

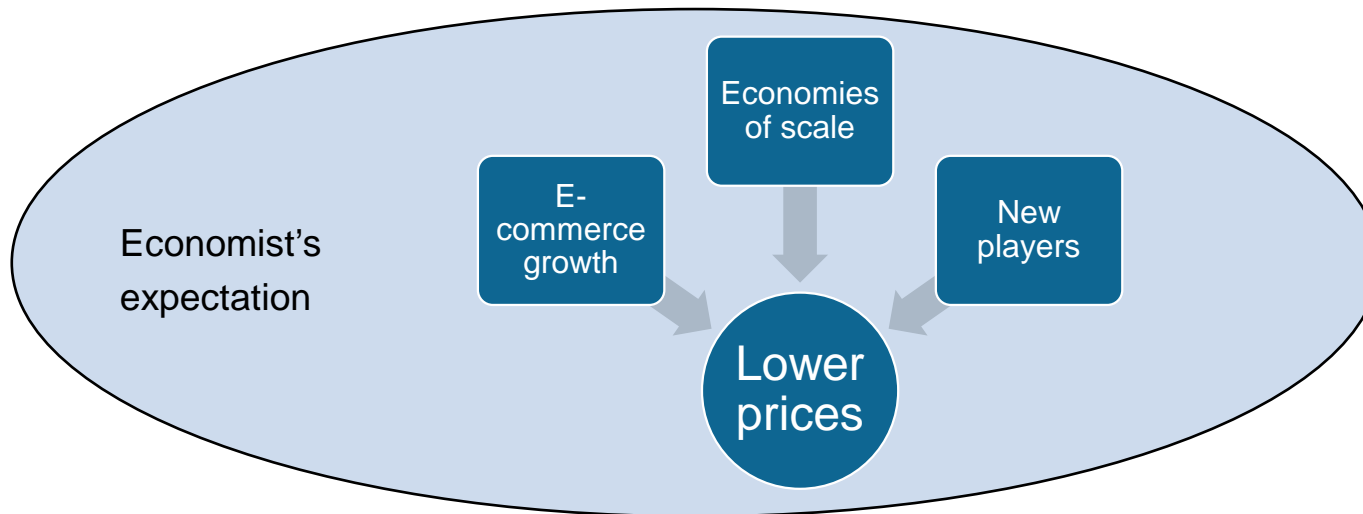
The impact of competition on consumer prices for cross-border parcels

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- European Commission policy on prices for cross-border parcels focusses on consumer prices
- Draft parcel regulation aims at increasing transparency and making markets work more effectively
- What is happening on parcel markets?



- Are cross-border parcel markets already moving into the desired direction?
- Analysis of prices in ten countries: Austria, Belgium, Czech Republic, Germany, Ireland, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.



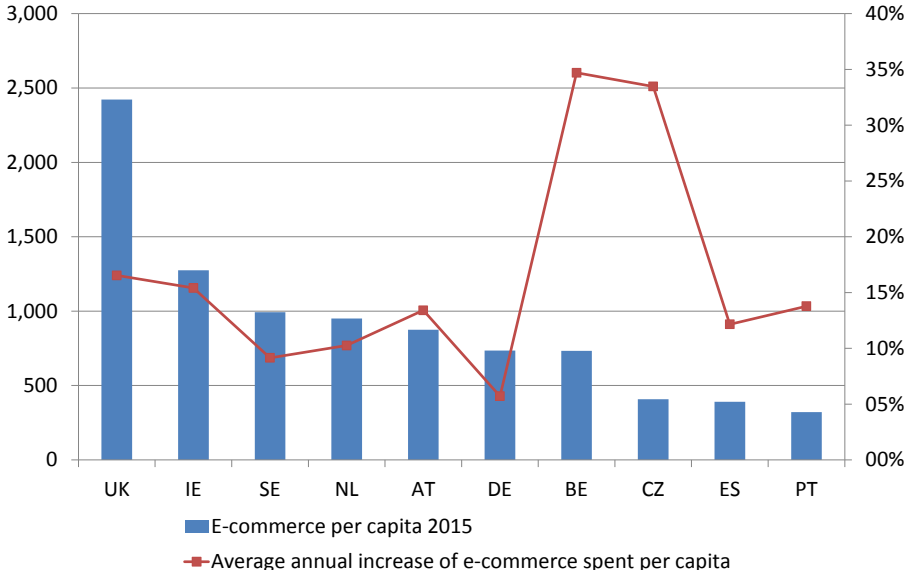
State of e-commerce

Competition on parcel markets

Price developments

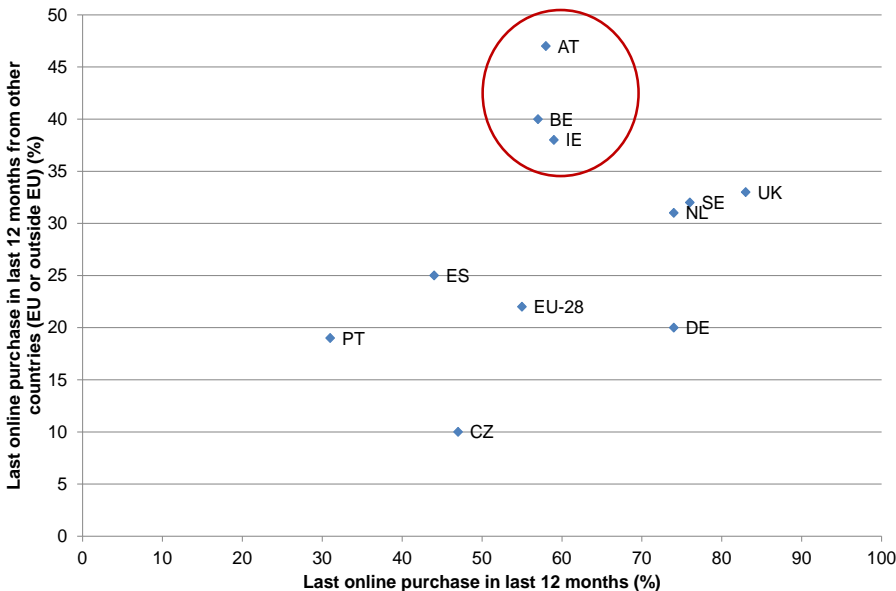
Conclusions

State of e-commerce



- UK consumers spend most on e-commerce
- Southern European countries + CZ at the far end
- Countries with low e-commerce expenses per capita may catch up due to higher growth rates

- Online shopping in foreign webshops more common in small countries
- Share of consumers buying online abroad has grown strongly



Competition on parcel markets

Competitive domestic parcel markets

- Domestic parcel and express markets are competitive
- USP market shares in **domestic** parcel and express markets <60%
- Parcel operators with international networks active in all ten countries (eg DHL, DPD, FedEx, GLS, Hermes, UPS)

	USP Market share domestic
AT	50-60%
BE	10-15%
CZ	25-30%
DE	40%
ES	15-20%
IE	<20%
NL	55%-60%
PT	20-30%
SE	30-50%
UK	30-35%

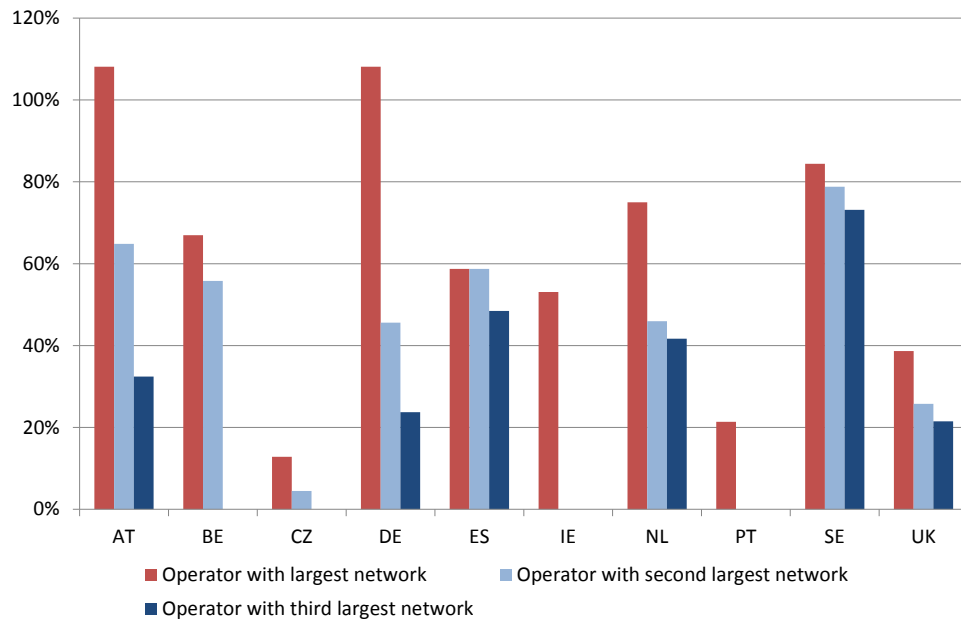
Sources:

AT: RTR; BE, CZ, IE, PT, SE: WIK estimate; DE, ES, UK: Ofcom 2016; NL: Marktscan Pakketten

Competition on parcel markets

Parcel shop networks needed for B2C delivery

Parcel shop networks of competitors compared to the USP's public postal network



- Traditional B2B operators enter B2C markets

Access network needed for pick up and returns

In AT and DE, competitors' parcel shop networks match incumbent network

Consumers can **send** parcels via parcel shop network

Competition on parcel markets

Cross-border markets

- Competition on cross-border delivery markets lower than domestically
- No or little choice for consumers sending parcels cross-border
- Change in some countries as international B2B operators migrate in B2C markets and offer access networks for consumers in destination countries

Competition on parcel markets

Intense competition for Austrian cross-border parcels

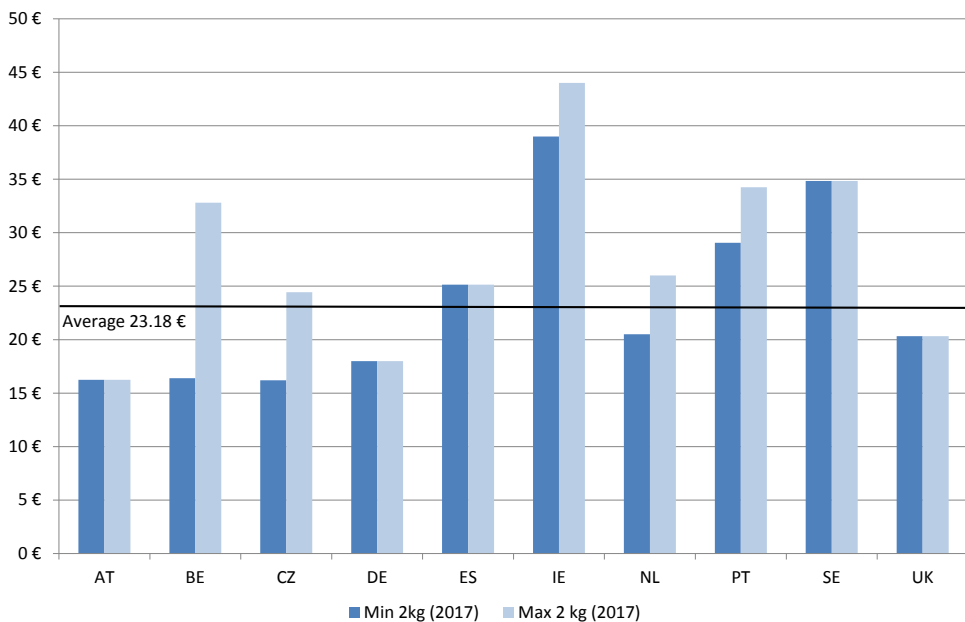
- Strong e-commerce relations with Germany
- International inbound parcels ~25% (RTR)
- 5 biggest operators: 78% market share cross-border
- Biggest competitive networks by DHL (2,000 parcel shops) and DPD (1,200)
- → intensive competition for cross-border parcels
- Benefit to e-retailers and e-commerce customers but also to other parcel operators outside AT
- → find delivery partner in Austria easily



Price developments

Very different price level for cross-border parcels

Consumer prices for cross-border 2kg parcels (2017)



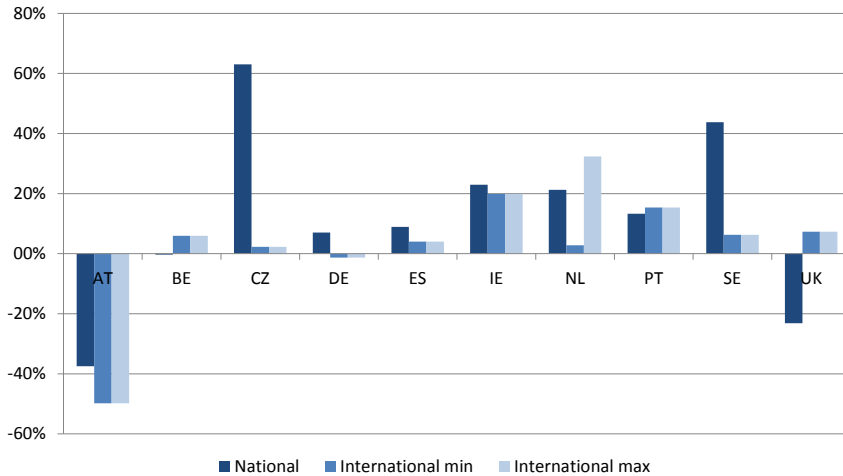
Source: Public price lists of USPs

- Paper compares consumer prices for cross-border parcels, eg
 - 2kg priority parcel posted at the counter, no express product, insurance included (200 €)
 - 1kg letter/packet posted at the counter, no insurance
 - Prices from/to all destinations
- Consumer prices for 2kg cross-border parcels range between 16.19 € (CZ) to 44 € (IE)
- Maximum price below 20€ only in AT and DE

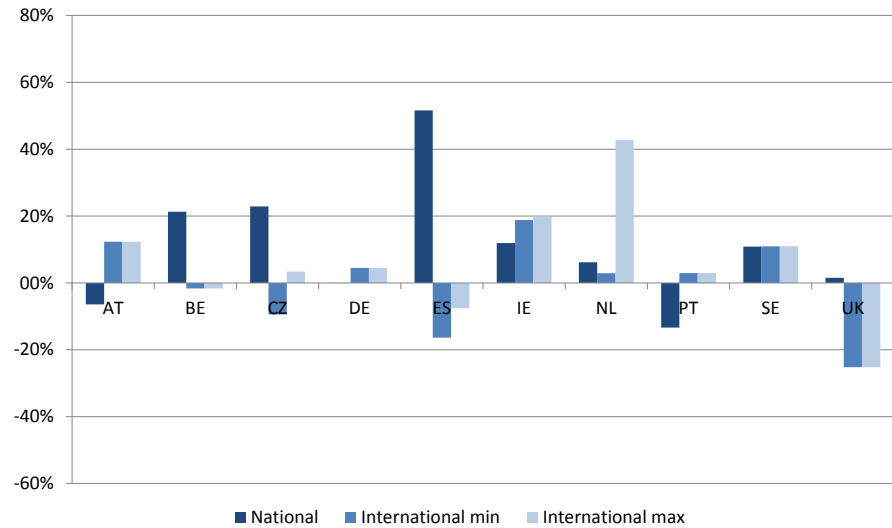
Price developments

Price changes

Real price changes for national and int'l large letter/packet services (1 kg)



Real price changes for national and international parcel services (2 kg)



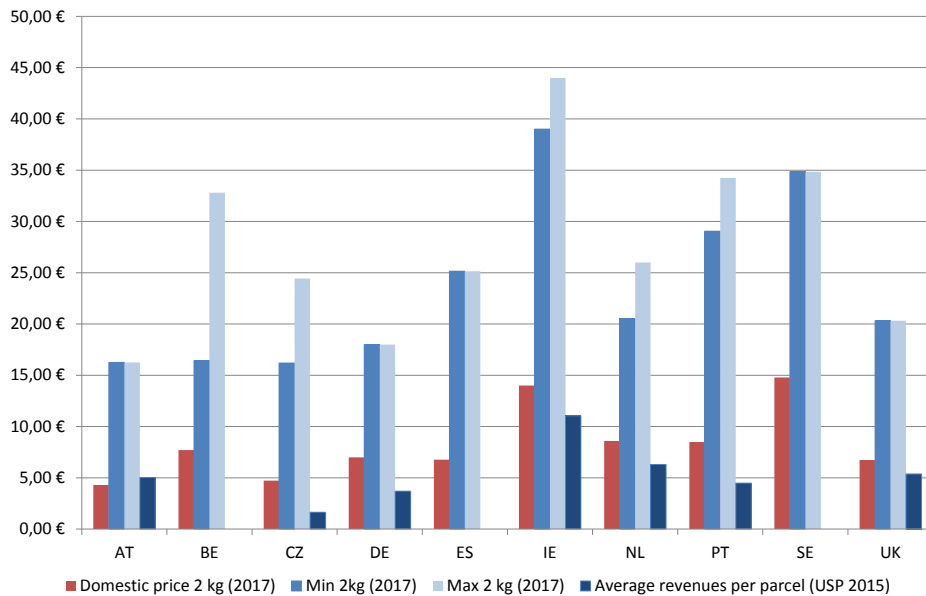
- Mixed picture!
- Parcel prices (domestic and cross-border) have increased in several countries
- 1kg packets: cross-border prices increased less than domestic prices in 7 out of 10 countries
- 2kg parcels: some USPs have considerably lowered cross-border prices, eg CZ, ES, UK

Source: Public price lists 2013 and 2017

Price developments

Business customer prices are lower than consumer prices

Domestic and international parcel prices compared to average revenues per parcel (national USPs)



- Average revenues per parcel as an indicator for parcel prices paid by business customers
- Business customers pay much less than consumers
- Average revenues per parcel particularly low in CZ, DE and highest in IE
- Average revenues seem to have declined since 2013 – but data base weak

Source: Public price lists 2017, annual reports of USPs, market statistics of NRAs

Note: Data on average revenues may refer to different parcel definitions and different product mix

Conclusions

A process towards lower consumer parcel prices

USP's consumer prices for cross-border parcels have decreased in a number of countries

Where competitors operate parcel shop networks matching the USP's network an impact on prices seems is visible (in Austria and Germany)

Indications that average revenues per parcel (as a proxy for business customer prices) have decreased but more research needed

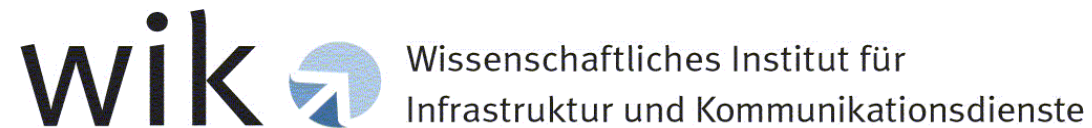
Service quality and choice for consumers have improved

Economies of scale and increased competition seem to have started a process towards lower consumer parcel prices

Conclusions

- Prices decreased since 2013 but not overall
- Potential reasons
 1. Quality of service improved (tracking, speed, more delivery options...)
 2. Investments needed to meet customer expectations
 3. Competition may not be sufficient to have an impact on USP consumer prices (eg IE, PT, SE). Competitors have smaller parcel shops networks
 4. Regulation and USO: USPs increase parcel prices to compensate for falling letter revenues?

Thank you for your attention!



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