for money as a result of spending on post (as described above, and hence more severe), is when participants don't have the option of asking someone close to them for help. Some participants in the research found themselves in such situations occasionally and were indeed having to make a trade-off between sending a letter or card and purchasing an essential product or service, such as food for a meal or heating. The detriment in this case would be not being able to purchase something they consider to be essential at the point they need it. Very few participants in the research experienced such a situation (see case study 'Karen').

Another potentially great detriment of rising stamp prices is that some hobby sellers (i.e. participants who top up their main income with online marketplace selling) may find their online business suffers or even becomes unviable altogether. Such a situation may arise when they sell relatively small and low-value items, i.e. where postage fees make up a substantial portion of the sale price. Rising stamp prices may make it more difficult for those hobby sellers to continue doing this business. This could rise to a severe detriment as some hobby sellers depend on this income boost and may no longer be able to support themselves in this way.

Finally, whether specific situations are experienced as light, medium or a more challenging detriment, can change from person to person. For example, for some participants, having to cut down on the number of greeting cards they send is nothing more than an inconvenience whilst for others it may be an emotional loss to an extent that goes beyond being merely a 'light' detriment. Similarly, whether the impact on hobby sellers is of light, medium or more severe detriment depends on the extent to which someone depends on this income stream and how much their selling is affected by postage fees.

4.4. Specific combinations of personal circumstances are required for post to be seen as unaffordable

As this research suggests, not many people appear to be detrimentally affected by the rising postage prices. Although we did encounter various examples of detrimental implications, these were in the minority, and it is worth noting that the research design specifically overrepresented participants who have claimed to have changed their postal behaviour because of prices, and those on lower incomes.

However, as noted above, some participants did experience some detriment as a direct result of rising stamp prices. The following combination of personal circumstances were usually existent in these cases:

Participants on low incomes AND lacking access or digital skills or the confidence to do things online

Participants who couldn't easily use the internet often had a greater reliance on post, especially for official letters, as they were unable to correspond with authorities or businesses via online forms or email. That, in combination with having little disposable income, can mean that these participants find the post on occasions unaffordable for an important letter without cutting back elsewhere. They are detrimentally affected by rising price of stamps because they may potentially be unable to pay for an essential good or service when they need it if they have to pay the increased stamp prices for an important letter.

However, even for these participants the detrimental effect comes mainly from the wider inflationary environment rather than the increased price of a stamp.

Participants on low incomes AND feel an emotional attachment to sending greeting cards

As explained previously, participants for whom sending lots of greetings cards is an important aspect of their social lives, can be more exposed to the effects of rising stamp prices. Some of the participants sent dozens of cards for Christmas, so the increase was felt more acutely. However, that alone does not suffice to cause a detriment. Only when sending lots of greeting cards is combined with a very low income does the detriment become more apparent. Many of the lower income participants reported that they have in fact reduced the number of greeting cards they sent last Christmas (or stopped altogether) because of the overall rising cost of living. The fact that they have already started doing this for Christmas 2022 however (i.e. before the latest increase in stamp prices) demonstrates that it is mainly the wider price of living situation that is causing the detriment of having to cut down on greeting card postage. The rising price of stamps amplify this detriment.

Participants on low incomes AND rely on selling low-value items online to boost their income

Another combination of personal circumstances that make some participants more likely to experience detriment from rising prices of stamps are those who rely on online selling (i.e. via eBay, Vinted, Amazon etc.) to boost their low income. Especially if they sell mainly low value items (e.g. self-made post cards) where the postage makes up a significant portion of the sale price, hobby sellers may lose some of the margin (if they don't pass on the delivery costs) or, if they do pass on the increased postage, they may get fewer customers willing to pay the increased price, especially in the current economic climate where a lot of their potential customers are trying to cut down on non-essential spending.

Case study IV: Caroline, 26 (Low income; relies on Hobby Selling – Detrimently affected)

BACKGROUND

- Rents with partner and his daughter
- Studies Forensic Science and works part-time as a retail worker
- Sells self-made crafts on online marketplaces to boost her income
- (Specialised in greetings cards and used to make around £100 a month during fall and winter.)
- Spends most of her money on rent, bills, food, and public transport plus the occasional pint in a pub


COST-OF-LIVING

- Typically, don't have any money left at the end of the month
- Never go on vacations
- Rely on their parents to help them out (e.g., for grocery shop or rent).
- Almost always rely on overdraft
- Have had to cut around £500 each month
- Has a toll on relationship as money issues are front and centre
- Actions to cope:
 - Buy less of everything
 - Walk where possible
 - No treats or luxuries from their spending
 - Ask parents for help
 - Discussed food banks


POSTAL SERVICE

- Uses the post mainly for her side business (mainly self-made greeting cards)
- Tend to be of lower value – i.e., around £4 – so she includes postage in the price
- Any increase in postage, means she either has to increase the price of her goods (difficult in a competitive market) or accept lower margins


POST AFFORDABILITY

- Struggles to maintain her online side business because of price of postage, combined with general increase in living costs
- Order volume dropped and she suspects her increasing prices to pass on increased postage may contribute to this
- Difficult for her to advance spending on postage before profits are realised
- Last Christmas needed to ask her parents to help pay for postage
- Now also sending her products with 2nd class

"Privately, I don't send things frequently enough to be massively impacted by this. But for my online business, I actually had to ask mum during Christmas to help me out because I had sold some cards that I could then not afford to send with the post."

Participants who have a mobility condition AND lack access or digital skills or the confidence to do things online

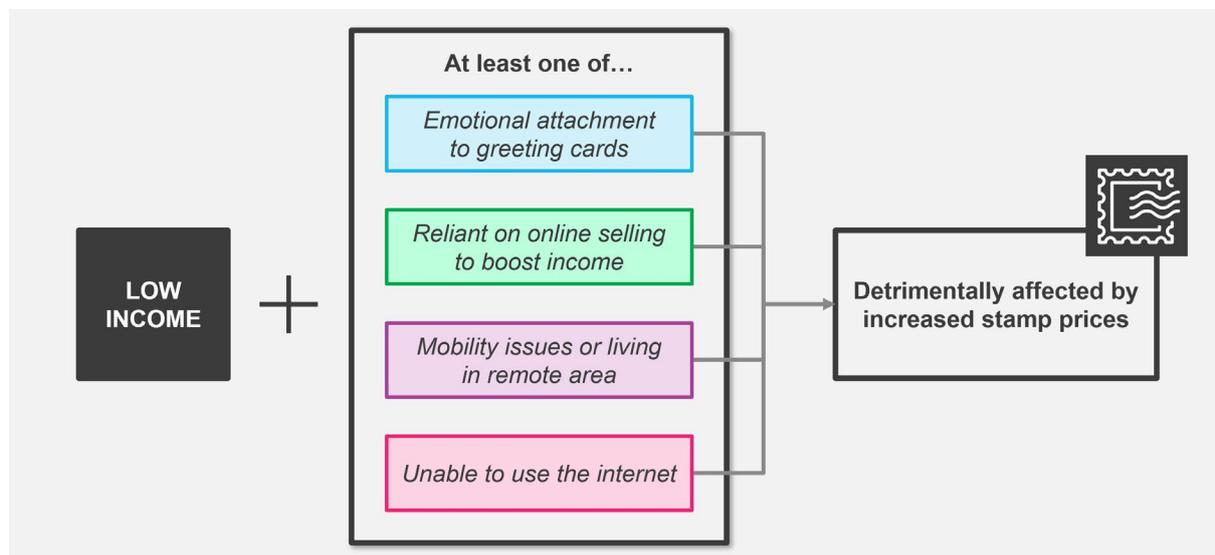
This combination of personal circumstance applied to only one participant in the research. The mechanism through which this combination makes someone more likely to experience detrimental effects from rising stamp prices is that they were likely doing even more things via post than those who merely lack digital skills. The latter group can go out and about and make more use of offline alternatives (e.g. branch banking, submitting documents at local authority etc), whilst those who – on top of lacking digital skills or confidence – also live with severe limitations to their mobility often relied on the post on almost every interaction they have with authorities and businesses (i.e. those that cannot be dealt with via the telephone). The participant living in this situation paid all her bills via post, thereby effectively paying more for their bills compared to people who don't use the postal service to pay for bills. This detrimental situation is further worsened with increased stamp prices, albeit to a small degree.

Case study V: Charlotte, 49 (Disabled, Low income, No online access – Detrimently affected)

BACKGROUND	COST-OF-LIVING	POSTAL SERVICE	POST AFFORDABILITY
<ul style="list-style-type: none"> Lives with partner and 20-years old daughter in rented home Disabled and relies on wheelchair Unfit to work and receives disability benefits Partner receives Universal Credit as a full-time carer Pays off an IVA from an insolvency five years ago Therefore, unable to access any 0% finance No access to the internet 	<ul style="list-style-type: none"> Struggles immensely under cost-of-living crisis Has barely enough to pay for the essentials. One third each goes to rent, bills and groceries respectively Anything left goes to debt repayments Actions to cope: <ul style="list-style-type: none"> Borrow money from family Given up smoking Eats less meat and fish 	<ul style="list-style-type: none"> Regular postal user (5-6 times a week) for two main reasons <ul style="list-style-type: none"> Regularly sends her own drawings to friends/family (keen hobby of hers) "Only thing she can still do" Pays her bills by post (as unable to reach a bank branch or to use the internet) Therefore, heavily relies on the postal service 	<ul style="list-style-type: none"> She pays more on her bills each time than those paying online or via branch banking Feels trepidatious at the thought of having to ask family to help her paying her bill every month. Sending drawings must continue for her wellbeing regardless of cost of stamps or any affordability concerns

"I suppose yes, I am paying more on my bills each month than I should. Like when a bill is £50, I actually pay more like £56. I'm beginning to see the consequences of this, you know every bill is £3-4 more for me. I'm considering doing this online but to me the internet is a scary place. My daughter or partner would help me but I'm getting goosebumps only thinking about it. You know, I'm a matriarch, I've raised 4 children who are adults and now I'm having to ask them for help? I am afraid of losing control."

As this research suggests, not many participants are detrimentally affected as a direct result of the rising stamp prices. The diagram is an illustration of the fact that several factors have to come together for a detrimental impact to be felt:



This diagram, of course, is based on qualitative research among 44 participants, and we cannot make assumptions over the absolute size of the groups that fulfil these criteria. Furthermore, as explained previously, none of these are binary measures. What constitutes low income is subjective and depends on a wide range of other factors. Similarly, the extent to which a participant relies on hobby selling is variable and the same can be said about the other determining factors (i.e. extent of emotional attachment, ability to use the internet, extent of immobility).

Appendix

A. Implications of the findings for quantitative research into postal affordability

This research was in part commissioned to better understand how to read and interpret findings from Ofcom's quantitative Residential Postal Tracker.

In particular, the qualitative research sought to investigate a significant increase of respondents in the Q3/Q4 wave of the 2022 Residential Postal Tracker claiming that they have had to cut down on the numbers of letters/cards they send in order to afford essentials (from 17% in Q3Q4/21 to 23% in Q3Q4/22) and, similarly, an increase in respondents claiming they have had to cut back on essentials in order to afford sending letters or cards (from 14% in Q3Q4/21 to 17% in Q3Q4/22).

Overall, our qualitative respondents were less likely to answer 'yes' to either of the two trade-off questions than respondents in the Residential Postal Tracker.

A) *In the last three months have you had to **reduce the number of letters and cards** you send so that you can afford essentials?*

The majority of participants answered 'no' to this. Participants were indeed cutting back on postal spending, but for most, this was not an explicit trade-off so that they can afford essentials.

'Indirectly', however, nearly all are reducing the number of cards or letters they send as part of general price cutting approach. As discussed earlier, because letters and cards have a relatively low day-to-day relevance for most participants, it is an easier spend item to cut.

A small minority answered 'yes' to this question. They were typically at the lowest household income end (i.e. often <£15k p.a.), and to some of these participants the trade-off question absolutely did resonate, and they could think of specific examples where this happened. For example, some were cutting back on amount of Christmas cards so that they could afford essentials (including presents for children). Some participants also realised retrospectively that they may well have done this trade-off sub-consciously.

It's kind of like tipping the scales, so probably yeah (to the question). If I'm being proactive and trying to monitor my outgoings that's another outgoing and I could offset that against something else like a toy my daughter wants...' (Female, 30s, Belfast)

It's 'no'. I don't send that many letters or cards. I'd need to be sending loads to say 'yes!' But the postage service is on the cusp of affordability. (Male, 40s, disabled, Nottingham)

Well it's not as a direct result - but it'll have been affected so it's probably a yes...although I haven't saved that much and it hasn't meant that you can now eat because you're not sending post. It would have been part of the small items that you're just getting rid of - that contributes to that' (male, 40s, Belfast)

B) *In the last three months have you had to **reduce the number of letters and cards** you send so that you can afford essentials?*

Nearly all participants responded 'no' to this question, and some were even surprised that such a course of action would even be contemplated.

However, a small minority of said 'yes' even to this question and did have to make a trade-off of this kind, as this research report has illustrated above. For example, it included the participant who had to send an official letter, then had to borrow from her mother to pay for her travel costs to get to university. It also includes a participant who had cut back on some essentials in order to continue sending postcards to care homes (which they did as a 'charity' social responsibility activity). Another participant had to send several greeting cards in one day and was then left with too little in her pocket to buy a bag of potatoes that she had planned to buy. In all these cases, however, the trade-off is a one-off occasion, i.e. none of the participants had to routinely cut back on essentials in order to afford using the postal service.

I haven't cut back on essentials for stamps because stamps are not a big thing now. I'm more likely to cut back on stamps for other things. I won't be buying another book of stamps now – 12 stamps used to be less than £12... (Male, 60s, Wales)

No, that feels really extreme. Sort of "heat, eat or use the post!" (Female, 60s, Rural)

I suppose yes. You know all my friends have their birthdays in a very short time so there was this week where I had to send like 7 or 8 cards, and I didn't have enough money left for groceries, so I decided to postpone buying that bag of potatoes. (Female, 50s, London)

Yes, so there was this one time where I had to send some documents for a CBR check, for the Teacher Training, so I had to send it with Special Delivery and tracked. I then didn't have any money left to pay for the train to Edinburgh for school so I had to ask mum for money - so basically yes, I couldn't afford an essential need because I had to pay for post in that week. (Female, 20s, Scotland)

B. Learnings on how to interpret quantitative postal affordability numbers

Overall, our qualitative participants were less likely to answer 'yes' to either of the two trade-off questions than respondents in the Residential Postal Tracker. Seven issues may be impacting on how participants answer questions in this online survey.

- 1) 'Protest vote' – many participants are frustrated at current price increases everywhere and may have used questions in this survey to express their frustration (i.e. by slightly exaggerating the extent to which they are personally impacted)
- 2) Some respondents may have answered 'yes' in the case of the reduce-letters-to-afford-essentials trade-off (A) because they had made the connection that by reducing their spend

on postal services, they were indirectly more able to afford essential services. This is unlikely to be a major driver, as most participants in the qualitative had not reached this conclusion.

- 3) Some participants may have answered 'yes' because they agree with the sentiment of the statements. For example, in the case of the reduce-letters-to-afford-essentials trade-off (A) they may reduce or be more conscious about how much they spend on post (just as on anything else they buy) and therefore answered with 'yes'.

In the case of the reduce-essentials-to-afford-letters trade-off (B) participants may have indeed reduced their spend on certain essentials while still using the post occasionally – i.e. even without a specific trade-off moment in mind they may still think this sentiment applies to them in broad terms. In fact, some of the qualitative participants displayed this line of thinking.

- 4) Some may have just not read the question properly or conflate letters with parcels. One re-contact participant of the qualitative research admitted misreading the question (i.e. they were one of the survey respondents answering the Tracker question with 'yes')
- 5) How they feel on that day – e.g. they may have had a recent large essential expense (boiler repair etc) and were more cost-sensitive in that moment – or may have even put off sending a letter or card(s) as a direct result of that large expense
- 6) Seasonal timing – e.g. some participants send dozens of cards around Christmas – anyone reducing this for cost reasons, or cutting back elsewhere while still sending Christmas cards, would legitimately answer one of the trade-off questions with 'yes'.
- 7) Some participants have different definitions of 'essentials', as this research demonstrated. Some see food/heating as 'essentials' others see Netflix as essential.

Overall, the qualitative research suggests that the issue of postal affordability had been overstated in the online Postal Tracker.

However, the qualitative research also shows that many participants are struggling financially and for some, the increase in stamp prices is adding to this struggle.

And while a mode effect is likely contributing to the inflated claims in the online survey, we cannot say for certain to what extent this is the case, as we are comparing different times, which may also have affected how participants answered this question.

C. Fieldwork and sample criteria

Below is an overview of the sample in terms of location and methodology and the specific recruitment criteria all participants had to meet to qualify for the research.

Location:

- 23x interviews with people in England
- 7x interviews with people in Scotland
- 7x interviews with people in Wales
- 7x interviews with people in Northern Ireland

Method:

- 20x interviews were conducted online (i.e. over Zoom)
- 20x interviews were conducted face-to-face (i.e. in participants' homes)
- 4x interviews were conducted over the phone (i.e. with people without internet access)
- 8x interviews were conducted with people who had previously reported postal affordability issues in the quantitative survey (i.e. "Re-contacts")

Household income (HHI):

- 23x interviews with people having an HHI of less than ~£16k p.a.
- 14x interviews with people having an HHI of ~£16-26k p.a.
- 7x interviews with people having an HHI of more than ~£26k
- 21x interviews with people who receive a state benefit (e.g. Universal Credit, child support, PIP)

Protected characteristics:

- 11x interviews with people from a BAME background
- 5x interviews with people living with disability (specifically affecting their ability to leave the house)
- 27x interviews with female participants (given that women were statistically more likely to report postal affordability issues)
- 8x single parent Households

Postal usage

- 10x interviews with 'light' postal users for letters (i.e. 1-2 letters/cards within last 3 months)
- 18x interviews with 'medium' postal users for letters (3-5)
- 6x interview with 'upper medium' postal users for letters (6-9)
- 6x interviews with 'heavy' postal users for letters (10+ letters/cards within last 3 months)

Affordability relevance

Furthermore, participants had to agree with a series of statements in order to pass through the recruitment screener:

At least half of participants had to agree with at least three of the following statements about general affordability.

I have had to cut down on essentials such as food, heating, or clothing for me
I have had to cut down on non-essential expenses (e.g. subscriptions, holidays, nights out)
At the end of the month, I often struggle to make ends meet
I am often in debt
I often struggle to pay my regular bills
I (or my children [if applicable]) sometimes don't take part in social activities because I can't afford it
Spending even on small items (i.e. £1 or less) is having an impact on my budget

All participants had to agree with at least one of the following statements about postal affordability:

Reduce the number of letters and cards you send so that you can afford essentials such as food, heating, or clothing
Cut back on essentials such as food, heating, or clothing so that you can afford to send the same number of letters and cards
Cut back on the number of letters and cards that you send because of the cost of stamps
Cut back on the number of letters and cards that you send because of the increase in costs of other products and services
Switched from 1st to 2nd class stamps for cost reasons
Think twice before you send something in the post for cost reasons

D. The pre-task

Participants were asked to answer the following questions as part of the pre-task:

We are conducting a study exploring how you send and receive letters and parcels - and what you need from postal services. In particular we're interested in how affordable the postal service is for people in the current economic climate.

We're looking forward to meeting you soon (either face to face or on Zoom) and hearing your experiences and views, but before we do, we'd like you to complete a piece of 'homework'. This is valuable to us as it helps us to better understand your use of postal services and how you've been affected in general by the current economic climate. It also means that you have thought about how you use postal services before attending the session.

In your answers, we would be very grateful if you could please give as much detail as possible – but please just answer about what you're comfortable sharing. These questions are simply to help understand your situation and will be treated in strict confidence.

NOTE: this pre-task will be sent via WhatsApp/Whycatcher, email or letter, depending on the preferences of the respondent. Name, age, etc will be collected at screening so we will not ask again here.

Q1. *Over the last six months or so, have you had to make any changes in terms of how you normally live as a result of inflation and general price increases? These changes could include things like having to cancel a TV service, cutting back on what you buy, borrowing more money, going out less, agreeing a repayment plan with a provider and so on?*

- 1) Yes
- 2) No

Q2. *In what areas (such as food, heating, travel, going out) if any, have you changed your habits or what you do in any way to save money over the last 6 months? For example, buying different products, buying fewer things, going out less, turning the heating down, etc. Please provide as much detail as possible*

Q3. *Please tell us roughly how often you send send cards or letters, and why you send them?*

Q4. *Thinking about the letters and cards that you might send, how has this been affected (if at all) by recent price increases? For example, have you sent fewer letters or cards, sent smaller letters, used a 2nd class rather than a 1st class stamp, used email or WhatsApp instead, etc. Please provide as many examples as you can.*

Q5. Finally, have you thought about cutting back on other things so that you can afford to send letters or cards? Please provide as many examples as you can. If not, please can you tell us if you can think of any circumstances where this might happen?

Thank you for taking the time to complete these tasks; your help is extremely valuable. We will be reviewing all your responses with interest and look forward to meeting you!

E. Stimulus material

The stimulus was included in the interview pack as a back-up, in case respondents were unaware of specific Royal Mail products and potential competitors, and to introduce the latest round of cost increases for stamps.

- Stim A – Logos of Royal Mail competition
- Stim B – Explanation of Special Delivery
- Stim C – Explanation of Large Letter
- Stim D – Stamp cost increases from 2022
- Stim E – Stamp cost increases from 2023

Stim A

Logos of parcel delivery companies, e.g. Yodel, Evri, UPS, DHL, ParcelForce, TNT, FedEx

Stim B

Features

- ✓ Full tracking
- ✓ Photo and signature on delivery
- ✓ Guaranteed delivery next day by 5pm** or your money back
- ✓ Compensation cover up to £500

Options

- ✓ Guaranteed Saturday delivery for an extra fee**
- ✓ Additional compensation available up to £2,000

Stim C

Format	Max weight	Max length	Max width	Max thickness/depth
Letter	100g	24cm	16.5cm	5mm
Large Letter	750g	35.3cm	25cm	2.5cm

Stim D

	First Class	Second Class
Before April 2022	85p	66p
After April 2022	95p	68p

Stim E

	First Class	Second Class
Before April 2022	85p	66p
After April 2022	95p	68p
After April 2023	£1.10	75p

F. Discussion Guide

PART 1: Introductions (5 minutes)

- Welcome, and thank you very much for agreeing to take part
- The interview will take 45-60 minutes
- Jigsaw is an independent research agency, and we have been commissioned to conduct this research on behalf of Ofcom, the communications regulator
- We are here today primarily to look at household finances and how people are coping in the current economic climate
- We will later delve into some specific areas of your household spending.

SAY TO SURVEY RE-CONTACTS:

I understand that you took part in a survey a few months ago, about your usage of the post. Thank you very much for participating in the survey and also for agreeing to be re-contacted for further research. We are responsible for the survey which we are conducting on behalf of Ofcom, the communications regulator.

We continuously work on improving the quality of our questionnaires so occasionally we want to speak to survey respondents in a follow-up interview, just to make sure that the questions we ask are actually capturing the correct sentiments.

We don't want to go through all questions of the survey but rather get an overall sense of how you use postal services and how affordable you find them. Affordability is important because Ofcom want to understand how the recent economic climate is impacting people's usage of postal services.

There are a number of points to note for the session today:

- Stress confidentiality and adherence to the MRS Code of Conduct
- There are no right or wrong answers, and all views are valid
- We are recording the sessions so we can watch them back if required – this is for research purposes only

- So to begin, perhaps you could introduce yourself?
- Can you tell me your first name, a little about what you do, your family?
- (Apart from your children) are there any (other) people you care for?
- What's your living situation? Do you own, rent? Are you renting privately or with the council or an housing association?
- What do you do for work? IF ONLINE SELLER: Can you tell me a little about your online selling?
 - Confirm if/what they sell online and how often

PART 2: General Purchase Behaviour (5 minutes)

I would like to start with your household spending and where most of the money you spend goes...

- What are the 5-6 biggest categories for you where you spend most of your money on?
 - Probe on: Food, energy, water, rent/mortgage, council tax, clothing, school materials, transport, going out, etc.
- What about less regular expenditures, like holidays or larger household purchases – how often do spend money on those?
- How, if at all, has your spending behaviour changed over the last 6-12 months?
- Are you purchasing fewer things than before? Different things? (including services, not just products) **LISTEN FOR BUT DON'T PROBE ON SPECIFICS LIKE POSTAL**

PART 3: Affordability (10 minutes)

MODERATOR PLEASE ENSURE TO USE ACCESSIBLE LANGUAGE WHEN DISCUSSING ECONOMIC SITUATION

Let's talk a little bit more about the cost of living...(moderator note: be sensitive when probing here)

As you know the past few years have been particularly difficult, first with the pandemic, and then with high inflation/higher prices, meaning a lot of things have become a lot more expensive while many people haven't seen their income go up accordingly.

I understand that this is not always an easy topic to talk about so please do say when you're uncomfortable at any point and we can move on to the next topic...

- On a scale from 0-10 how difficult do you find life at the moment, from a financial point of view? (10 extremely difficult, 0 not difficult at all)
 - Why did you give this score?
- How are the increasing costs impacting you/your family?
- SAY IF NECESSARY/APROPRIATE: There are many families in the UK today having to make difficult choices between eating and heating, going to foodbanks, wearing jackets inside heating less many other ways – how are you (and your family) coping with the cost of living crisis?
- What does affordability actually mean to you? What does it mean when something is not affordable? PROBE:
 - Does it mean you don't spend money on things that are unaffordable?
 - or borrow to pay for it?
 - wait until you saved up for it?
 - or does it mean you're cutting back on other things?
 -
- Are you having to change your purchasing behaviour? By this we mean you are now buying fewer or different things, or at different places
- Can you tell me a bit more about this? What exactly are the things you buy or do less of, what else have you changed?
 - Have you had to prioritise certain things over others? What were these and why?
 - Have you changed at all where you buy things? Probe: going to discounter instead of supermarket, lower-cost fashion instead of branded retailers (e.g. Primark instead of H&M), any others?
 - How long have you been having to do this?

- How difficult is it to make these spending cuts?
 - What is easier and what is more difficult to cut spending on?
 - What about “relatively” small items, meaning things that cost around £1 or less – how conscious are you when you spend money on such things?
- Thinking about when you spend money on things, what are the things you feel have become particularly expensive?
- Are there any other things you do apart from buying fewer or different things? (probe: looking for yellow stickers, reducing thermostat etc)
- How do you feel about all of this?
- We’ve also seen that 1000’s people are borrowing more from their bank or on credit cards, getting into pay arrears, taking on payday loans, selling or pawning personal items, borrowing money from family and many other things. How is your situation in regards to borrowing?
 - Are you in any way struggling with debt or pay your bills?
 - How has this changed for you over the course of the last 12 months?
 - And how were things for you financially before the pandemic? Has it been more or less similar to your situation today or have things changed?

MODERATOR TO MAKE JUDGEMENT AND ASK ONLY ABOUT DEBT IF RESPONDENT IS CONFIDENT AND STABLE ENOUGH TO ANSWER THESE QUESTIONS

ASK HOBBY SELLERS:

You told me earlier that you are regularly selling things online...

- Do you do this because of the cost of living crisis (i.e. to boost your income) or regardless of it?
- Has it become more or less difficult for you to sell online during the cost of living crisis? Why?
LISTEN FOR INCREASED POSTAL COSTS BUT DON’T PROBE YET
- What is the average value of the things you sell online? Is it more or less than £5?
- How do you cope with the cost of postage going up?
 - Probe for; pass it on to customers, absorb it, etc
 - Has the increase in postal costs impacted your business? How about other costs?

PART 4: Postal usage (10 minutes)

Let’s talk a little bit how you use the post and what it means to you...

THROUGHOUT THIS SECTION, ASK HOBBY SELLERS (N=5) TO DIFFERENTIATE BETWEEN PERSONAL POSTAL USAGE AND POSTAL USAGE FOR ONLINE SELLING

BE EXTRA SENSITIVE TO POSTAL RELIANCE IF RESPONDENT IS FROM THE NO-INTERNET SAMPLE

- To start with, how often do you tend to send things in the post? **PROBE ALL:**
 - Letters?
 - Cards?
 - Parcels?

- What sort of things do you use the post for?
 - Probe: birthday cards, gifts?
 - Probe specifically: any legal or official documents such as passport applications, benefit/grant applications, bill payments (with cheques), job applications, documents when you move home?
- Do you normally send letters and cards via First or Second Class?
 - Why do you do it this way?
- How often do you use Special Delivery? (**STIM B WITH SPECIAL DELIVERY PRODUCT**)
 - In what situations do you send Special Delivery?
- What about Large Letters? How often do you send Large Letters? (**STIM C WITH PICTURE OF LARGE LETTER ENVELOPE**)
 - In what situations do you send Large Letters?
- **IF NOT COVERED:** Let's turn briefly to parcels...
- Thinking about the last few months, on what situations do you send parcels? What do you send and who do you send them to?
- Which provider do you use when you send parcels? **SAY IF NECESSARY:** *We're less interested in what you do when you return an item that you bought online as you don't normally have a choice of parcel provider.*
 - Probe: RM or also other providers such as Hermes/Evry etc (**STIM A LOGOS OF ALTERNATIVE PROVIDERS**)
 - How do you decide which provider to use when sending a parcel?
 - Do you ever compare costs of sending a parcel with different providers?
 - How does RM compare to other providers in terms of costs for sending parcels?

ASK NEXT QUESTION ONLY OF HOMEBOUND:

- Have you ever used Parcel Collect? **PROBE IF RESPONDENT IS AWARE OF THE SERVICE**
- Has your usage of postal services in any way changed over the past 6-12 months? Probe:
 - Changed the type of services
 - E.g. from First to Second, fewer Special Delivery, any others?
 - Changed frequency of sending
 - Amount of money you spend on postal services in a month
- **IF YES TO ANY:** Is this because of costs or for other reasons?
 - Probe around:
 - Increased cost of stamps
 - Increased cost of other things
 - Or is it part of a more general trend in your life, that you're using the post increasingly less often? Or a bit of both?
 - **IF YES:** Why do you think that is?
 - **MODERATOR TO EXPLORE IF ANY CHANGE IS DUE TO RECENT ECONOMIC WOES AND HOW IT FITS IN WITH GENERAL TREND**

- Within the last year or so have you done any of these things to reduce your spending on costs?
 - Repackaged a parcel so it can be sent as Large Letter
 - Repackaged a Large Letter so it can be sent as a Standard Letter
 - Changed mail provider? Or looked for another provider even if you didn't go with the alternative provider?
 - Avoided having to use the post altogether? How do you do this?
 - Switched from 1st to 2nd class
- How reliant would you say are you on the post? (i.e. not excluding non-RM providers)
- In what situations do you feel you are most reliant on the post? For example, when is post the only option for what you need to do?
- **IF SAYS NOT RELIANT:** If the RM and post offices would disappear from one day to another, what impact would this have on you?

PART 5: Postal affordability (30 minutes)

I would like to spend a little bit of time on the costs of using the post...

ASK HOBBY SELLERS (N=5) ABOUT THEIR PERSONAL POSTAL AFFORDABILITY, UNLESS SPECIFIED!!

- Earlier I asked you what affordability means to you and when you consider things to be unaffordable – what does affordability mean to you in the context of post?
- Would you say using the post is generally affordable for people in similar financial circumstances to you? Why, why not?
 - Is it mainly because the post specifically has become too expensive or because things in general have become more expensive?
- How much do you normally spend on postal services in an average month? And how much of that is on stamps?
 - **HOBBY SELLERS:** How much do you spend postal costs for your online selling?
- How financially difficult is it for you to spend money on the post?
 - Do you ever have second thoughts on sending something because of the costs involved?
 - Do you consider using postal services to be essential?
- Earlier you told me that you were cutting back on lots of other things. During that time, were you still sending items via the post?
 - What items did you send via the post, while you were cutting back on other spending?
 - Were you actively thinking about the cost of sending these items, or did you not give it another thought? Why do you think that is?
 - Did you look for alternatives to sending what you needed to send via the post?
- Compared to other things that you try to save money on, how important is spending on letters and parcels in all of this?
 - Are you prioritising other things over post or vice versa? Why is that?

ASK FREE FIND RESPONDENTS ONLY:

- Are stamp/postage included in the things you try to cut back on? Or is it more towards the end of the list of things you try to cut back?
 - Why, why not?
- In the last three months have you had to reduce the number of letters and cards you send so that you can afford essentials? Probe fully
- And in the last three months have you had to cut back on essentials so that you can afford to send the same number of letters and cards? Probe fully

ASK SURVEY RE-CONTACTS ONLY:

- In the last three months have you had to reduce the number of letters and cards you send so that you can afford essentials?
- And in the last three months have you had to cut back on essentials so that you can afford to send the same number of letters and cards?

IF SAYS NO TO BOTH:

That's really interesting, because as I explained in the beginning, we're doing this interview partly to ensure that our questionnaire in the survey captures the right information.

According to the data I'm looking at, you actually said 'Yes' to the [first/second] of these questions.

We often see that people answer survey questions not always in the same way they answer the same questions in a one-on-one conversation. This is completely normal and can have all sorts of reasons. Sometimes we ask too complicated questions and people understand different things than we expect them to, or people misread the question (if it's not very clearly written) or some survey respondents exaggerate a little bit to voice their frustration at something (in this case the increasing prices everywhere).

Again, this is completely normal and lots of people do it!

- So let me ask you, what made you say 'Yes' to this question when you took the survey a few months ago?
 - Probe around their reasons fully

ASK ALL

IF CUTTING BACK ON POSTAGE

- What are you doing to reduce your spending on letters, cards, parcels? Probe:
 - Send fewer items
 - Package them differently
 - Change provider **DON'T SPEND TOO MUCH TIME ON PARCELS**
 - Are you more often using 2nd instead of 1st class stamps?
 - Is this now your go-to approach when you send letters or cards, you always use 2nd class? Or do you decide more spontaneously case by case?
 - How do you decide if 2nd or 1st class? Is it more about the urgency of the letter or about the cost of the stamp at that particular time?

- **IF NOT:** Why are you not switching to 2nd class stamps?
- How often does this happen?
- What are the impacts on you (and your family) when you spend less money on post?
 - Is it something that is relatively easy to save money on compared to other things, or more difficult?
 - Why do you say that?
 - Have there been items that you wanted to send but couldn't because of cost? What were these items? Was any of it essential?
 - What impact did this have on you when you couldn't afford to send something that you needed to send?
 - Will you continue to cut back on your postal usage in future? What are the alternatives?

IF NOT CUTTING BACK ON POSTAGE

- Why are you not cutting back on stamps/postage? Probe:
 - Not expensive enough to matter
 - Don't know how
 - It's essential – What makes it essential?
 - Have you ever considered switching from 1st to 2nd class stamps to reduce costs of postage?
- Are you cutting back on other things so you can afford to pay for the post?
 - Anything in particular you cut back on in order to afford postage costs?
 - Do the things you cut back on include household essentials, such as food, heating, clothing, etc.?

Let's talk a little bit about the actual cost of sending things via the post...

- As far as you know, how much does a First- and Second-Class stamp cost respectively?
 - First Class?
 - Second Class?
- Are you aware of any changes to the costs of stamps in the last couple of years? Please tell me what you know.
 - **IF AWARE OF INCREASE:**
 - How has this impacted you (and your family)?
 - How does it make you feel?

SHOW STIM D WITH 2022 PRICE INCREASE

	First Class	Second Class
April 2022	85p >> 95p	66p >> 68p

- Now that you see it, where you aware of this?

- Compared to the other things that you buy regularly (e.g. groceries such as bread, pasta, eggs, soap, etc or other regular items you may buy such as fuel or a coffee to go) how big of a deal is this price increase from 2022?
 - First class increase?
 - Second class increase?
- Do you think the price increase from April 2022 had a significant impact on your budget even if you weren't conscious about it?
- Now that you are aware, does it change your view on how affordable the post is for you?

Now I'm going to show you what is happening in April this month:

SHOW STIM E WITH 2022 & 2023 PRICE INCREASE

	First Class	Second Class
April 2022	85p >> 95p	66p >> 68p
April 2023	95p >> £1.10	68p >> 75p

- How do you feel about this? What is your initial reaction?

MODERATOR LOOK OUT FOR FACIAL EXPRESSION AND CUES OF SHOCK, DISBELIEF, UNEASE OR ANY OTHER EMOTIONAL REACTION

- Now that you are aware of the next price increase, does it change your view on how affordable the post is for you?
- At what point does using the post regularly become unaffordable for you?
 - How much do you think you could afford to pay at an absolute maximum? At what point does it become a significant factor in your monthly budget?
- How worried are you about your ability to afford the post in future? What impact would this have on you (and your family)? For example, if the trend of the last 2 years continues?
- Thinking about where you live, do you think there are other options for sending letters, in case Royal Mail becomes unaffordable to you?

ASK HOBBY SELLERS:

- What impact did the recent price hikes on stamps for letters and parcels have on your ability to boost your income with online selling?
- Are your customers less willing to pay for the higher delivery costs?
- Thinking about the price hike coming this April, what impact do you think this will have on your online selling activities?

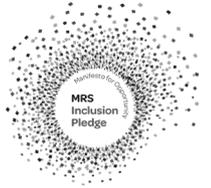
Part 6: Wrap up (2 minutes)

Thank you so far, we're almost done.

We know that the cost of living issue is not an easy topic to talk about, so I really appreciate that you took the time and were so open about your situation.

- Is there anything else apart from what we already covered, that you would like to say about the postal service and how accessible it is?
- What are your views on the cost of different postal services that we didn't cover today (for example Special Deliveries, or parcels)? Are you aware of what they are and do you find them affordable?

Thank you very much for your time, this now concludes the interview.



THANK YOU

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