

# Ofcom consultation response form

Please complete this form in full and return to [futurepostalUSO@ofcom.org.uk](mailto:futurepostalUSO@ofcom.org.uk)

<b>Consultation title</b>	The Future of the Universal Postal Service
<b>Full name</b>	David Falkner
<b>Contact phone number</b>	██████████
<b>Representing (delete as appropriate)</b>	Organisation
<b>Organisation name</b>	Cardology (Giftware & Greeting Cards)
<b>Email address</b>	██

## Confidentiality

We ask for your contact details along with your response so that we can engage with you on this consultation. For further information about how Ofcom handles your personal information and your corresponding rights, see [Ofcom's General Privacy Statement](#).

<b>Your details: We will keep your contact number and email address confidential. Is there anything else you want to keep confidential? Delete as appropriate.</b>	Nothing
<b>Your response: Please indicate how much of your response you want to keep confidential. Delete as appropriate.</b>	We have supplied a redacted (publishable) and an unredacted (confidential) version to Ofcom.
<b>For confidential responses, can Ofcom publish a reference to the contents of your response?</b>	Those parts redacted should be treated as commercially confidential information which offers Cardology a competitive advantage within our market, and reference to any numbers or channels to market that Cardology use, should therefore not be disclosed.

# Cardology

## Response to The Future of The Universal Postal Service Consultation

---

Here's some brief context as to why we believed it important to respond to this consultation:

- Cardology are a small, family business whose main product sits at the crossover point between a greeting card and a gift. We also offer a range of supporting premium licensed and own brand card & stationery products, and we're wholly reliant on our partners at Royal Mail for our commercial success.
- In many ways we're the archetypal 'cottage' business referenced in the Greeting Card Association's submission to this consultation:
  - We started out in 2014, and presently turnover a little over [REDACTED] annually.
  - We started out in the family home and only moved into our first studio office during the pandemic.
  - Our business now directly employs [REDACTED], with an additional [REDACTED] freelancers supporting our design, marketing and e-comm functions.
- We don't have a business without Royal Mail:
  - Approximately [REDACTED] of our business is direct to consumer, which means we send a considerable volume of (usually large letter sized) orders [REDACTED]  
[REDACTED]
    - Customer recommendations are critical to our growth: We use Judge.me to gather independent reviews on all aspect of our performance (including our delivery).
    - These reviews are critical to our Gold transparency rating, as well as our position within the top 1% of stores reviewed by customers.
  - We also supply independent shops, garden centres and destination department stores on high streets up and down the country – whilst we can choose from a range of parcel couriers to restock these customers, their own customers who purchase and post our product are as reliant on Royal Mail as we are.

### 1. Do you agree that we have identified the correct aims, supporting principles and features of the USO? Do you consider that these should continue to be respected as far as possible when assessing potential changes to the USO?

- 1.1. We fully support all points raised within the GCA's submission in relation to this question and have nothing further to add.
-

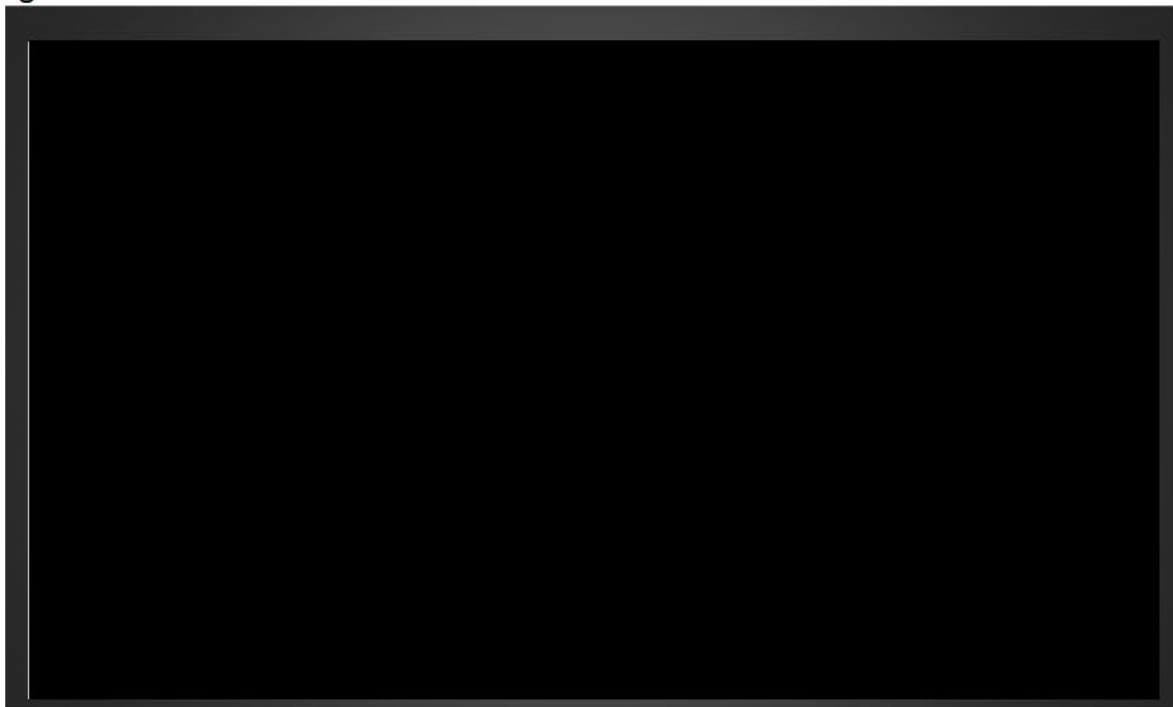
## 2. Do you agree with our assessment of the direction of change in postal needs of residential (including vulnerable) users and SMEs? Are there other factors relevant to their future demand which we have not considered?

2.1. We fully support all points made within the GCA submission and, in addition, would add:

### **The 24/7 shopping culture has redefined expectations for greeting card delivery**

2.2. In figure 2.1 (below) we share Cardology's Spring 2024 daily sales profile data which clearly shows the pronounced seasonal peaks of consumer card buying behaviour in the run-up to the key Spring Seasons events of Valentines and Mother's Day.

**Figure 2.1**



*The table above shows Cardology daily sales performance for our [redacted] bestselling [redacted] [redacted] which have particular spikes for Valentines and Mother's Day. Outside of [redacted], Cardology do not offer any event-specific cards so this represents our best approximation of consumer demand for Spring Seasons events. Cardology do not offer a Easter cards in significant volumes, hence why this event is excluded.*

2.3. Three key trends jump out:

- 2.3.1. There is a distinct seasonality to our market with [redacted] [redacted] orders only being placed in the week immediately preceding each event.
- 2.3.2. Our daily sales volumes increase right up until [redacted] delivery date.
- 2.3.3. In the Amazon market where delivery performance is more certain, our volumes [redacted] and see



our peak order day [REDACTED] than the peak of orders from customers shopping on our other channels.

2.3.4. These are all trends we believe have accelerated in the wake of Royal Mail's poor service performance.

2.4. We are aware that more established publishers have the ability to conduct greater customer research than our own, in relation to how many cards are subsequently posted on to end recipients (rather than hand-delivered):

2.4.1. We therefore rely on the accepted industry average figure of 50% to predict that absent significant change in established customer behaviour, we would lose between [REDACTED] of our Spring Seasons sales that customers would no longer purchase on time, if the postal industry were to default to a d+3 standard delivery model, with a significant premium for next day delivery meaning [REDACTED]

<sup>1</sup>.

2.4.2. We assume we can mitigate [REDACTED] of this loss by customer communications that are better aligned to any new default delivery standards, and a further [REDACTED] of customers naturally adapt their own behaviours, but this would still leave a reduction of [REDACTED] of our current Spring Seasons volumes.

#### **Our proactive response to the cost of answering customer delivery queries**

2.5. In January 2024, Royal Mail told the market they had delivered their 'best Christmas for 4 years' after showing 'marked improvement' in performance<sup>2</sup>. As Cardology acknowledged within the London Ofcom stakeholder meeting, we did see a limited performance improvement.

2.6. We need this type of good news to give our customers the confidence to order products from us that might otherwise fall into the 'too difficult' box. The problem, however, is the contextual startpoint means this claim is not something Cardology could currently consider including within our own customer messaging:

2.6.1. This is because it immediately reminds our customers just how bad things got in 2022-23.

2.6.2. It is also because our customers also tell us the service they experience is still not back to where it needs to be – so to claim improvement risks appearing to gaslight them in direct contrast to their lived experience.

2.7. During November 2023, as our Christmas volumes began to ramp up, I met with Royal Mail as part of a wider GCA delegation. As preparation for that meeting, I reviewed Cardology's customer correspondence from the previous week:

2.8. Figure 2.2 shows a small selection of the delivery correspondence Cardology had received. In addition to the typical high number of queries regarding overdue deliveries, we received messages empathising with our small business' dependency on Royal Mail and even proactively offering evidential support for any compensation claims we

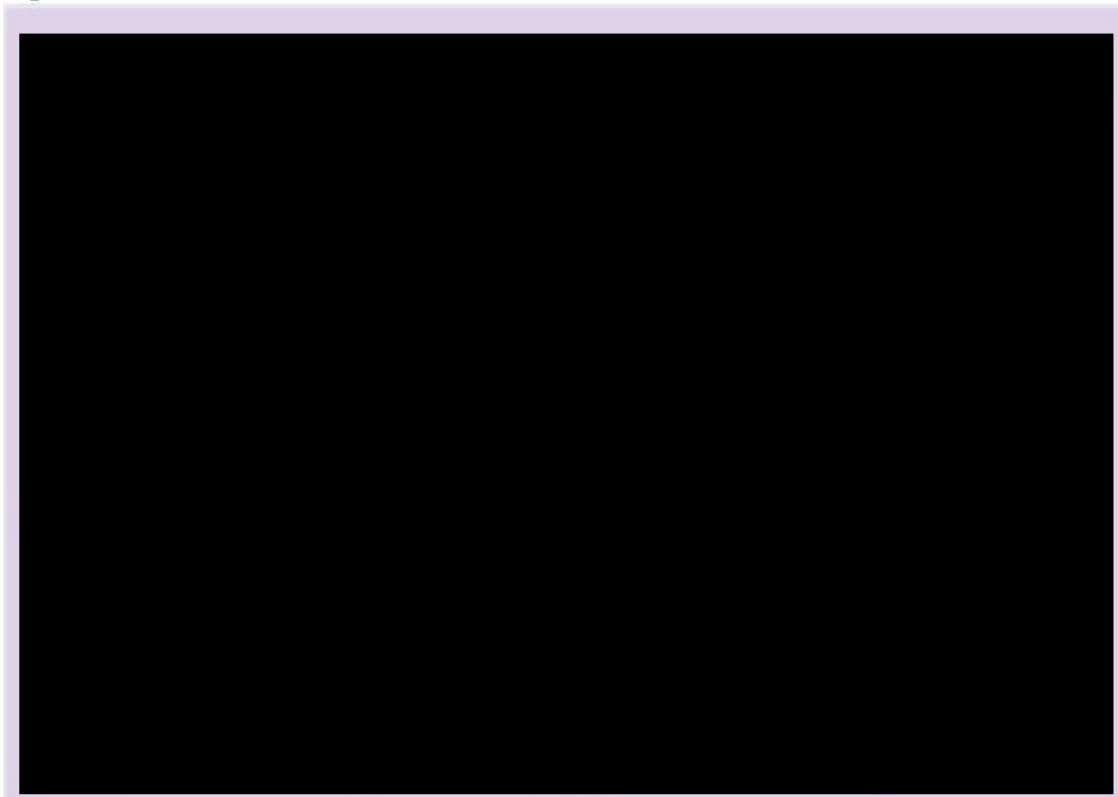
---

<sup>1</sup> In reaching this conclusion, it is important to note that greeting cards [REDACTED]

<sup>2</sup> [Royal Mail hails turnaround plan after best Christmas in four years \(telegraph.co.uk\)](https://www.telegraph.co.uk/news/royal-mail-hails-turnaround-plan-after-best-christmas-in-four-years/)

wished to make against Royal Mail. One customer had outlined her belief that the only way to now get her mail on time is to go looking for this at her local Post Office.

**Figure 2.2**



2.9. Our experience that week was far from unique: When we conducted a basic time and motion study we found [REDACTED] from a small business total FTE [REDACTED] were being taken up solely with answering questions relating to orders we had already despatched.

**The importance of tracking / paying for services we shouldn't necessarily need.**

2.10. As a direct consequence of this increase to our unproductive labour cost, [REDACTED]

2.11. [REDACTED] The commercial realities for the mainstream card publishers make it inconceivable the majority of the market would be in a position to respond in a similar way if the pricing for next day delivery was even close to the numbers modelled within the current consultation.

2.12. It is this experience, alongside [REDACTED] [REDACTED] that leads us to conclude a basic tracking service should now be a standard offering on all USO letters products.

2.12.1. Given our understanding that stamp barcodes make this a relatively cheap intervention with considerable customer upsides, we question whether the status quo owes more to the significant commercial advantages leaving this outside the scope of the USO offers Royal Mail on a monopoly product set, particularly given our understanding that Royal Mail are lobbying for the inclusion of this service within the USO for parcels.



2.13. [REDACTED] also drives our belief that customers need and expect an accessibly priced first class / next day delivery service when sending greeting cards to their loved ones more than ever.

2.13.1. We were already concerned the current lack of pricing controls on 1<sup>st</sup> class letters meant the USO was fundamentally misaligned to current consumer needs, and we fear the modelled prices within Ofcom's consultation for next day delivery, as well as the proposals we understand Royal Mail have made, exacerbate this problem significantly.

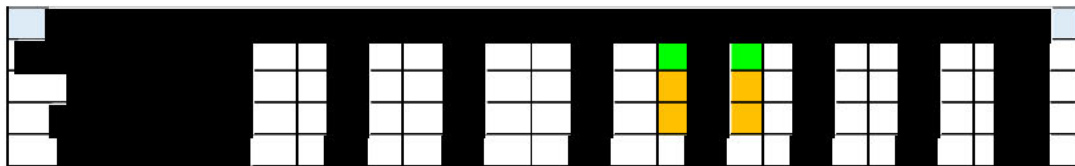
**Saturday Delivery also represents significant commercial opportunity**

2.14. As we understand [REDACTED] it appears probable that Royal Mail have a good sense of the increasing importance of [REDACTED] orders placed in the expectation of Saturday delivery.

2.15. For ourselves, the average volume of [REDACTED] in the first three months of this year has been [REDACTED] higher than the daily average of the other six days of the week.

2.16. Within Figure 2.3 below, we outline our daily split of volumes across all of our consumer channels. This table shows that the [REDACTED] is statistically significant in comparison to the other days of the week. It also shows that this spike does not occur [REDACTED]. Again, we have become increasingly aware of this trend since the Royal Mail industrial dispute started.

**Figure 2.3**



2.17. Given the above points, we believe it is reasonable to conclude that Royal Mail are already acutely aware of the commercial advantages of taking a Saturday delivery service outside of pricing regulation. It is this context that leads us to question whether the true driver for cutting delivery days is really operational cost savings.

---

**3. Do you agree with our assessment of the bulk mail market? Are there other factors relevant to its future evolution which we have not considered?**

3.1. We fully support all points raised within the GCA's submission in relation to this question and have nothing further to add.

---

**4. Are there specific events/changes that could trigger a significant change in demand for large mail users, including public services?**

4.1. We have no further views to add.

---

**5. Do you agree with our proposed approach to estimating the financial burden of the USO?**

5.1. We fully support all points raised within the GCA's submission in relation to this question and have nothing further to add.

---

**6. Do you agree with our considerations regarding the unfairness of the financial burden of the USO?**

6.1. We fully support all points raised within the GCA's submission in relation to this question and have nothing further to add.

---

**7. Do you agree with our considerations regarding the impact of the financial burden of the USO?**

7.1. We fully support all points raised within the GCA's submission in relation to this question and have nothing further to add.

---

**8. Do you agree with our analysis of the different options available to change the USO and the impact of those changes on residential (including vulnerable) users, SMEs and bulk mail users? If not, please explain why and set out any option(s) which we have not considered.**

8.1. We fully support all points raised within the GCA's submission in relation to this question and have nothing further to add.

---

**9. Which option(s) do you consider would be most appropriate to address the challenges we have identified, while also ensuring that users' needs are adequately met?**

9.1. We fully support all points raised within the GCA's submission in relation to this question and have nothing further to add.

---



## 10. Question 10: Do you have any other views about how the USO should evolve to meet users' needs?

10.1. We fully support all points raised within the GCA's submission in relation to this question. Additionally, we would add:

### **Maintaining the appearance of distance:**

10.2. Cardology believe firmly the Ofcom analysis has been produced in good faith. We do not doubt the numbers of hours involved and have considerable respect for the difficult work undertaken within a challenging environment and tight timescales.

10.3. We consider it unfortunate that Ofcom's last significant postal regulatory intervention ahead of this consultation was the November 2023 conclusion that Royal Mail did not deliberately deprioritise letters delivery:

10.3.1. This is because to conclude as Ofcom did requires believing that a 500-year-old delivery business moved away from the weekly drumbeat of well-established operational management protocols, which we consider unlikely.

10.3.2. We are consequently concerned that Ofcom's conclusion may have inadvertently been at odds with consumers' recent lived experiences of poor letters, rather than parcel, performance, as well as the considerable body of apparently contradictory data already in the public domain.

10.4. Irrespective of the context, the challenge Ofcom now appear to face is how the guiding principle of a bias against intervention can be compatibly delivered alongside the need to maintain the appearance of regulatory distance and critical thinking in relation to the postal market:

10.4.1. This is particularly pertinent in circumstances where any consultation submission produced on behalf of Royal Mail's Board might reasonably be expected to face many similar questions that the GCA analysis has asked of Ofcom's consultation document.

### **The market reaction**

10.5. Whilst dealing with such a conundrum is reputationally important for Ofcom, it is also of far greater strategic significance to Royal Mail's financial sustainability. This is because what matters most to the market is whether the outcome of the consultation offers a compelling vision for a sustainable future postal service.

10.6. Figure 10.1 shows the significant rise in Royal Mail's share price that corresponds to Ofcom's headline consequent announcements, followed by the immediate, significant and sustained fall thereafter.

### **Figure 10.1**





- 10.7. Cardology believe the pronounced recent shape of Royal Mail’s share price trajectory corresponds directly to the initially envisaged benefit of the licence of relatively large commercial freedoms on monopoly products, followed by the subsequent realisation that such a plan didn’t fix the fundamental flaws within the current postal delivery market:
- 10.7.1. It appears to us that, when the market recognised such a plan couldn’t clear the necessary political hurdles, the absence of a growth strategy became more pressing.
  - 10.7.2. It may be that the market concluded as we did that if price and service elasticity were less well understood than Ofcom’s model portrayed, then making the changes that remained on the table would only put Royal Mail’s future revenues under increased threat – which appears to be the exact point the GCA make within their doom spiral reference.
- 10.8. It is against this context we hope Royal Mail have therefore concluded their own commercial interests lie in a submission which also references the considerable operational improvement and commercial growth opportunities within their gift, as well as the areas in which they need regulatory support, in order to reassure the market.
- 10.9. Regardless of what Royal Mail’s submission contains, we would beseech Ofcom to continue to ask related probing questions because our own business, as well as the customers we serve, relies on a thriving postal service. That’s why we fully support the GCA’s conclusions that significant price rises, coupled with service cutbacks, will just increase the frequency with which related consultations, bailout requests and regulatory interventions are needed.

[ENDS]