



Border Post

A report on cross border mail delivery

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1. Introduction

1.1. The cross-border postal service remains an important infrastructure to facilitate communication and trade both domestically and internationally between consumers and businesses.

1.2. Despite the well documented worldwide contraction in letter volumes due in part to digital substitution¹, the importance of postal services surges for retailers and e-commerce providers².

1.3. Although digital communication has grown over the last decade, the proportion of people reliant on post as a means of communication has increased. United Kingdom (UK) consumers in particular are more reliant on post than their worldwide counterparts as a way of communicating³. A recent Ofcom report explains that there has been a 6% increase from 2015 to 2016 (from 56% to 62%) in the proportion of people in the UK who consider themselves reliant on post⁴.

1.4. Consumers across the UK are avid online shoppers. In the last 12 months 76% of UK consumers have shopped online and 42% of those have shopped from international sites⁵. Spending online per shopper in the UK is €3,073, higher than in any other European country and one in five UK online merchants sell to European consumers⁶. Indeed more than three quarters of Northern Ireland (NI) consumers now shop online⁷. There is an urgent need to provide a delivery system that meets consumers' expectations and ensures confidence and opportunities for further e-commerce growth.

1.5. Cross-border markets provide consumers with increased choice and value for money and can provide businesses, big or small, with access to a wide customer base. The European Commission (EC)⁸ has identified three key issues, parcel delivery costs, consumer trust and geo-blocking, which are proving to be barriers to cross-border trade.

2. Background

2.1. The general objective of this study was to evaluate the consumer and business experience of cross-border postal services in NI. In doing this we have identified a number of issues facing consumers, which we feel, if improved, can be a driver for increased opportunities for trade and improved communication. The findings from this study are relevant to everyone within the postal services and e-commerce sector – from the postal operators and couriers, to the national and European Union (EU) legislators. It can also help inform the UK Government before it develops its legislation on cross-border parcels.

NI's unique position

2.2. NI holds a unique position in both the UK and Europe. Its geographic location means that whilst being part of the UK, NI does not share a land border with the other UK nations. Yet it is the only part of the UK to share a land border with a European country, namely the Republic of Ireland (RoI). This can naturally create logistical challenges and opportunities for postal services.

2.3. Latest statistics on cross-border trade from NI to the RoI estimate its value at £1,414 million, whereas the trade from the RoI to NI is slightly less at £1,034 million⁹. This demonstrates the interdependence of the NI economy and indeed economies in both jurisdictions on cross-border trade and the importance of good market access for consumers and businesses.

2.4. Despite this growing reliance on cross-border e-commerce and important infrastructures for trade, such as postal services, very little change has been made to the postal services market for the majority of consumers and businesses in NI. Concerns had been raised previously about the perceived high postal tariffs, value for money, and long delivery times experienced by NI consumers posting mail to the RoI by both consumer groups¹⁰ and the postal regulator, Ofcom¹¹.

1 Ofcom: Annual Monitoring Update on the Postal Market 2015-16 "Between 2011-12 and 2014-15 total addressed letters volumes declined by 11.9% to 12.6bn items (c.4% per annum)".

2 PWC – Outlook for UK Mail volumes to 2023. <http://www.royalmailgroup.com/sites/default/files/The%20outlook%20for%20UK%20mail%20volumes%20to%202023.pdf>.

3 Ofcom: International Communication Market Report 2015.

4 Ibid.

5 PayPal 2016: <https://www.paypal.com/uk/webapps/mpp/passport/tools>.

6 European Ecommerce Foundation - <http://www.digitalclaritygroup.com/brexit-impact-cross-border-e-commerce/>.

7 The Consumer Council (NI) Unpublished research by Millward Brown Ulster - over 50% had previously ordered from non-UK websites.

8 https://ec.europa.eu/growth/sectors/postal-services/parcel-delivery_en.

9 IntertradeIreland: Trade Statistics (2014) http://www.intertradeireland.com/researchandpublications/trade-statistics/total_cross_border_trade/.

10 Consumer Focus (Post) Cross-border Post: Improving mail services between NI and ROI (2010).

11 Ofcom: Communication Market Report 2015.

2.5. E-commerce is a key contributor to economic growth. Many UK retailers have identified international markets as key drivers of future growth¹², and cross-border e-commerce is expected to continue to grow strongly¹³. Therefore, the Consumer Council believes NI is ideally positioned to provide a valuable insight into the issues and opportunities faced by cross-border postal services and help inform UK wide policy.

EC on cross-border parcels

2.6. In 2012 the EC identified the importance of cross-border parcel delivery services in growing the Single Market. A European Parliament study estimated that the potential contribution to European GDP of achieving a fully functioning Single Market could be in the range of €415 billion¹⁴.

2.7. On 25 May 2016 the EC adopted a proposal for regulation on cross-border parcel delivery services¹⁵, as part of a package of measures to allow consumers and companies to buy and sell products and services online more easily and confidently across the EU.

2.8. The regulation proposed to increase price transparency and regulatory oversight of cross-border parcel delivery services, so that consumers and businesses can benefit from affordable deliveries and convenient return options even to and from peripheral regions.

2.9. The EC has not made provision for a cap on delivery prices but expects that the regulation will foster competition by introducing greater price transparency. It has stated that price regulation is only a means of last resort, where competition does not bring satisfactory results.

2.10. At the time of publishing this report we are aware the EC Transport, Telecommunications and Energy Council adopted a general approach to this regulation on 9 June 2017 under the Maltese Presidency, with a number of amendments to the original regulation proposed¹⁶.

Brexit

2.11. In January 2016, the UK Government submitted a non-paper¹⁷ to the EC, advocating regulation of cross-border parcel delivery and making various suggestions, including improvement of transparency and market oversight.

¹² BIS – A Strategy for Future Retail (2013) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/252383/bis-13-1204-a-strategy-for-future-retail-industry-and-government-delivering-in-partnership.pdf.

¹³ <https://www.statista.com/statistics/261245/b2c-e-commerce-sales-worldwide/>.

¹⁴ European Parliament and European Council: proposal for regulation on cross-border parcel delivery services (May 2016) <https://ec.europa.eu/transparency/regdoc/rep/1/2016/EN/1-2016-285-EN-F1-1.PDF>.

¹⁵ European Parliament and European Council: proposal for regulation on cross-border parcel delivery services (May 2016) <https://ec.europa.eu/transparency/regdoc/rep/1/2016/EN/1-2016-285-EN-F1-1.PDF>.

¹⁶ <http://www.europarl.europa.eu/legislative-train/theme-connected-digital-single-market/file-cross-border-parcel-delivery>.

¹⁷ BIS – UK Non-paper Opportunities to develop cross-border parcel delivery (Jan 2016) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/495114/bis-16-103-eu-cross-border-parcel-delivery.pdf.

2.12. The non-paper also agreed with issues identified by the EC; namely,

- smaller e-retailers are not as well informed about the range of delivery options available to them, or how to access the best prices;
- consumers do not always have the information they need to compare delivery services and be confident about the service they are buying;
- delivery quality can suffer when sending cross-border. For example parcels may go missing or be delivered late; and
- competition on cross-border routes may be lower than on domestic routes.

2.13. The non-paper emphasised the need for transparency of information not only about price, but about other aspects of service such as delivery options and the cost of returns.

2.14. Following the result of the UK referendum to leave the EU on 23 June 2016, the current position of the UK Government is as set out by the UK Minister, Margo James MP, outlined in a letter to the European Scrutiny Committee.

“Until European Union exit negotiations are concluded, the UK remains a full member and all the rights and obligations of EU membership remain in force. During this period the Government intends to continue to negotiate, implement and apply EU legislation.

“Whether the UK would want to apply the terms of the [EC’s proposed] legislation to some degree after the UK has left the EU is dependent, amongst other things, on:

- the terms negotiated for the UK in relation to access to the EU Single Market;
- whether the Digital Single Market forms part of that; and
- whether the final agreed text of the Regulation meets the aims we set out in our original non-paper.”¹⁸

2.15. Therefore the findings from this research study are timely in promoting NI consumers’ views and experiences of cross-border mail, and helping to shape future legislation.

¹⁸ House of Commons: European Scrutiny Committee (October 2016) http://www.publications.parliament.uk/pa/cm201617/cmselect/cmeuleg/71-xiii/7104.htm#_idTextAnchor006.

3. Methodology

3.1. Millward Brown Ulster was commissioned in January 2016 by the Consumer Council to carry out quantitative and qualitative research to analyse the behaviour and attitudes of both postal consumers and businesses when accessing cross-border mail services.

3.2. The methodology consisted of the following elements:

Consumer Research

- Onmibus survey – face to face research. (Sample size – 1006)
- Telephone survey – Computer Assisted Telephone Interviewing (CATI). (Sample size – 700)
- Qualitative research – focus groups. (Sample size – 16)

Business Research

- Telephone survey – Computer Assisted Telephone Interviewing (CATI). (Sample size – 200)
- Qualitative research – in-dept interviews. (Sample size – 4)

3.3. It is important to note that this study was commissioned and carried out prior to the referendum on membership of the EU on 23 June 2016.

4. Key highlights from the study

4.1. The research report attached gives a detailed outline of all the findings from the cross-border postal study. In this report we wish to provide a very high level summary of the main findings. For more detailed findings, please see the Millward Brown Ulster research report attached.

Use of cross-border mail

4.2. Across the world the shape of mail is changing, both domestic and cross-border. This change has largely been driven by digital technology, consumer buying patterns and online retailing. Despite and more recently because of this move to digital, the cross-border postal service is increasingly important to modern life, as cross-border e-commerce grows and the need for physical delivery of all types of mail surges. For consumers and businesses in NI, postal services are central for communication, shopping and undertaking business operations. This is demonstrated with at least one in four NI businesses and one in five NI consumers regularly sending or receiving cross-border mail.



Cross-border e-commerce

4.3. Although the UK e-commerce market is one of the most developed worldwide, many consumers in NI still face delivery surcharging and restrictions with domestic e-commerce orders. This issue is explored in more detail in our Online Parcel Premium Report¹⁹.

“ It can be quite frustrating dealing with suppliers in GB, they will charge us extra for delivery because we are in NI.”

NI small business



4.4. Although cross-border markets are relatively underdeveloped compared to domestic, cross-border e-commerce by NI consumers is an area of future growth. The benefits from an effective cross-border delivery market to NI and indeed all UK consumers and businesses could be substantial. Therefore it is imperative that cross-border services are relevant and fit for purpose in the modern global e-commerce industry.

4.5. For businesses to grow, they need a postal service which will allow them to confidently buy and sell products and services online. Despite growth, e-commerce in NI is in its infancy with only one in 10 businesses trading online and almost all (97%) of these trading within NI. Therefore, it is an opportune time to develop a postal service that encourages NI businesses to expand their customer base beyond local boundaries.



“...the RoI is the easiest market to access and to export to. Cheaper and faster delivery services would be more beneficial to smaller businesses. The big established businesses deal in much bigger volumes, benefit from economies of scale and can absorb delivery costs much more easily.”

NI small business

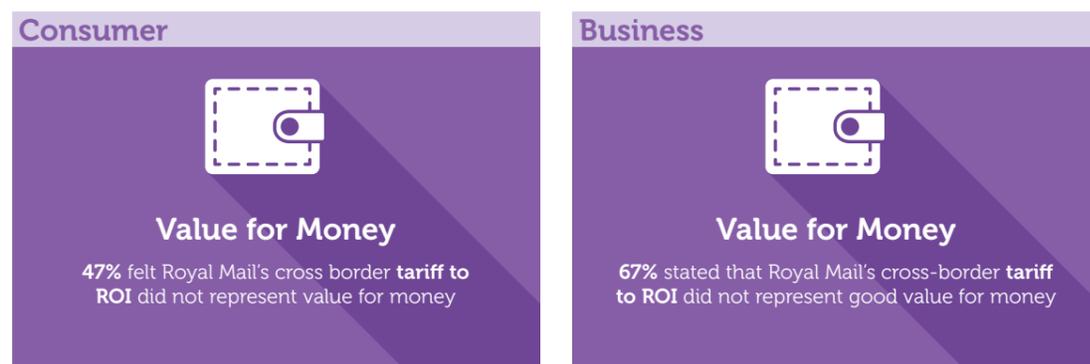
4.6. Further, the ability of NI businesses to be competitive and sell outside domestic boundaries can be dependent on the sourcing of effective supplies. High delivery costs and the inability to access discounted delivery offers can be prohibitive to small and growing businesses especially when competitors will not have to endure similar high costs. Our survey revealed that one of the major difficulties faced was high delivery costs with over a third experiencing this problem.



Value for money

4.7. Value for money and faster delivery times were the most frequently cited improvements that both consumers and businesses would like to see made to cross-border postal services.

4.8. Royal Mail has a single ‘anywhere in Europe’ price. It believes this design makes prices simpler for consumers and businesses to understand and use. Yet, consumers and businesses in NI find it difficult to understand why Royal Mail charges the same tariff for mail posted to the RoI and more distant locations within Europe. Under a third of consumers in NI felt that the value for money of cross-border postal services to the RoI was poor²⁰. However, less than half the previous amount of consumers felt that price of postage to other European countries represented poor value for money.



“ It makes sense that you can send a delivery 100 miles down the road at rates comparable with elsewhere in the UK.”

NI small business

“ It’s crazy – we share a small island and we should be able to get any letter or parcel delivered anywhere north or south within a day at a good price.”

NI customer

Awareness of alternative postal providers

4.9. The study shows that many of the issues identified by the EC and the UK Government’s non-paper on cross-border parcels (see item 2.12) have been experienced in NI. This can include consumers not being well informed about the range of delivery options available to them, or how to access the best prices. Our study has shown that in NI many are unaware of alternative postal providers to the National Postal Operator, Royal Mail.

4.10. The majority of consumers and businesses have used Royal Mail services to send mail to locations outside the UK. Other parcel providers²¹ were used much less frequently than the UK’s national postal provider. This lack of awareness may mean cross-border postal consumers are not receiving the benefits a competitive market could bring, in terms of lower costs and more innovative services.



“ What other options are there? ”

NI customer

Local workaround solutions

4.11. If consumers or businesses feel that they are not getting the standard of service or value for money that they require, they are proactive in seeking out a range of workaround solutions or trying new innovations.

4.12. A number of workaround solutions have emerged with the view to improving the cross-border postal experience. Almost a quarter of businesses and 1 in 10 consumers have used informal ‘direct injection’. This is when mail is taken across the border and posted from a post box or post office in the RoI.

“ It’s much cheaper and it gets there much quicker. If you post from the north it has to go the whole way back to the sorting office in Belfast and then sent on from there – it takes too long.”

NI customer

As cross-border e-commerce grows, consumers in NI are using a wide range of workaround delivery solutions that are more suitable to their needs; these can include using addresses of friends or relatives in the RoI for online deliveries, arranging their own collections, click and collect, and locker banks.

20 VFM based on Royal Mail’s Standard European Letter Tariff of £1.00. Correct at time of survey.

21 Other providers’ usage: Parcelforce 6%, Yodel 4%, Hermes 4%, An Post 3%, DHL 2%, DPD and Fedex 1%.



“ I am originally from Drogheda [in RoI] so I would quite often order stuff from [a RoI retail store] and get it sent to my Mam’s address so I can pick it up the next time I am visiting.”

NI consumer

Parcel delivery innovations

4.13. Parcel delivery innovation is relatively popular with some consumers both internationally and domestically. Innovations can also help operators cut costs, improve efficiency and mitigate the problems of failed first deliveries. So it is interesting to note NI business and consumers’ appetite and preference for delivery solutions for their cross-border mail items. Similar to the workaround solutions, the new innovations that seem to be most popular are the ones where the consumer can have the greatest level of personal control and those where they can collect the item themselves at a time convenient for them. This is perhaps why real-time tracking apps (74%) and collection services (80%) rated highest. The less common and perhaps newer innovations, such as locker banks (60%), drone delivery (37%) and social delivery services (39%) such as Nimer²² whilst favoured by some consumers, were the least attractive options.



“ It (the online item purchased) only cost £3 so I don’t think it is worth the time to effort to chase it up.”

NI consumer

Consumer trust and complaints

4.14 The study revealed that the majority of consumers and businesses indicated that they have not had cause to make a complaint. However those that had did not take any action because of the perceived inconvenience, hassle and on occasions the low value of the item purchased.



4.15 Also, more than half of all NI consumers and businesses do not feel well informed about their statutory rights when buying or selling outside UK markets. Many consumers and businesses simply assume that they are protected by European consumer law. However, with the UK set to leave the EU and the growing trend to shop outside domestic boundaries, this uncertainty needs to be addressed urgently to ensure all UK consumers are protected.



I assume I would have been covered by EU consumer law although I could be wrong.

NI consumer

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5. Recommendations

5.1. The EC believes the cost and efficiency of parcel delivery should not be an obstacle to cross-border e-commerce²³.

5.2. Our study explains the importance of an affordable, efficient and reliable postal service for NI businesses and consumers. This importance is reinforced with the well documented surge in online purchases²⁴, particularly as consumers and businesses explore buying and selling in markets outside the UK.

5.3. The Consumer Council has proposed the following recommendations for a range of stakeholders, which if implemented could work towards a more effective cross-border service and could provide an improved platform for significant growth in international trade through online shopping.

- **BEIS:** This study demonstrates that lessons can be learned from the challenges facing consumers in NI, which is the only part of the UK that shares a land border with another European country, and whose economy is heavily reliant on cross-border trade.

We understand that the recently agreed EC regulation on cross-border parcels will apply before and after the UK leaves the EU²⁵. However, as the UK Consumer Minister Margo James MP stated²⁶ 'we must ensure that the terms of the regulation will meet the aim set out in the BEIS original non-paper²⁷ [on cross-border parcels]'. Therefore, in keeping with the spirit of this statement, it is important that BEIS seeks to undertake a post implementation review of this regulation within the same two year timeframe agreed by the EC. This will ensure that UK regulation is fit for purpose for all consumers in today's rapidly changing online consumer market.

Furthermore, as the terms are negotiated for the UK to leave the EU Single Market, BEIS and the Consumer Council must work together, with relevant government departments to ensure cross-border parcels and related issues such as customs delays and charges, are fully considered as part of UK and Devolved Government negotiations around border solutions.

- **Ofcom:** Following the EC's agreed approach to cross-border parcel regulation, it should consider how the UK's cross-border postal services can be improved to allow consumers and companies to buy and sell products and services more easily between the UK and RoI, and across the world.
- **Ofcom and The Consumer Council:** To work together to explore solutions to improve price transparency. In particular, how best information on tariffs and service provision can be provided to businesses and consumers so they can easily compare cross-border delivery services and be confident about the service they are buying.
- **Royal Mail:** To explore how it can raise awareness around promoting the existing cross-border services and respective delivery times within NI consumers and businesses.
- **Royal Mail:** As the Universal Postal Service provider it should consider how best it can improve the cross-border postal service offering between the UK and RoI, particularly in terms of value for money and speed of delivery.
- **The Consumer Council:** Will work in partnership with interested parties to drive a campaign to improve consumer trust and awareness of businesses and consumers' rights and responsibilities when buying and selling online in markets outside the UK.

²³ https://ec.europa.eu/growth/sectors/postal-services/parcel-delivery_en.

²⁴ BIS - A Strategy for Future Retail (2013).

²⁵ Department for Exiting the EU: Legislating for the UK's withdrawal from the EU (March 2017).

²⁶ House of Commons: European Scrutiny Committee (October 2016) http://www.publications.parliament.uk/pa/cm201617/cmselect/cmeuleg/71-xiii/7104.htm#_idTextAnchor006.

²⁷ BIS - UK Non-paper Opportunities to develop cross-border parcel delivery (Jan 2016) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/495114/bis-16-103-eu-cross-border-parcel-delivery.pdf.



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