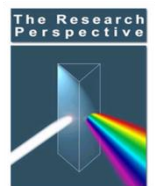


# Findings from qualitative research into the national need for communication and distribution services

Prepared by The Research Perspective Ltd  
on behalf of  
The Commission for Communications Regulation



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## 1. Executive Summary

This report was prepared by The Research Perspective Ltd for The Commission for Communications Regulation. It is based on the findings of an independent research project on the experience of and needs for postal services among residential customers, businesses, non-governmental organisations and governments bodies. The scope included both the universal postal service and the broader set of postal services (letters, packets, parcels and direct mail). The research used qualitative research techniques to capture customer experience and perspectives directly from the customers of these services with a focus on specific service experiences. Therefore, this report should be considered as a *user-driven* and *issue-oriented* evaluation of the postal services in line with EU Commission evaluation standards<sup>1</sup>. The findings of this research must also be considered within the context of the obligations on national postal service providers and regulators mandated by the EU sector specific Directives,<sup>2</sup> as well as non-sector specific legislation of the European Acquis.

### **Postal services needs and the communications mix**

Over the last ten years, there has been a significant increase in the range of communication services available and widely adopted by both residential and organisational customers. These services include email, texting and more recently social networking systems. However, while the total volume of communications is perceived as increasing, the role of letter post diminished.

In particular, the research found that the trend away from use of letter post among residential customers is continuing with an increasing proportion that do not send post except in response to a specific incoming communication. SMEs are in many cases following the same pattern of transition to predominantly electronic communication. In contrast, larger commercial organisations, government bodies and non-governmental organisations (which rely on postal services for fund raising and donor communications) continue to rely on letter post for a combination of reasons including legal, regulatory and the general openness of the general population to use online services.

The general transition to electronic communication is driven not only by availability of and ease of access to electronic communication services but also by the perceived cost advantage of electronic communications (for organisational customers), and by the transferral of key customer associations of letter post to email (reliability, proof of delivery and guarantee of eventual delivery).

### **Organisational customers and the communications mix**

The research found that postal services were considered to be important to organisations and that satisfaction levels with the services were high among organisational customers. Furthermore, there is a belief that postal services meet their needs. However, the research also found that this partially arises from a lack of engagement with and a declining dependence on postal services. This conclusion is confirmed by the finding that organisations with greater dependence (where critical aspects of their operations relied on postal services) on postal services report a lower level of satisfaction than those with less dependence.

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<sup>1</sup> "Evaluating EU Activities - a practical guide for the Commission Service" (DG BUDG, 2004)

<sup>2</sup> European Directive 97/67/EC as amended by 2002/39/EC and 2008/06/EC

However, for organisations there remain certain barriers to switching to ecommunications and key attributes of letter post which sustain usage:

- Statutory or regulatory requirements which mandate physical delivery of communications
- The lack of universal access to electronic communications which limits the ability of larger organisations or NGOs focusing on the mass market to transition to electronic communications.
- The attributes of physical delivery uniquely inherent in postal services. These strengths are associated with the control the sender has over the presentation and a perception that the physical delivery of a communication carries additional impact. The first strength derives from a combination of the technology limitations of alternative communication services (incompatibilities between email readers, blocking of rich email content and display size limitations associated with mobile devices) and the physical characteristics of postal delivery. In the case of the technology limitations, these cannot be assumed to last indefinitely but should sustain for five or more years.

In the area of packet/parcel postal services, smaller organisations rate the current service provided by An Post as not customer friendly. The barriers to use of parcel post are often related to a lack of awareness of current services which in turn reflects disengagement and the move away from use of postal services in general. However, there are also specific issues associated with An Post's current parcel service offering which requires items to be deposited at a post office during opening hours, or requires preregistering and pre-booking of collection. While these issues do not act as a direct barrier to use, they do impact on the experience and act as a disincentive to increased use.

The use of addressed direct mail and unaddressed mail remains important for larger organisations and NGOs engaged in fund raising. Smaller businesses are less likely to use these communication services within the current cost sensitive environment and prefer electronic alternatives where possible. In general, the continued reliance on direct mail and unaddressed mail is driven by perceived cost effectiveness over electronic direct mail (although this advantage is perceived as declining) and barriers to transitioning to email-based direct mail related to data protection legislation as applied to mailing lists.

For NGOs engaged in fund raising, both direct mail and unaddressed mail retain superior attributes associated with the physical delivery as outlined above. The research found that while there will be a continued dependence on direct mail and unaddressed mail by its current customers, it is perceived as cumbersome to use due to the perceived complexity of process and long lead time from initial order to delivery. For unaddressed mail, the tendency among receivers to classify it pejoratively as "junk mail" also impacts on its effectiveness and reduces the cost advantages it offers over addressed direct mail.

Finally, SMEs and to a lesser degree NGOs are sceptical of the potential improvement in services likely to occur due to increased competition. This is based on their current awareness of and use of competitors to An Post for parcel and Direct mail services. The perception of these organisations is that the larger service providers are not interested in servicing small organisations and competition is more limited than first appears as only a small number of service providers provide specialist

services often required by these organisations (such as delivery of products requiring special handling).

### ***Residential customers and the communications mix***

As with organisational customers, the research found that satisfaction levels with postal services were high among residential customers but that this reflected a lack of engagement with declining use of postal services and in particular use of out-going postal services. However for the minority of residential customers who send post, letter postal services retain strengths over electronic alternatives: control over presentation and in particular greater impact. These strengths will make letter post an attractive added-value communications channel for the foreseeable future.

Reflecting the overall decline in use, the main focus of interest in postal service use is now the delivery of parcels. However, some issues emerged with the delivery of parcels in urban areas: This service was considered less satisfactory due to difficulties associated with collection of the parcel from collection points which are perceived as hard to reach with inconvenient opening hours. The minority of residential customers interested in sending parcels perceive the same barriers as smaller business: the lack of dedicated service area for postal services in post offices is highlighted as a general barrier to increased use.

### **The universal service: Assessment of provision and needs**

A key component of the current regulatory framework as mandated by the EU Postal Directives is the provision of a universal postal service which guarantees a minimum guaranteed service accessible by all entities. Key aspects such as the delivery to every address and the reliability of that deliver (typically at the same time of day) were deemed to be very important to both residential and organisational customers and for letter post deemed to be provided to a good standard. In contrast, issues related to the delivery of parcels, access to the parcel service and the general availability of stamps (issues already highlighted in this summary) are not highly rated by participants in the research.

More generally as a consequence of changes in the make-up of the post using population, the research found that some attributes of the current universal service primarily addresses the requirements of larger commercial organisations and government bodies with an organisational need or legal requirement to communicate with the entire population as well as NGOs engaged in fund raising. The residential and SME customers in particular have less exacting requirements than currently specified in the universal service. Nevertheless, it may still be reasonable to retain the current definition of the universal service from the perspective of the general interests of society.

### **The future of postal services – opportunities for postal service providers**

The transition to electronic communication has progressed to the point for a majority of customers that the burden of proof is now being placed on the postal service providers to demonstrate their continued relevance. To win an increased proportion of both their residential and organisational customer's communications mix will require changes to the way postal services are provided.

### ***Opportunities to increase use of existing postal services***

To unlock opportunities to increase volume, postal service providers must make it easier for both residential customers and more significantly organisations to access the services. Measures such as improved availability of stamps through vending machines dispensing single stamps, or pre-franked postcards and envelopes would remove current barriers experienced by residential customers. For small business and NGOs, usage could also be encouraged by improving awareness of currently available services and by making it easier to access postal services including improved support for payment either at point of collection or through online services. Across both residential and organisations with lower or occasional use of postal services, the introduction of dedicated postal service counters within post offices will encourage greater use.

The area of parcel post is unique among postal services in that it is not substitutable by electronic communication and therefore provides the area with the greatest opportunity for growth. Accessing this potential will require significant innovation in the delivery of parcels to overcome current deficiencies which discourage residential customers from using the service. Specifically, this will require an expansion of the network of locations where undelivered parcels can be collected and improved opening hours. Addressing these issues for residential customers will also unlock the potential of e-commerce to increase volume from both smaller and larger organisations.

For SMEs and NGOs, postal service providers could also encourage increased usage with innovative business models which are based on banded usage while protecting themselves with *fair usage* conditions. The current unit based pricing structure dissuades smaller organisations from increasing the amount of post they send. Fixed or banded pricing models are common with other communications providers and even among some niche postal service providers. While there are clearly additional challenges for postal service providers wishing to adopt this model related to their own unit related cost, innovative models would remove the current disincentives associated with metered usage.

In contrast to general communications sent by letter post, the premium characteristics of postal services will sustain the important role of direct mail among organisations requiring such a service for the foreseeable future. However, electronic alternatives are attractive to organisations and postal service providers can encourage additional use of direct mail if improved tools are provided to integrate electronic and physical direct mail campaigns.

### ***Innovation: New technology and postal services***

This research found that mail service innovations such as digital mailbox or hybrid mail are unlikely to be widely adopted in Ireland among residential or organisational customers. Instead the opportunity for innovation among postal service providers is for services which make it easier for organisations to use postal services from both operational and financial perspectives or which allow organisations to manage the increasingly complex set of communication services used by integrating tracking of communications across post and other services. This will support organisations which wish to use mixes of postal and non-postal communication plans but struggle to manage the mix efficiently.

***Long term opportunities for postal service and service providers***

This research highlighted the regulatory and legislative supports which underpin the use of letter post for organisations. The removal of these legislative and regulatory restrictions would lead to a rapid transition to electronic communications by most currently constrained organisations. However, such legal and regulatory changes would be significant and far reaching and it is not possible to predict when it might occur. However, the implications of such a change might involve the use of hybrid mail to print electronic communications for physical delivery of the minority of customers not accessible electronically.



## 2. Introduction

This report was prepared by The Research Perspective Ltd for ComReg (the Commission for Communications Regulation) and contains the findings of an independent research project into four issues:

1. The national need for communication and distribution services in the context of the broader communications mix
2. The extent to which these needs are currently being met by the postal sector,
3. The opportunities for postal service providers to better meet these needs by offering new innovative products and services, and
4. The extent to which “Universal Service” is important.

The research used focus groups and in-depth interviews, qualitative research techniques well-established within the market research industry, conducted by principal researchers. The selection of participants in the research ensured that a fully representative range of customer profiles, opinions and experiences was included within the research.

As outputs from qualitative research, the focus of the findings is on the in-depth appraisal of the topics under analysis. Points are supported by evidence from the research itself: In some cases, quotations are used to illustrate the points made. In other cases, graphs are used to capture the spread of opinion among participants in the research. It should be stressed that these graphs do not present quantitative summaries derived from large surveys which can be tested for statistical significance. Instead, graphs should be interpreted as *indicative* of the distribution of opinions in the general population.

### Research Background

This report is based on independent qualitative research conducted during September 2010. The research was undertaken by The Research Perspective Ltd, an Irish based market and customer research company. The qualitative research techniques used were:

- Focus groups conducted by the principal researchers to gather input from residential customers, small to medium enterprises and non government organisations.
- In-depth telephone interviews, conducted by the principal researchers, with representatives of larger commercial organisations and government bodies.

The residential customers were selected to be representative of a wide range of demographic, geographic and usage (of the spectrum of communication services, not just post profiles).

The business, non-government and government participants were selected to be representative across size of organisation, customer base, sector and geographic profile as well as use of postal services. All of the participants from organisations were selected for their direct knowledge of and involvement with decisions relating to the use of postal services.

## Related research

The Commission for Communications Regulation has previously conducted research into experience of postal service as part of a tracking survey conducted by MillwardBrown Lansdowne. The latest published iteration of this research is from December 2009. This provides quantification of many aspects of use and experience of postal services for both residential and organisational customer sectors. The research presented in this report complements that quantitative research by taking an in-depth approach into the specific identified issues related to experience and use of postal services and the communications mix.

## Glossary of terms

The research focused two distinct populations of customers: customers receiving or sending post for their own personal purposes and representatives of businesses, non-government organisations (such as development charities, support groups and fund raising groups), government agencies and departments. The customers will be referred to as **residential customers** and organisational customers will be referred to **organisational customers**. The term **customer** is used to encompass both residential customers and organisational customers.

Organisational customers are divided in **NGO** (non-government organisations), **SME** (small to medium enterprises), **large commercial organisations** (larger enterprises), **public bodies** (including government departments, local authorities and government agencies). It is notable that large commercial organisations and public bodies typically separate interaction with the postal services from decisions to use post with centralised mail rooms or bulk mail providers.

The term **postal services** is used to include the full range of services: letter post, packet and parcel post as well as direct mail or bulk mail services. In particular, it is not limited to those elements currently defined by the term “universal service”. Therefore the term **postal service provider** includes any organisation which provides any of these services and therefore includes providers commonly referred to as courier or express operators.

The term “universal service” is used to refer to the set of services and qualities of service provided in the public interest and currently regulated by ComReg. As the European Court of Justice has observed, the concept excludes certain options such as to negotiate individual contracts and collection of mail from the sender’s premises. Universal Service in the 2002 regulations is<sup>3</sup> defined to mean ‘Users at all points in the State shall enjoy the right to a universal service (“universal service”) involving the permanent provision of a postal service of a specified quality and, subject to Regulation 9(1), at affordable prices for all users.’ This is defined to mean that a minimum there should be:

- One collection from appropriate access points and one delivery to all addresses
- Every working day (at a minimum 5 days a week) in respect of postal items
- up to 2 kg and postal packages up to 20 kg;
- Services for registered items and
- Services for insured items.

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<sup>3</sup> Statutory Instrument 616 of 2002 – European Communities (Postal Services) Regulations 2002

The four research issues set out above are considered in the context of the broader **communications mix**. The communications mix is defined to mean the set of **communication services** (such as voice telephony, texting, email, broadcasting, newspapers and periodical advertising, “unaddressed mail” as well as postal services) which can be chosen by customers. The analysis of the communications mix is limited to categories of communication which can use these communications services (and therefore does not include the delivery of physical goods which must rely on postal services).

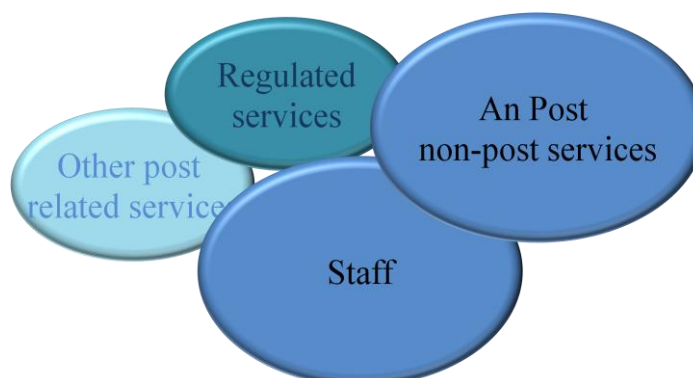
The term **direct mail** is used to describe any mass mailing by organizational customers. In the Irish statutory context, direct mail is defined <sup>4</sup>to be “a communication consisting solely of advertising, marketing or publicity material and comprising an identical message, except for the addressee’s name, address and identifying number as well as other modifications which do not alter the nature of the message”. In a statutory context, direct mail must be **addressed** (customised with the name of the recipient on the envelope and often delivered in the envelope). It should be distinguished from “**unaddressed mail**” (uncustomised and typically delivered without an envelope), which is often referred to as **junk mail** by residential customers. Junk mail is sometimes also applied to unwanted direct mail.

The term **distance selling** is used to describe any commercial activity where the customer places the order remotely and the delivery of physical goods is required. It should be noted that residential customers were not familiar with the term distance selling. However, they did not typically associate the alternative term *mail order* with online purchasing and hence distance selling will be used as a more generic term.

## The relationship between An Post and postal services

It should be noted that both residential and organizational customers of postal services showed a tendency to use the term postal services and An Post almost interchangeably. This has two consequences:

First, customers associate all services provided by An Post as part of their definition of postal services as is represented in Figure 1. Almost 50% of residential customer participants in this research included non-postal services (such as Television licenses and bill payment) by An Post when asked to describe the **postal** services they use.



**Figure 1: The consumer's definition of postal services. Prominence of colour and order of discs reflects increased visibility of those components of service**

<sup>4</sup> Statutory Instrument 616 of 2002 – European Communities (Postal Services) Regulations 2002

As residential and SMEs customers are central to the definition of the universal service requirement, the confusion has significant implications on any customer driven specification of such universal service.

Second, customers typically do not consider **non**-An Post provided postal services (such as parcel deliveries provided by courier and express operators) as postal services. This reflects An Post's current long established role as monopoly provider of the standard letter service and hence its close association in the public mind with the general concept of postal services.

The impact of this issue was addressed in the research through explicitly specifying the services included within the definition of postal services in some cases and accepting the association in other cases on the basis of what is most appropriate to the specific research issue.

## The Evaluation Challenge

This research sought to identify current needs for postal services in general and the universal service in particular as well as potential opportunities for increasing the level of usage across all types of postal service and for individual categories (such as parcel post).

A prerequisite of any customer driven evaluation (including this research) is to engage with the customers in such a way as to support their own analysis of uses and needs associated with the service under investigation. Engagement in the case of the postal services is made more complex by a number of factors. These factors not only made this research more challenging but also act a general barrier to assessment of postal services.

The factors identified were:

- 1. There is no direct comparator set upon which to base assessment or even to determine what the basis for assessment should be:** In most cases, residential customer has no direct experience of other postal service providers. (For organisational customers, this is true for letter post only and less of an issue once the broader concept of postal service provider is understood.) This is typical of any pre-competitive market where the well established incumbent becomes synonymous with the service provided. In this situation, all aspects of the incumbents business are considered to be part of the service (in the case of An Post, ancillary businesses such as TV licenses sales can be included in the definition of post) and the incumbent is assumed to be self-regulating.
- 2. Customers struggle in comparisons between postal services and other types of service:** When asked to rate An Post against telephone and internet providers, residential and organisational participants struggled to make any comparison. This is because the nature of postal services makes it distinct from the competing communications services: The service does not provide any feedback to the sender. Service failure with other communication services (for example telephone) is immediately apparent. This lack of visibility of postal service failure (causing for example delays in delivery) makes assessment of instances of service prone to subjectivity.

*"The others are 24 hour service ... once [the post] arrives it is okay. If it didn't arrive for 3 days you would probably phone them up"* – Residential consumer

*"There is an underlying assumption and expectancy [with An Post] but you can't see it"* – SME consumer

3. **The assessment is based on a subset of the full scope of postal services:** Among SMEs, large commercial organisations and NGOs, there is a lack of awareness of the range of services available from the universal service provider. This confirms the findings of previous research commissioned by ComReg which showed that approximately three quarters of all businesses were not aware of bulk mail service provided by An Post. During this research, SME customers and NGOs exhibited a lack of knowledge of aspects of core services such as parcel post. This lack of awareness, means that when asked to assess postal services, SMEs, large commercial organisations and NGOs tended to focus on the services they use and overlook services they no longer use An Post for. For example, the parcel and direct mail are assessed only if the organisation still uses An Post for these services.

*“Do you know if they still collect [parcels] from offices?” “Didn’t they close SDS?”*

– Comments from business managers discussing the postal services provided

4. **Limited public debate on postal service provision and performance:** This means that most residential customers and many organisational customers have not considered the topic. This is in contrast to utilities such as electricity or natural gas supply which were subjects of scrutiny prior to deregulation.

The impact of these factors is that discussion of postal services must be carefully framed to avoid unbalanced discussion. In the context of universal service provision, initial discussions tended not to be objective assessments of actual service needs and instead focused on the subset of needs currently serviced (i.e. Letter post but not parcel or direct mail) or perceptions of “other people’s” requirements (e.g. the perceived needs of elderly customers).

### 3. Background to understanding the role of post and the communications mix

In 2009, overall core volume of post showed a 10% decline compared to 2008 volumes. However, there had been a sustained increase in volumes prior to 2009 and 2009 core volume still stood at 98% of 2004 levels<sup>5</sup>. Nevertheless, the decline in the proportion of residential customers who send post is clear and can be seen from the 2009 Millward Brown Lansdowne survey which found that 32% of households reported sending 3 or less items per month – an increase of 6% from 26% reported in 2008. This research confirmed the decline among residential customers and found that a similar decline is also occurring in some categories of organisational use of postal services and is particularly notable in the SME sector.

The research set out to understand the roles of the different communications services within the communications mix available to organisations and consumers. This provides the context understanding how residential and organisational customers determine which service is appropriate for a particular type of communication. It also provides a basis for identifying the needs of postal users and the current strengths of postal services and hence identifying the likely future role for postal services.

#### The expanding communications mix

Before exploring these roles, it is useful to reflect on the significant changes in the communications mix over the last ten years which both residential and organisational participants in the research highlighted:

- There has been an increase in the choice of service to use for communication and these channels have increased the experience and expectation of real-time communication.
- There is a perceived reduction in the cost of communication (email is perceived as free, texting and phone is perceived as becoming increasingly cheap).

*“10 years ago, it was 90% fax and post, 10% would now be post and the fax is pretty much gone” - Government agency*

These changes have driven a perception that the overall volume of communications has increased in general. The changes have also resulted in organisations supporting use of multiple services in parallel. For example, letters with follow-up emails or telephone calls, telephone calls with text-based confirmation messages, campaigns can be split between email and letters.

*“There will be different needs [for parallel use of multiple communication mechanisms] for an awful long time” – Service provider with national customer base*

Therefore, the increased communication mix does not mean that postal services will inevitably decline. Among organisations, existing infrastructure for post (and direct mail) in IT systems and business processes is a significant inhibitor of further decline because the additional investment

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<sup>5</sup> An Post 2009 Annual Report: Core revenue index takes into account changes in letters core revenue and excludes revenue from elections, referenda, foreign administrations in each year as well as the impact of changes to published tariffs

required to modify or replace them cannot easily be justified by the scale of potential cost savings. Among all customers, postal services may retain unique attributes which will support on-going usage of the services. Finally, the volume of usage may be increased if barriers to usage can be identified and removed.

## Methodology used to research the communications mix

The set of communication services<sup>6</sup> considered were: Post, Voice (mobile or fixed line voice telephone), texting, email, Skype and Social Networking websites. The last two services were included within the mix although most participants reported that they are not yet systematically used for mainstream communication.

*“We have a group who are trying to work out how we can use Facebook and blogs but it will a long time” – International charity discussing fund raising*

In the research, participants characterised each of the communication services with the attributes that they associated with it. The attributes themselves were also identified by the participants. For instance, the attribute of tracking can be associated with email or post.

The association between the communication channels and attributes defines the communication services that will be selected for different types of communication. For instance, if tracking is required, email or post must be selected.

This direct assessment of the attributes of different channels in communication also identified strengths and drawbacks associated with each channel by asking questions such as *“What would you use texting for? ... “What is texting good for/not good for?”*

Finally, to explore use of communication services within the parameters of a realistic context, the participants were asked to describe which channels they would use in a realistic scenario. For example, residential customers were asked about which the communication services they would use to keep in touch with a relative in another part of the country or for lodging a complaint or communicating with a bank. The outputs from this exploration was used to validate and enrich the conclusions from the direct assessment described in the previous paragraph.

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<sup>6</sup> Newspaper, TV and Radio advertising were also presented to participants for consideration within the communications mix. However, they were seen as distinct from the other communication services and not comparable.

## 4. The organisational communications mix

Using the methodology outlined in the previous section, the participants in the research associated the communication services with attributes as is shown in the figure below.

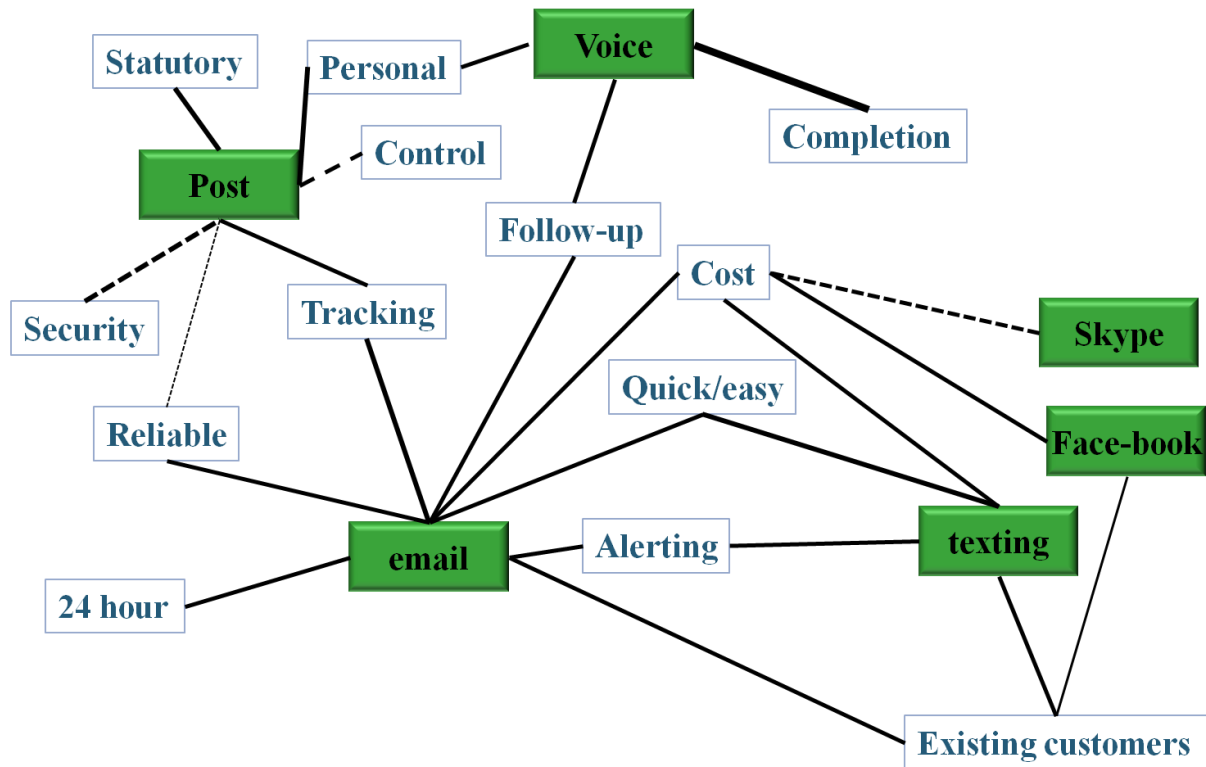


Figure 2: Relationship map showing relationships between individual communication service and attributes of communication services

In Figure 2, the thickness of the line represents the strength of the relationship between the service and the attribute. Dotted lines correspond to relationships which are limited to specific types of communication. The attributes shown are described in the table below:

Attribute	Description
Statutory	Legal requirements compel use of specific communication services (postal services). This attribute over-rides any other attribute where it applies. It can represent the need to have evidential proof of delivery or the requirement to make <i>all reasonable efforts</i> to communicate.
Personal	Associate characteristics typical of personal communications and typically lacking from mass communication such as effort and care put into the communication (this is distinct from personalisation which customises generic communication to give an appearance of a personal communication)
Control	Ability to retain control over the receiver’s experience including physical appearance, packaging and overall presentation of communication



Attribute	Description
Security	Guarantee of tamper-proof delivery
Reliable	Guarantee that communication will reach intended recipient
Tracking	Evidence of delivery and ability to determine when delivery has occurred or where failure has occurred
24 hour	Access to and acceptability of communication service 24 hours a day. This is focused on the sending of the communication. For instance, voice is a 24 hour communication service but not deemed acceptable for use outside of regular business hours
Follow-up	Following up a previous communication (which was typically sent using another communications service) in order to remind or reinforce the communications
Alerting	Communication with strong time critical aspects and typically limited content
Quick/easy	Quick and easy to initiate the communication due to availability of service or ease of use of the service
Cost	Low perceived cost per unit of communication. (It should be noted that the participants' evaluation of cost associated with electronic communications did not include capital costs. This reflects the lack of linkage between the cost and the level of usage and the use of the equipment for other purposes apart from external communication.)
Completion	Ability to complete a transaction with the other party during the communication
Existing customers	Service deemed effective for communication with existing customer connections

Figure 2 provided a generalised view of the relationship between services and attributes across all organisations. However, the research found a low level of variation in the map across the different types of organisations. This is distinct from the variations in actual use of services for specific tasks which reflect variations in relevance of different attributes to individual organisations making communication choices.

For example, charities prioritise the *personal* attribute highly for fund raising and donor communications. Therefore, charities will rely on postal communications for these tasks<sup>7</sup>. In the case of regulated industries such as insurance or public bodies undertaking activities governed by acts of the Oireachtas or European directives, the *statutory* attribute requires the use of postal services for specific tasks.

<sup>7</sup> The reasons for this prioritisation are explored later in this section

## Views, trends and drivers for changes in organisations use of communication services

In order to understand how the association of attributes of communications services impacts on organisation's actual choice of communication services, it is necessary to incorporate an understanding of the different areas of potential use of communications within organisations:

1. **Intra-office communication:** communication between staff within the business or organisation – typically between locations within a geographically dispersed organisation.
2. **Back-office communication:** typically exchange of invoices/payment, order information and contracts between suppliers and clients.
3. **Order fulfilment:** Delivery of goods – In the case of regulated industries or government, the goods can be paper documentation (for instance car tax or insurance certificates). More typically, this is focused on the delivery of physical goods which requires the use of a parcel or packet service.
4. **Mass customer communication (*Direct Mail or "unaddressed mail"*):** This can range from very targeted campaigns to broad communications. At the broader end, this category can also include newspaper, TV and radio advertising
5. **Transactional customer communication:** Letters to individual customers which are not part of an overall marketing campaign and are typically related to a specific transaction (such as a confirmation of an order, but also transactions such as returns or complaints and also including back-office communications).

However, the relative levels of use of the different types of communication service in each area varies greatly by size of organisation, type of organisation (commercial, NGO or government department), customer base, the market addressed and external constraints on use of other communications channels.

### **Intra-office communication**

This is defined to be communication between staff within the business or organisation – potentially between locations within the organisation. Clearly, this category of communication is only relevant when the organisation is geographically distributed or of sufficient scale to require it. This is the area where the transferral to electronic communication is becoming universal and complete with email becoming the dominant service.

### **Back-office communication**

This is typically exchange of invoices/payment, order information and communications relating to commercial transactions. The transition of payments to electronic funds transfer has particular impact on the overall volume of post in the back-office and shows up in the declining volume of cheques prior to the 2016 withdrawal of cheque clearing.<sup>8</sup>

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<sup>8</sup> Source: Irish Payment Services Organisation Ltd

However, participants also identified a more general transition to electronic communication for these back-office functions. This transition was present in both commercial, NGOs and public bodies dealing with non-government bodies. The transition for day to day communications towards email is from phone as well as post and has particularly impacted on the use of fax

Within government the transition has occurred within organisational boundaries, but has not happened to the same degree for inter-organisational communication. This is due to real or perceived statutory constraints requiring postal communication to be used between separate organisations. In some cases, this is to ensure compliance with a requirement to use *all reasonable efforts*. For government, this results in increasing duplication of communication and potentially increased cost as post is used for statutory reasons in parallel to email which is deemed to be more efficient.

*"We actually got a fax today but there was no paper in the machine and I don't know when it was last used" – NGO manager*

*"I only sign a few letters a day now" – MD of government agency*

### Order fulfillment (Delivery of goods)

Organisations will continue to rely on postal services for order fulfillment in many instances because the actual item is a physical product. In the case of regulated industries or government, the paper documentation must be physically delivered for contractual reasons or to avoid forgery (for instance with car tax or insurance certificates) and hence requires the use of the letter postal service. A switch to electronic delivery in these cases would be feasible but would require changes to legal or regulatory frameworks.

Order fulfillment where the goods requested must use postal services is relevant only to businesses and is typically of greatest concern to smaller businesses as larger ones will have developed their own distribution infrastructure or use postal services in a predictable and negotiated manner. This type of usage is growing with the growth in ecommerce.

*"They wrote me a letter telling me that they weren't going to collect parcels anymore" – SME office manager*

*"If you compare it to [COURIER COMPANY NAME], he comes to the office everyday at the same time" – SME owner*

Among these SME businesses, customers perceived that An Post's service had deteriorated both in comparison with courier and express operators providing parcel service and in comparison with previously provided services (such as the discontinued Special Delivery Service).

More generally, businesses highlighted two barriers to greater use of postal services for order fulfillment:

- The availability of the service for their product category from An Post or alternative service providers
- Access to the available service for smaller businesses with irregular requirements

*"The clothes have to be hung in a special box – you give it to An Post and then you see it under all the other boxes" – Clothes distribution business*

*"There are only two companies that can take a box of wine" - SME owner*

**Availability of appropriate parcel services:** While organisational customers recognised that there is an apparent high level of competition as measured by the number of parcel service providers, they

perceived a lack of competition for many categories of product. This is because many classes of products have specialist packaging requirements which are met by only a few service providers. The concern about the provision of specialist packaging is part of a more general concern about the ability of the service providers to deliver the goods intact. This leads to the conclusion that there is limited effective competition for their organisations' needs.

The impact of this deficiency is clear: reduced distance selling, increased distribution costs for businesses forced to provide their own logistics and a reduction in business' ability to scale.

**Access to the service:** For smaller organisations, the ability to have all postal items collected from their premises either regularly or on an ad-hoc basis is perceived as an essential feature of the service they need. An Post's current offering which requires items to be deposited at a post office during opening hours, or requires preregistering and pre-booking, is clearly an inhibitor to the use of its services. As noted above, these facilities are outside the scope of the universal service and therefore there is no inhibition to the provision of this service, as is the case.

Finally, it should be noted that a significant enabler or barrier to the use of parcel post by businesses is the acceptability of the delivery service among their customers. This issue is explored in detail in the subsequent section on residential customers.

### **Mass customer communication (Direct Mail and "unaddressed mail")**

Mass customer communications includes both addressed (customised with the name of the recipient on the envelope and delivered in the envelope) and unaddressed communications (usually uncustomised, except by geographical location). Use of direct mail among research participants was found to range from very targeted campaigns (for instance high quality invitations sent to less than 100 senior managers) to mass communications (direct mail to over 100,000 addresses as part of a fund raising campaign). Among NGOs engaged in fund raising, direct mail remains the primary communications channel and will be dealt with in more detail in the next section.

The role of mass media communication services such as newspaper, radio and TV advertising were considered within the context of mass customer communication. With their ability to focus on mass consumer markets, these services are relevant to organisations which target broad residential customer bases. This includes some government organisations, larger commercial organisations, NGOs with a broad donor base and some SMEs. Among these organisations, mass media communication services are in most cases complementary to and often supported by addressed direct mail and unaddressed mail campaigns. The exceptions are newspaper inserts which are considered to act as a second distribution channel for unaddressed mail. This last mode is particularly adopted by major retailers and NGOs for emergency appeals and for Christmas gift catalogues. Selection of mass media communications instead of direct mail (and vice versa) does occur and is driven by the profile of the target audience, the level of information required to be delivered in the communication and the type of call to action involved.

*"We have noticed that over the last 10 years, the response has done this [declined] – we are reassessing how we can go forward with direct mail. Maybe we will just go for a targeted group or community fund raising rather than direct mail" – NGO fund raising manager*

The general perception across all organisations which used direct mail (businesses, public bodies and NGOs) was that its effectiveness has declined. This effectiveness reflects residential customer dislike for what can be classified as junk mail and hence the lowered level of engagement with the mail once received. However, direct mail remains commonly used for out-reach to mass markets because it is deemed to remain more effective than equivalent email campaigns.

For reasons of cost, it has become less attractive to SME's who are often focused on niche markets and have stronger emphasis on total cost in the current economic climate. To replace direct mail, SMEs are making the transition to email campaigns and in some cases use social media to achieve the goals traditionally associated with direct mail. This is particularly marked where the organisation has established opt-in customer base where texts and emails can be used for offers and reminders in parallel to occasional physical mail

Among larger commercial organisations and government agencies with business or consumer centric agendas, the assessment of effectiveness varied greatly by industry and customer type. For example, participants reported that direct mail has a greater differential in effectiveness over email for a public sector audience than is the case for a private sector audience.

For organisations which have focused on electronic direct mail, a primary benefit reported was an enhanced ability to track online campaigns which made them more attractive and easier to justify financially than physical direct mail campaigns. One government agency reported that over 25% of its direct mail budget was now being spent on online direct mail. However, the approach taken is not necessarily to exclude physical direct mail with combinations of communications services reported by this agency. For instance, a newspaper campaign maybe followed up by an email campaign.

*“People just don't respond to an email in the same way – it is too easy to skip over. And there are lots of discussion about what we can and cannot use an email address for” – International financial services business*

Even within organisations primarily transitioning to electronic direct mail, physical direct mail remains used for very targeted campaigns in business to business communications where the target is a senior manager. For this audience, the physical direct mail has greater impact and the senior manager is more likely to receive the communication directly as emails may be vetted by an assistant. The greater impact of physical mail is explored in greater detail in a later section.

For organisations which have not focused on electronic direct mail, a primary barrier was a concern around the data protection issues associated with email-based direct mail as rules require opt-in on a regular basis. These opt-in rules become particularly onerous when dealing with the large customer bases of financial service or utility businesses. In contrast, the opt-out rules for mail are better understood, longer established and less onerous.

### **NGOs and direct mail**

NGOs engaged in fund raising from large donor bases differ from many other organisations in that they regard physical direct mail as the only effective communications service available. This reflects two unique properties of physical mail as perceived by these NGOs:

- **Respect:** Communication of respect through the additional effort of producing and delivering a physical mail item
- **Impact:** The physical postal item can be considered at leisure outside of the pressure of other communications

*“Our donors tend to be single females between 30 and 65 and they are less willing to use electronic communication for this – although they may be online”*

*“It is not something we are sticking with because of an ethos; it is the most effective way to raise funds”*

There is a demographic dimension to this preference for physical communication as the NGOs believed that the demography they target is less likely to adopt electronic communication for this purpose. However, the continued strength of direct mail is not considered to be a fundamentally demographic effect. Instead it reflects the nature of the transaction. Research carried out by NGOs which participated in this research found that even among younger donors, there is a need for physical post (even as part of a larger electronic communications requirement). This reflects a need to get some physical item in response to their donation.

This reluctance among the donor base to transition to electronic direct mail is reinforced by reluctance among the NGOs to engage with the issue of online service in the way other commercial or government organisations have done so. The basis for this reluctance is three-fold:

- A significant proportion of donations are sent in the post as cash. NGOs are unwilling to refuse to accept or even dissuade donors using postal services for this purpose. However it should be noted that according to An Post’s terms & conditions, money should always be sent by Registered Post.

*“We don’t make them more aware of the costs of sending them ‘thank you’s in the post because we would have to justify our administration costs– it is a huge can of worms and better to avoid the topic”*

- A benefit of transitioning to electronic payments for many businesses is that payment is received more quickly. However, NGOs are less cash flow driven than commercial businesses and are less interested in transitioning to electronic payment in order to receive payment a few days earlier if it risks the level of donations by discouraging cash or cheque payment.
- NGOs are reluctant to engage donors on the transition to electronic communication as it would result in a focus on the administration costs which are a sensitive issue for donors.

## Assessment of direct mail and unaddressed mail

There are two core issues with addressed direct mail which were also relevant for unaddressed mail:

- There is a circular relationship between current level of use, the current cost and the return on investment which dictates its use; the overall effectiveness of direct mail is measured in terms of return of investment; the current usage and evaluation of future usage is driven by this overall effectiveness. The effectiveness is driven by the overall cost and the fulfilment and delivery of direct mail is clearly an important component of this.
- The degree of control the organisation has over the timing of the delivery.

Decisions to use addressed direct mail over unaddressed mail must balance the unit price benefit of unaddressed versus the greater response rate associated with addressed mail (due in part to the association by residential customers of unaddressed mail with junk mail which has a low level of acceptance). In most cases, the nature of the communication, the existence of suitable databases for targeting, and the potential financial return will determine whether addressed direct mail or unaddressed mail is used in a particular instance.

However, customers of both addressed direct mail and unaddressed mail services found the service provided cumbersome due to complexity of process and a long lead time between the order and the delivery. In the case of unaddressed mail, the experience was similar whether An Post or other service providers were used.

This long lead time was a particular issue for NGOs which used either addressed direct mail or unaddressed mail campaigns in response to emergencies and natural disasters. These organisations believed that physical mail of either type becomes much less effective for this type of campaign due to the lead time. In contrast, they highlighted the effectiveness of text-based donation campaigns in other jurisdictions. However, participants believed that they were restricted from using texts due to limits on the amount that can be collected from a single text.

## Transactional customer communication

These are unique customer communications and include letters to an individual customer typically in response to a specific event. These are a particular area of focus for larger organisations as they are operationally expensive to process even if the postal service related cost is not considered.

Moreover, organisations and residential customers recognise that this a general move away from this type of communication is occurring where possible. For instance, sending confirmation letters for transactions completed in bank branches and call centres were identified as communications which are no longer sent by post.

## General trends and drivers for organisational use of post

As well as identifying the specific trends in the use of communication services across organisations, it is also possible to identify the general trends and drivers within organisations as they relate to use of postal services. In particular, this research found that the default strategy for a large majority of organisations is to transition to electronic communication wherever possible and that this strategy is driven primarily by cost and efficiency concerns. This strategy is a natural consequence of three factors:

- The increasing range and availability of electronic communication options as well as the efficiency, cost and speed of delivery benefits.
- Managers with responsibility for these decisions are likely to be entirely comfortable with electronic communications and will use them as their own default communication services.
- The current economic environment focuses organisations on cost reduction.

This trend to transition to electronic communication is counter-weighted by the following classes of general barriers:

- Lack of access to electronic communication services among their customer base. In particular, postal services remain the only universal communication service and the lack of alternative universal services (such as universal internet access and national email system) means that providers of products and services to the entire population are also forced to use postal services for some client communications.
- Legal requirements for postal delivery – either explicit or implicit within regulatory frameworks or statutes (relevant to government organisations and businesses in regulated industries)
- Cost reasons related to the need to replace existing infrastructure supporting use of postal services with infrastructure capable of supporting electronic communication.

In the case of business to business communication, postal services are sometimes regarded as not as reliable as electronic communication because the post will be delivered to the post room and potentially delayed or mislaid.

Two exceptions to this general transition away from postal services for this class of communication remain:

- If the communication is intended to be of high impact, letter post is considered to support this better than electronic or verbal communication. For instance if the communication is from a senior manager within the organisation or in response to a complaint or significant event.
- If the communication is designed with high production value, physical post remains the preferred option as the service capable of delivering that production value.

Finally, in some cases the transition will not occur because evidence exists within the organisation that electronic communication is less effective for specific identified reasons such as for fund raising among NGOs. It should be stressed that the burden of proof is now being placed on post to demonstrate its continued relevance.

## Attributes of the postal service driving changed usage

The conclusion might be unsurprising that there is a general transition away from postal services to alternative electronic communication services. However, it is worth considering why it has become possible. This can be identified from an analysis of the attributes associated with postal services which when diluted or colonised by other communication services allow the transition to those other services to occur. These core attributes of postal services are shown in the table below:



Core attribute of postal service	Commentary
<b>Security</b>	Trust that the communication will be delivered untampered with
<b>Reliability</b>	Confidence that posting was equivalent to delivery
<b>Tracking</b>	The ability to determine where a communication is and proof that it has been delivered
<b>Physical delivery of communication</b>	The delivery of a physical item with the associated impact and visual and tactile attributes

It should be noted that core attributes associated with post (reliability and tracking) are now increasingly associated with email. While, at a technical level it can be argued that email does not provide these capabilities, organisations regard email as a reliable and trackable<sup>9</sup> communication service. When combined with the other attributes associated (low cost, quick/easy and 24 hour access), the attraction of a transition to email becomes clear.

However, post retains attributes which organisational customers identified which will ensure that postal services will continue to be used in organisations:

- Its unique capability to deliver universally
- The value associated with physical delivery of a communication which make postal service a premium communications service
- The legal and contractual issues perceived as barriers to using other communication services
- An adoption ceiling for online service delivery in Ireland

### Universal delivery

Post remains the only communication service capable of universal delivery (i.e. delivery to every individual or entity in the country). Levels of internet access and the lack of alternative universal identification systems, such as national email system, precludes email from this role. Similarly, while mobile phone access has reached near universal levels, the lack of unique and sustained association between individual citizens or organisations and numbers coupled with the lack of easily accessible evidence of the communication make mobile phone voice or text communication equally unsuitable.

Furthermore, infrastructure is not considered to be available to support a transition to a mix of physical and electronic communication to achieve universal delivery as this would require integration across post and electronic services. Without support for such integration between postal

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<sup>9</sup> While issues associated with email communication such as SPAM filters blocking delivery, the reliable delivery receipts and tendency of users to skim email were recognized, they did not fundamentally change the conclusion that email is reliable and trackable.

and electronic services, the decision to switch to electronic communication is constrained indefinitely

### The value of physical delivery as a premium communications service

There are characteristics of physical delivery which retain value for organisational customers when dealing with customer communication (shown in the table below). This value is focused on the ability of the physical delivery to differentiate the communication and be perceived as the best service for high value communication.

Aspect	Commentary
<b>Respect</b>	The use of post denotes additional effort reflecting respect and significance of communication
<b>Impact</b>	Trust that the communication will be delivered untampered with
<b>Controlability</b>	The sender has complete control over the visual and tactile form of the communication

*“I would send it out as a letter if it was signed by [CEO] – although we are starting to use email, it is more credible if it comes as a letter”*

*“We have done research into this and it isn’t generational: Our donors still expect to get at least one letter a year saying thank you”*

*“Opening rates are low enough for direct mail, they are even lower for email”*

*“When you are reaching out personally, you need a physical letter”*

*“If we send them a pack they will spend more time going through it – it is too easy to flick past an email”*

*“With email you can’t control how they will see it. With a printed brochure, you control every aspect”*

Physical post retains an association with respect for the recipient and hence increases the likelihood of engagement with the contents of the letter by the other party. This respect can be demonstrated through the physical format of the communication (for instance an expensively printed invitation card) or through demonstration of effort taken by a sender in signing or annotating the communication. The availability of alternative communication services has not undermined this attribute and in some cases has enhanced it by providing contrast.

Physical mail also retains a greater level of impact than other communication services such as email. This is related to the context within which post is interacted with when compared to email, or text: Email is embedded within the email reader and easily flicked past and information missed. Text is constrained by the limits of the handsets. In contrast, physical post when engaged with may elicit more attention. However, it should be recognised that this may partially reflect the lower volume of post when compared to email.

The final dimension is controllability over the format of the communication that is delivered to the recipient. With electronic communications, the actual format of the delivered item is not under the control of the sender as it is

*“They still like to hold a brochure – e-brochures look lovely but sometimes you want something in your hands” - government agency*

dependent on the type of email reader<sup>10</sup> and interaction with anti-spam and anti-virus software. In contrast, with a physical item every aspect of the delivered item is controlled and will be received in the same form and format as designed. For high value communication, this makes physical mail an attractive alternative.

## Legal and contractual issues

The purpose of this research is to identify issues related to use of communication services as perceived by participants. In particular in the area of legal issues which may restrict use of services other than postal services, the research *reports* these perceptions but does not attempt to *validate* these concerns in the context of current legislation. This approach is consistent with the aims of the research to determine the supports and opportunities for usage of postal services.

The physical delivery remains the usual standard of evidence that other parties have been informed of legal or contractual issues. Both government and commercial organisations interpret legislation and regulations requiring that “*all reasonable efforts*” are made to communicate as a requirement to use physical post.

*“We send out the circulars to [...] by email but we post them as well so that nobody can say they didn’t get the email” - government department*

For organisations which must potentially communicate with the entire population, this barrier to using other communication services requires more than legislative changes to include email as a universal and uniquely associable and accessible electronic delivery system (for instance a national email system).

Documentation with original signatures is still required and hence signed contracts must be physically exchanged. Legal documents such as car tax or car insurance certificates must be specially printed and physically delivered. This leads to post being used as the primary delivery service and email or other services used as information or negotiation channels for interim communication or reminders

*“There is an increasing acceptance that much negotiation can be done electronically but the signed contract still has to go in the post” – government department*

However, the research also found evidence that there is unnecessary reliance on postal services in some cases within government. For instance, there is interpretation of reporting requirements between public organisations as to mean reporting by post. This occurs even when electronic communication is more efficient as the reported data must be extracted from one computer system and then re-entered at the destination. It should be noted that this is in contrast with efforts by departments such as the Revenue Commissioners to support and encourage online submission by individuals and businesses.

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<sup>10</sup> While it is possible from a technology reason for this to be quickly resolved, continued proliferation of non-compatible email readers and commercial rivalries suggests that it may not be resolved for a number of years to come.

## The apparent adoption ceiling for the use of online services

For larger commercial and government organisations, a pre-requisite for the transition to exclusively electronic communication is the ability to service the entire population. While not offering a complete transition, online services still offer to potential to transition the large proportion of the population with access to the internet.

*"It is seen as something that will reduce cost, for instance, by introducing online self-service. But it still has to be a choice" - Insurance company*

However, organisations are finding that these online services are not reaching the levels of take-up that might be expected given the level of access to the internet. This is the case even when clear incentives exist for using the service.

The highly regarded CarTax.ie online service was given as an example as this is still used by a minority of potential customers (up to 40%) even though it has clear and accepted benefits for the customer in convenience and efficiency for the customer. Organisations often recognised that they could not adopt the Ryanair approach to online service which achieved high usage levels by removing choice to use other channels.

*"Not even all of our own staff will sign-up to use [online service]" - utility business*

The existence of this ceiling in electronic customer service take-up is believed to be related to a combination of habit and residual lack of expertise. However, it may reflect It was also perceived that the current data protection opt-in requirements for text and email act as a disincentive from more aggressive use of customer incentives to transition to online service.

*"People who claim to be [internet] enthusiasts who book online but actually only do it because they have to. They want a paper bill to put into the lever arch" - utility business*

## 5. The residential communications mix

Before analysing the attributes associated with postal services within the overall communications mix, it is useful to understand the current level of postal usage by residential customers.

When focusing on letter post service, the research found that a significant proportion of residential consumers are effectively disengaged from use of postal services. While total post volumes (as measured by the core letter post revenue letters reported by An Post) remain similar to 2004 levels, this does not reflect the engagement of residential customers with the service. Considering the post received first, the research found that for most residential customers incoming post is predominantly items regarded as of low criticality and low engagement such as utility bills or bank statements. With regard to post sent, a significant proportion of the population sends little or no unprompted post (defined to be post which is not in direct response to postal item received such as a bill).

*"I would never send a letter - maybe a card to an elderly aunt" - A residential consumer*

Furthermore, the research also found that individuals with low levels of incoming post tended to have low levels of out-going unprompted post. Therefore, there is a group of residential customers who rarely receive post which they find engaging and rarely if ever send unprompted post.

This research estimates that this group of non-customers corresponds to up to 50% of the total population (derived from these findings and the 2009 ComReg research which reported that 59% of households sent a total of 7 or less items per month).

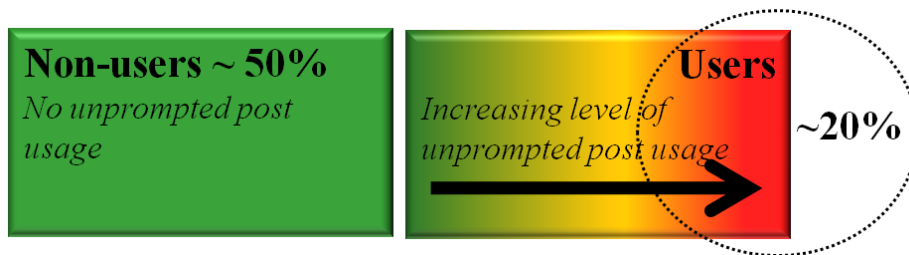


Figure 3: Characterisation of the residential consumers by level of use

The proportion of active customers, defined to be residential customers who regularly send unprompted post, was also estimated using this research and the previous findings at approximately 20% of the entire population of residential customers. Further surveys can be used to improve on these estimates. However, the estimation of the underlying proportions are likely to be shown to be robust and reflect the true situation.

### Profiling residential customers of postal services

In order to better understand the profile of the minority of residential customers who are customers of postal services, the research explored other behaviours or attributes which might predict that an individual would use postal services.

The research found that use of postal services is not linked to the volume of use of other communications services (for instance use of texting or voice telephone): Customers and non-customers of postal services showed no apparent differences in their total volume of communication. It was not linked to age as electronic communications have become increasingly pervasive across all demographics – although more gradually among the elderly. However, apparent linkages did emerge between the levels of post received and unprompted post sent. As has been previously identified in other research<sup>11</sup>, this may be related to the link between an individual's social class and the level of post sent and received. Specifically, the research identified individuals in the ABC1 classification<sup>12</sup> as more likely to send and receive most post.

Among the non-customers, there is a very low level of unprompted postal communication and they will tend to select non-postal communication where possible. For example, they appear more likely to pay bills in cash at the post office. For these individuals, personal communication has transitioned to text and email with additional communications using social networking websites in some cases.

<sup>11</sup> Postal Service Residential Survey 2009 – Millward Brown Lansdowne commissioned by ComReg

<sup>12</sup> ABC1 are the three upper grades in the NRS social grade demographic classification system and correspond to professional and managerial classes

In contrast, the customers with the highest usage levels not only receive more post but also have interest in using post for personal communication. Their use of post reflects a perception that the physical use of post denotes a more thoughtful or considerate approach to communications and is appropriate to personal communications such as cards, holiday postcards, and family parcels. Among the individuals with the highest usage levels, the perception that post is a premium communication service was also reflected in an apparent low sensitivity to the current price of letter post. However, this lack of sensitivity to the current price should not be interpreted as a lack of sensitivity to increases in price.

## Analysing the residential communications mix

Following the same methodology used to analyse organisational use of postal services, the associations between the communication services with attributes were captured and are shown in Figure 4

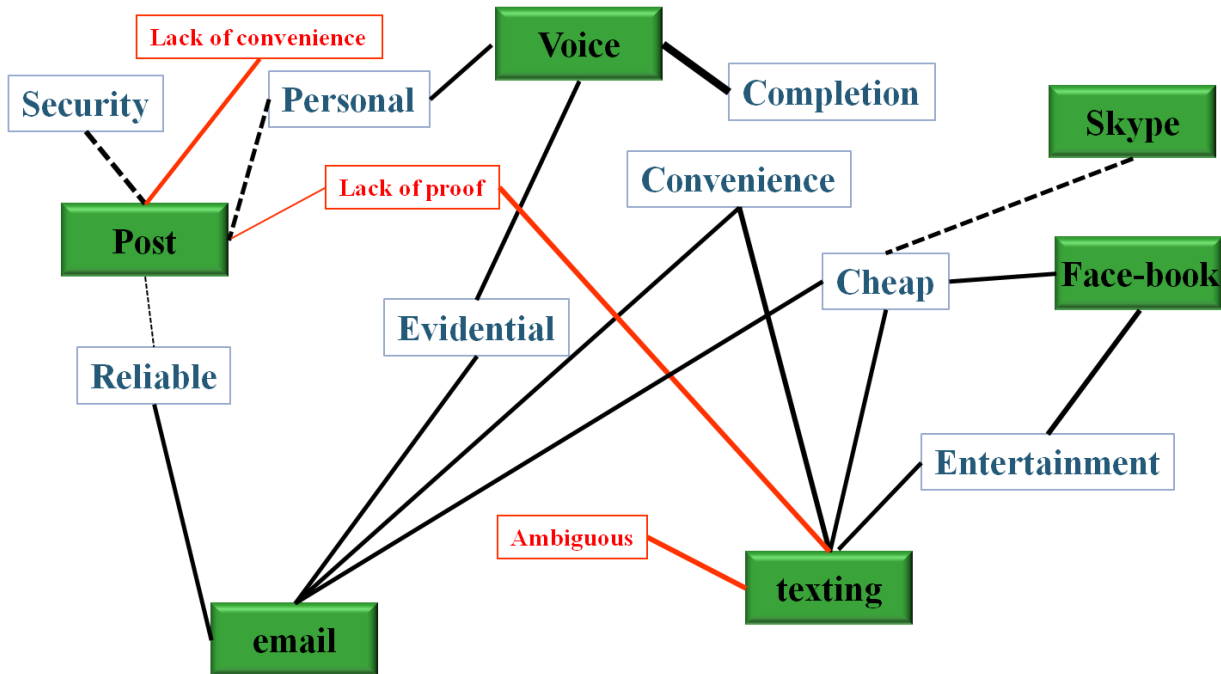


Figure 4: Relationship map showing relationships between communication mechanism and potential attributes of communication mechanisms among residential consumers

In Figure 4, the thickness of the line represents the strength of the relationship between the service and the attribute. Dotted lines correspond to relationships which are limited to specific types of communication. Finally, negative attributes and relationships are also shown in red.

Positive attributes	Description
Evidential	Use of proof of communication to demonstrate compliance of requirement such as to return form or to make a payment
Personal	Associate characteristics of personal communications such as effort and care put into the communication
Security	Guarantees of tamper-proof communication
Reliable	Guarantee of delivery
Convenience	Ease of access and ability to integrate it into 'everyday life'
Cheap	Low perceived cost per unit of communication

Positive attributes	Description
Completion	Ability to complete the transaction during the communication
Entertainment	Used for additional communication, outside of personal business need

Negative attributes	Description
Lack of convenience	Difficulty associated with accessing the service
Lack of proof	Lack of evidence of delivery and deniability of communication by the other party
Ambiguous	Inherent risk of ambiguous communication

To elaborate on the different potential uses of postal services, the residential customers identified the preferred communication service mix used for common processes:

- Communicating with your bank/building society for instance to set-up standing orders, check balances etc
- Communicating with the government for instance to resolve tax or social welfare issues
- Returning a product or making a complaint

The research found no example of where post was used in preference to other communication services in these processes. It is unsurprising that the preferred channel for high priority communication was the telephone. However, a phone call was deemed sufficient evidential weight of communication and there was no requirement for a written confirmation from the organisation contacted even for transactions.

*“He just said that it will be set-up and that is enough – I don’t need another letter” - A residential consumer*

Residential customers recognised and welcomed the transition from post by commercial organisations for some transactional purposes such as these confirmations.

## Views, trends and drivers for changes in residential use of communication services

### Residential use of parcel and packet services

The residential experience of receiving parcels and packets varied greatly depending on location. In general, residential customers in mature residential areas were reasonably happy with the service provided. However, residential customers in recently developed areas and in particular those living in apartments regarded the parcel service as much less satisfactory.

*“It is easier for him to throw the note in the door than try to get it to you”  
- Residential consumer living in an apartment*



The core perception of these residential customers is that insufficient effort is made to deliver the packet or parcel. These are expressed as frustration that the attempted delivery seems to happen at times when nobody will be home and varies greatly making it impossible to ensure that somebody is home

The negative association with the failure to deliver is compounded by the perceived difficulty associated with collection from the collection point due to the accessibility of the location and the hours of opening.

*"I live up in Phibsborough and the sorting office is in St James and it is hard to get to it" - Residential consumer*

These negative associations with the parcel/packet service are often contrasted by residential customers with what is perceived to be the superior delivery service provided by courier and express operators. In particular, there is a perception that courier and express operators make greater efforts to complete the delivery and are more often successful.

The sending of packages and parcels is a limited activity among residential customers focused on the minority of residential customers still using postal services generally and those returning goods to distance sellers. For these customers, the barrier is focused on the access to the service through post offices which are deemed to be inconvenient due to opening hours and the single queue for postal and the multiple non-postal services available at the post office which increase waiting times.

### **Parcel and packet services and distance selling**

As has been stated above, use of parcel and packet services is primarily centred on distance selling (including both printed catalogues and online retailers). All participants in the research claimed to be aware of the full range of products available by mail order including less commonly ordered items such as food and drink and jewellery.

In general, the primary drivers for distance selling were perceptions of better prices and greater availability/range from online retailers. In the case of clothes, online shopping for goods is often conducted in combination with visits to physical shops where clothes were fitted on before the customer moves online. This approach is driven by a combination of the availability of different sizes online and an additional driver identified during this research: an opportunity for price arbitrage with the Irish shops of UK chains selling at a higher price than their online shops which ship into Ireland. However, it is unlikely this arbitrage opportunity will be maintained as retailers have already acted or are likely to act in the future react to remove this channel conflict.

Whether the goods bought through distance selling are delivered by standard postal service or courier / express service is not a relevant issue for most participants. The distinction only became relevant for very high value products where a courier delivery is considered to be more secure. However, courier services were considered to have a better delivery rate while this was deemed to be due to operational reasons which may or may not be valid.

*"[The courier] has to deliver as he can't bring it back to the depot" – residential consumer rationalising perceived higher delivery rates*

The difficulty in getting goods shipped into Ireland by online retail is the traditional barrier to distance selling. However, this was not referenced during the research and may reflect the dominance of the larger online retailers who now ship to Ireland and have extended service to cover

new categories of product and the existence of delivery networks belonging to national and international postal operators in UK, France, Germany and the Netherlands.

The general issues associated with delivery of the parcels and associated issues of delivery times highlighted in the previous paragraph have a negative impact on the experience but do not act as a direct barrier

### Residential customers and direct mail

Organisational customers who participated in this research perceived an on-going decline in the effectiveness of direct mail over a number of years. Clearly, the overall effectiveness and use of direct mail is driven by the attitudes of residential customer as the main targets of this mail.

Unfortunately, any analysis of residential customers' attitudes to direct mail is clouded by the lack of clear understanding of what direct mail means. This clouding occurs because "direct mail" is a producer concept and not a residential customer concept.

Direct mail is classified into two categories:

- Addressed direct mail which is customised with the name of the recipient on the envelope and often delivered in the envelope.

Unaddressed directmail which is uncustomised and typically delivered without an envelope. In contrast, customers divide direct mail into

- **Junk mail:** Including all "unaddressed mail" and some addressed direct mail which is deemed "unwanted".
- **Regular post:** Some letters that might be classified as direct mail (primarily that perceived as opt-in) are not distinguished from standard post received. Most customers do not regard communications from opt-in as junk mail

Furthermore, most customers are not aware of how direct mail is delivered or that An Post is involved in deliveries of "unaddressed mail".

The acceptability of direct mail and "unaddressed mail" among residential participants in this research is shown in Figure 5. However, any assessment of addressed direct mail is negatively biased as it will tend to focus on unwanted items where there is a lack of an opt-in and not include direct mail such as customer communications which is typically more positively received.

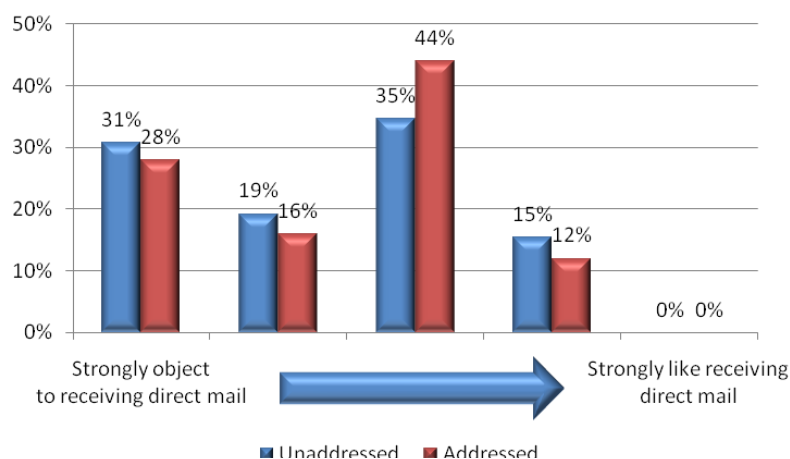


Figure 5: Attitudes towards direct mail among residential consumers

The residential customer's stated objections to addressed direct mail focus on concerns about privacy relating to the source of the contact information with the typical query "How did they get my address?". For "unaddressed mail" and addressed direct mail which is regarded as junk mail, negativity is rationalised into an objection associated with the effort and environmental impact associated with disposing of the mail. However, the underlying objection in all cases is related to the classification of the mail as unwanted and the perception of that the volume of such mail is large.

*"I have to take it out of my letter box and put it into the green [recycling] bin" – residential consumer explaining his objection to junk mail*

### Attributes of the postal service driving changed usage

As with organisational customers, there is a general transition away from postal services to alternative electronic communication services. This is underpinned by a transition of attributes previously exclusively associated with postal service towards other communication services. This transition naturally leads to a reduction in usage and is shown in the table below:

Aspect	Commentary
<b>Evidential proof of delivery</b>	Email has become more aligned (in some cases with reference to return receipts). In contrast, post is perceived as easily deniable by the recipient
<b>Reliable</b>	Email is judged to be equally reliable as letter post and to be superior as a quasi-real time communication service
<b>Secure</b>	Remains uniquely associated with postal service. However, significant concerns about putting cheques or cash in letter due to anecdotes about interference or loss of post
<b>Physical delivery of communication</b>	Remains uniquely associated with postal services – conveying the values of respect, impact and controllability

*"They just say it never got to them – it got lost in the post room"*

*"There was that story about [SORTING OFFICE] where all the cheques were being taken out."*

Reliability and evidential proof of delivery may not be recoverable as a unique attribute of post service. Security may become less relevant as payments transition to electronic methods only and secure email becomes more widely used. This means that the only attribute that will remain strongly associated with postal service for residential customers is the physical delivery.

### **The value of physical delivery as a premium communications service**

The characteristics of physical delivery which retain value for residential customers match those of commercial organisations and similarly lead to residential customers perceiving post as a premium communication service. The premium association does not immediately transfer to all postal communication (such as bills, statements and direct mail) as these do not leverage the physical characteristics.

An individual's selection of post for the personal communications reflected overall affinity with the postal service and a desire to leverage these premium attributes for specific communications. For instance, individuals use postal services to keep in touch with friends /relatives in another part of the country as an occasional and higher value communication service supplementary to other services such as texting (and increasingly) social networking websites.

In general, uses of postal services which are centred on the physical properties of letter post are seen as more resilient. Efforts to encourage usage should focus on this aspect of post and address negative association related to lack of convenience.

## 6. The Universal Service: Assessment of provision and needs

The concept of a universal postal service has been defined since 1997 in the three EU Postal Directives (in 1997, 2002 and 2008). The 3<sup>rd</sup> Directive states “The universal service guarantees, in principle, one clearance and one delivery to the home or premises of every natural or legal person every working day, even in remote or sparsely populated areas.” It includes at a minimum :

- One collection from appropriate access points and one delivery to all addresses
- Every working day (at a minimum 5 days a week) in respect of postal items
- up to 2 kg and postal packages up to 20 kg;
- Services for registered items and for insured items.

These requirements are supported by obligations on access and quality of service.

The definition of the universal services fits within the broader objective of EU policy to provide a high quality universal postal service and opening up the sector to competition in a controlled and gradual way. In that context, the 3<sup>rd</sup> directive requires the full market opening by the removal of the reserved area for letter items under 50g by 31<sup>st</sup> December 2010.

Therefore the universal service is a statutory obligation which must be provided, however this assessment of universal service requirements identifies the essential postal service needs of the range of residential and organisational customers. It should be stressed that this assessment should not be interpreted as an attempt to define what universal service is, but attempts to provide an assessment of the essential requirements of all customers from the postal service. The research identified that In some instances certain customers may not require all of the aspects of the universal service, however it may still be reasonable to determine that the overall general interest of society are best served by the provisions of all of these aspects. For example, next day delivery is identified as an essential need primarily among NGOs engaged in fund raising and communications associated with specific legal processes, but a next day delivery service requirement appears to be beyond the needs of most customers.

There is a close association between An Post and the concept of postal services as highlighted earlier in this report. Furthermore and as a partial consequence of this confusion, the concept of “Universal Service” and the existence and role of regulation is not familiar to most participants. This impacts on the customer assessment of and the customers’ statement of needs from “Universal Service”. This is because the customer’s focus tends to be on what An Post as an organisation *does* and *should* provide rather than what *needs* to be available from postal services in general. For example, the next day delivery requirement can be interpreted as a service guarantee by An Post rather than a mandated attributes of the regulated service.

In order to overcome these challenges, the researchers carefully defined each aspect of the service to participants before capturing assessments and needs.

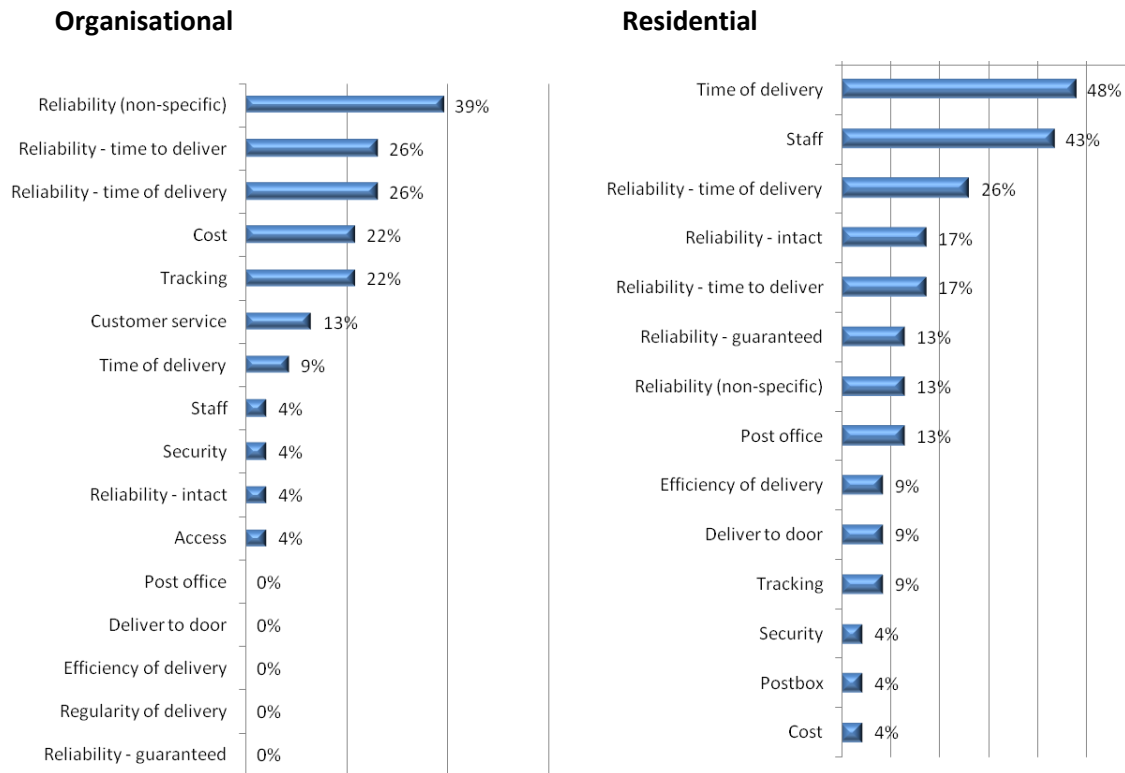
## Assessment of current provision of postal services

It should be noted that ComReg has already tracked satisfaction with specific aspects of the universal service as part of the business and residential tracking survey carried out by Millward Brown Lansdowne. Therefore, this research focused on an overall measure to complement the existing measurement. Participants in the research were asked whether they were satisfied with the postal services available overall. They were asked to rate postal services they used to both send and receive mail (including letters and packages/parcels). This wording was used to minimise confusion with non-postal services provided by An Post such as the sale of TV licenses, banking services and social welfare payments. It should be noted that larger organisations focused their assessment on the more strategic issues and less on the details of the service provided. This reflects the centralised provision of postal services as a shared service function or outsourcing to a 3<sup>rd</sup> party. The introduction of the shared service or outsourcer as intermediary between postal service provider and the actual user of the service distances the user from consideration of the details of the service.

The overall rating of postal services provided by organisational customer participants in this research was high with 86% stating that they were satisfied and 86% also stating that postal services were important to their organisation. Finally, 95% claimed that the postal services available met their needs. It should be noted that organisations with a lower level of dependence (as assessed through an analysis of what they use postal services for) exhibited higher satisfaction while organisations with higher dependence (where critical aspects of their operations relied on postal services) were less satisfied. The lower overall satisfaction with postal services was also associated with organisations using non-letter post services: parcel post among SMEs engaged in distance selling and the provision of direct mail services among NGOs engaging in fund raising. This suggests that the scores reflect lower engagement and lowered expectations of what postal services can provide. Finally, lower levels of satisfaction emerged even among those with higher engagement when different aspects of service were more closely examined.

The rating provided by residential customer participants in this research was similarly high with 82% stating that they were satisfied. This perception did not vary between groups with higher or lower levels of use of postal services. However as with organisational customers, this reflects lower engagement and lowered expectation of what postal services can provide.

Participants were also asked to state why they were satisfied. The aspects of service which drive satisfaction among organisational customers of postal services (shown in Figure 6) are not specific – focusing on the general service attribute of reliability (selected by 39% of participants as the reason for satisfaction) with a specific focus on time of delivery (“Reliability – time of delivery”: when post is collected/delivered was selected by 26%) and speed of delivery (“Reliability – time to deliver”: time for a postal item to be delivered selected by 26% of participants). While the overall level of satisfaction is positive, the reasons for satisfaction do not reflect a deep analysis of the service provided and again suggest lack of engagement with the postal service).



**Figure 6: Stated reasons for satisfaction among organisational consumers (left) and residential consumers (right)**

In contrast, the factors identified by residential were focused on the visible attributes of the service such as the post office and delivery staff and the suitability and predictability of the delivery time. Conversely, dissatisfaction also focused on the unpredictability of the delivery time. In urban areas and in particular among residential customers living in apartments, the An Post parcel post emerged as a driver for dissatisfaction. This again reflects a low level of engagement with postal services and consequential lack of engagement with an assessment of the service provided.

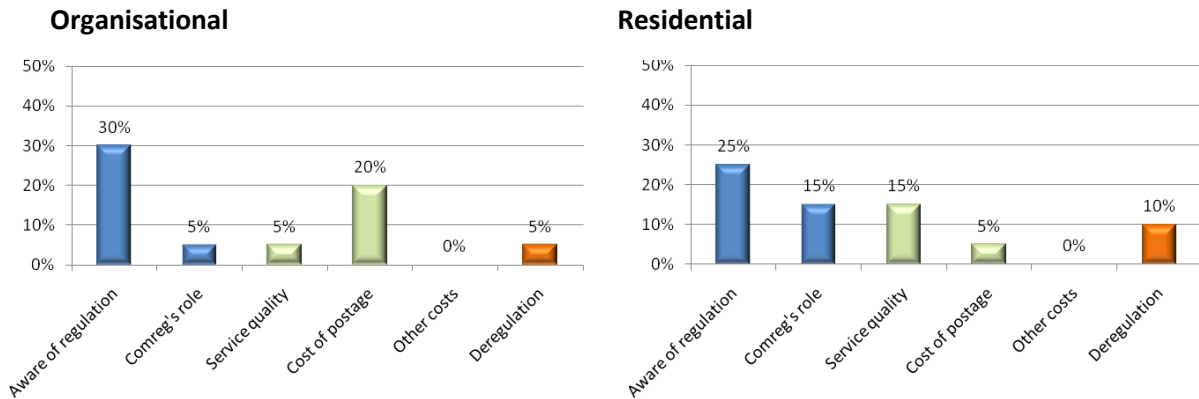
### Awareness of regulation and competition

Awareness of regulation is relevant to this research for two reasons:

1. Level of awareness of regulation is a good reflection of the level of critical scrutiny of a monopoly service
2. If there is a low level of awareness of regulation in general and the requirement of specific service quality requirements in particular, customers will tend to accept the service as delivered and assume that the service qualities are attributes of An Post's service rather than requirements of regulation

Figure 7 shows the level of overall awareness of regulation among organisational and residential customers as well as the awareness of ComReg’s role, the aspects regulated (service quality, cost of postage and other costs) and the upcoming deregulation of postal services.

For larger organisations, with centralised provision of postal services in a shared service function or



**Figure 7: Awareness of existence and detail of regulation among organisational and residential consumers**

outsourcing to a 3<sup>rd</sup> party, there is reduced level of awareness of competition for parcel and packet postal services. As has been discussed in the context of the use of packet and parcel services, SME customers are aware of alternative suppliers of services for packets and parcels, but find deficiencies in the service provided in dealing with product specific handling requirements. Customers of direct mail are similarly dissatisfied with the range of services available. Based on this experience, SMEs and NGOs are sceptical of the likely benefits of increasing competition for letter services. The perception stated was that the larger service providers were not interested in serving small businesses / NGOs and unlikely to provide long lasting service improvements for them. This view is shared by large organisations which are confident that they will get improved service as they recognise their ability to negotiate effectively and monitor service delivered. Therefore, the challenge for new postal service market entrants focusing on the SME/NGO market segments will be to demonstrate their long term commitment to providing improved services.

With residential customers, the awareness of competition for parcel and packet postal services was primarily in the context of receiving packets and parcels. This is unsurprising given the current focus of the service providers on the business market.

## Organisational requirements from a Universal Service

In the first part of the assessment the attributes of service were set out and current performance assessed by customers participating in the research.

In the second part of the assessment, the requirements identified for each of the individual dimensions of the universal service were refined through a process of challenging stated requirements to determine whether they reflected essential needs (“must have”) or needs that were negotiable against other factors (“nice to have”). As part of the challenging process different service levels were tested. For example in the case of next day delivery, alternatives service definitions with delivery dates up to 5 days were tested for acceptability.



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Attribute	Visibility	Current performance	Commentary
<b>Delivery at same time of day</b>	High	Good (letter) Good – adequate (parcel/packet)	Most participants were satisfied with the reliability of daily letter and parcel post deliveries at a fixed time. . Less regular customers of parcel postal service found delivery times less predictable and a barrier to use.
<b>Delivery to every address</b>	High	Good	
<b>Speed of delivery</b>	Medium-high	Next day delivery - Good	Organisational customers were well informed about service definition and needs to post before specified times
<b>Certainty of eventual delivery</b>	Medium-high	Good	A fundamental part of the customer requirement is certainty that the communication will be delivered.
<b>Equal service all year round</b>	Medium-low	Adequate/poor	Organisations with seasonal requirements (such as businesses or charities with mail order) were not satisfied with the time taken to deliver post during the Christmas season
<b>Delivery frequency</b>	Medium-high	Daily delivery - Good	
<b>Collection network</b>	Medium-high	Good/Poor	Organisations with irregular use or low levels of use of parcel/package service were not satisfied with the need to use post office to access this service due to opening hours and lack of dedicated service points within the post office. In contrast, post boxes and meter mail boxes were regarded as sufficiently easy to access.
<b>National rate</b>	Medium-high	Good	
<b>Registered post</b>	Medium	Adequate	The need for SMEs to go to the post office in order to access the service acts as a barrier to use
<b>Cost of post</b>	Medium	Good	The positive rating reflected satisfaction with the lack of increase in the cost. It does not reflect a comparison with alternative communication services or a value for money calculation.
<b>Security</b>	Low	Adequate/poor	For letter post, concerns were focused on anecdotal evidence of missing cash payments. This is a particular issue for charities which still receive a significant proportion of donations in cash in post although it should be noted that according to An Post's terms & conditions, money should always be sent by Registered Post
<b>Availability of stamps/access to payment</b>	Medium-low	NA/Poor	For organisations with low usage of postal services, the perceived need to purchase stamps in post offices is regarded as a barrier to increased usage. It should be noted that respondents were unaware of the possibility to purchase stamps directly from the postman

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Attribute	Required service level	Commentary
<b>Delivery at same time of day</b>	Important V Important (medium/high usage)	This requirement is driven by operational requirements in the organisations. In organisations with a higher use of post, the arrival and dispatch of post drives operational activity. For organisations receiving payments by post, morning delivery is essential to ensure processing during the same business day
<b>Delivery to every address</b>	Essential	For organisations which need to service the entire population (including government departments and universal service providers such as utilities)
<b>Speed of delivery</b>	1 day - 2 day Predictability	Depends on the type of postal usage. There are three categories which have different service requirements: <ul style="list-style-type: none"> <li>For post driving urgent calls to action (such as NGO appeals), 1 day service is required.</li> <li>For time sensitive post, a predictable service is essential (i.e. to know when a bill will arrive) and this could be 2 days or longer.</li> </ul> For other post, the delivery period is driven by perceptions of what is 'reasonable', not required.
<b>Certainty of eventual delivery</b>	Essential (all levels of usage)	A guarantee that the item will eventually be delivered is an essential pre-requisite for any postal service. Note that guarantee is interpreted to mean lack of loss of the postal item
<b>Equal service all year</b>	Essential (for seasonal organisations)	For organisations with seasonal businesses and in particular for charities
<b>Delivery frequency</b>	Daily Essential	This requirement is for organisations received post
<b>Collection network</b>	Important for organisations with low usage	This is available for letter post but harder to access for parcel post (requiring access to a post office)
<b>National rate</b>	Essential	Assessment on this is driven by a belief that there is no justification for differential charging.
<b>Registered post</b>	V. Important (regulated and government) Nice to have (other)	Use of registered post is required for types of communications from statutory bodies and in regulated industries (banking, insurance)
<b>Security</b>	Essential (senders)	Security drives the type of usage and therefore to sustain current usage it is essential that it is maintained. Security is relevant to organisations sending packets/parcels or receiving cash payments (e.g charities).
<b>Availability of stamps/access to payment</b>	Essential for organisations with low usage to have easy access	This is a prerequisite for access to the service and limitations will reduce the level of usage

An analysis of the requirements of organisations from the universal service shows that there is a good match between the current service definitions and the requirements.

Weaknesses in the current service provision impacted on smaller organisations with lower usage of postal services in particular and were:

- Access to a collection network for parcel post: For smaller organisations, there is limited access to parcel post because it requires delivery of the parcel to a post office. Unlike letter post which has a wide range of access points as part of the universal service, parcel post can only be deposited at post offices which have a number of perceived restrictions e.g. length of queues, opening times. A variety of access points needs to be provided if the need of SMEs is to be satisfied.
- Availability of stamps/access to payment: Ability to pay is a pre-requisite for access. For smaller organisations, this limits access to the service.

## Residential requirements from a universal service

The research focused on the identifiable needs of residential customers who participated in the research. It should be noted that the scope of the research focused on mainstream customers of postal services and therefore did not attempt to capture needs of customers with specialised requirements. In the context of the residential customers, specialised requirements extends to generally available services such as registered post.

Residential customers initially found the assessment hard to engage with: The typical reaction was to compare aspects of the service with an **absence** of the service rather than with a benchmark of what the service should be like. There reflects the general acceptance of what is currently provided and lack of engagement with what could/should be provided.

The research found that core elements of the current Universal Service definition and in particular next day delivery are not deemed to be of relevance to most residential customers. Similarly, daily delivery was not deemed essential by most residential customers. This reflects the nature of the majority of communications sent or received by these residential customers, and in particular that they do not initiate the creation of the postal items

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<b>Current service attributes</b>	<b>Visibility</b>	<b>Current performance</b>	<b>Commentary</b>
<b>Delivery at same time of day</b>	High	Good (letter) Poor (parcel/packet)	Most participants were satisfied with the reliability of daily letter post deliveries at a fixed time. Customers of parcel postal service found delivery times less predictable and the consequences of missing a delivery (collection from sorting office) amplified the issue.
<b>Delivery to every address</b>	High	Good	
<b>Speed of delivery</b>	Next day delivery - Medium-high	Adequate	
<b>Certainty of eventual delivery</b>	Medium-high	Good	A fundamental part of the customer requirement is certainty that the communication will be delivered.
<b>Delivery frequency</b>	Medium-high	Daily delivery - Adequate /poor	
<b>Collection network</b>	Medium-high	Good (letter) Adequate (parcel)	For parcels, the lack of easy access to a dedicated parcel posting service leads to perceived inconvenience due to queues at post office and limited opening hours. . In contrast, post boxes were regarded as sufficiently easy to access.
<b>National rate</b>	Medium-high	Good	
<b>Registered post</b>	Medium	Adequate	
<b>55c cost of post</b>	Medium	Good	
<b>Security</b>	Low	Adequate/poor	
<b>Availability of stamps / access to payment</b>	Medium-low	Poor	The lack of access to single stamps or pre-paid envelopes and post cards(for residential customers with lower levels of sending) is a significant barrier to increased usage. It should be noted that respondents were unaware of the possibility to purchase stamps directly from the postman

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Attribute	Required service level	Commentary
<b>Delivery at same time of day</b>	Important	Note that the requirement is for predictable delivery among receivers of post– in particular for parcel post. It does not imply delivery everyday
<b>Delivery to every address</b>	Essential (medium to high usage customers) V Important (low usage customers)	This is regarded as a non-negotiable among residential customers sending or receiving post. Collection from post offices or other locations would not be acceptable to most residential customers.
<b>Speed of delivery</b>	1 day: Nice to have (all levels of usage) 2 day: Important (all levels of usage)	Residential customers do not perceive a requirement as either sender or receiver for next day delivery. 2 day delivery is considered an appropriate service level for the service provider to provide – rather than a need.
<b>Certainty of eventual delivery</b>	Essential (all levels of usage)	A guarantee that the item will eventually be delivered is an essential pre-requisite for any postal service. Note that guarantee is interpreted to mean lack of loss of the postal item
<b>Delivery frequency</b>	Every day: Nice to have 3 days a week: V Important (Low usage), Essential (Medium to high usage) with fixed days (Mon, Wed, Fri) 2 days a week: Essential (Low usage)	The requirement is for a reasonable level of frequency and predictability of which days the post will be delivered on. Delivery frequency of once a week or less is perceived as insufficient from both sender and receiver perspectives. For received post, delivery frequencies of less than twice a week results in concerns about delayed bills leading to late payment and associated consequences. For sent post, delivery frequencies of less than twice a week are associated with personal post (e.g. birthday cards and parcels)
<b>Collection Network</b>	Essential (senders only)	For residential customers sending parcels, a network of collection points is a pre-requisite for increased use of parcel/packet post
<b>National rate</b>	Essential without strong justification	The assessment focuses on the perception of what is operational appropriate rather than a belief that a single national rate is a service requirement. Any diminution of this would require careful explanation
<b>Registered post</b>	Nice to have	Registered post is rarely used by residential customers who participated in the research
<b>Security</b>	Essential (senders)	This is a pre-requisite for use of postal service
<b>Availability of stamps/ access to payment</b>	Essential (for customers)	

## 7. The future of postal services – opportunities for postal service providers

The research identified barriers to increased use of postal services among organisational and residential customers. It also tested the concept of a number of potential innovative products to determine the level of potential interest among customers. In this section, the research assessed perceptions of current innovation and opportunities for innovation which could drive an improved customer experience and new business for service providers. It should be stressed that the innovations proposed fall within the broader definition of postal services and are not necessarily related to the definition of the universal service.

### Assessment of innovation

Overall there is a perception that there is little or no innovation in the provision of postal services. This is in clear contrast to other communication services which are seen as rapidly evolving along both technology and business dimensions (reflected in the perceived decline in cost of telecommunications services).

*“They are An Post, they haven’t changed in 20 years” – residential consumer*

The research suggests that innovation is no longer considered by customers in general as part of the natural scope of a postal service provider. It should be stressed that this is exclusively in connection with postal services as other services provided by An Post are more likely to be seen as innovative by the target audience of residential customers.

*“I am not looking for much innovation – I want the big bags in the morning and the big bags in the afternoon” – NGO fund raising manager*

Among residential customers, this perception inevitably reflects the provision of letter post only. However, among organisational customers while the scope of the evaluation is broader and reflects direct experience of other service providers (for packet/parcel post and “unaddressed mail”), all service providers are also regarded as lacking in innovation.

Among SME customers, where innovation is detected in the parcel/package service, it is considered to be driven by recent entrants. The customer service of these businesses is contrasted with the Express operators (and An Post) who are deemed to be less flexible and attentive

### Opportunities to increase residential use of existing postal services

It is important to recognise that there is a fundamental lack of engagement with postal services which will stand in the way of increased use among a significant proportion of residential customers. These have established communication patterns which do not feature use of letter post for any purpose and it is unlikely that these individuals can now be encouraged to use letter post. However, there remains a significant minority of the residential customers who still recognise the unique and premium attributes of letter post. For these individuals, the primary obstacle to increased use is related to perceived lack of easy payment methods.

Occasional senders do not wish to buy books of stamps and are not willing to queue in post offices to purchase a single stamp (perceiving the queuing time as too long). Residential customers who

participated in the research suggested two services: vending machines which dispense single stamps or frank individual items and general availability of pre-paid envelopes and post-cards as are available in other countries including France and Australia.

With regard to parcel post, the research tested a number of potential service improvements: Increased network of parcel drop locations and parcel collection locations, increased opening hours for parcel collection points and text alerting prior to delivery. These suggestions were deemed to address the specific issues identified. The research found that longer opening hours would encourage 40% of residential customers to receive more parcels while texting would encourage 20% to receive more parcels.

## Opportunities for increasing organisational customers' use of existing postal services

The opportunities for increasing use of postal services vary greatly by class and size of organisation. Among SMEs, the current barriers are similar to those experienced by residential customers.

A primary barrier is the lack of awareness of the current services available which may be reinforced by recall of previous reductions in service availability. Access is a particular challenge with regard to parcel post with smaller organisations which may need to physically deliver parcels to the post office for posting.

*"I got a letter saying they weren't doing collections for me anymore and that was it" - SME manager*

In general, there is a perceived lack of integration across parcel post, registered post and letter post among organisations with lower volumes of post. This lack of integration results in organisations with occasional use of postal services (often the smaller businesses) using the post office to send non-standard letter post. This can be addressed through innovations such as online payment for services and integration of collection and delivery services.

Finally, for most organisations current pricing models are based on each item used and will tend to discourage greater use. The physical presence of franking machines reinforces this disincentive.

*"You forget that it is printing money on the letters" – large commercial organisation*

This is in contrast to many other communication services which have moved to pricing models which encourage additional use through bundled or fixed price models. While post is different to many services because of the per item cost, some closed postal systems (such as the DX Document Exchange used predominantly by the legal profession in Ireland) successfully uses bundled pricing models with checks for fair use. It should be stressed that moving to a fixed price model is not simply about reducing unit cost, it is also about predictability of costs and removing the need to monitor and manage usage within the organisation. However, it might also lead to the anti-competitive abuse of "tying".

## Postal service innovations – digital mailbox and hybrid mail

Two types of innovative services were tested in the research: digital mailboxes and hybrid mail:

A **digital mailbox** is a service which replaces physical delivery of post through a combination of scanning of physical items by the service provider and the capability to integrate electronic mail such as digital copies of bills within the system. A customer signing up to this service would specify which mail should be physically delivered and which should be scanned and made available through the service provider's web-site. In addition, sender of mail can switch to sending electronic copies directly to the direct mail service provider and hence reduce the cost and environmental impact of sending physical mail.

**Hybrid mail** is a term which incorporates a variety of different propositions within the overall concept that organisational customers' mail items are electronically transmitted to a third party service provider who prints, envelopes and dispatches them. The benefits of hybrid mail are two-fold: reduced cost and reduced environmental impact. For large mailings, these are delivered because the service provider has access to more efficient printing equipment and can print and dispatch the mail at a location close to the final addresses. However, hybrid mail is now becoming available for smaller organisations and down to individual letters. For this, the benefits are also associated with the efficiency of the printers used and the ability to print and dispatch close to the destination. Hybrid mail is only of interest to organisational customers of postal services.

### Digital mailbox

This innovation was not well received by research participants even after a detailed explanation of the precise structure and customer benefit of the innovation. The difficulty encountered explaining the concept may reflect the lack of expectation of innovation from postal service providers.

The initial reaction from residential customers was predominantly negative with a lack of perceived distinction from email (*"A silly rebranding of email"*) or complete lack of comprehension (*"It doesn't make sense"*). The benefit of having a single location was accepted, but it was not considered to be compelling enough to convince those not willing to move to electronic communication.

The recognised environmental benefits and gain from the consolidation of information on one web-site was counter-balanced by concerns for security. More significantly, the use of a digital mailbox weakened the remaining core purposes of post as scanning removes the benefit of physical delivery. Moreover, the benefits were not sufficient to convince those not willing to move to electronic communication and not sufficiently differentiated to convince those who had already moved to e-billing.

*"I wouldn't want somebody going online to look at my post" – Residential consumer*

Specific issues also emerged for customers wanting to send cheques or cash and for charities who still receive a significant proportion of their donations as cash.

From the organisational sender perspective, the benefits were also not sufficient to convince them that there would be sufficient take-up. The system also appeared to be competing with e-billing and other web-service initiatives in large commercial organisations and government departments.



## Hybrid mail

Hybrid mail is a concept which is relevant to organisations only. NGOs, larger commercial organisations, government agencies departments already centralise within a shared services facility or outsource fulfilment bulk mail to mail consolidators. For these organisations, hybrid mail for bulk mailing is not relevant. For SMEs and other organisations sending individual mail items, the transition to hybrid mail is hampered by several structural issues: The size of country and single postal rate removes financial benefits of national hybrid mail and the understanding of and concern for the environmental impact is not sufficient. This lack of concern is reinforced by commonly expressed belief that An Post (as the current service provider) transports mail to sorting facilities and then back to the delivery offices and hence the location benefit would not be sufficient.

## Long term opportunities for postal service and service providers

The transition to electronic communication has progressed to the point for a majority of customers that the burden of proof is now being placed on the postal service providers to demonstrate their continued relevance. The current level of usage of letter post by organisations is sustained by a combination of legislative restrictions, industry specific regulations and reluctance of many residential customers to move to online service (even when internet access is available).

If these restrictions were removed, increasing customer experience of online service will inevitably lead to a tipping point where the focus for organisations naturally transitions away from letter post as the primary mechanism for universal communication to its use to *fill in the gaps* for individuals outside of the electronic communications world.

Given the requirement for significant legislative and regulatory change and the slower than expected adoption of online services among residential customers (except when no alternative is available), it is not possible to predict when this tipping point will occur. However, it is possible to imagine that this end-state may involve the use of hybrid mail to print electronic communications for physical delivery of the minority of customers still not accessible electronically.

## 7. Research background and methodology

The research was completed in September 2010. The research was undertaken by The Research Perspective Ltd, a market and customer research company, and consisted of a number of focus groups made up of residential customers, SME customers and NGO customers. In addition, in-depth interviews were conducted with large commercial organisations and public bodies.

For the organisational customer groups and interviews, the participants were selected on the basis of their direct knowledge and involvement with decisions relating to the use of postal services including direct mail. For SMEs and NGOs, this typically meant that the operations manager, office manager or managing director attended. For commercial organisations and public bodies the participants were management with direct knowledge and involvement with decisions relating to the use of postal services including direct mail.

### Methodology adopted

For the focus groups, The Research Perspective deployed a variation on the standard focus group method that it developed for researching services and *virtual* products called **3Q-groups** (Question, Qualify and Quantify). This combines the traditional unstructured format with a structured approach focusing on customer based design and a progression through the customer journey through the process or experience. When appropriate, it can also incorporate aspects of quantitative analysis in the form of short written exercises embedded within the structure of the group. This combination delivers the richness of focus groups, reaches deeper into the underlying attitudes and likely behaviours and allows quantification of key aspects of these customer journeys.

For the in-depth interviews, a senior researcher from The Research Perspective conducted a telephone interview following a structure similar to that followed in the focus groups.

### Profile of the SME and NGO focus groups

The SME and NGO were researched in separate focus groups. It could be argued that the use of postal services within SME and NGOs are fundamentally similar and vary more by style of usage (i.e. level of direct mail or mail-order). However, the status and purpose of SMEs versus NGOs were distinct enough to justify separation in the focus groups.

The use of postal services by SME participants was both up and down the supply chain (i.e. with their suppliers and their customers). The SME groups also included representation of businesses engaged in:

- Direct to customer and business to business
- One way communication and transactional
- Just-in-time fulfilment
- Distance selling and physical outlet
- Manufacturing, services, retailing and wholesales

The SME groups included representatives from businesses such as fashion wholesaler, a lighting importer, a wine shop with significant mail order business, a distributor of products to health professionals, a car parts distributor, building supply company, retailer, educational course provider, IT business and firm of solicitors. The businesses included used all forms of postal services including direct

mail, parcel and packet services (for both customer order fulfilment and distribution) and letter post. Across the SME group low, medium and high usage bands were represented.

The charity and NGO group were also representative of relevant categories:

- One way communication and transactional
- Fund raising and campaigning.

The NGO group included representatives of both national and international charities as well as voluntary groups and networks. The organisations included large scale customers of direct mail as well as those focused primarily on communication with donors and members.

## Profile of the residential focus groups

Each residential group was recruited on the basis of location, socio-demographic classification (using the ABC1C2DEF classification), age and family stage. In addition, groups were recruited to include the full range of the inbound usage levels (It is assumed that outbound communication will vary by other demographics or communication styles):

- **Low:** Customers who receive a small quantity of standard letter post communications (e.g. utility bills and bank statements) and typically do not use other services
- **Medium:** Customers who receive a moderate amount of standard letter post communications (e.g. in addition to the list above, also other personal or business communications) and occasionally receive parcels, registered letters or express delivery packages/letters.
- **High:** Customers who receive a moderate or large amount of standard letter post communications for a wide variety of personal and business purposes and use the full range of postal services on a regular basis.

## Profile of the in-depth interviews

For the larger organisations (larger commercial organisations and public bodies), the focus group methodology is not suitable for the following reasons:

- The diversity of needs and current uses of postal services would require a significant number of groups to ensure that each set of group participants is sufficiently homogeneous to provide reliable results.
- The complexity of needs and current uses of postal services of each participant would make it difficult to cover these in sufficient detail within the focus group setting from a time perspective.
- The dispersal of these organisations would make recruitment of the number required by a focus group (i.e. 6-8) difficult outside of major urban areas (Dublin, Cork, Limerick and Galway) and hence under-represent organisations not based in these locations.

Therefore in-depth interviews were chosen as the qualitative research technique. The larger organisations included international and indigenous businesses in financial services, IT, professional services and manufacturing. Public bodies included representation from semi-state, agencies, local and national government. Most participating commercial and all government agencies still used postal services including direct mail for a wide variety of organisational purposes. The level of adoption of electronic communication varied greatly from organisations (such as international IT businesses) where electronic communication is used by default to those (such as financial services businesses and government departments) where postal services are still extensively used.

## 8. Researcher background

The Research Perspective provides customer and market research capabilities to a wide range of private and public sector organisations (a selection of which are highlighted in the graphic on the right) in the following areas:

- **Evaluation:** Programme assessment, experimental design uplift measurement, KPI setting, business benefit impact, sector value quantification
- **Tracking:** Customer satisfaction measurement, brand tracking, advertising impact measurement
- **Compliance:** Credit, Operational and Market risk model development and validation, service level agreement specification and measurement
- **Strategic Marketing:** Customer segmentation, market opportunity assessment and measurement, consumer attitudes to existing and potential products and services.
- **Evaluation of marketing campaigns:** Customer review of advertising/communications, impact analysis of advertising/communications
- **Product and service design, review and analysis:** Customer driven service, process and product design, and market acceptance testing.



and

To achieve these goals, The Research Perspective leverages the following technical skills:

- **Qualitative Research techniques:** planning, moderating and analysing focus group feedback and depth interviews.
- **Quantitative Research techniques:** Survey development: questionnaire development with scripting, sequencing and routing, measurement scale identification and selection, analysis of categorical data, time series identifying behavioural changes over time
- **Statistical Analysis and Modelling:** Techniques including linear model development and validation, segmentation, structural equation modelling, conjoint analysis, propensity models, parametric and non parametric testing
- **Experimental Design:** developing sampling frameworks, test/control group specification, distribution identification, goodness of fit and distribution transformation, quota control, weighting