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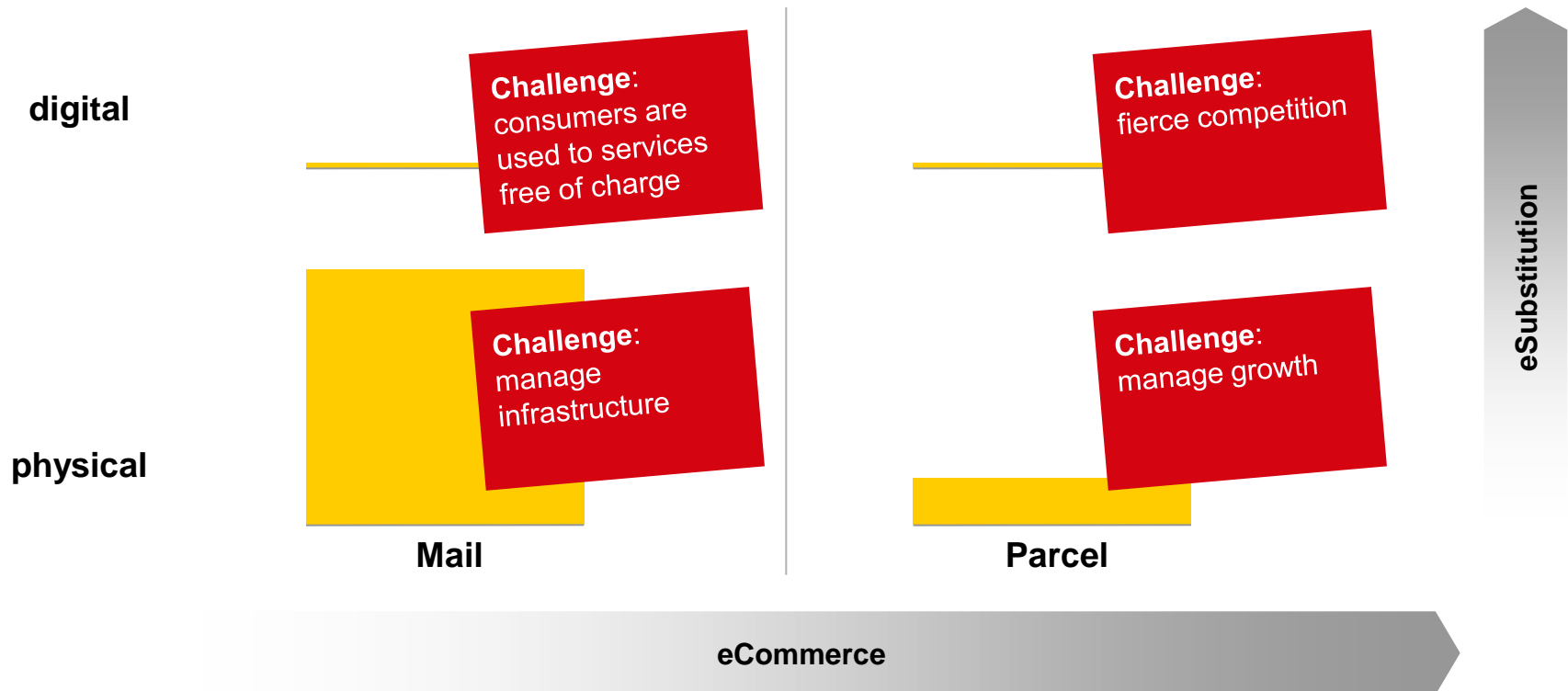
Deutsche Post DHL

Opportunities in Cross-Border eCommerce

14th Königswinter Seminar on Postal Economics
Königswinter, 26th November 2013

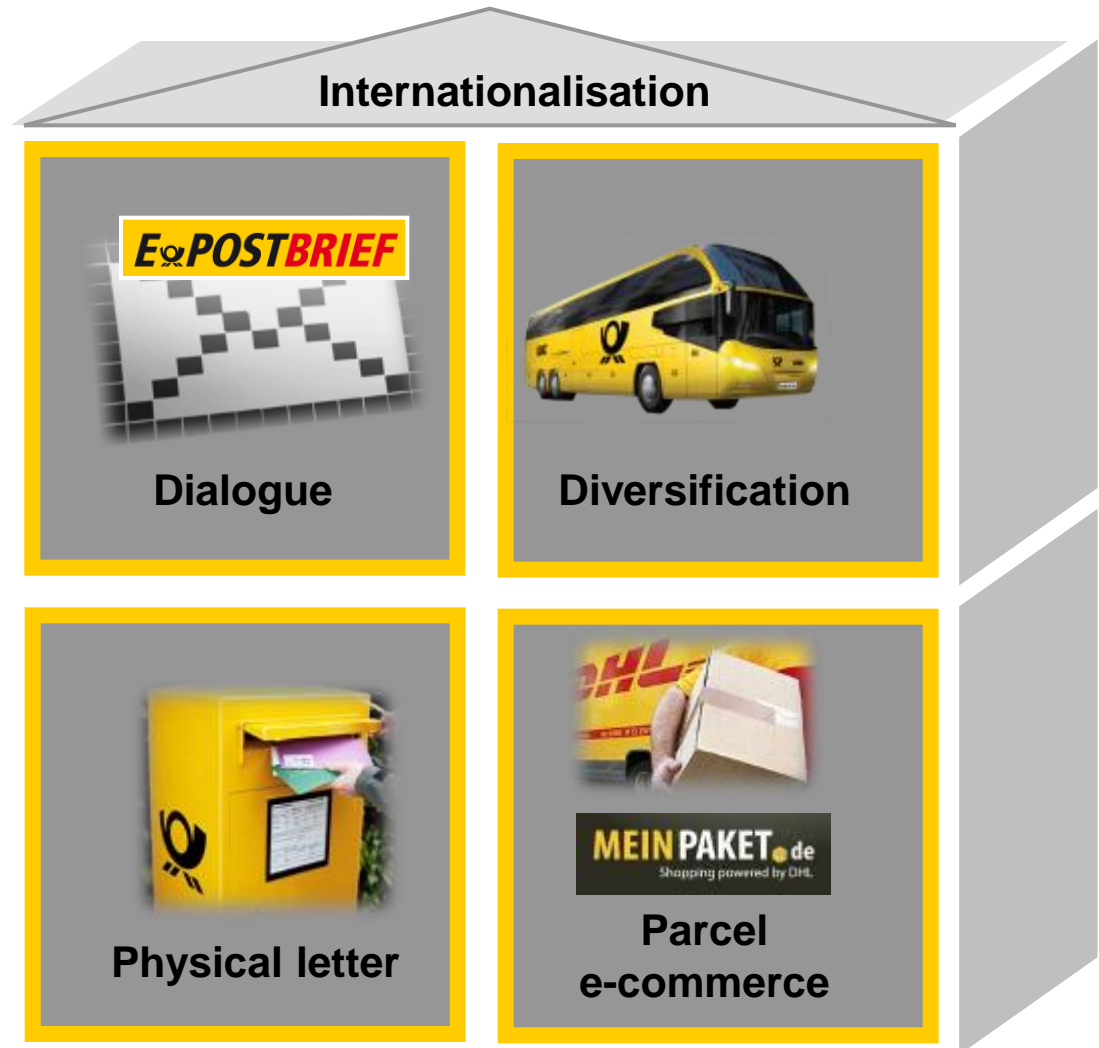
A bright Future?

Mega-Trends impacting postal markets



Any Strategy ?

We are the postal service for Germany and ...



Which Services?

... keep increasing our service range

digital



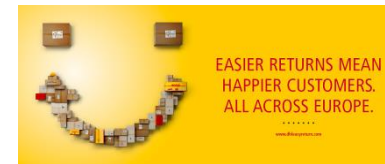
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FUNCARD



HANDYPORTO

physical



Mail

Parcel

Any Options?

Postal Operators face multiple challenges



Challenges

- How to stay profitable in a declining market with increased competition and rising labour cost?
- Where and how to invest for a sustainable future?

Strategic Options

- **“Defend”**
 - Protect market position
 - Focus on physical mail and direct marketing
- **“Transform”**
 - Develop new services
- **“Grow”**
 - Enhance product offer
 - Focus on new customer segments
 - Enter new markets

Drivers for Cross-border eCommerce (I)

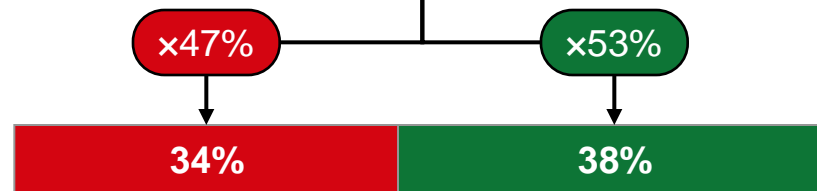
International B2C shipments provide tremendous potential

EXAMPLE: France

Availability: Only available abroad



Price: At least 10% cheaper abroad



Attractiveness: Only available abroad or at least 10% cheaper abroad



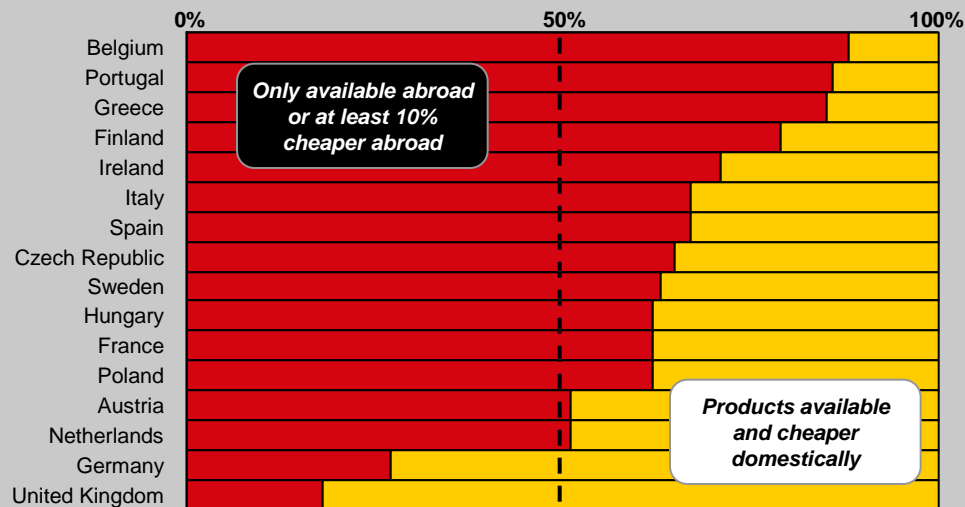
Of 100 typical e-commerce products, 62 are only available or at least 10% cheaper if bought outside of France

Drivers for Cross-border eCommerce (II)

Potential is huge but consumers still reluctant to order abroad

- Structural shift from offline to online
- Supply chain optimizations (e.g. regional/global warehousing)
- Better availability of products & cheaper price of products

European Study¹⁾ shows that in all but two EU countries, more than half of products should be purchased from abroad as products are **only available abroad** or at least **10% cheaper abroad**

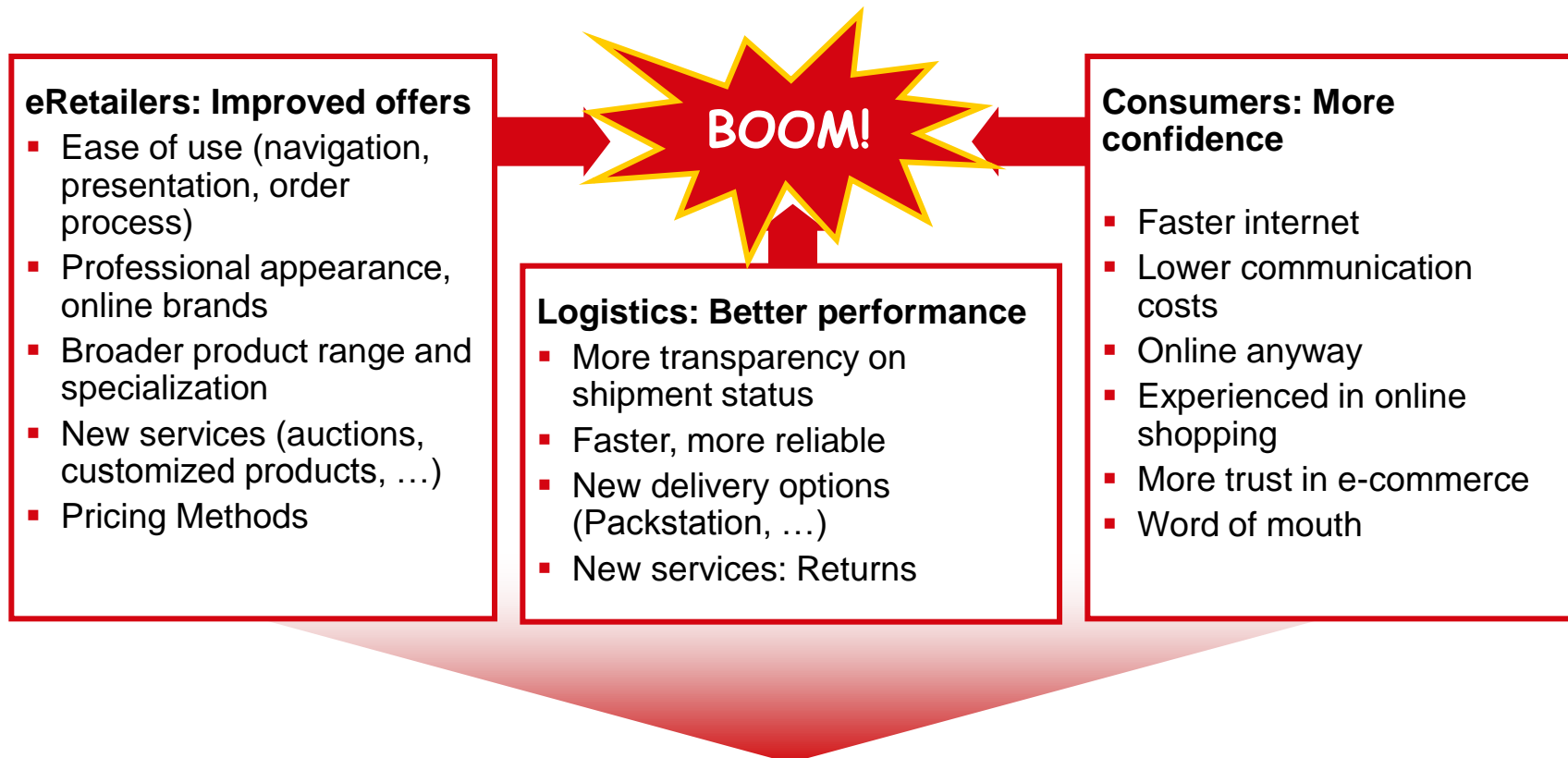


Today, only 9% of online shoppers buy something abroad

Source: Deutsche Post DHL – B2C Parcel International; European Commission; 1) Study compared availability and price for 100 typical e-commerce products, e.g. clothes, shoes and accessories, electrical household appliances, electronic equipment, household goods, computer hardware and software, books, films and music

Drivers for Cross-border eCommerce (III)

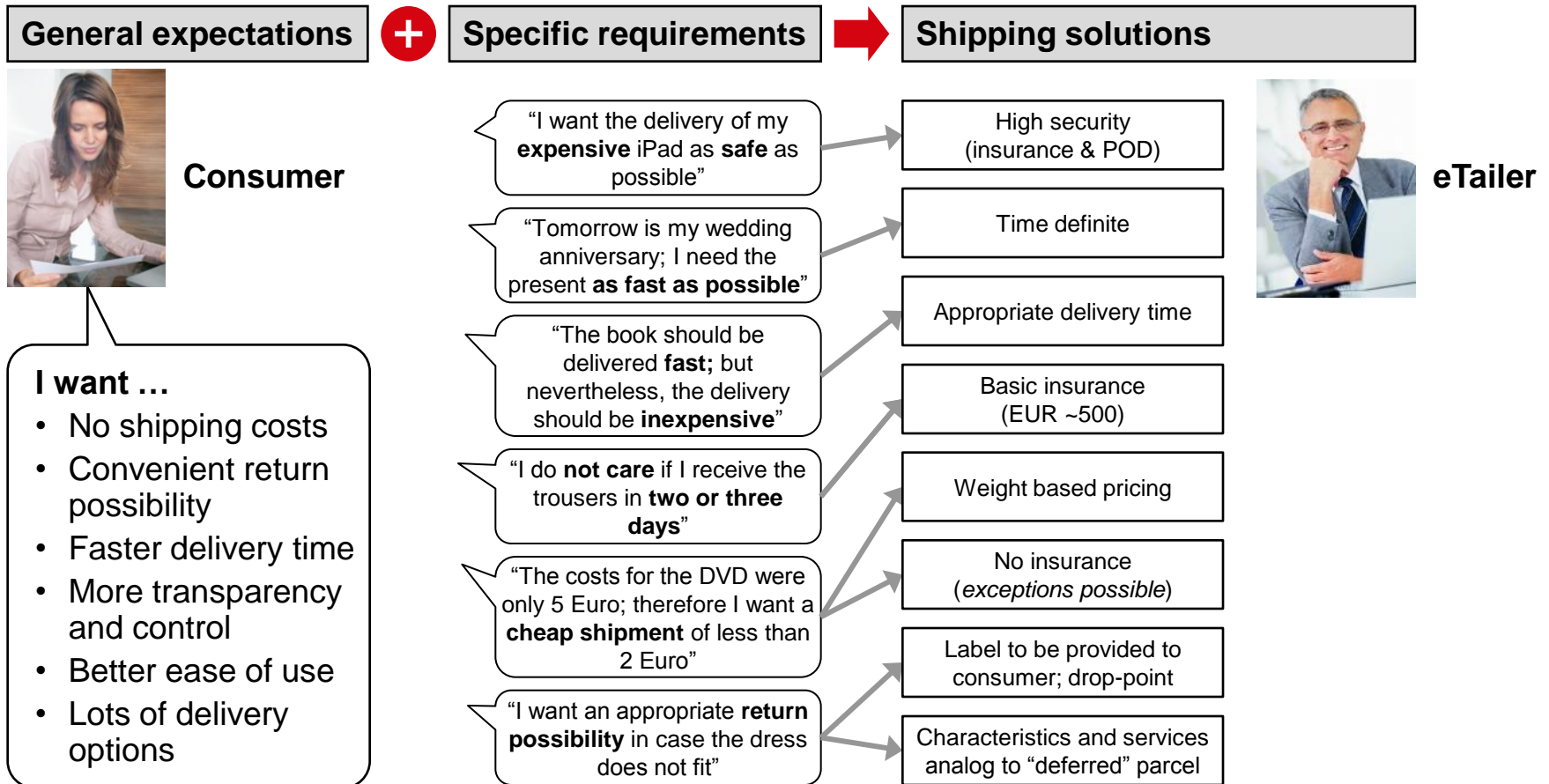
E-commerce booming thanks to recent changes at eTailers, consumers, and logistics providers



Driven by technological and marketing developments

eTailers Face High Consumer Expectations (I)

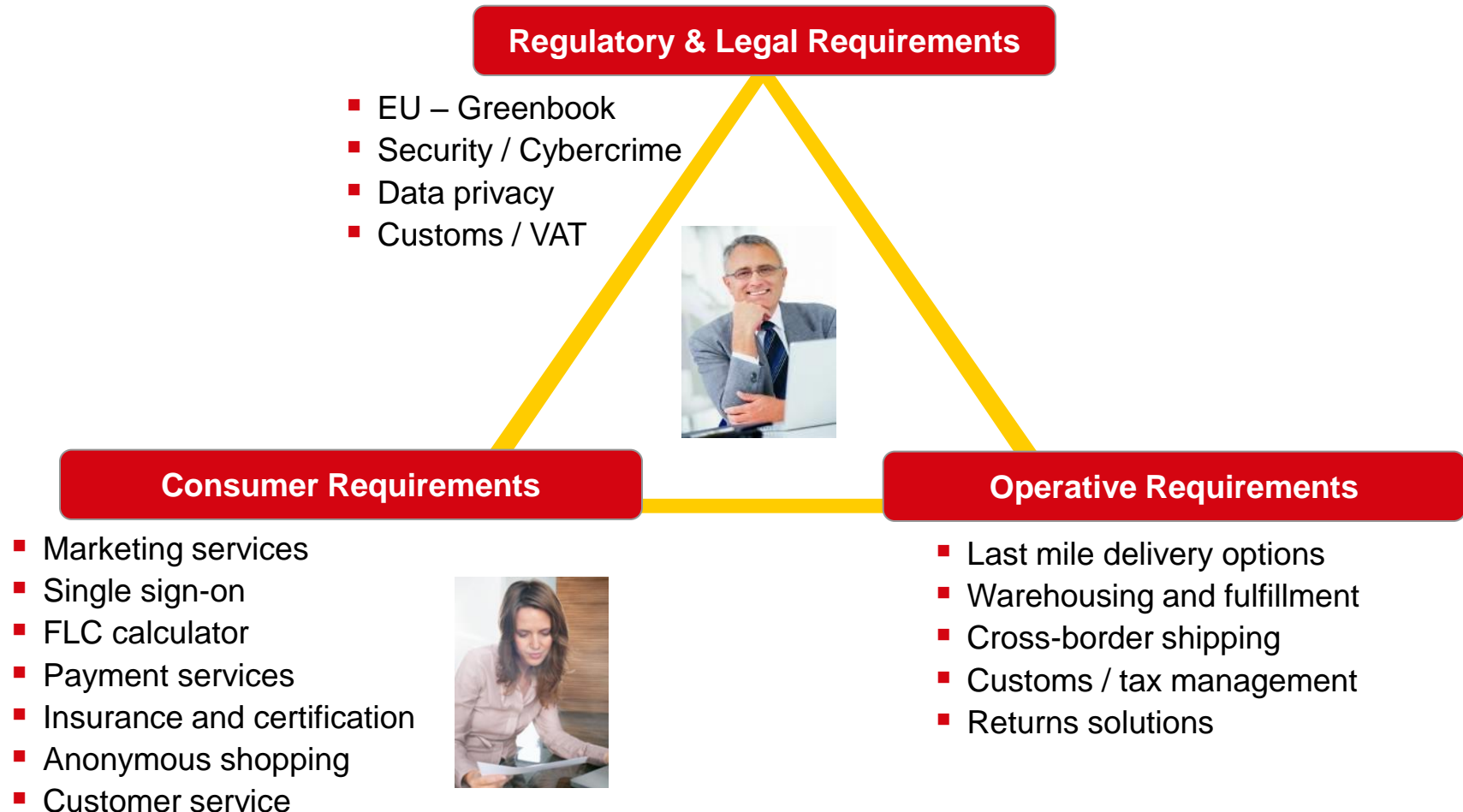
What Does the Consumer Expect?



Shipping is increasingly defined by recipients

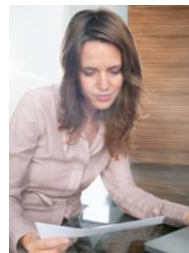
eTailers Face High Consumer Expectations (II)

Serving in a Complex Market Environment



A Competitive Landscape?

eTailers able to pass pressure on to logistics providers due to increasing competition in parcel delivery



Consumer



eTailer



Local Post



Local players



B2B & more



Express-Integrators



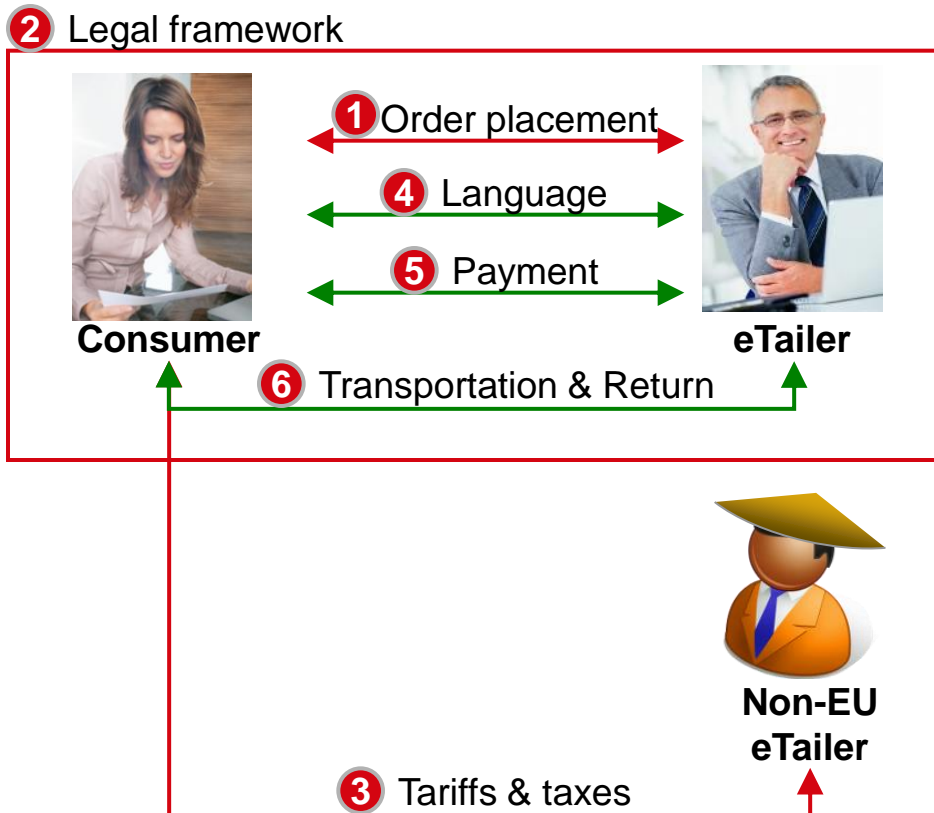
Consolidators



Marketplaces

Barriers for Cross-border eCommerce

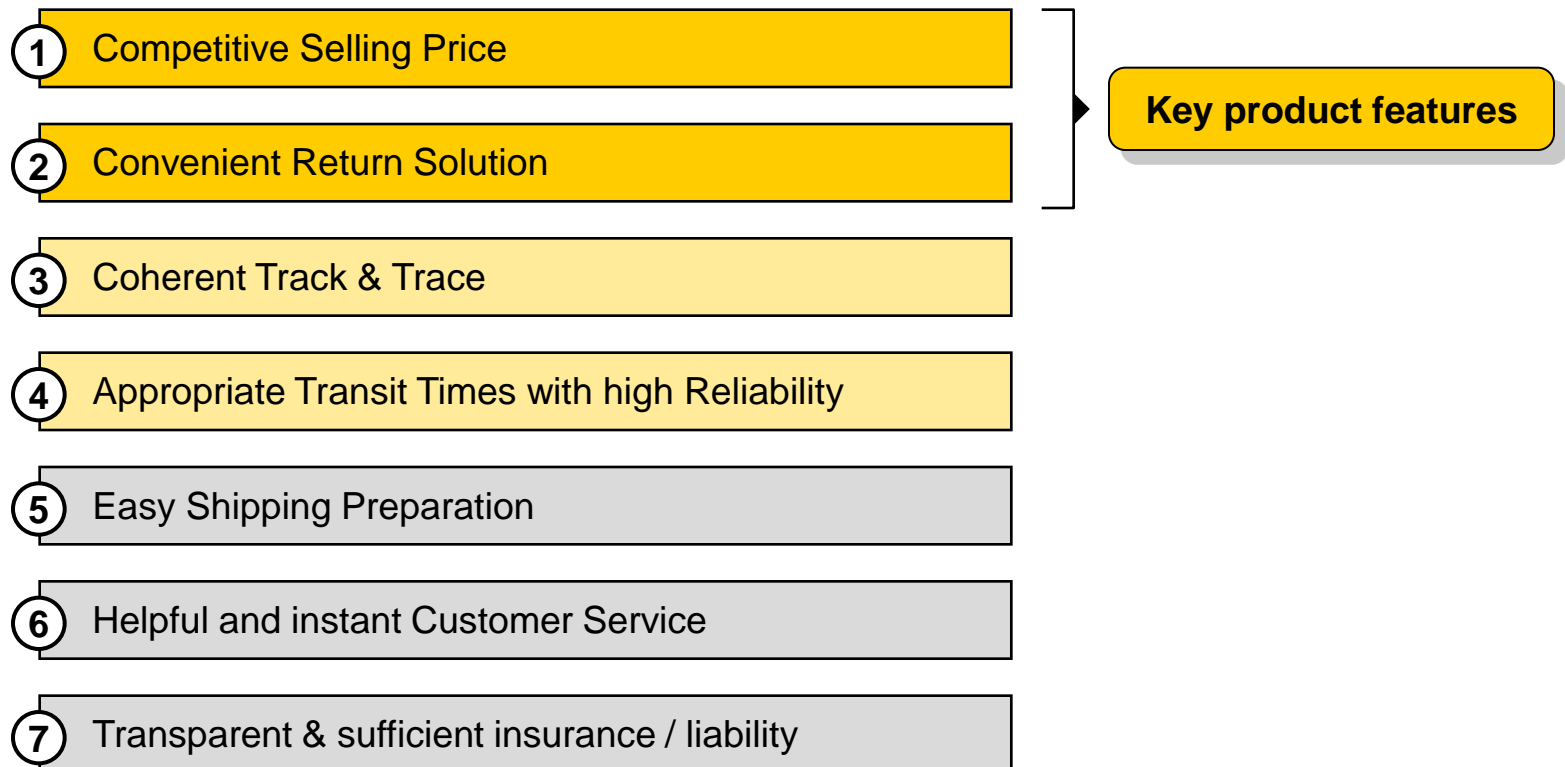
Several barriers hold back the potential of cross-border eCommerce



- 1** Make it mandatory for e-retailers to accept orders from any EU country
- 2** Push transparency on consumer rights, liability, return policies, ...
- 3** Simplify tariffs and taxes to facilitate imports from non-EU countries
- 4** English and "Google Translate" will get consumer quite far
- 5** Plenty of payment options for payments within the EU available
- 6** Competitive pan-European parcel- and return-network progressing

B2C parcel customer needs

In terms of product features, seven customer needs have the high priority



Need for Speed – Example Alibaba Group

Alibaba Group launched China Smart Logistics Network (CSN) on May 28



- **CSN** aims to become backbone of country's USD 190bn e-commerce market
- Network will be able to deliver shipments to any city in China within 24 hours
- Backed by about USD 16.3bn in funding and slated for completion in 8 to 10 years
- CSN will provide third-party couriers, warehouses, shipping and other services, as well as analytics to help vendors improve shipment speed and reduce costs

Big players in eCommerce do not wait for logistics/postal companies to provide solutions. They create their own solutions.

So ?

**All benefit from growing parcel business and rapid growth in eCommerce.
But are networks ready?**



- Cross-border eCommerce will multiply
- Parcel delivery increasingly determined by Consumers
- eTailers demanding more service, but do not want to pay more
- Consumers will not always realise that they buy abroad
- Innovative solutions key differentiator for delivery competition



Significant Investments

- **Hardware**
- **Software**
- **Marketing**
- **and People**

THANK YOU !