

Etsy's response to Ofcom's Call for Input: The future of the universal postal service

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Introduction

Etsy welcomes the opportunity to respond to Ofcom's call for input on the future of the universal postal service. We support Ofcom's goal to ensure the postal service is more efficient while continuing to address the needs of customers and small businesses. Etsy is a global marketplace for unique and creative goods, and our mission is to keep commerce human. Our marketplace provides a platform to enable a global community of sellers to market and sell their goods to buyers around the world, who come to Etsy to be inspired and delighted by items that are crafted and curated by creative entrepreneurs.

Many of Etsy's UK based sellers rely on the postal service to ship their products, so we have an important stake in these discussions. The vast majority of UK Etsy sellers are women, businesses of one, and almost always running their creative business from their homes.¹

Etsy supports Ofcom's commitment to modernising the postal system. However, we are concerned that the proposed reforms may significantly disrupt the operations of our online sellers, comprised largely of small and micro businesses, a cohort of the population described as important to the UK economy, innovation and aspiration.² Etsy sellers depend on fast and affordable delivery options to compete against large retailers. A shift to slower delivery options would only exacerbate the difficulties many UK small businesses currently experience when shipping. According to Citizens Advice, 25% of small businesses experienced a letter delay which, for the majority, negatively impacted their bottom line, resulting in the loss of a customer or payment delay.³ Creating further barriers for small businesses could significantly impact their shipping costs and disadvantage them, particularly during peak seasons.

Etsy's community of small and micro businesses predominantly sells unique, handmade, and vintage items that often fall into smaller, lighter shipment categories, such as jewellery and craft supplies. The nature of our sellers' products means that a significant portion of their shipments are sent as 'large letters' rather than parcels. We note that in setting out potential

¹Etsy Seller Census, 2022

²Prime Minister to announce major reform package to boost apprenticeships and cut red tape for thousands of small businesses, 18 March 2024, accessible [here](#)

³ Citizens Advice, Postal problems cause big challenges for small businesses, Dec 2023, accessible [here](#)

options, the consultation does not accurately define 'letters' to account for the different distinctions in letter size, which means that Ofcom's proposed changes to the speed and frequency of letter deliveries could disproportionately impact micro businesses relying on 'large letter' shipments.

Etsy advocates for reforms that recognise the distinct nature of the delivery options that small and micro businesses use. Instead of reducing delivery speed and frequency, the focus should be on how to build upon the service to restore business confidence in the universal postal service, and ensure its longevity. Etsy encourages Ofcom to focus on future-proofing the USO through increased adoption of USO products and supporting the growth of smaller businesses, rather than current suggested reforms which could put micro businesses at a significant competitive disadvantage. Etsy is committed to working collaboratively with Ofcom to develop and refine these proposals. Our goal is to ensure that reforms do not stifle the entrepreneurial spirit of small online sellers.

Response Summary

- Ofcom should offer further clarification around the definition of 'letters' in the proposed changes. Large letters are a cost-effective option for the delivery of products which are smaller and flatter in nature, being a key shipping method used by Etsy sellers for domestic shipments in the UK. If large letters are considered in scope of the proposed USO changes, this would have significant impacts on the operating costs of small and micro businesses and their ability to compete. **Therefore large letters should be exempted from the scope of any potential changes in delivery speed or frequency.**
- **The proposed changes would mean micro businesses are subject to higher operating costs to maintain the same quality of service customers expect.** In most cases, the proposed reforms would see shipping costs increase. This would particularly impact small and micro businesses, since larger, more resourced businesses are able to negotiate commercial contracts to keep their costs down. Sellers would have to choose between longer delivery windows, or charging their customers an increased cost for shipping. If small businesses cannot offer customers the level of service they have come to expect, they won't be able to compete with larger retailers.
- **Remote and vulnerable users could be further disadvantaged by proposals to reduce delivery frequency.** The call for input sets out that those in remote areas are often more reliant on the postal service, and we note that delivery services may be less consistent in remote areas. Thus any further delays could have a disproportionate impact on these remote customers. It may be particularly difficult for sellers in rural or remote regions to get their goods shipped quickly, impacting rural trade.

- **Ofcom should aim to modernise the system, by encouraging the adoption of USO products.** This could include adding tracking to USO products, which is a functionality most buyers expect and sellers are familiar with, and could help to improve the adoption of USO products.
- **It's in the postal service's interest to support domestic small businesses today, who are its commercial product users of tomorrow.** Online marketplaces like Etsy are an incubator for small and micro businesses. If the postal system continues to give the small and micro businesses using USO products a fair chance at growth, the faster they can potentially scale into a larger entity requiring Royal Mail's commercial products. By limiting small businesses' ability to compete, there is a risk of reducing the long term viability of Royal Mail.

Annex (answers to specific questions)

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?

As a global marketplace with a seller community largely made up of businesses of one, Etsy is keen to ensure any reforms to the USO protect SMEs.

We agree with Ofcom that the universal service needs to create a level playing field between businesses based in urban, rural and remote areas. Around 1 in 4 of Etsy's UK sellers of live in rural areas,⁴ and we believe it is important that reforms take into account the proliferated and disproportionate impact proposed changes could have on these communities.

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?

Etsy appreciates Ofcom's commitment to improve the postal service to ensure it better meets the needs of users today. However, the consultation doesn't adequately consider the unique needs and challenges faced by micro businesses. Ensuring small and micro businesses are protected in potential reforms is not only essential for the benefit of all users, but also the Royal Mail's own longevity.

⁴ Etsy Seller Census, 2022

An oversight in the current assessment involves the categorisation and handling of large letters, this being a common shipping method used by Etsy sellers for domestic shipments in the UK, which includes a wide range of products from handmade jewellery to personalised cards. These items do not fit neatly into traditional postal categories, yet the current consultation does not clearly make explicit whether large letters are being considered in the context of the proposed changes. Given the significance of large letters among sellers - and the current lack of clarity - the proposed options for reform risk disproportionately impacting the micro business community.

Etsy urges Ofcom to revisit these critical areas of concern and to consider a more detailed and nuanced approach in its assessment. By acknowledging the unique challenges faced by microbusinesses and providing clear guidelines for the delivery of large letters, Ofcom can help ensure that the postal system continues to meet the diverse needs of small and micro businesses and, by extension, the wider economy.

Q8: 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.

Etsy welcomes Ofcom's efforts to modernise the USO, but we are concerned that the proposed options to letter delivery speed and frequency could disproportionately impact micro businesses, as well as rural or remote residential users. Alternatively, we have proposed some other options which seek to modernise the USO, while protecting micro businesses.

Impact on SMEs

The micro businesses that rely on large letter shipments would be disproportionately impacted by the current proposed reform options. Tight margins are a reality for many micro businesses, and large letters are a cost-efficient delivery solution for many sellers. They are typically already selling items at a lower price than larger businesses/retailers, which means it's harder for them to factor shipping costs into product costs. Absorbing potential increases in shipping costs for large letter deliveries or extended delivery times for large letters could be a major hurdle, impacting their ability to compete and flourish in an already difficult economic climate.

Small and micro businesses already face a competitive disadvantage compared to larger retailers who can more easily afford speedier, commercial products such as 'Royal Mail Tracked 24' and 'Royal Mail Tracked 48'. Slower deliveries could chip away at customer satisfaction (especially during peak seasons when demand increases) and, ultimately, underlying profits. This is particularly notable in the context of concerns about the rising cost of living. We note that 53% of Etsy's UK sellers cite financial challenges as prompting them to start their creative businesses.⁵

⁵ Etsy Seller Census, 2022

Impact on remote and vulnerable users

The proposed options seem to overlook the potential consequences for users in remote areas where existing delivery services may already be less consistent. Around one quarter of Etsy's UK sellers live in rural areas.⁶ Further reductions in frequency could exacerbate access issues for these communities, particularly vulnerable users who rely on postal services much more. If it becomes more difficult for sellers in remote areas to get their goods shipped quickly and reliably, trade and entrepreneurship in such areas could be negatively impacted.

If Ofcom wishes to secure a sustainable, long-term future for the Royal Mail, the focus should instead be on future-proofing the system by encouraging an adoption of USO products, and enabling the growth of small businesses (into larger entities), who are Royal Mail's commercial product customers of tomorrow.

Ofcom highlights the existing challenges of small businesses turning to competitors for shipments, with 30% of SMEs using an alternative to Royal Mail as their main provider.⁷ Given the challenges in uptake, we would suggest reforms that encourage the adoption of USO products. This could include introducing tracking capabilities for USO products, capabilities that internet sellers and buyers are familiar with and expect, which could enhance Royal Mail's competitiveness.

Q9 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?

While Etsy appreciates Ofcom's efforts to more closely align the USO with user needs, we believe the proposals to reduce delivery speed and frequency would not only stifle small business growth but also fail to address more fundamental issues facing Royal Mail. Ofcom's focus should be on improving Royal Mail's operational efficiency and competitiveness, not reducing its service.

The small and micro businesses found on Etsy typically cannot afford the overheads that would be incurred by switching to parcel deliveries or private courier services. If the current options were to come into force, sellers would have to choose between slower deliveries or additional delivery costs, both of which would have a significant impact on customer satisfaction and their ability to compete against larger retailers.

In speaking to the media, a small businesses owner outlined the fear that many small and micro businesses have around the proposed changes:

"The damage to businesses is going to be absolutely monumental. It's going to force so many businesses to close down. A three-day-a-week delivery plus potential strikes, combined with Black Friday and Christmas, means the service is going to be so much worse than normal."⁸

⁶ Etsy Seller Census, 2022

⁷ Ofcom, The future of the universal postal service, 24 January 2024, pp.33, accessible [here](#)

⁸ I News, Royal Mail risks 'killing off' small businesses with three deliveries a week plan, February 2024, accessible [here](#)

While we recognise Ofcom's objectives of cost-savings, the long-term financial impacts of hindering small and micro business growth could have significant consequences for the UK economy. If Ofcom wishes to proceed with the options for reform, Etsy would strongly suggest explicitly taking large letters out of scope of the delivery changes, to protect the majority of small businesses who rely on this service.