

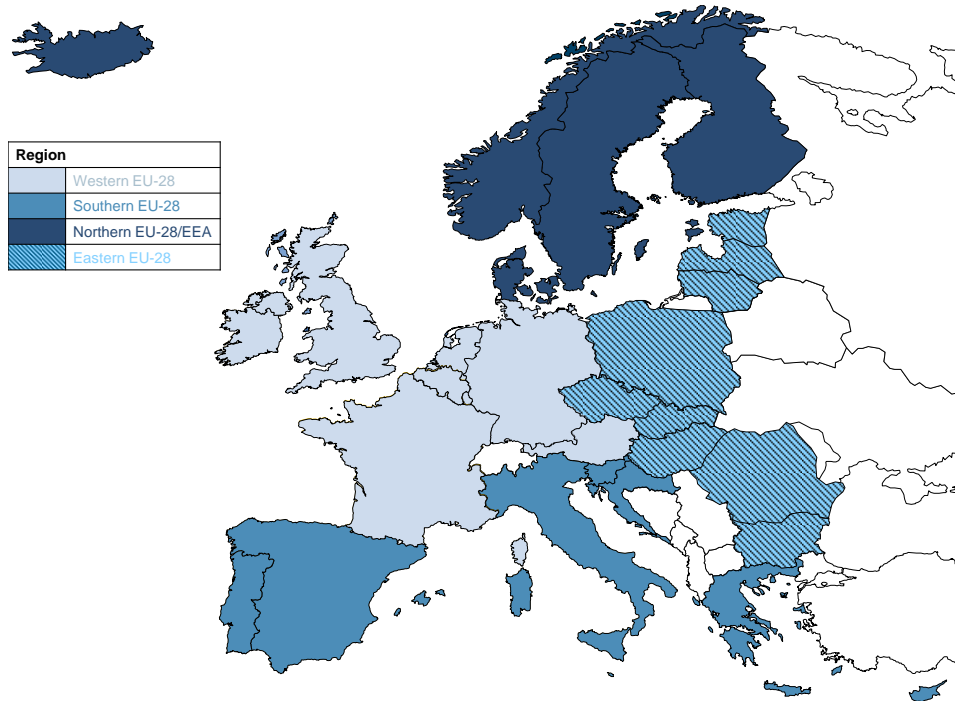
Assessment of EU Parcel Delivery Markets

Preliminary results from a study for DG GROW:
Development of Cross-border E-commerce through Parcel Delivery



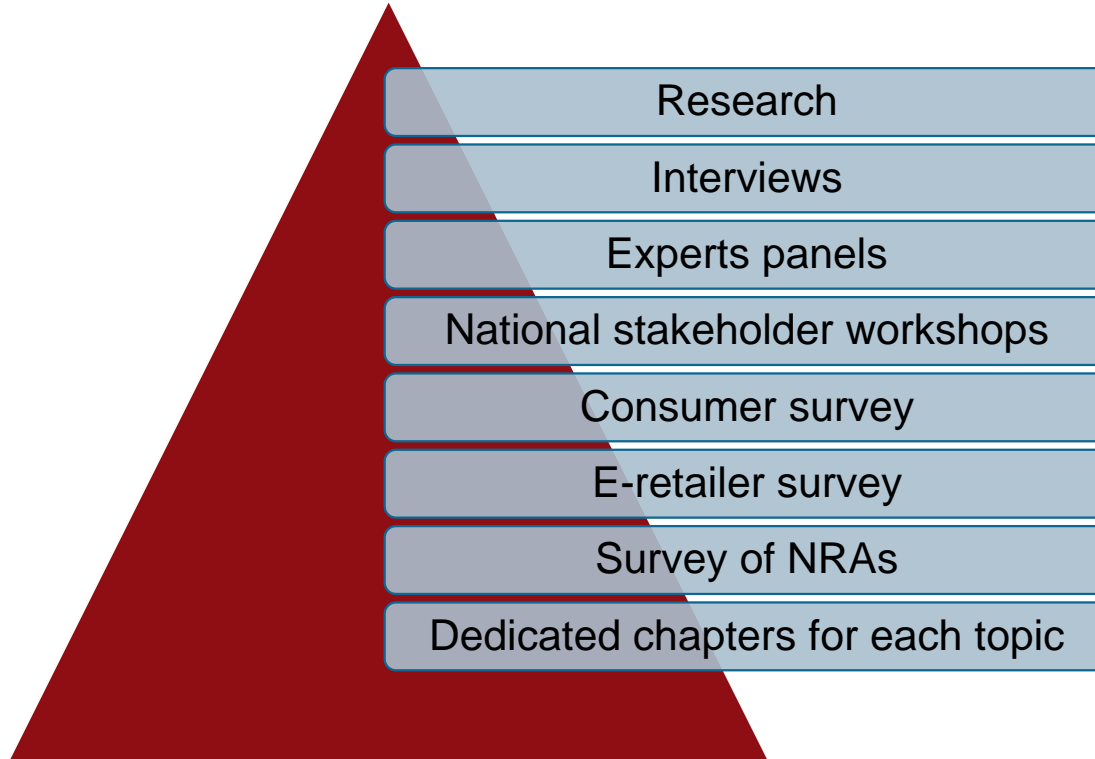
- EP IMCO asked the Commission to conduct a pilot project on the 'dynamic development of cross-border e-commerce through efficient parcel delivery'
- Study to improve understanding of
 - the state-of-play and the developments in the EU delivery markets and
 - the needs of consumers and e-retailers in relation to cross-border e-commerce and delivery services
- Study to provide input for
 - evaluation report on the regulation on cross-border parcels (2020) and
 - application report on Postal Services Directive (expected 2019/2020)

Geographical scope: EU-28 and EEA

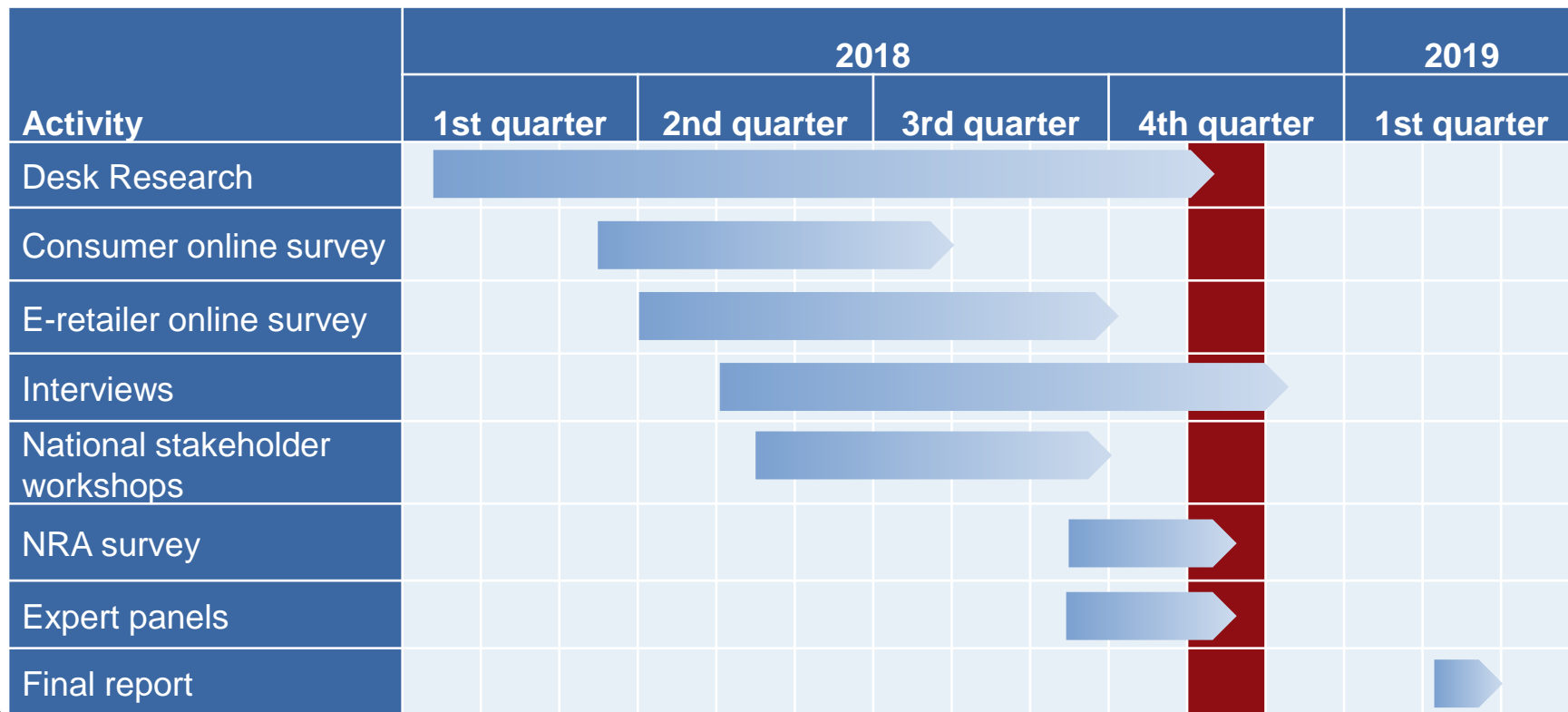


Parcel delivery services

- **Parcels:** Postal items containing goods weighing up to 31.5 kg
- **Parcel delivery services:** services involving the clearance, sorting, transport and distribution of parcels
- **Parcel delivery service providers:** carriers that clear, sort, or distribute parcels
- **Cross-border parcel delivery service:** delivery of physical goods *as individual parcel* from warehouse of selling company to consumers in another country
- **Emphasis on B2C cross-border parcels (intra-EU and extra-EU)**



Status of the project



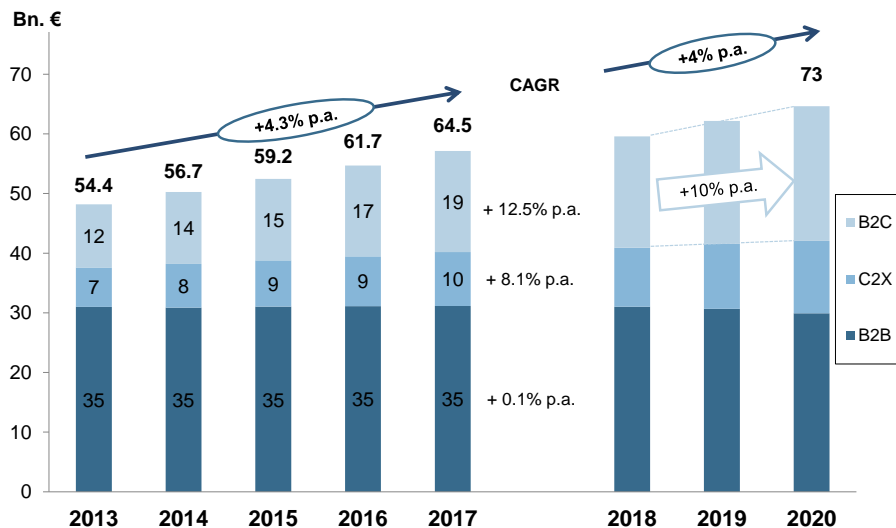


European parcel market is continuously growing

- B2C segment shows continuous growth while B2B segment is stagnating in Europe

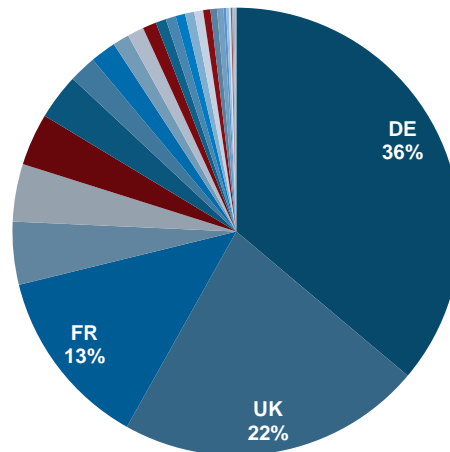
- The majority of the 8.7 billion items shipped in 2016 were delivered in Germany, the UK and France

Annual revenues in the European parcel market



Source: Apex Insight, Statista
Revenues include deferred parcels and express items.

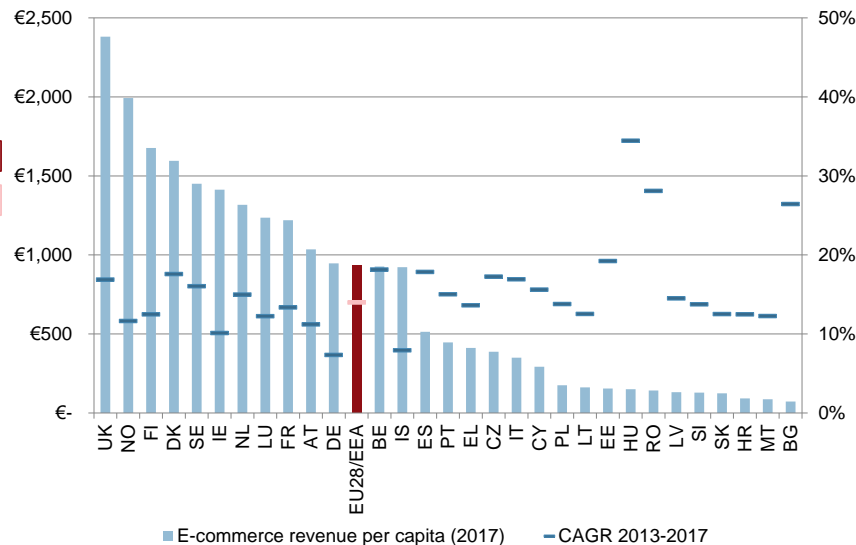
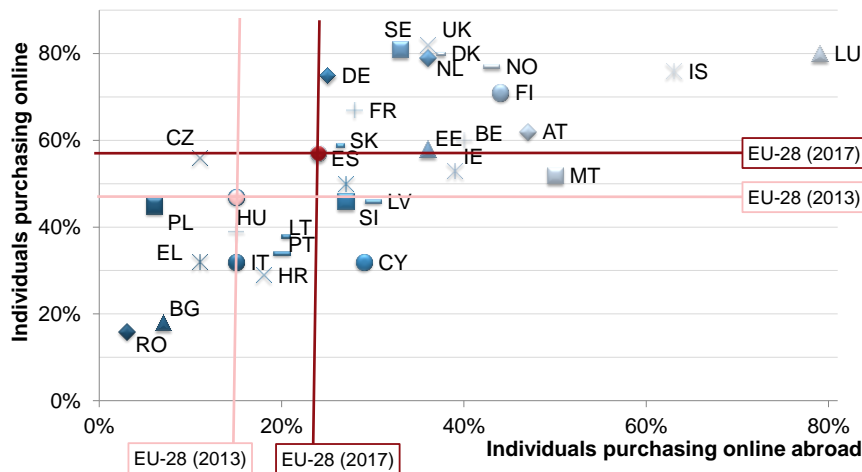
Structure of the European parcel market 2016 (8.7 bn items)



Source: WIK based on NRA reports, Annual reports USPs

Growth from domestic and cross-border B2C e-commerce

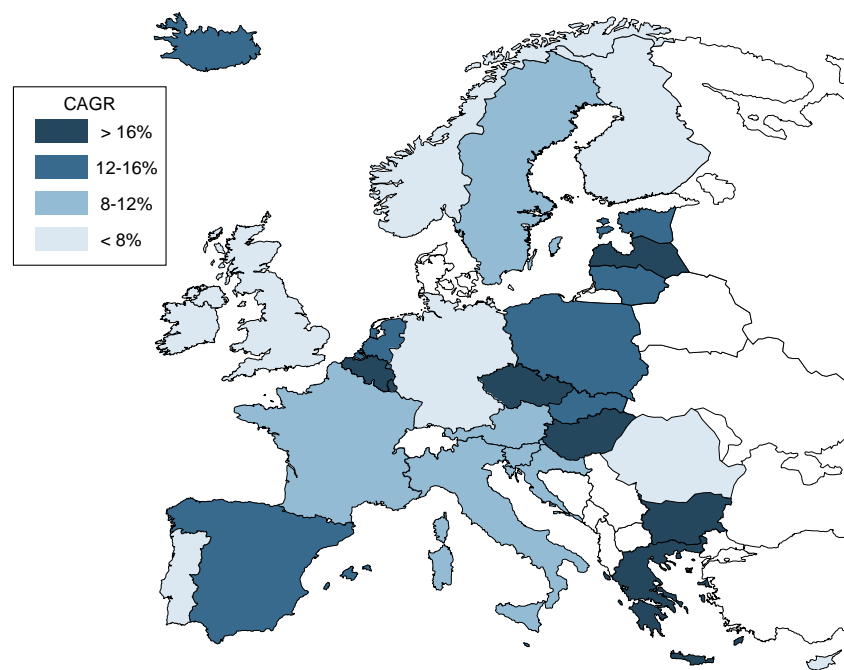
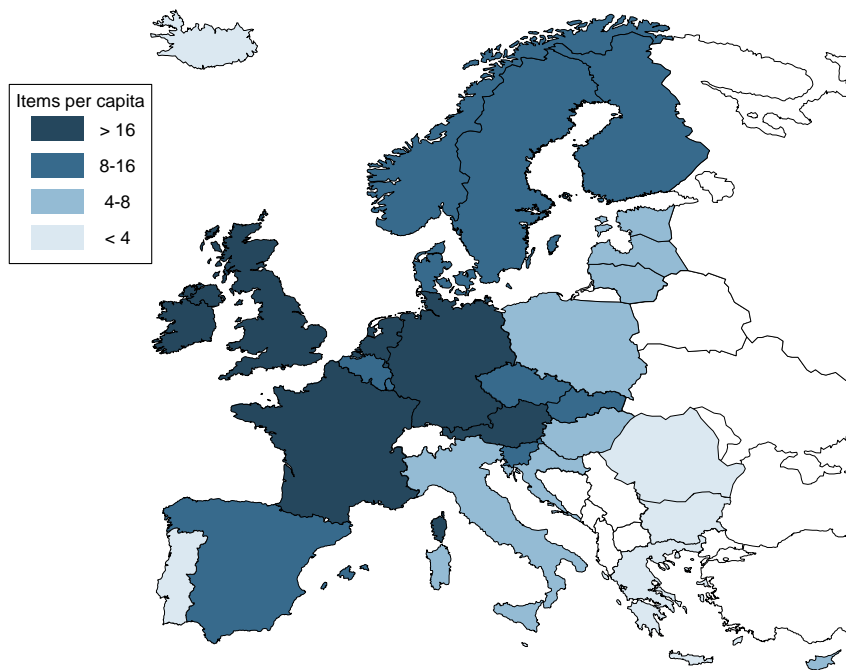
- Consumers are increasingly purchasing online, domestic as well as cross-border
- E-commerce is more developed in Northern/Western EU than in Southern/Eastern
- B2C e-commerce markets keep growing even the mature markets. Higher growth in South/East



Source: WIK based on Eurostat

Source: WIK based on Ecommerce Europe

E-commerce markets with lower volumes are catching up



AT, DE, EE, FI, FR, HR, HU, IT, LT, NL, PL, SE, UK (CAGR 2013-2017);
BE, BG, CY, EL, ES, LV, MT, PT, SI, SK (CAGR 2013-2016); CZ, IE (CAGR 2013-2015);
LU (CAGR 2014-2015); RO (CAGR 2014-2016); NO (CAGR 2016-2017).

Increase in cross-border e-commerce & deliveries

- Cross-border e-commerce is growing and there are clear indications that growth of cross-border items outperforms growth of domestic items shipped
 - AT Kearney estimated cross-border items that were shipped in 13 European countries (up to 70kg) to €16.2bn / 720m items for 2016 and an increase of 25% by 2019
 - According to DHL analysis, cross-border items are growing at about 20-25% at present
 - IPC reports that on average, international items currently represent less than a fifth of total parcels of USPs and that many postal operators report increases in cross-border deliveries
 - UPU reports an increase in cross-border parcels and average weights of cross-border letter, which indicates growing share of packages including merchandise
 - Deutsche Post, La Poste, Royal Mail and other USPs report strong growth of cross-border parcels, small packages and heavy letters

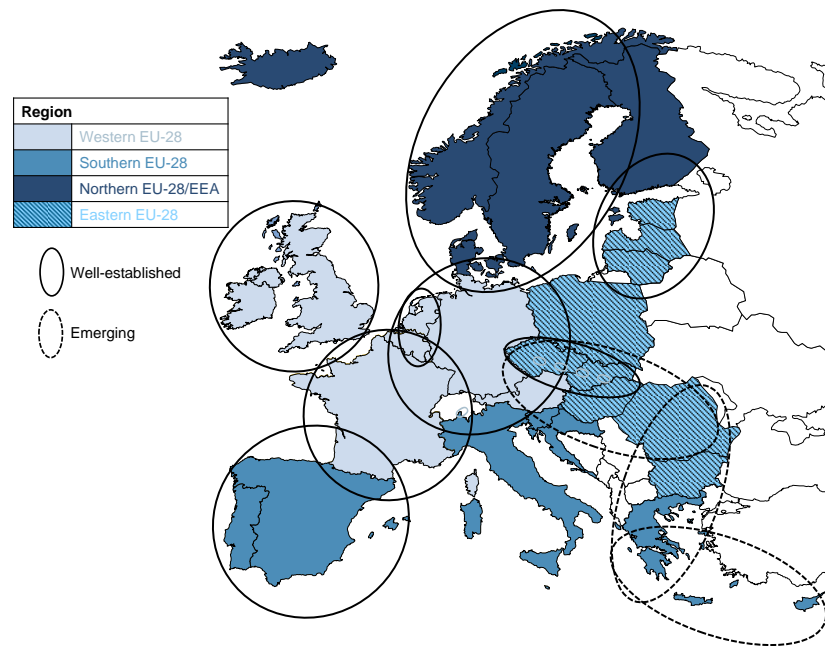
Cross-border originates from largest e-commerce markets

- Major cross-border flows from China, Germany and the UK to all EU28/EEA countries...

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%)	

CN UK DE neighbouring countries

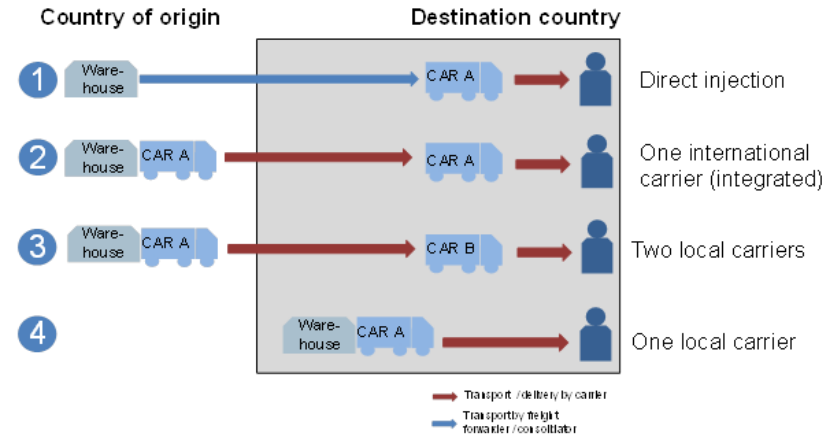
- ... and important flows between neighbouring countries that promote emergence of 'country clusters' in e-commerce and delivery



Statistics underestimate significance of cross-border

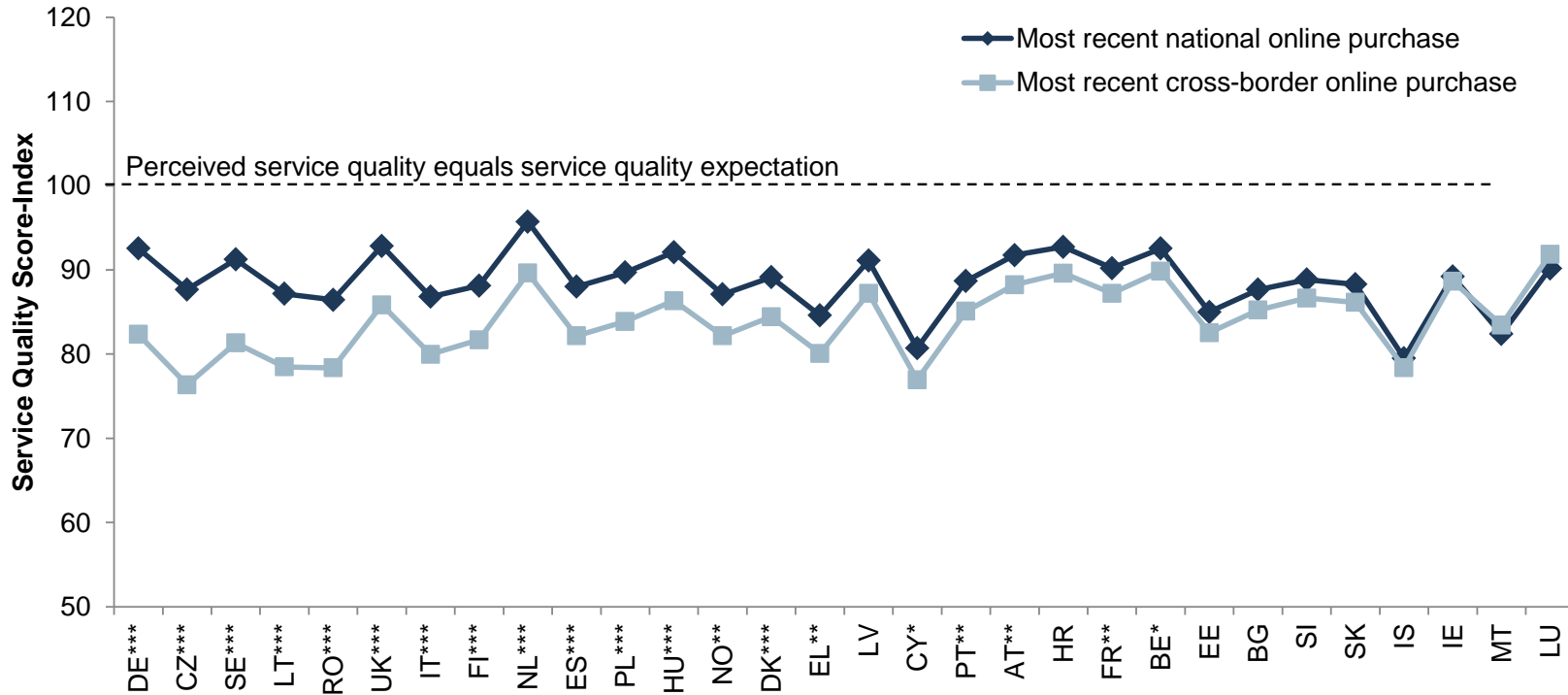
- Available data provides indications for volumes of cross-border B2C items
- Published statistics on cross-border parcels underestimate the actual volumes by definition

- Definition of cross-border exclude direct injections, which is common practice of large e-retailers (e.g. Amazon, Zalando)
- Share of small packets in cross-border letter post is unknown but increases
- E-commerce items include products that do not necessarily fit with the general definition of a parcel (format, weight)



➔ EU Cross-border Parcel Regulation will substantially increase transparency and support the provision of reliable data on cross-border streams in the future

Delivery quality slightly lower for cross-border vs domestic



WIK consumer survey. N=17,037. This figure includes the delivery elements 'Tracking the delivery process in real time', 'Notification of any attempt to deliver the item', 'Delivery to the agreed location', 'Delivery on time', and 'Courteous deliverer'. Significance: *0.10, **0.05, ***0.01

High diversity of carriers in the European parcel markets

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

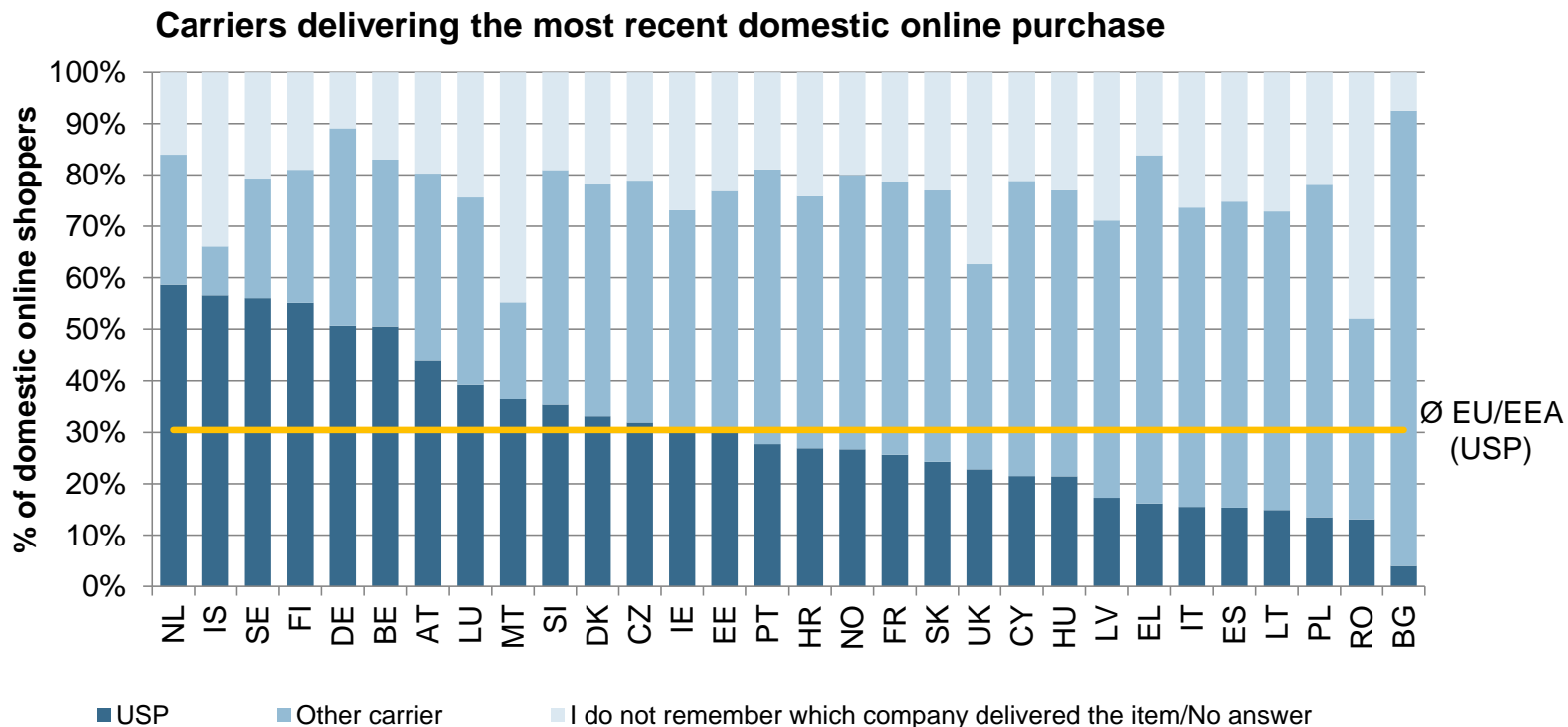
- USPs and traditional B2C delivery companies from the mail order sector, typically with domestic or local delivery networks, expand their pickup point networks and introduce receiver-oriented services

Emerging business models and delivery services

- Parcel brokers and consolidators, carrier-agnostic networks of parcel shops and parcel lockers or same-day and instant delivery networks in urban areas introduce new B2C services

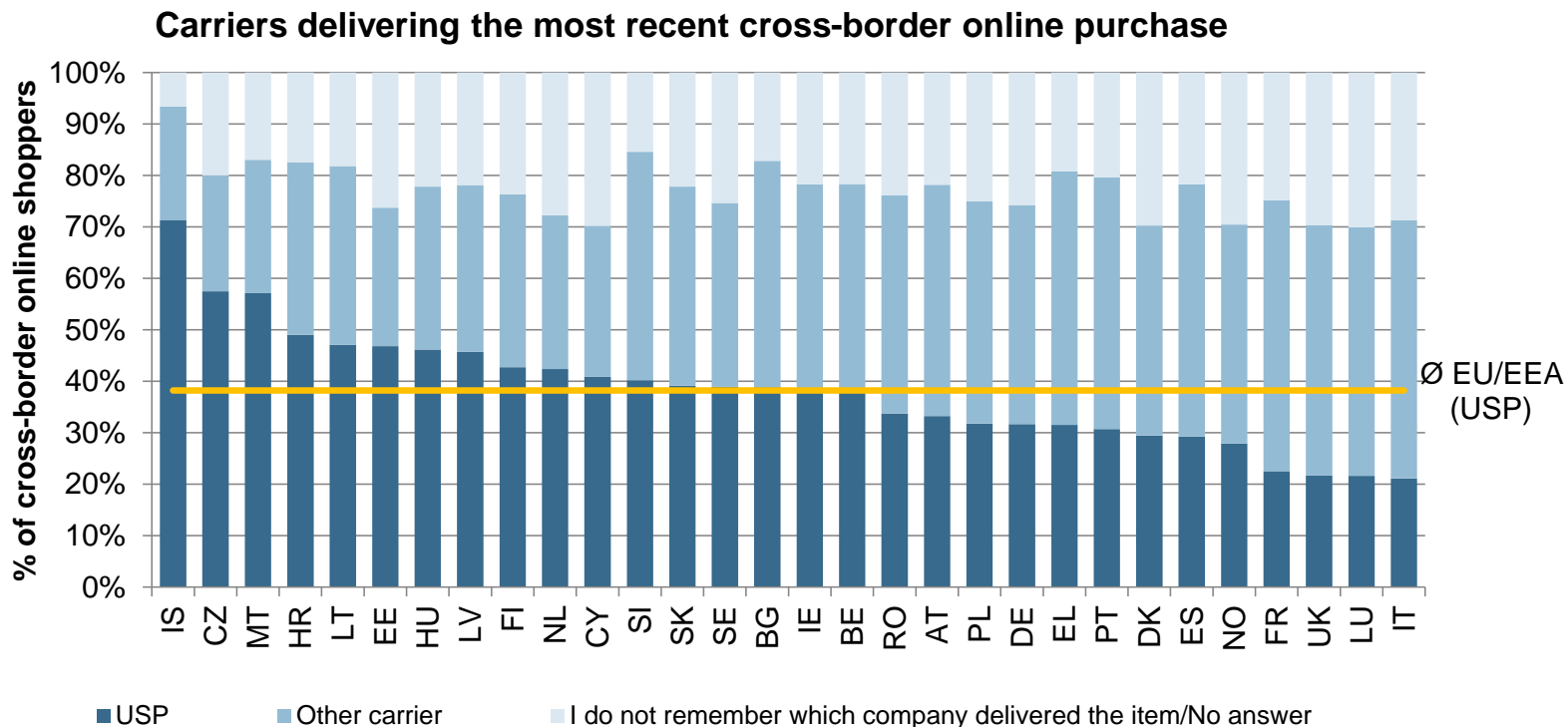


About 30% of domestic last purchases delivered by USP...



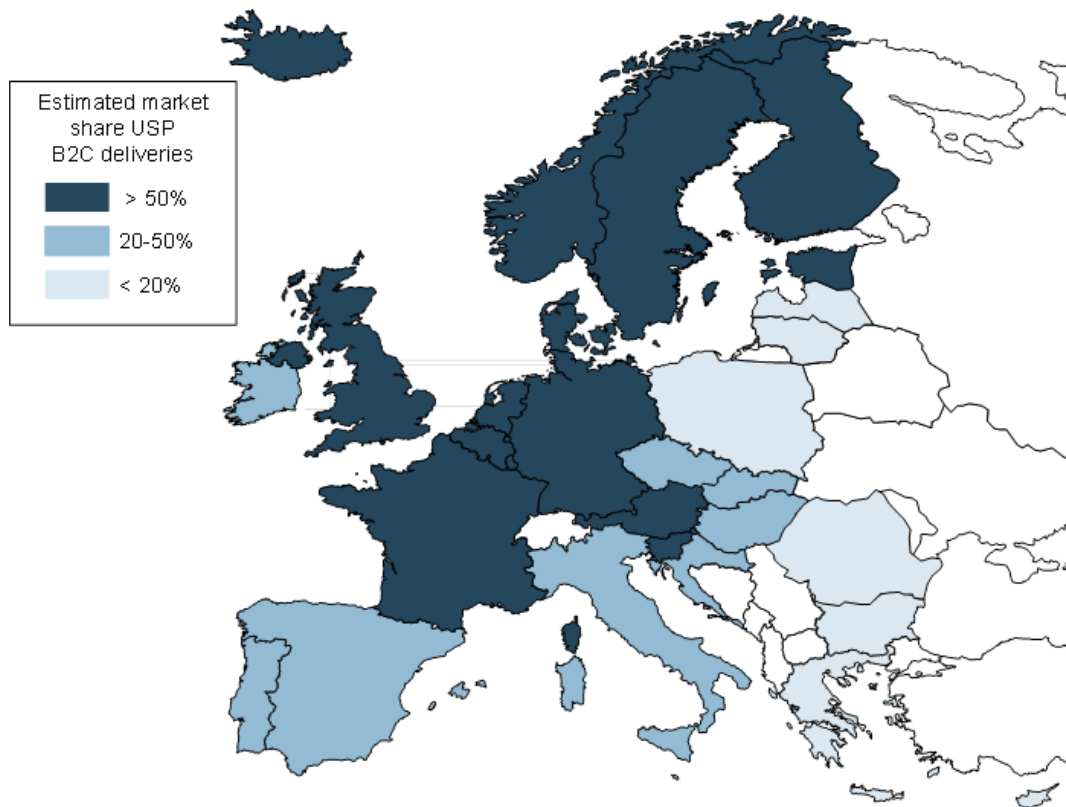
WIK consumer survey. N=15,403. Question: Which company delivered the item you last purchased from an online shop or a seller on an online marketplace in the country you currently live in? Single choice.

...but USPs delivered ~40% of last cross-border purchases

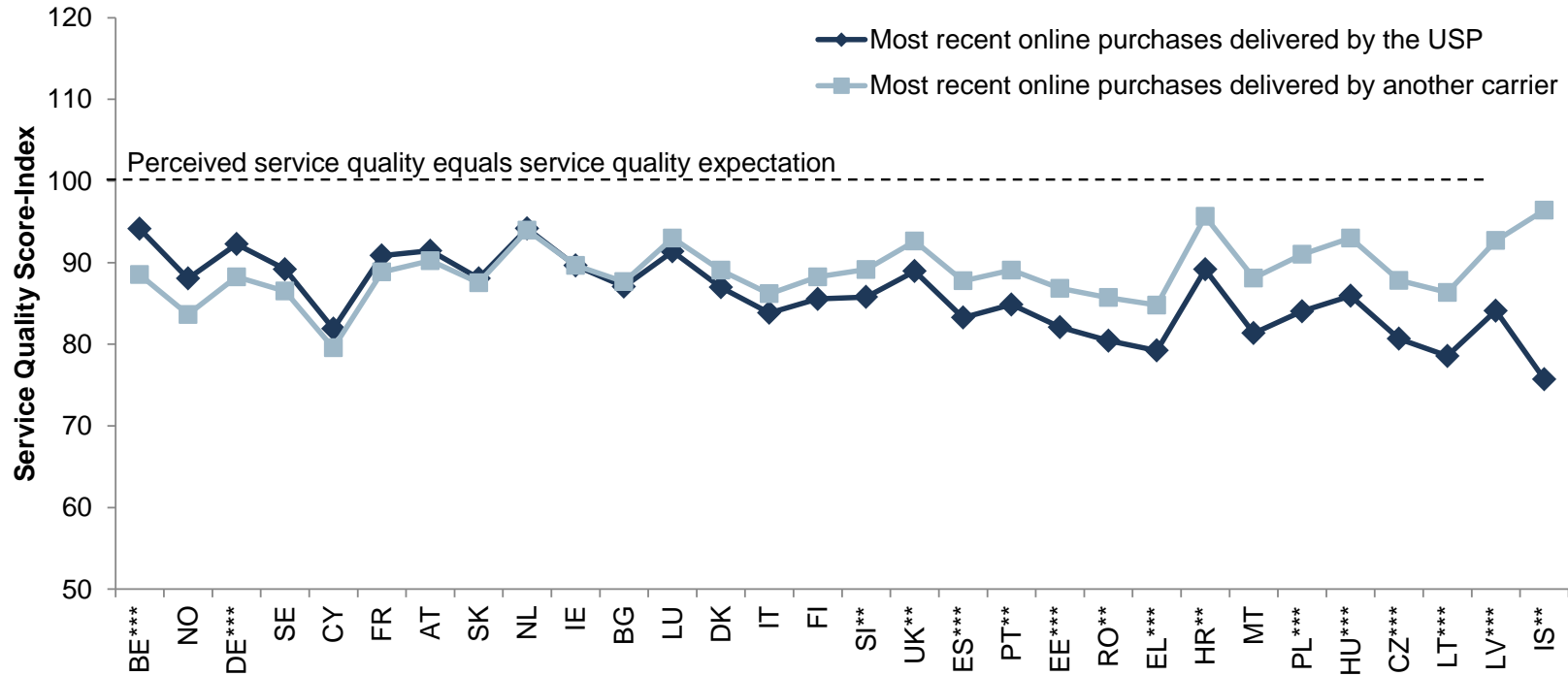


WIK consumer survey. N=8,212. Question: Which company delivered the last item you purchased from an online shop or a seller on an online marketplace in a country other than the one you currently live in? Single choice.

USPs are important B2C players in most of EU/EEA



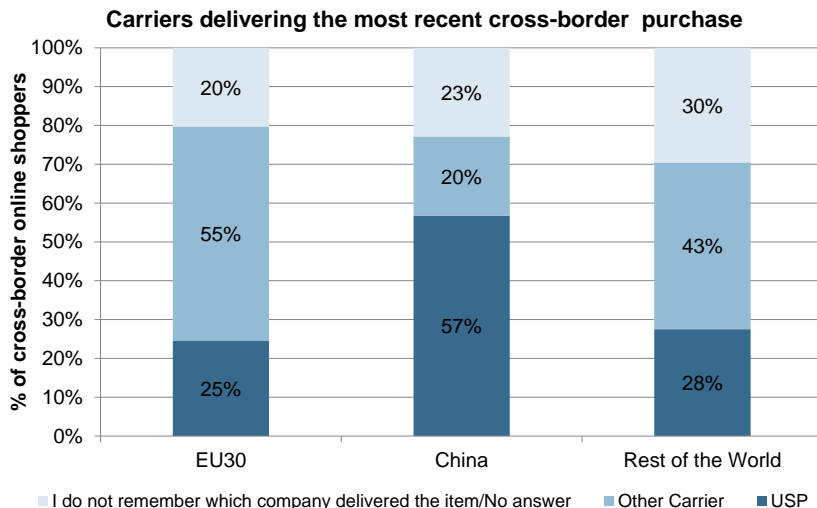
In many MS, competitors offer higher delivery quality than USP



WIK consumer survey. N=17,037. This figure includes the delivery elements 'Tracking the delivery process in real time', 'Notification of any attempt to deliver the item', 'Delivery to the agreed location', 'Delivery on time', and 'Courteous deliverer'. Significance: *0.10, **0.05, ***0.01

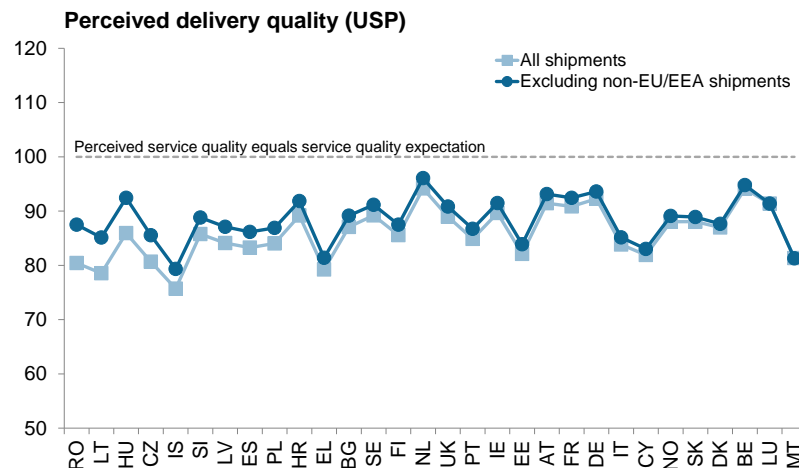
Delivery quality of USP partly explained by China imports

- More than half of the Chinese e-commerce items to Europe are delivered by USPs...



Approximately 5% did not know the location of the online shop or seller. These answers were not considered in the figures.

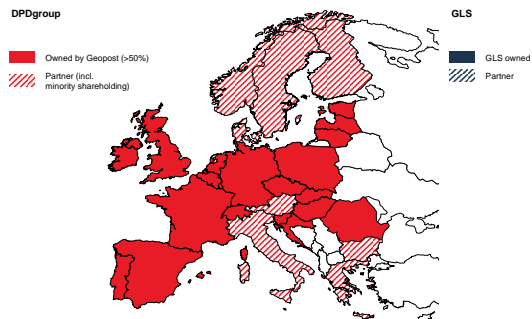
- ... which impacts the perceived delivery quality



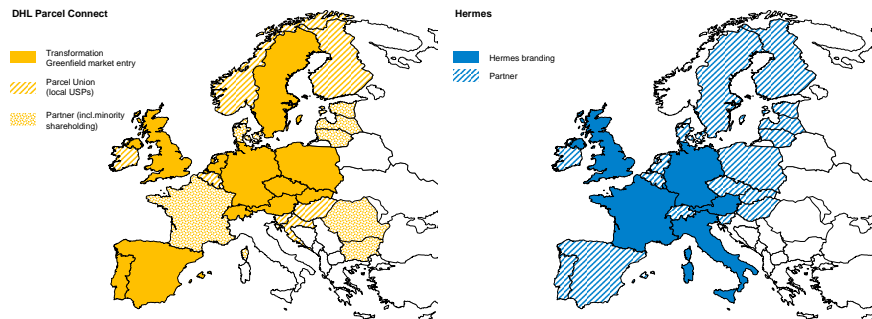
This figure includes the delivery elements 'Tracking the delivery process in real time', 'Notification of any attempt to deliver the item', 'Delivery to the agreed location', 'Delivery on time', and 'Courteous deliverer'.

Pan-European road networks expand their B2C operations

Growing from B2B to B2C business: DPD Group & GLS



Emerging European B2C networks: DHL Parcel & Hermes Europe



- Expansion of the networks, either with own operations or in cooperation with local partners / USPs
- Investments in ground network and last mile solutions (expansion of pickup point networks)
- Specific products tailored for small and medium size e-retailers
- More receiver-oriented delivery services, e.g. improved tracking, parcel delivery notifications

All carriers take significant efforts to grow in B2C e-commerce



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 standardization of products (e.g. tariffs)



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

Emerging business models/intermediaries drive competition

Parcel brokers and consolidators

Intermediary parcel booking service providing discounts for different carriers, harmonized labels and APIs to small and medium e-retailers

Examples

 **LetMeShip**
with smart solutions

 **PARCEL**
the world on wheels

 **Packlink**
Simply Shipping

 **BOXTAL**
YOUR SHIPPING EXPERT

Carrier-agnostic networks

Pick-up and drop-off networks (parcel shops or parcel lockers) which provide services to different carriers and e-retailers

Examples

 **cubee**
Always close to you

 **PICKUP RELAY**

 **Doddle.**

 **collect+**

 **parcellly**

Instant / same-day delivery

Platforms that provide (on-demand) courier services of different couriers and e-retailer rolling out own delivery services in urban regions

Examples



Delivery Hero

 **shutl**
every day

 **deliveroo**

 **amazon FLEX**

3PL service provider

Provide fulfilment services for e-retailers (pick, pack and ship) including return processing and facilitate cross-border e-commerce for SME

Examples

 **fulfillment by amazon**

 **SEKO**

 **zalando**

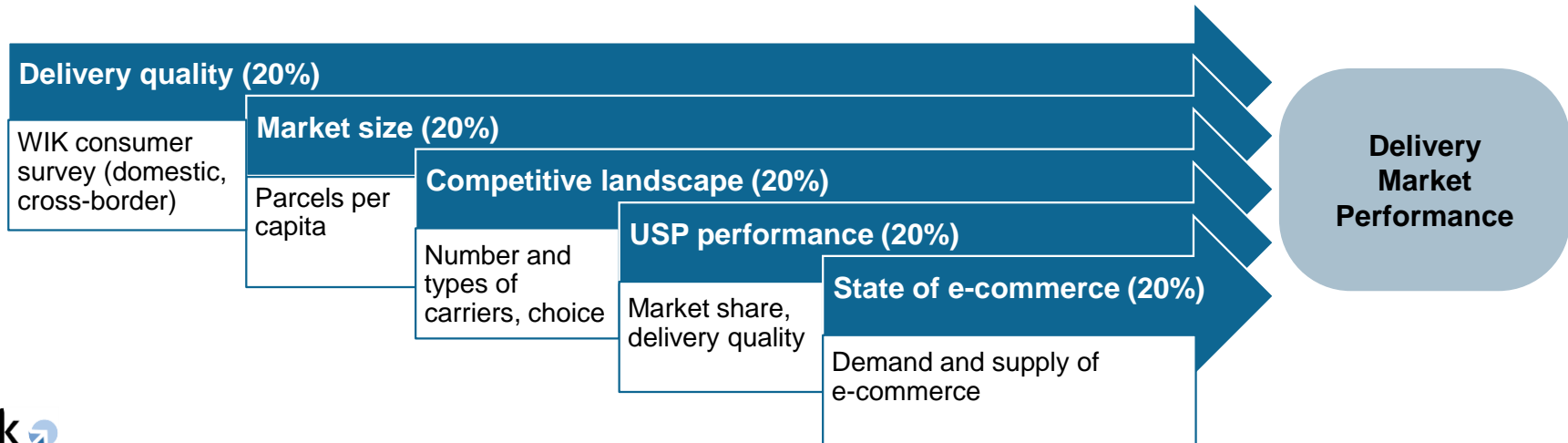
 **XPO Logistics**



Methodology for the performance assessment

- WIK Delivery Market Performance Index

- Five equally weighted criteria with several indicators per criterion
- Informed expert assessment based on quantitative and qualitative indicators, and supported by expert interviews and workshops



Best delivery markets : NL, DE, UK, AT, BE

WIK Delivery Market Performance Index (Total Score)

1	Netherlands	★	★	★	★	★
2	Germany	★	★	★	★	★
2	United Kingdom	★	★	★	★	★
4	Austria	★	★	★	★	★
4	Belgium	★	★	★	★	★
6	France	★	★	★	★	★
6	Luxembourg	★	★	★	★	★
8	Sweden	★	★	★	★	★
9	Norway	★	★	★	★	★
10	Finland	★	★	★	★	★
11	Ireland	★	★	★	★	★
12	Denmark	★	★	★	★	★
13	Poland	★	★	★	★	★
13	Slovenia	★	★	★	★	★
15	Estonia	★	★	★	★	★

15	Hungary	★	★	★	★	★
17	Spain	★	★	★	★	★
18	Czech Republic	★	★	★	★	★
18	Croatia	★	★	★	★	★
18	Slovakia	★	★	★	★	★
21	Iceland	★	★	★	★	★
21	Portugal	★	★	★	★	★
23	Italy	★	★	★	★	★
24	Latvia	★	★	★	★	★
24	Malta	★	★	★	★	★
26	Lithuania	★	★	★	★	★
27	Cyprus	★	★	★	★	★
28	Bulgaria	★	★	★	★	★
28	Greece	★	★	★	★	★
30	Romania	★	★	★	★	★

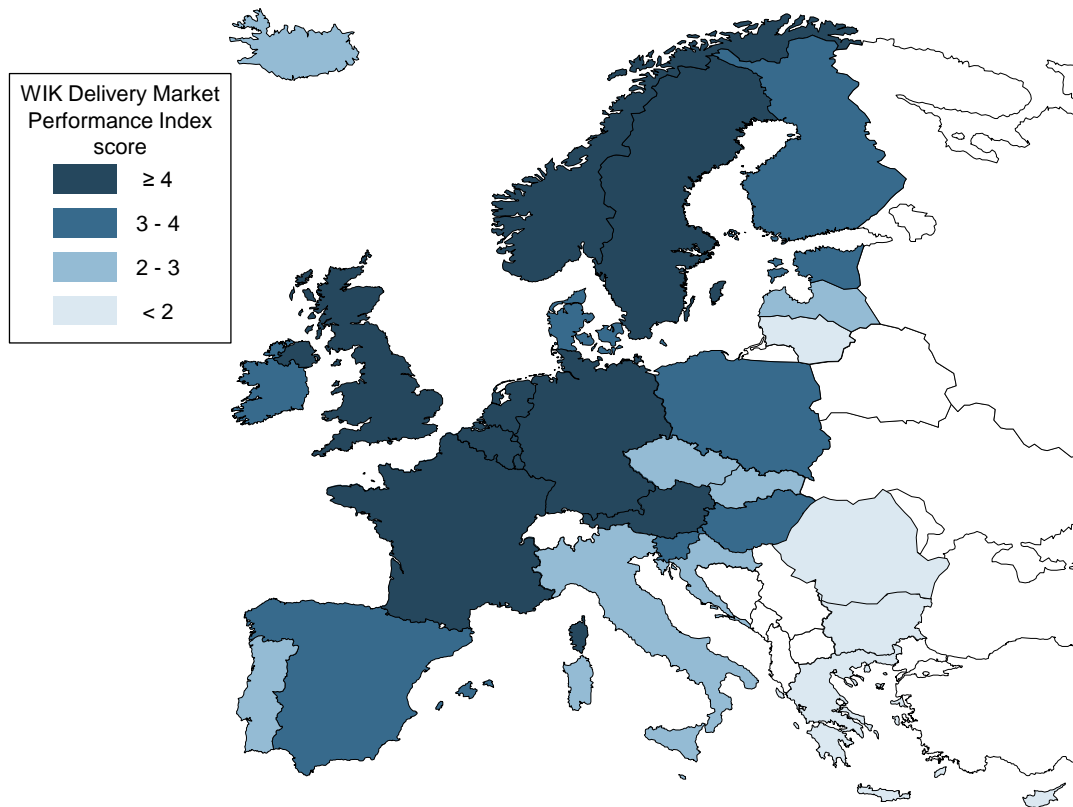
Performance index based on five assessments

WIK Delivery Market Performance Index (Score by category)

		Total score	Delivery quality	Market size	Competitive landscape	USP performance	State of e-commerce
1	Netherlands	★★★★★	● 5	● 5	● 5	● 5	● 5
2	Germany	★★★★★	● 4	● 5	● 5	● 5	● 5
2	United Kingdom	★★★★★	● 5	● 5	● 5	● 4	● 5
4	Austria	★★★★★	● 4	● 5	● 5	● 5	● 4
4	Belgium	★★★★★	● 5	● 4	● 5	● 5	● 4
6	France	★★★★★	● 4	● 5	● 4	● 4	● 4
6	Luxembourg	★★★★★	● 5	● 4	● 4	● 4	● 4
8	Sweden	★★★★★	● 3	● 4	● 4	● 5	● 5
9	Norway	★★★★★	● 3	● 4	● 4	● 5	● 4
10	Finland	★★★★★	● 3	● 4	● 3	● 5	● 4
11	Ireland	★★★★★	● 4	● 5	● 3	● 3	● 4
12	Denmark	★★★★★	● 3	● 3	● 3	● 4	● 5
13	Poland	★★★★★	● 4	● 3	● 4	● 3	● 3
13	Slovenia	★★★★★	● 4	● 3	● 3	● 4	● 3
15	Estonia	★★★★★	● 2	● 3	● 3	● 4	● 4

		Total score	Delivery quality	Market size	Competitive landscape	USP performance	State of e-commerce
15	Hungary	★★★★★	● 4	● 3	● 2	● 4	● 3
17	Spain	★★★★★	● 3	● 3	● 3	● 3	● 3
18	Czech Republic	★★★★★	● 2	● 2	● 3	● 3	● 4
18	Croatia	★★★★★	● 5	● 2	● 2	● 3	● 2
18	Slovakia	★★★★★	● 4	● 3	● 2	● 2	● 3
21	Iceland	★★★★★	○ 1	○ 1	● 2	● 4	● 5
21	Portugal	★★★★★	● 3	○ 1	● 3	● 3	● 3
23	Italy	★★★★★	● 3	● 2	● 3	● 2	● 2
24	Latvia	★★★★★	● 4	● 2	● 2	○ 1	● 2
24	Malta	★★★★★	● 2	○ 1	● 2	● 3	● 3
26	Lithuania	★★★★★	● 2	● 2	● 2	○ 1	● 2
27	Cyprus	★★★★★	○ 1	● 2	○ 1	● 2	● 2
28	Bulgaria	★★★★★	● 3	○ 1	○ 1	○ 1	○ 1
28	Greece	★★★★★	● 2	○ 1	○ 1	○ 1	● 2
30	Romania	★★★★★	● 2	○ 1	○ 1	○ 1	○ 1

Delivery markets perform best in Western/Northern EU



- B2C e-commerce is growing at significant rates in all EU/EEA countries. Cross-border grows more than domestic
- Consumers and e-retailers turn to neighbouring countries, and largest EU markets
- Around 8.7 billion parcels were delivered in the EU in 2016. Growth across Europe
- WIK survey of online buyers:
 - No substantial difference in perceived delivery quality levels for domestic purchases compared to purchases from other EU/EEA countries
 - Perceived delivery quality generally matches expectations. Management of returns is an issue
 - Perceived service quality is lower for China imports

Conclusions (continued)

- B2C e-commerce pushing for improvements in delivery and return services
- There is choice among different operators for B2C deliveries in most Member States
- Universal service providers have slightly higher market shares for (import) cross-border deliveries than for domestic
- WIK performance index for delivery markets:
 - Best rated markets are Netherlands, Germany, UK, Austria, Belgium
 - Assessment of market performance largely reflects state of e-commerce markets. Delivery markets have developed best where e-commerce performs well



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