

Review of postal regulation consultation

Response from Hermes Parcelnet Ltd (Hermes)

Introduction

Hermes welcomes the opportunity to respond to Ofcom's consultation on the review of postal regulation and the proposed regulatory framework running until 2027.

Hermes is the UK's largest dedicated parcel company. We deliver parcels for some of the largest retailers, both online and on the High Street, including John Lewis, M&S, Next and Asos, as well as SME's and small independent sellers. We offer consumer to consumer parcel delivery and collection available from one of our 5,000+ Parcel Shops or delivery to one of 1,100 lockers.

Hermes delivers to every address in the UK and provides services seven days a week. In 2020/21 we delivered 648 million domestic and international parcels. On our busiest peak day in 2020, we processed 3.5 million parcels, up 1 million on our busiest day the previous year.

Hermes has two parcel sorting hubs in Warrington and Rugby, from where all our parcels feed into our network of 32 depots across the UK, for onward distribution to around 600 delivery units, from where our couriers collect parcels for final mile delivery. We also have a dedicated returns centre in Rugby.

In September 2022 we will open a new parcel sorting hub in Barnsley, which will be able to process around 1 million parcels a day initially, increasing to 2.1 million by 2025.

Responses to individual consultation questions

We have confined our responses to questions related to general regulatory areas and the parcels market.

Q 2.1: Do you agree with Ofcom's proposed regulatory approach for regulating postal services over the next 5-year period (2022-2027)?

Yes. The review has recognised that the parcels market is competitive, generally works well and meets consumers' needs.

In competitive areas, such as the growing parcels segment of the postal market, Ofcom has introduced limited regulation only when necessary and appropriate. We welcome Ofcom's acknowledgment of the benefits of competition to consumers, including increased choice, service innovation and competitive prices.

The parcels market is a highly competitive sector with multiple companies operating in it and offering end-to-end B2B, B2C and C2X services. We feel that the 'light touch' regulatory approach taken to date has allowed competition and innovation to thrive and there have been no notable

exits from the market, ensuring consumers and retailers continue to have choice of delivery companies.

Given the growth in the parcels sector in the last five years and the competitive nature of the market, which has delivered clear benefits for consumers in terms of choice, innovations and price, we see no need to strengthen regulation in the parcels market.

Section 6: Parcels market regulation

Q 6.1: Do you agree with our assessment of the parcels market, namely that it is generally working well for consumers, but improvements are needed in relation to complaints handling and meeting disabled consumers' needs?

Yes, Hermes agree that the parcels markets meets consumers' needs well, whether in the B2C or C2C segments.

Parcel companies have innovated and developed to meet consumers' changing needs, including faster delivery, competitive and affordable delivery options and enhanced messaging information, allowing consumers to track their parcel's journey and make real time changes such as diverting delivery to a safe place, shop or locker.

In the B2C segment while retailers select the delivery company they work with, they too have a range of companies to choose from and many retailers use several delivery companies, often choosing one for standard delivery and one for next day delivery. In some cases, retailers give the consumer the choice between delivery companies, often based on price and standard/next day options.

Consumers are kept well informed about the parcel journey with text and email updates and tracking. In the B2C segment, depending on the service purchased by the retailer, the consumer can be advised when their order is being processed, when it is dispatched to the delivery company, when the delivery company receives the parcel, when it is on its way to them as well as detailed information about the time of delivery.

Delivery and collection options have evolved to offer more convenience to consumers. Consumers can choose to have a parcel delivered to a specified address (whether work or home), a ParcelShop or a locker. Those sending parcels with Hermes Send can take them to one of 5,200 Parcel Shops or arrange a collection from home from one of our couriers. Consumers can print labels and package items at home or print labels in a ParcelShop and we are currently trialling packageless deliveries, where consumers can bring their item to a ParcelShop with no packaging to send with Hermes.

In 2020 Hermes launched Hermes Play, a paid for digital option which allows or C2C Hermes Send customers to send a personal video with their parcel which the recipient views by scanning a QR code via the Hermes app. Retailers can also use the option to communicate with their customers, sending videos with offers and promotions, or related to the product the recipient has bought. This innovation allows for more personalised parcel delivery for individuals sending parcels, especially when sending a gift, and for retailers to communicate directly with their customers, just as they would if they were making an in-store purchase.

Complaints

We welcome the Ofcom guidance on complaints handling. As parcels become ever more important to people's lives it is important they know who to contact and how if things go wrong. Sometimes parcels can become lost, damaged or delayed. Hermes is currently making improvements to our customer services so its easier to contact us and get a quick resolution if this happens.

Disabled consumers

The research highlighting the issues faced by disabled consumers shows the many of same issues are faced across all consumers, regardless of ability. The main concerns for disabled consumers: delayed parcel, parcel not arriving, damage to a parcel, insufficient tracking information are the same concerns voiced by all consumers groups.

The investments and changes we are making as part of our customer service investment to make it easier to contact Hermes, improve two-way communication with consumers and improve compliance in parcel delivery should make significant improvements in these areas identified by consumers. More detail on the changes we are making are set out in the response to 6.2 below.

Some disabled consumers have said they are not given enough time to get to the door to collect a parcel and that parcels are sometimes left in inaccessible places. This is clearly an area all parcel companies need to consider more carefully to meet the needs of not only disabled consumers, but any consumers who might need more time, such as the elderly, pregnant women or those living in blocks of flats

Q 6.2: Do you agree with our assessment of the consumer issues in relation to complaints handling and our proposed guidance?

Hermes welcome the clarity the guidance provides. We know consumers want clear information about when their parcel will arrive and for a quick resolution if things go wrong.

Hermes is currently making significant changes and improvements to our customer services facility as part of a three-year £3 million transformation project.

In 2020 we closed our call centre in India and brought all customer service provision back to the UK to improve quality. With all our customer service agents located in the UK, we took the opportunity to create more localised customer service teams, taking staff out of call centres and placing them in our depots to be able to provide on the spot parcel information to consumers. This allows enquiries to be dealt with by teams where the parcel is processed resulting in speedier resolutions, such as locating a parcel and getting it to a consumer. Previously a member of the depot staff would have to stop what they were doing to look for a parcel, now there are staff in each depot dedicated to this and liaising with consumers directly.

This year we are making changes to how consumers contact and engage with Hermes to make ourselves more available and responsive to consumers. We believe these changes will result in higher consumer satisfaction.

Some of the live and planned services to assist consumers:

- Disputed delivery: In the summer we will launch a 'dispute my delivery' service, where consumers can rate a delivery and, if the delivery score is low and they have not received their parcel, they will be invited to launch an investigation and will be contacted by Hermes

with an update on their communication channel of choice. to find out why.

- Damaged parcels: In December 2021 we launched a system where we provide a certificate of damage to consumers which they can share with a retailer to obtain a faster refund or replacement for a damaged item. This sends the consumer back to the retailer earlier in the process to get a resolution to their complaint.
- Proactive notifications: One of the key areas of complaint from consumers is that a delivery is delayed. This can be for a variety of reasons such as transport issues, manual handling errors or poor packaging and most delayed parcels get back on their parcel journey within 24 hours. Instead of waiting for a consumer to contact us when a parcel is delayed, if we know a parcel is delayed in transit we plan to notify the consumer. Most parcels are delivered within 48 hours, but we ask them to wait 72 hours before contacting us or the retailer to ensure they are not seeking a replacement or refund for a parcel which then arrives. During this period, our depot team will investigate where the parcel has become delayed and get it back on track.
- Contact by phone: We understand that some consumers prefer to contact companies by phone. However, this is the most expensive and often inefficient option. This year we will launch a phone services for consumers which will allow them to leave a voicemail with details of their complaint, allow us to investigate in real time and then call the consumer back either with an update or a resolution.
- Reunite: One of the main challenges with C2C parcels is that the packaging is not always as robust as that from retailers. This can result in packaging coming open and the contents of a package being separated from its packaging meaning we have no address to deliver or return it to in some instances. In October 2012 we started using Reunite, a service that allows companies (it is widely used by TfL and transport companies) to upload photos to try and reunite them with their owners.
- Delivery diversions: In 2021 we added seven new locations to the list of safe places a consumer can ask couriers to leave their parcel. We also added 'deliver to neighbour' as a specific option. This alone resulted in 7,000 fewer consumer contacts a week.
- FAQs: Another simple step we are taking to improve the consumer experience is to look at the most commonly asked questions from consumers and make these answers easily accessible on our web site. If they need further help. they will be able to contact us via the web site and their complaint will be passed to a local customer service team in their local depot. These are not standard FAQ responses found on most company web sites which in reality are not the questions many consumers ask us, they are based on analysis of 1.5 million transcripts of conversations with consumers since March 2021 so we can provide the answers consumers most frequently want – rather than what we assume they want.

Q 6.3: Do you agree with our assessment of the issues faced by disabled consumers in relation to parcel services and our proposed new condition to better meet disabled consumers' needs?

The parcels market needs to work for all consumers, regardless of ability. If disabled consumers feel poorly served this is something all companies need to look at.

As set out in response to Q6.1, the most common delivery issues facing disabled consumers identified in the Ofcom research are the same as those facing non-disabled consumers, so there are shared concerns and frustrations across the whole consumer base about parcel delivery.

As mentioned above, Hermes is making significant investment in and changes to our customer service processes to make it easier for consumers to contact us and making our processes more efficient and intuitive to meet consumers' needs based on our analysis of previous complaints. We feel confident the improvements to services we are putting in place this year will improve the consumer experience for all consumers.

We are considering how Hermes can put specific policies and processes in place to meet the needs of disabled consumers. Disabled consumers are not a homogenous group with a single set of needs and will have a range of needs and preferences about those needs are met.

We have concerns about collecting and using data which identifies consumers as potentially vulnerable and how we use that data to meet consumers' needs while holding and managing it in a way consistent with data protection regulations. There are important questions to consider around how long we can hold on to data – do we need to delete it after each parcel delivery as the consumer is a customer of the retailer, not of Hermes?

Any solution needs to involve consumers rather than being developed in isolation by Hermes. To deliver the right service we will need to work with disabled consumers, for example enabling consumers who need more time to get to the door to let us know directly, ensuring consumers are aware of other delivery options, such as diversions to a safe place, locker or Parcel Shop

Changes here will come at extra costs to companies, both in terms of researching what will meet the needs of different groups of disabled consumers and implementing workable solutions into a UK-wide network.

We welcome the implementation period but think it is reasonable for this to be extended to 12-month implementation period following the publication of Ofcom's final statement – not April 2023 – given the level of work involved. We would also welcome guidance from Ofcom on how it plans to enforce this new general condition.

Section 7: USO parcels regulation

Q 7.1: Do you agree with our proposal not to include tracking facilities within First and Second Class USO services?

Yes, we welcome Ofcom's decision not to amend the services in the USO to include tracked parcels. As set out in our CFI response, inclusion of tracked parcels would give Royal Mail a competitive advantage over other operators which could distort the market and lead to less competition and poorer outcomes for consumers.

The inclusion of tracking for parcels in the USO would give Royal Mail an unfair competitive advantage over other parcel companies, allowing them to undercut competitors who offer tracking due to the absence of VAT on USO products, meaning Royal Mail would have a 20% price advantage. This would also mean reduced VAT receipts to the Treasury.



As Ofcom acknowledged, tracked services for parcels is already widely available from many other parcel companies at competitive prices and many companies, including Hermes, offer tracking as standard on all parcels.

Ofcom's most recent review of postal users' needs shows that most senders of C2X services currently choose non-tracked service and that tracking was not regarded as a priority issue for consumers when deciding which parcel operator to use.

Royal Mail already has significant market power in the lightweight parcels segment; including tracking in the USO would give further dominance to one operator and make it potentially impossible for other operators to compete on price. This could create a de facto monopoly in certain weight categories with consumers opting for Royal Mail based on price and ease of accessing their services via the Post Office. A lack of competition in any part of the parcels market could lead to poorer quality of service for consumers with no competition driving higher standards or innovations in service.

There is no clear evidence to add to the USO something which the market is already providing at competitive rates. The USO suite of products is intended to ensure that, regardless of market developments, all consumers can access affordable postal services which meet their reasonable needs. There is no evidence that consumers who wish to access tracked services cannot do so easily at affordable prices.