

Access to universal services: How does post compare to other retail networks?

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- Post offices play an important role in the public as part of universal postal service
- Changes in the postal retail network by the universal service provider are often opposed by politicians and the public
- In many European countries the postal retail network is therefore subject to close regulatory supervision
- In Germany, too, there are still detailed regulatory requirements for postal outlets
- However, since full market opening (1/1/2008) no postal operator is legally obliged to provide the universal postal service
- Has this resulted in a reduction of postal outlets?

Contents of presentation

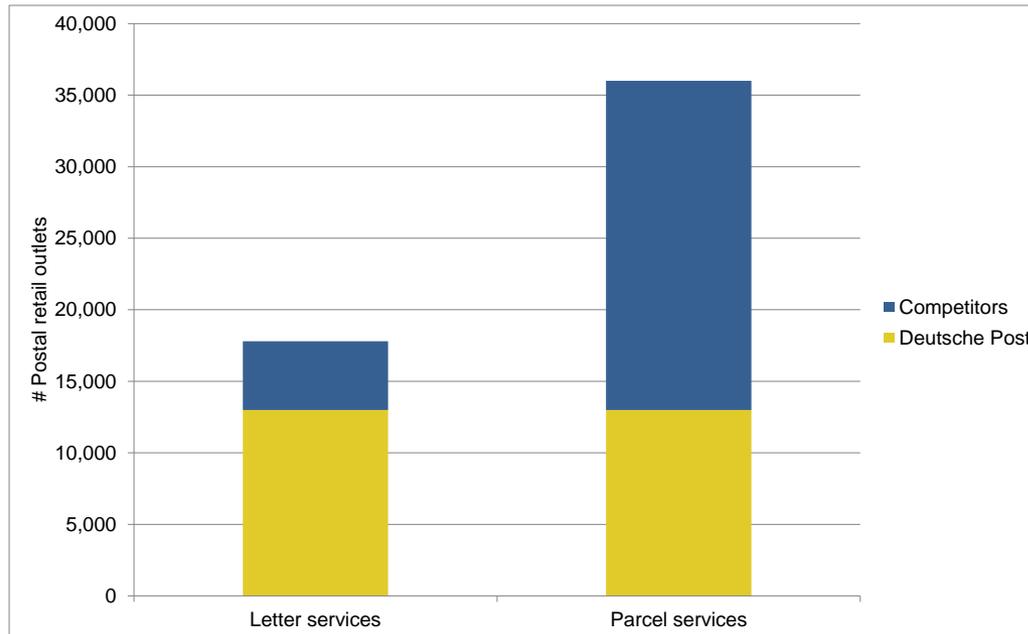
**Retail outlets
in the
German postal market**

**Retail outlets
across sectors**

Lessons learnt

Retail outlets in the German postal market

More retail outlets for parcel services



Mail market:
Deutsche Post's market share around 91% (mail volume)

Parcel market:
Substantial competition in the B2C and C2C segment
Key competitor of Deutsche Post is Hermes

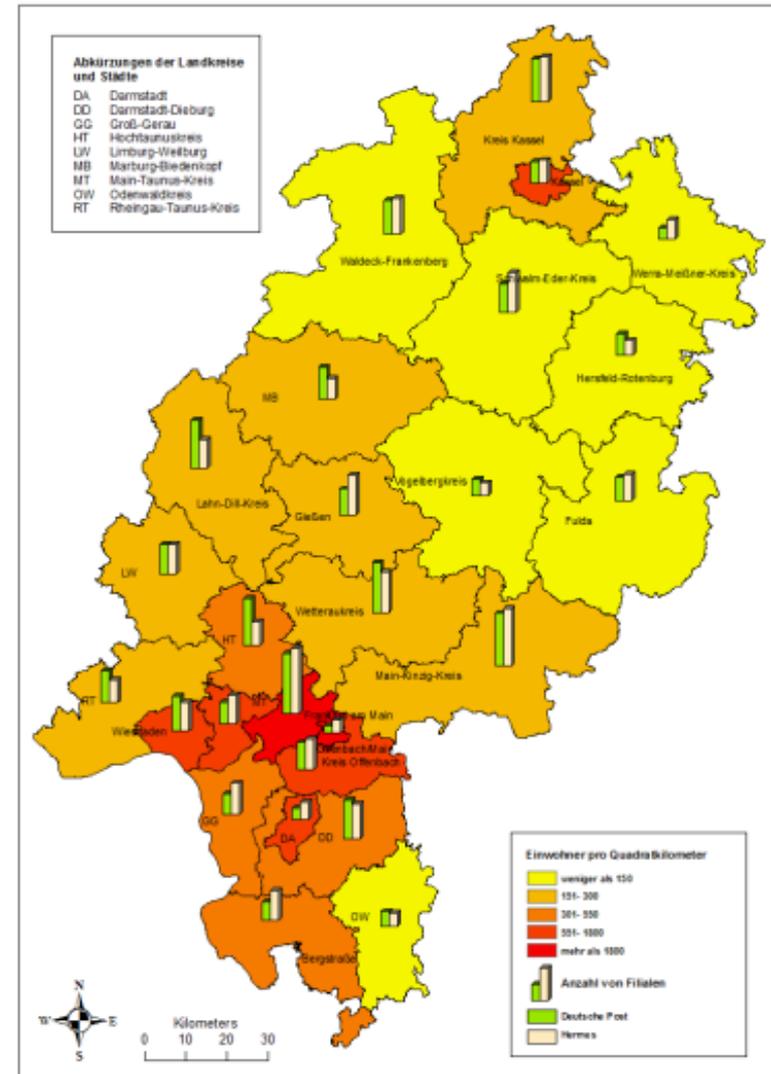
Sources:
[Bundesnetzagentur](#), [company data](#)

- Today, postal outlets are predominantly organized as agencies
 - Roughly all of Deutsche Post's retail outlets are agencies (Postbank is owned by Deutsche Bank)
 - Competitors (parcel and letter) have solely established agencies

Retail outlets in the German postal market

Similar distribution of retail outlets for parcels in Hessen

- Deutsche Post and Hermes:
Comparison of the distribution of their retail outlets in the German federal land Hessen
- In sum ~1,050 outlets per provider (October 2010)
- Local population density appears to affect total number of total outlets of both companies:
 - The lower the density the lower the number of retail outlets
- Possible reasons:
 - Less demand
 - Limited number of potential franchisees



Retail outlets in the German postal market

Outlet costs play minor role in network planning

Key findings with regard to strategies in postal retail networks

- Deutsche Post and Hermes (only parcel services) have nationwide retail networks with around 13-14,000 outlets points each
- Today, agencies are the only form of organization
 - More customer friendly due to longer opening hours
 - Less costly: Low investment and operational costs (high share of variable costs because of payment per transaction)
- Additional access points offered by Deutsche Post: Sales points for stamps, parcel lockers for collection and delivery of parcels

→ Outlet costs play a minor role in network planning

→ Reachability and accessibility are important decision factors

→ Competition and growing demand promote expansion of postal retail networks

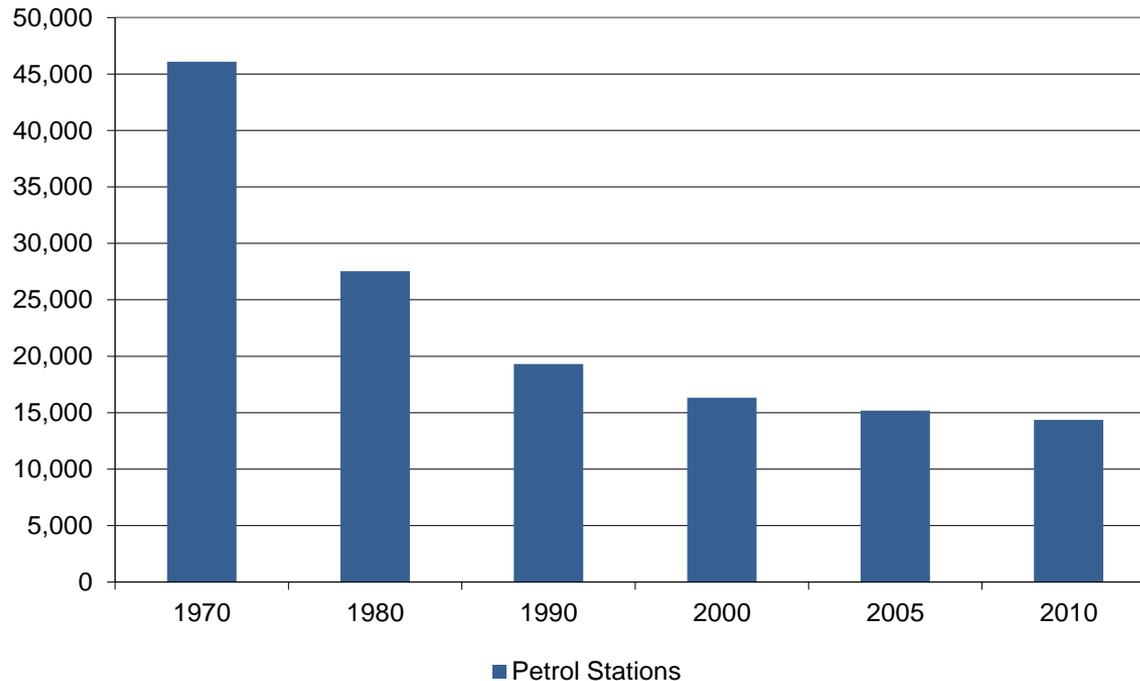
Retail outlets across sectors

No universal service requirements in selected sectors

- Selected sectors:
 - Petrol stations
 - Banking services
 - Food retailing
- In contrast to the postal sector no universal service requirements
- No monopoly: Sectors are more competitively structured

Retail outlets across sectors: Petrol stations

Demand changes resulted in a declining number



Market structure (2010):
The three biggest providers
(oil companies) have
around 40% of petrol stations.

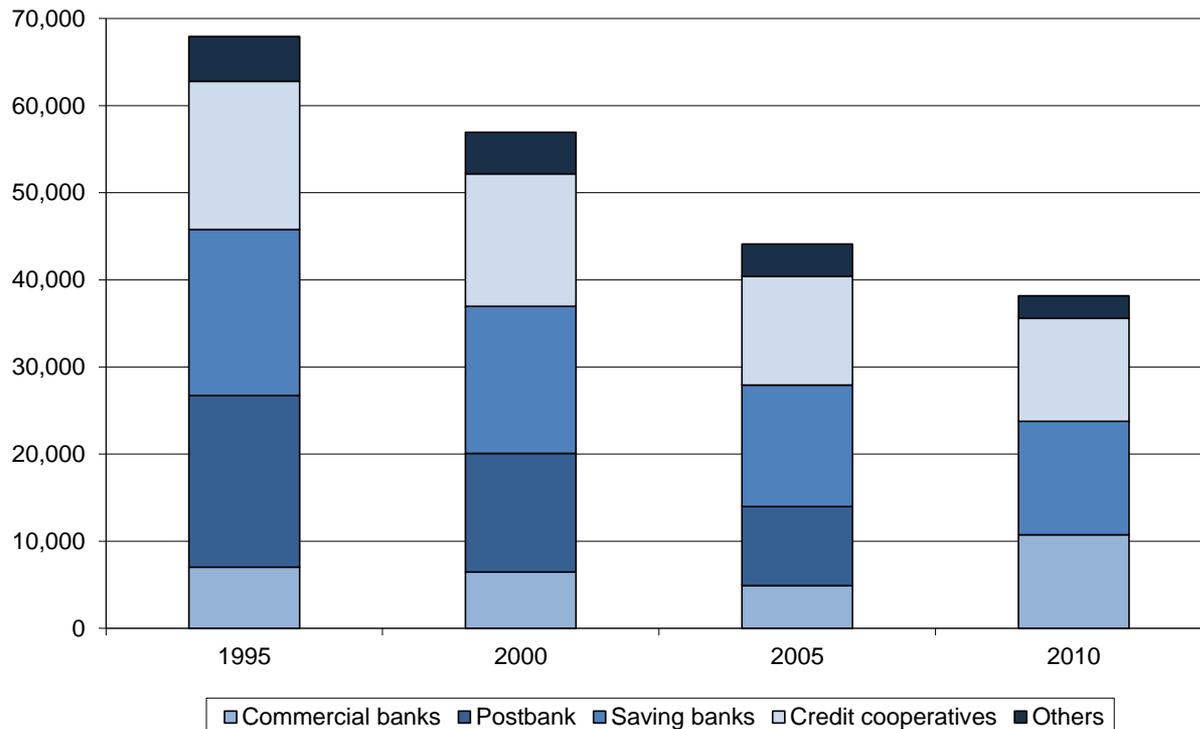
Preferred model:
Leaseholder with or without
ownership of the station

Source: Mineralölwirtschaftsverband e. V.

- Strong decline of petrol stations since 1970, stabilization since 2000
- Decline is result of multiple factors, i.a. increasing investment costs, trend to larger petrol stations, more economical cars (declining demand) and concentration processes in the sector

Retail outlets across sectors: Banking services

Declining number of banking outlets



Most banks offer nationwide services

Commercial banks focus on urban areas

Postbank and saving banks on urban and rural areas

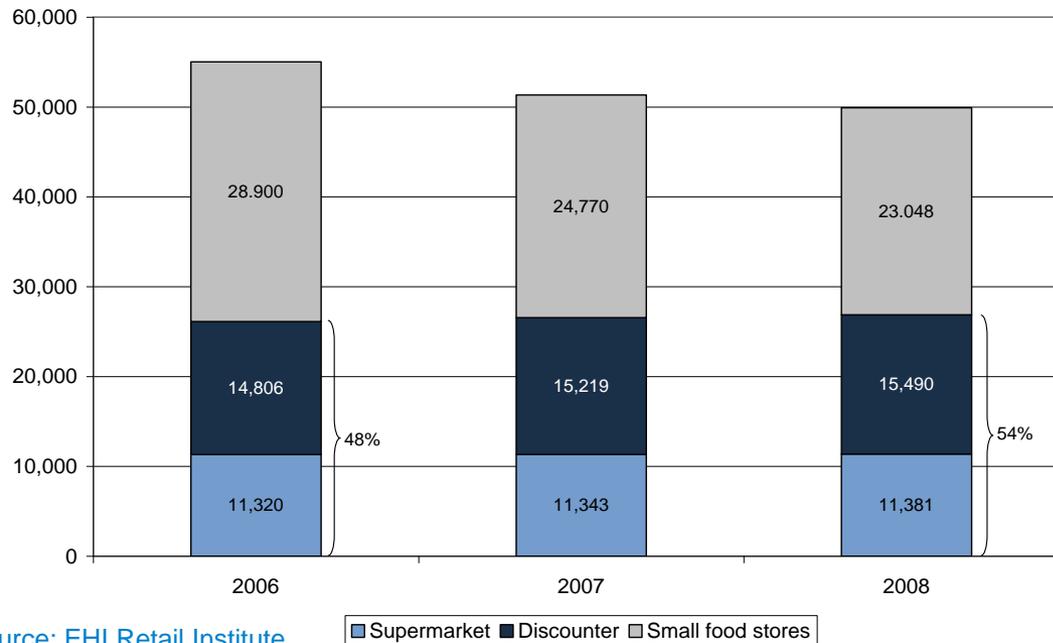
Credit cooperatives on rural areas

Source: Deutsche Bundesbank

- Less payment transactions: by card, use of self-service stations or online
- Decline in outlets result of changes in demand behaviour: standardized products are increasingly offered online
- Focus on customer consulting, therefore still need for banking branches

Retail outlets across sectors: Food retailing

Discounters expand their retail networks



Stagnating sector in terms of revenues

Consolidation process is ongoing

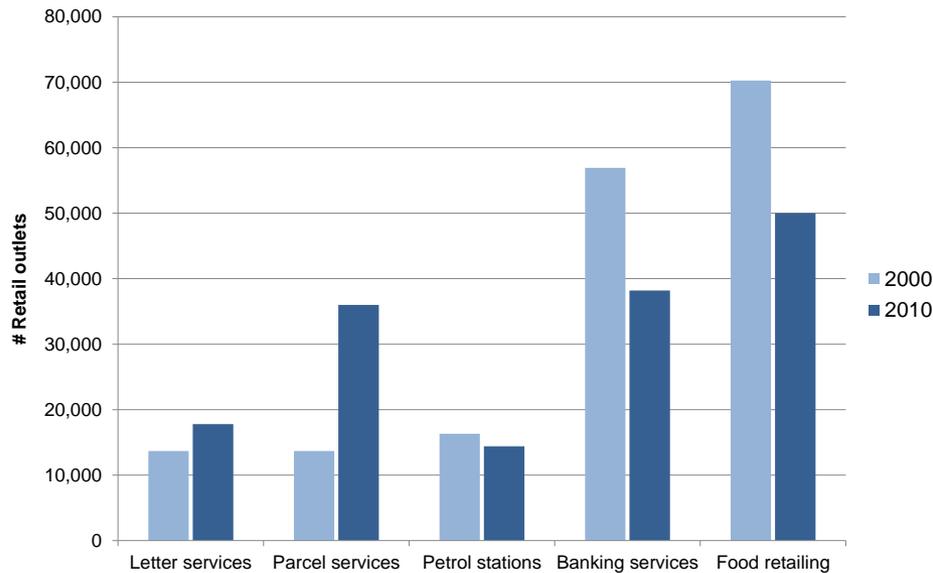
Substantial price competition dominated by discounters who offer low priced products

Three biggest discounters have ~75% of all discounter outlets

- Trend to retail outlets with increasing sales area is resulting in declining number of food retailing outlets
- Number of discounter outlets will continue to grow in the next future

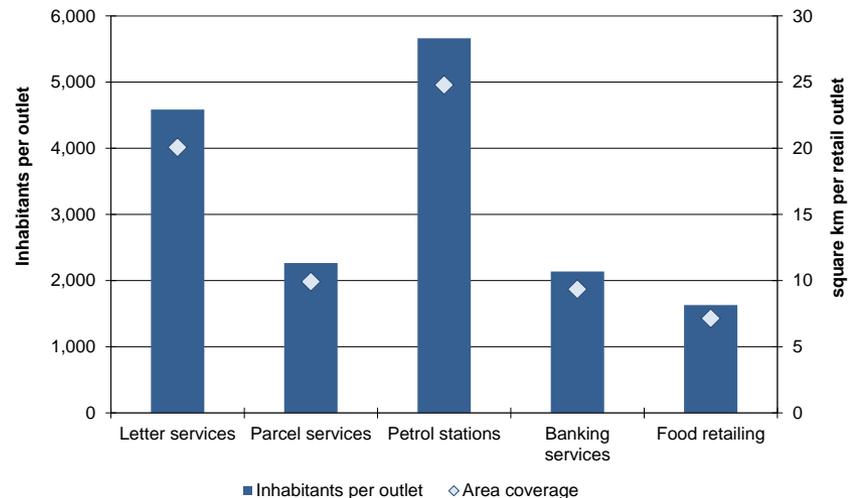
Retail outlets across sectors: Comparison

Postal outlets are increasing



- Density of “parcel outlets” comparable to food retailing and banking
- Density of “letter outlets” more comparable to petrol stations

- Growth in postal outlets due to
 - competition particularly in B2C parcels market
 - low investment and operational costs per outlet
- Demand-driven decline in petrol stations, banking services and food retailing



- Nationwide access to petrol, food and financial services has well been safeguarded without state intervention
- Key drivers for the development of retail networks in these sectors are
 - Demand potential
 - Competition
 - Investment and operational costs per outlet
- Good news: the same factors are relevant for the postal sector, too!

- Full market opening has improved accessibility of postal services
 - The nationwide supply of postal services has been improved particularly for parcel services
 - Demand and competition matter: Outlets for parcel services have grown quicker than for letter services
 - Agency model is the preferred type of organization
 - Mostly variable costs
 - Volume decline does not necessarily result in reduced access points
 - Low investment and operational costs has promoted expansion of postal outlets



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