ERGP report Universal Services in light of changing postal end users´ needs

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1 Introduction

Background

The postal services sector has been evolving rapidly in recent years, mainly due to changing market conditions and the development of consumer needs. Concerning letter mail, it has been observed that the volume of the traditional letter mail service (upon which the sustainability of the postal universal service was historically based) has been declining continuously in the past years as a result of e-substitution and the economic crisis. On the other hand, parcel services, especially X2C[1], are growing considerably due to e-commerce.

A general conclusion in the previous 2015 ERGP "*Report on the outcome of the public consultation on the evolution of the Universal Service Obligation*"[2] is that a key input in a review of the Postal Services Directive (hereafter PSD)[3] should be an assessment of the services required to support intra-state commerce and territorial and social cohesion. Such analysis would need to take account of the changing nature of both private and public demand, alternative means of communication in relation to postal services and trends in the provision of commercial services. It would also need to take account an assessment of the financial effect of the decline of letter volumes on universal service providers. Based on the stakeholders´ views, it appeared timely that such work was commenced on the identification of this core set of services to support any future evolution of the PSD.

In the 2015 Report (mentioned above), some initiatives and studies in countries outside Europe were briefly presented. Both these initiatives and studies focused on the need for changes in the scope of the universal services within the view of changing patterns of communication.

As studies on users´ needs and preferences already have been made also inside Europe, it has been considered highly relevant to base the present work on these studies. To this end, the ERGP has, in accordance with the conclusions presented in 2015, initiated an analysis of postal end users' needs. The analysis, based on national surveys conducted both in and outside Europe, aims at assessing whether these surveys provide any insights as to whether postal consumers' needs have evolved in the last years. To this end, the focus of this Report is to: *i*) identify and provide an overview of relevant studies; *ii*) based on these studies, analyse postal end users´ needs and identify a potential common core set of users' needs; *iii*) assess to what extent other means of communication are fulfilling (part of) these needs as well.

In this regards, it is important to underline that, although the number of studies identified was high enough (32 papers were analysed), these studies have a different nature, follow different approaches, have different purposes, refer to a limited number of MS, have different level of detail and some are more recent than others. Furthermore, observations are divergent; hence, it is hard to find common patterns across MS.

[1] X2C services are services towards consumers, coming from businesses (B2C) or consumers (C2C).
[2] ERGP PL(15) 14.
[3] Directive 97/67/EC as amended by Directives 2002/39 EC and 2008/6/EC

Despite the heterogeneity of the studies as well as the limited number of observations, the Report, focusing on the demand side of the issue, seeks to identify a new common European pattern in terms of postal users' needs (both senders and receivers) to the extent possible. It will make a comparison of these needs to the lowest current level of provision for postal services among EU Member States. It will also highlight areas where future research into the needs of postal users would be merited. At the same time, the observations presented are illustrative and could serve as a basis for reflections. Ideally, in order to identify the core needs it would be necessary to carry out standardized user surveys across Europe. Moreover, in order to capture the actual "needs" and not only "preferences", these surveys should be carefully designed. The ambition of the present Report is to, at least, present some basic elements to be considered in this context. On the same time, the Report assesses to what extent other means of communication are fulfilling (part of) these needs.

Based on this Report's result, ERGP envisages to address the supply side of the issue in 2017. To this end, ERGP will consider the extent to which the current scope of the universal service is sufficient to meet the identified common EU users' needs or, conversely, is specified in excess of the identified core set.

2 Methodological aspects

The overall purpose of the project "*Universal services in light of changing postal end users´ needs*", identifying the needs of end users on postal services that can be addressed by the universal service mechanisms, holds a complex meaning. For this reason, a short section of preliminary remarks has been considered necessary, in addition to the general introduction, in order to address this issue more deeply and more exactly.

Needs and wants

The analysis in this Report takes into account both users' wants and users' needs (by the means of Willingness To Pay, WTP), which will serve as a base for a future analysis in order to identify the effective USO provision including starting from the views expressed by the users.

Needs are the basic requirements of human beings (individual needs) and of the economy (social needs), without which they cannot subsist. For instance, a market economy will only be able to survive if companies have at their disposal means of communication, transport and payment allowing them to order, accept and receive deliveries. The products falling under the category of needs do not require a push. However, in today's competitive world, so many brands have come up with offerings satisfying the "*needs*" of the customer or with defining a value proposition in terms of "*meeting needs*" that even (so-called) "*needs products*" are now pushed in the consumer's mind. Hence, the confusion mentioned previously.

On the other hand, a need does not build a successful business: demand does. Indeed, building a profitable business relies on finding and meeting authentic willingness and capacity to pay from customers.

Halfway, the customers express wants. Wants are shaped by the (social) environment or context within which the customers live (e.g. existing products, access to alternative solutions, etc.) as well as by the characteristics specific to them (age, state of health, etc.), and described in terms of objects that bring them satisfaction – in some cases, of their needs, in all other cases, of their desires.

On the demand side

The purpose of this project is to identify the needs of the postal end users, both senders and receivers, in order to assess to what extent the current scope of the universal service in the postal sector is sufficient to meet them, or conversely how other means of communication fulfil these needs as well. The aim of this analysis is to provide a basis for a discussion on the future common European postal service level that should be safeguarded by the PSD.

In other words, the report examines the demand side of the issue. The supply side analysis, if any, would assess the possibilities of modifying products within the universal service obligation, in relation to the continuously falling demand and to the resulting increasing cost, compared with the customers' willingness to pay for them. It would also evaluate alternative solutions for providing such services to the users, and consider the most efficient way in which the users' needs could be met, including the potential impact on the net cost.

In summary, this report focuses on users' needs for postal services: it does not analyse the appropriateness or the necessity to include any of these postal products as identified in the universal service obligation.

The current need for postal services

There are basically three fundamental questions:

- What are the users' needs exactly?
- To what extent are these needs met by the current provision of postal services in the EU?
- Are there alternative (i.e. non-postal) ways of meeting the users' needs?

In addition, trends must be taken into account, at least those that can already be identified, and clearly be distinguished from the current needs. To that end, while the focus of this report is on the user needs identified in EU Member States, a few reports prepared on other countries have been considered too, such as Australia, Canada, New Zealand and the USA.

The factors to be taken into account for identifying trends in both the studies and papers on which this report is based are, for example, the changes in users' preferences, the development of new products or services, the emergence of new forms of communication, technical change, etc. For instance, over the past few years, postal parcels services (i.e. the branch of the postal service dealing with parcels) have been overtaken in the distribution of goods due to the development of the express delivery industry as well as to the emergence of powerful and vertically integrated on-line retailers, together with the growth of e-commerce. The question of, for instance, Sunday delivery – is there a users' need for a postal delivery on

Sundays? – has to be considered within this context, not only keeping in mind that people usually want more convenience and flexibility but also with the understanding that the issue cannot be separated from the one of shops opening on Sundays.

By contrast, with a mere compilation of existing studies, identifying the needs of the end users that can be addressed by the postal service requires an analysis of the findings of the 30 and more surveys used for the present report. This clearly demonstrates the added value it brings and the contribution it can make to the discussion on the future universal postal service.

3 Observations in relation with existing USO

The information obtained through the analysis of the various reports analysed, in relation with existing Universal Service Obligations, have been grouped in the following categories: Accessibility of services, Access points, Frequency of delivery-clearance, Time of delivery, Transit time, Scope and Pricing.

Accessibility of services

According to Article 3, par. 3, of the PSD, within the USO it is guaranteed as minimum "*one clearance* [..] (and) *one delivery to the home or premises of every natural or legal person or, by way of derogation, under conditions at the discretion of the national regulatory authority, one delivery to appropriate installations*."

According to the studies analyzed, delivery to the home or office premises is, in most cases, important for both businesses and residential users as well as for both letters and parcels services and, generally speaking, users are satisfied with current national provisions.

Moreover, in the absence of any kind of compensation or a trade-off for a lower cost, users generally disagree with any proposals to reduce accessibility, especially in the case of delivery to the doorstep (home delivery). Apparently, users are very sensitive to price changes (both increasing and decreasing) that may imply a potential change of quality of service compared with what is already in place: they generally disagree with any proposal of changes that would result in a lower accessibility level, especially in the case of delivery.

Regarding the importance of home delivery for recipients, users value greatly the delivery to the door instead of an external location, even if this could result in slightly higher tariffs. This is particularly true for visually impaired people, for which both delivery and clearance are crucial in accessing postal services.

However, users do not consider accessibility the main reason for changing postal provider whereas tariffs increase seems to be the most important one. In this regard, users are not willing to pay or, at most, they would accept to pay a small amount to retain/have the option of delivery of postal items close to/at their home/premises.

Finally, it seems that a postal service policy focused on businesses and households together remains a good approach.

The above-mentioned considerations on accessibility are based on information regarding the countries reported in the chart below.

Chart 1 - Countries for which there are available information on accessibility.

More detailed information on accessibility, country by country, is reported in the table below.

Table 1 - Summary of country information on accessibility

Country	Observations
Belgium [6]	Possible alternative for home delivery would be a delivery in a secured, waterproof post box in a central point such as the train station, a shopping mall, the city or town centre. Residential customers, however, strongly reject this idea: 71% opposes such delivery alternative. To business users, it corresponds to the need to deliver postal items at the home/headquarter of the addressee.
Germany [29]	74% of users regard delivery to the door as very important, while another 20% of the respondents deemed door delivery services to be rather important. An in-

	depth evaluation of socio-demographic factors and of media behaviour (age, living environment, intensity of use of internet and postal services) underlined the importance of it to all clusters. An analysis of the criterion "age" showed a homogeneous picture with one downward outlier (cluster of respondents aged 30 – 39 (81 %)).
Hungary [17]	Accessibility is the most important feature (93%) in relation to postal service, followed by the availability of financial services (87%) and the daily delivery by the postman (86%).
Italy [23]	Strong preference - both by residential users and businesses - for delivery to the home or work location.
Portugal [1]	Almost all consumers would prefer to receive both correspondence and parcels at home, and only a small percent of the users (5%) prefer the delivery at post offices or at the office premises.
Romania [2]	In terms of accessibility, most of residential senders would prefer the collection of postal items from the address they indicate (42%) or from the provider's access points (31%). In some areas of the country it can be noticed a preference for collection of the postal items from the PO box. There is as well an interest for later delivery hours For business users, one of the most important factors when they evaluate the quality offered by the service providers, there is the coverage of postal offices both for letters with confirmation receipt as well as for parcels.. The visual impaired people would pay for an extra service if the fees would be accessible: young people tend to opt for postal services provided by private companies, because they generally ensure clearance and delivery directly from/ to the users' home.
Slovakia [22].	The possibility of moving the delivery point to a PO box or a postal office is felt negatively. On the contrary, business users are willing to accept delivery at post offices (instead of delivery at their premises) in case of a decrease in prices of postal services.
Slovenia [30]	11% of residential respondents stated that accessibility (both location and operating hours) is for them a reason to switch postal service provider. Problems with delivery (irregular, inadequate, etc.) are identified as a third most frequently chosen reason (14%) for dissatisfaction about postal services. Business users are increasingly receiving postal items at their premises instead of a PO box.
Sweden [19]	The vast majority of users in rural areas are satisfied with the current method of delivery: postal items are delivered to community boxes along the principal route. There is a low willingness to pay for delivery of mail at users' premises.
UK [18]	Users value greatly the delivery of postal items to their door. Moreover, 58% of respondents were opposed to the delivery of mail to a box at the edge of their property, while 83% of them were opposed to the delivery to a secure locker at

	a central location.
RAND [23] on Sweden, Poland and Italy	The study revealed different levels of willingness to pay of users: • On the sender side, it is very important for all customers to have a postal contact point within a reasonable distance (no more than 3 km) with customer oriented opening hours (at least four or, even better, eight hours per day) but the willingness to pay is low. Most customers agree with the statement that they rarely go to a postal contact point; • On the recipient side, both businesses and households clearly prefer delivery of postal items (letters and parcels) to the doorstep, to all addresses in the country. Despite this, the study revealed a low level of willingness to pay for a wider range of postal services. Businesses prefer delivery during office hours, whereas households in Italy and Poland favor delivery option at a later time, suggesting that respondents prefer to be at home when delivery takes place (after office hours).
Australia [3]	On average, only one quarter of the customers in Australia Post´s survey would support a move to PO box rather than home delivery. However only 6% of the Australians would be willing to pay 30 dollar per year to retain home delivery.
USA [24]	About letters, users are apparently indifferent between delivery to the door and delivery to the curb. Regarding parcels, instead, consumers place most of the value on delivery to the door rather than delivery to cluster box or parcel locker. Actually, users who currently use the cluster box as delivery point were the most opposed to receiving parcel delivery in the same way. Consumers and businesses do not seem to be willing to accept having kiosks as retail access points: they still value the post offices in comparison with alternative postal places. Both consumers and businesses demonstrated a preference for high levels of postal service accessibility, but there was a limit to the amount of postage they were willing to pay as a trade-off for these. In the analysis it was found that price is for both letters and parcels the second attribute by importance valued by residential users, while for businesses this is valid only for parcels. This may mean that postal consumers may be willing to accept lower levels of service to keep prices from rising sharply.

Access points

According to Article 3, par. 2, of the PSD "*Member States shall take steps to ensure that the density of the points of contact and of the access points takes account of the needs of users*".

An important attribute that is relevant in examining postal end users' needs is the issue of access to postal operators' points of service. From the studies examined, it seems that the provisions in Article 3 of the PSD, regarding the density of the points of contacts and of the access points, is satisfied across Europe.

In various countries, users are satisfied with the current size of the network (even though in countries like Sweden, Poland and Italy, longer opening hours would be valued). Nonetheless, studies mentioning the willingness to pay show variegate outcomes.

Regarding the location of postal access points, the studies in our analysis demonstrated that consumers want to access postal services nearer to their home or work but they are generally satisfied with the current provision of access points.

Future observable trends can be identified in the demand for greater flexibility in opening hours of access points (post offices) to enable early, late and weekend collection and/or delivery and in use the post office network for non-postal related matters such as payments of bills, issuing of certificates etc.

The above-mentioned considerations on access points are based on information regarding the countries reported in the chart below.

Chart 2 - Countries for which there are available information on access points.

A more detailed description of information on access, country by country, is reported in the table below.

Table 2 - Summary of country information on access points

Country	Observations
Belgium [6]	Consumers are satisfied with the location of mail collection points in their vicinity (namely a letter box, a postal establishment or a postal office). The results showed that around half of consumers (both residential and business) state a desired distance of maximum 500 meters.
Germany[29]	82% of residential users consider a short distance to the closest post office (and postbox) as very or rather important. An evaluation of the different clusters by age indicated that especially short distances are crucial to the younger respondents (cluster 0 – 19 years: 89%; other clusters, ranging from 78% to 84%). Furthermore, it was discovered that the short distance criterion is of importance to users without access or not familiar to the internet. In line with other countries, the respondents expressed a preference for longer opening hours. As regards parcel delivery, the majority of respondents claimed to be satisfied with the existing access point options.
Hungary [17]	83% of the Hungarian public visit at least once a week the post office or a mobile post office.
Ireland [9, 10]	Postal service was considered less satisfactory in urban areas due to the difficulties associated with delivery and collection of undelivered parcels from points with limited opening hours. The analysis also identified the need for an expansion of the network where undelivered parcels can be collected as well as improved opening hours as a valuable step to address deficiencies in parcel delivery.
Italy [23]	Consumers have preferences for longer opening hours with evidence of differences between vulnerable and non-vulnerable consumers (non-vulnerable consumers value more longer opening hours). Interestingly, respondents from SMEs with no internet access at home place a higher value on longer opening hours than those with internet access, which may mean that opening hours may be less important in future with higher levels of internet access.
Lithuania [27]	In a postal service users' survey on the accessibility and quality of universal postal service, 67% of the respondents evaluated positively working hours of post offices while 27% of them was negative about them.
Malta [13,14,15]	70% of residential consumers who responded to a study claimed to have visited the post office in the last 12 months preceding the survey, and the majority (83%) of them do not have a particular day of the week in which they would generally visit a post office. Regarding the frequency of visits to the post office, only 7% visit the post offices every week, while 43% of the respondents access post offices every month. Regarding the popularity of post offices among the business users, the study showed that 72% of the respondents have visited the post office in the last 12 months preceding the survey and 80% of them are satisfied with the level of services and facilities provided in it. Regarding the frequency of visits to the

	post office, 11% of business users on the other hand visit the post office on a weekly basis, while 35% visit every month and a further 31% visit every quarter. Residential customers use the postal outlets mostly for services that are not of a postal nature: 50% of households claim to have made use of the post office network for the payment of bills, while 40% of the services are parcel-related. For business users the most popular services at the post offices relate to parcels (56%) and the sending of registered letters (35%) followed by the purchasing of stamps (32%).
Romania [2]	Users are willing to walk an average of 17 minutes (circa 1,4km) to the nearest access point of the postal or courier services provider. The opinions concerning the number of post offices in the users' locality of residence differs depending on the size of the locality. The most discontented seem to be people who live in large cities. 1 out of 6 residential users have experienced at least once a situation where the postal service provider had no coverage in the area where they wanted to deliver postal items. Accessing the postal services offered by another postal services provider was the alternative for half of the senders facing this problem.
Slovakia [22]	Both residential and business consumers value the current size of delivery network positively. Only one from all categories of respondents – companies with more than 500 items/month – expressed the need for the delivery network to be increased, while residential respondents that live in municipalities with less than 1500 residents did not express any need regarding the current delivery network.
Slovenia [30]	Half of residential users visit a post office maximum 3 times in a month. The vast majority (86%) of users are satisfied with the proximity to the nearest post office (59% of respondents are very satisfied), while 79% of users are satisfied with the proximity to the nearest post-box (57% of respondents are very satisfied). Users are satisfied with the operating hours of post offices:40% are very satisfied, and 20% are satisfied. In the perception of residential users, location of the post office is the most important factor in terms of quality of postal services (35%). The survey also states that most business users deposit postal items in the post offices (58%): according to them, location of the post office in one of the less important factors in terms of quality of postal services.
Sweden [19, 20]	Residential users are quite satisfied with the place where the postal outlets are located. Business users are also generally satisfied. Consumers have also preferences for longer opening hours. Relating to the location of postal outlets and mailboxes, a survey on users' needs showed that the consumers prefer these to be located near to other services, as it enables them to carry out other errands when mailing letters or using other kinds of postal services.
UK [18]	Users valued convenient location of post boxes, and were likely to use the post box nearest to them (65% and 58% of residential and business users respectively) In addition, users were generally satisfied with the current provision of post boxes (89% and 92% of residential and business users

	respectively).*
USA [24]	Both residential consumers and businesses still value being able to access postal services at a post office. In particular, residential consumers and businesses do not seem to be willing to accept having kiosks as retail access points.

* The consultation however argued that the current access point criteria in relation to post boxes were not fit for purpose and should be modified. In particular, the criteria at the time only covered postcode areas ("PCAs") with a significantly higher than average density of delivery points. The criteria excluded most rural areas, and even some cities in PCAs with low overall delivery point density, for example Belfast, Edinburgh, Newcastle and Swansea. Ofcom decided to change the access points criteria in relation to post boxes to remedy this.

Frequency of delivery and clearance

According to art.3 of the PSD, "*Member States shall take steps to ensure that universal service is guaranteed not less than five working days a week, save in circumstances or geographical conditions deemed exceptional; moreover universal service should include as a minimum one clearance and one delivery to home or premises of every natural or legal person, or by way of derogation under conditions at the discretion of the national regulatory authority, one delivery to appropriate installations*."

Different studies' methodologies, as well as a lack of uniformity between them, imply that the conclusions drawn below are merely an indication of consumer needs and that there is no robust conclusion possible.

In general, users are satisfied with the frequency of delivery (whether it is 5 or 6 days). There are, however, similarities in the expressed needs in Sweden, Australia, Denmark and Ireland, indicating also that less than 5 day delivery could be sufficient for certain types of postal users. At the same time, there are studies made in other countries indicating expressed needs similar to the present delivery frequency or even an increase in the number of delivery days.

Business users express a greater need for a week day delivery compared to residential consumers, while users in rural areas have expressed a higher need for 5 day delivery in Sweden, New Zealand and Australia.

Furthermore, the results of studies undertaken in Sweden and New Zealand as well as the BCG study indicate a higher need for mail delivery frequency among elderly users.

In a number of countries, there seems to be a tendency towards a diminishing need for 5 or 6 days delivery from residential consumers.

The above-mentioned considerations are based on the information on frequency of delivery available for the 10 Member States reported in the chart below.

Chart 3 - Countries for which there are available information on frequency of delivery and clearance.

More detailed information on frequency of delivery, country by country, is reported in the table below.

Table 3 - Summary of country information on frequency of delivery and clearance

Country	Observations
Belgium [6]	Residential and business customers showed a clear preference of maintaining the 5 day delivery-week for letters. 16% of the residential users stated that the delivery and clearance of mail 6 days per week was their most preferred change in postal services (only one answer was possible). The delivery frequency of direct mail and parcels could instead be lowered to 3 to 4 times a week according to professional users.

Denmark [8]	60% of the respondents indicate that the present frequency - 6 days a week - corresponds to their needs. At the same time, only 15% of the population has sent a letter the last week. It is thus rather the possibility to send letters that is important even though they do not send letters.
France [12, 21]	Consumers were asked if they would trade a reduction in the number of delivery days from 6 to 5 in exchange for an increase in delivery speed to 98% for first class letters. This was acceptable to a slim majority of households (51%) and businesses (61%). In another study made by the consumer representative body in France, it came out that 63% of the respondents indicated their preference for keeping a mail delivery service 6 days out of 7.
Germany [29]	Postal delivery on a 6 days a week basis does not appear to be considered as important as other quality standards. Nevertheless, 63% of residential users regarded delivery on six days a week as very or rather important. An in-depth evaluation of the different clusters revealed that such frequency of delivery is important to users with high letter volumes: it is regarded important especially by users receiving more than 10 items. The survey did not show a significant urban-rural gap (urban cluster: 60%; rural cluster: 66%; metropolitan cluster: 67%).
Hungary [17]	As regards the receipt of domestic priority letters the majority of SMEs (71%) think that these items are delivered in one day. Regarding non-priority letters users in all segments have the same experience.
Ireland [9]	Among residential customers, every day delivery was not deemed essential. In contrast, among larger organizational customers, it was considered essential.
Malta [13, 14, 15]	In Malta mail is delivered and collected every day from Monday to Saturday. According to the surveys, 64% of residential respondents claimed that this is acceptable. 61% of businesses, on the other hand, claimed that their operations would not be impacted if mail were collected and delivered 5 days a week (instead of 6).
Portugal [1]	Around 84% of respondents considered that, in accordance with their needs, distribution in their area of residence should take place on a daily basis, around 10% once every two days, around 2% once every 3 days and around 0,2% less frequently. Less than 1% said that distribution should take place more than once per day.
Sweden[19, 20]	Five-day delivery is important to many users but the place where delivery is made is most important to business users as well as residential users. Even though the majority of users wants five-day delivery, a significant number of users considers that delivery three days a week would be sufficient. It is stressed that there is a low willingness to pay for delivery of mail in accordance with the respondents´ expressed need. In a recent study on the population´s use of postal services, 59% of residential users indicated that they were not dependent on five day delivery of mail. In 2014 this figure was 54%, which indicates a trend with a decreasing number of users being dependent on five day delivery. Rural and elderly users are more dependent on five day delivery than other users.

	Furthermore, residential users in areas with poorer accessibility tend to evaluate frequency higher than users in other areas.
The Netherlands [32]	62% of residential users and 48% of professional users would accept a frequency of delivery of 4 days or less per week.

Time of delivery

Time of delivery is meant as the time, on a given day, by which delivery of postal items takes place. This is distinct from frequency of delivery, which relates to how often during a given week postal items are delivered.

The PSD does not require delivery of postal items to users by a particular time during the day. Chapter 6 of the Directive requires Member States to ensure that quality of service's standards are set and published in relation to universal service in order to guarantee a postal service of good quality. Member States have the discretion to define their own standards in relation to quality of service, which may (or may not) include requirements to complete mail delivery by a particular time during the day.

In practice, this means that there is not a minimum requirement. Hence, some Member States require postal operators to ensure delivery by a certain time of day, others require operators to advertise their latest delivery time but do not require delivery by a certain time (e.g. the United Kingdom) while, in other Member States, time of delivery is unregulated .

The available evidence indicates that users require greater certainty over the time of delivery for parcels compared to letters, while businesses customers have a greater need for morning deliveries compared to residential users.

As for residential users, this is not surprising and it is likely to reflect the fact that for most postal users taking delivery of a parcel is dependent on someone being at the premises to receive it. Letters, on the other hand, do not require users to be at their premises in order for delivery to take place (except in certain circumstances for example where a signature is required). For the same reasons, in some Member States, there is an emerging trend among postal users for delivery times to be extended to weekend and late night.

Moreover, it appears there is a preference for greater certainty of delivery times among younger people compared to the elderly, and a greater tolerance for later delivery times among younger people compared to the elderly. This may reflect the fact that younger postal users are more likely to be absent from the premises during the daytime compared to elderly users and therefore require greater certainty of delivery time (particularly for parcels) in order to be present at the time of delivery.

In conclusion, the future trends seems to be towards more flexible delivery times, in particular for deliveries of parcels to the premises.

The above-mentioned considerations are based on the information on time of delivery available for the countries in the chart below.

Chart 4 - Countries for which there are available information on time of delivery.

More detailed information on time of delivery, country by country, is reported in the table below.

Table 4 - Summary of country information on time of delivery

Country	Observations
Belgium [6]	The e-commerce market in Belgium seems to have boosted the preference of weekend and late night parcel delivery: 22% of residential users expressed that parcel delivery in the weekend and evenings was their most preferred change in the current provisions of postal services.
Malta [13, 14, 15]	84% are satisfied with the time their mail is delivered each day.
Romania [2]	While the needs of the elderly users focused on improved interaction with

	postal staff and on making the post office buildings more accessible, the needs of the younger users targeted mainly the improved time of delivery.
Slovakia [22]	Delivery in the morning is less important for residential users compared to business users. On the contrary, residential users prefer delivery in the afternoon up to 17:00. Most residential users reported general satisfaction with current time of delivery. Business users however had a different perspective: those who send and receive a large number of letters and parcels valued delivery in the morning hours up to 09.00; those using less frequently postal services were less concerned about early morning delivery. In the case of letters, business users demonstrated a greater willingness to pay for delivery in the morning hours up to 09.00.
Sweden [19]	Younger postal users found later delivery more acceptable than elderly users who preferred earlier delivery times. The majority of residential users prefer delivery during the afternoon between the hours of 15:00 - 16:00. Business users would be willing to accept a 13:00 guaranteed time of delivery without much compensation relative to a 09:00 guaranteed time of delivery; although, they would require substantial compensation for a move to a guaranteed time of delivery at 17:00.
RAND on Sweden, Poland and Italy [23]	In general residential users valued later deliveries more positively while business ones prefer earlier delivery times. When asked about time of delivery, 21% of those in Italy suggested they would like earlier delivery to their home or premises, compared with just 6% of those in Sweden and 4% of those in Poland. It appears that households both in Poland and Italy prefer later time deliveries for parcels while the opposite from what was found for businesses. Time of delivery of parcels does not seem to matter to Swedish households.
UK [18]	The available evidence indicates that users' needs would be met by earlier collection times and later delivery times for most users with the exception of small (and some medium) sized business. These users continue to express a preference for the delivery of post to take place during the morning.

Transit time

The PSD (Art. 16 and 17) points out that Member States shall ensure that quality-of-service standards (in particular on routing times and on the regularity and reliability of services) are set and published as well as that standards must be set at national level for national services and at EU level for intra-Community ones. Across Europe transit times for Universal Service (US) products are set both according to products (letters and parcels) and mainly at national level taking into account users' preferences (households and business) and public policy objectives.

Users are in general satisfied with current transit times, provided that they are met and the mail is not subject to loss, damage or interference. In some countries, a D+2 service is deemed sufficient while in others users prefer a quicker service. Preferences are different according to respondents’ delineation (households or business), their income and distribution on the territory (cities or rural areas).

Results show, in some cases, a preference for a service with a single transit time for letter and parcel delivery as well as that users, especially business ones, value more a quicker service for parcels. Certainty about the day of delivery (reliability of the service) and reduction of lost and damaged items is important to consumers.

A few studies (Slovakia, Denmark) shows also a discrepancy between intentions and effective use/demand of postal services.

Even though studies undertaken are different, both in scope and methodology, some results can be envisaged:

- in some countries (e.g. Sweden, Belgium, UK, Lithuania and Denmark) it is sufficient to provide a national delivery service, on average, within 2-3 days;
- in some others instead, as Romania, Slovenia, Malta and Slovakia, there is a need for a D+1 service;
- Some of the users (business, for example) or for some specific products (parcels) there is a need for a service with shorter transit times;
- Even though in some countries (Romania, Malta) users are ready to pay for a quicker service, in Germany and France users have a preference for cheaper rates combined with longer transit times.

The above-mentioned considerations are based on transit time information available for the following countries reported in the chart below.

Chart 5 - Countries for which there are available information on transit time.

More detailed information on time of delivery, country by country, is reported in the table below.

Table 5 - Summary of country information on transit time

Country	Observations
Transit times preferences, with distinctions between households and businesses	
Belgium [6]	Residential postal users are not opposed to a longer delivery term of D+2 for letters and parcels, while businesses have a preference for a D+1 delivery for parcels;
Denmark [8]	The majority of population indicates as sufficient a letter delivery within 2-3 days. In fact, around half of users do not ever find it necessary to get items delivered the next day. Furthermore, the study shows a discrepancy between intentions to send items by post and the effective use of postal services.

France [12]	Even though delivery speed is not rated as a priority for consumers, the study conducted shows that the majority of residential and business users sometimes use services with a next day delivery (20% of households and 28% of businesses). To confirm this preference, respondents to the survey rejected a proposal to increase price of services in order to have a next day delivery, while they are willing to see a price reduction (or a later handling time) in exchange of a D+2 service.
Germany [29]	83% of residential users but only 59% of older users (above 70 years of age) regarded the delivery of letters in D+1 as very or rather important. Furthermore, 59% claimed to prefer a reduction of transit times to D+2 or D+3 and stable rates to next day delivery and increasing prices. Concerning parcels, 82% of residential users considered delivery within 2 or 3 days to be very or rather important.
Hungary [17]	According to all 3 target groups (population, SMEs, public institution) priority mail service should be delivered in D+1, while non-priority letters should reach their destination within 2-3 days. For ordinary parcels, respondents' needs are of a transit time of circa 4-5 days.
Lithuania [27]	The majority of respondents (55%) showed a preference for the delivery of domestic correspondence in 2 working days, while only 27% expressed the opinion that items should be delivered in 1 working day. The low interest in short transit times is confirmed by the fact that only for 16% of users lower transit times are important, while 44% prefer lower prices.
Malta [13, 14, 15]	The majority of households and businesses (64%) insisted that they expect postal items to be delivered on a next day basis (D+1). When asked if they would opt for a cheaper service in exchange for a longer transit time (D+3 instead of D+1), only 28% of residential respondents said yes; 45% said no and 4% said their choice would depend on the urgency of the item. Similar to the residential respondents, 46% of businesses said they would not opt for a cheaper service in exchange for deferred delivery (D+3); 26% said yes and 21% said it would depend on the urgency of the item.
Romania [2]	Users are ready to pay for a quicker service, with a degree of 40% of them (both residential and business) willing to pay a double price for a delivery within the next day. Participants stressed on the following needs regarding transit times for postal products: • urgent correspondence and parcels: D+1 (national), D+2/D+3 (intra-community); • basic correspondence, printed matter items and items for blind: D+2 (national); • parcels: D+2/D+3 (national).
Slovakia [22]	Users have an interest in speed of delivery of letters and parcels. Residential users prefer an increase in speed of delivery, but with some differences among respondents: those with higher income are willing to pay extra for increase in speed of delivery, while those with lower income, living in small municipalities, are less willing to pay. Businesses using intensively postal services for parcels value the speed of delivery more than other businesses: regarding letters sent/delivered, results are opposite, with companies sending few letters with a higher interest for a

	quicker delivery service. The study shows a discrepancy between intentions to send items by post and the effective use of postal services.
Slovenia [30]	63% of residential respondents believe that letters should be delivered in D+1 whereas 33% would be favourable for a D+2 service. Amongst business users this trend is even more significant, as the vast majority (85%) prefer a service where postal items are delivered on a next day basis (D+1).
Sweden [19]	Residential users also find sufficient a delivery for letters in 2 or 3 days, even though there is no hostility towards paying extra for an overnight service delivery;
UK [18]	OFCOM found that users did not necessarily use First Class for "speed" as well as that a two-day service would meet their needs for everyday items, following a recent downward trend in the use of such service. Nonetheless, 46% of businesses state that their mail needs to arrive in D+1. Furthermore, over 2/3 of respondents (residential and business) prefer a single D+2 service to a two-tier (with delivery in 1 and 3 days) one.
RAND on Sweden, Poland and Italy [23]	A quicker service is more valued for parcels than for letters, particularly for businesses: a single service with 2-day delivery may be acceptable for residents, but it is less acceptable for businesses. Residential users are not sensitive to the delivery speed of letters, although there is some evidence that Polish respondents have higher levels of dissatisfaction with 2 and 3-day service levels. The study shows also that a two-tier class service might be acceptable for letters while it is not for parcels (especially business ones).
Reliability is also an important feature for consumers	
Belgium [6]	Consumers are also interested in having more certainty about the day their mail shall arrive at destination.
Hungary [16]	Users stress on both reliability (certainty about the day of delivery) as well as on speed.
Portugal [1]	Users participating in the survey value highly a service delivered in due time as well as items handled without damages.

Scope of the Universal Service

The PSD (Art. 3, p.4) states that Member States (MS) "*shall adopt the measures necessary to ensure that the universal service includes the following minimum facilities: [..] postal items up to two kilograms; [..] postal packages up to 10 kilograms; services for registered items and insured items*".

In most cases it seems users are satisfied with services provided, even though it is recognized the need of a more flexible service in order to be "*close to customers*". Some suggestions for improvements are proposed for specific purposes (blind or elderly people).

Even though users (both residential and business) are generally satisfied with services already provided, they are deeply interested in new services, for example information about delivery status of postal items, but also to manage documents and verify signatures electronically.

The above-mentioned considerations are based on the universal service scope information available for the following 7 countries, reported in the chart below.

Chart 6 - Countries for which there are available information on scope of the US.

More detailed information on universal service scope, country by country, is reported in the table below.

Table 6 - Summary of country information on the scope of the US

Country	Observations
Romania [2]	Business users are of the opinion that some basic features for postal products should be provided by all operators, as same day delivery,

	international postal money order, confirmation on delivery and oversized parcel delivery. There are also some suggestions for improving the service for blind people: development of some procedures for interaction and assistance, simplification of forms, postal offices with equipment having voice synthesizer and Braille keypad, free services for sending postal items between two blind individuals - without the intermediation of this service by an institute for blinds, as it is under the current legal provision.
Slovakia [22]	Users (both residential and business) are deeply interested in new services. Residential users prefer delivery status of postal items by SMS or by mail, postal machines for collecting of parcels independently from the open hours of post offices or notary services on post offices. Business users also like modern means of communication for information about delivery status of postal items, but they also ask services in order to manage documents and verify signatures electronically.
Slovenia [30]	The majority of respondents expressed overall satisfaction with postal services already provided.
UK [18]	Residential users noted that the delivery of large items is often not successful, so the suggestion is to have a service with more (time) flexibility (19% of respondents asked for evening delivery, another 10% asked for weekend delivery). Businesses are instead more concerned about keeping track of their deliveries. The study stated also the necessity to maintain a universal service accessible to all.
RAND on Sweden, Poland and Italy [23]	Customers care about the scope of services offered in these contact points and prefer the availability of a full range of postal services (compared with basic services only).

Pricing

This section focuses on assessing users' preferences on pricing of products within Universal Service (US).

Regarding the affordability of tariffs for products within the US, in Art. 3, p. 1 of the PSD is mentioned that "*Member States shall ensure that users enjoy the right to a universal service […] at affordable prices for all users*." Moreover, Art. 12 of the PSD mentions some principles to be followed in the definition of the tariff of each service included in the US area, namely "*prices shall be affordable and must be such that all users, independent of geographical location, and, in the light of specific national conditions, have access to the services provided*".

According to Art. 12, prices shall also be cost oriented and MS can decide that a uniform tariff shall be applied. In the same Article, the principles of transparency and non-discrimination with regard to both tariffs and to the associated conditions are included. From the users´ perspective, affordability is the key interest as regards pricing.

Even though the studies considered in this analysis are different both in scope and in methodology, a broad trend can be envisaged. In general, from the studies analysed, it emerges that, according to the assessments by NRA, universal services are generally affordable across Member States. Some NRAs apply safeguard caps to ensure that services remain affordable. In case NRAs have identified there is a risk that a universal service product may become unaffordable, some have imposed price controls. Price controls have generally been on a cost orientation basis, why the price of universal service products varies to some extent between Member States.

Generally users are sensitive to price changes. The present price level appears to be the basis for users' considerations. There are indications that there is a low willingness to pay for additional services beyond the current minimum level. Users' sensitivity to the level of prices is also reflected by the fact that, in some cases (e.g. for services in decline), they would prefer lower rates in return for a service of lower quality. At the same time there are indications that some users would prefer to pay a higher price for a higher quality of service (specifically, with shorter transit time).

There are indications that a considerable percentage of the users in some cases would respond to reasonable increases in price by choosing alternative ways to communicate and thus reducing the use of postal services. This applies especially to business users.

The above-mentioned considerations are based on pricing information available for the following 7 countries: Belgium, France, Hungary, Lithuania, Malta, Poland, Romania, reported in the chart below

Chart 7 - Countries for which there are available information on pricing.

More detailed information on pricing, country by country, is reported in the table below.

Table 7 - Summary of country information on pricing

Country	Observations
Belgium [6]	Lower rates are a priority for ¼ of residential users and almost 1/3 of business users.
France [12]	As already mentioned, respondents rejected a proposal to increase price of services in order to have a next day delivery, while they prefer a price reduction in exchange of longer transit times.

Hungary [17]	Prices are generally not the most important service attributes in Hungary, but the degree of satisfaction is low, and large numbers of respondents are "not at all satisfied".
Lithuania [27]	Lower rates are a priority for around 44% of respondents.
Malta [13, 14, 15]	37% of households are satisfied with the price of postal services (in general), whereas the 2011 survey indicated higher levels of satisfaction (66%). Furthermore, 38% (29% in the 2011 survey) claimed that they would consider switching to a non-postal alternative given a 5-10% increase in price. Maltese businesses are more satisfied with postal services in general (50%) compared to consumers (37%). Price elasticity for business users of postal services is also relevant: taking into consideration a price increase either of 5-10%, around 64% (32% in 2011 survey) of users would respond by replacing postal services with other alternatives, thus reducing its use.
Poland [31]	Reduction of prices for postal services represents the highest expectation of the respondents.
Romania [2]	Consumers would pay more to have a quicker service: around 40% of households would pay a doubled price for a service delivering the next day, which is reflected in the satisfaction of products offered by alternative postal operators (more expensive but with higher quality levels). The lower elasticity of demand (compared to other countries) for households is confirmed by the scenario of a potential price increase of 10%-15% by all providers, with almost half of users would continue using such services with the same frequency. Business users, instead, are highly sensible to price increases: 60% of them would change postal services used (45% would change provider) in case the Universal Service Provider will apply the VAT rate on the tariffs of the universal service products, thus increasing their prices by 24%.
Slovenia [30]	Two thirds of residential users expressed satisfaction with the price for sending a standard letter. The corresponding figure for business users was 75%. 20% of business users would switch service provider if they would offer lower quality for a lower price. On the other hand, 14% would chose a higher quality for a higher price.
US [24]	Price is the second attribute valued by consumers relative to importance for both letters and parcels. This applies to business users but only for parcels.

Potential common core set of user needs - summary

A key challenge for this analysis is the variation between Member States in the provision of universal postal services. This reflects the fact that there is discretion for Member States to augment the minimum level of provision in their jurisdiction to a level beyond the core requirements of the Postal Services Directive.

The following table provides a summary of the current minimum level of provision, the extent to which users are satisfied with that provision and whether there are identifiable trends, which indicate whether users' needs and preferences are developing in a way that deviates from the current level of service.

As shown in the table, it is apparent that users are generally satisfied with the current minimum level of provision against most categories assessed in this report.

However, it is possible to identify some trends, which indicate that users would be prepared to accept a lower level of service in certain areas. These include a diminishing user need for a five-day delivery service to residential premises as well as a diminishing users' need for a service with a D+1 transit time. This indicates that the minimum service level may exceed user needs in relation to these specific aspects in the future.

By contrast, there is some indication that users have expressed a desire for a higher level of service than is currently specified in relation to other specific aspects of the current minimum service requirements. More specifically, we observe a trend towards greater demand for more flexibility of delivery times for parcels (including delivery to the premises during a wider range of hours and at guaranteed times) and greater flexibility in opening hours for access points (post offices).

However, it is not clear that a change in the specification of universal postal service is necessary to fulfil this desire. Given growing competition in the parcel delivery market in most EU countries driven by the popularity of e-commerce, it is likely that user desires for more flexible delivery options will be at least partly met by the market. A key consideration is the extent to which this desire will naturally be filled by commercial offerings and consideration of the degree to which we might consider it to be central to ensuring an acceptable common minimum across the Member States.

Table 8: Summary of current provision, user satisfaction and future trends

	Current minimum level of provision	User satisfaction with the minimum level of provision	Future observable trend
Accessibility	One clearance and one delivery to the home or premises on each applicable day (see frequency of delivery)	General satisfaction among users with current provision. Users generally disagree with any proposals to reduce accessibility, especially in the case of delivery to the doorstep (home delivery)	Continued preference for delivery to the premises over delivery to an external location, even if the latter option would result in lower prices
Access Points	Member States shall take steps to ensure that the density of the points of contact and of the access points takes account of the needs of users	Users are generally satisfied with the current provision of access points, though in some countries there is demand for longer opening hours	Demand for greater flexibility in opening hours of access points (post offices) to enable early, late and weekend collection and/or delivery
Frequency of	One clearance and one	Users are satisfied with	A tendency towards a

delivery-clearance	delivery to the home or premises not less than five working days per week	the frequency of delivery (whether it is five or six days). Business users express a greater need for week day delivery than residential consumers	diminishing need for five or six days delivery from residential consumers
Time of delivery	There is no minimum requirement – Member States have discretion to specify a latest delivery time or not	Users prefer greater certainty of delivery times for parcels. Businesses have a greater need for morning deliveries than residential consumers	More flexible delivery times for deliveries of parcels to the premises
Transit Time	Member States shall ensure that standards on transit times are set, published and adhered to	Users are satisfied with current transit times provided that they are met and the mail is not subject to loss, damage or interference	Some users are prepared to accept a slower delivery service, and there is an increasing trend towards use of D+2 and D+3 services over D+1; reliability of services is very important
Scope of the Universal Services	Universal Service obligations in relation to provision of certain letters and parcels services	Users are generally satisfied with services provided	Greater flexibility in delivery, and improved services for blind people (though very few observations)
Pricing	Products within the Universal Service should be affordable – Member States have discretion to determine affordability in their jurisdictions.	In most countries users are sensitive to price changes and have a low willingness to pay for additional services beyond the current minimum specification	Some users would prefer to pay less and accept a lower level of service. Some users would prefer to pay more for a higher quality of service (e.g. shorter or specific transit times). On the other hand, there are also examples indicating that senders would respond to reasonable price increases by replacing postal services with other alternatives

These trends are not necessarily observable in all Member States, but can be observed in a number of States for which data was available.

There is some evidence that, in relation to users' needs, future trends in other jurisdictions outside of the EU are consistent with those observed among EU Member States. However, care should be taken on possible cultural differences (for example, widespread acceptance of delivery to the curb in the United States) which may mean that user preferences expressed in these countries may not necessarily correspond to users' preferences in the EU.

Clearly, it is important that we continue to poll users on their postal needs and the degree to which these are met by the existing Universal Service levels in their Member States. Regular user satisfaction surveys, which allow the comparison between Member States, appears to be relevant.

However, what is missing from the surveys referred to in this report and might be central to a consideration of a minimum universal service level for the EU as a whole, is the consideration of the user's needs on intracommunity cross-border postal services.

As the guaranteed minimum quality of intracommunity cross-border postal services is ultimately determined by national service levels, it would be desirable to ensure that such changes would be consistent with the minimum intracommunity cross-border service levels needed to support EU cohesion and commercial needs in an open market.

Accordingly, it is relevant to undertake further research into user expectations and preferences for intracommunity cross-border postal services that could take into consideration the same aspects as those presented in this report. This is currently an area underexplored in the available literature.

4 Other means of communication fulfilling core set of user needs

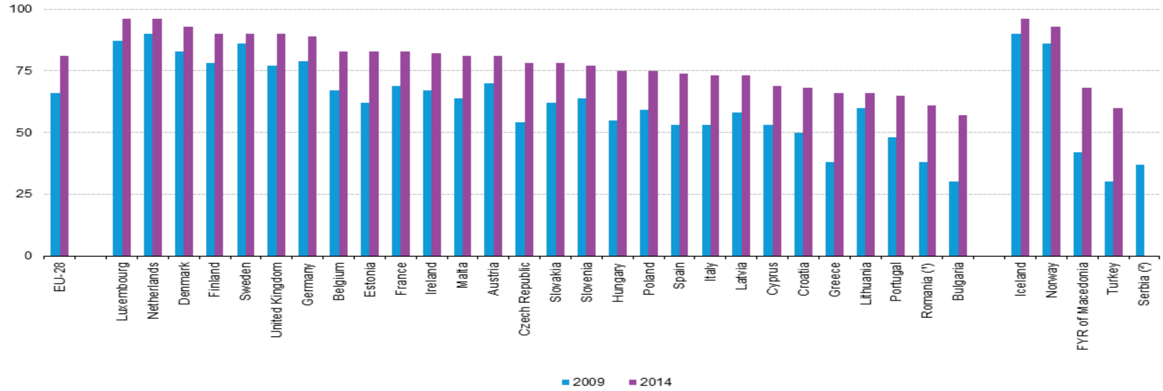
An assessment on how other means of communication could fulfil users' needs could be based on their use and availability, as well as on how the use of postal services has developed over time.

E-substitution affects the postal sector in different ways. The development of internet has, undoubtedly, effects on e-commerce. On the one hand, it contributes to the increase of goods that have to be physically delivered to the addressees; on the other hand, some other goods can be delivered, more or less immediately, by electronic means.

Access to and use of internet

Eurostat statistics indicate significant differences among Member States regarding both access and number of active users.

Fig 1 - Internet access of households, 2009 and 2014 (% of all households)

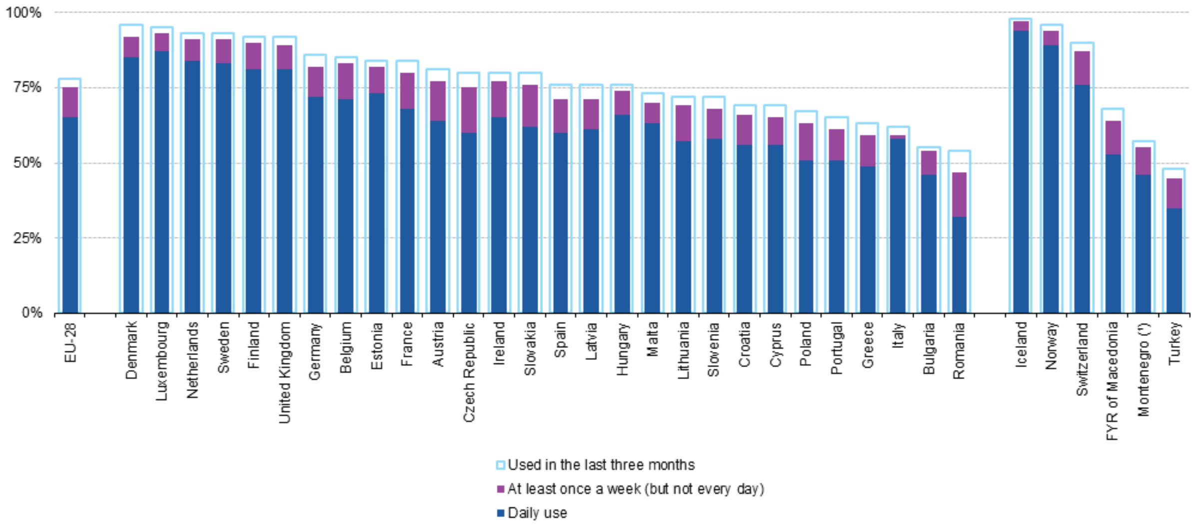


(¹) Break in series.
(²) 2014: not available.
Source: Eurostat (online data code: isoc_ci_in_h)

In 2014 the average percentage of households in EU-28 having access to internet was 81% (from 55% in 2007), but the percentage varies amongst MS (from 57% up to 96%). The most rapid growth in access to internet has, in general, taken place in countries with least developed access.

When it comes to use of internet, a similar pattern can be identified. The most recent figures are from 2014 and indicate that 65% of the individuals accessed the internet on a daily basis, with a further 10% using it at least once a week but not daily. The proportion of daily users ranged, according to each MS, from 50% up to 94%.

Fig 2 - Frequency of internet use, 2014 (% of individuals, aged from 16 to 74)



(¹) 2012.
Source: Eurostat (online data codes: isoc_ci_ifp_iu and isoc_ci_ifp_fu)

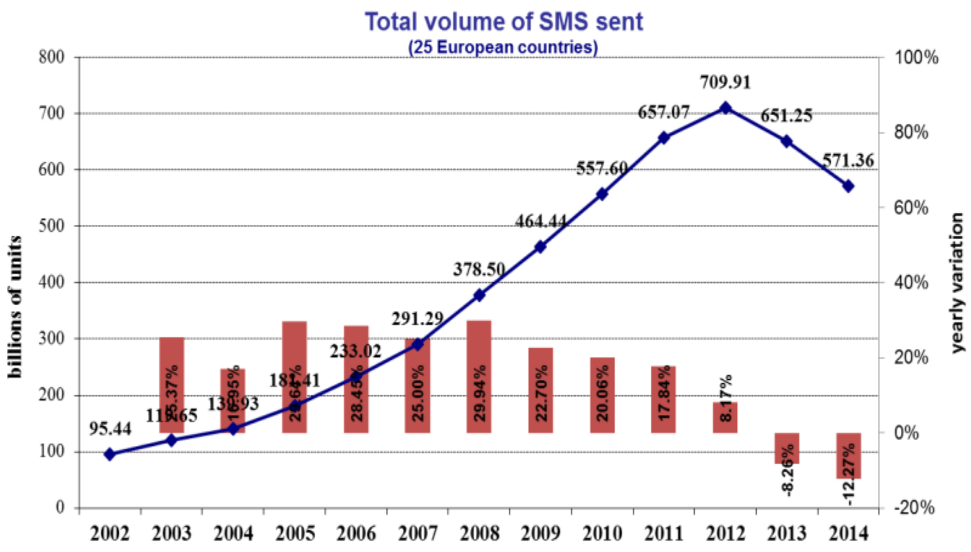
Source:http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Frequency_of_internet_use,_2014_%28%25_of_individuals_aged_16_to_74%29_YB15.png

There are, however, significant differences within Member States as regards the use of Internet. Statistics from 2015 indicate that the number of individuals that has never used internet varies from 2% of the population (Luxembourg) to 35% (Bulgaria) while the EU-28 average is 16%. These figures indicate that, in some countries, there is a significant part of the population that has not yet experienced Internet as an alternative way to communicate. But, also in this respect, a significant change has taken place since 2007: the percentage of population that has never used internet has been reduced by approximately 50% since then.[4]

In Sweden [19], the majority of residential users considers the use of secure digital letterboxes as an option for written communication from agencies and companies. Less than 15% prefers exclusively physical letter post. In Germany [29], 65% of users with access to the internet are not willing to open a secure e-mail-account for postal communication.

SMS consumption has slowly decreased in the last two years, due to the use of social messaging: users have been migrating towards messaging apps because of lower or no costs as an alternative to SMS and they are much faster and more efficient compared to physical communications. The change of means of communications is expected to be a continuous trend at least in the medium term.

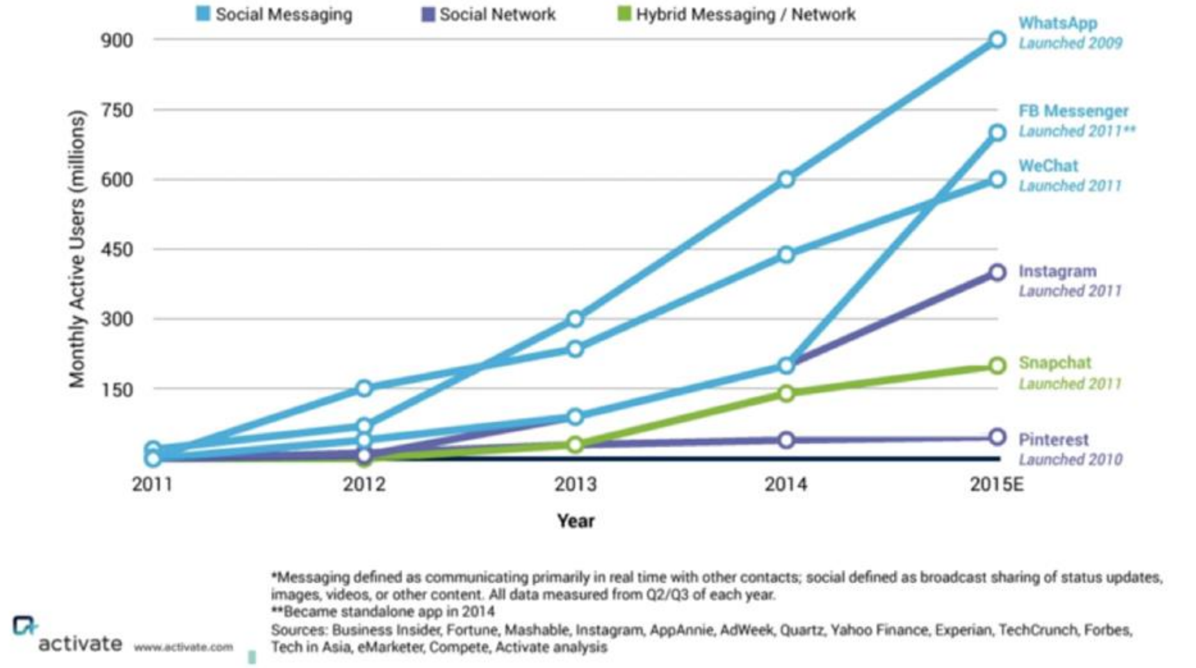
Fig 3 - Number of SMS sent in 25 EU countries.



Source:http://berec.europa.eu/eng/document_register/subject_matter/berec/reports/5591-termination-rates-at-european-level-july-2015

[4]http://ec.europa.eu/eurostat/statistics-explained/index.php/Information_society_statistics_-_households_and_individuals

Fig 4 - Number of users of alternative digital platforms for communications.



Source: http://digitalnewsreport.org/publications/2016/predictions-2016/#2-5-social-media-and-messaging-apps-what-next

Decline in letter mail volumes

Regarding the decline in letter mail volumes the text below from the Report on the application of the Postal Services Directive (Directive 97/67/EC, as amended by Directive 2002/39/EC and 2008/6/EC) 17.11 2015 provides a good overview.

The number of letters sent using universal services providers in the EU has declined from an estimated 107.6 billion in 2008 to 85.5 billion in 2013[5]. In general, direct mail (advertising) and publications have been less affected than letters, though Member States with more mature markets for letters have experienced the greatest decline, and this is expected to continue: for example, in Denmark, letter post volumes have fallen by over 60% between 2000 and 2014, with a further decline of 15% in the first quarter of 2015[6]; in the Netherlands, there was a 13% decline of volumes in the first quarter of 2015, and they are predicted to fall between 32% and 49% between 2010 and 2020[7].

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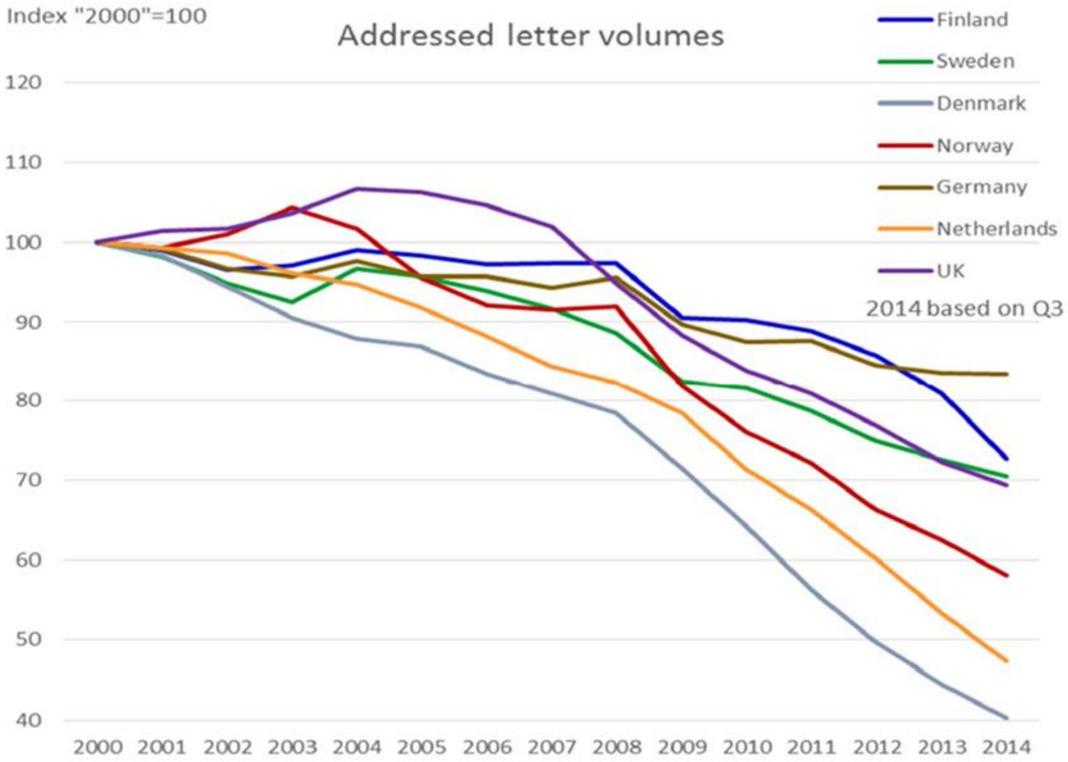
[5] Universal Postal Union, number of letter post items domestic service and international service dispatch estimates for EU27. Universal Postal Union statistics only include data from the designated operators.

[6] Post Nord, *Annual and Sustainability Report 2014*, 2015, Post Nord, *Interim Report Q1 2015*, 2015.

[7] WIK – Consult, *Developments in the Dutch Postal Market*, 2011

Fig 5 - Significant differences between Member States regarding the decline in letter post volumes.



When assessing changing users´ needs, the differences between MS in the use of postal services have to be considered. The number of letter post items per capita differs greatly between Member States. Estimates indicate a range from around 300 (Luxembourg) to around 10 (Bulgaria).

The parcel post market – a growing segment of the postal market

Contrary to the development in the letter mail segment an expansion is taking place in the parcel post segment, a market more competitive than the letter post one.[8]

Regarding the potential growth in the parcel post market, the text below from the Report on the application of the Postal Services Directive (Directive 97/67/EC as amended by Directive 2002/39/EC and 2008/6/EC) 17.11 2015 provides a good overview.

There is no clear consensus about the size of the European parcel market[9]: even counting parcels dispatched by universal service providers alone, the market has grown from an

[8] http://eur-lex.europa.eu/legal-content/cs/TXT/?uri=CELEX%3A52015SC0207, staff working document, section 3.3.3

[9] This mainly stems from different market definitions, especially regarding the weight limit of shipments and the service characteristics, different methodologies as well as lack of data that covers all delivery operators.

estimated 1.65 billion ordinary parcels in 2008 to around 1.96 billion in 2013[10], which is an increase of almost 20%. The number of parcels per capita does however differ greatly between Member States: estimates indicate a range in parcels per capita from almost 30 (Germany and the UK) to around two (Poland, Romania, Croatia, Latvia) for 2011[11].

Other means of communication - conclusions

It is not possible to be more precise as regards the extent to which other means of communication fulfil core set of user needs regarding postal services.

Two major dynamics have altered the letter post markets since 2008: the economy and e-substitution. The first has often reinforced the latter as governments, businesses and individuals have sought to save costs and therefore switched to electronic means of both communication and provision of services, making increasingly convenient for individuals (and businesses) to access as technology has developed.

Economic activity is historically the main driver of letter volumes[12]: countries with higher levels of GDP *per capita* had higher quantities of mail per capita. Although economic activity does still affect mail demand to some extent, the rate of e-substitution is also now a key determinant of letter volumes. Factors affecting e-substitution include price, internet availability and penetration, user habits, reliability of services and security concerns. Communication between individuals has already been replaced by electronic communication to a significant extent, whereas concerns about the security of electronic communication may be responsible for the slower rate of e-substitution in communications between businesses and consumers[13].

There are significant differences between Member States, both as regards access/use of internet and decreasing mail volumes. The rapid development, both as regards access to and use of internet, implies that letter post services generally become less and less important. The decline in mail volumes indicates that delivery of letters or items of correspondence is less important as direct mail and publications have not been affected to the same extent. In one third of the Member States 75% of the individuals uses internet daily, while in two thirds of the Member States at least 75% of the individuals use internet at least once a week. In countries where access to internet is generally good and where the number of frequent users is important, the decline in letter mail volumes appears to be more significant.

These results further underline the importance of subsidiarity. If the present development continues – and there are no signs that this will not be the case - it can be assumed that when the Postal Services Directive will be amended the level of access and use of internet will be significantly higher and the differences between MS might be more or less leveled out.

[10] Universal Postal Union, Number of ordinary parcels, domestic service and number of ordinary parcels, international service – dispatch estimate for EU27. Data only collected from designated operators of the universal postal union. http://www.upu.int/en/resources/postal-statistics/about-postal-statistics.html

[11] WIK-Consult, *Main Developments in the Postal Sector (2010-2013)*, p225

[12] See Hooper, R et al, *Saving the Royal Mail's universal postal service in the digital age*, 2010, for an analysis of the UK showing a strong correlation of growth in letters and economic growth until approximately 1999/2000.

[13] WIK-Consult, *Main Developments in the Postal Sector (2010-2013, p 172*

During the period 2009-2014, the access to Internet has increased by 20% in EU-28 and in some Member States it has doubled during this period.

Electronic ways of communication (e-mail, instant messaging, etc) are a high-speed alternative to traditional delivery of items of correspondence as they allow real-time conversations. Considering that technology advances, instantaneous electronic communication has become available in several different forms, which topped the letters usage in the "race of communication". Consequently, the need for first class mail is likely to decline faster than non-priority mail: this is already confirmed in a number of Member States and as a consequence there is a trend towards adjustments in the basic letter service requirements from D+1 to D+2 and up to D+5 (Denmark).

In this perspective, users´ core needs are likely to be more and more related to the delivery of goods purchased on line. It should be noted that, at the moment, there are significant differences between MS as regards the volume of parcel post services. However, as mentioned initially, not all kinds of on-line purchases generate a need for physical delivery. Music, literature and movies ordered on line can be delivered more or less immediately on line in a convenient way. As the capacity of the infrastructure improves, it can be assumed that on line delivery will expand in such segments of the market.

Table 9: Summary of other means of communication fulfilling users' needs

Users' needs	Alternatives
Delivery of Items of correspondence Traditionally sent as priority letter mail	Internet E-mail Social messaging SMS Non priority letter mail
Delivery of non-priority letter mail	Internet E-mail Secure digital mail solutions
Delivery of on-line purchases	Parcel post services On line delivery

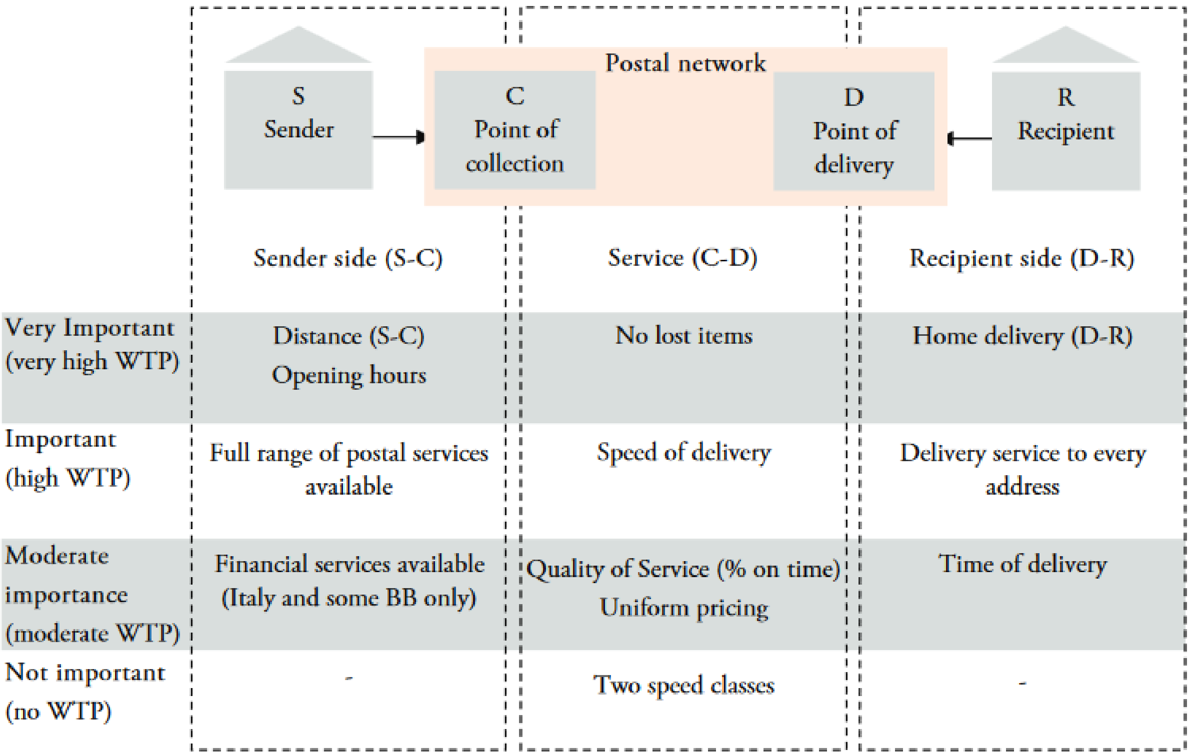
5 How to identify user needs: a methodology for further considerations

Design of user surveys

To measure postal users' needs, the use of a mixed-method research strategy containing both quantitative and qualitative research should be considered. These complementary research methodologies enable the researchers to gain a total view on postal users' needs.

For the quantitative research, reference is made to the RAND study of 2011, commissioned by the European Commission: '*Study on appropriate Methodologies to Better Measure consumer Preferences for Postal Services*'. This study provides a toolkit for Member States that wish to conduct quantitative market research to better understand their citizens' needs for postal services. The study demonstrates how stated preference discrete choice experiments (SPDCEs) can be used to establish the preferences through regression analysis with the willingness-to-pay (WTP).

Differentiating the data by looking at the height of the WTP, enables the researcher to detect the needs within the stated preferences. This is clearly illustrated by figure S.2 on page 33(xxxiii) of the study preface, reported below:



As it can be seen, the recipient side displays a clear need for home delivery. They also strongly value the inclusivity of the universal postal service. The sender, on the other hand, shows a need for a short distance to the postal service point and long opening hours. Moreover, they strongly value a full range of postal services.

The SPDCEs approach seems to be a good starting point for a future assessment of a proper methodology for user surveys. Nevertheless, it shall be noted that there is a wide range of methods for measuring consumer preferences and needs simultaneously taking into account the willingness to pay. Such alternative approaches cover for example ranking methods as well as trade-off based approaches. In principle, the SPDCE approach is not *per se* superior to other methods as far as validity and meaningfulness are concerned. Apart from the method used, the outcome also largely depends on the questions asked.

The qualitative research can be used to establish the attributes that are to be used in the quantitative research. It can also serve to complement the quantitative component, by providing deeper insights into the perceptions, expectations and experiences of postal users.

Standardized user surveys

As many countries have commissioned studies on postal users' needs in the recent years, a lot of them have been identified and are available. However, most of them do not use an SPDCE-approach and there are different factors which hamper a comparison between studies from different European countries or an aggregation of data in order to draw conclusions on a European scale. Some of these factors are: different methodologies, different attributes used at the SPDCEs, a different questionnaire type (online interview, telephone interview, computer assisted telephone interview or a combination of these questionnaire types), etcetera.

An effective way to counter this difficulty is to approach the postal users' needs with standardized user surveys and a standardized research methodology which can be used by every Member State. This way, both a comparison between European countries and an aggregation of results at EU level will become feasible.

Conclusions

Studies and analyses made in some EU Member States and other countries and entities are not homogeneous due to the different *(i)* methodological design they follow; *(ii)* purposes; *(iii)* level of detail.

Even though, the report seeks to identify common needs to the extent possible. More precisely, for some USO aspects (e.g. accessibility, access points, transit time) information is available for a number of countries high enough to allow drawing general conclusions. On the contrary, for other aspects (e.g. pricing, scope of the US), information is available only for a restricted number of countries, hence drawing general conclusions has been more problematic.

Taking into account the differences between Member States, it is recommended to approach the postal users' needs with standardized user surveys and a standardized research methodology which can be used by every EU Member State. Survey design as such requires expertise, which is beyond the competences of ERGP. ERGP can however assist the expertise in designing such surveys by providing expertise in the postal regulatory field.

Annex 1
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