

A note on “postal consumers’ needs” and their role in postal regulation.

Felix Gottschalk*

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Introduction

- in the debate on postal regulation, it is **often referred to «*postal consumers'/users' needs*»**
- however, **the notion remains fuzzy** in most cases
- **«changing user needs» vs. «core set of user needs»?** (ERGP 2016)
- the definition of the notion has an **important impact** on future regulation
- **more clarity** needed

Current debate on postal USO-regulation in Europe ...and the role of user needs

- EU-PS-Directive 1997
 - universal service “shall **evolve in response** to the technical, economic and social environment **and to the needs of users**”
- ERGP 2016
 - “Universal Services in light of *changing postal end users’ needs*” – review of many country-specific studies
- Study “*user needs in the postal sector*” in the making (WIK)
- ERGP 2018
 - “*a rethinking of the basic definitions and concepts is needed.*” (ERGP, 2018)
- Contribution: rethink “users’ needs” and bring clarity to the debate

«Needs» and «preferences»

Definitions from Oxford dictionary

NEED

“require (something) because it is **essential** or very important **rather than just desirable.**”

PREFERENCE

“a **greater liking** for one alternative over another or others.”

Why establish postal USOs in the first place?

And what role have «user needs»?

1. Externalities

- network effects
- post as a public good
- (“social value”)

2. Redistributive goals

- urban/rural ; business/private ; young/old («social policy»)

→ Postal regulation can be justified without reference to user needs!

→ User needs are only relevant indirectly (when they involve externalities)

This has been forgotten.

See Cremer et al. (2001). "Universal service: an economic perspective." *Annals of Public and Cooperative Economics*.

There are two concepts of «user needs» in the debate

Concept 1: needs as *preferences or state-determined needs* (social policy)

- «which USO-attribute is how important to consumers?»
(preferences)
- «who would suffer most from changes in the USO?»
(social concerns)

Concept 2: needs as *fundamental communication needs*

- «what fundamental need do postal services serve?»
- «what other technologies serve these needs?»

In practice, both concepts are frequently mixed-up

Concept 1: «Needs» as preferences/state-determined needs (social policy)

– Usage

- **ranking** of USO-attributes with respect to loss-aversion (preferences)
- show who would suffer from USO-scope reductions

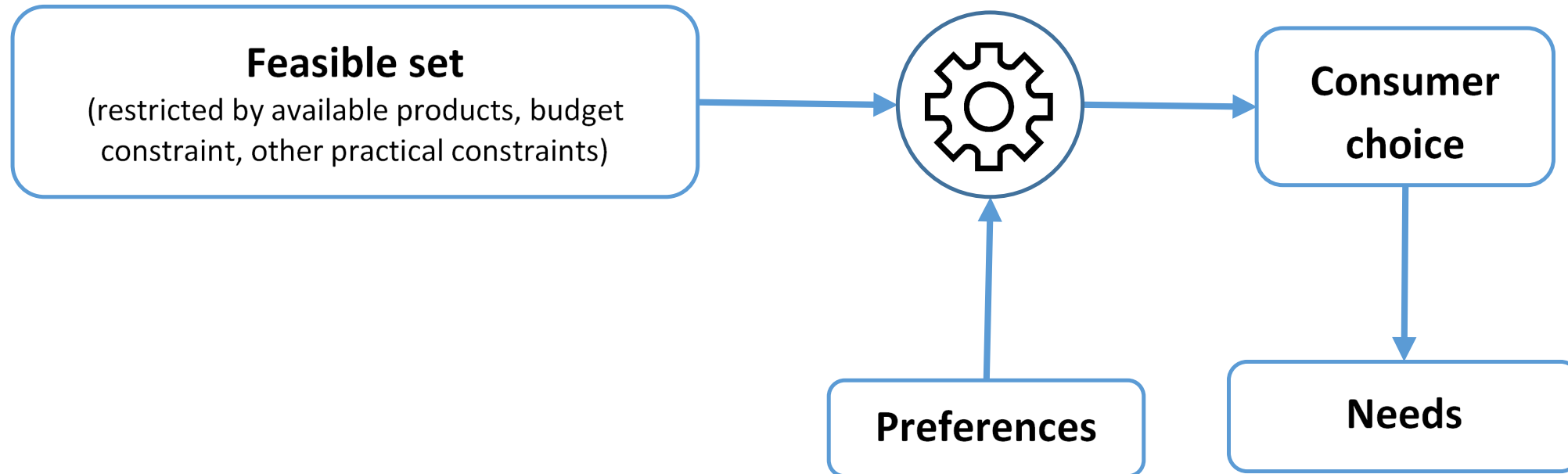
– Purpose

- **efficient** management of the «winding-down process» of USO-regulation
- **protection of user groups** («vulnerable consumers»)

– Link to USO-origins

- **social policy**: protect consumers from too fast changes (needs are state/path/habit-dependent; «vulnerable consumers»)

Concept 1 in consumer theory: needs as a result



- „needs“ change with consumer choice
- preferences are not separable from needs

„legacy regulation“

Concept 1: Problems

– **status quo bias**

- because “needs” are determined based on actual consumer choice
 - “needs” depend on current regulatory framework (rather than the other way round)

– often measures **preferences instead of needs**

- but people always have preference relations

– **endogeneity of new technologies** neglected

- *is a high-quality and affordable post an obstacle to a higher internet penetration!?*

– **regulation becomes expensive** and potentially inefficient

- USO costs per vulnerable consumer per year:
 - Norway: EUR 1'260-2'170 (Copenhagen Economics)
 - Switzerland: EUR 4'300 (own estimate)

Concept 2: «needs» as fundamental communication needs

– Usage

- describe fundamental drivers of communication

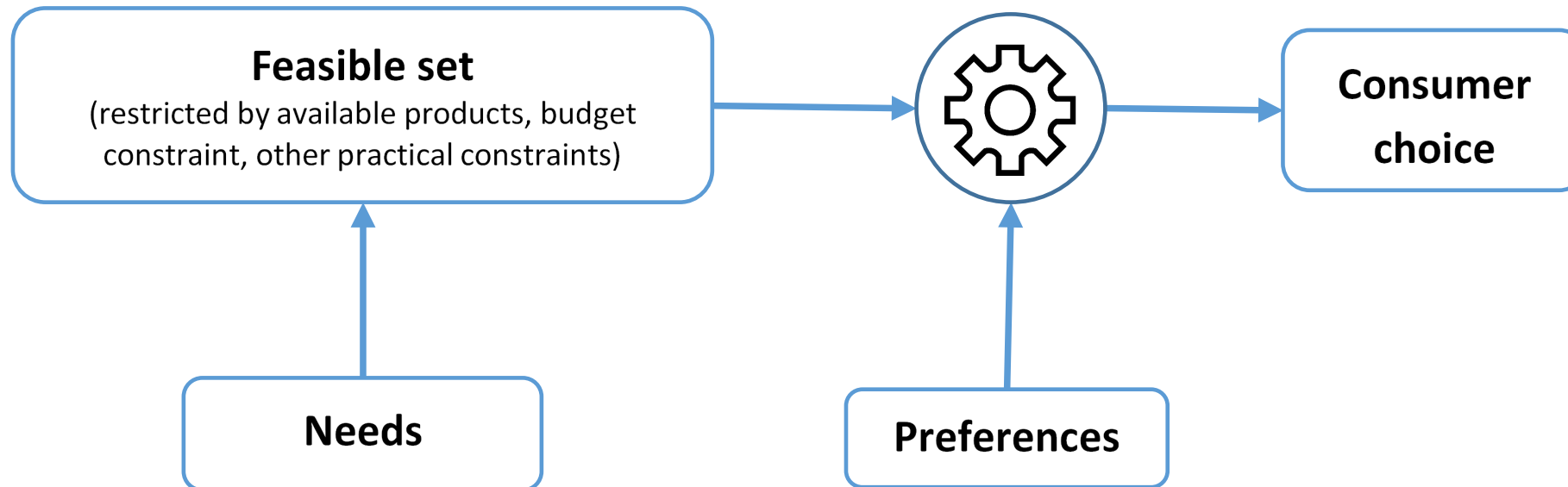
– Purposes

- review postal USOs without status-quo bias («greenfield»-approach)
- assess broader (cross-sectoral) policy questions

– Link to USO-origins

- refers to externalities (network effects): communication needs as societal needs

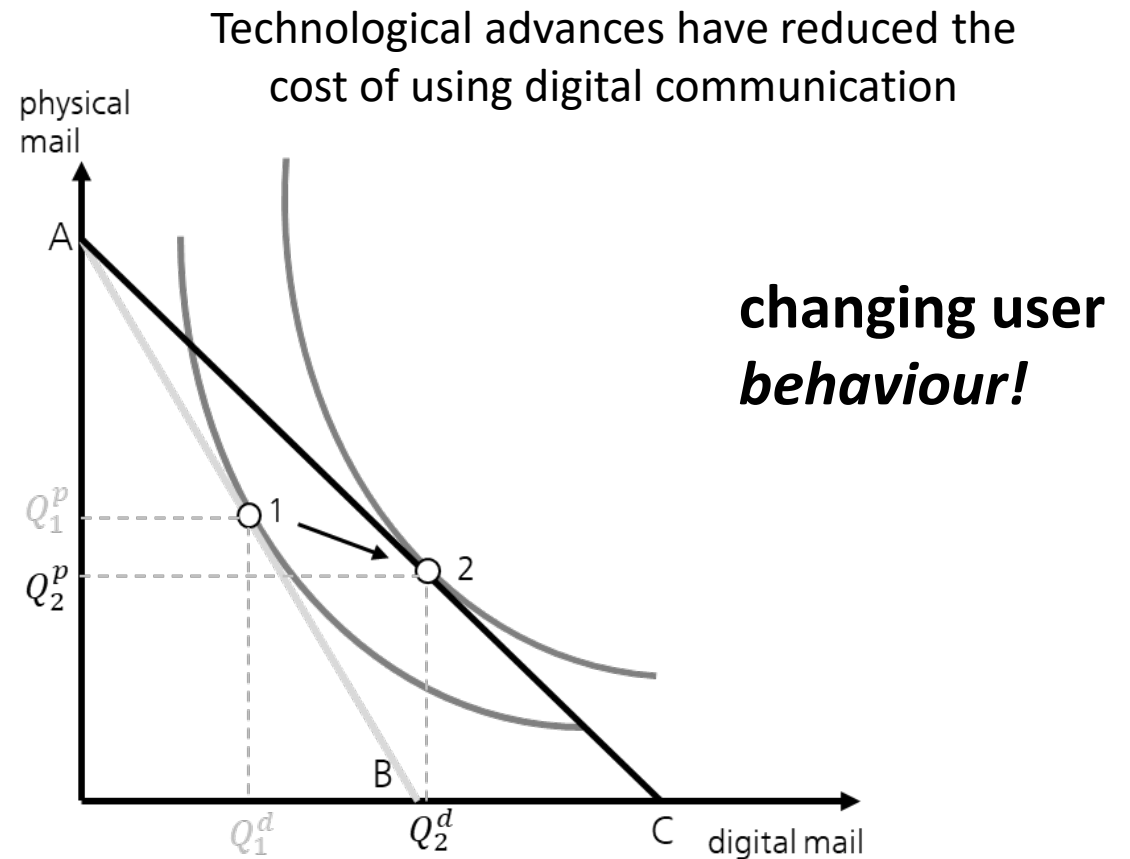
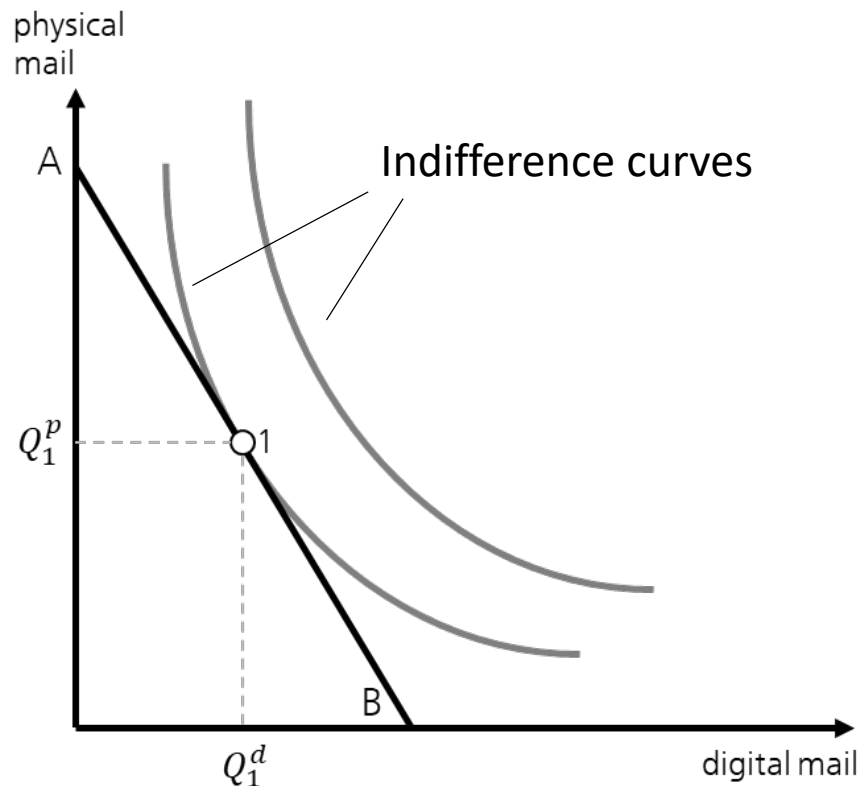
Concept 2 in consumer theory: needs at the start



- needs initiate the process of consumer choice
- preferences and needs can be clearly separated

Concept 2: «needs» as fundamental communication needs

–The myth of «*changing user needs*»



Conclusion

- Two distinct concepts of «postal user’s needs» are frequently mixed-up in the debate
 - Concept 1: Needs as preferences or state/habit-dependent needs
 - Concept 2: Needs as fundamental communication needs
- Concept 1 has been prominent, but
 - only helps to inform the «protracted winding-down process» of postal regulation («legacy regulation») and to protect consumer groups
 - is highly status-quo biased and leads to expensive, reactive regulation
- Concept 2 will become more important as
 - postal USOs become unaffordable and inefficient
 - new technologies become better substitutes for postal services
 - (the ERGP should use this concept in its “greenfield”-approach)

Thank you.

Felix Gottschalk

Regulation Economist

Swiss Post

felix.gottschalk@post.ch

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