STUDY ON THE NEEDS OF CONSUMERS

OF POSTAL SERVICES

FINAL REPORT

MARCH 2017

EXECUTIVE SUMMARY

This document sets out the results of the study "The Needs of Consumers of Postal Services", which was conducted for Autoridade Nacional de Comunicações (ANACOM[1]).

Postal services[2] constitute a structural and fundamental intrinsic good of society; they are essential to ensure multilateral interconnections between citizens, public institutions and private organisations, performing a variety of economic and social roles.

In the economic sphere, postal services are an essential medium for the circulation of products and communications between citizens, between organisations and between organisations and citizens.

In the social sphere, postal services play an important role in interaction between citizens, and in some situations even help to alleviate isolation.

This same notion of social interaction is safeguarded in the concept of universal postal service, as expressed in section 1 of article 10 of Law no. 17/2012 of 26 of April (Published in D.R. no. 82 (Series I) of 26 April 2012)[3] where it is stated that "The existence and provision of the universal service is hereby ensured, involving the supply of postal services defined herein, of a specified quality and permanently available throughout the territory, at affordable prices for all users, aiming to meet the communication needs of the population and those of economic and social activities".

In Europe, the overwhelming majority of citizens use postal services; according to data from the European Regulators Group for Postal Services (ERGP)[4], about 52 billion objects are delivered through a progressively efficient value chain.

Up to the beginning of the 21st century, postal services had always been able to respond effectively as developing technology brought potential for substitutability (e.g. Telegraph and Fax), and also

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[1] ANACOM is a legal person governed by public law, construed as an independent administrative entity with administrative, financial and managerial autonomy and its own assets.

[2] According to Article 4 of Law no. 17/2012 of 26 April. Published in D.R. no. 82 (Series I) of 26 April 2012:

1 - The following operations integrate the postal service activity:

a) Clearance, which concerns the set of operations related to the deposit of postal items with a postal network, namely their collection by postal service providers;

b) Sorting, which consists in the handling of postal items so that they may be transported to the distribution centre of the area where they are addressed to;

c) Transport, which consists in the delivery of postal items through appropriate technical means from the point of access to the postal network to the distribution centre of the area where postal items are addressed to; and

d) Distribution, which concerns the set of operations from the sorting of postal items at the distribution centre of the area where such items are addressed to, to the actual delivery of postal items to their addressees, either natural or legal persons.

[3] Law no. 17/2012 of 26 April

[4] ERGP (16) 38 - Report on core indicators for monitoring the European postal market

as regards technologies that have driven efficiency in the cost of postal operations (e.g. bar codes, RFID[5], optical reading or automation systems).

The advent of the digital revolution, with an unstoppable trend towards dematerialisation[6], introduced new realities and new challenges with structural repercussions in the postal sector.

In parallel, the sector's institutional framework has been marked by gradual liberalisation over recent years, which was completed in 2012, and by full privatisation of the then state operator in 2013.

The combination of a changing institutional framework and increased use of electronic communications has put postal service providers under pressure to restructure and optimise their operations, in order to provide an effective and economically sustainable response.

In this context, regulation emerges as an essential instrument, seeking to ensure a balance between the creation of favourable conditions for access to the postal service by citizens on the one hand and fairness and sustainable competitiveness of operators on the other hand; this is reflected in the concept of universal service provision already described.

Postal reforms undertaken in multiple countries, in particular in the Member States of the European Union, in response to the structural features of the sector, are being overseen and monitored by regulatory authorities, particularly in Europe, in order to ensure stability in the functioning of markets.

In a post-liberalisation scenario, the universal postal service became a focus of greater attention, as it became more difficult to ensure financing of the net costs associated with the performance of universal service obligations through the revenues earned by the universal postal service provider itself, without adversely affecting the viability of its business. Regulatory authorities have a responsibility to ensure the balanced functioning of the universal postal service, particularly following the transposition of Community postal directives into national legislation.

In particular, the universal postal service currently imposes specific challenges insofar as there is a need to reconcile fulfilment of the requirements which stem from the universal postal convention, as reinforced by the Third Postal Directive (Directive 2008/6/EC)[7], with sufficient economic and financial sustainability.

Following the implementation of strategic and tactical actions by postal operators and regulators aimed at the diversification of activities, pricing and the operational model, there is now a greater focus by operators and regulators on actual needs of consumers in relation to postal services.

As such, the European Commission, governments and regulators are seeking to maximize alignment between the interest of citizens and the response of postal service providers, eliminating both gaps and areas where the offer of services might exceed current consumer needs.

In this respect, several public and private entities have conducted research in their geographical territories, to compile objective knowledge about the needs of residential consumers, implementing

[5] Radio Frequency Identification

[6] Replacement of communication via physical means (e.g. paper correspondence) with communication via digital means (e.g. email).

[7] Third Postal Directive (Directive 2008/6/EC)

what is explicitly recognised in the First Postal Directive (Directive 97/67/EC)[8] as regards the need to understand customer preferences.

As the regulator in Portugal, ANACOM intends to accomplish the above requirement, carrying out the present study in order to characterise the needs of residential consumers of postal services.

Pursuant to its statutes (approved by Decree-Law no. 39/2015 of 16 March), it is an assignment of ANACOM to "guarantee the conduction of studies in the area of communications" (article 8, paragraph 1, point t)) and "to collaborate with other public and private bodies in fostering scientific research applied to communications" (article 8, paragraph 1, point s)). Pursuant to the provisions of point i) of paragraph 1 of article 8, it is a responsibility of ANACOM to "ensure the access to the electronic communications and postal universal services, namely through the guarantee of compliance with universal service obligations".

The objectives defined in article 2 of Law no. 17/2012[9] (*Lei Postal* - Postal Law) of 26 April (amended by Decree-Law no. 160/2013 of 19 November and by Law no. 16/2014 of 4 April) focus not only on enhancing the rights and interests of users, in particular consumers, but also on ensuring the efficient and sustainable provision of a universal postal service, based on the following principles:

a) Ensuring the existence, availability, affordability and quality of universal service provision;
b) Ensuring the economic and financial sustainability and viability of universal service provision;
c) Guaranteeing enforcement of and compliance with the essential requirements provided for in article 7 of the same law[10];
d) Ensure the protection of users in their dealings with postal service providers, namely the handing and resolution of complaints;
e) Ensure equality in the access to the market.

The purpose of the study is to identify and assess the needs of residential end-users of the postal sector in Portugal, in particular as regards possible shortcomings in the supply of useful services to consumers and as regards the identification of any elements which consumers may no longer value.

This document is structured in four parts:

- Literature review;
- Consumption of postal services in Portugal;
- Perspective of stakeholders;

[8] First Postal Directive (Directive 97/67 / EC)

[9] This law lays down the legal regime that governs the provision of postal services, under a full competition regime, on national territory, as well as of international services to or from national territory, transposing to the national legal system Directive 2008/6/EC of the European Parliament and of the Council of 20 February 2008. Law no. 17/2012 of 26 April

[10] Article 7 Essential requirements for the provision of postal services.

1. In the provision of postal services, the following essential requirements shall be safeguarded:
   a) The inviolability and secrecy of postal items, subject to the restrictions and exceptions provided for in criminal law and other applicable legislation;
   b) The security of the network as regards the transport of dangerous goods;
   c) The confidentiality of information transmitted or stored;
   d) Protection of personal data and of privacy;
   e) Environmental protection and regional planning;
   f) Respect for the terms and conditions of employment and for social security schemes, laid down by law, regulation, administrative provision and by collective work agreement.

- Conclusions and impact on regulation.

The main conclusions of the **Literature Review** are as follows:

1. **THE POSTAL SERVICES VALUE CHAIN CONSISTS OF FOUR MACRO ACTIVITIES**
   The execution of postal services presupposes, on the part of service providers, the accomplishment of four intrinsic component operations: Collection, Sorting, Transport and Delivery. Sorting operations occur both at the collection stage and at the delivery stage.

2. **THE BEHAVIOUR OF USERS OF POSTAL SERVICES DIFFERS ACCORDING TO WHETHER THEY ARE USING POSTAL CORRESPONDENCE OR PARCELS**
   The needs, attitudes and behaviours of consumers tend to be different in relation to postal correspondence and parcels. Differentiation is motivated both by the specific nature of the objects being sent and by the assigned role, which is strongly influenced by behavioural patterns in technology take-up.

3. **THE INSTITUTIONAL FRAMEWORK OF POSTAL SERVICES HAS BEEN STRONGLY INFLUENCED BY MOVEMENTS TOWARDS LIBERALISATION AND PRIVATISATION**
   The structural foundation of the policy guidelines prevailing in most countries have favoured the development of steps towards liberalisation in most markets. The same trend is occurring in access to the postal services market, in multiple cases, combining implementation of liberalisation with steps towards the privatisation of the public operator.

4. **MOVEMENTS TOWARDS LIBERALISATION AND PRIVATISATION ARE NOT UNIFORM BETWEEN COUNTRIES**
   Objective analysis of reality, well interpreted in the useful academic work referenced in this study, demonstrates the existence of differentiated options, implemented with an equally differentiated temporal rhythm. The different options are: gradual liberalisation; Immediate liberalisation; Combination of liberalisation and privatisation at a gradual pace; Combination of immediate liberalisation and privatisation; Gradual privatisation; and Immediate privatisation.

5. **THERE ARE OBJECTIVE REASONS FOR SUSTAINING DIFFERENTIATION OF LIBERALISATION AND PRIVATISATION OPTIONS**
   The academic work, especially as produced by Sandra Eckert, makes it possible to systematise four reasons which serve to justify the choice made in each country: Geographic characteristics, Engagement of citizens with the public service, Macroeconomic and social characteristics and Political-institutional configuration. The less ambitious options in terms of liberalisation and privatisation (scope and speed) are propitious: when geographical characteristics encompass remote and rural areas; when there is strong citizen engagement with the public service and especially in cases where postal services provide additional services to vulnerable sections of the populations; when the macroeconomic characteristics are favourable and when the political-institutional configuration allows a centralised decision. Where macroeconomic characteristics are unfavourable, the decision-making process on the liberalisation and privatisation of postal services tends to be complex, given the antagonistic effects. In particular, antagonism arises from the potentially harmful effect on the employment rate and the favourable effect of the transfer of the public postal operators' debts and investment needs into the private sphere.

6. **FRANCE, GERMANY, JAPAN AND SINGAPORE ARE EXEMPLIFICATIVE REFERENCES OF THE IMPLEMENTATION OF DIFFERENTIATED MODELS OF POSTAL REFORM**
France has opted for a gradual liberalisation process; Germany opted for a gradual liberalisation and privatisation process; Japan opted for gradual liberalisation and Singapore opted for immediate liberalisation.

7. **POSTAL REFORM HAS GIVEN BASIS TO THE ROLE OF REGULATION**
Movements towards liberalisation and privatisation have highlighted the need for regulation as a means of intermediation between the interest of citizens and the existence of equitable competitive conditions. The need for separation of technical functions from regulatory functions has become explicit in most countries and has created and/or strengthened the role of regulators.

8. **THE CONCEPT OF UNIVERSAL SERVICE BECAME THE CENTRAL ELEMENT OF REGULATION**
Although with far-reaching origins, the concept of universal service, at European community level, has seen its role reinforced, particularly since the Third Postal Directive. The concept began to be configured on five dimensions, with specific requirements in terms of the range of products and services, coverage and accessibility, price, quality of services and network infrastructure.

9. **FUNCTIONING OF THE UNIVERSAL SERVICE REQUIRES EFFICIENCY**
As Jaag and Trinker demonstrate, the requirements of universal service are very demanding, requiring a high level of efficiency; this because they entail reconciliation between provision of a high standard of quality of service and a price that is as affordable as possible.

10. **DEMAND FOR POSTAL SERVICES IS STRONGLY INFLUENCED BY TRENDS IN DEMATERIALISATION**
The technological evolution brought by digital solutions is generating a strong contraction in postal correspondence traffic; this is not being offset by increases in postal parcel traffic resulting from greater take-up of electronic shopping. The decline in postal correspondence traffic is due to the fact that business and institutional users are favouring other channels of communication which combine lower cost with greater convenience for both senders and recipients. Overall, the European postal market declined 4.3% in the 2013-2015 period.

11. **A SHRINKING POSTAL MARKET IS PRODUCING NEW CHALLENGES FOR POSTAL OPERATORS**
Postal operators are confronted with a number of challenges, whose origins stem from the damaging effects of the decline in postal traffic and the increase in delivery points. The current scenario may be characterized by three features: Stagnation of the competitive profile; Decrease in the profitability of operators and a Search for new solutions to optimize operational efficiency. In 2014, 52% of European postal correspondence traffic was processed in countries with low competitive intensity - i.e. where a residual number of operators have a market share of over 1%. In the period 2013-2015, only operators who implemented efficiency measures were able to increase profits. Operators who have already implemented these measures previously were unable to maintain a positive trend in their results, which shows that the effect of these measures is finite.

12. **REGULATORS ARE ATTENTIVE TO THE CHALLENGES REQUIRED TO BEAR THE COSTS OF THE UNIVERSAL SERVICE**

As a way of responding to the scenario of diminished demand, postal operators are implementing actions in four areas: Diversification of their activities, Pricing, Operational model and Service level profile.

In terms of diversification of activities, operators are differentiated by scope of their activities, which can be successively enlarged to include parcels (e.g. Royal Mail), logistic services (e.g. Deutsche Post) and financial services (e.g. Poste Italiane). Pricing changes, authorised and overseen by regulatory authorities, constitute the first typology of operational actions implemented by operators. While generating short-term benefits, these actions reveal a strong propensity towards medium-term value destruction, since they induce take-up of alternative communication channels, particularly when it comes to postal correspondence.

In order to improve operational efficiency, postal operators have consistently adopted technological solutions aimed at minimising costs and/or creating new products and services.

With the realisation that price and postal efficiency measures have an impact which is temporally delimited, postal operators have been focusing on the profile of the services provided.

13. **ACADEMIC WORK DEMONSTRATES THE EXISTENCE OF VARIOUS MODELS OF RESPONSE IMPLEMENTED BY POSTAL OPERATORS AND OVERSEEN BY REGULATORY AUTHORITIES**

Australia - despite a strong contraction in demand, public guidelines did not reduce the standard of universal service, while allowing non-priority mail to be distributed three days per week.

New Zealand - there was also authorisation to decrease delivery frequency from 6 to 3 days in urban areas and to 5 days in rural areas. Rural areas have not accepted the reduction in delivery frequency easily; this is due to functionality (e.g. late delivery of parcels, vaccines, seeds, etc.) and social reasons (e.g. isolation and safety of populations).

Netherlands - authorisation was granted for a reduction in the frequency of deliveries to three days per week.

Denmark - the postal operator has approved the possibility of separating priority and non-priority mail. While maintaining the obligation of distribution six days per week, non-priority mail was distributed three times at each address.

Sweden - the postal operator reduced standards of quality of service, especially in terms of compliance with standards governing delivery and rates of loss, and also subcontracted distribution in rural areas. The degradation of the level of quality of service provoked a reaction among the population, with a decrease in rates of satisfaction with the postal operator. The Swedish case demonstrates that, beyond a certain limit, the degradation of service tends to generate a negative reaction among users.

Canada – measures included a change in the place where correspondence is delivered, encouraging replacement of individual letter boxes by community letter boxes. In the first year of the model's implementation, around one million addresses had their letter boxes transferred, but as the programme was expanded to urban areas, negative reactions increased, leading to its suspension.

14. **REGULATORS ARE INTERESTED IN ASCERTAINING THE NEEDS OF POSTAL SERVICE USERS.**

Following EU guidelines, EU regulators are focused on identifying unfulfilled needs in postal services. In addition, they are also focused on identifying possible areas where the performance provided by postal operators exceeds user expectations. Finding situations of this type may contribute to a better adjustment of the juxtaposed requirements to the universal service. In Portugal, ANACOM is also working along these lines and has arranged for this research to compile detailed knowledge about the needs of Portuguese users.

The main conclusions on the **Consumption of postal services in Portugal** are as follows:

15. **RESEARCH ON POSTAL SERVICE NEEDS CARRIED OUT IN PORTUGAL FOCUSED ON ALL COMPONENTS OF THE VALUE CHAIN WITH CONSUMER INTERVENTION**
    In conceptual terms, the research was structured in order to obtain information about take-up of products and services; to characterise behaviour in access to and use of postal establishments; to gauge needs in terms of the frequency and specifications of delivery of postal items; to ascertain customer timings and procedures in the use of postal services from the perspective of senders and receivers, and to identify the extent to which users are willing to pay for specific features. In operational terms, the classification of needs sought to assess the importance attributed to the following attributes: trust, flexibility, simplicity, speed, control, predictability, suitability of postal services to the demands of everyday life and affordability.

16. **30.7% OF CONSUMERS SENT POSTAL CORRESPONDENCE IN THE LAST 12 MONTHS, EACH SENDING AN AVERAGE OF 6 LETTERS**
    Use of services to send correspondence was reported at 30.7%. 44.9% of consumers have already used services to send items but have not done so in the past year. 24.3% of those surveyed have never sent items of postal correspondence, with prevalence among consumers up to 24 years of age (48.1% have never sent postal correspondence). The sending of letters is more relevant among respondents with higher education. The type of area where residence is based and the degree of vulnerability are not explanatory factors in the use of services to send mail. Correspondence is mainly sent to family members and to companies, in particular to contract or cancel contractual services.

17. **SHORT-TERM TREND SHOWS SIGNS OF A DECLINE IN MAIL SENT**
    59.6% of the respondents maintained the average quantity of items sent compared to the previous period. However, 32% reduced the quantity sent, mainly as a result of taking up DEMATERIALISATION solutions supported on Internet-based or voice communication channels.

18. **CONSUMERS KNOW ABOUT THE VARIOUS TYPES OF MAIL**
    Rates of awareness as regards the various types of mail reflect the following degree of knowledge: Non-priority mail (98.7%); Priority mail (94.3%); Registered Mail (88.8%); Mail without weight limit (61.9%); Express Mail (50.7%); Mail without declared value (23.4%).

19. **THE USE OF DIFFERENT MAIL TYPES REFLECTS THE SEGMENTATION OF THE RESPECTIVE VALUE PROPOSALS**
    Users select the mail type according to the situational characteristics that support the reason for sending. If they do not require speed, they opt for non-priority mail (52.1%), and the reverse is true in the opposite situation (43.5%), where use is made of priority mail. They use registered mail (48.1%) when they need proof of delivery. They favour mail without weight limit (11.5%) when convenience is a priority or when rationally the price is advantageous given the weight of the item being sent. In situations requiring utmost speed they use express mail

(2.3%). Use of mail with declared value applies mainly in the cases in which the correspondence includes means of payment (e.g. cheque).

20. **USERS OF EACH TYPE OF MAIL KNOW ABOUT DELIVERY TIMES**
Current users of each type of mail show good levels of knowledge as regards the delivery standards associated with each type of mail. In the case of non-priority mail, 34.7% of users perceive it to be faster than the reference standard.

21. **ACTUAL USERS OF EACH TYPE OF MAIL KNOW ABOUT THE PRICE OF DIFFERENT MAIL TYPES**
Most respondents do not know the prices of various types of mail. However, among actual users there is good knowledge of current prices.

22. **TO SEND MAIL, USERS USE AN AVERAGE OF 1.4 LOCATIONS**
Personal delivery at post offices (72.7%, motivated by the need to purchase franking, is the most used method for sending. Letter boxes on public roads are used by 26.6%. 21.5% deposit items in letter boxes at post offices.

23. **USERS REVEAL FIVE REQUIREMENTS IN THE POSTAL CORRESPONDENCE SERVICE**
So that solutions offered by postal operators meet users' needs, they must have the following characteristics: Ensure reliability and security through a guarantee of delivery; Provide diversified solutions in terms of speed of delivery standards; Provide simplicity by making it easy to deposit mail and via the opening hours of postal establishments; Allow control, particularly in the case of registered mail and appropriate pricing. This profile of needs has characteristics similar to those detected in a survey carried out in the United Kingdom and referenced in this study.

24. **12.6% OF CONSUMERS SENT POSTAL PARCELS IN THE LAST 12 MONTHS**
12.6% of respondents sent at least one postal parcel in the last 12 months. Sending parcels is more prevalent among individuals with higher education. Recipients tend to be family members (81.7%) and companies (18.6%), in the latter case, mainly resulting from electronic sales or return of purchased items by the same means.
40% of respondents have sent parcels on at least one occasion, but not in the last 12 months. 47.4% have never sent parcels. Not sending is highly prevalent among younger consumers.

25. **SENDING OF POSTAL PARCELS HAS STABILIZED**
On average, each user sent 4.4 items during the last year. The short-term trend reflects stabilization, with 64.3% maintaining quantity, 17.1% reducing and 18.6% increasing. The reductions in sending is due to reasons associated with the service providers (e.g.: cost of shipping and delays at delivery points) and by a reduced number of situations of objective necessity (e.g., no longer sending to family members and/or reduction of purchases online). In contrast, the increase is greatly influenced by growth in electronic purchases.

26. **CUSTOMERS KNOW THE TYPES OF PARCELS BUT NOT THE PRICING**
Users can differentiate parcels according to the associated speed, distinguishing between non-priority (82.4%) and urgent (60.7%). Use is mainly focused on non-priority orders (84.8% non-priority and 3.7% priority parcels). The actual perceived price (for parcels up to 2 kg in zone 2) is higher than the actual price. This confirms one of the European Union's assumptions about

consumers not knowing about options and prices of parcel services made available by postal service providers.

27. **TO SEND PARCELS, USERS MAKE USE OF 1.2 LOCATIONS ON AVERAGE**
Delivery of parcels at post offices is the method used by more users (92.6%). Alternative methods related to reception at home (12.6%) and delivery at the partner stores of operators that do not have a network of own stores (3.4%) is still residual.

28. **USERS OF SERVICES TO SEND PARCELS HAVE NEEDS IN FIVE AREAS**
In the specific case of sending parcels, users in Portugal are sensitive to trust, reflected in the guarantee of safe arrival of items to recipients, simplicity in the range of services, flexibility and ease in sending, relation between speed and price, and control through traceability solutions.

29. **THE VAST MAJORITY OF CITIZENS ARE USERS OF SERVICES TO RECEIVE POSTAL CORRESPONDENCE**
in the last 12 months, 82.3% of the respondents received a letter. The senders are mainly companies (85.8%) and public bodies (81.1%).

30. **LEVELS OF RECEIVED POSTAL CORRESPONDENCE TENDS TOWARD NO CHANGE**
On average, each user received 31.3 letters in the last year. The overwhelming majority (83%) report a trend of no change. However, 13% say they received fewer letters.
The drop in reception levels is mainly due to take-up of dematerialisation solutions, especially the use of email, due to the tendency to obtain transactional information (e.g. invoicing of contractual services) through websites, mobile applications, etc.
An important section of users still receive correspondence through physical channels. In cases where the choice is the receiver's, the main motivations are associated with security and trust, better organization and no involvement with the internet. Nevertheless, predisposition towards a progressive transfer to digital channels is growing, mainly due to concerns of convenience, environmental protection and time saving. As has already been detected in multiple countries (e.g. United States, United Kingdom, Denmark, etc.), corporate and institutional senders are looking to encourage recipients to accept digital channels. The former are mainly motivated by financial reasons and the latter are motivated by the interest in meeting the objectives of the digital agendas of the respective countries, which also occurs in Portugal.

31. **CITIZENS HAVE ACTIVE ENGAGEMENT WITH THEIR LETTER BOXES**
75.4% of citizens say they go every day to their letter box, and location is not explanatory of frequency. This leads to the conclusion that most recipients access correspondence on the day of arrival in the letter box, unlike in other countries (e.g. Australia where only 32% access correspondence on the same day).

32. **PREDICTABILITY IS THE PRINCIPAL NEED OF RECIPIENTS OF POSTAL CORRESPONDENCE, BUT IT IS NOT VERY STRONG**

Lack of knowledge about arrival time is the main reason for the high frequency of access to letter boxes. 82.7% of users consider it very important to know the day of arrival and 79.3% consider it very important to know the time of arrival. Despite the high frequency, 44.3% of users do not have a specific routine to access letter boxes, so that delivery timing is not a key variable for recipients.

The main difficulties encountered in respect of services to receive postal correspondence are associated with situations where registered mail requires personal visits to postal establishments. The overwhelming majority of users do not know about and, therefore do not use, the paid services provided by postal operators to facilitate receipt of postal correspondence.

33. **27.6% OF CONSUMERS RECEIVED PARCELS IN THE LAST 12 MONTHS**

    Receipt of parcels was reported by 27.6% of consumers, and is more prevalent among customers with higher education and among those who are 25-44 years old. Parcels are sent by family members (43.5%) and especially by companies (70.2%) - in the case of companies, mostly associated with electronic purchases.

34. **RECEIPT OF PARCELS IS INCREASING**

    On average, each user of the service receives 5.5 parcels. 60.6% show a tendency towards maintaining quantities. 25.2% increased quantities, mainly due to the increase in electronic purchases. 14.2% decreased quantities, mainly due to the effect of shipment costs and a reduction in electronic purchases.

35. **PARCELS ARE MOSTLY RECEIVED AT HOME**

    The locations most commonly used to receive parcels are: home (60%) and post offices (42.5%). 37% receive parcels in a format that can be collected from the letter box. Reception in alternative locations is infrequent: at work (14.9%) and operator partner outlets (6.9%)

36. **CONSUMERS REVEAL THE EXISTENCE OF SHORTCOMINGS IN THE NEEDS PROFILE VERSUS AVAILABLE RECEPTION TIMES**

    The majority of users receive parcels on working days (93.1%), especially from 9:00 am to 1:00 pm. 47% prefer delivery in the 3:00 pm – 10:00 pm period, but only 13% receive parcels in this time window.

37. **USERS RECEIVING PARCELS HAVE 4 NEEDS**

    When it comes to receiving parcels, users are concerned about **predictability**, provided by knowledge of the day/time of delivery and mechanisms which enable users to make changes in the event of unforeseen occurrences on the same day, range of **options** in terms of **speed versus price**, especially as regards situations in which the cost of shipping is borne by the recipient; **flexibility**, in the choice of delivery deadlines and the delivery operator, and **control** through traceability solutions and supplementary insurance, where the recipient wishes to minimise the risk associated with delivery.

The main conclusions as regards **Engagement with postal operators** are as follows:

38. **POSTAL CORRESPONDENCE AND PARCEL SHIPMENTS ARE MAINLY PROCESSED THROUGH CTT, BUT REFERENCE IS ALSO MADE TO OTHER OPERATORS**

In the last year 99.8% of users sending postal parcels used CTT. CityPost was used by 2.7% and Adicional by 0.7%. In the case of parcels sent, 93.9% of users use CTT services and 17.9% use CTT Expresso. Other operators include Chronopost (70%), DHL (3.4%), Seur (2.8%), FedEx (1.4%) and CityPost (1.3%).

39. **WHEN RECEIVING PARCELS THERE IS GREATER DISPERSION OF OPERATORS**
78.2% of users receive parcels through CTT and 31.5% through CTT Expresso. Among the remaining operators, reference is made to Chronopost (29%), DHL (17.6%), Seur (8%) and NACEX (5%), with the remainder having rates of reference below 50%.

40. **USERS RECEIVING AND SENDING POSTAL CORRESPONDENCE AND PARCELS ARE GENERALLY SATISFIED BUT SHOW AN INTEREST IN IMPROVEMENT**
In the mailing of correspondence, 79.2% of users are satisfied with the universal service operator, but there is margin for improvement, given that 56% are not at the maximum satisfaction level. 82.8% of CityPost users are satisfied, but the base is very small.
In the case of receiving correspondence, satisfaction with operators is slightly lower than that obtained in relation to sending, particularly in the case of the CityPost and Adicional.
When sending parcels, the dissatisfaction rate is residual. Satisfaction with Chronopost exceeds satisfaction with CTT and CTT Expresso.
When it comes to receiving parcels, satisfaction is higher among operators who are dedicated to express delivery.

The main conclusions on **consumer preferences** are as follows:

41. **CONSUMERS REVEAL A PREDISPOSITION FOR ACCEPTANCE OF SOLUTIONS NOT RESULTING IN A LOSS OF ADVANTAGES**
Users of postal services are predisposed towards accepting: The location of postal establishments in spaces or zones which attract traffic and which are conducive to convenience in terms of access and hours of operation; Extension of mail distribution until 6:00 pm; Sale of complementary products at postal establishments in addition to postal services; Separation of distribution of postal correspondence and of postal parcels.

42. **CONSUMERS REJECT IMPLEMENTATION OF SOLUTIONS GENERATING LOSS OF FEATURES**
Consumers express a rejection of alternatives that imply a REDUCTION in convenience, especially: migration from mailboxes to community central box; Reduction in the frequency of postal distribution or reduction of the opening hours of postal establishments.

43. **RESULTS ON THE ACCEPTANCE OF DIFFERENTIATED PRICES ARE INCONCLUSIVE**
The possibility of differentiated prices according to geographical distance, although not rejected, is not validated. In fact, frequent users and vulnerable customers, above all, do not validate the possibility of differentiating prices for sending mail according to the distance of the recipient.
Likewise, users do not validate the possibility of senders (e.g.: Companies and public agencies) having a price which is differentiated according to distance. The rejection of consumers as recipients (and therefore non-payers) occurs mainly among non-urban populations and vulnerable populations.

44. **THE EXTENT TO WHICH OTHER PARTICIPANTS ARE RECEPTIVE TO CHANGES IN THE CONFIGURATION OF POSTAL SERVICES IS DEPENDENT ON THEIR ROLE IN THE VALUE CHAIN**

There is consensus in levels of receptivity to two measures: rejection of the existence of a fee to receive correspondence at home and acceptance of the extension of mail delivery time. As regards other measures, levels of receptivity vary.

Consumer protection associations reject all measures, except for extending the range of products and services in postal establishments and the extension of mail delivery times.

Express parcel operators consider that their activity has little connection with postal services, and therefore consider that the effect of all measures will be neutral in their activity.

Business senders of correspondence reject measures that reduce quality of service or require additional efforts from consumers. They accept the elimination of tariff uniformity and the extension of the mail distribution schedule.

Business senders of direct mail they also reject measures that diminish the quality of service, particularly when related to degradation of the frequency of delivery, or imply additional effort from consumers. They accept the extension of the mail distribution schedule.

Business senders of parcels also reject measures which diminish the quality of service or require additional effort from consumers, particularly if they create difficulties in the reception process. They accept the dispersion of postal establishments, the separation of distribution between postal correspondence and parcels and the extension of the time of mail distribution.

Postal operators tend to reject the elimination of uniform tariffs and the separation of distribution between postal parcels and correspondence. Their reaction is inconclusive in relation to a reduction in quality of service standards and restrictions on postal establishment opening times. They accept the remaining measures, except for an annual fee to access mail.

45. **HOW THE NEEDS OF POSTAL CONSUMERS IMPACT REGULATION**

The postal sector in Portugal, as in most other European countries, is experiencing profound changes in its structure, mainly due to the decline in traffic volume, resulting from a switch to digital channels.

Current characteristics are driving the sector's participants into processes of restructuring and optimisation, in order to reconcile provision of the service to appropriate standards of quality with economic and financial sustainability. Achieving points of balance between the needs of demand and the performance capacity of supply is a central objective of regulators in general and of ANACOM in particular.

The pursuit of balance is of paramount importance because its absence is highly conducive to constrained demand, due to mismatch of quality or price. The adoption of quality standards that are incompatible with consumer needs contributes strongly to constrained demand by encouraging users to take up potentially more convenient solutions, including digital solutions. In the case of residential users, this effect is particularly relevant when receiving postal correspondence. As such, any decrease in the quality of services, in terms of receiving mail, will contribute to making residential consumers more receptive and proactive when it comes to dematerialisation solutions.

Although provision of standards of quality and service in excess of expectations does not contribute to a maintenance of habits of postal services usage, a decline in these standards in respect of postal services may act as a strong deterrent to use, as demonstrated by the Swedish case, where the retraction of quality levels has contributed to a decline in demand.
The influence of price naturally occurs from the perspective of senders, since in the postal correspondence segment, the sector operates according to the "sender pays" principle. Indeed, price increases tend to trigger moves towards dematerialisation by large senders of mail, giving rise to conditions whereby recipients are encouraged to take-up digital solutions.

Whereas postal services function as an essential channel for communication and for the interaction of information and items between citizens, businesses and the State, it is important to continue to ensure conditions that ensure equilibrium in the functioning of the market, particularly in view of the liberalisation and privatisation environment adopted in Portugal.

Based on the results obtained in the present research, it is possible to conclude that there is growing differentiation among residential consumers of postal services between postal correspondence and parcels.
For residential consumers, the use of postal correspondence services is predominant from the point of view of reception and associated with transactional communication. The progressive transfer of "social" communication to electronic channels reduces emotional engagement with postal services, giving rise to the importance of functionality. As such, the main factors of value in respect postal correspondence are associated with reception, namely related to frequency of distribution and reception locations. However, from the point of view of senders, residential consumers attach particular importance to how postal services fit in with the characteristics of everyday life, particularly when they require travel to a postal establishment.

This research also supports the hypothesis that residential consumers ascribe increasing importance to parcels, mainly due to the direct influence of increased use resulting from electronic purchases. In addition, greater engagement with parcels is also influenced by the fact that in several circumstances, the payment of the service is based on the principle of "receiver pays" rather than "sender pays", and it is the responsibility of the receiver to select the level of service in delivery and the price of the service that will be processed by the sender.
In terms of position in the value chain, the engagement of residential consumers with parcels is observed to occur both when acting as senders (progressively increasing due to the adoption of behaviours associated with electronic sales) and, as mentioned above, when acting as recipients.

The combination of the results obtained from the point of view of sender and recipient of postal correspondence and parcels makes it possible to identify the existence of relevant challenges in terms of regulation, mainly due to the divergences found between the interests and expectations of residential consumers and the objective behaviours of take-up and use of postal services.

As seen in other countries, for example Australia and Denmark, residential consumers in Portugal also require a high level of performance in postal services, even if there is a low rate of usage.

Postal services remain strongly associated with provision of public service, so that a reduction in features is considered as a loss of rights. There is also a tendency among citizens to assert the

need to maintain conditions that ensure complete universalization of access and use. For example, non-vulnerable citizens, and citizens with little or no postal usage, strongly advocate the need to guarantee access to postal services for vulnerable citizens and/or citizens residing in rural areas.
Nevertheless, a lack of willingness to bear additional costs in order to guarantee the current levels of performance suggests that there is scope for regulatory intervention, seeking a balance between the effective needs of residential consumers and economic-financial rationality, associated with its provision.

Regardless of whether or not covered by the scope of regulatory intervention, residential consumers allow for the possibility of alterations in the following areas of intervention:

- Method of distributing postal correspondence and parcels;
- Available time window for the delivery of postal correspondence;
- Price of postal correspondence;
- Frequency in the delivery of postal correspondence;
- Characteristics of the network of postal establishments;
- Composition of the range of products and services available in postal establishments.

The possibility of **Separation of postal correspondence and parcel deliveries** derives from the already mentioned differentiation in terms of degree of engagement and above all from different needs in terms of reception times depending on the mail type. As such, on the consumer side, there is a predisposition towards accepting separation, if this is advantageous in terms of the dynamics supporting the functioning and sustainability of postal services.

Current perceptions as regards **price** of each type of mail show the possibility of residential consumers, from the point of view of senders, accepting slight increases, given that they do not currently associate postal services as being expensive. Residential consumers continue to prefer universalist tariff solutions, but rejection of price differentiation by geographical area is only manifest at a level of around 30%. The remaining 70% are divided, simultaneously, between deliberate acceptance and tolerated acceptance. The results are inconclusive on explicit preferences, but the acceptance of differentiation may be progressive.

Conceptually, residential consumers pose an obstacle to a reduction in **delivery frequencies** of postal correspondence. However, considering the current levels of correspondence received and the high frequency of visits to letter boxes, there is scope for acceptance of the possibility of a slight decrease in the frequency of deliveries provided that three conditions are assured: adoption of an effective distribution model (e.g. model "x/y" adopted in Denmark, with differentiation between priority mail (distribution in 5 days) and non-priority (3 alternate days), compliance with the transit time associated with each type of mail and no deterioration in terms of loss rate.

Receptivity to solutions offering convenience contributes to good acceptance as regards expansion of the **network of postal establishments** to sites with concentrations of traffic, such as supermarkets or shopping centres. This acceptance naturally occurs in urban areas and is considered as an alternative to the possible closure of postal establishments with inferior locations.

The expansion of **the range of products and services** available in postal establishments, with an extension to non-postal areas, tends to be accepted by residential consumers, especially as a means of compensation to ensure profitability.
On the other hand, residential consumers show a clear tendency of rejection as regards changes which are not conducive to convenience, such as migration from individual letter boxes to community letter boxes and a reduction in the opening hours of postal establishments.
Rejection of migration from **home letter boxes to community letter boxes** is based on the inconvenience and difficulties of access, particularly for vulnerable populations. Considered as a "personal asset", the letter box is only deemed dispensable if there is an implication of payment to enjoy its use. This possibility does not demonstrate a capacity to increase receptivity among residential consumers, and may even be a reason for explicit and manifest rejection. However, any changes in behaviour resulting from potential complementary legislative changes (e.g., electronic digital addresses) may cause a shift in the current position.

A reduction in the **opening hours of postal establishments** is not accepted by postal consumers, and potentially deters the use of postal services. This is further compounded by the fact that residential consumers overestimate waiting times in postal establishments. In fact, qualitative research supports the hypothesis that the perception of the "mental time" associated with presence in the postal establishment exceeds the "real time" required to accomplish the task that is the reason for the visit.

As regards **Postal correspondence, the most structural needs** of residential consumers are associated with trust, simplicity, flexibility, control and price. Flexibility is the most sensitive area for residential consumers, and is the justification for rejecting solutions that generate additional efforts, such as a transfer to community letter boxes or a reduction in the opening hours of postal establishments. Residential consumers reveal trust (whereby there is no explicit need to change the indicator associated with transit time and rate of loss). Simplicity is perceptible through the range of products and services available and no gaps have been detected. Control is required in the use of registered mail, and the current situation shows performance in line with expectations. In view of pricing, it is confirmed that the postal service is not associated with being "expensive" and that a "slight" adjustment is accepted by residential consumers.
The importance attached to priority mail and its strategic role in meeting the needs of residential consumers continues to justify the presence of this type of mail within the scope of the universal service, so that the current quality of service objectives must be maintained.

As regards **parcels, the more structural needs** are associated with predictability, choice between speed and price, flexibility and control.
The need for predictability is associated with the interest in knowing the moment of receipt, which presupposes access to objects in an easy and convenient way, the latter requirement implying the existence of flexibility to make adjustments to the reception itself.
The existence of options whereby the receiver assumes payment generates the need for a range of price/delivery alternatives so that consumers can adjust cost to their needs in terms of timing in access to the goods.
Control is required as a means of tracking objects from sending to receipt. In regulatory terms, there is possibly a need to strengthen the dissemination of product and service options, because in Portugal, as in several countries, and as already mentioned by the European Union, there remains a strong lack of knowledge about the options available in terms of delivery times and price.

Based on the results of this research, the evolution of regulatory action in Portugal should take into account the following facts regarding the profile of needs, attitudes and behaviours of residential consumers:

- They are sensitive to the role of postal services in supporting the country's social and territorial cohesion;
- They are sensitive to costs and are satisfied with the current pricing of postal correspondence;
- They are sensitive to convenience in terms of access to postal establishments and postal services;
- They express explicit preference for receiving items at home;
- They may accommodate a slight reduction in the frequency of delivery of postal correspondence when it comes to non-priority mail;
- They make an explicit separation between postal correspondence and parcels;
- They are sensitive to predictability and flexibility in the use of services to send and receive;
- They are sensitive to reliability, simplicity and flexibility in the use of services to send and receive correspondence;
- They are not willing to support additional costs to achieve current levels of performance, save for a slight price adjustment in postal correspondence.