



CONSUMER & SME RESEARCH

DECEMBER 2023

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Executive summary – approach and methodology



Purpose and research objectives

- Royal Mail values its customers and required this research to provide robust, up-to-date evidence about their likely response to different change options, ensuring it can meet customer needs whilst minimising the impact of any changes to USO services.
- To inform our view on the future scope of the USO, **Royal Mail commissioned Illuminas LLP** to carry out independent research to understand:
 - Current usage of mail amongst consumers and SMEs and anticipated future usage of postal services.
 - How consumers and SMEs value the USO services, including the economic and social benefits they derive from them.
 - The likely impact of potential changes to elements of the USO, with a particular focus on delivery speeds and frequency of deliveries of letters.

Methodology

- During August and September 2023, **Illuminas** conducted **3,650 interviews** with **consumers and SMEs**.
- Coverage included all **four nations** (England, Scotland, Wales and Northern Ireland) and **vulnerable groups** (living with a disability, aged 65 or over, on low incomes, in rural areas, without internet access).
- Business interviews were conducted with a broadly representative sample of the UK SME business base with samples of larger SMEs boosted and weighted back in the final data.
- The research followed a similar structure and methodology to the **User Needs Research programme** conducted by Illuminas in **August and September 2019** and enables us to **compare behaviour and preferences** since 2019.



METHODOLOGY

Methodology



- The research followed a similar structure and methodology to the User Needs Research programme conducted by Illuminas in August and September 2019 and enables us to compare behaviour, preferences and intent over the past 4 years.
- 20 x minute interviews with:
 - Consumers that have either sent or received mail of some sort in the last 12 months
 - SMEs that have spent >£0 on postage for letters/parcels in a typical month
- Quotas were set to ensure minimum samples of key sub-groups then data weighted back to be representative of UK adult population / Business base (see Annex)

Residential sample profile and weighting



Table A1a. Unweighted and weighted sample profile - 2023

	Quota/ Achieved	Nat rep Population
Sex		
Male	48%	49%
Female	52%	51%
Age		
16-34	26%	29%
35-44	15%	17%
45-54	15%	16%
55-64	15%	16%
65 +	30%	22%
SEG		
AB	25%	27%
C1	25%	28%
C2	21%	20%
DE	30%	25%
Low income*	27%	22%
Unemployed	5%	4%
Disabled**	20%	19%
No internet access	5%	5%

	Quota/ Achieved	Nat rep Population
Urban/rural		
Urban	60%	80%
Rural	40%	20%
Region		
North West	11%	11%
North East	4%	4%
Yorks & Humberside	8%	8%
West Midlands	9%	9%
East Midlands	7%	7%
South East	14%	14%
East of England	9%	9%
South West	9%	9%
Greater London	13%	13%
Scotland***	8%	8%
Wales	6%	5%
Northern Ireland	3%	3%
Children under 16 in HH	25%	30%
Marketplace seller	18%	18%

* Defined as those with a personal income of below 60% of median income ≈ £304 per week or £15,000 per year before housing costs (BHC).

** Defined as those who have any physical or mental impairment, illness, or disability that limit/s their daily activities or the work they can do.

*** Including the Highland & Islands

EXECUTIVE FINDINGS

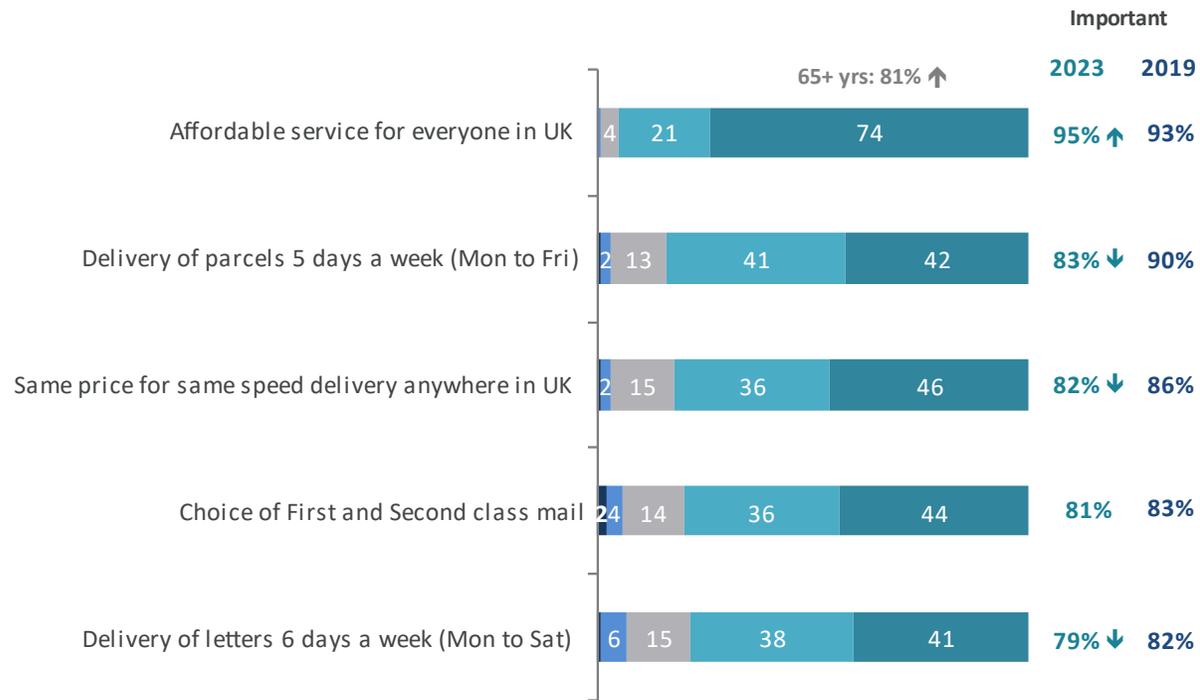
High importance of key elements of the current USO



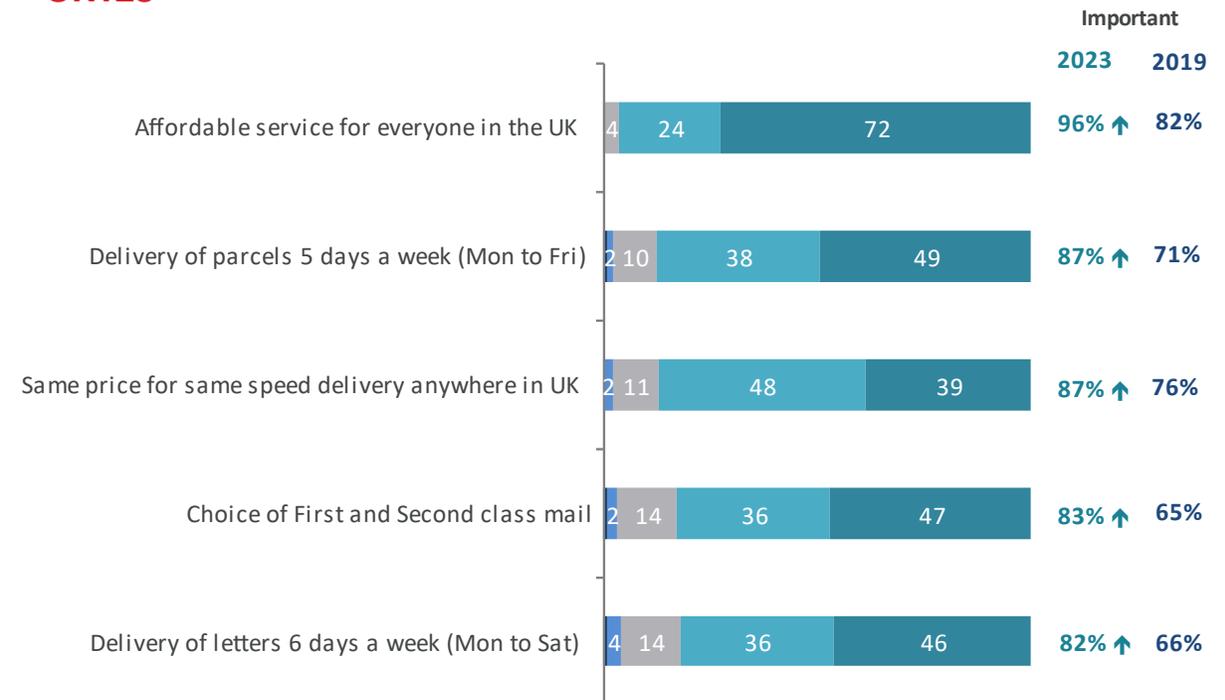
Most consumers and SMEs attach high importance to the key elements of the current USO. Affordability for all, delivery of parcels 5 days-a-week, same price for same speed delivery anywhere in the UK, a choice of First- and Second-Class mail and delivery of letters 6 days-a-week are all important.

How important is it that each of these is maintained?

Consumers



SMEs

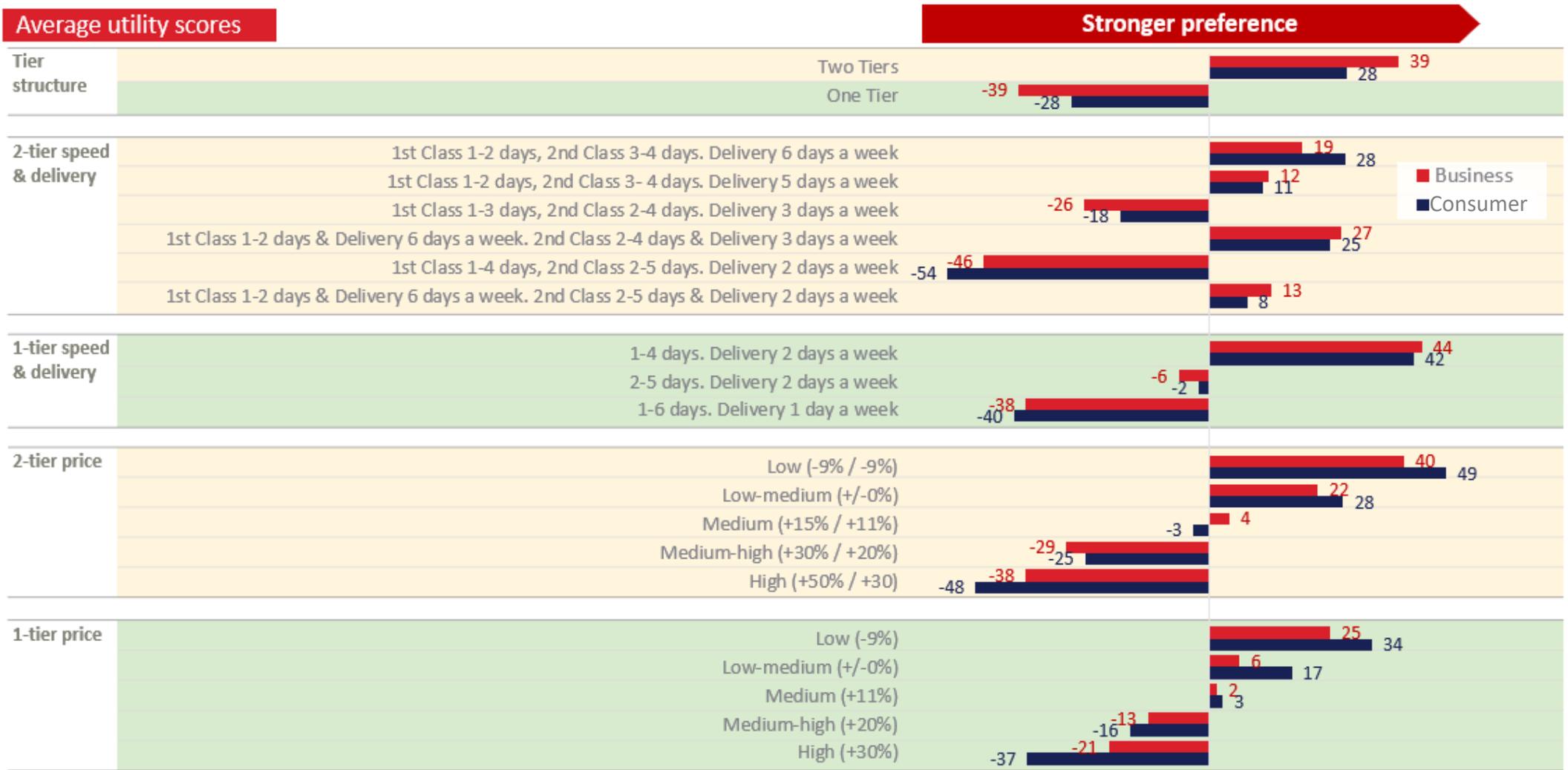


Very unimportant Fairly unimportant Neither important nor unimportant Fairly important Very important

Preference for a two-tier service



Having a **choice between two speeds of delivery service for letters** better meets people's needs than a single speed service, all other things being equal.

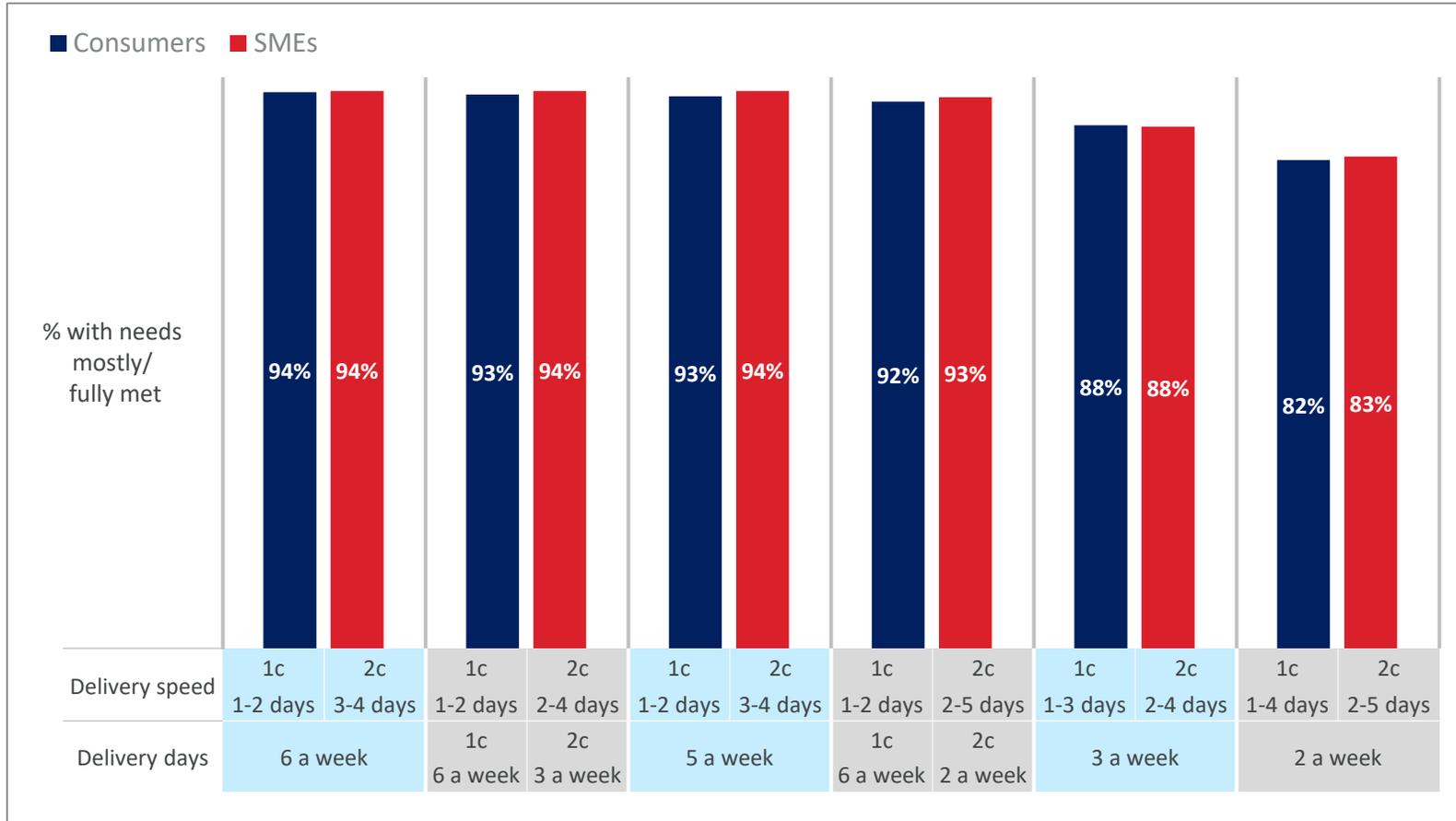


Reducing the number of delivery days



Reducing delivery days for letters from 6 to 5 days-a-week has **no impact** on the extent to which the service would meet consumer and business needs.

Simulation of residential and SME needs met by USO with different letter delivery days and speeds



- There would be **no overall impact** of letters being delivered 5 rather than 6 days-a-week. It would fully or mostly meet the needs of **93%** of consumers and **94%** businesses, the same as for the current 6 days-a-week letter delivery.
- If letter delivery days were reduced to **3 days-a-week**, the USO services would meet the needs of **88%** of both consumers and businesses.
- Further reducing delivery days to **2 days-a-week** would result in the USO services still meeting the needs of over **four-fifths** of SMEs. (**82% and 83%**)

Reducing the number of delivery days



Reducing delivery days for letters from 6 to 5 days-a-week has **no impact** on the USO service **meeting the needs of any of the main vulnerable groups.**

Simulation of needs met by USO with different letter delivery days and speeds

% with needs mostly or fully met	Delivery 6 days-a-week	Delivery 5 days-a-week	Delivery 3 days-a-week	Delivery 2 days-a-week	No. of Consumers
Total	94%	93%	88%↓	82%↓	(3150)
65 +	95%	94%	87%↓	80%↓	(849)
Low income	91%	91%	88%↓	84%↓	(780)
Disabled	92%	91%	86%↓	80%↓	(694)
No Internet access	95%	94%	90%	84%↓	(150)
Rural	94%	93%	89%↓	83%↓	(1264)
England	94%	93%	88%↓	82%↓	(2649)
Scotland (Incl. H&I)	96%	96%	91%	85%↓	(250)
Wales	93%	93%	88%	83%↓	(159)
Northern Ireland	93%	92%	87%	82%↓	(92)

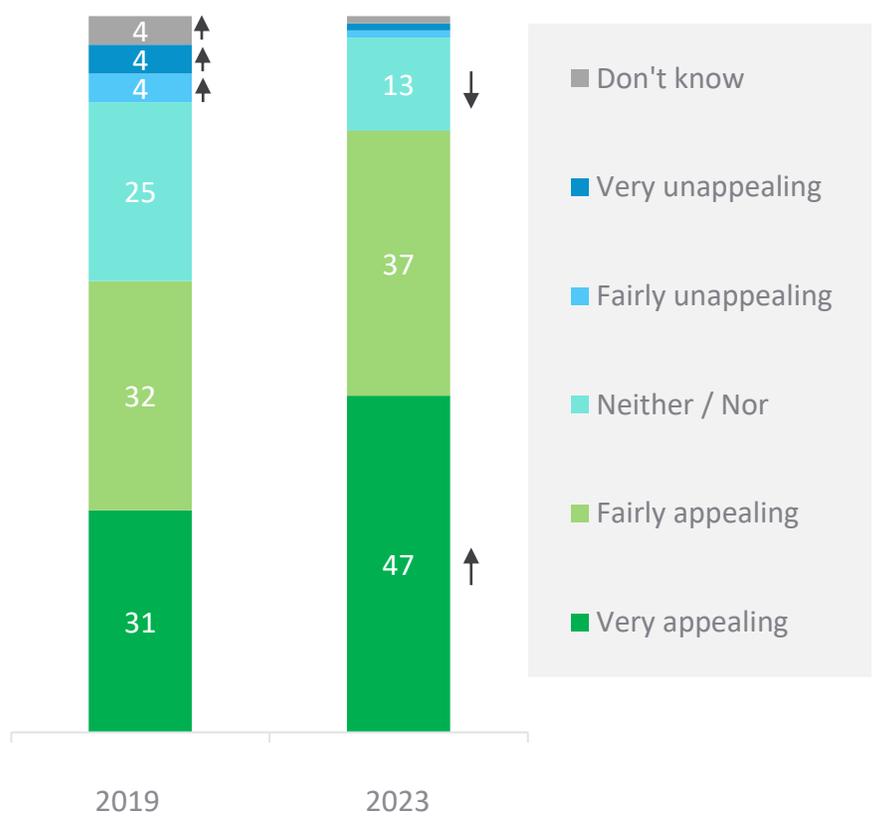
- The **current USO service** provided by Royal Mail with 6 letter delivery days, **meets the needs of a high proportion of the vulnerable groups.**
 - 95% of the over 65s
 - 91% of those on low incomes
 - 92% of those living with a disability
 - 95% of those without internet access
 - 94% of those living in rural areas
- The figures for the **low income** and **disabled groups** are **slightly below** the percentages for those not on low incomes or those who are not disabled.
- **However, none of the groups experience a reduction in the percentage whose needs are met, if letter delivery days are reduced from 6 to 5.**



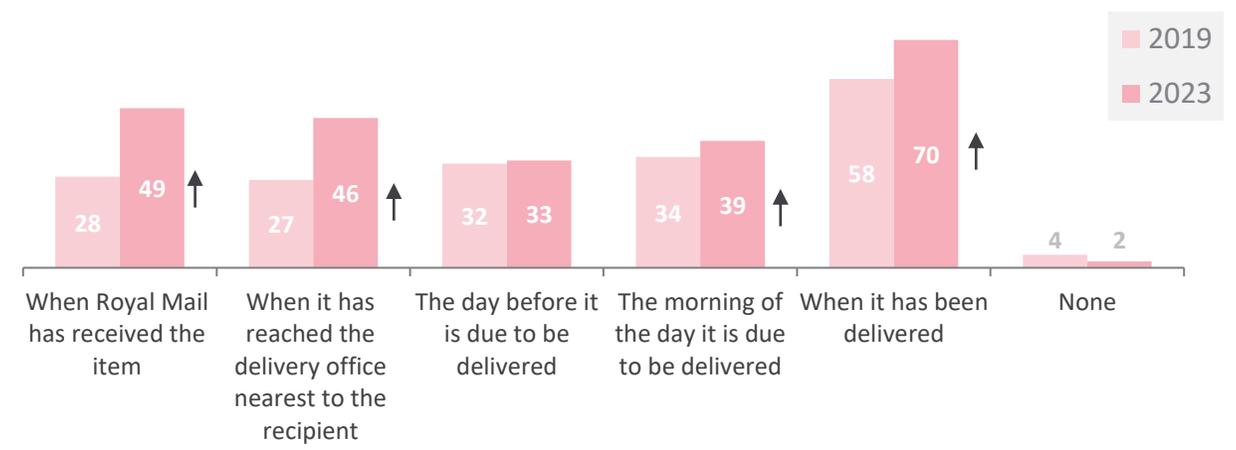
Importance of tracking

The appeal of tracking and need to track the end-to-end process has grown significantly since 2019.

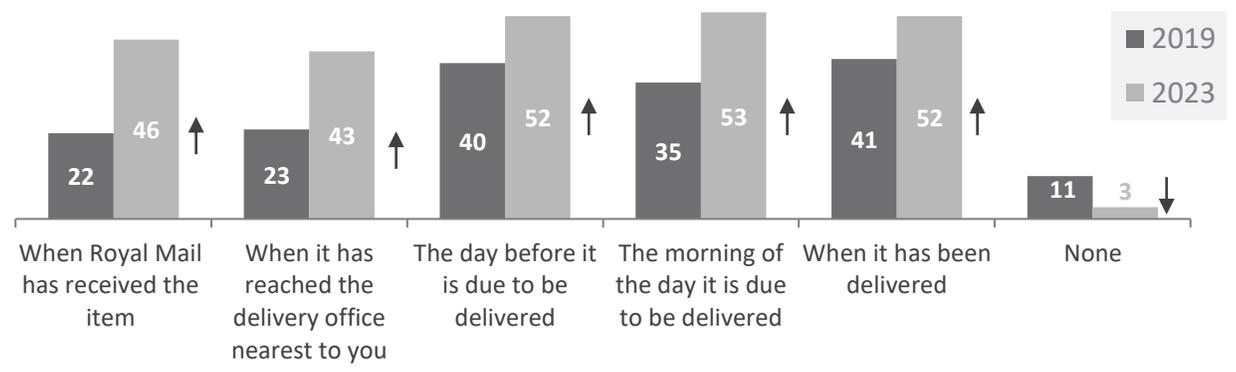
Tracking appeal



Tracking process points required – sent mail



Tracking process points required – received mail



Source: O3a. How appealing is it to have the option of tracking large letters or parcels that you send First or Second Class in the UK with Royal Mail? Base: All Residential respondents 2019 (n = 2027) 2023 (n = 3150)

Source: O3b points at which tracking information could be updated when sending large letters/parcels Base: All Residential respondents sending large letters/parcels 2019 (n = 971) 2023 (n = 1731)

Source: O3c points at which tracking information could be updated when receiving 1st class post Base: All Residential respondents 2019 (n = 2027) 2023 (n = 3150)

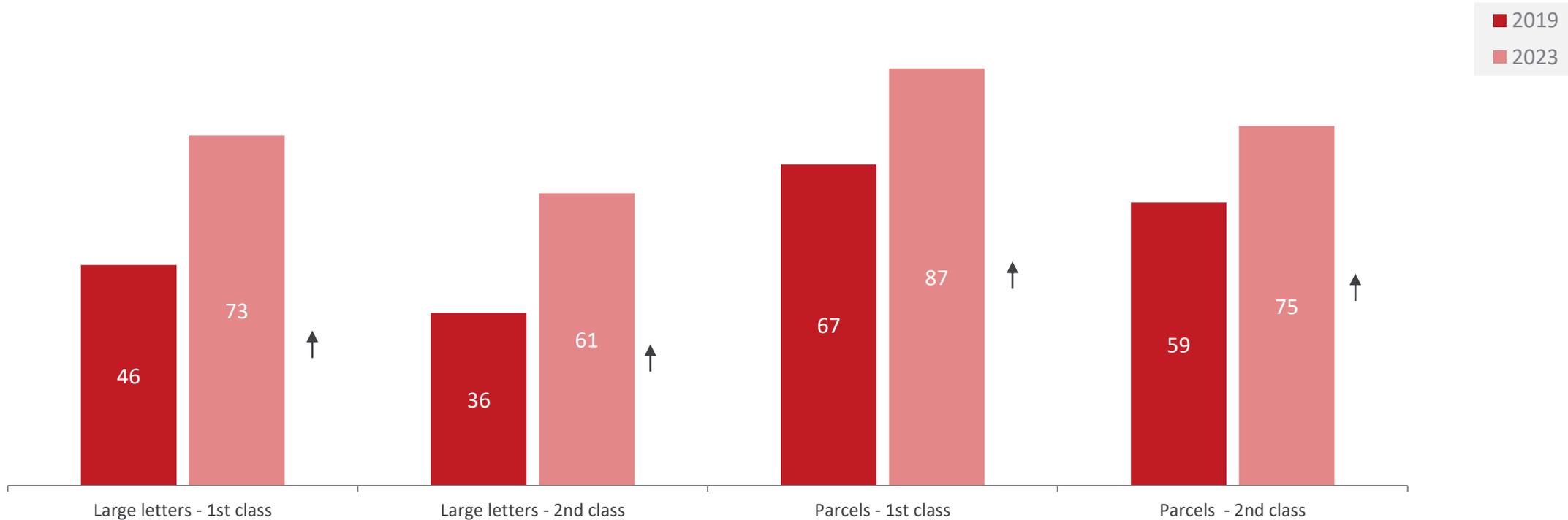
* As cited by UPU too.

Significantly higher ↑ / ↓ lower

Importance of tracking

The importance of Tracking availability, for large letters & parcels (both 1st & 2nd class) has also increased significantly since 2019.

Top 2 Box Importance of Tracking availability %



Source: SP8a. How important is it that tracking is available when you're sending the following types of post? SP9a Why is tracking important for your business?
 Base: All businesses 2023 bases vary – refer to notes

Significantly higher ↑ / ↓ lower

Summary of Key Findings – Consumers & SMEs



Consumers and SMEs value a USO service which offers two speeds of delivery.



Removing the First-Class service **significantly reduces** the proportion of both consumers and SMEs whose needs are met

A **single tier service** is **especially unappealing to SMEs**, due to **lack of flexibility/choice** making it harder to respond to **customer needs**.

Consumers and SMEs attach high importance to the key elements of the current USO.

'Affordability for all' considered important by



&



The majority of consumers & SMEs considered the following important:
'same price for the same speed of delivery anywhere in the UK'

82% of consumers
87% of SMEs

'a choice of First- and Second-Class delivery'

81% of consumers
83% of SMEs

'Delivery of parcels 5 days-a-week'

83% of consumers
87% of SMEs

'Letter delivery 6 days-a-week'

79% of consumers
82% of SMEs

The appeal of tracking for parcels & large letters has grown significantly since 2019, among both consumer and SMEs.

84%
of consumers

find the idea of tracking 'very appealing' or 'fairly appealing'



SMEs consider tracking **more important now than they did in 2019**, across all types of post

Reducing delivery for letters from 6 to 5 days-a-week has no impact on the extent to which consumer or SME needs are met.

The current 6-day service meets the needs of 94% of consumers & SMEs.

A 5-day USO service meets the needs of:

A 5-day USO service meets the needs of a high proportion of vulnerable groups:



94%
of elderly consumers



91%
of disabled consumers



93%
of consumers



94%
of SMEs



91%
Of those on low-income



APPENDIX



SME sample profile and weighting



		Quota/ Achieved	UK SME base	Net Weight
Number of employees	0 – 9 (micro)	70%	95%	1.357
	10 - 49 (small)	15%	4%	0.267
	50 - 249 (medium)	15%	1%	0.067
Industry sector	Production & Construction	22%	22%	1.000
	Logistics & Communications	12%	14%	1.167
	Retail & wholesale	21%	19%	0.905
	Travel and leisure	3%	5%	1.667
	Financial & Commercial Services	23%	22%	0.957
	Public & Not-For-Profit Sector	19%	18%	0.947
Marketplace seller (sell via 3rd party website)	Marketplace seller	25%	25%	1.000
	Not marketplace seller	75%	75%	1.000
Urban/rural	Urban	70%	83%	1.189
	Rural	30%	17%	0.563
Region	England	61%	88%	1.443
	Scotland	13%	6%	0.455
	Wales	13%	4%	0.308
	Northern Ireland	13%	2%	0.156

Conjoint grid



Attributes		1		2		3		4		5		6	
A	Service/ Speed tiers	[TWO TIERS]		[ONE TIER]									
B	Delivery speed & days – 2-Tier	<u>1st Class</u>	<u>2nd Class</u>	<u>1st Class</u>	<u>2nd Class</u>	<u>1st Class</u>	<u>2nd Class</u>	<u>1st Class</u>	<u>2nd Class</u>	<u>1st Class</u>	<u>2nd Class</u>	<u>1st Class</u>	<u>2nd Class</u>
	Delivery speed (in days excluding Sunday)	1-2 days Average: 1 day	3-4 days Average: 3 days	1-2 days Average: 1 day	3-4 days Average: 4 days	1-3 days Average: 2 days	2-4 days Average: 3 days	1-2 days Average: 1 day	2-4 days Average: 3 days	1-4 days Average: 2 days	2-5 days Average: 4 days	1-2 days Average: 1 day	2-5 days Average: 4 days
	Delivery days	Delivery 6 days a week, Monday to Saturday		Delivery 5 days a week, Monday to Friday		Delivery 3 days a week - either Monday, Wednesday & Friday or Tuesday		<u>1st Class</u> Delivery 6 days a week, Monday to Saturday	<u>2nd Class</u> Delivery 3 days a week: Mon, Wed & Fri or Tues, Thurs & Sat	Delivery 2 days a week - either Monday and Wednesday or Tuesday and Thursday		<u>1st Class</u> Delivery 6 days a week, Monday to Saturday	<u>2nd Class</u> Delivery 2 days a week: Mon & Wed or Tues & Thurs
	Delivery days	Delivery 2 days a week - either Monday and Wednesday or Tuesday and Thursday		Delivery 2 days a week - either Monday and Wednesday or Tuesday and Thursday		Delivery on 1 day a week between Monday and Friday							

What respondents were shown and asked: initial choice



Introduction to the choice task and detailed explanation of the attributes which would make up each option in the tasks

A1. From the options below please indicate the one that best meets your [business'] overall needs of the postal service based on the types of post you send and receive via Royal Mail.

	<i>Option A</i>		<i>Option B</i>
Delivery speed (in days, excluding Sunday)	<u>1st Class</u> 1-4 days Average: 2 days	<u>2nd Class</u> 2-5 days Average: 4 days	<u>Single class</u> 2-5 days Average: 4 days
Delivery days	Delivery 2 days a week - either Monday and Wednesday or Tuesday and Thursday. No delivery on Friday or Saturday.		Delivery 2 days a week - either Monday and Wednesday or Tuesday and Thursday. No delivery on Friday or Saturday.
<i>If posted on . . .</i>	<i>Delivered by . . .</i>	<i>Delivered by . . .</i>	<i>Delivered by . . .</i>
Monday	Tues/Weds	Weds/Thurs	Weds/Thurs
Tuesday	Weds/Thurs	Thurs/Mon	Thurs/Mon
Wednesday	Thurs/Mon	Mon/Tues	Mon/Tues
Thursday	Mon/Tues	Mon/Tues	Mon/Tues
Friday	Mon/Tues	Tues/Weds	Tues/Weds
Saturday	Tues/Weds	Weds/Thurs	Weds/Thurs
Sunday	Tues/Weds	Weds/Thurs	Weds/Thurs
Prices	<u>1st Class</u>	<u>2nd Class</u>	<u>Single Class</u>
Standard letter/ card (100g)	A range of prices were used for the three different products and the two-tier (1c and 2c) and one-tier (single class) options		
Large letter containing a document (250g)			
Large letter containing a small item (750g)			

Each respondent did 12 of these choice tasks

There were 300 different versions of the 12 tasks

What respondents were shown and asked: follow-up 'anchoring' questions



After they had selected their preferred option, respondents were asked the following:

A2. If Royal Mail offered the services in the option you selected, including the current parcels and special delivery services, would it meet your [business'] needs?

Would fully meet my needs	1
Would mostly meet my needs	2
Would not meet many of my needs	3
Would not meet any of my needs	4

Answers to these questions used to anchor the choice simulators in likely actual behaviour

A3. And if Royal Mail offered the services in this option which of the following best describes the amount of letters you / your business would send?

Continue to send the same amount of letters/ cards as I do at present	1
Send slightly fewer letters / cards	2
Send a lot less letters / cards	3
Stop sending letters altogether	4