

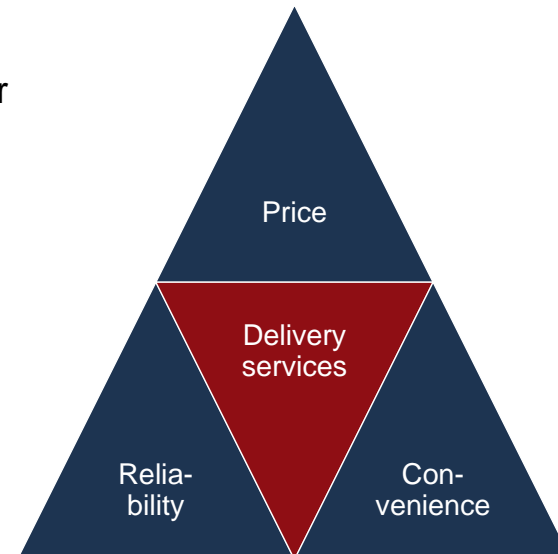
# The Role of Letter Products for E-Commerce

Antonia Niederprüm

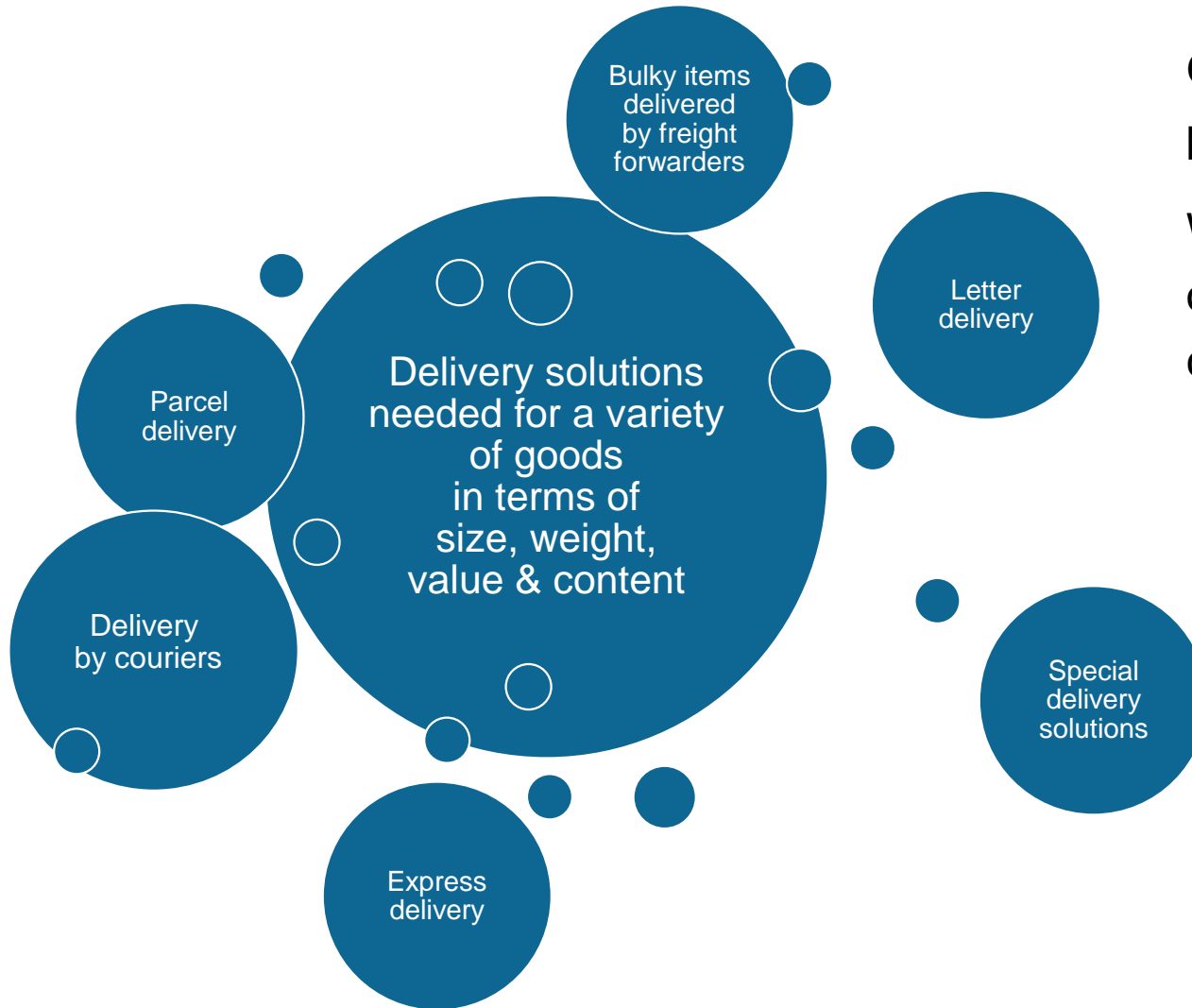
3 November 2016  
16th Königswinter Postal Seminar

# E-commerce drives the delivery business...

- Domestic e-commerce
  - Two-digit growth rates in Europe and the U.S.
  - Strong growth in the APAC (domestic and imports)
- Cross-border e-commerce is dynamically growing within Europe and worldwide
  - Most relevant export countries outside Europe: United States and China
- Major challenges for e-commerce delivery services
  - Price:
    - Low cost delivery solutions for e-retailers to offer free delivery and returns for online buyers
  - Reliability
    - Reliable delivery time (predictability of delivery)
    - Visibility (tracking & tracing)
  - Convenience:
    - Data integration for online sellers
    - Consumer-centric delivery options



# ... to offer a high variety of delivery solutions



Guiding question for this presentation:

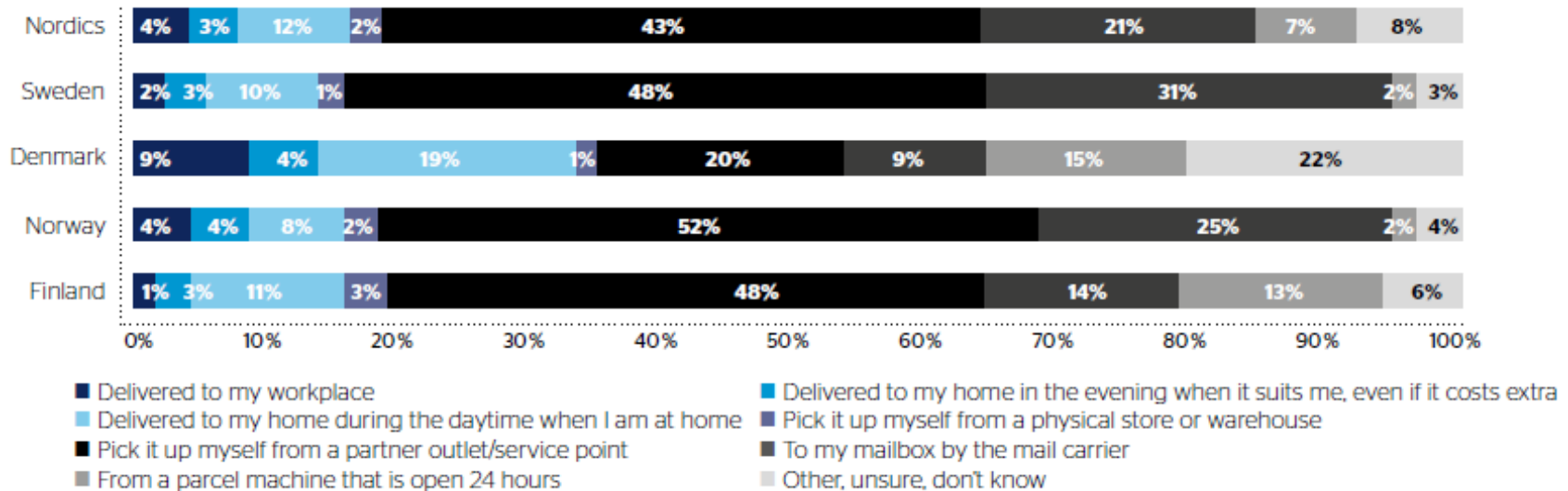
What is / should be the role of letter products for e-commerce deliveries?

- Online buyers' perspective
- Online sellers' perspective
- Review of special letter products for e-commerce
- Conclusions: Role of letter products for e-commerce

# What online buyers want from delivery

- Price: Low delivery and return costs
  - Free delivery & returns (vary from country to country)
- Convenience:
  - Easy return solutions
  - Choice among delivery options
- Reliability:
  - 3-5 days but varying among countries
  - Nordics more patient than Dutch or German consumers
  - Tracking as a must

Consumer survey: When you purchase a product online and have the opportunity to choose how it will be delivered, how do you generally prefer to receive it?

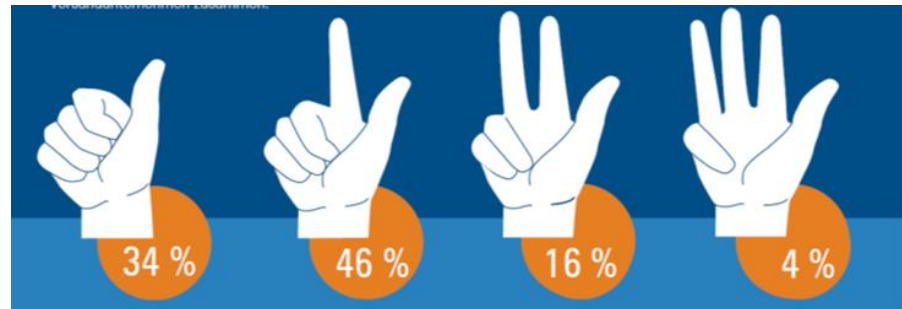


Source: PostNord, E-commerce in the Nordics 2016

# What online sellers' want from delivery

- Choice between delivery operators (can be facilitated by intermediaries e.g. scurri, metapack, shipcloud)
  - To keep delivery costs low (bargaining power)
  - To offer choice to consumers (speed, delivery options)
  - Different goods require different delivery solutions
- Variety more important than buyers' convenience (one stop shopping)
- Reliability and visibility (data flow)
- Trend to "customer-centric delivery"
- Delivery options offered to consumers partly driven by marketplaces and payment channels
  - Free delivery improves ranking in queries
  - Tracking requirements for later documentation (e.g. Paypal's seller insurance)

**Example: How many delivery companies used by German e-retailers?**



Source: Händlerbund (2016).

# Posts offer specific letter products for domestic delivery...

- **Letterbox packet**
- $\leq 3.2$  cm thick
- Tracking
- D+1
- Home delivery

PostNL



- **Varubrev**
- UPU letter format
- No tracking
- D+1 and D+3
- Home delivery
- Return solution

PostNord  
Sweden



- **Small parcel**
- $\leq 16$ cm thick
- Tracking optional
- D+1 and D+3
- Insurance (20 GBP)
- Home delivery

Royal Mail



- **Päckchen**
- $\leq 3$ cm thick
- Tracking
- D+1
- Insurance (50€)
- Home delivery

Austrian  
Post



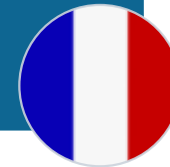
- **Warensendung**
- $\leq 1$ kg
- $\leq 15$ cm thick
- No tracking
- D+4
- Home delivery

Deutsche  
Post



- **Lettre suivie**
- $\leq 3$ kg
- $\leq 3$ cm thick
- Tracking
- D+2
- Home delivery

La Poste



## ... and also for cross-border delivery...

- **Gateway to Europe**
- UPU letter post format
- Tracking (3 points)
- 4-7 days delivery time from China
- Integrated return solution

PostNL/  
Spring



- **Varubrev International**
- UPU letter post format
- No tracking
- Delivery time depends on destination country

PostNord  
Sweden



- **Small parcel**
- $\leq 16\text{cm}$  thick
- Tracking optional
- Delivery time depends on destination country

Royal Mail



- **Paket Light International**
- $\leq 3\text{cm}$  thick
- Tracking to selected countries
- Delivery time depends on destination country

Austrian  
Post



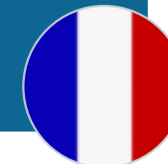
- **Warensendung International**
- $\leq 500\text{g}$
- $\leq 3\text{cm}$  thick
- Tracking optional to selected countries
- Delivery time depends on destination country

Deutsche  
Post



- **Lettre suivie international**
- $\leq 3\text{cm}$  thick
- Tracking to selected countries
- Delivery time depends on destination country

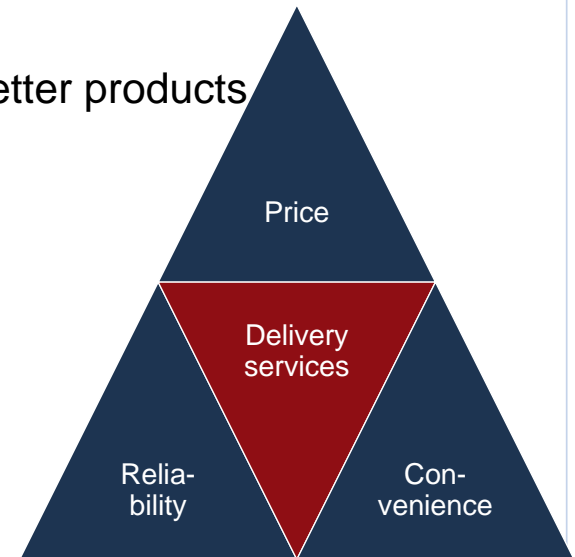
La Poste





## ... that vary between countries

- Highly standardised delivery solution
  - Only appropriate for small-sized, lightweight and usually low value goods (e.g. fashion & shoes, gadgets, electronic components, books, DVDs)
  - Varying format definitions and service specifications between posts
- Low cost delivery service mainly offered by posts
  - Economies of scale and scope: Combined delivery of all letter products
  - Low delivery costs if items fit into the letter box
- Reliability:
  - Best effort delivery (quality levels vary between posts)
  - Priority and/or non-priority delivery services
  - Emerging letter products with tracking in some countries
- Home delivery as standard: Letter box delivery convenient for consumers



# Conclusion: Letter products are attractive only for specific goods

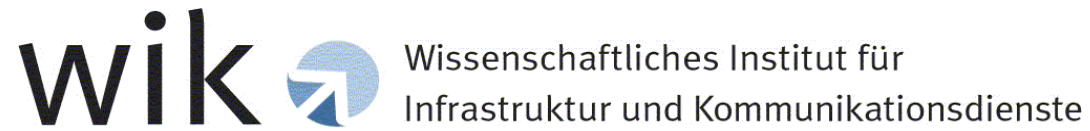
Domestic letter products in light of e-retailers' and online buyers' needs

Strengths	Weaknesses
<ul style="list-style-type: none"><li>• Low cost delivery solution</li></ul>	<ul style="list-style-type: none"><li>• Size and weight limitations</li></ul>
<ul style="list-style-type: none"><li>• Highly standardized service with best effort delivery</li></ul>	<ul style="list-style-type: none"><li>• Limited predictability</li></ul>
<ul style="list-style-type: none"><li>• Home delivery</li></ul>	<ul style="list-style-type: none"><li>• Limited visibility: Emerging letter products with tracking only in some countries</li></ul>

- Letter products are an attractive e-commerce delivery option for non-urgent, small sized, lightweight and low value goods
- Posts are best suited to offer letter products for e-commerce
- Remaining challenges:
  - Visibility
  - Return solutions and
  - Data integration (with e-retailers)

# Challenges for cross-border e-commerce delivery

- Cross-border delivery is generally more complex
  - Requires access to wholesale delivery
  - Requires product standardisation among operators
  - Requires technical standards (interoperability)
  - Results in higher transaction costs (bilateral / multilateral agreements)
- Cross-border letter delivery is less reliable than domestic letter delivery
  - Due to distance and involvement of several parties: Longer and varying delivery times depending on the country of destination
  - Tracking options for cross-border letter products are rare and often insufficient
    - Only available for some destination countries
    - Low number of tracking points
- Initiatives to overcome challenges (e.g. IPC Interconnect) yet to deliver results



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