Evolution of Postal Markets in Europe

Workshop organised by Assonime:
La trasformazione digitale nel settore postale e l'impatto sui modelli di business: corrispondenza, consegna pacchi, servizi di prossimità

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Who is WIK?

- **WIK** ('Scientific institute for infrastructure and communication services')
  - Independent research institute, owned by the German government
  - ~ 40 consultants/researchers
  - 35 years of experience with economic regulation and sector policies
  - Telecommunications, postal, transportation
  - Economics for the digital economy

- **WIK-Consult** is a 100% subsidiary of WIK
  - Consultancy specialised in regulated industries, founded in 2001

Postal practice

- Regular scientific research on postal policy since 35 years
- Many postal studies for the European Commission since 2002
- Studies, advice, and research for regulators in many European countries, the USA, Middle East, and Australia
- Research, studies, advice and expert opinions for postal operators in many European countries
- Postal statistics for operators, regulators, associations

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Current Isues for Postal Policy

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Market Segments: Legal vs Commercial

Postal market segments (EU)

- Letters
  - Correspondence
  - Bulk/Transactional
  - Advertising
  - Registered and insured letters
- Newspapers and periodicals
- Small packets (<2kg)
- Standard Parcels
- Express Parcels

Activities of EU postal operators

- Letters
- Packets
- Parcels
  - *Express Parcels*
  - *Freight Forwarding*
  - *Logistics*
  - *Financial Services*
  - *Retail Services*
  - *Hybrid Mail*
  - *Digital Communication*

State of Play

Very Diverse Delivery Markets in the EU

Letter volumes: 20 (low) to 300 (hi)*

Parcel volumes: 2 (low) to 40 (hi)*

Huge price differences between EU Member States

Diverse delivery standards (home or outlet)

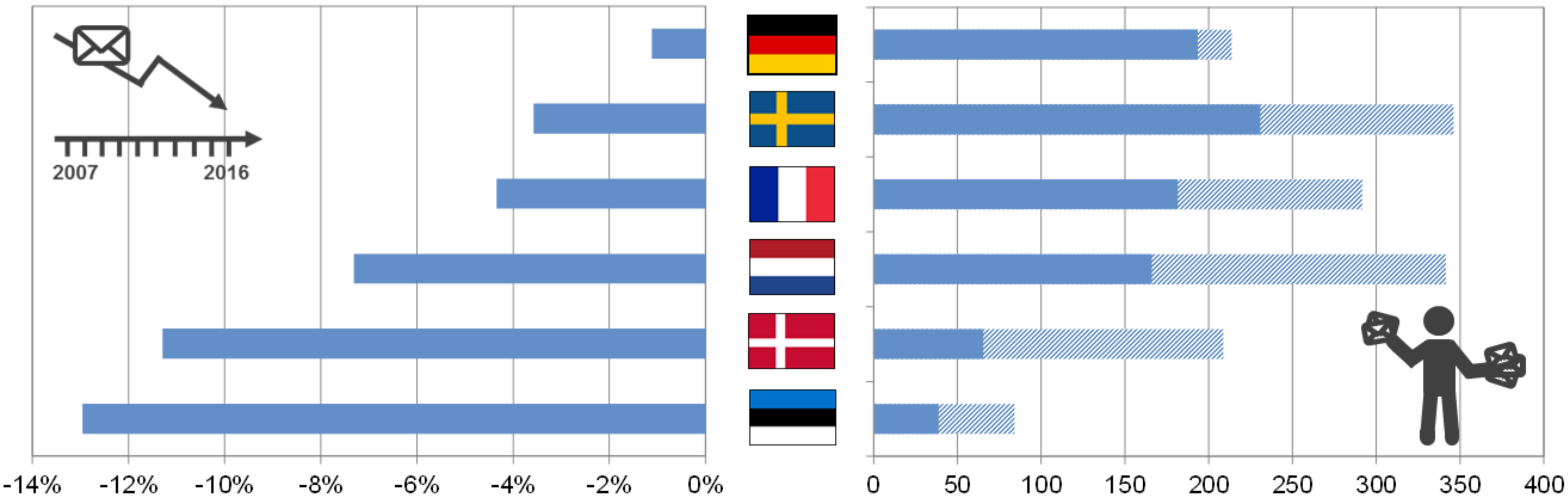
* Annual per capita volumes (WIK estimate, 2014)

Different Market Structures

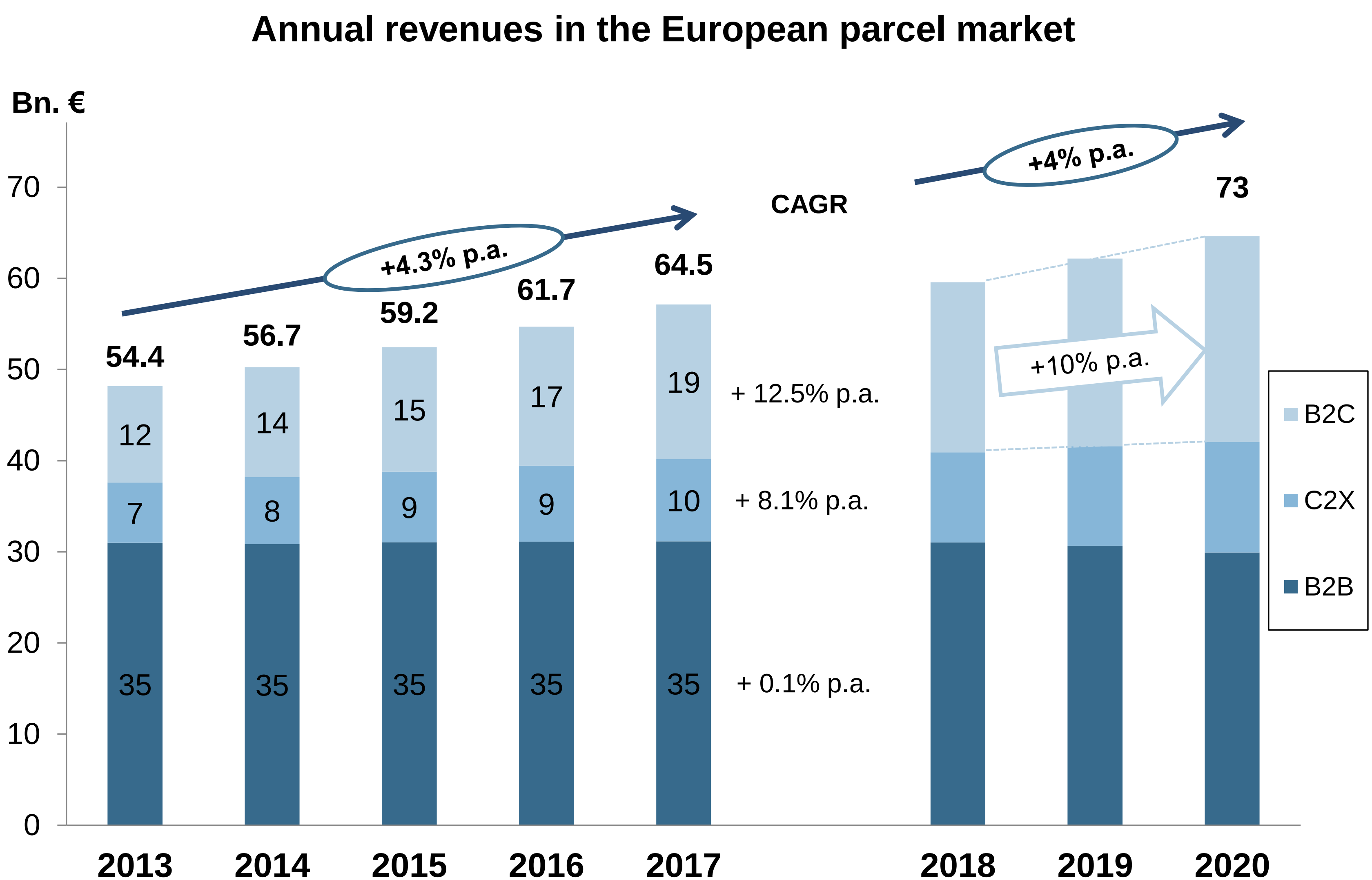
Different players deliver	• Incumbent posts • Integrators (UPS, DHL, FedEx) • Parcel networks (DPD/GeoPoste, DHL Parcel, GLS …) • Retailers (Hermes, Yodel, Mondial Relais, Amazon …) • Local couriers
Monopolistic letter markets	• Letter markets dominated by incumbents • Some competition in DE, ES, IT, NL, SE • Increasing inter-modal competition with digital communication • Large letters increasingly important to e-commerce (low-value goods), including imports from Asia
Diverse parcel market structures	• Parcel markets generally have several players with strong market shares (oligopolies) • Incumbent posts not necessarily dominant • Strong growth due to e-commerce
Imports through UPU systems	• UPU traditionally organised exchange of communications, remuneration for delivery below cost for most EU operators • Increasingly becoming systems for import of low-value e-commerce from Asia, at rates below cost • Financial burden on incumbent posts. Change at UPU expected 2019

Letter Volumes Decline across Europe

Addressed letter volume, market, CAGR 2007-2016 | **Letters per capita 2016 (2007)**



Continuous Growth in B2C Parcels



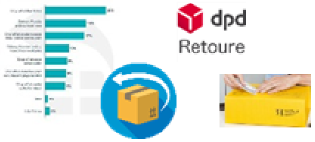
Innovation in Delivery and Return Services

E-retailers identified as customer group, e.g. specific business accounts, fulfilment services, APIs, support and consulting services for e-retailers

Improvement of service quality (e.g. live tracking, pick-up services, recipient-controlled delivery options, investment in backbone and last mile)

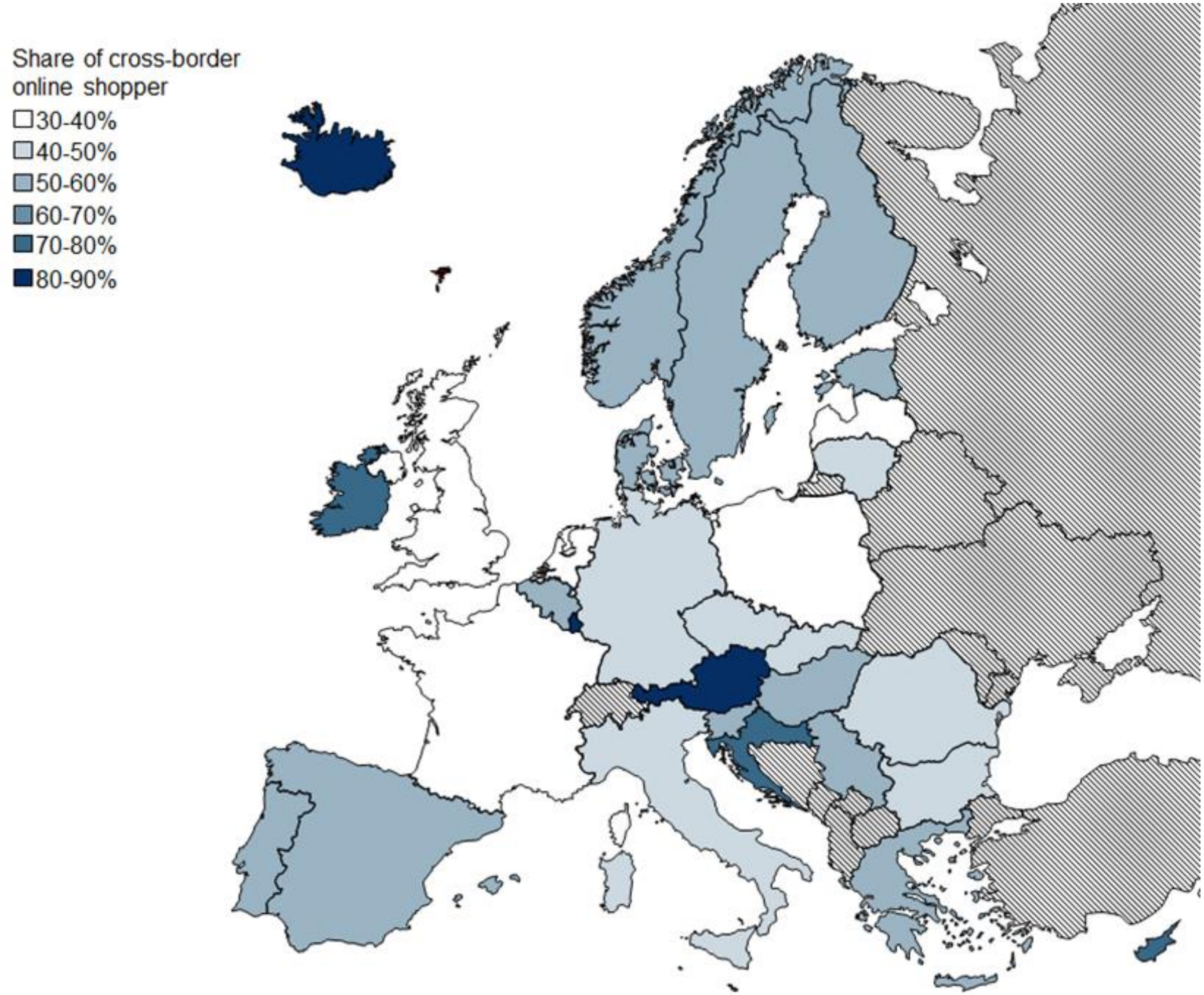
Expansion of PUDO networks (parcel lockers, parcel shops)

New and differentiated products for e-commerce items (e.g. tracked letter box parcels) and less complex pricing schedules and products



Introduction of cross-border return services (e.g. return platforms, carrier-agnostic return labels)

Share of E-shoppers that Buy from Abroad



Source: WIK Consumer Survey

Consumers Turn to Largest Markets

Most recent online purchase of online shoppers in …	was ordered from a e-retailer in …				
AT	DE (68%)	CN (13%)	UK (2%)	USA (2%)	NL (1%)
BE	FR (49%)	CN (10%)	NL (8%)	DE (7%)	UK (6%)
BG	CN (44%)	UK (17%)	DE (10%)	USA (6%)	RO (3%)
CY	UK (39%)	CN (22%)	EL (18%)	DE (5%)	USA (4%)
CZ	CN (67%)	UK (7%)	DE (7%)	USA (6%)	PL (1%)
DE	CN (41%)	UK (15%)	AT (5%)	USA (5%)	ES (4%)
DK	DE (22%)	CN (20%)	UK (15%)	SE (11%)	USA (8%)
EE	CN (49%)	UK (14%)	DE (9%)	USA (8%)	FI (2%)
EL	CN (31%)	UK (21%)	DE (8%)	USA (7%)	ES (5%)
ES	CN (40%)	UK (16%)	DE (12%)	USA (6%)	FR (5%)
FI	CN (28%)	DE (20%)	UK (12%)	SE (10%)	USA (10%)
FR	CN (30%)	DE (15%)	UK (14%)	USA (6%)	IT (5%)
HR	CN (53%)	UK (12%)	USA (7%)	DE (6%)	ES (2%)
HU	CN (55%)	UK (8%)	DE (7%)	USA (5%)	SK (3%)
IE	UK (58%)	CN (16%)	USA (6%)	DE (4%)	IT (2%)
IS	CN (32%)	UK (17%)	USA (11%)	LV (5%)	DE (4%)
IT	CN (29%)	UK (20%)	DE (19%)	USA (7%)	ES (4%)
LT	CN (55%)	UK (17%)	DE (9%)	USA (4%)	PL (3%)
LU	DE (71%)	FR (12%)	UK (5%)	CN (4%)	BE (3%)
LV	CN (46%)	UK (16%)	DE (6%)	USA (5%)	EE (3%)
MT	UK (68%)	CN (18%)	DE (5%)	USA (3%)	IE (1%)
NL	CN (36%)	DE (18%)	UK (10%)	BE (5%)	USA (4%)
NO	CN (29%)	UK (17%)	USA (15%)	SE (10%)	DE (7%)
PL	CN (46%)	DE (12%)	UK (8%)	USA (6%)	CZ (2%)
PT	CN (31%)	ES (20%)	UK (17%)	DE (7%)	FR (6%)
RO	CN (35%)	UK (17%)	DE (9%)	USA (7%)	PL (4%)
SE	CN (24%)	DE (21%)	UK (17%)	USA (15%)	DK (4%)
SI	CN (35%)	DE (22%)	UK (15%)	AT (4%)	USA (3%)
SK	CN (41%)	CZ (26%)	UK (8%)	DE (7%)	HU (2%)
UK	CN (34%)	USA (19%)	DE (5%)	IT (2%)	PL (2%)

Legend: CN | UK | DE | neighbouring countries

Source: WIK Consumer Survey

N=17,037.

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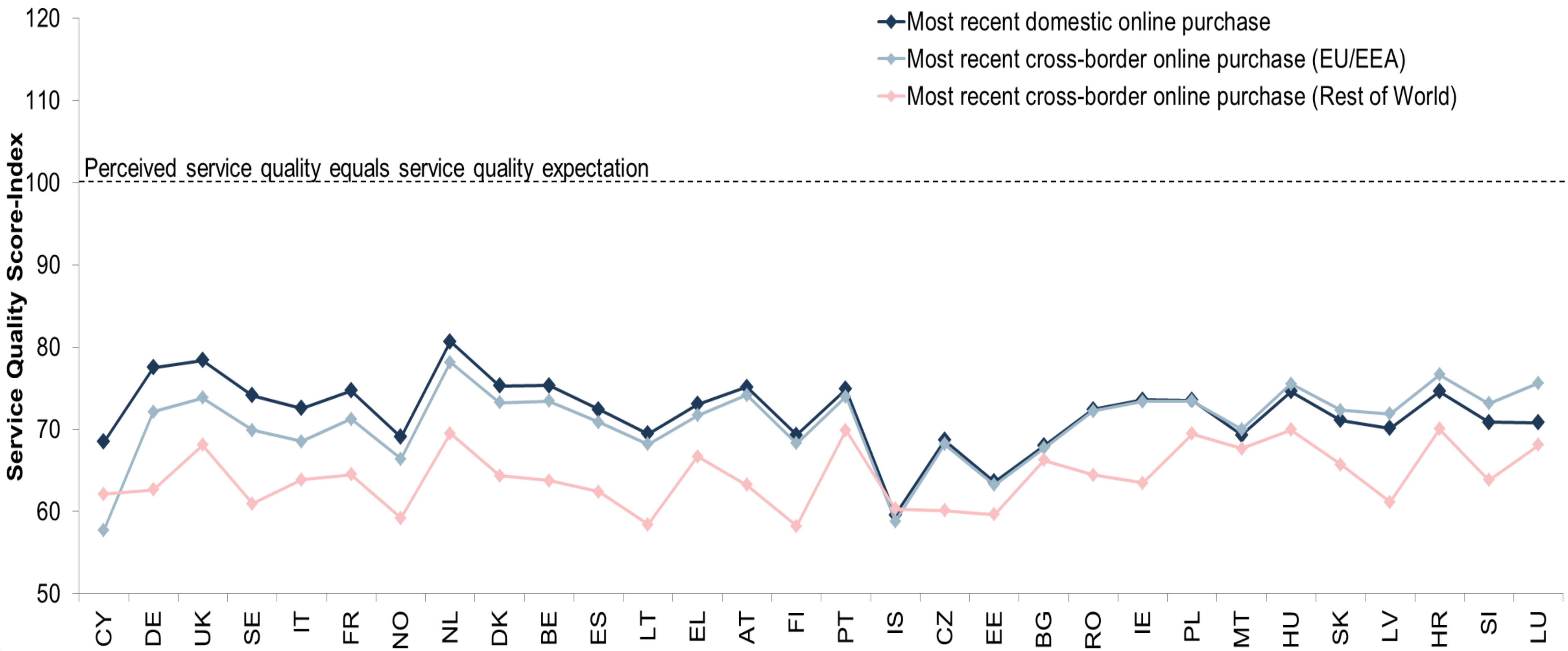
Quality for Domestic vs Cross-border

- Nearly same levels of perceived service quality for domestic and cross-border purchases from other MSs
- Lower perceived quality for delivery from Rest of World (UPU)

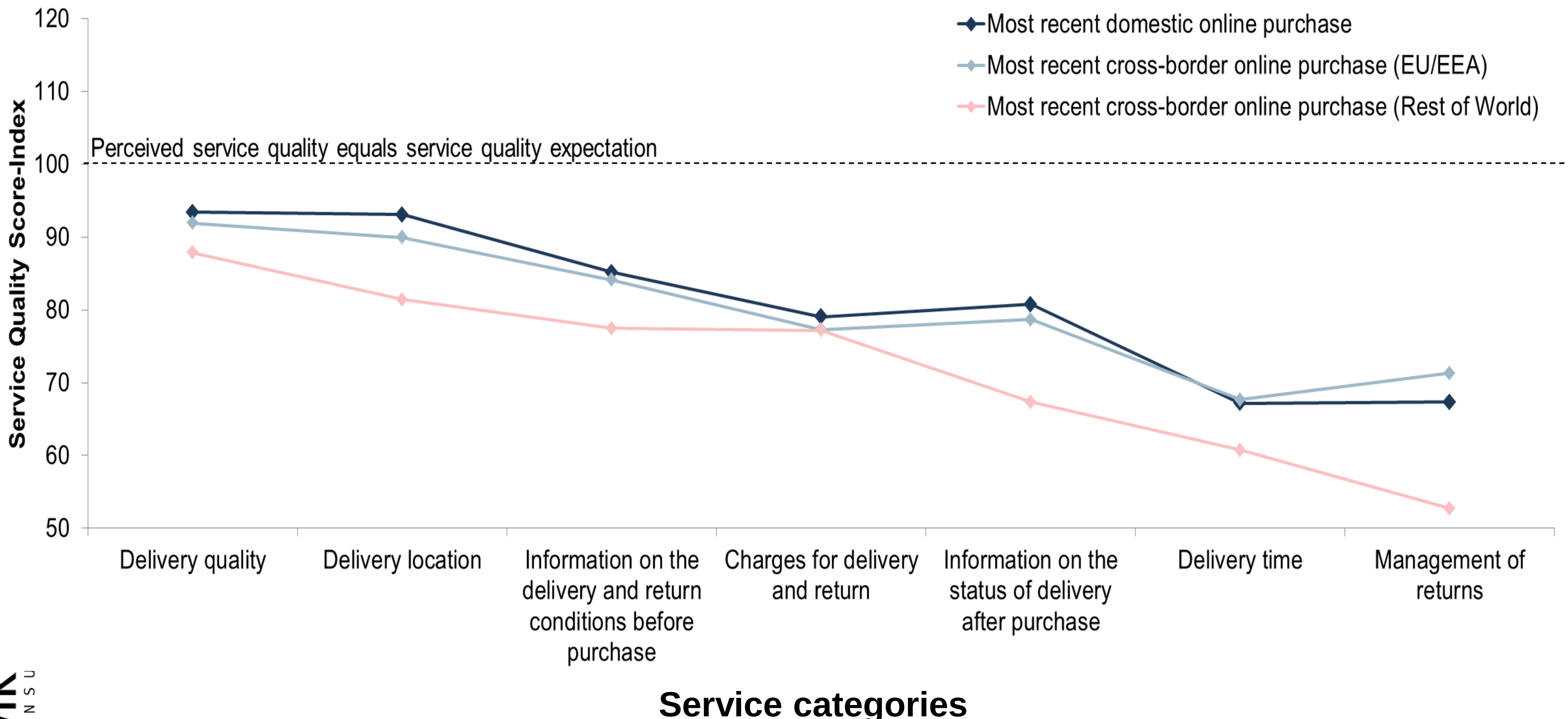


N=17,037.

Cross-border Parcels in the EU

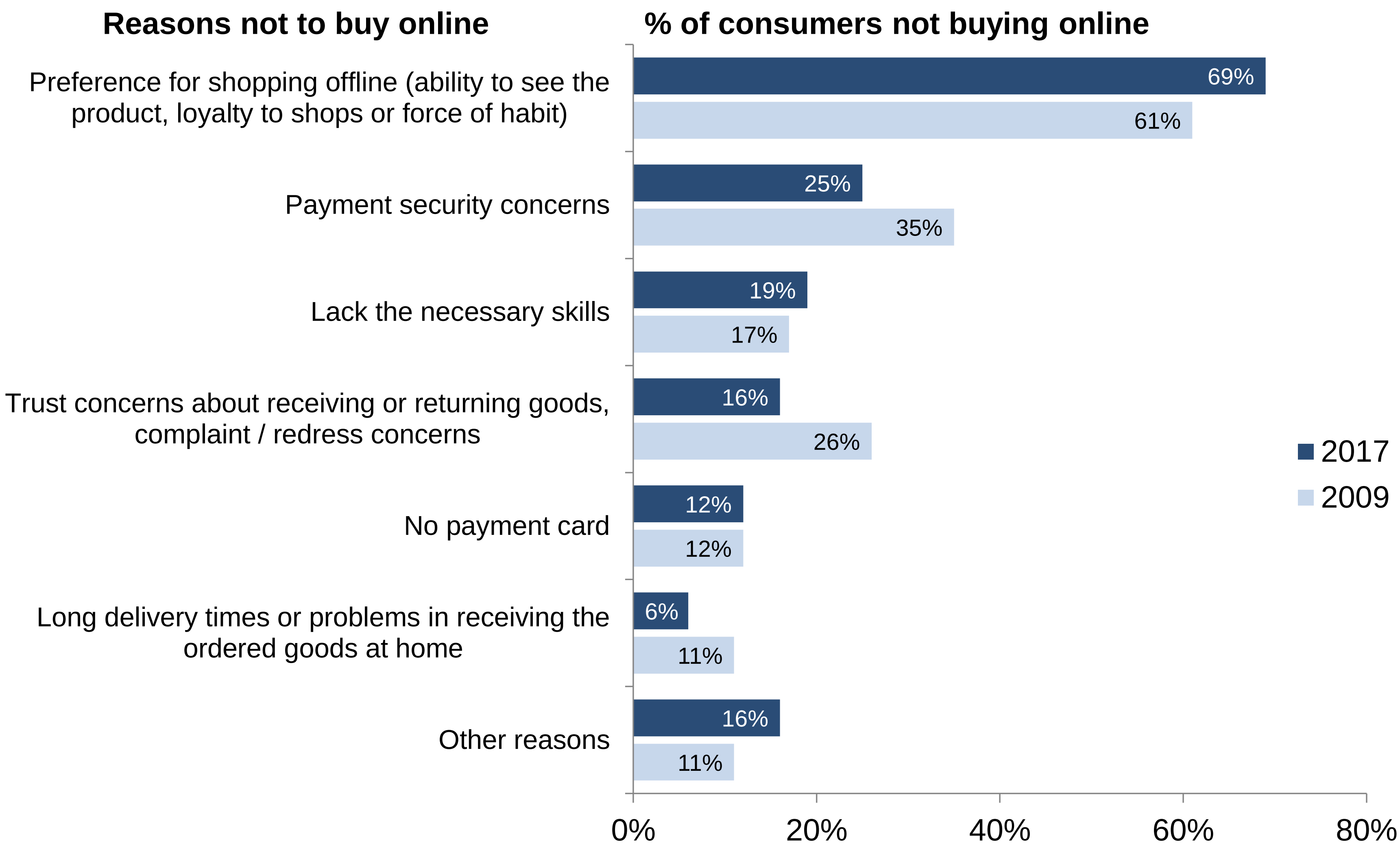
What Consumers (not) Like About Delivery

- Perceived service quality matches expectations for categories ‘Delivery quality’ and ‘Delivery location’
- Matters of concern: Delivery time options and management of returns



N=17,037.

Not All Consumers Want to Buy From Abroad



Diversity of Carriers

Integrators

- Focus on international express items with own operations and high quality in most countries
- Expanding e-commerce capabilities and introduce new services for smaller e-retailer

European parcel networks

- International and domestic items with own operations and partnerships at varying service levels
- Expanding their networks with partnerships and introduce more receiver-oriented delivery solutions

Regional and local B2B carriers

- Emerging and well-established domestic (B2B) networks expanding their networks to neighbouring countries and often cooperate as delivery partner with European ground parcel networks

National and local B2C carriers

- USPs and traditional B2C delivery companies from the mail order sector, typically with domestic or local delivery networks, expand their pickup point networks and introduce receiver-oriented services

Emerging business models and delivery services

- Parcel brokers and consolidators, carrier-agnostic networks of parcel shops and parcel lockers, and same-day/instant delivery networks in urban areas

➡ Competition becomes more intense in B2C delivery markets, both domestic and cross-border

Current Policy Issues

Letters	Parcels
• Manage cost / volume decline • Upgrade operations to carry e-commerce packets & envelopes • Resolve UPU rates issue • EU & Member States: Reconsider USO / Discussion about Postal Directive exp. 2019/2020	• Manage growth / increase staff • Maintain quality • Effective solutions for e-commerce returns • Regulators to create transparency (implement *Parcels Regulation*)

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