

Beyond the Future of Posts

UNLOCKING PROFITABILITY IN THE POSTAL INDUSTRY



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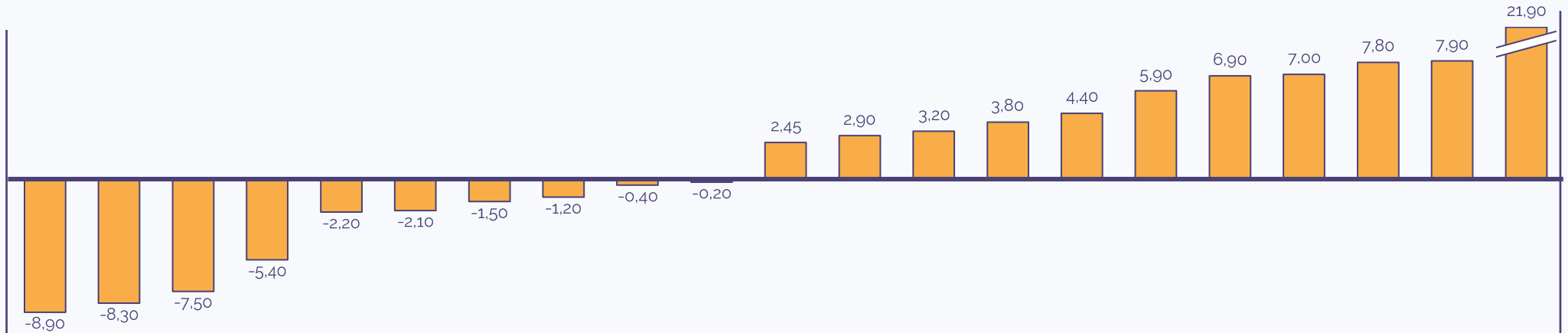
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Postal Profitability



What **makes** or **breaks** a postal operator.

Operating Profit Margin (EBIT) for Postal Operators, latest full year results (2023/2024)



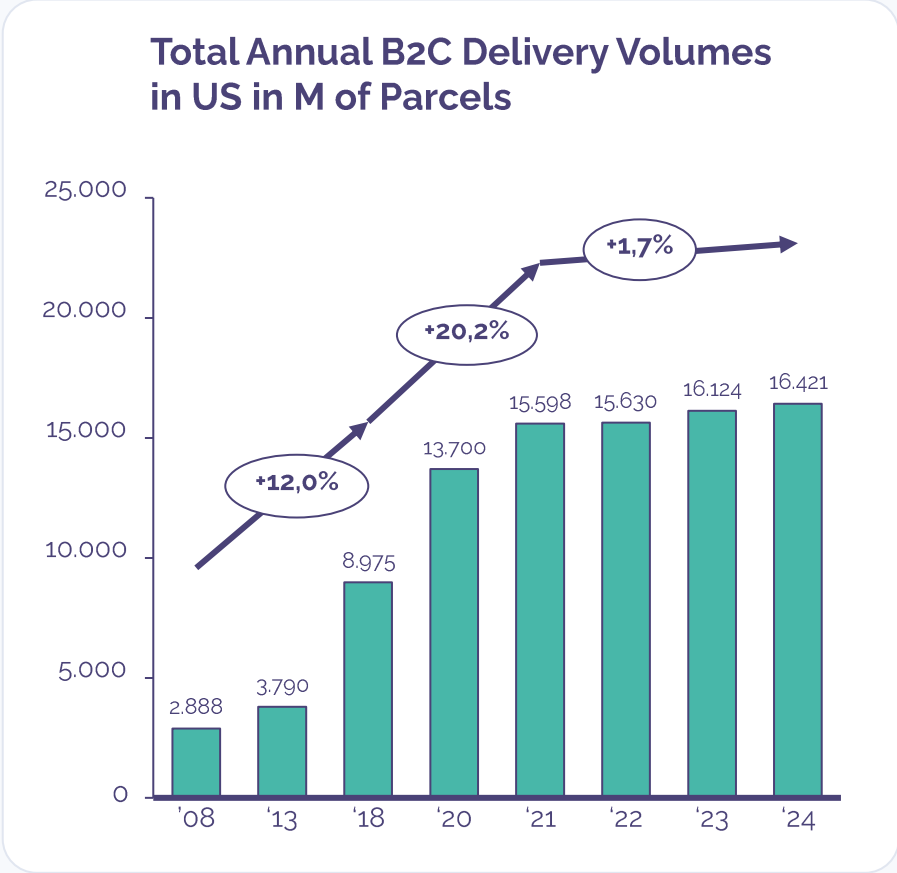
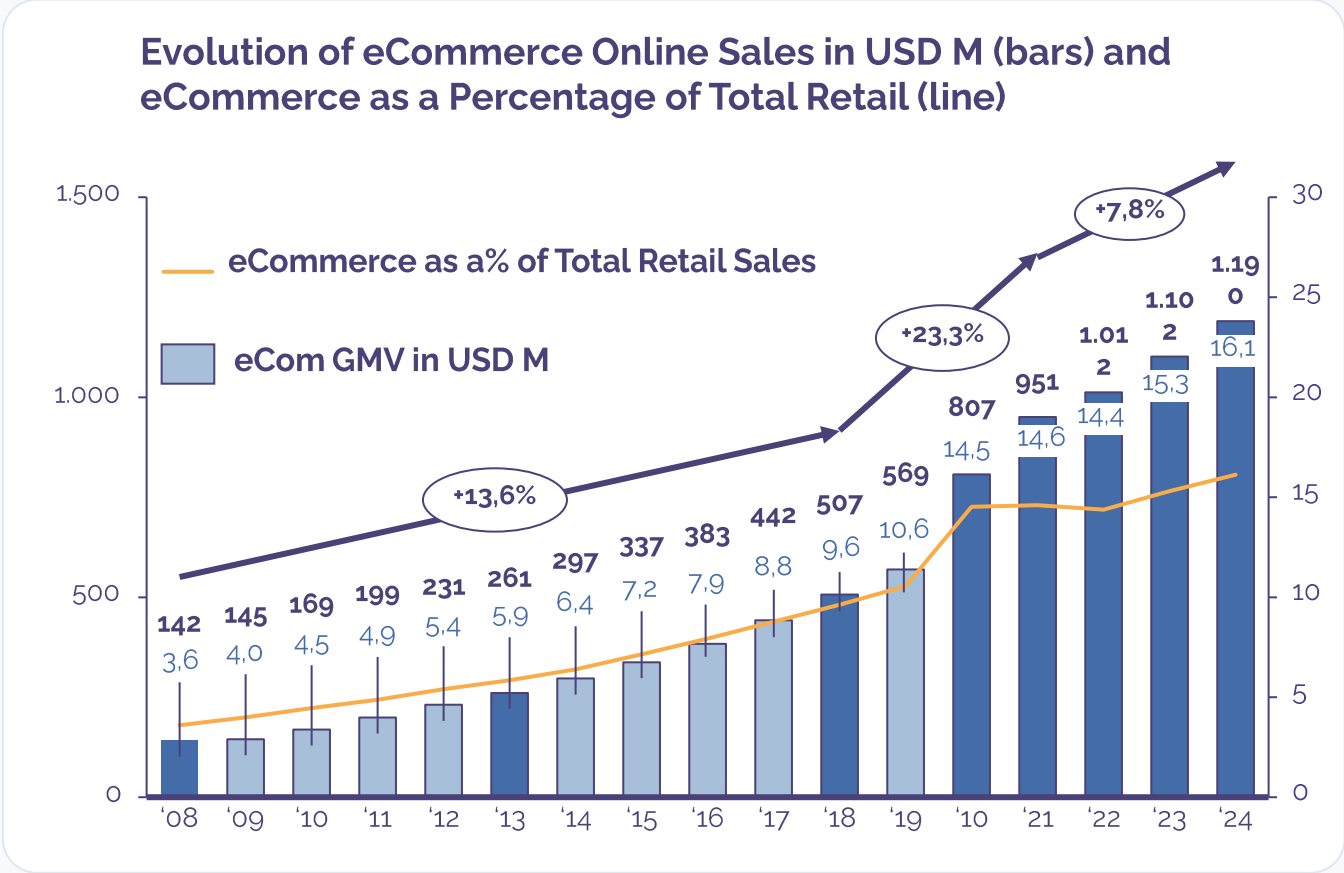
	USPS	Correos	Polish Post	Canada Post	Australia Post	An Post	Correios	NZ Post	Posti	RMG/IDS	Posten Bring	Post NL	Post Nord	bPost	Swiss Post	Japan Post	Austria Post	Groupe La Poste	DPDHL	CTT	Poste Italiane
Privatized										Fully		Fully		Partially		Partially	Partially		Partially	Fully	Partially
Finance and Banking			Yes			Yes									Yes	Yes		Yes		Yes	Yes
International Activities										Yes				Yes		Yes	Yes	Yes	Yes	Yes	
Mail % of Revenues	52%	68%	62%	34%	20%	48%	28%	XX	40%	30%	22%	35%	37%	31%	25%	16%	43%	21%	10%	44%	18%
Presence of Marketplace	X	X		X	X		X			X			X					X	X		X

Analysis: **Pharand Advisors**
Sources: Annual reports

Volume Leak



What **makes** or **breaks** a postal operator.



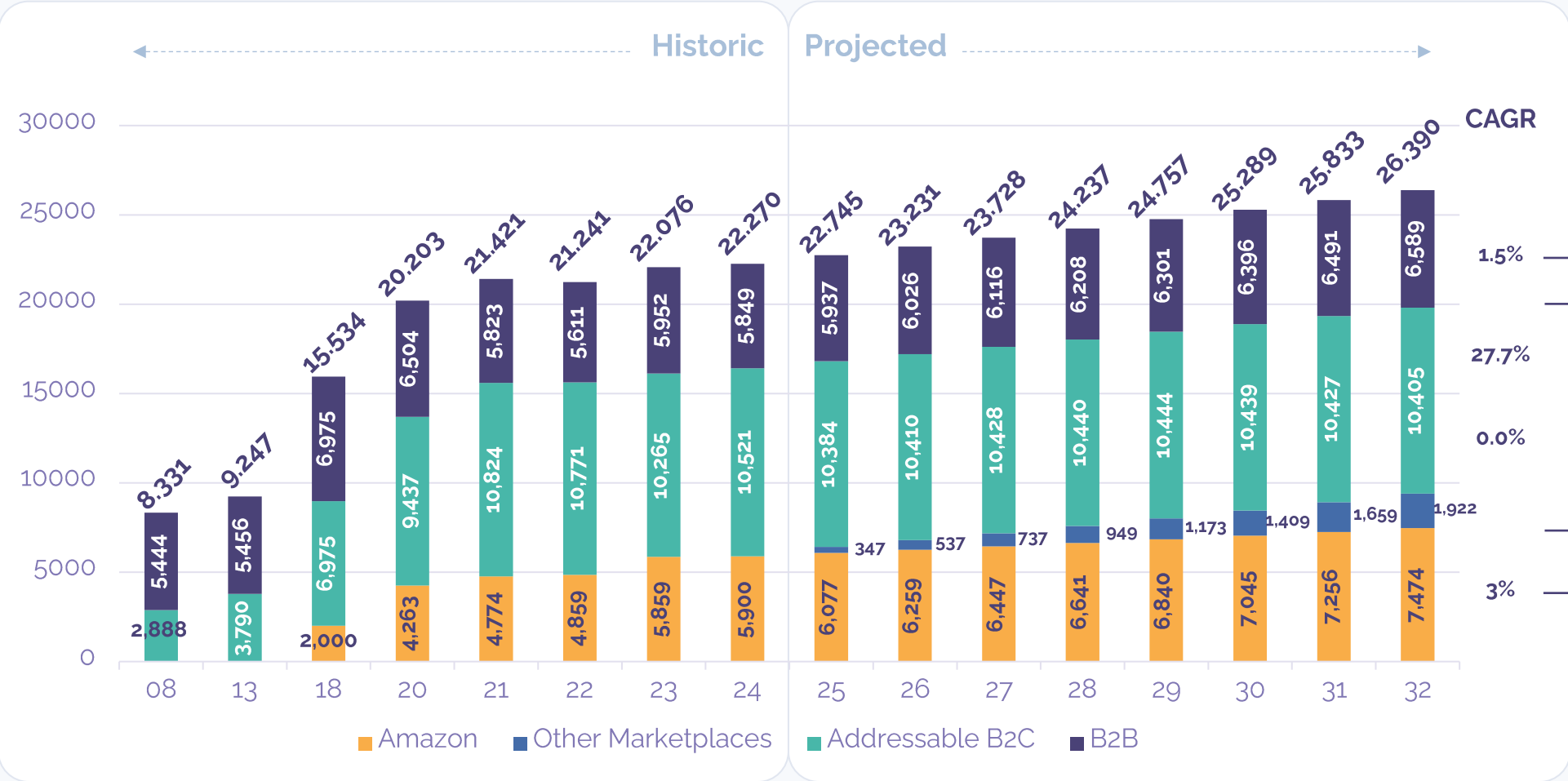
Analysis: **Pharand Advisors**

Sources: Annual reports (incl estimates), US Census Bureau, Capital One Shopping Research

Vertical Integration Squeezing the Market



The addressable parcel market will be **flat** to **down** over the next eight years.



- B2B segment to continue to grow along with GDP with an ongoing shift from Air to Ground and a reduction in documents

- The addressable B2C Segment could grow to 12.3 B parcels by 2032 assuming current conditions
- However, if Marketplaces continue to verticalize and insource their deliveries (they have the density), the addressable B2C segment will remain flat

- Amazon is already a captive market, no longer part of the addressable B2C market
- Amazon also continues to capture market share

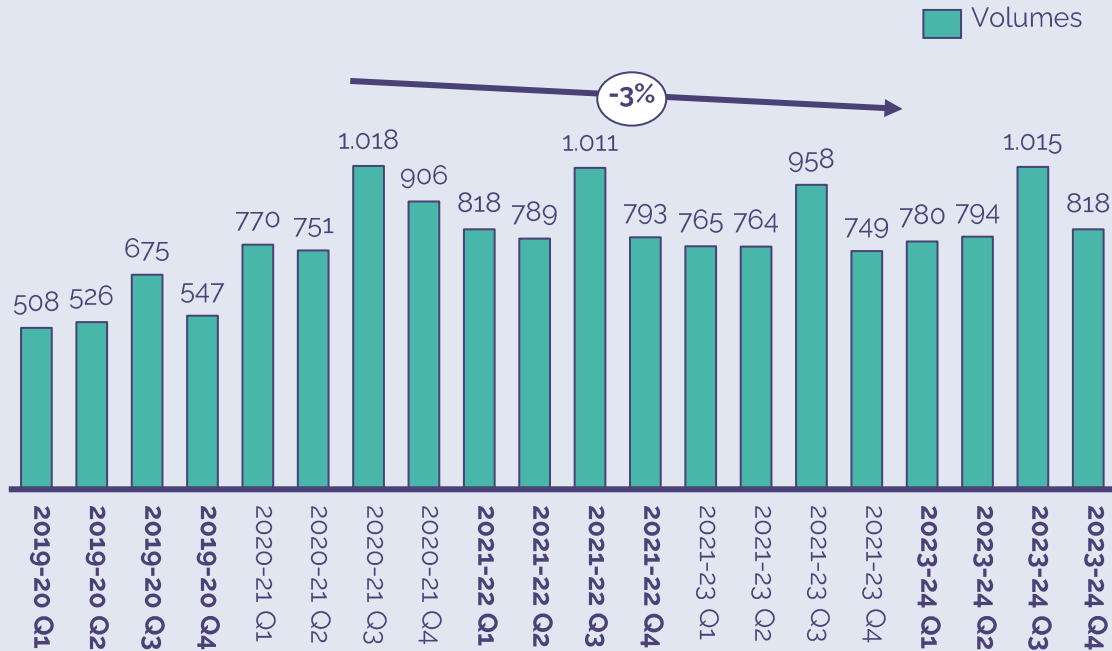
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Nearest Neighbour – Deep Dive

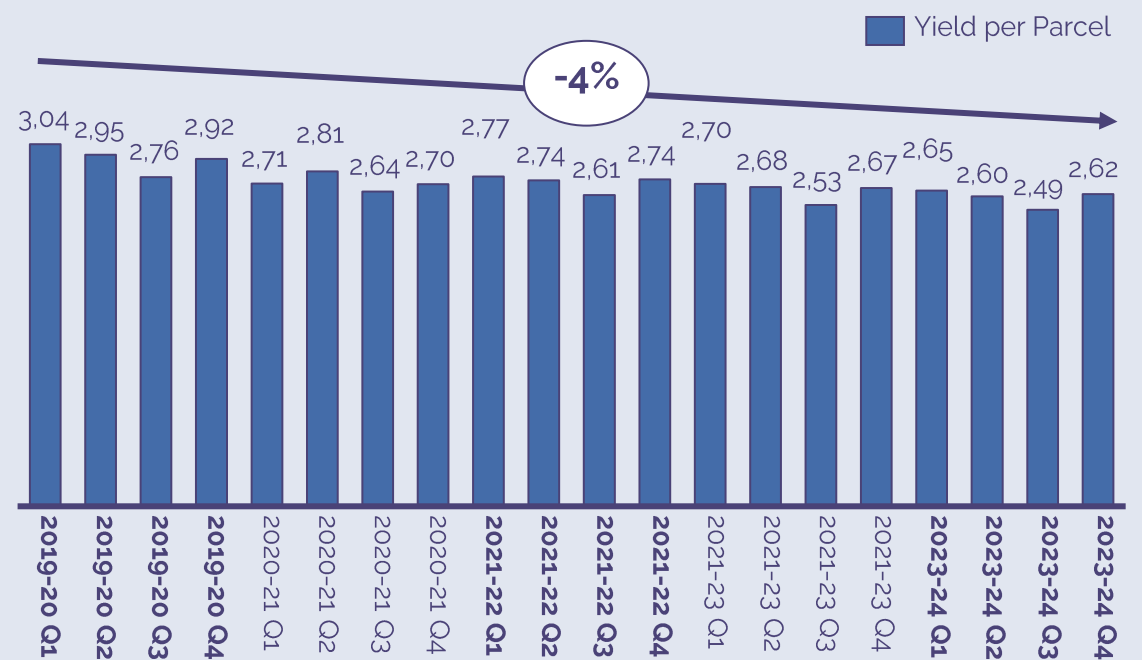


Coupled with **post-COVID parcel volume declines**, the **UK** is also experiencing a decrease in parcel yield. - - - **Increased productivity** and/or **greater competition** and **pricing erosion** are likely factors.

UK Domestic Parcel Volumes in M by Quarter for 2019-20 through 2023-24



UK Yield per Parcel in Pounds (Nominal) by Quarter for 2019-20 through 2023-24



Analysis: **Pharand Advisors**

Sources: Ofcom data and UK Office for National Statistics. Ofcom statistics include Amazon, DHL, DPD, DX Delivery Services, Evri, FedEx, Parcelforce, Royal Mail, TNT Express, UPS and Yodel

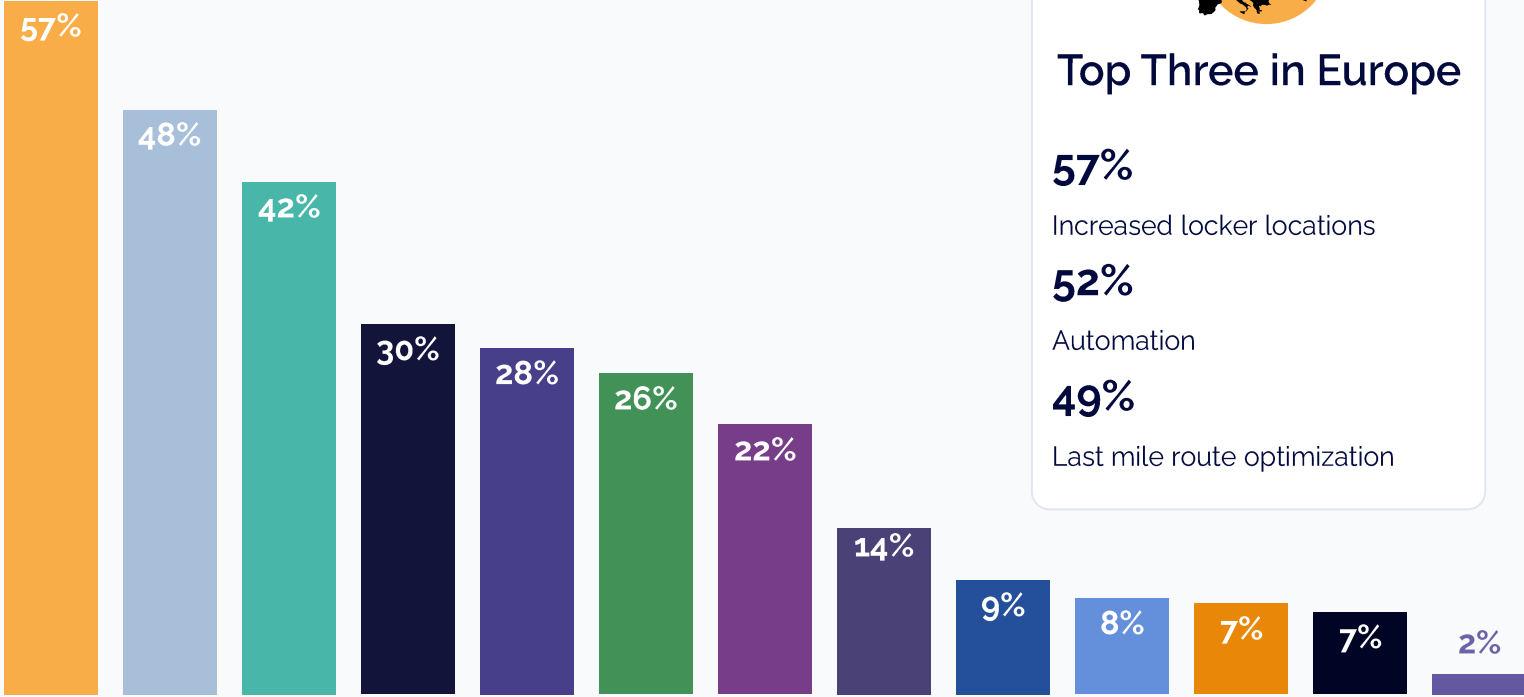
Optimization Focused



Last mile remains the **most expensive** and **hardest to improve** but survival is on the line.

What cost reduction (or operational efficiency) strategies do you plan to use over the **next 12 months** in your **delivery network?**
Percentage of postal professionals

- Last-mile route optimization
- Workforce management and optimization
- Automation (parcel or mail sorting equipment)
- Increase locker locations
- Transportation optimization
- Network consolidation
- Analytics
- Staff Reduction
- Increase PUDO points
- Outsourcing
- No major changes
- Adjusting service standards (e.g letter mail delivery every second day)
- Other



Top Three in Europe

- 57%** Increased locker locations
- 52%** Automation
- 49%** Last mile route optimization

Delivery Network Evolution



The **perpetual pursuit** of **profitability**.

Top performing Posts are **70% more likely** to be accelerating their **delivery network transformation**...



2015 - 2020

Mail

+

Parcels



2020 - 2025

Route Optimization

Sort Optimization

Sort Consolidation



2025 - ...

???

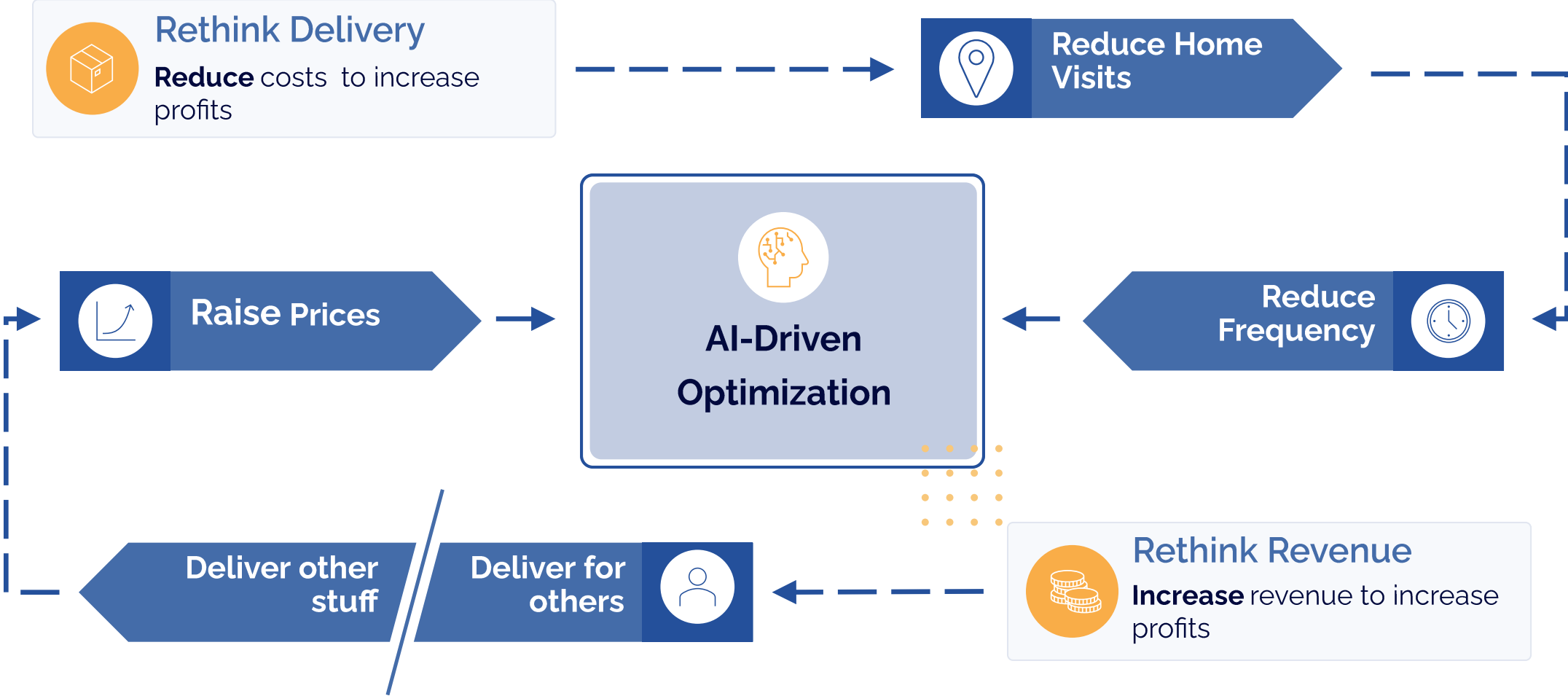
... while moderate performing Posts are **60% more likely** to be **rethinking** their delivery network.

The Future of Posts 2024

The Inevitable Reality



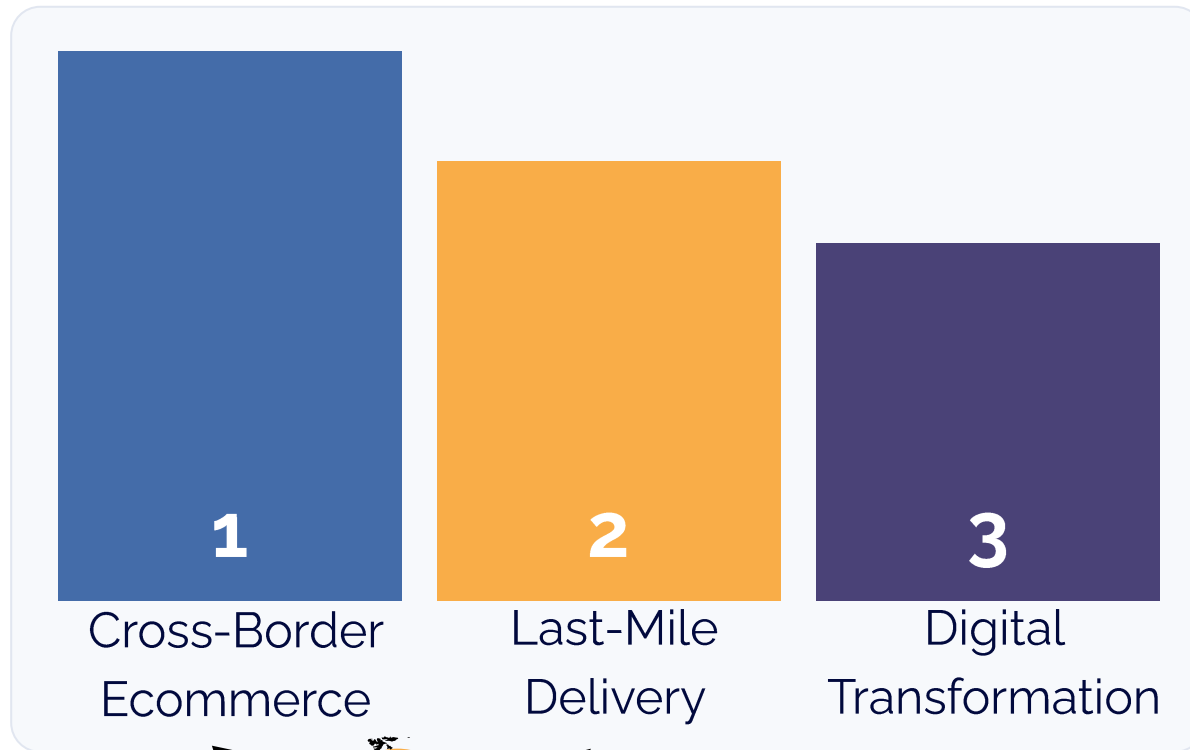
The question is **when**.



The Priorities for all Posts are Consistent



The most **important priorities** for the **next 3 years**.



First and second change places in Europe

Nearly a **quarter** of the top performing Posts are using **data and analytics** to improve operations ...

The Future of Posts **2024**

... while **only 1%** of the under performing Posts noted using data to improve operations is a priority.

Delivery Network



Where to invest.

Top performing Posts are **adding network capacity** at **double the pace** of the less profitable posts.

The Future of Posts **2024**



Rethink Delivery

Modest performers are investing in **lockers** and **PUDO** at a **50% higher rate**.

The Future of Posts **2024**

Top performing Posts are focused on taking cost out of their network by **leveraging automation** at nearly **double the rate** of the less profitable.

The Future of Posts **2024**



Rethink Network Costs

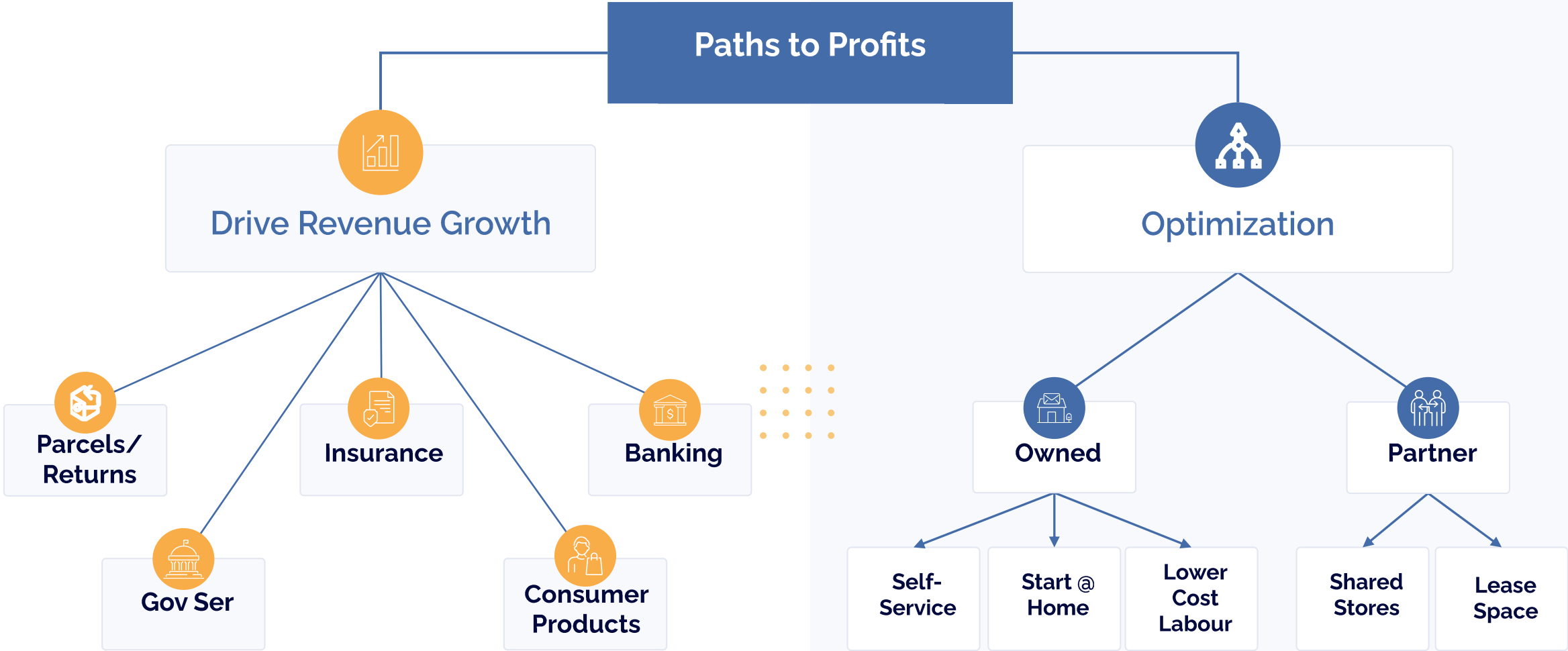
Modest performers are **48% more likely** to be focused on **transportation network optimization**.

The Future of Posts **2024**

Diverging Retail Strategies



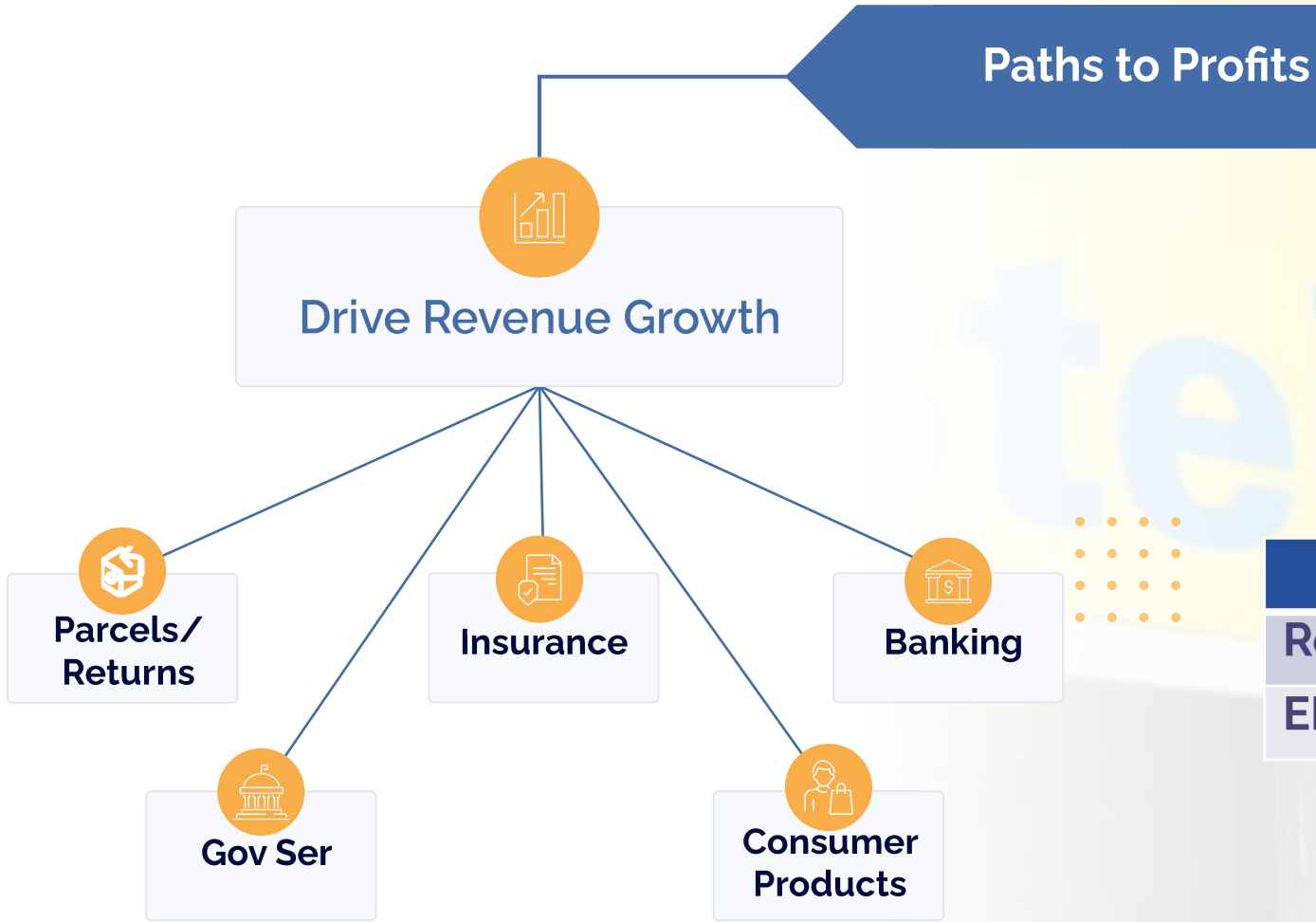
Choosing the **right path** is **crucial**.



Diverging Retail Strategies



An asset to maximize.



Posteitaliane

	2017	2023	Growth
Revenue	€ 10.60	€ 12.62	19%
EBIT	€ 1.10	€ 2.60	136%

Diverging Retail Strategies



Getting **optimization** right.



The Returns Problem

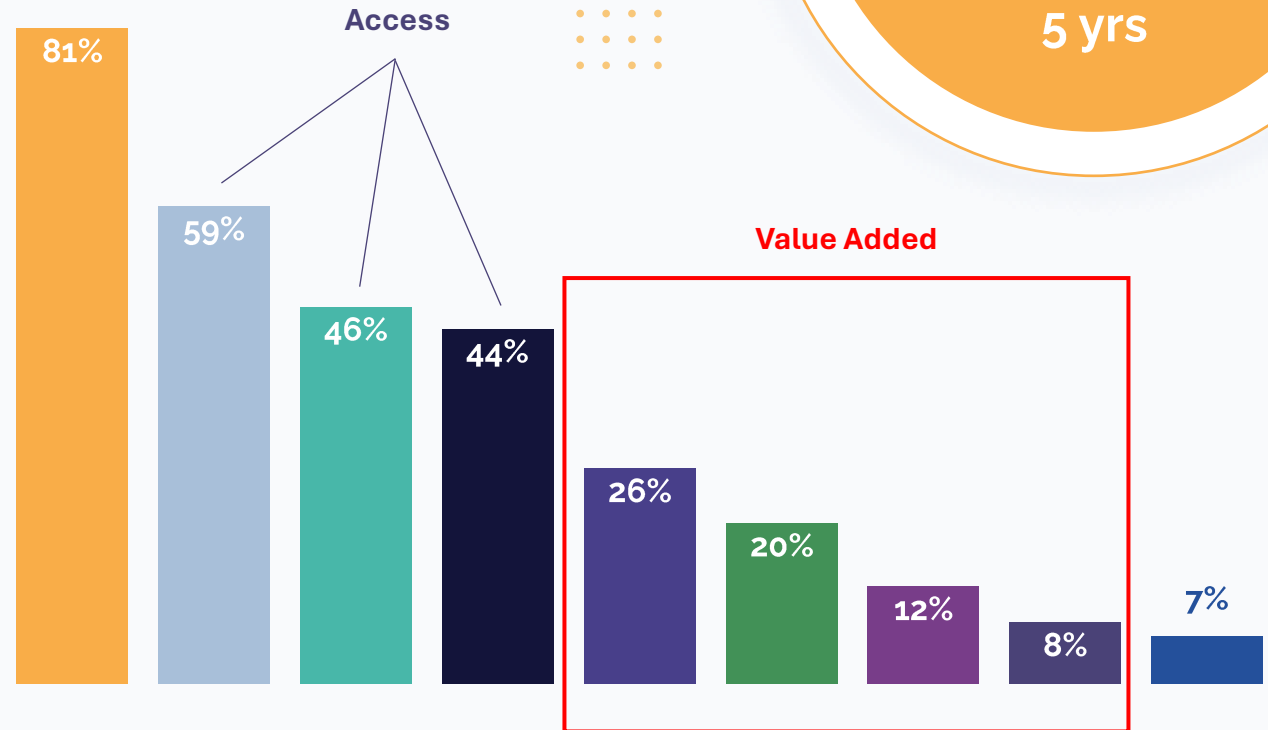
Access remains the focus, but **value-added services** are the differentiator.

Only **7%** of Posts believe that **returns** will have a significant impact on their businesses over the next **5 yrs**

How is your organisation dealing with rising **reverse-logistic** demands?

Percentage of postal operators

- We are not seeing rising reverse-logistics demand
- Offering alternative locations (i.e Lockers, PUDO)
- Home pick-up
- Start at home finish in-branch (i.e QR Code)
- Dynamic rerouting of parcels in transit
- Loss prevention analysis
- Dedicated returns self-service kiosk
- Dynamic disposition (categorising, initiating and processing returns)
- Other

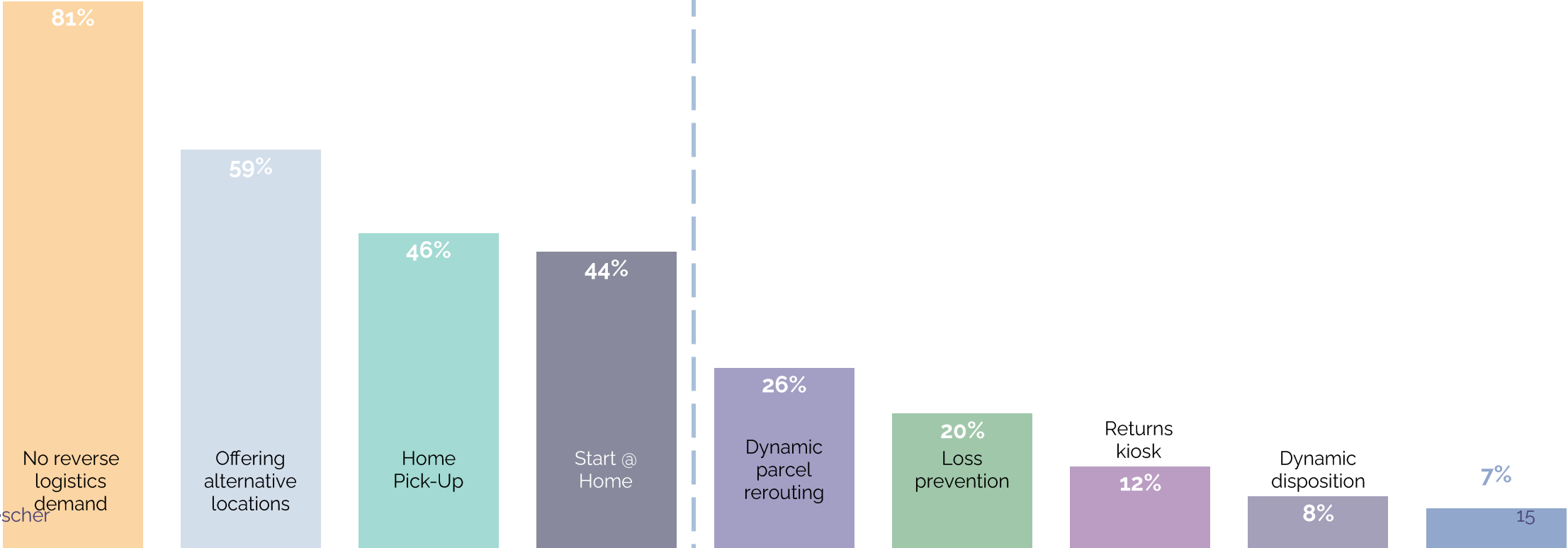


Removing the Friction

Access is linked to the first-mile, value-added services are linked to disposition.

FRICTIONLESS FIRST-MILE

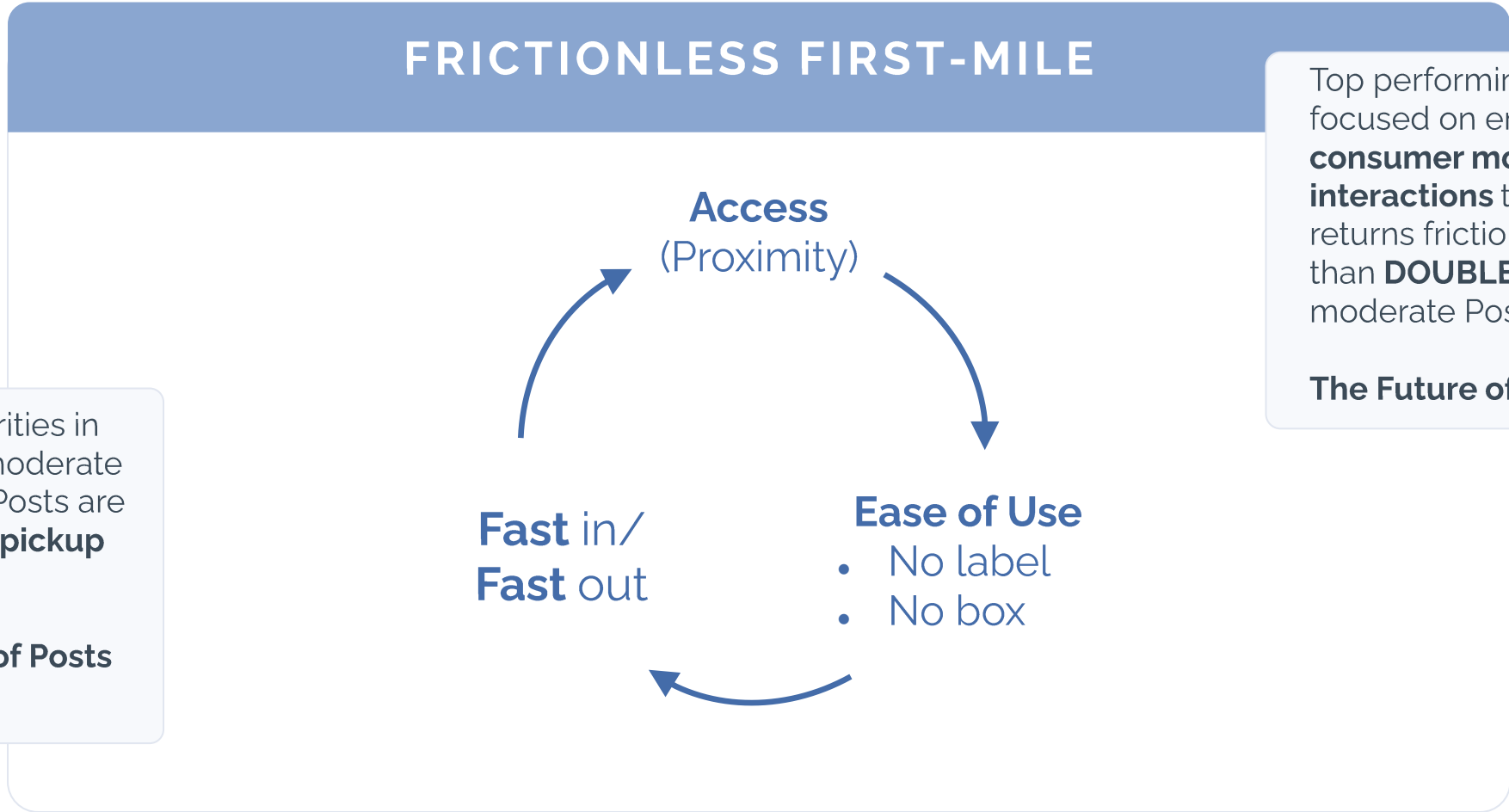
FRICTIONLESS (DYNAMIC) DISPOSITION



Removing the Friction



Less friction equals **more profit**.



Top performing Posts are focused on enabling **consumer mobile interactions** to make returns frictionless at more than **DOUBLE** the rate of moderate Posts.

The Future of Posts 2024

Highest priorities in returns for moderate performing Posts are **lockers** and **pickup solutions**

The Future of Posts 2024

Removing the Friction



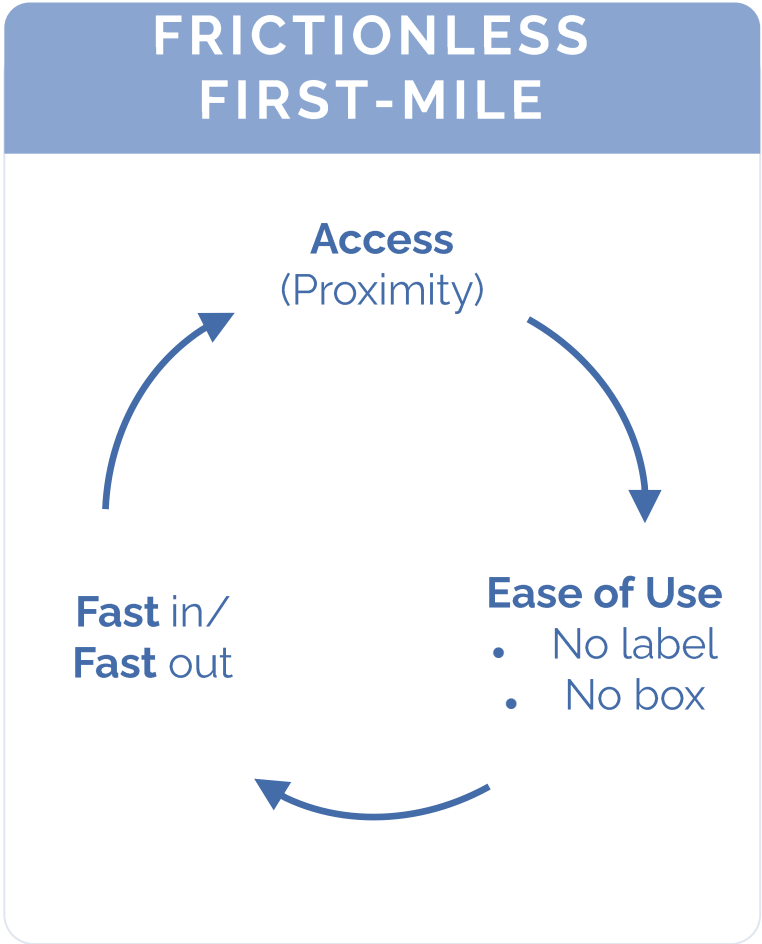
Less friction equals **more profit**.



Removing the Friction

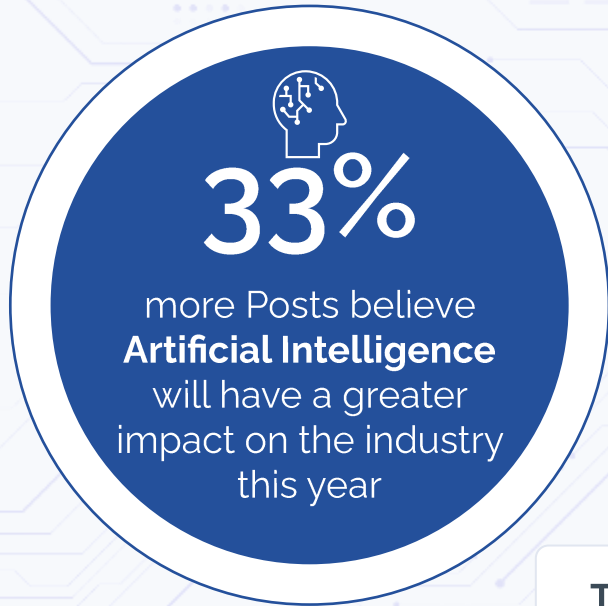


Less friction equals **more profit**.



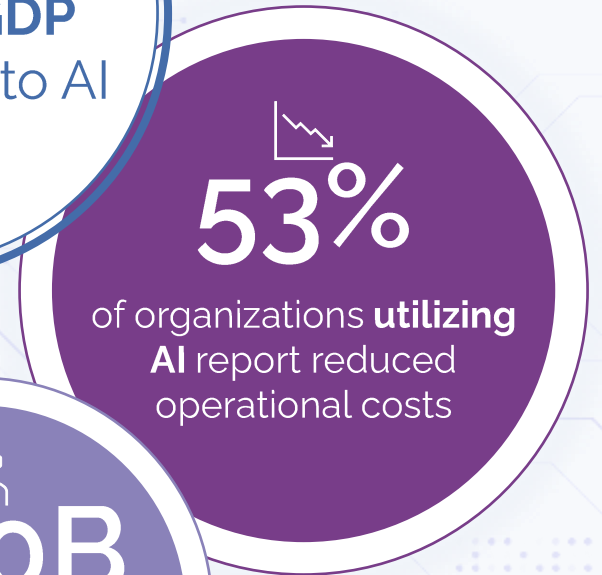
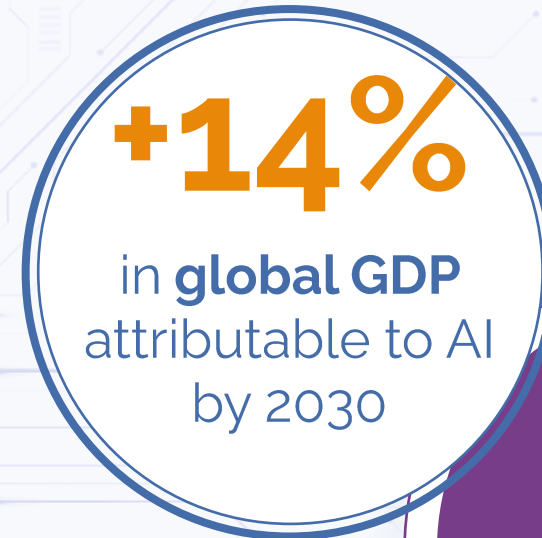
Artificial Intelligence or Artificial Reality

Cutting through the hype surrounding **Artificial Intelligence**.



Top performing Posts are twice as likely to be **focused on customer data analytics** to improve their retail channel than moderate posts.

The Future of Posts 2024



Parcels Travel Shorter Distances



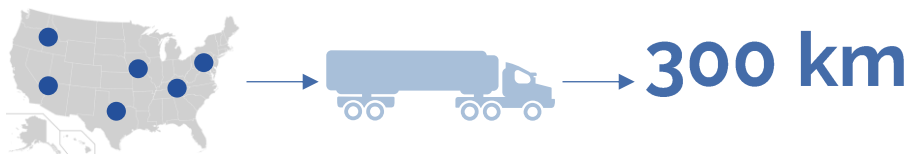
As distances shrink the importance of a very efficient **last-mile** grows. **AI** could change the game.

If we assume that parcels travel using these modes and distances ...

AIR (Overnight, Next Day, Deferred)



GROUND

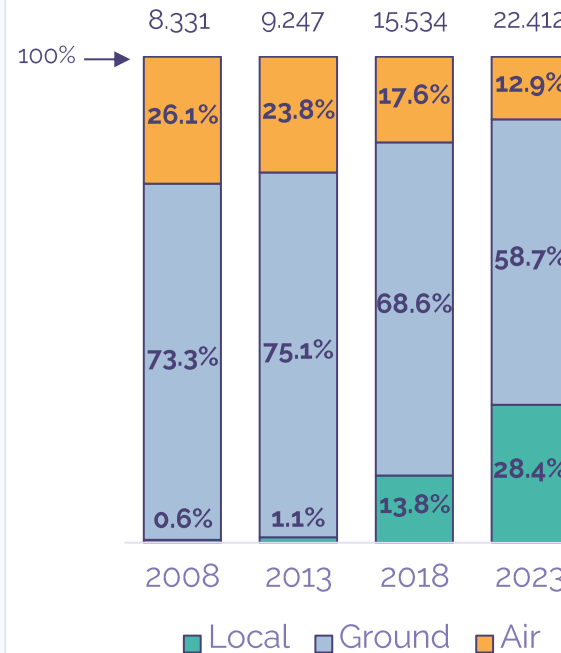


LOCAL (Fulfilment Center or Delivery Station)



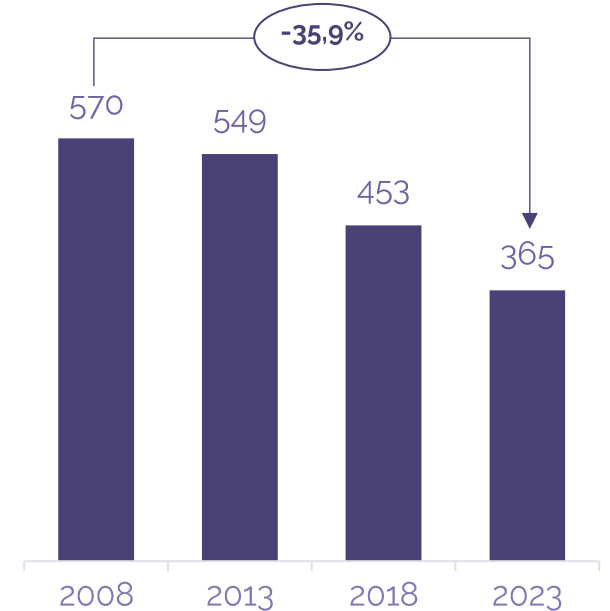
... and we apply these to the parcels (B2B and B2C) product mix...

Percentage and total volume in M of the US CEP market



... then the Average Distance travelled by a parcel has declined

Average distance travelled by each parcel in the US



Analysis: **Pharand Advisors**
Sources: Annual reports

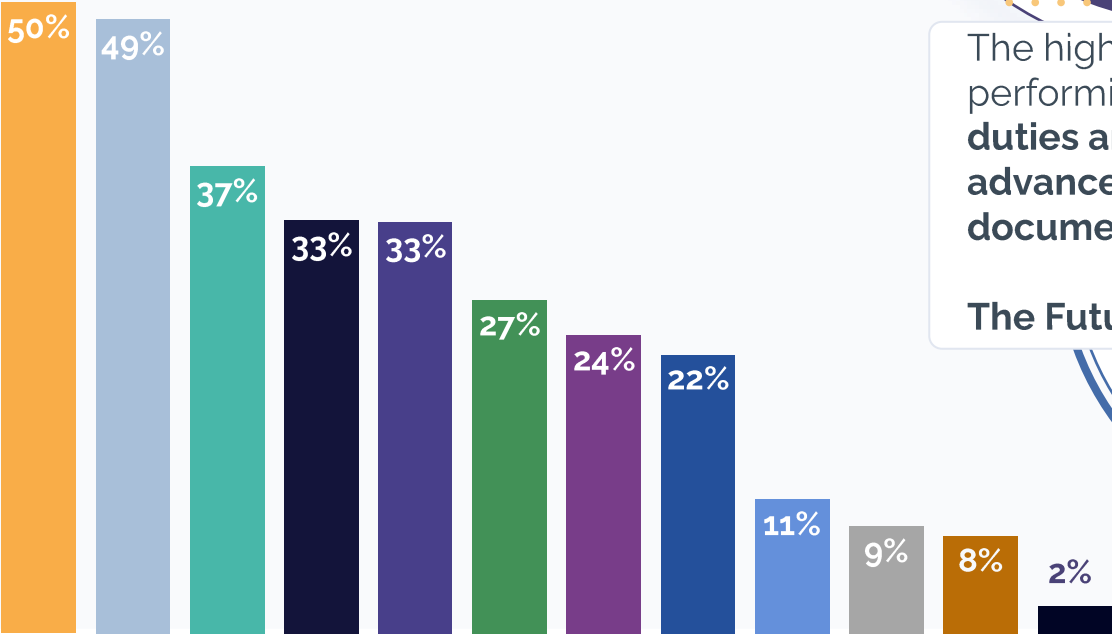
Chasing DDP

The market is shifting to **require DDP**, but Posts have been slow to respond.

What is the main obstacle to **cross-border e-commerce** growth?

Percentage of postal operators

- Real-Time Tax and Duty Estimation
- Transit Times
- Partial or incorrect electronic data
- New Competitors
- Compliance new regulations
- Documentation Difficulties
- Cost Transparency
- Manual processing
- Product Restriction Screening
- Solutions for Cross-Border Product Repair
- Product Classification
- Denied Parties Screening



#1

investment
priority

77%

Moderate performing Posts are almost **twice** as likely to be focused on **transit times**.

The Future of Posts 2025

the next 3 years

The highest priorities for top performing posts are **real time duties and taxes** and improving **advance electronic documentation (AED)**.

The Future of Posts 2025
2027

Contrasts

Focus by **profitability**.



TOP PERFORMERS



MODERATE PERFORMERS



UPGRADED COUNTERS

RETAIL PRIORITIES

SMART LOCKERS



LAST-MILE OPTIMIZATION

ANALYTICS FOCUS

OPERATIONAL EFFECIENCY



ANALYTICS & AI

GREATEST IMPACT

USO REFORM



INCREASED CAPACITY

**DELIVERY NETWORK
PRIORITY**

RETURNS OFFERING

New Research!



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