



THE FUTURE OF POSTS 2022

WINNING THE NEW DELIVERY GAME

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Escher would like to express its gratitude to all contributors for sharing their insights and for helping make our Future of Posts survey an industry standard.

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Welcome to The Future of Posts

It is a great pleasure to share Escher's annual **Future of Posts** survey results. This fifth edition shares perspectives and insights from the global postal community on current and future strategies and developments in the industry.

While 2021 may be remembered as the year we turned the corner on the global pandemic, the gradual recovery and rediscovery of life without restrictions and social distancing bring forth new challenges and another new reality for us to master. Customer expectations and behaviors are still evolving and will require a continued response from the delivery industry. And as the conflict continues in Eastern Europe, we are quickly learning of its effect on global supply chains. Still, we have yet to fully understand what it will ultimately cost our industry and *our humanity*. But what is clear is that the postal sector will have a significant part to play in helping shape our reality over the coming years.

A total of 284 respondents from 91 national post offices worldwide provided insights into their operating methods, including key investment areas, automation strategies, point-of-sales channel selections, and future network plans.

The survey began as governments across the globe were executing return-to-work plans and concluded after the conflict in Eastern Europe began. This backdrop has no doubt influenced the business priorities of postal operators. Nevertheless, it's clear how all strategies are starting to fortify around an agile but predominantly e-commerce first customer.

I want to extend a sincere thanks to all participants for sharing their opinions and perspectives and a special thanks to the teams at Escher responsible for making our Future of Posts series an industry standard.



Brody Buhler
CHIEF EXECUTIVE OFFICER OF ESCHER





Executive Summary

The fifth iteration of Escher's **Future of Posts** survey comes at a complicated time. Just as it seemed the worst of the pandemic was finally behind us, lockdowns and severe restrictions were becoming a thing of the past, and a sense of normality was finally returning; the military conflict in Eastern Europe began, impacting industries globally, including the transport and logistics sectors.



So while some operators successfully navigated the difficulties posed by operating in restricted business environments, and many more were finally reorientating and realigning themselves to their customers' needs, this new conflict has once again created uncertainty and unease in the postal community.

Nevertheless, the results of this year's survey appear to confirm how the measures and strategies put in place by Posts to overcome the difficulties posed by the pandemic may now be permanent. And while the most significant conflict in Europe for decades could play a considerable part in shaping the postal industry in the coming years, the global pandemic alone has expedited the evolution of many postal operators across the globe.

In practical terms, most postal operators have continued over the last number of years, implementing strategies and investing in infrastructure that enables them to deal with rising parcel volumes, declining letter volumes, and changing customer demands. And while these findings will not come as a surprise, this year's report has also revealed some unexpected and fascinating talking points that both confirm and challenge our preconceptions of what lies ahead for this industry.



Despite the surprises and internal and external factors driving change in the postal industry, the **Future of Posts 2022** indicates the customer should continue to be the focal point for all future strategies.

Escher's **Future of Posts 2022** survey highlights:

- ✓ Profitability and revenue growth have improved for the majority of Posts in the last 12 months.
- ✓ We have reached the tipping point where many posts have more revenue from parcels than from their mail business.
- ✓ Posts are rethinking their retail network expansion strategies and accelerating their delivery network strategies.
- ✓ Workforce management is a key focus area for cost reduction in retail and delivery.
- ✓ Improving customer experience will feature heavily in future infrastructure investments.
- ✓ The importance of last-mile route optimization is growing and becoming a crucial strategy to reduce costs.
- ✓ Posts are investing in infrastructure to overcome their capacity issues.
- ✓ Last-mile delivery and digital transformation (similar to last year) are where the Posts plan to make the most significant investments in the coming years.
- ✓ While countertop retail is the most common point of sale channel, smart lockers are where most future investments will fall.
- ✓ Last year a significant number of Posts said they were not planning to expand reverse logistics capabilities; this year, only a small minority said they did not offer reverse logistics.

The New Normal

Some COVID strategies might be here to stay

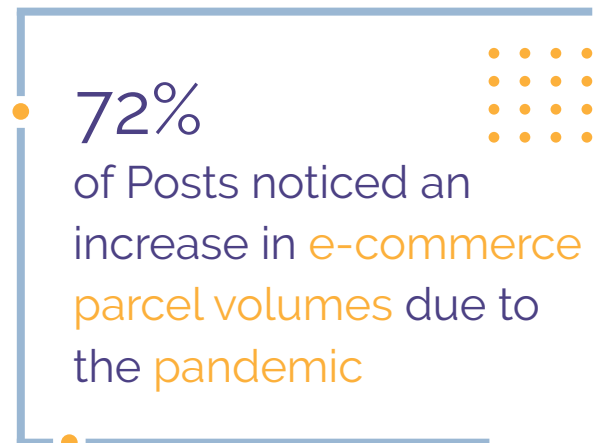
It has been over two years since the pandemic began and its effect on the industry is no secret: a massive increase in parcel volumes, sharp increase in e-commerce, increase in home deliveries, and home delivery service limitations (social distancing) to name but a few.

Although the worst of the pandemic seems to be behind us, there are still remnants of its effects. In its 'The COVID-19 crisis and the postal sector' report (published in 2020), the UPU stated that cross-border exchanges worldwide have dropped by 21% for all mail classes (letters, parcels, and express) since the pandemic began. E-commerce, while still growing, is doing so at a reduced rate in line with the reopening of economies and people's cautious return to pre-pandemic routines and their new hybrid consumer behaviors.

So, it is no surprise that, as in last year's Future of Posts report, e-commerce and cross-border traffic are among the key impacts caused by the pandemic. 72% of Posts mentioned an increase in e-commerce parcel volumes as the primary effect caused by the pandemic.

Last year a higher percentage (84% of Posts) mentioned increased parcel volumes as the main impact, which makes sense considering a gradual return to normalcy and a noticeable slowdown in parcel volumes in the last twelve months. Meanwhile, 63% of posts note challenges in cross-border shipping were also a struggle, compared to 73% last year when certain restrictions or backlogs were still present.

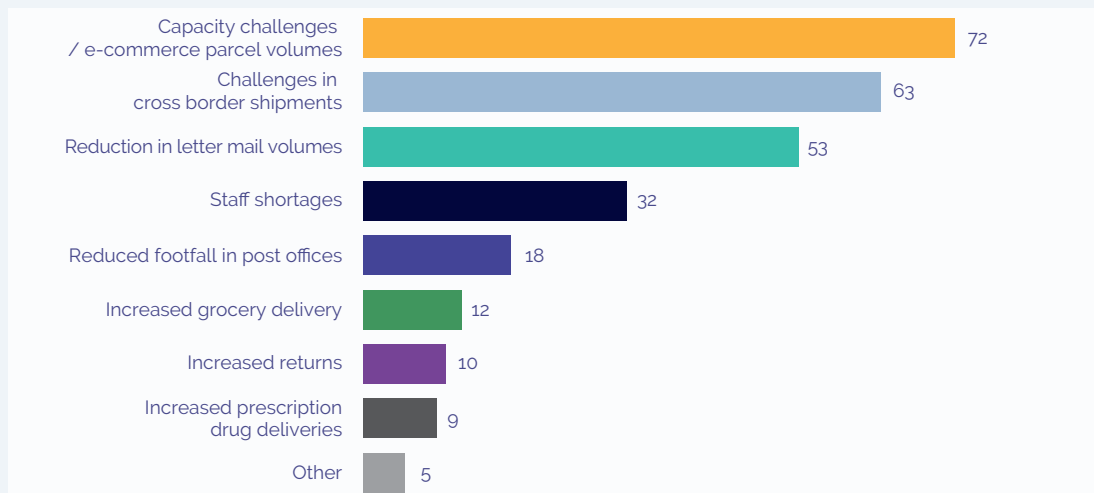
Other major trends are the increases in grocery deliveries and subscription boxes. 12% of Posts mentioned increased grocery deliveries as an effect of the pandemic. For example, in the UK, 52% of all subscription boxes are food-related in a market worth about £395 million.



Inevitably the growth in e-commerce has led to an increase in returns which are expected to double by 2025. Surprisingly, only 10% of Posts mentioned returns as one of the main impacts of the pandemic indicating there may be an opportunity they have yet to capture.

Main Impacts of the Pandemic on Postal Operators

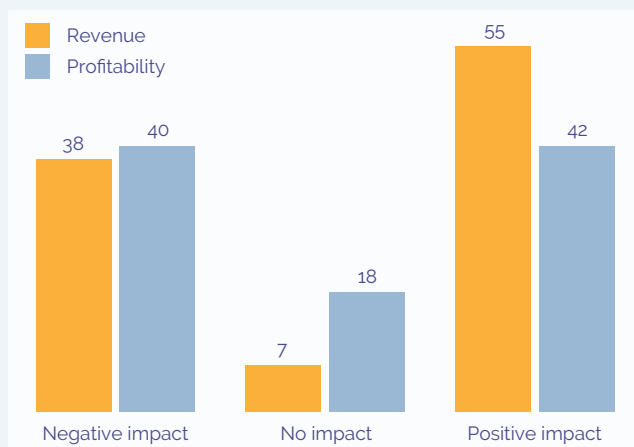
Percentage of Posts



While a global return to the office can be viewed as a healthy sign for the economy, this has negatively affected last-mile delivery. The growth of e-commerce created last-mile delivery opportunities for people furloughed during the pandemic. But as economies started righting themselves and people began returning to their pre-COVID employment, this may have led to shortages in delivery workers (noted by 32% of Posts this year). Members of the workforce who were required to isolate during the pandemic may also be a contributing factor to staff shortage figures for 2021.

Pandemic Impact on Postal Operator Revenue and Profitability in 2021

Percentage of Postal Operators



But despite difficulties posed by the reemergence of interpersonal commerce, 55% of Posts experienced revenue growth in 2021 (36% in 2020), and 42% of Posts experienced growth in profits, compared to 24% in 2021.

All of which means the adjustments postal operators have made in the last 12 months are paying dividends. And while there will be challenges ahead, for now at least, many more Posts seem to be heading in the right direction.

Future Investment

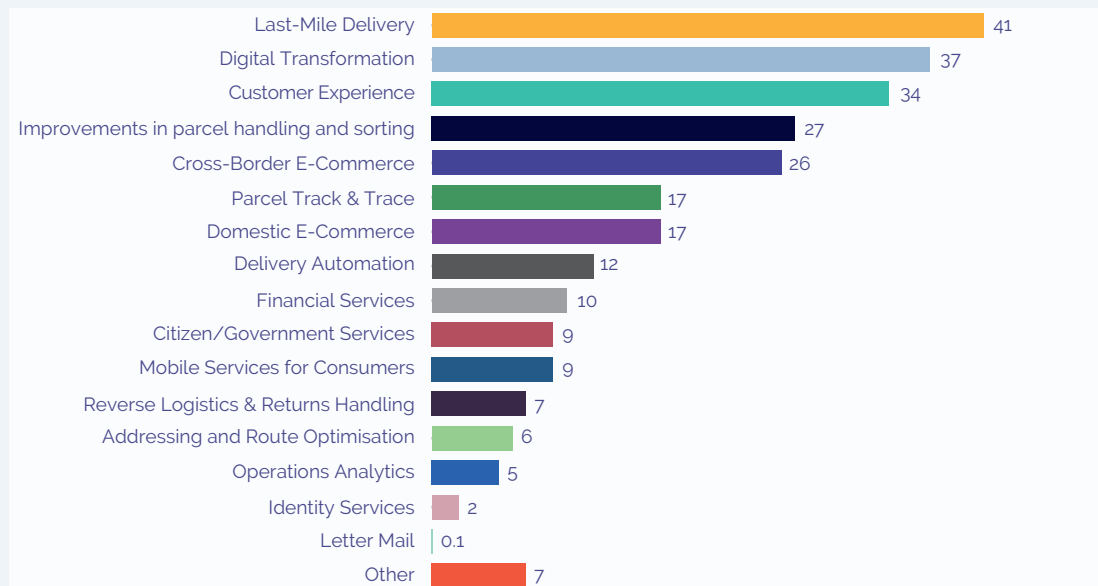
Last Mile is the Key Mile

Posts are trying to meet challenging customer requirements by investing in technologies and solutions to ensure a seamless and reliable delivery process. As one of the most critical components in the entire delivery process, Last-Mile Delivery (41% of Posts) is the top investment priority for postal operators. Customer Experience also ranks high this year, with 34% of Posts looking to invest in this area over the next three years. Unsurprisingly, a mix of increasing parcel volumes and service limitations (social distancing at delivery, the pause on signed-for services) has made it difficult for Posts to offer the highest level of service. Nevertheless, innovative tracking solutions (17%), such as delivery personnel taking photos of final deliveries to increase clarity and security or offering contactless and autonomous Delivery Automation solutions (12%), may help close this gap.

Digital Transformation (37%), a top investment priority in 2021, remains a significant investment priority. For many Posts, investments in digital is an essential step in staying connected to their customer and something they cannot choose to ignore.

Investment Priorities 1-3 Years

Percentage of Postal Operators



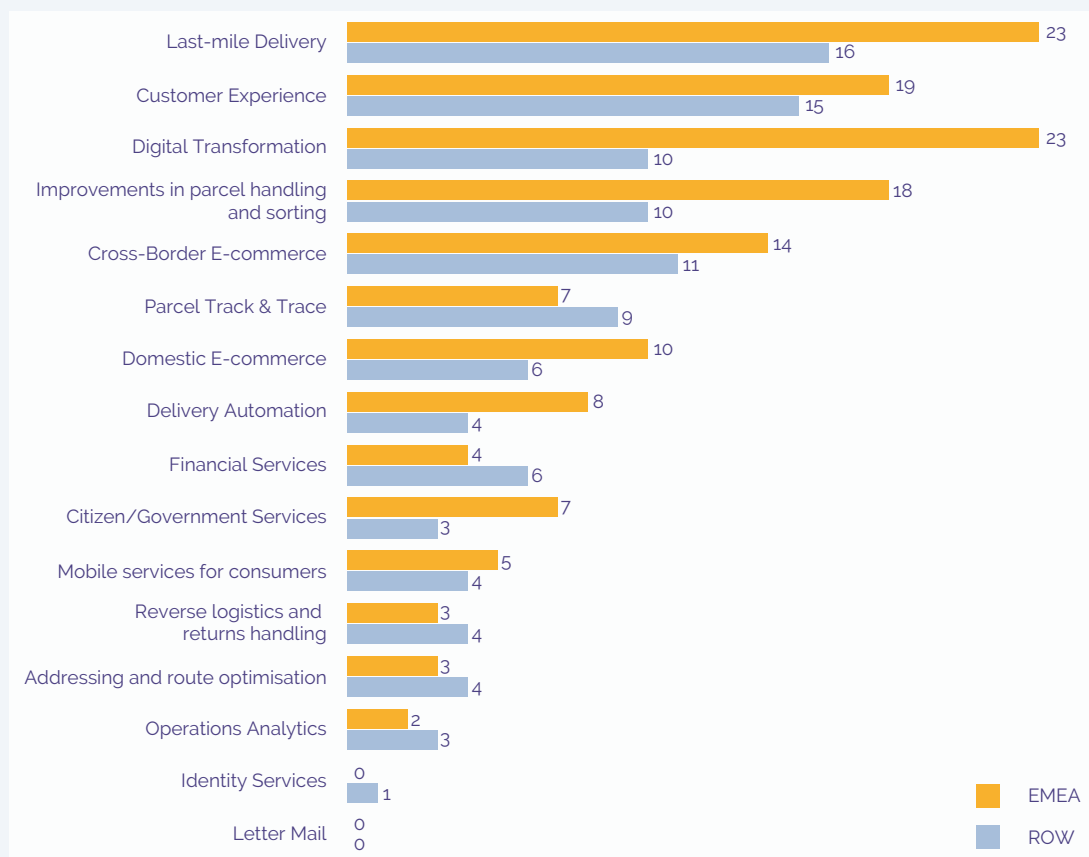
Though regulations on cross-border deliveries are now more stringent, Cross-Border E-commerce (26%) is still considered a solid investment opportunity by postal operators. And while there was a slight decline in e-commerce activity last year, this rebalancing was expected as customers reacquainted themselves with the neo-novelty of in-store purchases.



Geographic segmentation analysis between Posts located in EMEA countries versus the Rest of the World (ROW) shows some interesting differences. For example, Last-mile Delivery and Digital Transformation are the key investment areas in EMEA, while Customer Experience and Last-mile Delivery are considered better investment opportunities outside EMEA. The gap in Digital Transformation between EMEA and ROW Posts is quite significant. Track and Trace is an area that stands out for Posts from the ROW compared to their EMEA counterparts. This difference may be explained by a lack of funding or infrastructure in these countries. Nonetheless, based on these results, Posts outside EMEA may already know this is an area that needs attention.

Investment Priorities 1-3 Years

Percentage of Posts





MCE
was here!

STOP right there!

For the best last-mile experience in the market call
555-TTLMD



...or ***here*** ... or maybe ***here***?

With dynamic route optimization and the ability to modify delivery instructions while in transit, **Escher's Track, Trace & Last-Mile Delivery (TTLMD)** solution ensures superior parcel visibility and first-time delivery rates. With *Escher TTLMD*, no parcel escapes delivery to your customer's preferred location.

scan for more



As previously mentioned, despite slowing as the remnants of pandemic restrictions fade, e-commerce is still an area of major opportunity and significant growth. A clear majority of Posts (83%) identified e-commerce as the area most likely to impact the industry in the next five years. Last year, although graded differently, e-commerce was also considered the most impactful (8.9 out of 10).

Last year, Mobile Technologies ranked 7.7 out of 10; this year, it is still a high-impact area.

However, Track & Trace Technologies, slightly ahead of Mobile Technologies last year at 7.8 out of 10, is only considered impactful by 14% of Posts this year.

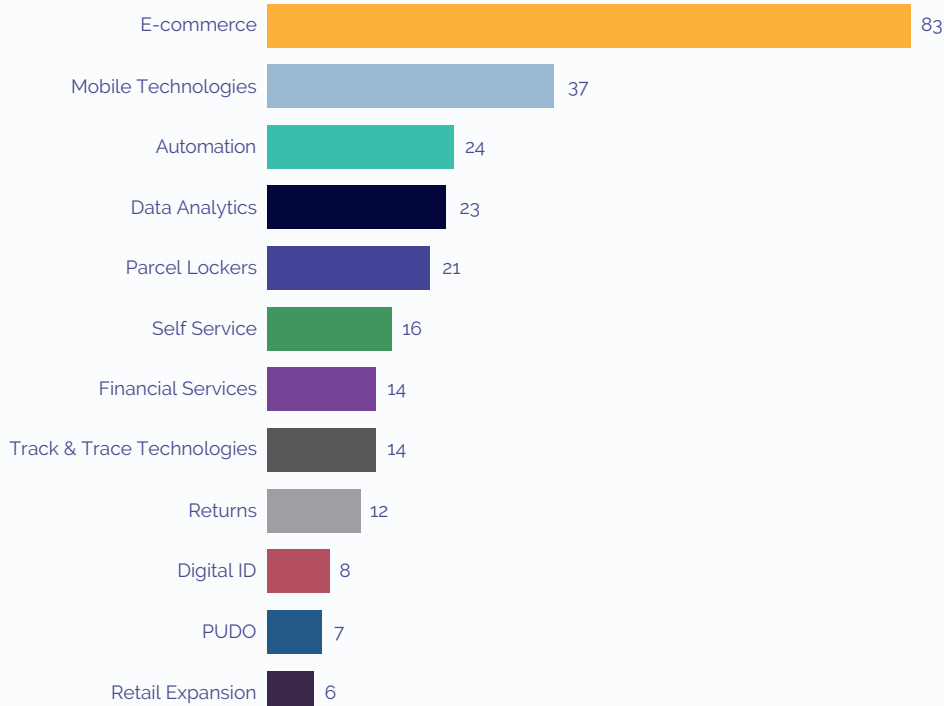
Similarly, Retail Expansion was considered the least impactful last year (5.9 out of 10) and this year (6%). For all other areas, considering the differences in grading, changes from 2021 to 2022 are either statistically insignificant or require further analysis before making determinations.



83%
of Posts believe
e-commerce will have
the greatest impact in the
next 5 years

Greatest Impact in Next 5 Years

Percentage of Posts

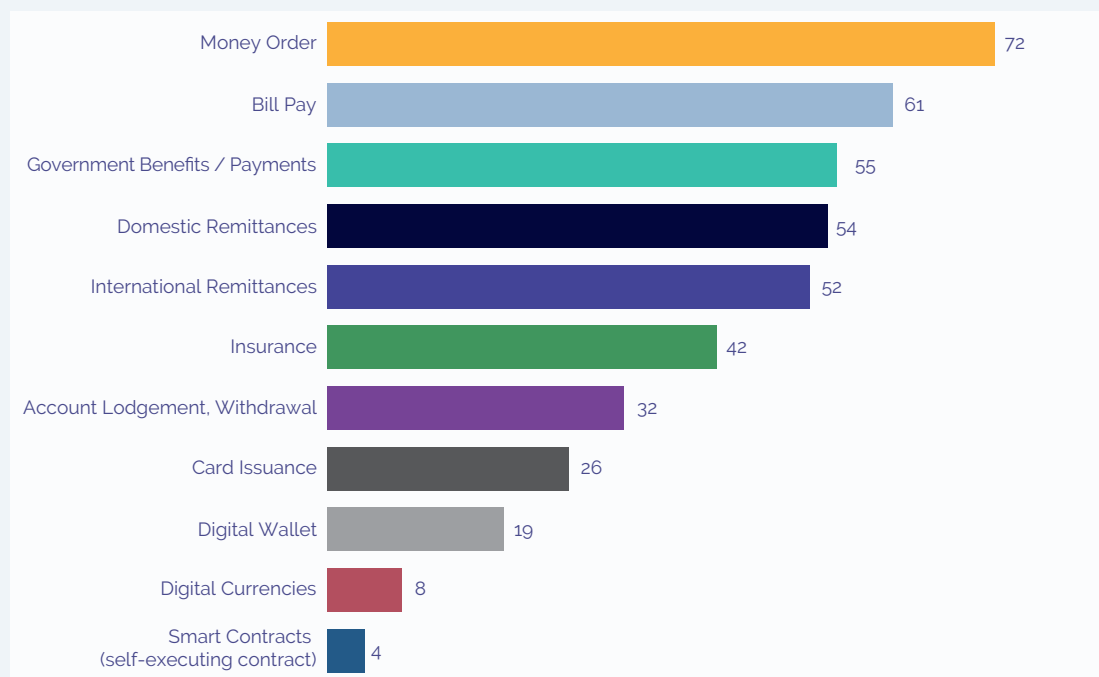


Money Orders (72%) and Bill Pay (61%) are the top two financial services Posts offer. These services are followed by the tight formation of Government Benefits (55%), Domestic remittances (54%), and International Remittances (52%). As Financial Services feature for the first time in the *Future of Posts* this year, it will be interesting to see how these services change over time or whether internal developments, like digital transformation, or external forces, like Fintech innovations, will impact this leaderboard.

nearly 50%
of Posts don't offer cross-border remittance

Financial Services Offered

Percentage of Respondents



E-commerce is still the Driving Force

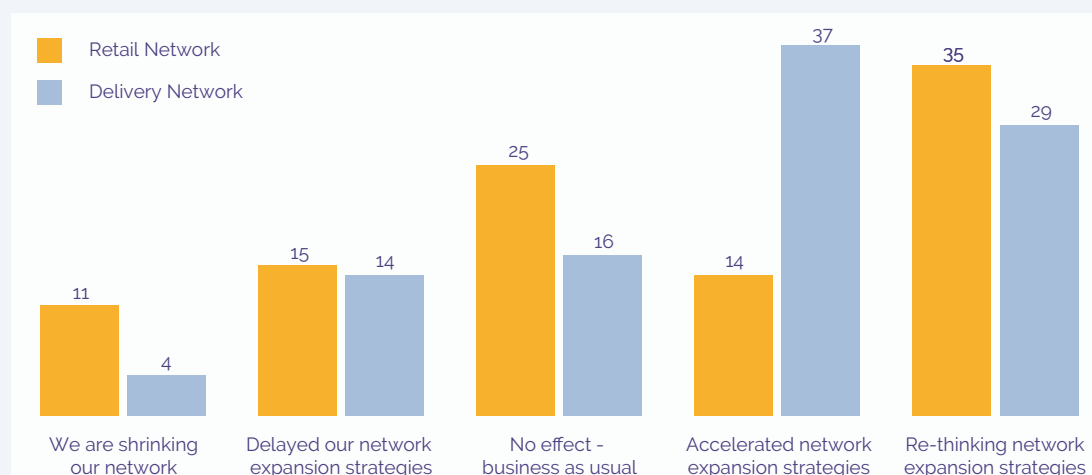
Despite evolving priorities

Due to rising parcel volumes, a large percentage of respondents (37%) accelerated their delivery network expansion strategies (most noticeably investing in new depots or hubs). Only 14% expanded their retail network, which may be linked to a lower demand for out-of-home delivery during the pandemic. The beginning of the post-pandemic era or the military conflict in Eastern Europe may have contributed to Posts rethinking or adjusting their strategies (35% on their retail network and 29% on their delivery network).

14%
of Posts expanded their
retail network in 2021

Pandemic on Retail and Delivery Networks

Percentage of Postal Operators



Considering that pandemic restrictions negatively impacted the profitability of 42% of postal operators this last year (page 7), cost reduction strategies on the retail side were required to offset the dependency on home delivery. From a delivery network perspective, it's logical that increased parcel volumes would evoke a reaction that addresses capacity limitations.

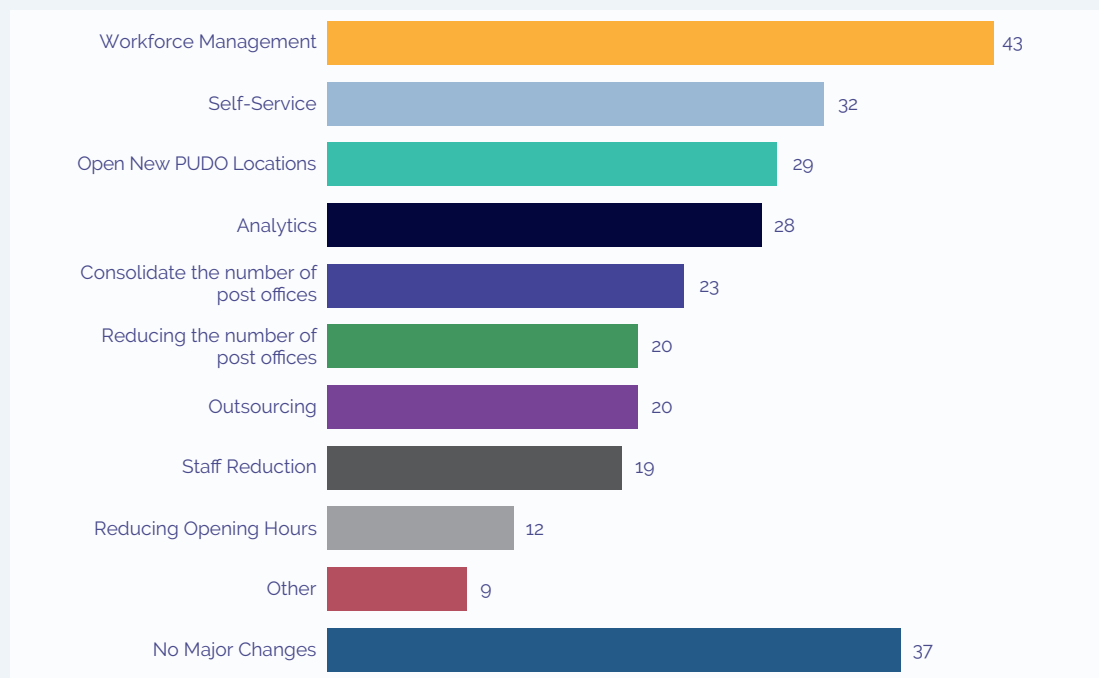
While some of these initiatives outright reduce costs (staff reduction or reducing the number of post offices), others might require investment to generate the desired effect (opening new PUDO locations or implementing self-service solutions).



Workforce Management (43%), maximizing staff performance and competency, is the main cost reduction initiative for operators on the retail side. Self-Service (32%), which indirectly aids workforce management, was next. With people returning to their workplaces and spending less time at home, it's not surprising that out-of-home delivery solutions like PUDO (29%) would hold a prominent position in this year's results. And considering the New York Times estimates that 90,000 packages a day are stolen in New York City alone, out-of-home options may become even more appealing.

Main Cost Reduction Initiatives - Retail Network

Percentage of Posts



Analytics is just behind PUDO at 28%, followed by several familiar cost reduction initiatives. However, it's worth noting that while many postal operators are implementing strategies to reduce costs, a healthy number of Posts (37%) stated there was no need for any significant strategy shifts in this area.

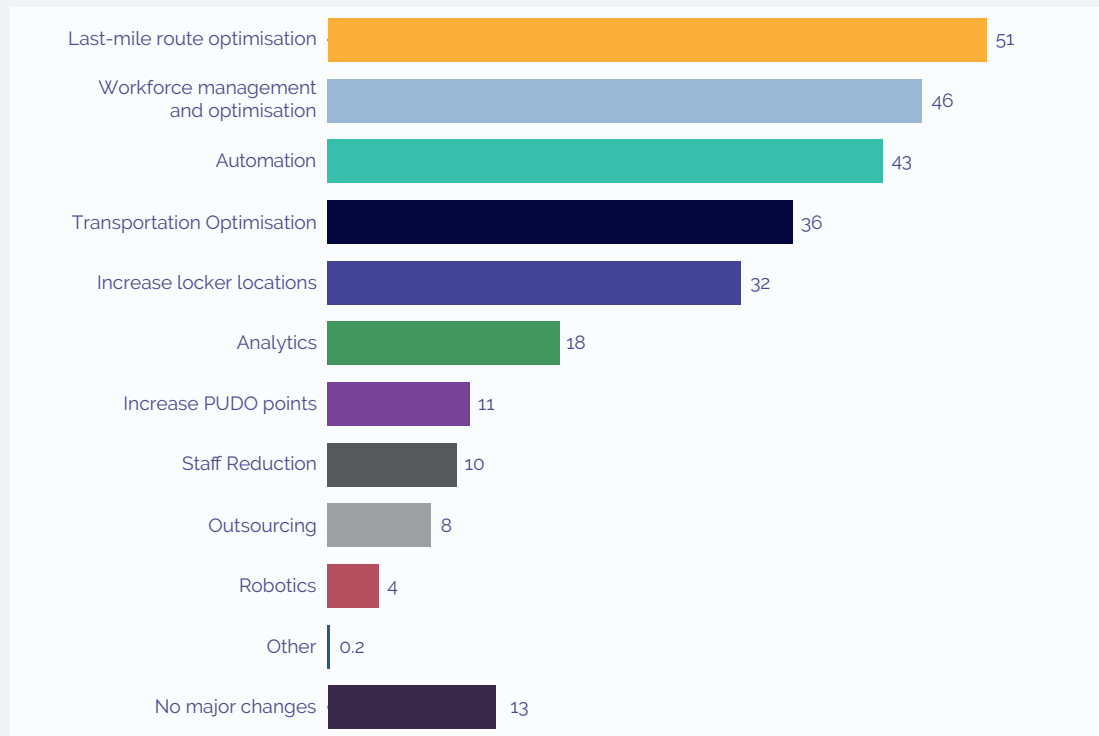
On the delivery side, the primary cost reduction efforts will focus on improving efficiency, reducing failed deliveries, and improving transit times in the last mile (51%). Like Retail (previous page), workforce management (46% - unsurprising considering slight decreases in e-commerce delivery) and Automation (43%), which improves productivity and helps manage the workforce, also placed high. Improving transport resources or methods (36%) and increasing parcel locker locations (32%) are also key methods to help reduce costs.

Overall, these results indicate costs are controlled better on the retail side, with 37% of respondents confident they have the right initiatives in place, compared to 13% on the delivery side.



Main Cost Reduction Initiatives - Delivery Network

Percentage of Posts



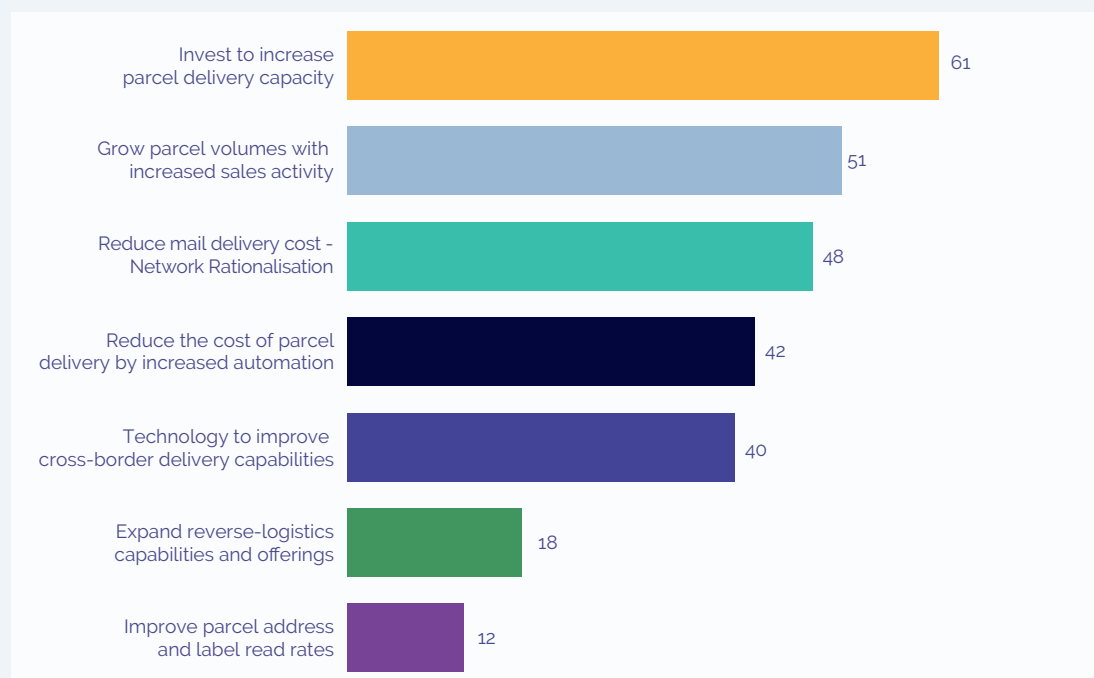


61%
of Posts are currently
investing in infrastructure
to help cope with parcel
volumes

While postal operators are looking to reduce costs, they are also looking to maximize profitability in existing areas and at potentially lucrative opportunities outside their current service offerings. From a delivery standpoint, infrastructure (61%) that enables Posts to manage capacity effectively is a top priority. This is followed by focusing on sales activities (51%), which, coupled with more efficient capacity management, should further increase volumes. Automation (a recurring theme in the survey) is key to making transit times as quick and frictionless as possible (48%).

Current Logistics Network Strategies

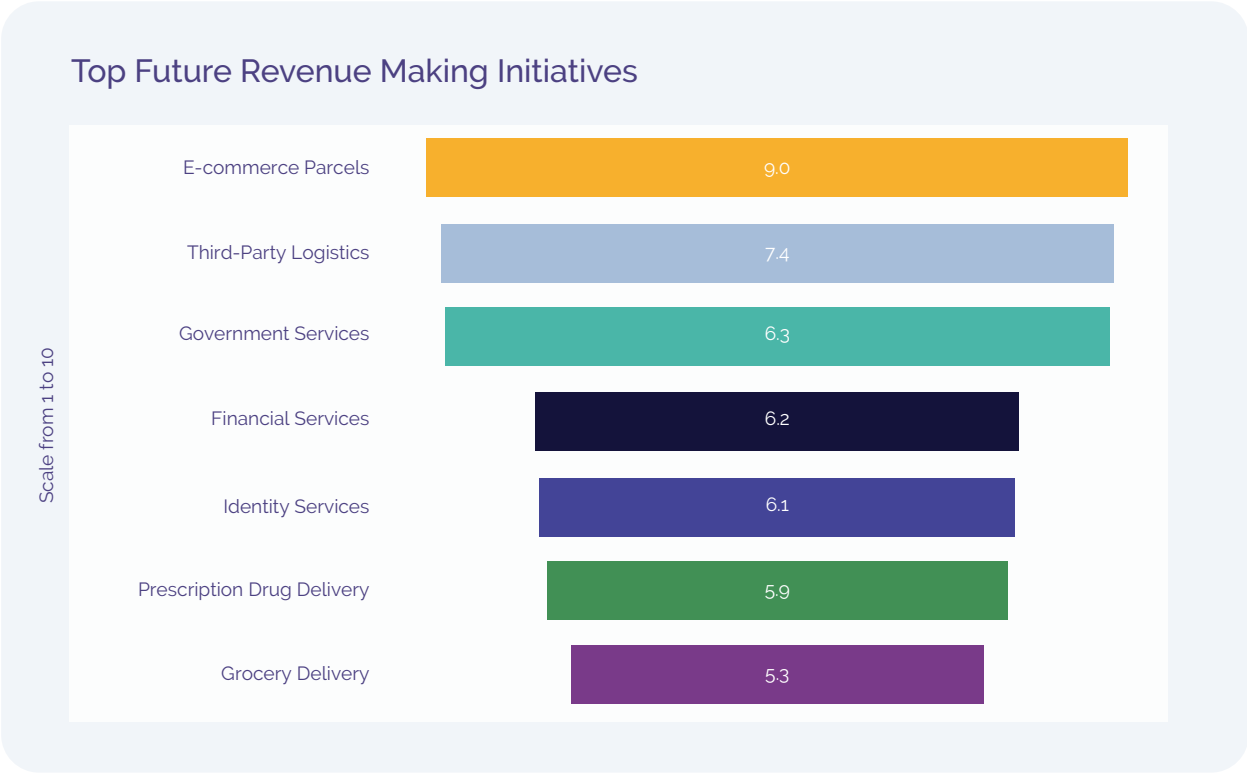
Percentage of Posts





Though similar to last year, there are some changes to the top future revenue-making initiatives for this year. E-commerce Parcels predictably sit atop and the bottom of the list is consistent with the results from last year. However, Third-Party Logistics (3rd in 2021), Government Services (4th in 2021), and Financial Services (2nd in 2021) have all shifted in the last 12 months. Notably, the scoring method for this question has changed from the last year (% to rating); nonetheless, this order change may indicate a shift in perspective on where future opportunities lie.

E-Commerce Parcels have the highest revenue-making potential



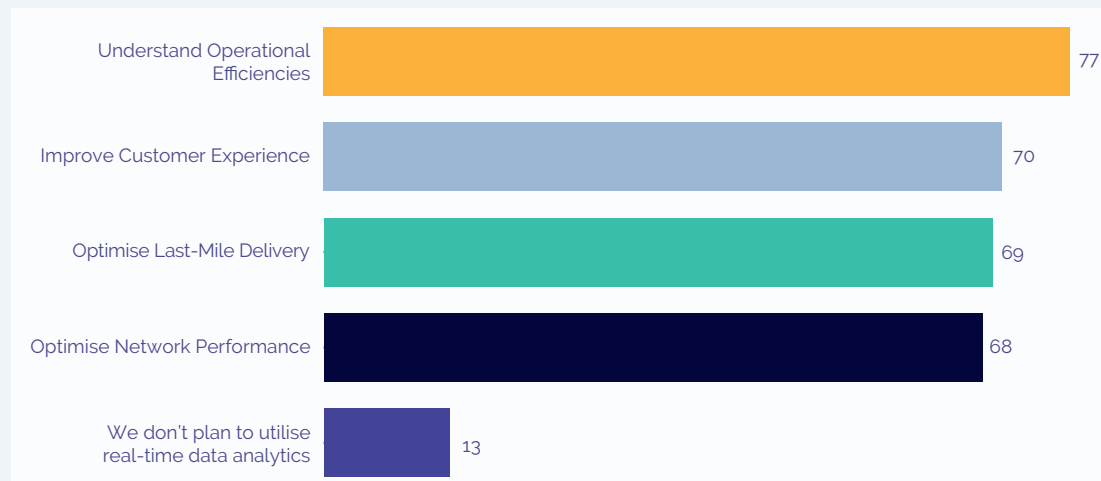
Data Utilization

Building synergy to improve the business

A small minority, 13% of Posts, state they have no plans to utilize real-time data analytics. The primary purpose of using data analytics in the postal industry is to understand Operational Efficiencies (77%). Posts will also use data to improve Customer Experience (70%) and optimize Last-Mile Delivery (69%), both of which were recorded as top investment priorities for the next three years (page 8).

Usage of Data Analytics

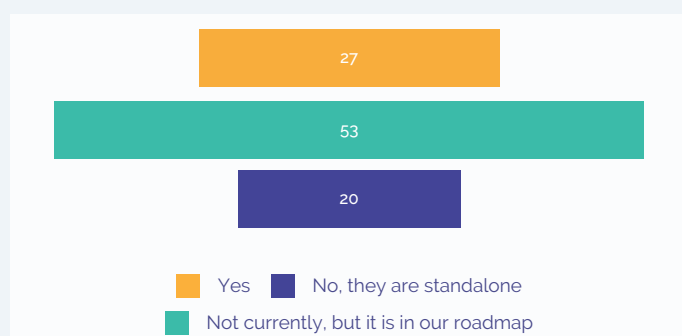
Percentage of Posts



Regarding using software and integrating digital marketplaces with point of sale (POS) systems, 27% of Posts stated there was integration (compared to 32% last year). In comparison, 20% said there was no integration (versus 18% last year). 53% stated integration was being considered, which is slightly up on previous results (50% in 2021).

Are your E-Commerce Sites Fully Integrated with your POS System?

Percentage of Postal Operators



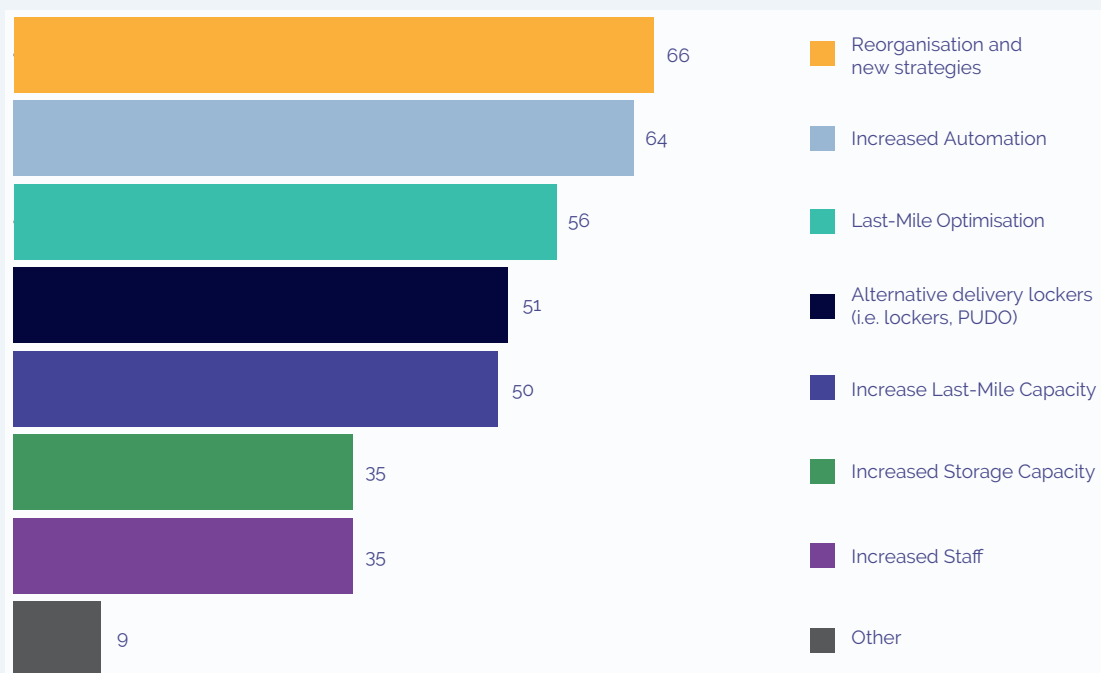
Dealing with E-commerce

Aiming to Ride the Wave

Reorganization and new strategies are the main mechanisms to cope with e-commerce growth (66% of Posts). Increased levels and dependency on automation (64%) should make hubs and depots more efficient and reduce handling times. Another strategy to help postal operators deal with e-commerce volumes is Last-Mile Optimization (56%), which should provide better customer visibility and help reduce fuel costs. Increasing Staff (35%) and Storage Capacity (35%), although not as cost-effective or efficient as automated alternatives, seems to be, in the interim at least, another method to deal with higher postal volumes.

Dealing with Increasing e-commerce Postal Volumes

Percentage of Posts



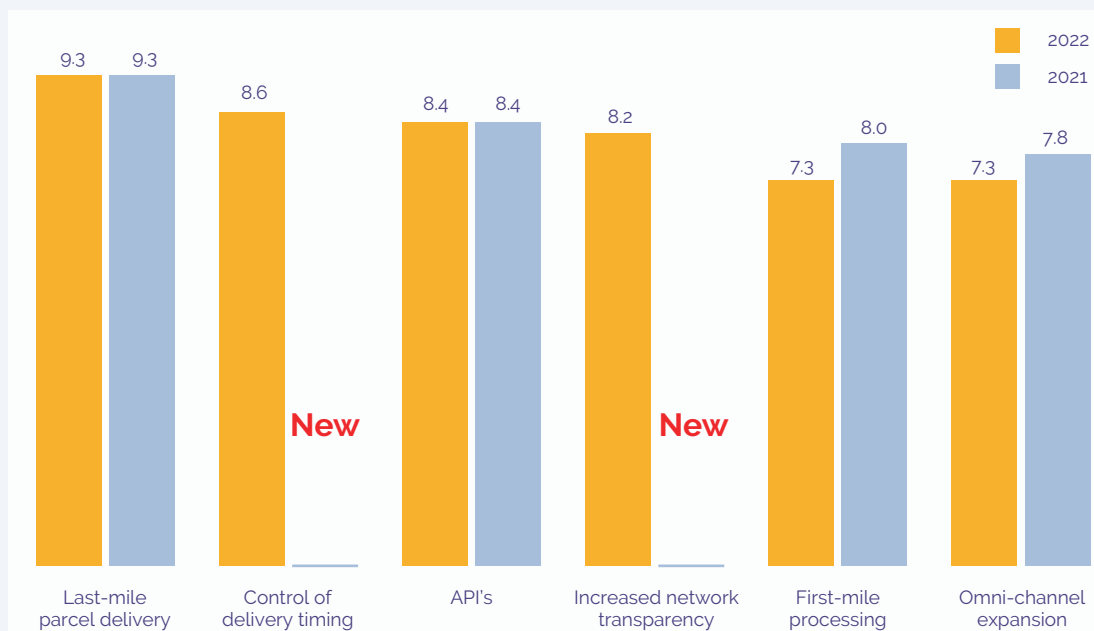


There has been little change in the perceived importance of the leading e-commerce factors compared to last year.

The importance of first-mile processing and omnichannel expansion might have declined slightly this year, but that is likely the result of the inclusion of new factors in the survey, such as control of delivery timing and increased network transparency.

Important E-commerce Factors

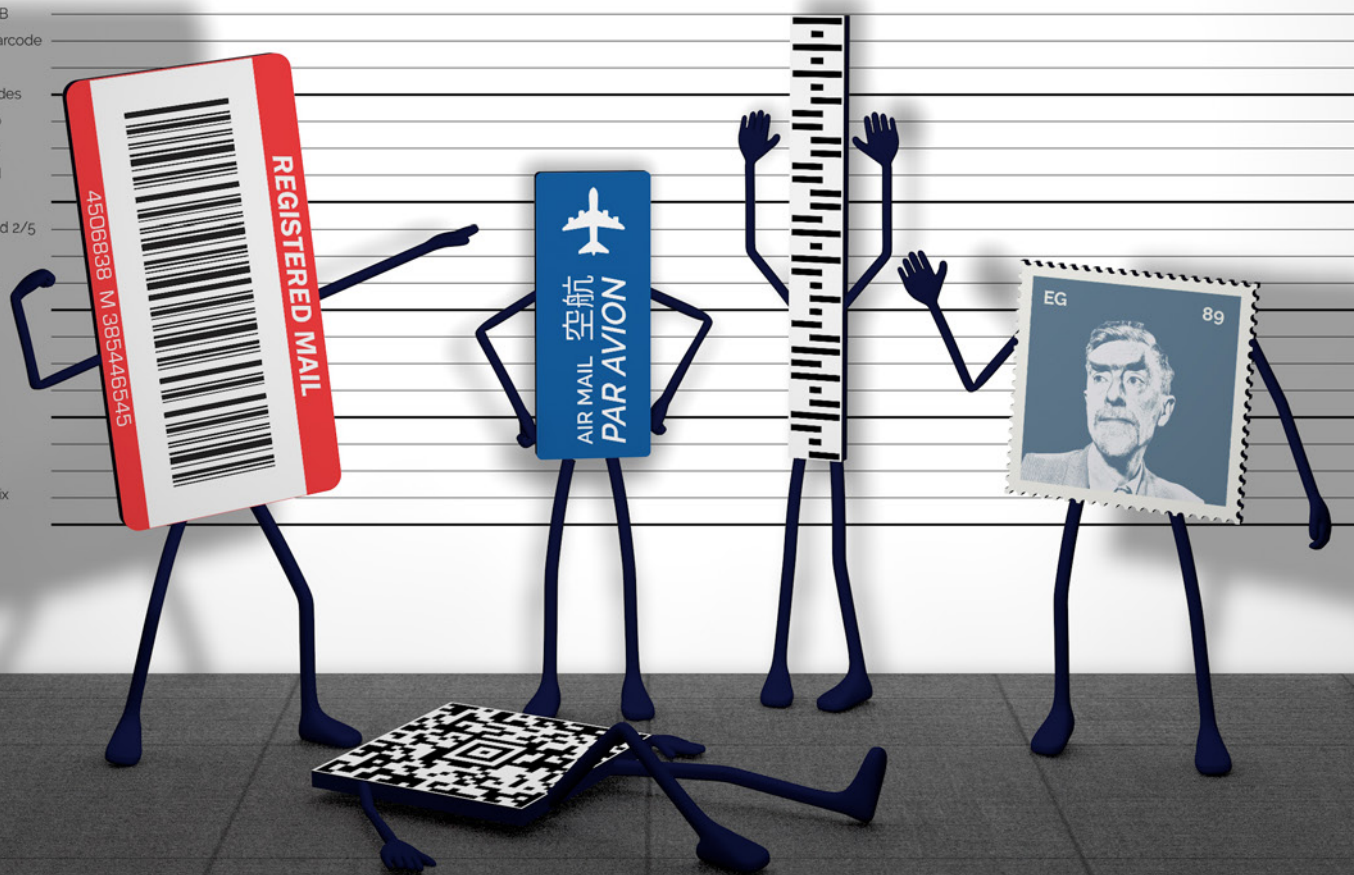
Scale from 1 to 10



Control of delivery timing & Increased network transparency were added for the first time in 2022; therefore, no data from the 2021 report is available for comparison.

the *Usual Subjects*

UPC/EAN
Extension 2/5
ITF Bracode
UPSPS4CB
4-State Barcode
Codebar
Postal Codes
UPU S18b
UPU S18c
UPU S18d
UPU S10
Interleaved 2/5
Code 39
Code 128
UPC-A
UPC-E
EAN-8
EAN-13
EAN-128
QR Code
Maxicode
Data Matrix
PDF417



...at any *tilt* or *angle*

Escher's OCR helps postal operators reduce manual processing and sortation costs. Using patented AI-powered technology, Escher's market-leading OCR solution can scan all mail types in multiple languages at any *tilt* or *angle*, giving it the highest reads rates and the lowest number of errors in the market.

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information

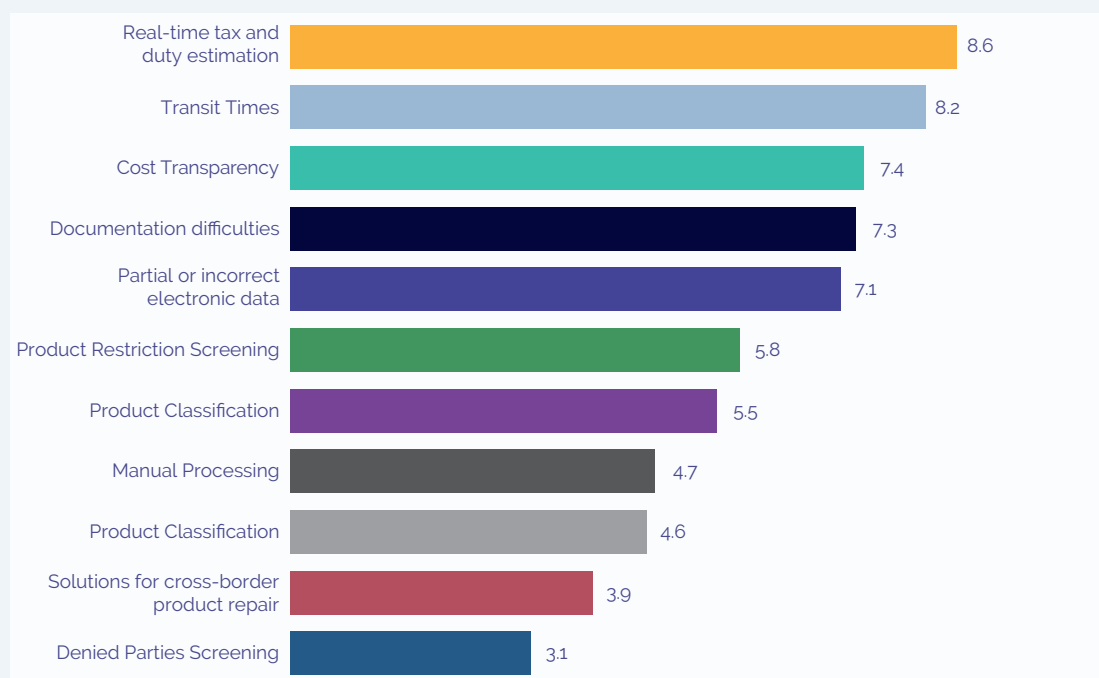


Despite cross-border e-commerce being the area considered the most prominent in growth and opportunity, some factors still hinder these products from reaching its full potential. The primary obstacle is real-time tax and duty estimation issues. Tax and duty requirements are inherently complex, even before you add ongoing VAT regulations and the continued fallout from Brexit, which make an already complicated process even more intricate and time-consuming. Delays due to tax and duty estimations also have a knock-on effect on transit times. And with most online shoppers expecting speedy delivery with their purchases, it is not surprising that transit times ranked second overall.

The complexities around tax and duties make it the main obstacle hindering cross-border e-commerce growth

Obstacles to Cross-Border E-commerce Growth

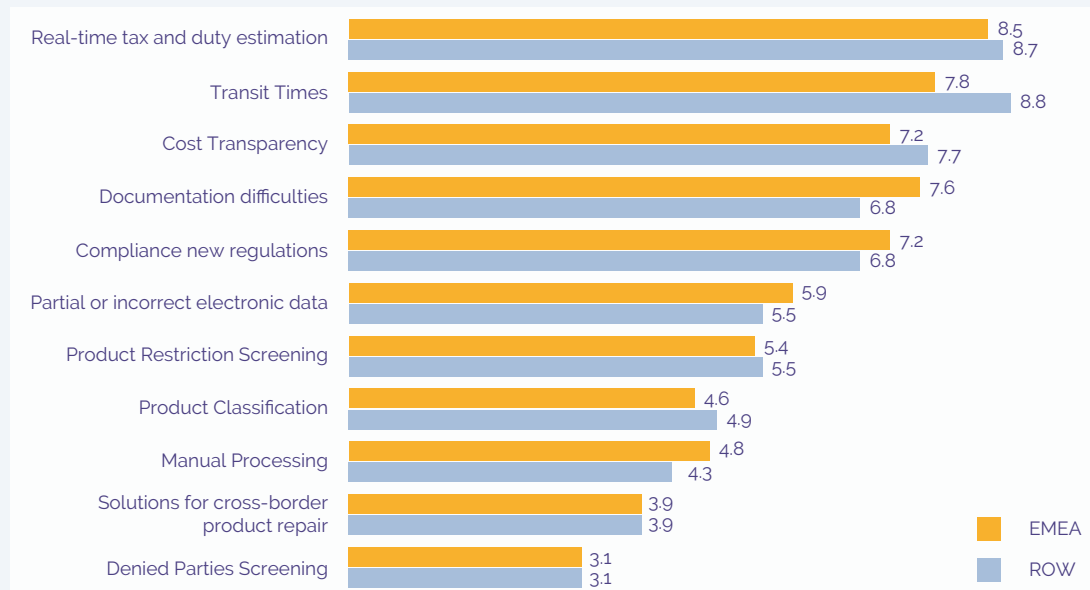
Average Score



From a regional point of view, real-time tax and duty estimation is the main obstacle for EMEA Posts. Transit times are of more significant concern to Posts from the rest of the world, but this is likely a consequence of significant regulatory changes in EMEA.

Obstacles to Cross-Border E-commerce Growth

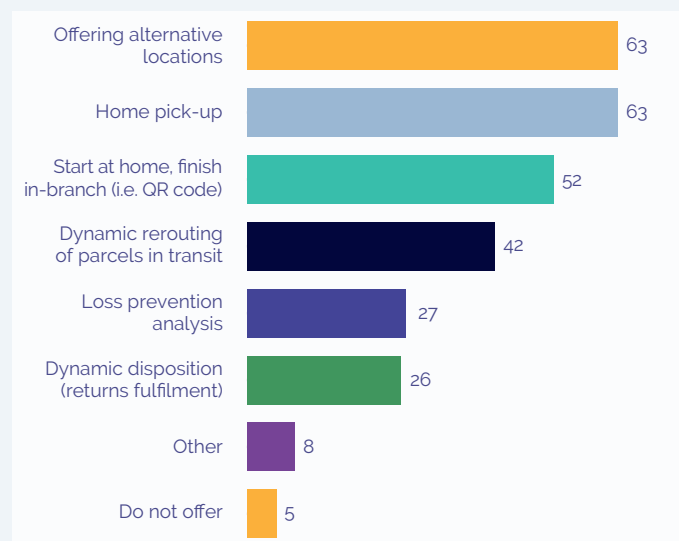
Average score



Commensurate with the rise in e-commerce parcel volumes, it was inevitable that the number of returns would also increase. For example, published research has found a 24% year-on-year increase in return volumes comparing the Christmas period from 2020 to 2021. 63% of all Posts mentioned offering alternative delivery locations (parcel shops or lockers) as their chosen strategy, closely followed by the more expensive home collection option (63%). Only 5% of posts stated they did not offer a reverse logistic solution.

Reverse Logistic Strategies

Percentage of Posts



POS Channels

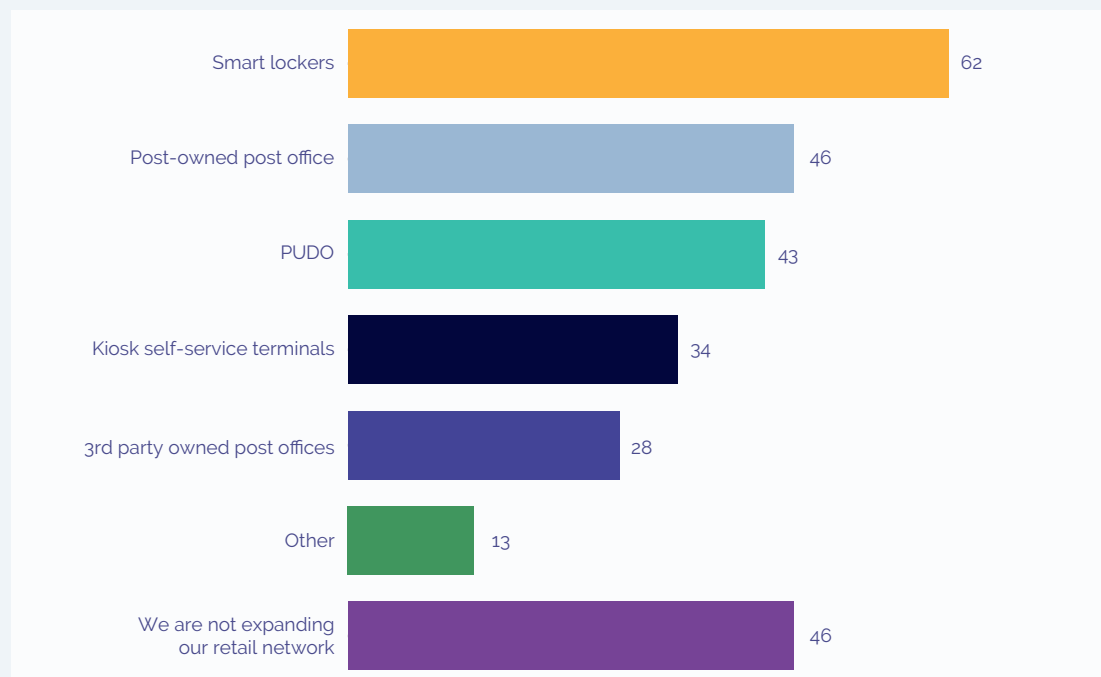
Post Offices need to evolve

This report's findings seem to predict a future defined by user-friendly self-service. Alternative delivery locations such as smart parcel lockers (62%), PUDO or parcel shops (43%), and self-service terminals (34%) are all in high demand, a demand that perhaps will increase now that social distancing is on the wane and restrictions are easing.

Even though the consolidation or closure of post offices is considered a viable cost reduction method (23% and 20%, respectively, page 14), the post office remains a key component of the current retail network strategies.

Current Retail Network Strategies

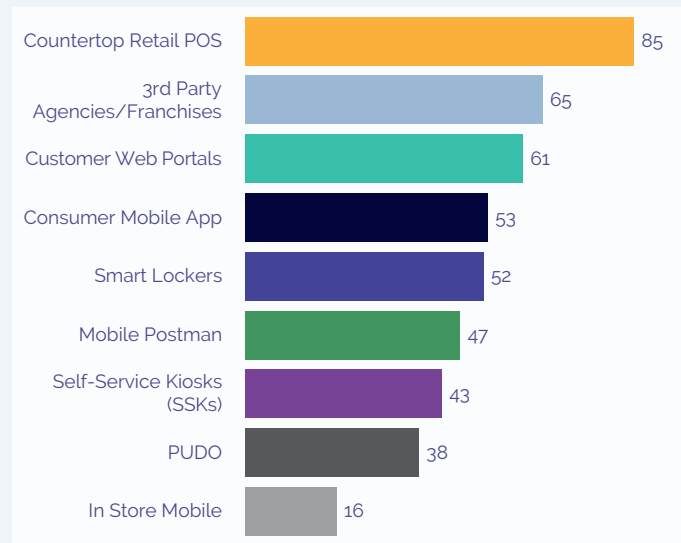
Percentage of Posts



Despite the fact a considerable number of postal operators surveyed this year still use counters (85%), there is also a solid representation of alternative postal service methods available to end-users. And while the options available to respondents increased this year, third-party retail (65%) is still down slightly on last year.

Current POS Channels

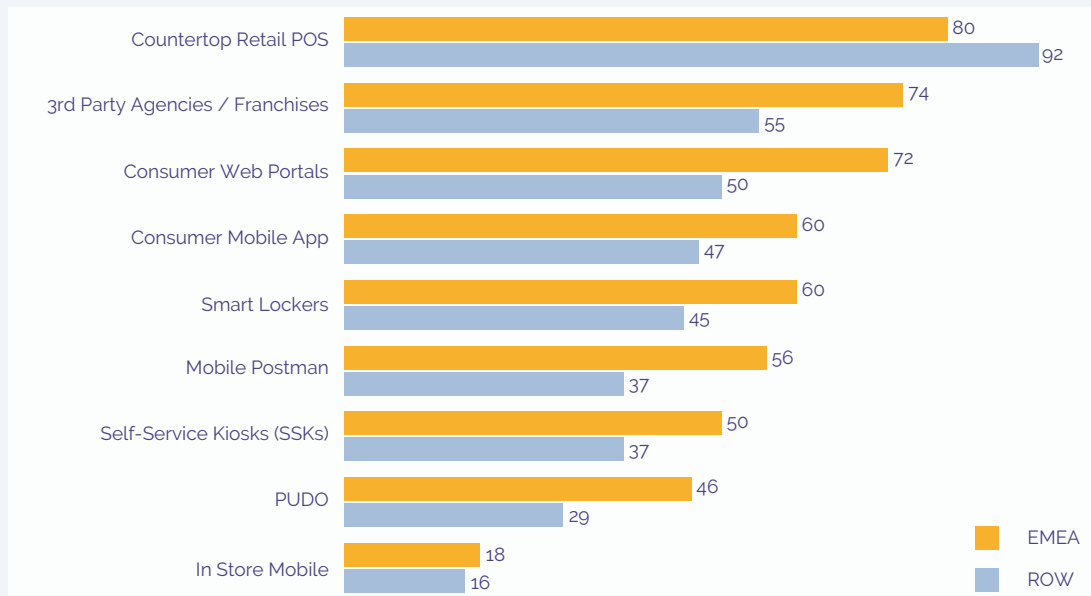
Percentage of Posts



ROW postal operators appear to rely more on the traditional post office network. In contrast, EMEA Posts opt for a greater variety of advanced alternative delivery options and customer service technologies such as self-service kiosks, mobile apps, or parcel lockers.

Current POS Channels

Percentage of Posts



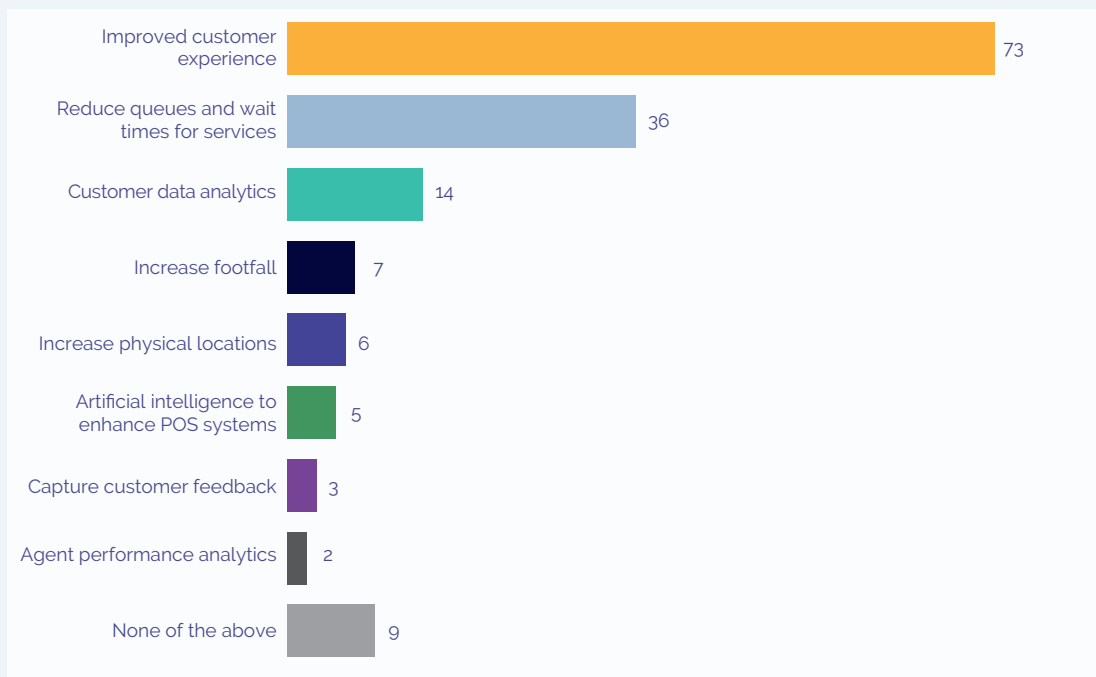
Similar to last year's results (in order of ranking), the majority of Posts (73%) think prioritizing an improved customer experience will create the most business value when enhancing POS channels.

Although linked to customer service and care, reducing queues and waiting times for services (36%) is the second most profitable implementation area. Data analytics (14%) that provide insights into behaviors and motivations is considered the third most profitable priority and is inextricably linked to improving the customer experience - a theme prevalent throughout this report.

73%
of Posts say **improving customer experience** is the best way to enhance channel profitability

Most Profitable POS Channel Enhancing Priority

Percentage of Posts





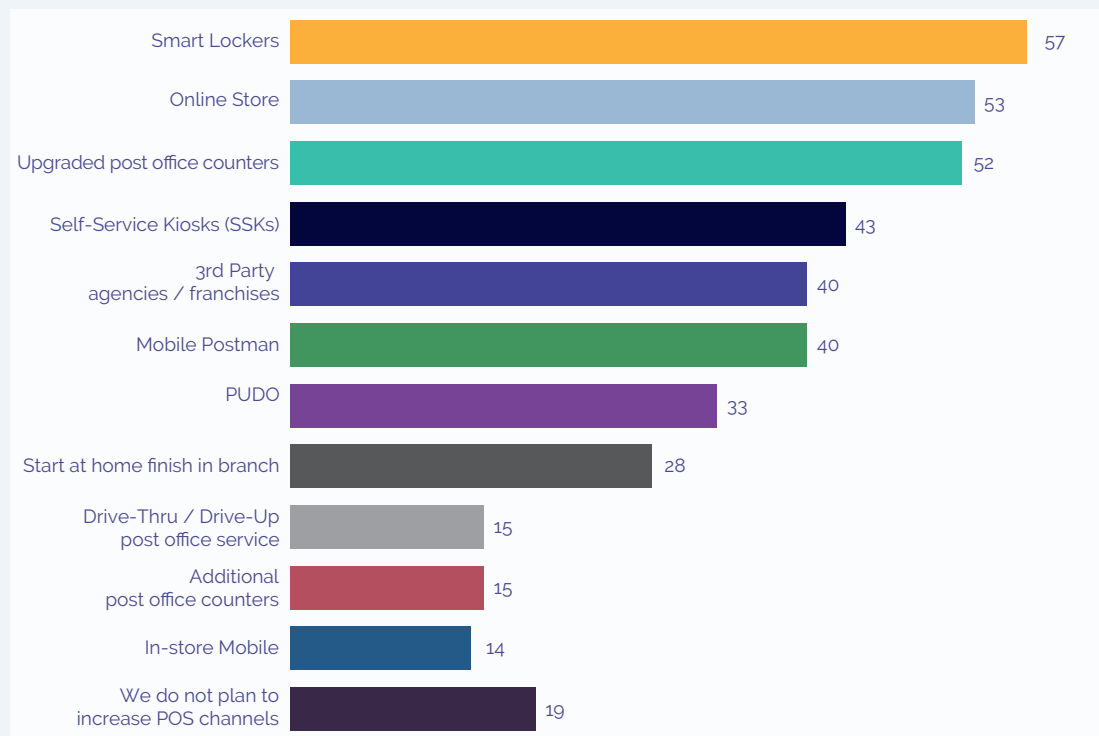
This year's survey found that the vast majority of Posts (91% compared to 98% last year) plan to increase their POS channels within the next three years.

Even though a percentage of Posts are seriously looking to reduce their post office footprint (page 14), a strong contingent of operators still look to the counter as a channel to expand over the coming years, either by upgrading (52%) or adding to their current countertop POS channels (15%).

The e-commerce boom (and the pandemic) has motivated digitalization and the need for online stores, which 53% of Posts mentioned as a key expansion channel. Other digital or technological solutions feature prominently, such as Self-Service Kiosks (43%) or using QR codes (start at home finish in branch at 28%). And in line with a future defined by self-service, smart lockers (57%) are the preferred expansion channel.

POS Channels in 1 to 3 Years

Percentage of Posts





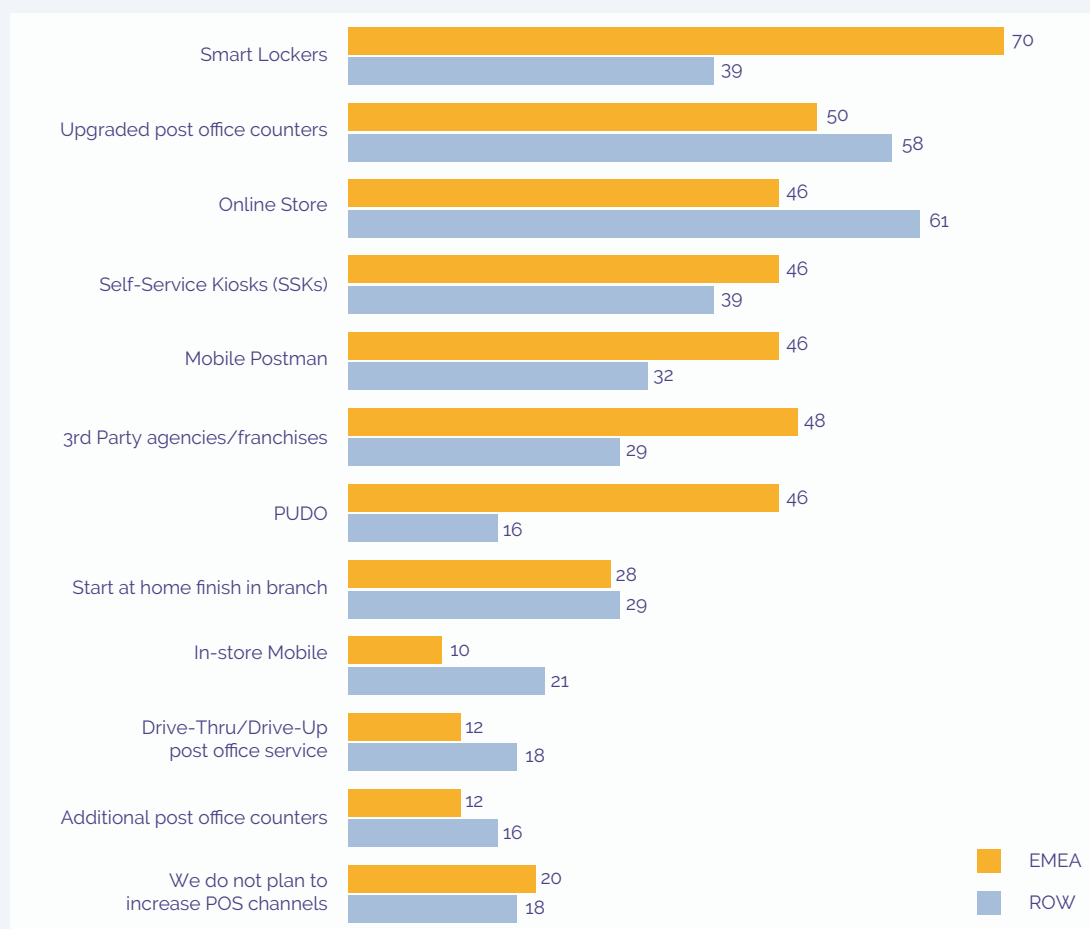
Regionally, however, there seems to be somewhat of a divide. Posts based in the EMEA region are more likely to introduce innovations that speak to improving customer experience, such as smart lockers (70%), mobile postman services (46%) and self-service kiosks (46%).

ROW Posts seem to opt for more 'traditional' POS channels or innovations that speak to cost-effectiveness, be it upgrading post office counters (58%), online store (61%), or in-store mobile (21%).

Interestingly, ROW Posts are more likely to introduce drive-thru/drive-up post office services (18%), which can be expensive to implement.

POS Channels in 1 to 3 Years

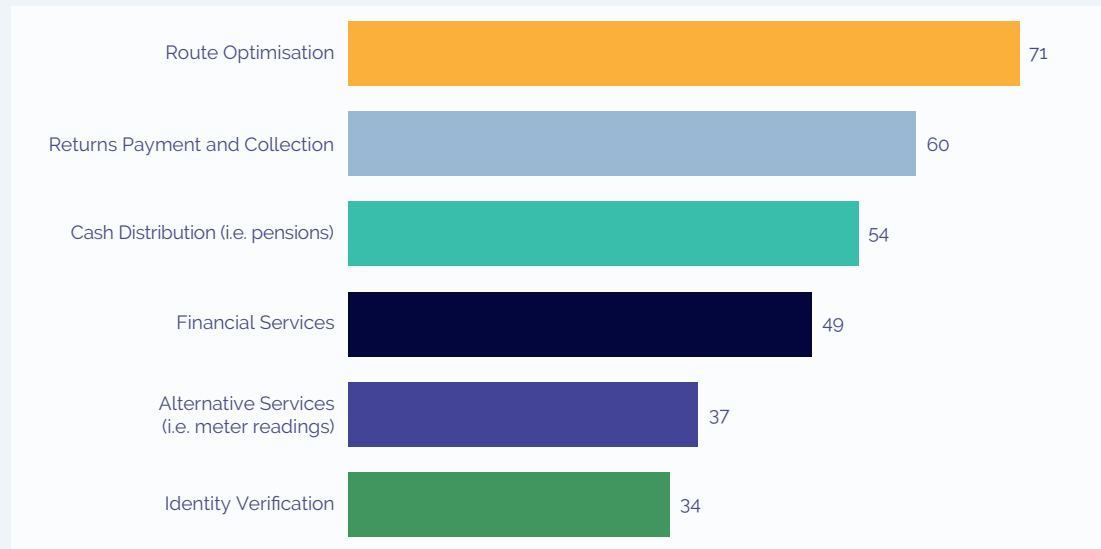
Percentage of Posts



Delving deeper into what mobile postman services are more likely to be adopted, enhanced clarity, and provision of information throughout the delivery process is key (71% of Posts). The rise of e-commerce no doubt creates opportunities for Returns Payment and Collections (60%) and Financial Services (49%), which could also include paying pensions (54%).

Future Mobile Postman Services

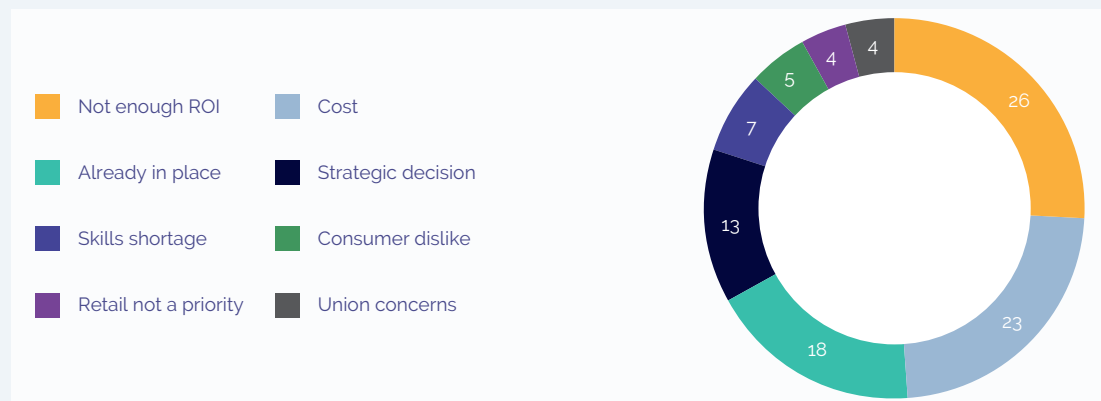
Percentage of Posts



Looking into the usage and investment in self-service kiosks, just over a quarter (26%) of Posts cited insufficient return on investment to justify implementing self-service kiosks. Cost (23%) was another factor. And 18% of Posts, down from 23% last year, said this POS channel was already in place. However, it is worth noting that more options for respondents in this year's survey may account for some discrepancies from last year to now.

Reason for not Investing in Self-Service Technologies

Percentage of Posts






Methodology

Escher is an international leader in providing solutions for the postal industry. As a partner to Posts, Escher is uniquely positioned to assess the current state of the postal industry and predict future trends.

Between February and March 2022, our research partners, Triangle Management Services, conducted an online survey of postal leaders worldwide. Responses from 284 participants across 91 Posts were analyzed to provide Escher with current and future growth plans for the global postal industry.



Calculation notes:

- ✔ **Weighted data:** When multiple responses came from the same post, an average response was calculated to avoid bias in the survey results. Average scores, per post, were used as a basis for developing the postal-industry average. For Yes and No answers to questions, where the question allowed, the average was applied across multiple respondents per post and displayed as the percent of responding posts.
- ✔ **Rounding:** In all instances, percentiles greater than .5 were rounded up; percentages less than .5 were rounded down.
- ✔ **Geographic segmentation:** Selected geographic analysis is shown for two regions: Europe, Middle East and Africa (EMEA) and North, Central and South America, plus Asia Pacific (Rest of World or ROW).



IT'S IN OUR DNA

Going beyond the Future of Posts

Escher Group hopes the Future of Posts is all you need to understand the significant trends and factors shaping the postal and delivery sectors. However, if you would like to take this report further to see how this research and analysis can help your postal business, please contact:

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THE FUTURE OF POSTS

2022



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