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# **E-COMMERCE AND OPPORTUNITIES FOR CROSS-BORDER PARCELS IN EUROPE**

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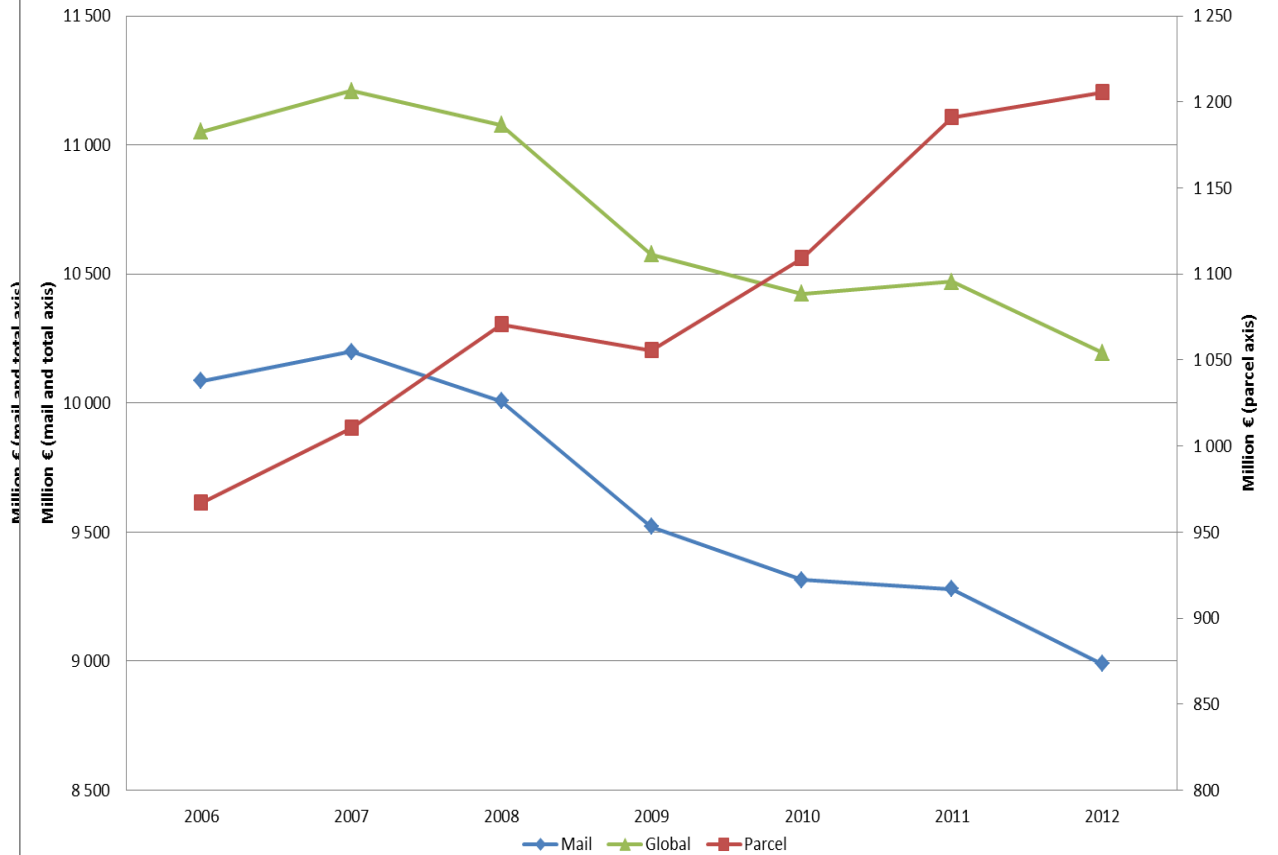
LE GROUPE LA POSTE

# E-commerce is a great opportunity for postal operators

- E-commerce, a form of retail trade, needs delivery solutions to transport goods purchased online to the end consumer's premises.
  - E-retailers could manage the last-mile logistics themselves but most of the time the delivery service is contracted out.
  - Postal operators are natural business partners to offer these delivery services.
    - But we are in competition with various types of transport providers: carriers, logistics operators, express operators and so on.
- In the current context of mail volume decline, business opportunities opened up by the development of e-commerce are welcome and participate to our survival.
  - Opposite evolution between mail activity and parcel activity of postal operators.

# An example: La Poste's situation

Evolution of turnover by segment of activity



For several years, La Poste's (parent company) mail turnover has been decreasing whereas parcel turnover generated by parcel/express division has been increasing (except in 2009 due to the financial and economic crises).

Between 2006 and 2012, mail volume decreased, reducing the turnover by 10.9%.

Whereas the volume of parcels transported by La Poste increased and the turnover generated by the parcel division increased by 24.7%.

Unfortunately, the growth in parcel activity does not counter-balance the decrease in mail activity: globally, La Poste's turnover has been decreasing since 2007 by 9%.



# The size of the European B2C parcels delivery market

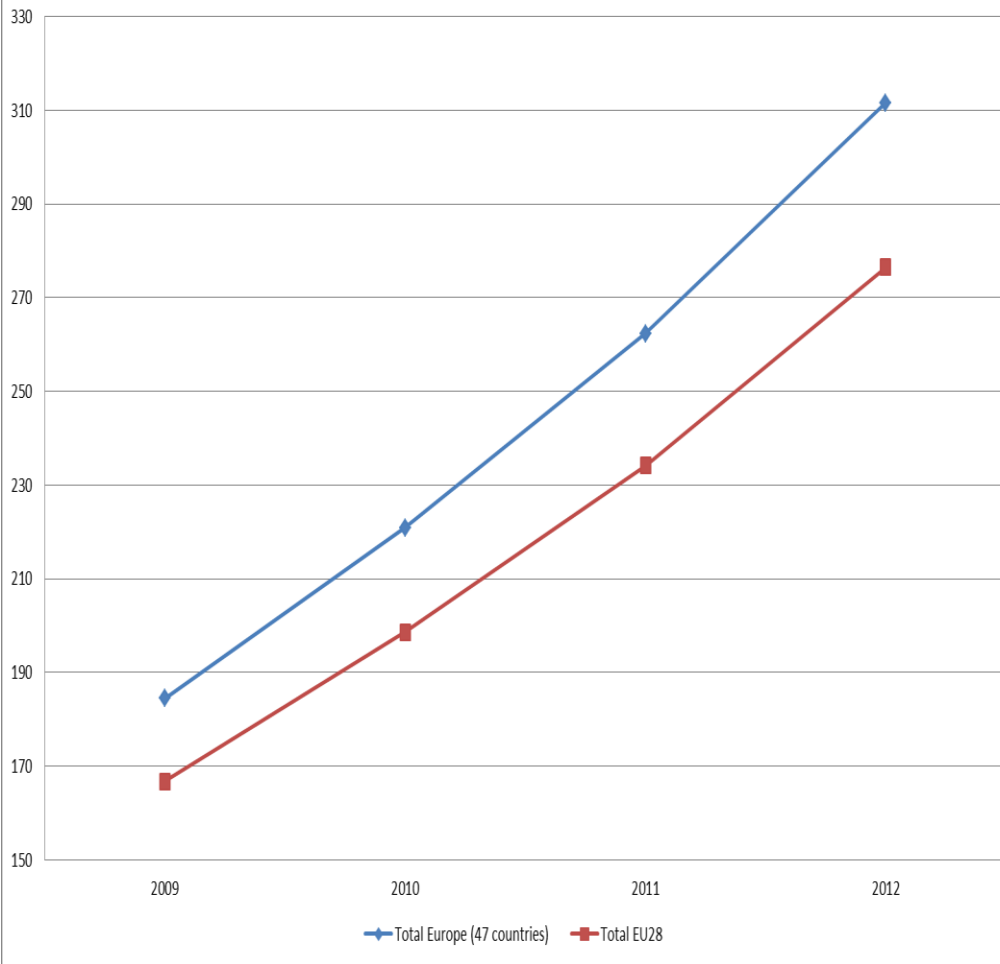
- According to La Poste internal research, in 2012, the European B2C parcels delivery market was estimated to €15 billion and 3 billion parcels.
  - It represents 1/3 of European CEP market in value and 45% in volume.
  - The UK, Germany and France accounted for 70% of B2C European delivery market in value (€10 billion) and 76% in volume (2.2 billion parcels).
  - On average, 84% of B2C parcel delivery revenues are done on domestic markets (€11.9 billion) and 16% (1/6, €2.2 billion) at international level.
    - Huge differences on the share of cross-border delivery activity are observed between European countries: from less than 10% in France and Russia to more than 40% in Italy and Ireland.
- Postal operators remain currently the main players in the B2C domestic parcels delivery market in Europe (50% of the market on average – with again huge discrepancies between countries) but have a lower market share in the international market.



# E-commerce is a growing market...

(Source: E-commerce Europe, May 2013)

European B2C e-commerce turnover of goods and services (millions €)

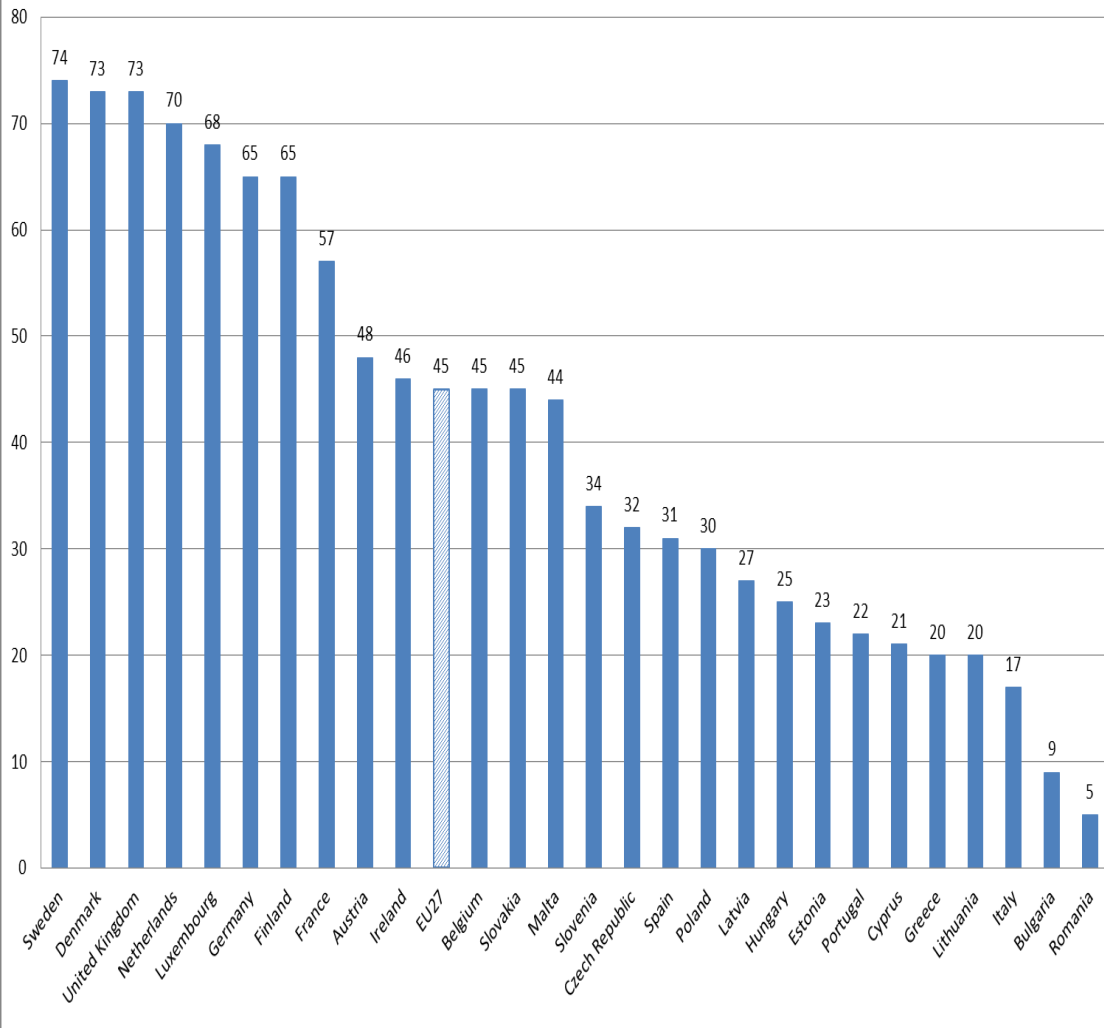


- In 2012 B2C e-commerce in EU28 (goods and services purchased online) grew by 18% to reach €276.5 billion.
  - Growth rates in mature countries such as the UK, the Netherlands, Sweden and Norway are slowing down to around 10-15%.
  - While Germany, France, Italy and Spain are still increasing by about 20-25%.
  - The fastest growing and upcoming markets are those of Eastern and South-East Europe: 30 to 40% in Russia, Poland, Ukraine, Turkey and Greece.
- Compared to a total parcel market growth (B2B and B2C) of 5%.



# ... which is developing in an heterogeneous manner

Percentage of e-customers in population



- Online Internet penetration and purchasing still differ in the various parts of Europe, according to several factors:
  - the availability of offers
    - on average, 20% of European retailers have sold their goods or services online in the last twelve months, achieving 14% of their turnover. They are 40 % in Denmark but only 4% in Bulgaria and Cyprus.
  - Internet-usage and penetration
    - more than 90 % of Danish, Dutch or Swedish households are connected to the Internet, while less than 55% of Bulgarians, Romanians and Greek households are.
- Consequently, the share of online shoppers goes from 5% of population in Romania to 74% in Sweden in June 2013.



# Some strange (and interesting) figures

- On average 40% of the European population shops online and 25% of the e-shoppers shop in other countries

But...

- In the European countries where less than 30% of the population shops online, 40% of the e-shoppers shop in other countries.
- In the European countries where between 60 and 70% of the population shops online, less than 15% of the e-shoppers shop in other countries.

# The structure of the parcels delivery market is also heterogeneous

- Globally, postal operators remain currently the main players in the B2C domestic parcels delivery in Europe
  - Average market share around 50%
  - But great heterogeneity in the place of postal operators among Member States: market shares at domestic level range from 55% to less than 10%.
- At the international level, postal operators have lower market shares
  - On average, less than 30%
  - Again, the share of cross-border B2C delivery revenues varies strongly between European posts: ranges from less than 10% to more than 40%.



# The e-commerce market becomes more and more concentrated

- A few numbers of players dominate the markets all around the world.
  - The world market share of Amazon is estimated to 20.6% by an analyst of Morgan Stanley and could reach 23.5% in 2016.
- The phenomenon of concentration is observed in all countries:
  - France
  - USA
  - China
  - ...

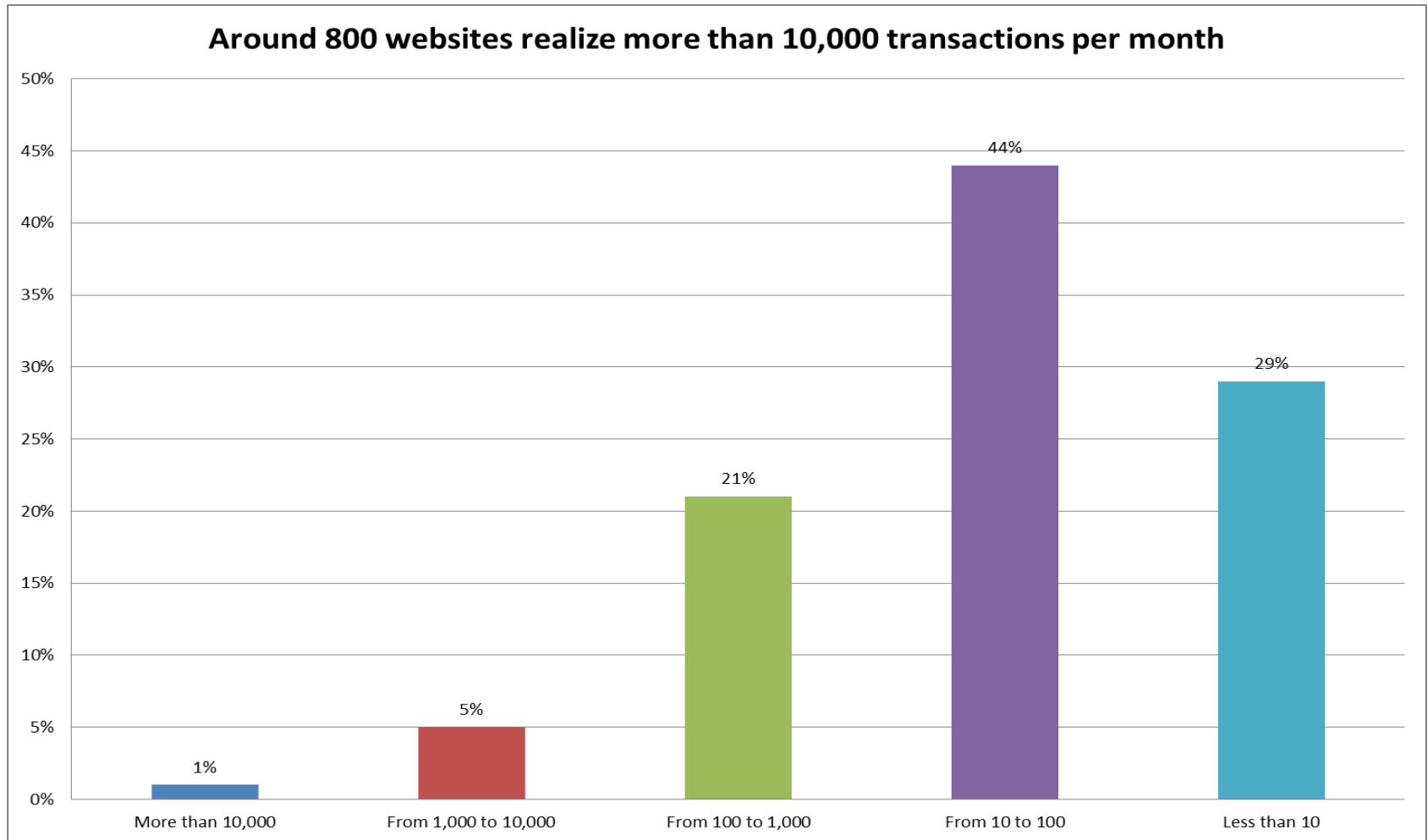
# The most visited e-commerce sites in France and in USA

1st quarter 2013	French Site	Unique visitors per month	Mean coverage (% internet users)
1	Amazon	14,449,000	32.3%
2	Cdiscount	10,054,000	24.7%
3	Fnac	9,030,000	20.2%
4	eBay	8,871,000	19.8%
5	PriceMinister (Rakuten Group)	7,492,000	16.7%
6	La Redoute	7,300,000	16.3%
7	Voyages-SNCF.com	7,083,000	15.8%
8	Carrefour	6,086,000	13.6%
9	Rue du Commerce	5,758,000	12.9%
10	Groupon	5,649,000	12.6%
11	Vente-privée.com	5,271,000	11.8%
12	Darty	4,294,000	9.6%
13	Leroy Merlin	4,250,000	9.5%
14	3 Suisses	4,134,000	9.3%
15	Zalando	3,958,000	8.9%

American merchant	Number of unique visitors (million)	Total visit time per person on average
Amazon	78.5	33:52
Wal-Mart	36.9	14:38
Target Corp.	21.2	10:19
Etsy	11.8	19:59
Liverty Interactive Corp.	10.0	8:11
Staples Inc.	9.0	11:15
Overstock.com Inc.	8.1	7:29
BarnesandNoble.com Inc.	8.0	8:53
ShopAtHome.com	8.0	6:02
Costco Wholesale Corp.	7.3	7:18



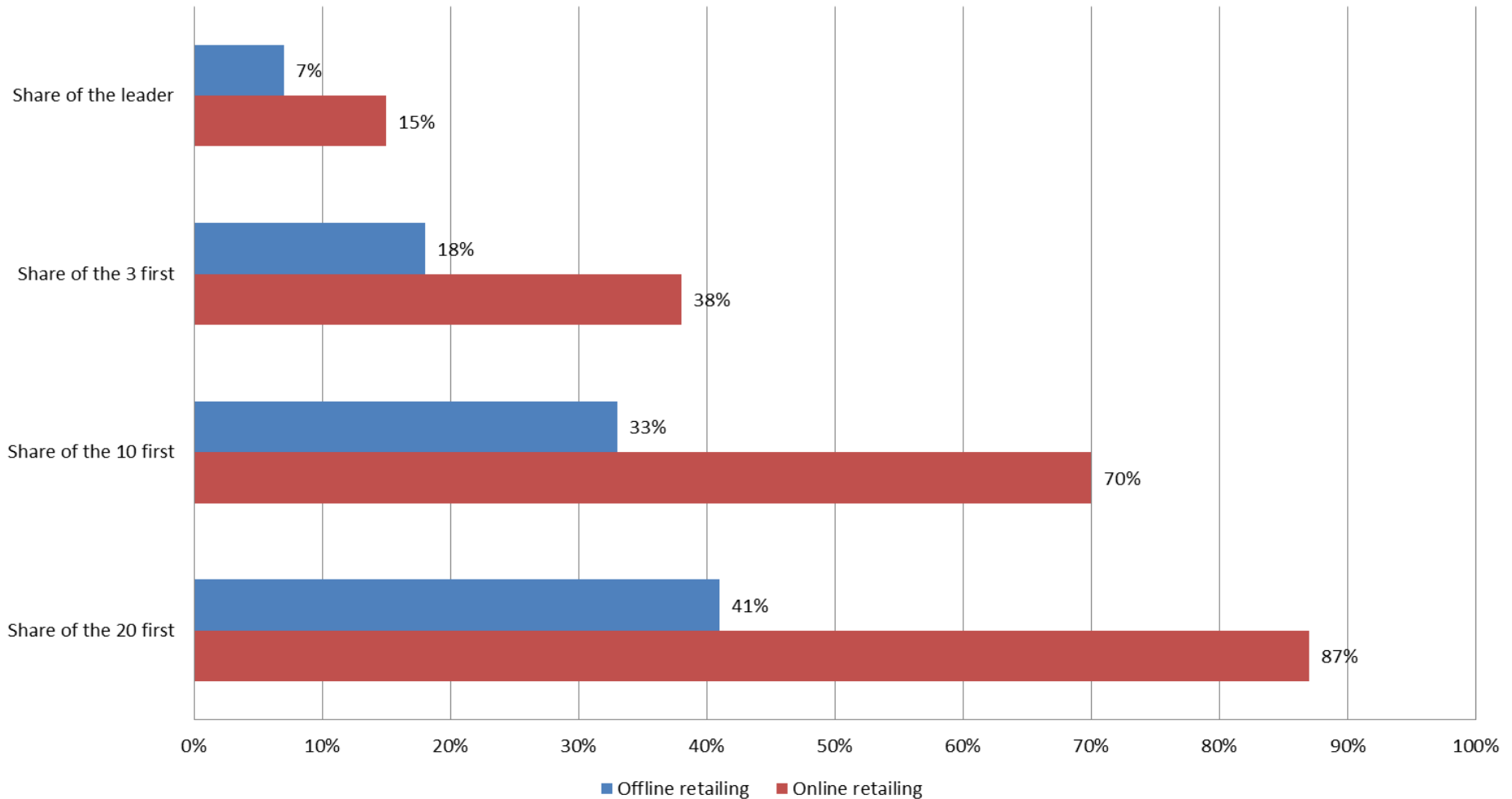
# A minority of French sites concentrate the majority of transactions



# In France, e-commerce market even more concentrated than traditional retailing

## Concentration of activity in the sectors of e-commerce and brick-and-mortar retailing

% of the cumulated turnover of the 40 leaders in the offline and online commerce



# The B2C parcels delivery market becomes more and more competitive...

- The development of e-commerce has intensified the competition on the delivery services market.
- Since 2008, specialized e-logistics providers have emerged: express operators and major traditional logistics operators have adapted their service lines to support their historic customers' multi-channel strategy.
  - UPS, DHL, TNT, GLS and DPD/GeoPost are investing more and more the B2C market.
- Moreover, some e-retailers act as logistics operators on behalf of smaller e-retailers through their marketplace. As a consequence, e-retailers can use various types of transport providers to deliver their parcels, putting pressure on operators to offer attractive delivery options and pricing conditions.

# ... and more and more service driven and customers' oriented

- This increasing competition with other delivery operators, along with the business opportunities opened up by the development of e-commerce against the underlying downturn in mail services, is spurring postal operators to offer delivery services that are increasingly tailored to the demand from e-retailers and consumers, at both national and cross-border level.
  - Guaranteed delivery times,
  - Track and trace vs. basic services,
  - Choice in collection points, in delivery time,
  - Pre-alert system to inform on the delivery date
  - ...
- At the cross-border level, initiatives are under way to make cross-border parcel delivery services more reliable and more efficient.
  - Easy Return solution
  - Easy Collect Solution

# Conclusions

- **E-commerce is a (vital) opportunity for posts but is a difficult market:**
  - Demand for a high level of quality of service (reliable, speed) implying huge investments to develop new services which are a sine qua none condition for the market development
  - + Concentration of actors in the B2C e-commerce market
  - + Growing competition on the delivery market
  - + Decreasing economies of scale due to mail decrease
  - = Shrinking margins
- **At a moment when investment is needed to enhance quality and develop new services which are key for the e-commerce market development.**
- Regarding cross-border e-commerce, the challenge lies in the harmonization of the level of quality of services in each Member States.
  - It is not an easy task because
    - Posts do not have the lion share on this market – they compete with integrators;
    - Heterogeneity in the quality of services offered by postal operators from one country to another and in their market share is huge;
    - Cooperation stands together with competition among postal operators.
- **It is enough fun; no need to make it more complex.**