

## Your response

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<p><b>Question 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?</b></p>	<p>Yes.</p>
<p><b>Question 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?</b></p>	<p>In principle, yes; however:</p> <p>As a bulk mail user mailing over 18-million catalogues annually to customers in the 50+ demographic, we are serving an older demographic who have a lower propensity to shop online. Those 65+ need a physical catalogue to shop via telephone or post channels. Yes, we have seen growth in online order penetration during and post-pandemic, but those shopping online are typically 50-65 years old. We cannot forget our Classic customers, who are typically elderly, do not shop online and who are not as likely to be mobile to visit a physical store. For these customers, our catalogue mailings are of equal importance to these individuals as is post from NHS, banks etc. That said, all customers 50+ have a high interaction with the direct mail we send (~200%+ response vs. email), irrespective of the channel they chose to shop from.</p> <p>We do not agree with the assessment “that many bulk items are not time-critical” and that speed of delivery is less important than reliability of delivery. As a direct marketing business, mail is an important part of our marketing mix. All of our advertising mail is 100% time sensitive, as a result of 1). Limited time offers included in the mailing and subject to stock availability, 2). Printed offer ends date of mailed promotions and 3). With a frequency of mailing customers’ every 2-3 weeks, any delay with the mailing immediately reduces the sales/order demand the campaign can deliver, cannibalises demand from the next mailing due to cross over and consequently mailing ROI diminishes. For us speed and reliability are of equal importance.</p>

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	<p>What's more, for customers who opt-in to receive marketing communications, direct mail continues to be the highest at 89% over emails opt-in at ~60%. Mail is one of the primary channels to communicate with our customers, to drive repeat orders, retention and loyalty, whether that be through online shopping or telephone / post orders.</p> <p>In terms of volume of mail, other than in the early days of the pandemic where we paused some reactivation mailings, we have upheld our direct mail volumes for the last 6-years or more. Whilst they have not grown exponentially, neither have they shrunk; we have no intention of reducing volumes or frequency unless we are forced to due to a reduction in speed, arrival and reliability of service. We are <u>not</u> less reliant on direct mail catalogues/letters since the rise of online shopping, and recognise the commercial value of mailed media compared to digital communications.</p> <p>We agree that a change in delivery frequency to 3 days a week would have a greater impact to our business than 5 days. It would result in less opportunity to mail customers at current frequency, fewer orders, fewer parcels and ultimately a reduction in customer retention, turnover and operating profits.</p>
<p><b>Question 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?</b></p>	<p>In principle, yes; however:</p> <p>Catalogue and letter mailings are an important part of our marketing mix. We do not underestimate the value of paper in the digital climate, on average mailings achieve a higher response rate (~200%+) than emails. We have a very strong record in customer advocacy and loyalty and keeping the brand front of customers' mind in today's world of multi-layered channels is extremely valuable to us. Digital communication channels enhance our ability to communicate with customers, are not a replacement of traditional mailed media. As we serve a 50+ demographic with over 1m active customers, we have not migrated away from direct advertising mail in favour of digital communications. We have fewer customers opted in to receive email communications than we have direct mail, and we cannot achieve the same response rates from digital communications as we can from mail given the digital communication marketplace</p>

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	<p>is cluttered, meaning these channels do not hold customer attention and conversion to shop at the same rates of direct mail.</p> <p>We do not agree that competition in the bulk market remains strong. Yes, there are a number of DSA operators driving competition, however, at the end of the day, we are still wholly in the hands of Royal Mail for the last mile delivery. There is no competition to guarantee spend, arrival and reliability of delivery to the customers doormat.</p> <p>As a business we use D+2 service for all catalogue mail. This is because 1). We need to guarantee a timely delivery to customers 2). D+5 service is not available for Large Letter formats, of which the bulk of our catalogues fall into this bracket. In H2 2023/2024 to date, we have sent some of our direct mail letters using the D+5 service to offset the astronomical price rises we have been faced with. However, in truth, this service is highly unreliable resulting in mailing drops being squeezed between Campaign A and Campaign B. Any reduction in demand days (number of days to drive orders before next campaign commences) result in fewer orders/sales. A very recent example of a late D+5 mailing has resulted in the campaign tracking a staggering -16% to expectation. The prior 3 campaigns sent D+2 have all achieved their forecasted orders. The upshot, our mailings are time critical and if they do not arrive with customers as expected we seen a significant detrimental impact to our business performance.</p> <p>We note the acknowledgement that reliability is key to success for change, however if the 3/2.5 day service is introduced and a mailing misses it's in-home land on Friday for A households, for example, the next opportunity in-home would be the following Tuesday. This will result in 4-days lost demand from the mailing campaign with fewer days to claw back the demand before the next campaign launches (or if offering time sensitive promotions, the window may have passed).</p> <p>Lastly, the assessment fails to acknowledge the impact to businesses with fewer in-home days and competitor mailings all landing at the same time. We will see squeezed share of customer wallet with the likelihood of competitor mailings all landing with customers at the same time due to limited days to drop mailings. All end-brands will be fighting for doormat space and customer</p>

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	<p>attention, particularly brands operating in a mature market segment where direct mail is the primary communication channel irrespective of the shopping channel a customer chooses to order from.</p>
<p><b>Question 4: Are there specific events/changes that could trigger a significant change in demand for large mail users, including public services?</b></p>	<p>Yes, price and reliability of service.</p> <p>If the price rises result in squeezed ROI the future of mailed communications will be under the microscope, especially with fewer in-home days and increased competition for customers' share of wallet. Marketing mail remains an important part of our marketing mix, so we would not wish move away from this channel, however we would likely reduce the volume and/or frequency of mailings from the program. This would result in fewer orders, and fewer parcels into the delivery network. Commercially this would result in lower turnover and a decrease in customer retention and loyalty.</p> <p>Likewise, if the number of post in-home days reduces but service reliability does not improve exponentially then we will need to evaluate the frequency of mailings we send to a customer annually. We current mail customers every 2-3 weeks. If we cannot guarantee touch-down at a high success rate, in-home delays reduce the number of demand days we can generate orders from before the next mailing campaign launches. Ultimately mailings clash, response drops and ROI diminishes with the only option to reduce mailing frequency or volume.</p>
<p><b>Question 5: Do you agree with our proposed approach to estimating the financial burden of the USO?</b></p>	<p>Yes, however the reduction to 1-day letter delivery does not consider the high likelihood of businesses reducing mail volumes as a result of 1). Increased likelihood of competitor mail landing with the customer on the same day reducing response rates and associated orders as brands fight for customer attention and share of wallet 2). Impact to business planning and forecasting 3). Impact to business resourcing across Call Centres and Distribution Centres to manage customer orders/queries and parcel fulfilment due to the inflow pattern of customer demand; currently we are fully staffed Monday – Friday to manage customer demand as mailings drop</p>

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	typically Tuesday to Friday, with lighter staffing on weekends. Managing shift patterns, hours and contractual obligations will not be possible to meet customer demand peaks with a 1-day (or even 2.5 day) delivery.
<p><b>Question 6: Do you agree with our considerations regarding the unfairness of the financial burden of the USO?</b></p>	<p>Yes, however;</p> <p>We note Royal Mail continues to fail to meet it's obligation to deliver it's USO services efficiently and question whether or not these service levels would worsen without the USO.</p>
<p><b>Question 7: Do you agree with our considerations regarding the impact of the financial burden of the USO?</b></p>	<p>Yes, however;</p> <p>If the financial burden of the USO is mitigated, would businesses see an easing of bulk mail prices rises which have been astronomical over the past 2-years, above inflation, and have been compounded as prices rises are brought in each year earlier and earlier.</p>
<p><b>Question 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.</b></p>	<p>Yes, however;</p> <p>The analysis fails to acknowledge the impact to businesses with fewer in-home days and competitor mailings all landing at the same time. We will see squeezed share of customer wallet with the likelihood of competitor mailings all landing with customers at the same time due to limited days to drop mailings. All end-brands will be fighting for doormat space and customer attention, particularly brands operating in a mature market segment where direct mail is the primary communication channel irrespective of the shopping channel a customer choses to order from. This in turn will likely put more pressure on brands to evaluate mail as a viable communication channel, potentially resulting in even further volume and revenue reductions for Royal Mail.</p> <p>We do not agree with the assessment "that many bulk items are not time-critical" and that speed of delivery is less important that reliability of delivery. As a direct marketing business, mail is an important part of our marketing mix. All of our advertising mail is 100% time sensitive, as a result of 1). Limited time offers included in the mailing and subject to stock availability, 2). Printed offer ends date of mailed promotions and 3). With a frequency of mailing customers' every 2-3 weeks, any delay with the mailing immediately reduces the sales/order</p>

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	<p>demand the campaign can deliver, cannibalises demand from the next mailing due to cross over and consequently mailing ROI diminishes. For us speed and reliability are of equal importance.</p>
<p><b>Question 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?</b></p>	<p>As a bulk mail user, mailing over 18-million catalogues to customers annually to the over 50's market, we feel it is important to maintain a <b>5-day service for letters</b>.</p> <p>We accept the potential loss of Saturday service as our advertising mail is targeted to land Monday – Friday with our Call Centre and Distribution Centre resourcing and contracts reflecting these demand curves. Saturday acts as a carry-over should Royal Mail fail their delivery service obligation; if reliability of service was improved to pre-pandemic levels, then the loss of Saturday has little impact.</p> <p>Should a 5-day service not be available, <b>the next and only other option we could entertain is the 3-day service</b>. However, it becomes imperative that speed, arrival and reliability measures are upheld to ensure no failure of in-home delivery of marketing mail. Failure to deliver in the 3-day window will have serious detrimental impact on our business performance; orders will reduce, customer retention &amp; loyalty will decline, turnover will decline, business planning will become more complicated, and this in turn will put pressure on mailing frequency and volume. In order to manage planning &amp; forecasting, it will be essential to have visibility of how a 3-day service will be segmented nationally across post-codes, and a laydown of delivery windows (much like a PATH file) in order to build this into our business processes and advance production planning schedules.</p> <p>Our mailings can be time sensitive therefore reliability of service is critical, whether that be 5-day or 3-day service. We send marketing mail to customers every 2-3 weeks, always with a limited offer. Any delay with the mailing touchdown results in campaigns clashing into one another, which impacts the available number of days of demand for a campaign to hit it's budgeted expectation. Reduced demand days also result in reduced response</p>

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	<p>rates, the consequence of which is fewer orders and therefore fewer customer parcels.</p> <p>Whilst our online penetration has grown post-pandemic, mail drives customers to order online. Mailings achieve ~200% response rate when compared to emails. With the rising cost of mail, any impact to campaign deliverables will result in fewer orders bringing the ROI under the microscope, all things considered, the only obvious way to combat any impact to mail performance would be to reduce mailings frequency or volume. That said, we strongly believe in direct mail as a communication and revenue driving channel, and it is our primary channel for such performance over digital communications.</p>
<p><b>Question 10: Do you have any other views about how the USO should evolve to meet users' needs?</b></p>	<p>No.</p>

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