



The Postcode Penalty: The Distance Travelled

Progress on parcel deliveries in Scotland 2012-2015

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About Citizens Advice Scotland

Citizens Advice Scotland (CAS), our 61 member Citizen Advice Bureaux (CAB), the Citizen Advice consumer helpline, and the Extra Help Unit, form Scotland's largest independent advice network. Advice provided by our service is free, independent, confidential, impartial and available to everyone. Our self-help advice website provides information on rights and helps people solve their problems.

In 2014-15 the Citizens Advice Service network helped over 323,000 clients and dealt with over 950,000 advice issues in Scotland. With support from the network clients had financial gains of over £124 million and the Scottish zone of our self-help advice website received approximately 5.4 million unique page views.

Introduction

The UK online shopping market is one of the most developed in the world, with sales contributing up to 15% of total retail sales¹. This growing market is of particular importance to those living in rural and remote rural areas, as it brings the potential for consumers to benefit from the same level of choice enjoyed closer to population centres. However these rural consumers often find that they are excluded from home delivery options, or face high delivery surcharges that can make online shopping uneconomical. Moreover, this is part of a range of extra costs faced by people in rural areas; rural household budgets need to be 10-40% higher in order to achieve a minimum acceptable living standard².

The Citizens Advice Service in Scotland has been campaigning on the issue of unfair delivery charges since 2010, when the Skye and Lochalsh CAB surveyed local people's experience of the issue. When CAS ran a national survey on the issue in 2011, it received the highest number of responses to any survey CAS had run previously – over 3000 responses. An interim report based on the initial 900 responses – “Free Delivery*” – is available online. This was followed up with research into 534 businesses that survey respondents had told us they had had either good or bad experiences with. In late 2012 our full report “Postcode Penalty” was published, reporting our findings that 1 million Scots were affected by unfair delivery charges.

In November 2013 work involving CAS, the Scottish Government and other business and consumer organisations resulted in the publication of the Statement of Principles for Parcel Deliveries, setting out five key principles retailers should adopt in order to demonstrate best practice in home delivery. In July 2014 the UK Government added a sixth principle and published this updated version of the Statement of Principles across the UK.

Our most recent report on unfair delivery charges was published in April 2014. “The Postcode Penalty: The Business Burden” looked at the experience of businesses in Scotland receiving and sending parcels, and was based on 247 survey responses from businesses around the country. It found that additional delivery charges were a

¹ The Centre for Retail Research, (2015). *Online Retailing: Britain, Europe, US and Canada 2015*. [online] Available at: <http://www.retailresearch.org/onlineretailing.php> [Accessed 13 Aug. 2015].

² Centre for Research in Social Policy, Loughborough University, Centre for Remote and Rural Studies, University of the Highlands and Islands, University Campus Suffolk, (2013). *A Minimum Income Standard for Remote Rural Scotland*. [online] Highlands and Islands Enterprise. Available at: <http://www.hie.co.uk/regional-information/economic-reports-and-research/archive/a-minimum-income-standard-for-remote-rural-scotland.html> [Accessed 21 Aug. 2015].

major issue for 15,000 businesses in remote and rural Scotland, putting them at a competitive disadvantage.

This report provides an update to the original “Postcode Penalty” report, repeating its research into 534 online retailers’ delivery policies to see what has changed in the last three years. It also extends our analysis of the impact of delivery charges on Scottish businesses, with results from a survey we carried out in conjunction with the Federation of Small Businesses looking at the experiences small businesses in Scotland have sending parcels to their customers.

Key findings

- The problem of high delivery surcharges for consumers in rural and remote areas has not gone away, and the problem continues to impact the Scottish Highlands and Islands³ more than other rural areas of the UK.
- Fewer retailers add a surcharge compared with three years ago. The proportion of retailers in our survey surcharging customers in the Highlands has dropped from 49.8% in 2012 to 44.1% in 2015. Island residents are surcharged by 53.1% of retailers now, down from 62% in 2012.
- When a surcharge is applied, Highland and Island consumers pay more than they did three years ago, despite average delivery charges remaining static and falling in real terms. This results in these consumers paying roughly four times as much for delivery.
- Surcharges for Highlands consumers have risen by 17.6% (10% adjusting for inflation) and by 15.8% (or 8.3% in real terms) for islands consumers since 2012.
- Fewer retailers now refuse to deliver to the remote areas compared with 2012. Only 3.8% of retailers surveyed excluded some part of the Highlands from their delivery offering, while 10.9% excluded some part of the Scottish Islands.
- Online retailers are now better at complying with regulations and there are signs of improvement in the clarity and availability of online delivery information. However further improvement is needed – for example, many sites (37%) state that the customer has less than the statutory 14 days from delivery date to return items.
- The Statement of Principles on Parcel Deliveries has so far had limited success in influencing retailer behaviour, with only four of the 449 businesses surveyed stating that they had heard of it.
- Delivery charges can be a major challenge for small businesses in rural areas, and they experience more issues receiving parcels than they do sending parcels.
- Businesses in rural areas have less choice when it comes to choosing a delivery operator, and are more likely to rely on Royal Mail. Similarly smaller businesses are more likely to rely on Royal Mail.

³ Note that the area defined as “Highlands and Islands” can extend as far south as Stonehaven, Perth and Helensburgh.

Recommendations

We recommend that:

The UK Government....

- uses the coming into force of the Consumer Rights Act to (a) support business education about the requirements under the Consumer Contract Regulations and (b) support consumer education about what information consumers should be provided with, and about the minimum standards defined in the Consumer Contracts Regulations.
- does more to increase delivery operator and retailer buy-in to the *Statement of Principles on Parcel Deliveries*, with a plan of action to promote the scheme.
- considers whether consumers can be better served in the parcel delivery market by revising the Universal Service Obligation (USO) to take account of the increased importance of parcels in the modern world.

The Scottish Government...

- gives consideration to extending the Road Equivalent Tariff fare structure to cover vehicles over 6m in length, in order to help reduce the costs of delivering goods to the islands by ferry.
- looks at opportunities to use the unique characteristics of Scotland's island communities – in particular the central place of the publicly owned Cal Mac ferry services – to innovate to reduce the cost of delivery to Scottish islands through delivery consolidation in the final miles.
- considers how the Scottish Government and wider public sector can work with the industry to encourage final mile consolidation in order to reduce delivery costs for Scottish rural consumers.

Delivery operators....

- ensure that the full range of delivery options – in particular collection from post office, local shop, lockers or another safe place – are made available to the widest possible range of retailers, and so to their customers.
- reduce rural delivery prices when costs are reduced through increased final mile or delivery point consolidation.

Retailers...

- tell consumers what delivery operator will be used before the purchase is made.
- consider whether they can simplify and reduce their delivery pricing structure.

Consumer bodies....

- make a concerted effort to ensure that rural consumers are aware of all the options available to them – CAS will link up with partners to play a key part in this.

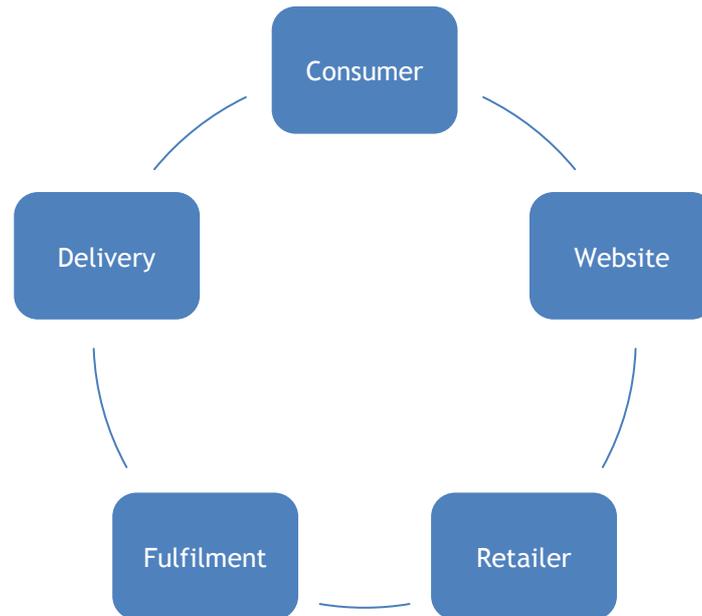
Methodology

This report is based on the results of a rerun of the 2012 survey of online retailers' delivery practices. The survey was completed online by volunteers, who were asked to answer a series of questions about an online retailer, the identity of which was provided to them at the beginning of the survey process. The 534 retailers surveyed were identified by consumers in the 2011 survey as companies with which they had had particularly good or bad experiences. Therefore it is not intended to be a representative sample of online retailers. But repeating the survey now does allow us to look at whether there has been any change in the last three years, and sites surveyed range from the biggest online retailers (Amazon, John Lewis, PC World) to small niche retailers from across the UK.

The report also presents analysis of a survey carried out in partnership with the Federation of Small Businesses. This survey, which received 449 responses from the FSB's Scottish membership, asked a series of questions about businesses' use of parcel delivery services, their delivery policies (where applicable) and their priorities when deciding which delivery operator to use.

The parcel delivery market and the consumer experience

From the consumer's point of view shopping online is simple, and this is part of its attraction. The shopper browses, orders, pays and later the item arrives. However in order for this to happen, a sometimes complex set of business relationships and economic structures must be maintained by the retailer, the delivery operator, and



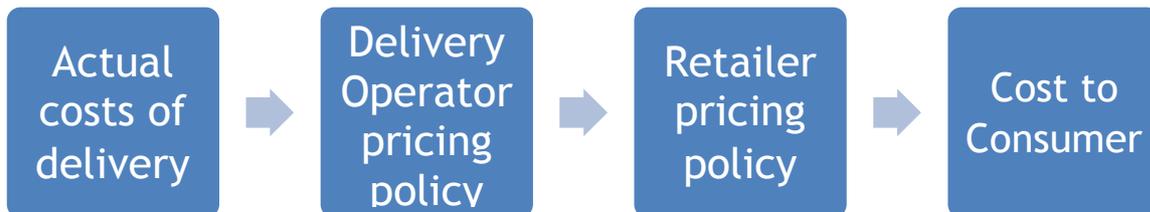
often a separate supplier of the goods.

The problems rural consumers experience with parcel delivery can be introduced into this system at the following stages:

- The design and maintenance of the retailer's website is crucial for customer experience of home delivery. Some of the improvements we have seen in the last three years may be partly due to increased prevalence of good e-commerce website design, yet some retailers have failed to update their terms and conditions on their website to represent the new Consumer Contracts Regulations.
- The retailer sets the delivery policy and price to the customer, and maintains a relationship with one or more delivery operators. They may charge exactly what the delivery operator charges per parcel, or they may introduce their own delivery pricing structure.
- The fulfilment stage – where orders are picked from warehousing and the delivery operator is engaged – can happen in a number of ways depending on the business model of the retailer. However the location of the product ordered will impact on the notional cost of getting that product to the customer, and may affect the price charged for delivery.

- Finally the delivery operator's pricing structure plays a critical part in determining the different costs paid by different consumers.

Each online retail business relies on these elements and relationships, but in each case they will be different in nature, and will provide a different quality of customer experience.



It is too simplistic to imagine that the consumer pays the cost of delivering the parcel. In fact the price the consumer pays is set by the retailer, and they may charge the customer exactly what the delivery operator charges the retailer, or they may apply their own delivery policy (e.g. free delivery over a certain order amount, or a flat fee for delivery across the UK, or different charges based on geography). The pricing structure the delivery operator offers to the retailer will be designed to cover the cost of carrying out each delivery.

However, the actual cost of making a delivery is made up of fixed costs (e.g. infrastructure, wages) and delivery specific costs (e.g. fuel), and these cannot be isolated for an individual delivery. The same wages pay for a driver who will complete many deliveries in one day. How much of the wage and infrastructure costs are allocated to each delivery? Again, a van may drive ten miles to make the first delivery, and then half a mile to make the second delivery, but the fuel used getting the van to the first location is also part of the costs of getting the van to the second location. So how much is the cost of fuel used to make the second delivery?

While it is difficult to isolate the specific cost to a delivery operator of completing an individual delivery⁴, it is possible to compare the costs of operating a delivery service within different accounting areas. It is on this basis that it is often pointed out that operating a delivery service in Scotland is more costly than in the rest of the UK. But where should we draw the lines of these accounting areas?

Unfortunately for those who live there, it is standard to treat the “Highlands and Islands” (variously defined) as a separate accounting area from the rest of the UK. Were Cornwall, or Pembrokeshire, or (given higher wage costs and congestion

⁴ Specific delivery costs can be generated through cost allocation estimations via activity based costing methods, but such methods (required of the universal service provider) are not used by private parcels operators.

charging) London treated as a separate accounting areas, all would be likely to be more expensive to service than the UK average. It is clear that a degree of 'price blending' – averaging out of costs – is necessary for any delivery operator. But it is the Highlands and Islands in particular that seems to get the thin end of the wedge.

“It is more expensive to deliver to rural areas due to well understood factors like higher stem mileage, lower drop density, lower potential and actual productivity etc. Therefore, there are two choices. Either the more densely populated areas subsidise rural deliveries, or the rural areas themselves pay extra.”
Medium-sized courier business based in Highlands (FSB Survey Respondent)

“We charge customers from the Glasgow area more to deliver to the highlands and islands than we do for the rest of the UK.”
Small courier business based in the Highlands (FSB Survey Respondent)

The cost of rural delivery

One of the main areas of concern highlighted in previous surveys was the high cost of deliveries to rural areas, with remote delivery surcharges often being seen as unfair and disproportionate.

Our surveys found that people disagree about the rights and wrongs of rural delivery surcharges. Some argue that delivery prices should be the same across the whole of the UK, while others accept that higher costs in rural areas are justified, but want them to be reasonable and clearly explained.

“If you live in a remote area then you should expect to pay more. Why should the retailer pay much more to deliver to rural areas, which can wipe out any profit completely in some cases? We usually pay half as a compromise but really it's your choice where you live. You benefit from the lovely scenery, fresh air or whatever makes you stay there, then there are costs attached.”

Edinburgh based business (FSB survey respondent)

“For a company who has an office in Glenrothes it is interesting why you can order a door in Penzance and get free next day delivery but not if you are in Inverness”

Online retailers survey respondent

Some argue that if you chose to live in a rural area you must expect higher delivery prices, but those who live in rural areas do so not just as a lifestyle choice, but more likely due to relational networks, the nature of their occupation, or due to a sense of belonging to the place.

But most importantly our surveys show that often consumers feel the cost of parcel delivery to rural areas is unfairly high. We believe if it can be cheaper for rural consumers, then it should be.

The Scottish Government defines rural Scotland as settlements with a population of less than 3000⁵. “Accessible rural” refers to rural settlements within a 30 minute drive of a settlement with a population over 10000, and “remote rural” refers to rural settlements further away. The areas our survey found to be most commonly affected by high delivery charges of exclusion from delivery are the remote rural areas of the Highlands, and the Scottish Islands.

The remote rural areas of Dumfries and Galloway and the Scottish Borders are far less commonly affected by the issue - although we know that consumers in these areas do encounter problems, and feel frustrated given their closer proximity to the

⁵ The Scottish Government, (2015). *Rural Scotland Key Facts 2015*. p.6.

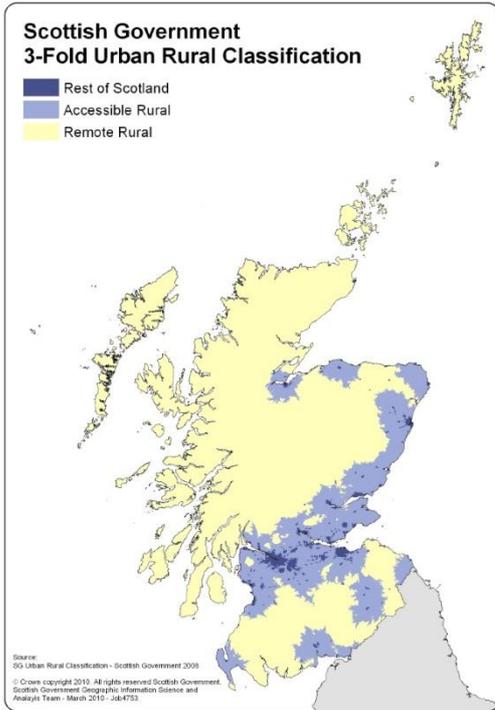
big distribution centres in England compared to the Central Belt. However, our survey of retailers delivery policies showed that surcharges were almost always directed at the northern and offshore parts of Scotland, and so we focus on those areas.

The delivery policies of online retailers are surprisingly varied, so in order to compare the cost of delivery to rural communities in Scotland, two broad geographic areas – “Highlands” and “Islands” – were used to compare rural delivery surcharges with standard charges. Although these terms are broad and, in the case of the “Highlands”, ill defined, the “Highlands and Islands” label, and the distinction between mainland and offshore, are the most commonly used terms when retailers specify differing delivery charges within Scotland. When different pricing areas are defined by one or more lists of postcodes, it is almost always the same two rough areas that are being identified.

There are many definitions of what constitutes the “Highlands”. Highland Council area is the most narrow definition, and often large parts of Aberdeenshire, Perthshire and Argyll are included in what is commonly thought of as the Scottish Highlands. The broadest definition identifies an area to the north of a line – roughly the Highland Boundary Fault – between Stonehaven in the east and Helensburgh in the west.

Even the onshore / offshore distinction is problematic, with retailers offering one delivery price to “mainland UK” but another to “Highlands and Islands”. The following analysis does not attempt to account for these varying definitions, but it is important to highlight these discrepancies, as they are a source of much frustration for affected consumers.

*“We in the highlands are treated as a foreign country when it comes to receiving parcels from the south of the UK. We are mainland UK”
Business in Highlands (FSB survey respondent)*



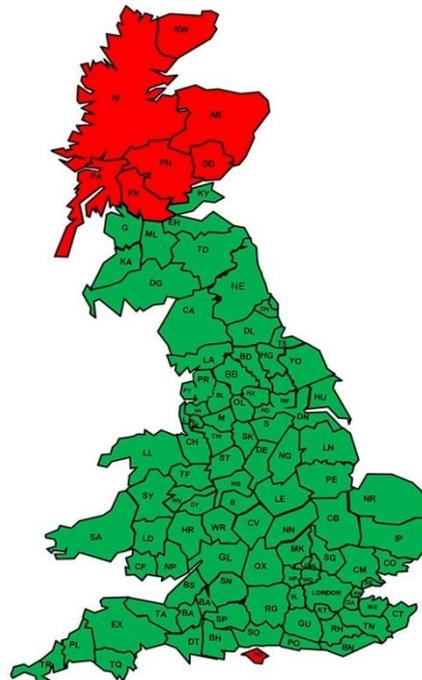
Map 1: The Scottish Government's Urban/Rural Classification map shows an accurate picture of the distribution of Scotland's population.



Map 2: This example represents the most common way delivery charges are differentiated geographically – England, Wales and southern Scotland / Highland / offshore. Note the similarities and differences between this map and the map 1.



Map 3: Here a standard delivery zone stops at the Scotland/England border – an arbitrary distinction when the issue is the economics of parcel delivery. Also, the extent of the blue zone is unusual – including the remote Ardnamurchan peninsula, but not Inverness.



Map4: This map identifies two delivery zones based on postcode area (the first letters of postcode), which results in the inclusion of the East Neuk of Fife and western Galloway in the standard delivery zone, but not towns in the Central belt such as Falkirk and Stirling.

The results of the 2012 survey were also re-analysed in terms of the Highlands / Islands distinction, in order to allow robust comparison over time. This analysis shows that the cost of standard parcel delivery has remained largely unchanged in the last three years, rising slightly from £4.99 to £5.01⁶. Adjusting for inflation this equates to a small drop in the standard cost of delivery of around 6%.

We found that fewer retailers now apply delivery surcharges to the Highlands and Islands than did in 2012, which is good news for consumers and shows that progress is being made.

| Area | 2012 | 2015 |
|-----------|-------|-------|
| Highlands | 49.8% | 44.1% |
| Islands | 62.0% | 53.1% |

Table 1: Percentage of sites applying a delivery surcharge

However, while fewer retailers impose a surcharge, those who do now charge even more. When facing a surcharge, a consumer in the Highlands now has to pay an average £14.23 on top of the standard delivery price, when in 2012 the average surcharge was £12.10. For islanders the picture is similar, with an average surcharge in 2015 of £14.71 compared to the 2012 figure of £12.70.

So while delivery prices have stayed the same for most consumers in the UK, the prices Highland and Island consumers have to pay have gone up, by nearly 18% for Highland consumers and 16% for islanders. When adjusting for inflation, costs have come down by nearly 6% in real terms for most of the UK but have gone up by nearly 10% for the Highlands and Islands. This means that while consumers are less likely to be affected by surcharges, the detriment they face when they are is more severe.

⁶ IMRG figures state an average parcel price of £4.20, so our sample of retailers is perhaps a little costlier in their delivery prices than average, although the IMRG figure will include segments of the parcels market other than business to consumer.

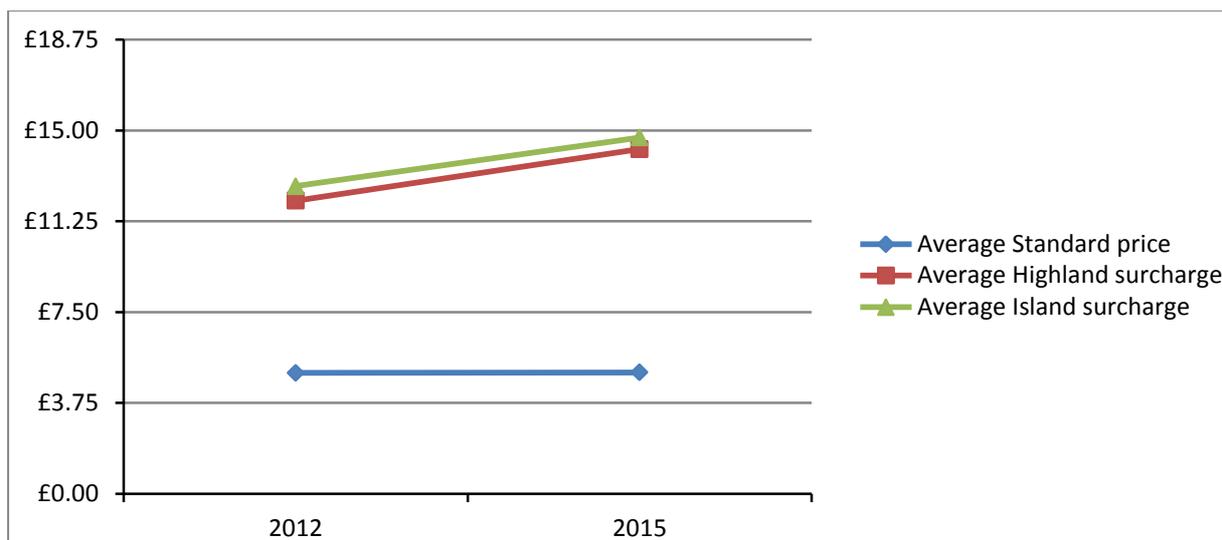


Chart 1: Change in average delivery prices since 2012.

| | 2012 | 2012 inflation adjusted | 2015 | Change since 2012 | Change since 2012 inflation adjusted |
|-----------------------------------|--------|-------------------------|--------|-------------------|--------------------------------------|
| Average Standard price | £4.99 | £5.34 | £5.01 | 0.40% | -6.12% |
| Average Highland surcharge | £12.10 | £12.94 | £14.23 | 17.60% | 9.96% |
| Average Island surcharge | £12.70 | £13.58 | £14.71 | 15.83% | 8.30% |

Table 2: Change in average delivery prices since 2012.

It is likely that the strong competition in the parcels market is largely responsible for prices staying the same over the last three years. However our analysis suggests that the same benefits of competition are not being felt by consumers in rural and remote areas of Scotland, who are facing even higher surcharges than in 2012. Even after factoring in the money saved as a result of fewer retailers surcharging, consumers in the Highlands and Islands are still paying more for delivery than in 2012.

While these average figures are informative, they hide some outlandish surcharging policies at a small number of retailers, as the following images show.

| Description | Qty | Total | Remove |
|---|-----|---------------|--------------------------------------|
| Vibac 425 Buff Tape 48mmx66m (Pack Of 6) | 1 | £5.65 | |
| Sub Total: Spend another £69.35 for FREE DELIVERY | | £5.65 | |
| <input type="button" value="Continue shopping"/> <input type="button" value="Update basket"/> | | | |
| Discount code | | | |
| Enter your coupon code if you have one | | | |
| <input type="text"/> | | | <input type="button" value="Apply"/> |
| Please choose your delivery options | | | |
| Scottish Islands 2-4 Days (E41.95) <input type="button" value="v"/> | | | |
| Net Amount | | £5.65 | |
| Delivery (ex VAT) | | £41.95 | |
| VAT @ 20% | | £9.52 | |
| Total | | £57.12 | |

| Product Name | Unit Price | Qty | Subtotal |
|--|------------|---|----------|
| Kitchen Craft Stainless Steel Cake Tester | Edit £1.15 | 1 | £1.15 |
| <input type="button" value="Continue Shopping"/> | | <input type="button" value="Update Shopping Cart"/> | |
| DISCOUNT CODES | | SUBTOTAL | |
| Enter your coupon code if you have one: | | DELIVERY (STANDARD) | |
| <input type="text"/> | | GRAND TOTAL | |
| <input type="button" value="APPLY"/> | | £1.15 | |
| | | £49.99 | |
| | | £51.14 | |

These examples show the kind of unrealistic delivery pricing policies some retailers impose. The unbalanced pricing results from flat rate surcharges across all items, taking no account of the actual costs of delivering different items. Such policies can unnecessarily exclude rural consumers as well as losing the retailers custom from a sizable section of the market.

Island Deliveries

*"I am as cheap to buy a [ferry] ticket and drive as R.E.T. is cheaper than using a carrier"
Western Isles based business (FSB respondent)*

The Scottish island population, which is 0.2% of the UK population, accounts for only 0.03% of parcel deliveries⁷. Given that islanders are probably among those with most reason to make use of e-retail, as ability to buy from traditional retail outlets is more limited, this illustrates the extent to which high delivery costs prevent island residents benefiting from the online retail market.

Island destinations introduce particular factors into the economics of parcel delivery. The sea must be crossed, and ferry or air fares must be paid. Sea journeys take more time than the equivalent distance by road, incurring higher labour costs. Furthermore, ferries travel at particular times of the day, and delivery operators must fit in with their timetable.

Where a van has to travel by ferry, the Road Equivalent Tariff (R.E.T.)⁸ fare structure currently in operation on many Scottish ferry routes is relevant. R.E.T. aims to model ferry fares on the costs of the equivalent journey via road, so that pricing is based on a price per mile travelled, added to a flat fee per journey to cover infrastructure costs.

⁷ Interactive Media in Retail Group, (2015). *IMRG MetaPack UK Delivery Index Report*. p.8.

⁸ Transport Scotland (2015). *Road Equivalent Tariff*. [online] Available at: <http://www.transportscotland.gov.uk/water/ferries/road-equivalent-tariff> [Accessed 19 Aug. 2015].

However these fares currently only apply to vehicles under 6m in length, excluding many parcel delivery vehicles.

We recommend that the Scottish Government gives consideration to extending the R.E.T. fare structure to cover vehicles over 6m in length, in order to help reduce the costs of delivering goods to the islands.

However it would be a mistake to assume that islands present only challenges to delivery operators. Indeed, it may be their unique character as close knit communities that points the way forward. The ferry timetable imposes a natural journey consolidation on traffic, presenting an opportunity for “final mile” consolidation. And islanders may be more willing to engage with delivery solutions such as collection from the local post office⁹ - Citizens Advice research carried out in 2014 found that 13% of island residents would consider having their Christmas shopping delivered to their local Post Office, compared with 8% in urban areas, and 4% in remote and rural areas.

Delivery to port is an established delivery option offered particularly by retailers selling large items such as furniture. We believe that there is an opportunity to involve the island ferry system, so interwoven with the island lifestyle, to make “delivery to ferry” an option for retailers, so that the consumer can collect the item from the island-side ferry port, rather than the mainland side. This model may be particularly attractive on smaller islands, and could free up delivery operators from the restrictions of the ferry timetable and the full force of ferry fares.

We recommend that the Scottish Government look at opportunities to use the unique characteristics of Scotland’s island communities – in particular the central place of the publicly owned Cal Mac ferry services – to innovate to reduce the cost of delivery to Scottish islands through delivery consolidation in the final miles.

Consolidation

We believe that there is scope to improve the economics of remote delivery to the benefit of customers and retailers alike through encouraging consolidation of deliveries to remote areas. Rather than multiple delivery operators sending vans out to deliver to remote consumers, a single operator could be completing the “final mile” of all deliveries, taking some fuel and labour costs out of the price paid by the consumer. This is not a new idea, and the model is currently in operation commercially in the north and west of Scotland. However there is scope to extend this model, making remote Scotland an easy place for UK wide delivery operators to serve.

⁹ Citizens Advice, (2015). *Measuring consumer awareness of online delivery rights*. [online] p.21. Available at: https://www.citizensadvice.org.uk/global/migrated_documents/corporate/online-delivery-rights-report-final-230315--2-.pdf [Accessed 19 Aug. 2015].

Retailers have a role to play here in thinking innovatively. One of our surveyed retailers – an art supplies retailer in Brighton – has a policy of sending orders from the Highlands and Islands in a single dispatch once per week, which results in delivery costs being the same as for the rest of the UK. This kind of approach has the potential to make a real difference.

However, from a certain perspective “final mile” consolidation is not in the commercial interests of some internet retailers, for whom their delivery operation is a means by which they can differentiate their service from that of their competitors. They aim to be known for having the best delivery service, and so to consolidate in the final mile would lose them the commercial advantage they seek to gain.

Therefore it may be that, due to the highly competitive nature of the delivery market, the prompt for cooperation in the interest of consumers will have to come from the public sector. Existing delivery consolidation models in the Europe have attracted the attention of the Infrastructure and Capital Investment committee, albeit around urban deliveries¹⁰. With delivery consolidation already a commercial success in the Highlands and Islands, **we recommend that the Scottish Government considers how the public sector can work with the industry to encourage final mile consolidation in order to reduce delivery costs for Scottish rural consumers.**

In addition to final mile consolidation, there is potential to reduce costs to consumers through better use of consolidation around final delivery point. We have already seen that Islanders are more likely to have parcels delivered to the local post office when possible, and there is good reason to think that this would be popular across rural areas, where people tend to use the car more to get around¹¹. And our 2014 report “Postcode Penalty: The Business Burden” found that 86% of businesses surveyed would be willing to collect parcels from the local post office if delivery charges would be reduced.

Moreover, if customers are collecting their parcels from the local shop – increasingly home to the local post office - there is further potential to consolidate delivery of parcels and with stock delivery. We have also already discussed the potential for the island ferry services to carry parcels the final stretch. The kind of solutions discussed here would certainly require logistical innovation, and it may be the role of local and national government to facilitate the investment – in both thought and finance – required to bring it about. However it is vital that **delivery operators reduce rural delivery prices when costs are reduced through increased final mile or delivery point consolidation.**

¹⁰ The Scottish Parliament Infrastructure and Capital Investment Committee, (2015). *Inquiry into freight transport in Scotland*. p.47.

¹¹ The Scottish Government, (2015). *Rural Scotland Key Facts 2015*. pp.30-31.

Consumers Role

It should be clear by now that there is a central role for rural consumers in making use of the options available to them to reduce the cost of delivery, and in our research we have found many examples of people putting in a lot of effort to find the best way around high delivery charges.

However there may be some who are not aware of options such as collecting their parcels from a local shop or post office. There are a number of online forums where tips are shared, but not everyone is able to get online. **We think a concerted effort is required to ensure that rural consumers are aware of all the options available to them, and we will link up with key partners to play a part in this.**

The fundamental role of the consumer in any healthy market is the exercise of choice. If a delivery operator charges too much for delivery to your home, choose a different, cheaper one. However this option is often not available to consumers. Many retailers either use only one delivery operator or else don't disclose which they do use. This is particularly important when it comes to the differing quality of the service offered in rural areas. In online retail the delivery service is an important part of what is being paid for. The Statement of Principles on Parcel Deliveries states that consumers should have good information about the delivery service, and **we say this should mean being told what delivery operator will be used before the purchase is made.** Such information is necessary for effective consumer choice.

Exclusion from delivery

There is good news for remote rural customers in terms of their access to home delivery, cost aside, with fewer of our surveyed retailers now refusing to deliver to remote areas than in 2012.

| <i>Delivery Exclusion</i> | <i>Highlands</i> | | <i>Islands</i> | |
|---------------------------|------------------|------|----------------|-------|
| <i>Year</i> | 2012 | 2015 | 2012 | 2015 |
| <i>All excluded</i> | 3.6% | 2.8% | 13.8% | 9.7% |
| <i>Some part excluded</i> | 5.5% | 3.8% | 15.7% | 10.9% |

Table 3: Percentage of surveyed retailers excluding rural areas from delivery

The above table shows that retailers that decline to provide delivery services to the Highlands and the Scottish Islands are a minority. For consumers in the Highlands, exclusion from delivery is less likely with only one in 26 of the sites surveyed excluding some part of the Scottish Highlands from certain or all delivery services. Closer analysis of these sites suggests that most supply large items (e.g. appliances), and only one excludes the Scottish Highlands without this justification.

However for Island residents 1 in 10 online retailers surveyed will not deliver to offshore customers – an improvement on the 1 in 6 retailers surveyed in 2012, but still a barrier to e-commerce for Island communities. While the rarity of exclusion from delivery is welcome, it raises the question as to why a minority of retailers choose to exclude certain consumers. The fact that, for example, 90% of online retailers deliver to Scottish Islands suggests that there may be less of a barrier than the other 10% realise.

Compliance

Consumer Contracts Regulations

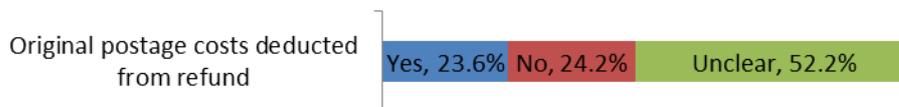
Online retailers have to comply with the Consumer Contracts Regulations, which replaced the Distance Selling Regulations in June 2014. The regulations require certain key information to be made available to online shoppers, and establish certain rights for consumers.

Our survey asked a number of questions that shed light on the extent of compliance with these conditions. The results show that our survey respondents were often unable to find the information now required under the Consumer Contracts Regulations. Of particular concern are the following findings:

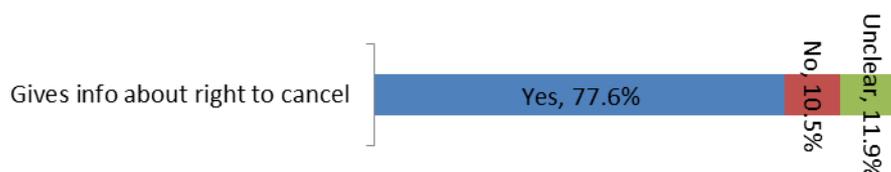
Under the Consumer Contracts Regulations consumers have 14 days to cancel online orders. Retailers can specify a longer returns period if they choose, but 36.7% of sites surveyed stated a *shorter* timescale for cancellation of orders. The vast majority of these sites stated a 7 day limit for cancellations – the limit under the Distance Selling Regulations, suggesting that retailers have not updated their policies.



The Consumer Contract Regulations also state that retailers should not deduct the original delivery costs when refunding a returned item. However our survey found nearly a quarter of retailers stating that original delivery costs would be deducted, and a lack of clear information on this point in more than half of cases.



Most sites gave the required information about the customer's right to cancel, but survey respondents found that 10.5% did not and that in 11.9% of cases it was not clear.



While the majority of businesses surveyed comply with the Consumer Contracts Legislation, there are certain key areas – like the 14 day returns period – where the number of retailers not complying is too high. In October 2015 the new Consumer

Rights Act comes into force, simplifying UK consumer law by consolidating existing legislation into one act. For many retailers this will be an opportunity to review their terms and conditions to ensure compliance with the law. **We recommend that efforts are made to use this opportunity to (a) educate businesses about the requirements under the Consumer Contract Regulations and (b) educate consumers about what information they should be provided with, and about the minimum standards defined in the Consumer Contracts Regulations.**

Statement of Principles

In July 2014 BIS published the Statement of Principles for Parcel Deliveries (SoP), as a guide for online retailers in their delivery practices. It builds on earlier work carried out by Consumer Futures, CAS and the Scottish Government, and details six best practice principles (see appendix).

As a statement of *principles*, it is not designed to be a set of measurable performance indicators, and so it is not easy to measure rates of compliance. However our surveys were able to shed some light on the extent of compliance with the SoP.

We found low levels of awareness among businesses surveyed. Only four businesses responding to the survey of FSB members stated that they were aware of the SoP, and three of these stated that they voluntarily complied with it. Clearly if the SoP is to improve consumer experience of parcel deliveries more needs to be done to increase awareness and acceptance among online retailers. **We recommend that the UK Government does more to obtain buy-in from delivery operators and retailers, with a plan of action to promote the scheme.**

The first principle of the SoP relates to cost, and states that geographic surcharges should be applied only when justified by “objective criteria”¹². Judging compliance with this principle would require sight of delivery operators’ income and expenditure, and the terms of contracts between delivery operators and retailers. However the wide variance of delivery pricing – and in particular a small number of surveyed retailers who apply high delivery charges to remote areas regardless of what is being sent – suggests that there are cases where retailers and/or delivery operators are applying geographic surcharges that are greater than the actual costs of delivery.

The SoP also states that retailers should provide the widest possible delivery coverage, “refusing delivery only when this can be justified by objective criteria”. Our survey of online retailers found that the number of sites refusing to deliver to rural areas of Scotland has decreased over the last three years, which is good news for

¹² The phrase “objective criteria” is common to the SoP, The EU Services Directive 2006 and the UK Provision of Services Regulations 2009. BIS provides guidance as to the interpretation of the phrase (Guidance for Business on the Provision of Services Regulations, pp 13-14), which includes that it can refer to, for example, “additional costs, incurred because of the distance involved; or the technical characteristics of the provision of the service”.

consumers. Still, 1 in 10 retailers do not provide delivery to Scottish Islands and, given that 9 in 10 do, this restriction is probably not necessary.

There is also evidence that retailers are better at providing clear and accessible delivery policy information early in the online buying process, as recommended by the SoP. 78.7% of survey respondents were able to find delivery information with only one click. This compares with 66% in 2012. However 7.1% of respondents were unable to find delivery information at all.

Providing clear and accessible delivery information is an easy win for retailers. 84.5% of respondents stated that the website gave details of delivery costs before checkout. This compares with 66% in 2012, so is another significant improvement. Unexpected delivery cost is a top reason for shopping cart abandonment¹³, so again it is in retailers' interests to provide this information early on, and it reduces frustration for consumers.

“The website offers free delivery right up to the point when it asks me to fill in my postcode. Then they say there will be a surcharge of £25 for my postcode in Aberdeenshire. By this time you have spent ages reading about the item, clicking through the terms and conditions, applying discount codes at checkout, filling in your details and the address - only to then be told that the free delivery does not apply to you!”

The SoP also states that retailers should work with carriers to provide innovative delivery solutions to increase rates of first time delivery and respond to the needs of consumers. However we found that, among the retailers surveyed, the many innovative delivery options that have developed in the last few years are not widely offered.

¹³ For example, see reports at <http://www.marketingcharts.com/online/online-shoppers-top-reasons-for-abandoning-a-shopping-cart-43366/> [Accessed 19 Aug. 2015] and <http://www.statista.com/statistics/232285/reasons-for-online-shopping-cart-abandonment/> [Accessed 19 Aug. 2015]

| Delivery option | Percentage of surveys responses | Number of survey responses |
|---------------------------------------|---------------------------------|----------------------------|
| Same day delivery | 4.7% | 19 |
| Next day delivery | 61.4% | 247 |
| Nominated day delivery | 19.9% | 80 |
| Nominated time delivery | 7.7% | 31 |
| Expected time | 13.2% | 53 |
| Click and collect | 16.7% | 67 |
| Reserve and collect | 5.0% | 20 |
| Collect+ delivery | 4.5% | 18 |
| Delivery to neighbour or secure place | 12.4% | 50 |
| Delivery to local shop / post office | 4.7% | 19 |
| other | 38.6% | 155 |
| Total | | 402 |

Table 4: Percentage of surveyed retailers offering non-standard delivery products

It may be that innovative delivery methods are not made available to small retailers – for example Collect+ only offers its Click and Collect service to retailers sending over 50,000 parcels each year. Although a much lower threshold, even Royal Mail’s Safeplace scheme is only available to retailers spending over £2000 per year. A lack of alternative delivery options is a particular concern for rural consumers, who may be many miles from the nearest delivery depot. **We believe that it is in the interests of both consumers and retailers for the full variety of delivery options – in particular collection from post office, local shop, lockers or another safe place – to be made available to the widest possible range of retailers, and so to their customers.**

The Business Point of View

“Surcharges aren't so much an issue on our outbound deliveries, as most are in our locality. But the products have to get to us first so my base price/cost of goods price has to rise to absorb the extra surcharges I am charged to get things delivered to me. I am only 30 miles out of Aberdeen but some of my suppliers in the south use couriers that class us as highlands. It also impacts heavily on the time of delivery and this effects my deadlines and customer service.”

Aberdeenshire business (FSB survey respondent)

“Delivery cost usually kills the sale 99% of the time”

Renfrewshire based business (FSB survey respondent)

Businesses of all sizes require reliable delivery services for many reasons. The Federation of Small Businesses (FSB) surveyed their Scottish members on our behalf, asking a range of questions about their experiences of sending parcels to customers. It is important to note that many of these ‘customers’ will be other business - around 54% of the parcels market relates business-to-business deliveries¹⁴.

The survey found that 80.3% of businesses surveyed use Royal Mail to dispatch parcels. There is a strong correlation between business size and use of Royal Mail:

| Number of Employees | Percentage using Royal mail | Number in category |
|---------------------|-----------------------------|--------------------|
| 0 | 86.2% | 116 |
| 1-9 | 80.6% | 196 |
| 10-20 | 73.3% | 30 |
| 21-50 | 47.1% | 17 |
| Over50 | 75.0% | 4 |
| Overall | 80.2 | 363 |

Table 4: Percentage of businesses using Royal Mail, by business size

The same is true for businesses located in rural areas – 72.7% of businesses mainly located in the central belt used Royal Mail, as opposed to 87.2% in the Highlands and Islands. This correlation is to be expected, due to more rural businesses being smaller.

¹⁴ Post and Parcel, (2015). *Metamorphosis of UK Parcels Market*. [online] Available at: <http://postandparcel.info/65831/in-depth/metamorphosis-of-uk-parcels-market/> [Accessed 19 Aug. 2015].

Businesses are also more likely to use Royal Mail where they mainly deliver to customers (84.9%) than where they mainly deliver to other businesses (74%). Similarly businesses that sell mainly online are more likely to use Royal Mail than those for whom in-store sales are the larger part of business.

However, a much smaller proportion of survey respondents exclusively use Royal Mail (42.9%), indicating that businesses are willing to shop around for the best price or most appropriate service. However they are not just looking for low prices. The most commonly cited reason for choice of courier is convenience (53.0%), with low price the second most common (43.6%).

5.3% stated that their chosen courier was the only option available, and most of these businesses were based in the North of Scotland, although some were central belt based. Only 7.1% of respondents stated that they chose their courier as they offered innovative delivery option, suggesting that few retailers see this as a priority. This echoes our finding that there was a low uptake of innovative delivery options among our surveyed online retailers (see above).

18.5% of businesses responding stated that one of the three main reasons for choosing their courier was that they offered the widest geographical coverage, and 15.7% cited lack of surcharges as a main reason for choosing their courier.

Responses to previous surveys had suggested that there may be an issue with couriers requiring exclusive contracts with smaller businesses, meaning that retailers could not offer alternative delivery options to remote rural consumers. However our survey of small businesses indicates that this is not a widespread problem, with only 2 respondents stating that they had an exclusive contract with their courier.

The survey found that 44.3% of businesses offer delivery across the UK at a flat rate – a similar proportion to that found in our survey of online retailers, mentioned above. This proportion of the survey respondents is likely to overlap significantly with the 42.9% who stated they only use Royal Mail, highlighting the importance of the universal service obligation to those consumers who otherwise would be surcharged.

19.9% of businesses responding stated that they absorb remote delivery surcharges and 2.9% stated that they spread remote surcharges across all customers. 24.3% pass on the surcharges in full, and 11.4% absorb some of the cost but pass some on to customers.

| Delivery pricing policy | Percentage | Number |
|--|------------|--------|
| UK flat rate delivery | 44.3% | 151 |
| Absorb remote delivery surcharges | 19.9% | 68 |
| Spread surcharges across all customers | 2.9% | 10 |
| Pass on surcharges in full | 24.3% | 83 |
| Absorb some of cost of surcharges but pass some on | 11.4% | 39 |
| Offer Royal Mail as remote delivery option | 29.0% | 99 |
| Use Royal Mail/Post Office for smaller items only | 33.4% | 114 |

Table 5: Delivery pricing policies of surveyed businesses

It is also notable that around a third of retailers use Royal Mail as a “back up” option – for remote deliveries, or for small items.

*“We merely change to Royal Mail if we can't send by courier and we have been known to split parcels up and send bottles individually if to Northern Ireland or Scottish islands”
Dumfries and Galloway business (FSB respondent)*

13.9% of businesses responding to the survey stated that they are unable to deliver to certain parts of the country due to delivery costs. Our survey of online retailers found that 10.9% of sites excluded some part of the Scottish islands from delivery. These numbers are similar, and the higher level of exclusion in the FSB survey may be due to that survey exclusively covering small businesses, while our online retailer survey included large online retailers, such as Amazon and John Lewis, who are more likely to offer delivery to the islands.

It would be easy to assume that the interests of retailers, who want to fulfil online orders without losing money on delivery, are at odds with those of rural consumers, who want delivery costs reduced. However mainstream e-commerce wisdom is that the best way for online retailers to ensure they maintain a high conversion rate (the proportion of site visitors that buy products) is to have a clear and simple delivery pricing structure and low delivery charges. If a new internet retailer searches online

for advice, they will find many articles encouraging them to offer free delivery, covering the costs of home delivery in the price for the product, and to make their pricing structure as simple as possible, such as a single rate. The reason is that numerous studies into 'cart abandonment' have found high or unexpected delivery charges are the top reasons shoppers abandon purchases, more so than high product price¹⁵.

So while the commercial reality is that rural deliveries cost more, the reality of modern e-commerce marketing is what is in the interests of consumers – particularly rural consumers – happens to also be in the interests of retailers who want to maximise their revenue. Clear delivery information early on and simple delivery pricing structures – free or flat rate if possible – is actually best for everyone, so we join the e-commerce consultants in **recommending that online retailers consider whether they can simplify and reduce their delivery pricing structure.**

¹⁵ For example, see reports at <https://econsultancy.com/blog/7730-why-do-consumers-abandon-online-purchases> and <http://www.statista.com/statistics/232285/reasons-for-online-shopping-cart-abandonment/> [Accessed 19 Aug. 2015]

Royal Mail and the USO

“Because we charge Royal Mail fees to our customers we do lose sales because customers can buy products elsewhere with lower delivery cost or free delivery. Many customers are happy to pay the shipping fee as they know royal mail provides unbeatable service. The only company where next day means next day and not 5 days later. Those customers we lose to businesses offering cheaper or free shipping are generally not bothered about the delivery service provided they get a better price.”
Aberdeenshire business (FSB survey respondent)

Parcel delivery takes place in a market that is dominated by the presence of the designated universal service provider, Royal Mail. Our survey of small businesses found that Royal Mail plays a significant role. While overall revenues from the letters part of their business continues to decline, they are increasing their revenue from parcels. With 80% of businesses using Royal Mail, this is no surprise.

That they are of particular relevance to small and rural businesses and consumers is down to the nature of the universal service obligation, and the regulatory regime that protects it. Without it, the geographic, infrastructural and cultural factors that lead these businesses and consumers to rely on Royal Mail would become reasons that they are excluded from the market. The growing importance of parcel deliveries to businesses and consumers adds another reason to value and preserve the universal service.

However more than this, the importance of parcel deliveries provides a reason to look again at the nature of the universal service, and ask whether it fits the needs of modern consumers. In discussions with industry representatives, the potential to extend the USO has been raised. This could mean new products being covered by the USO, extending the definition of current USO products to cover more of the parcels market, or applying new affordability criteria.

We believe that further consideration should be given to whether consumers can be better served in the parcel delivery market by revising the USO to take account of the increased importance of parcels in the modern world. Citizens Advice Scotland will be working with Citizens Advice in England and Wales, the Consumer Council for Northern Ireland and other partners to carry out an extensive review of the current and future needs of postal consumers, and questions around the current USO will form part of this.

Conclusions and Recommendations

Our surveys have once again found that the high cost of delivery of parcels to businesses and consumers in the Highlands and Islands of Scotland is a problem that is getting more pronounced. This is despite numerous MPs and MSPs speaking out against unfair delivery charges, and demanding that something is done about it.

We believe that something can and should be done to reduce the costs rural and remote consumers face when ordering goods online, as well as to improve the accuracy, clarity and completeness of the information retailers give consumers about their delivery charges. Specifically, we recommend that;

The UK Government....

- uses the coming into force of the Consumer Rights Act to (a) support business education about the requirements under the Consumer Contract Regulations and (b) support consumer education about what information they should be provided with, and about the minimum standards defined in the Consumer Contracts Regulations.
- does more to increase delivery operator and retailer buy-in to the *Statement of Principles on Parcel Deliveries*, with a plan of action to promote the scheme.
- considers whether consumers can be better served in the parcel delivery market by revising the USO to take account of the increased importance of parcels in the modern world.

The Scottish Government...

- gives consideration to extending the Road Equivalent Tariff fare structure to cover vehicles over 6m in length, in order to help reduce the costs of delivering goods to the islands by ferry.
- looks at opportunities to use the unique characteristics of Scotland's island communities – in particular the central place of the publicly owned Cal Mac ferry services – to innovate to reduce the cost of delivery to Scottish islands through delivery consolidation in the final miles.
- considers how the Scottish Government and wider public sector can work with the industry to encourage final mile consolidation in order to reduce delivery costs for Scottish rural consumers.

Delivery operators....

- ensure that the full range of delivery options – in particular collection from post office, local shop, lockers or another safe place – are made available to the widest possible range of retailers, and so to their customers.
- reduce rural delivery prices when costs are reduced through increased final mile or delivery point consolidation.

Retailers...

- tell consumers what delivery operator will be used before the purchase is made.
- consider whether they can simplify and reduce their delivery pricing structure.

Consumer bodies....

- make a concerted effort to ensure that rural consumers are aware of all the options available to them – CAS will link up with partners to play a key part in this.

Acknowledgements

We are grateful to those members of the public who completed the online retailer surveys that form the bulk of the evidence this report is based on, and to the FSB members who responded to our survey of businesses. The assistance of the FSB was invaluable in making that survey possible.

As ever we acknowledge the crucial role of citizens advice bureaux in this campaign. In particular, we are grateful to Skye and Lochalsh CAB and the other members of the Highland Consumer Partnership who have long campaigned on this issue.

The report has also benefitted from the input of Highlands Council Trading Standards, Highlands and Islands Enterprise and the Interactive Media in Retail Group.

Finally our colleagues in Citizens Advice in England and Wales and the Consumer Council for Northern Ireland have provided guidance and assistance, and have made available the benefit of their experience.

Appendix 1 – Statement of Principles for Parcel Deliveries

Principle 1

Online retailers should ensure that their delivery pricing policies do not discriminate against consumers on the basis of their location. Geographic surcharges should be applied only when these costs are justified by objective criteria, such as actual and unavoidable costs incurred because of the distance. The level of any necessary geographic surcharges applied should reflect the true additional cost of delivery.

Principle 2

Online retailers should ensure that their delivery coverage policies do not discriminate against consumers on the basis of their location. Online retailers should use their best endeavours to provide the widest possible delivery coverage, refusing delivery only when this can be justified by objective criteria. Possible objective criteria may be that the dimension and/or weight of the item fall outside the scope of the universal service obligation.

Principle 3

At the earliest possible stage in the online buying process, online retailers should ensure that consumers can easily access clear, timely and transparent delivery policy information, including information on any possible necessary geographic surcharges or delivery restrictions that could apply, and the reasons for such variations. Online retailers should provide consumers with transparent information about delivery options before they complete their order.

Principle 4

Online retailers, working with their carriers, should consider how delivery options and services could be used to increase the success of first-time delivery, and should endeavour to offer delivery options that are innovative and responsive to the changing market and needs of their consumers.

Principle 5

Online retailers should seek to provide consumers with other relevant delivery information that they hold at the time the order is completed and/or dispatched.

Principle 6

Online retailers should include options for consumers to provide feedback about their delivery experience.

Appendix 2 – Survey Questions

Survey of online retailers' delivery policies

Personal Details

Name

Email Address

Contact telephone number

Company Name

Thank you for participating in our review of the delivery practices of online retailers delivery in Scotland. Each time you complete this survey we ask you to refer to **one online retailer - the name of the retailer you are asked to review and their website address is highlighted below**. Please refer explicitly to information provided by the retailer on their website to answer all of the questions provided.

Website address is automatically loaded here when reviewer logs on - ideally hyperlinked. Please see list of retailers tab on this workbook

Please confirm the name of the company you are researching

Before looking at any products, how many clicks from the home page does it take to find the company's delivery information?

Please indicate whether you felt that the company's delivery information was easy to locate

Yes

No

Complying with the law

This section of the survey is designed to record the extent to which retailers comply with various aspects of the law around selling goods on the internet.

Does the website give the full geographic address of the company? *(This might be found at the bottom of the homepage or in the contact details section)*

Yes

No

If the company address is given, please enter it here

Please enter the company postcode here

If a company contact email address is given please enter it here

If there is a telephone number for consumer complaints/questions then please enter it here

Now please select a product from the website and add it to your basket as if you are going to purchase that item (please don't actually purchase anything!)

Do you feel that the website describes the product in enough detail? (i.e. does it state the size, quantity etc?)

Yes

No

If a price is given does this include VAT?

Yes

No

Unclear

Once a product is selected, does the website give any details of delivery costs before you get to the checkout?

Yes

No

Does the website give details of how payments can be made?

Yes

No

Does the website provide delivery arrangement details (e.g. how long the delivery will take or where it is possible to have deliveries sent to?)

Yes

No

Please select any delivery options given from the list below (you can select more than 1)

Same day delivery

Next day delivery

Nominated day delivery

Nominated time delivery

Expected time

Click and collect

Reserve and collect

Collect+ delivery

Delivery to neighbour or secure place

Delivery to local shop / post office

Can only provide estimated time for delivery

Other (please specify)

Any comments about delivery options (optional)

Does the website give information about the consumer's right to cancel?

Yes

No

If you answered yes to the previous question, please identify how much time it states that a consumer has to cancel after receiving their goods?

Does it state that a freepost return label will be given for EU customers?

Yes

No

Does the website state whether return postage costs will be covered by the retailer or the consumer?

Retailer will cover costs

Consumer will cover costs

Does not say

The retailer should not deduct any original postage costs when refunding a returned item. Does the website state whether these costs will be deducted from the amount of money returned to a consumer?

Yes, they will deduct the original postage costs from any refunds

No, they will refund all postage and item costs

Unclear

The law states that retailers should pay the cost of returning any **substitute** products supplied to customers when goods originally ordered were not available. Does the website make this clear?

Yes

No

Does the website clearly show your progress through the sale process?

Yes

No

Does the website allow you to edit your order before you confirm your purchase?

Yes

No

Does the website mention any additional charges for purchases made by credit or debit card? If yes then please enter the amount to be charged into the box included (if stated)

Yes

No

If you answered yes to the please any details about card types and additional charges here.

Charges and delivery policies

What is the standard price for delivery? (if there are any different prices for next day delivery or longer delivery times, please copy and paste them in the box below)

Are there different charges for certain postcodes or geographical areas?

Yes and the postcode/geographical exceptions are made clear before purchase

Yes but the postcodes/geographical exceptions are **not** made clear before purchase

No

If there are different charges made for certain postcode areas, please detail any prices here

Does the website state whether there are any postcodes or geographical areas that the retailer cannot deliver to?

Yes

No

Please copy and paste any information about postcode or geographical exemptions from the website you are reviewing here

Does the website indicate whether it takes more time than a standard delivery to deliver to certain Scottish consumers?

Yes

No

Unclear

If you answered yes to the previous question, how much extra time does it take?

| |
|--|
| |
|--|

Royal Mail

Does the company offer delivery via Royal Mail?

Yes

No

Comment (optional)

| |
|--|
| |
|--|

Please use this space to add in any further comments you have about the website

| |
|--|
| |
|--|

Survey of FSB Scottish Members

Business details

1.

| No. of employees | Please tick | Type of products your company sells | Please tick |
|--|-------------|-------------------------------------|-------------|
| 0 (sole trader) | | Clothes, shoes, jewellery | |
| 1-9 | | Sports goods and outdoors | |
| 10-49 | | Toys | |
| 50 or more | | Car accessories | |
| Business location (please insert postcode of main premises and indicate whether you have a retail presence or trade online) Postcodeonline only /retail presence | | Home and garden | |
| | | Books | |
| | | DVDS, CDs, Video games | |
| | | Electronics and computers | |
| | | Medicines/Health & Beauty | |
| | | Other | |

0.

2. Roughly how many items do you dispatch to consumers every month?

- i. 5-20
- ii. 21-50
- iii. 51-100
- iv. More than 100 items
- v. Comments

Choosing your parcel courier

3. Which postal service or parcel operator(s) do you use and why did you choose them? If you use more than 1 then please complete the question for each courier used

| Parcel operator name(s): | Courier 1 | Courier 2 | Courier 3 |
|---|--------------|--------------|--------------|
| Reason for choosing them <i>Please tick all statements which apply</i> | | | |
| They are the only operator available | | | |
| They are the most convenient operator | | | |
| They offered the most competitive prices | | | |
| They offer the fastest service | | | |
| They offer the most innovative delivery options | | | |
| They have the greatest delivery coverage | | | |
| They offer a non-exclusive contract | | | |
| They do not apply remote surcharges | | | |
| We do not have a contract and use Royal Mail for all deliveries | | | |
| Pay as you go - I can pay for my postage as I require | | | |
| I don't need to enter into a contract | | | |
| Please use this space to provide detail of any other reasons for selection: | | | |
| | | | |

4. What type of contract do you have with your parcel operator?

Please indicate whether the below statements apply to your business or not:

| | Yes | No | Comments |
|--|-----|----|----------|
| We have a negotiated contract with our courier | | | |
| We have a standard business account with our courier | | | |
| Our courier contract is exclusive so we are only able to use one carrier | | | |
| Our courier contract includes remote surcharges (applies additional costs to deliver to specific post codes) | | | |
| We do not have a courier contract, we use Royal Mail for all deliveries | | | |

Comments_____

5. What is your policy for posting parcels to rural and remote areas?

Please indicate whether the statements below apply to your business:

| | Yes | No | Comments |
|--|-----|----|----------|
| We provide delivery at a single rate across the UK | | | |
| We absorb any remote delivery surcharges | | | |
| We pass any delivery surcharges onto individual customers in remote and rural locations | | | |
| We spread any remote delivery charges across the delivery costs for all consumers | | | |
| We absorb some additional charges for remote and rural customers but pass on a proportion of the cost to customers | | | |
| We offer Royal Mail as a delivery option consumers in remote locations | | | |
| We use Royal Mail/Post Office for smaller items only | | | |

6. Have you heard of the Statement of Principles for parcel deliveries? Y/N

a. If yes, do you comply? Y/N/Don't know

b. Any comments about the SoP _____

7. How important is delivery to your business - does your business rely on online sales and an effective delivery service?

Please rank the importance of aspects of delivery (with 1 being something that does not concern your business and 5 something that you consider vital)

| | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| Importance of an effective business to consumer delivery service as part of your business operations | | | | | |
| <i>Importance of specific aspects of delivery</i> | | | | | |
| Coverage to all postcodes in the UK | | | | | |
| Overall performance and customer satisfaction with your business delivery service | | | | | |
| Overall costs of a delivery service to your business | | | | | |
| A delivery service that does not apply surcharges to remote/rural postcodes | | | | | |

8. What further services would you like to see your parcel operator providing?

| | Agree | Disagree | Comments |
|---|-------|----------|----------|
| Consumer Trustmarks | | | |
| Good customer service | | | |
| Innovative delivery options | | | |
| Options for customers to feedback to the retailer on their experience | | | |
| More tracked services | | | |
| Free tracked services | | | |
| Provides progress on delivery | | | |

9. On the 13th June 2014 the Consumer Contracts Regulations came into effect. This legislation has placed a number of duties on retailers. Please indicate whether you think that the duties listed below are fair and add any comments to justify your answer (with 1 being something that you consider very unfair and 5 something that you consider very fair)

| | 1 | 2 | 3 | 4 | 5 | Comments |
|---|---|---|---|---|---|----------|
| A seller is responsible for the condition of the goods sold until they are received by the consumer, or by someone else they have nominated to receive them on their behalf | | | | | | |
| The consumers' right to cancel has been extended to 14 days | | | | | | |
| Sellers must refund consumers' within 14 days of their returning an item | | | | | | |
| Sellers must provide information outlining the cost of delivery and detail of who pays for the cost of returning items | | | | | | |
| Failure of the seller to provide the required information in the correct manner could result in consumer cancellation rights being extended by up to a year | | | | | | |
| If an item is returned by a consumer the seller has to refund the initial basic delivery cost | | | | | | |

10. Please add any additional comments about parcel deliveries here
-