



# 2023 Post & Parcel industry trends

  
accenture

# 01

## **Accenture in the Postal and Parcel Industry**

# Post & parcel: Global reach and perspective

We have worked with a wide range of postal and parcel organizations globally, including 38 of the top 40 operators

**4000+**

Postal projects delivered, helping executives globally

**2500+**

Pool of Postal and Parcel practitioners around the world

**90%**

of the Global Postal clients already been served by Accenture

**70%**

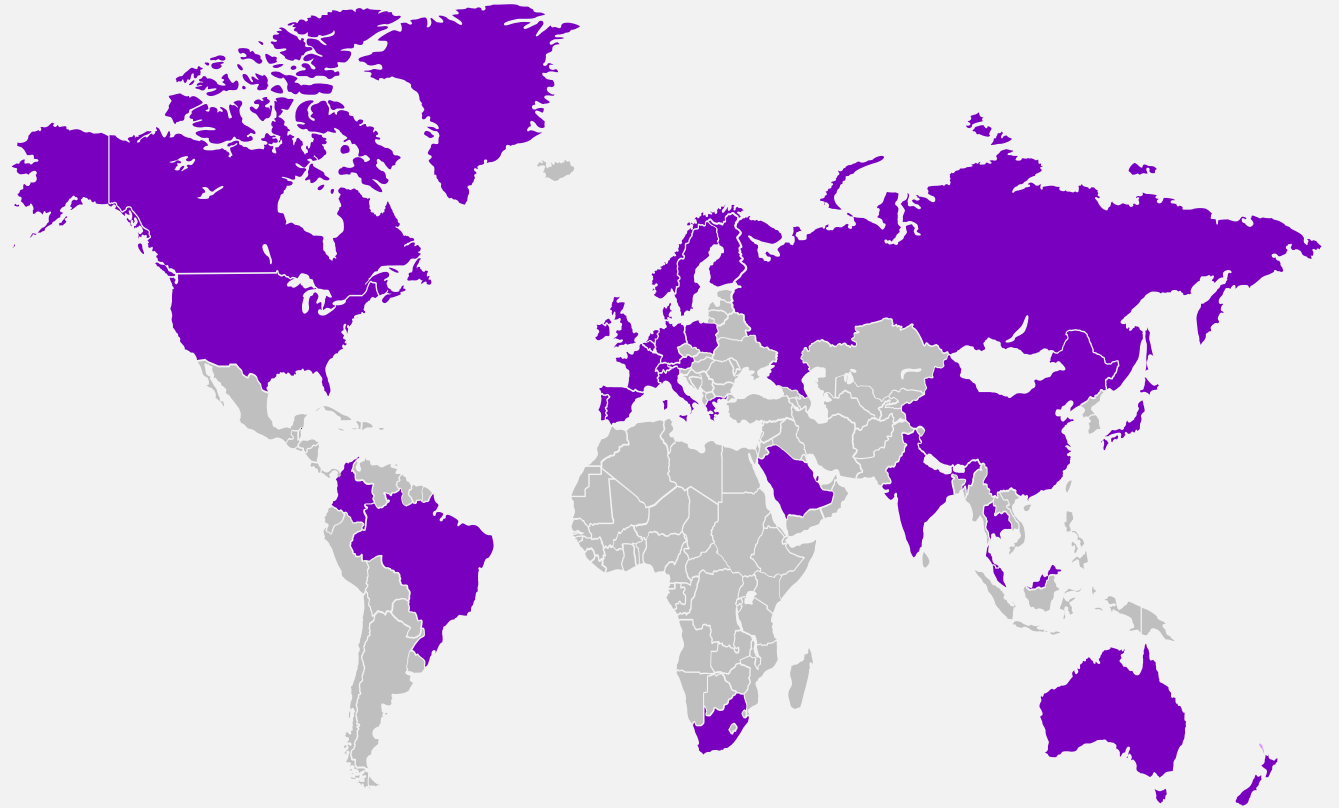
of Global Mails & Parcels tracked by systems implemented by Accenture

**38 of 40**

of largest parcel organizations are Accenture clients

**15 yearst+**

of Postal Thought Leadership



# Thought leadership

For more than 15 years, we have been following the Logistics & Post and Parcel industry and publishing leading Thought Leadership



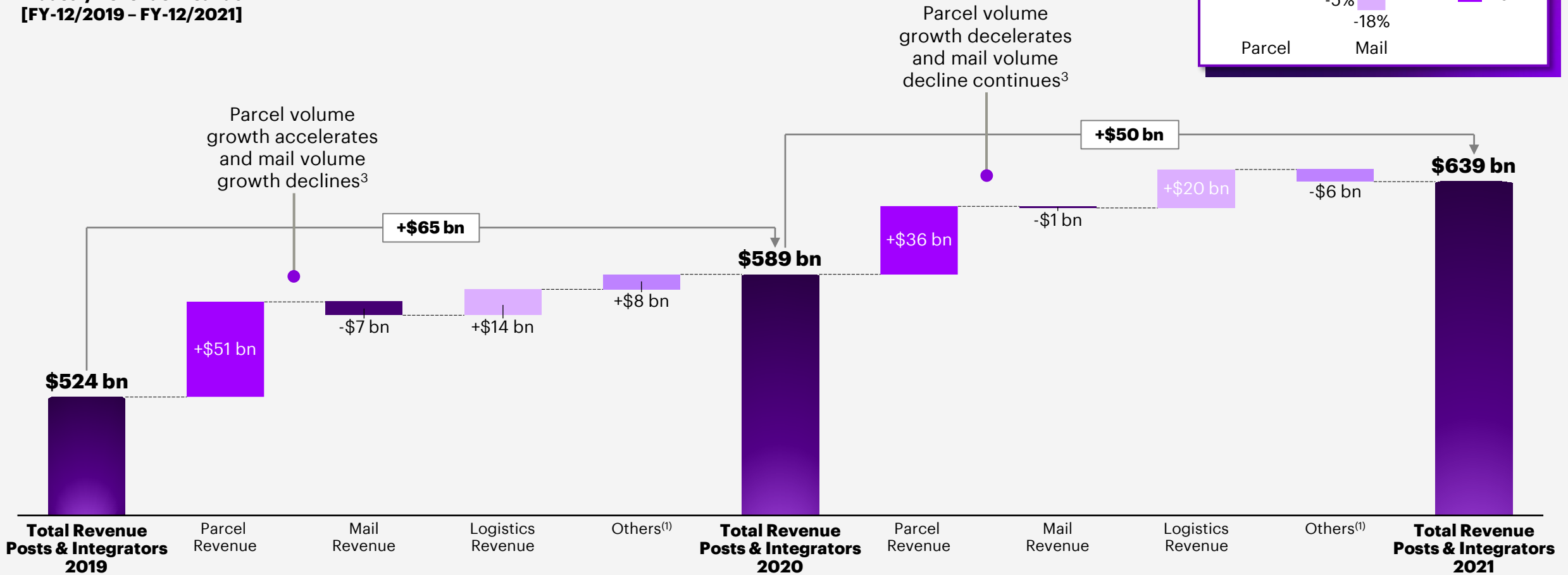
# 02

## **Cyclical and structural change hitting the industry**

# Growth was strong during Covid

There was strong growth in the postal and parcel world and revenues in 2021 were far above the levels in 2019

**Industry Revenue Breakdown<sup>2</sup>**  
[FY-12/2019 – FY-12/2021]

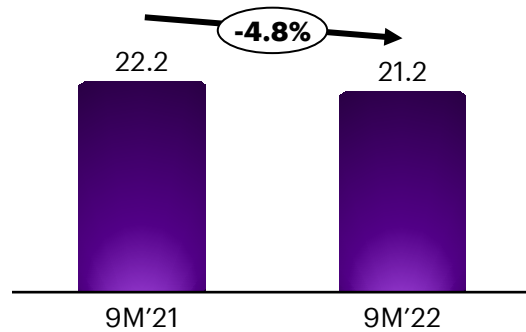


Note: (1) Other includes revenue from retail, financial services and other value-added services, (2) Based on UPS, Fedex, DPDHL, Aramex, Yamato, SF Holding, ZTO Express; Bpost, Japan Post, Royal Mail, Austrian Post, Poste Italiane, PostNL, CTT, USPS, Australia Post, Post Nord, Canada Post, Pos Malaysia, Posten Norge, NZ Post, Posti, Correos Spain, Swiss Post, La Poste (3) Based on median growth of volumes - Posts: Poste Italiane, Austria Post, Royal Mail, Post NL, CTT, USPS, Australia Post, Post Nord, Canada Post, Posti, Pos Malaysia, Swiss Post; Integrators (only parcel): UPS, FedEx, DPDHL, Yamato, Aramex, SF Holding (4) Swiss Post data estimated; La Poste mail and parcel revenue estimated|Sources: Company reports, S&P Capital IQ, Accenture Client Value Services

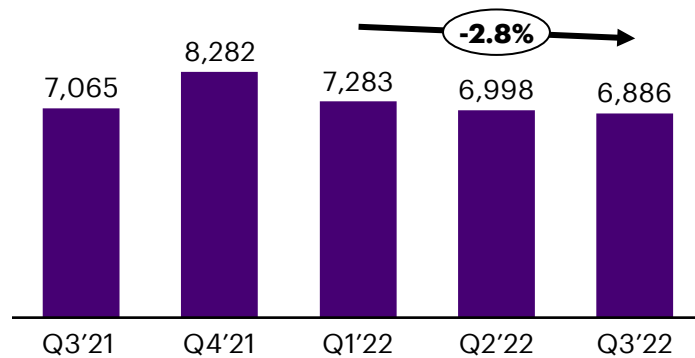
# 2022 marked the beginning of uncertainty

We anticipate a decline in margins because of the decline in volumes and the rise of inflation

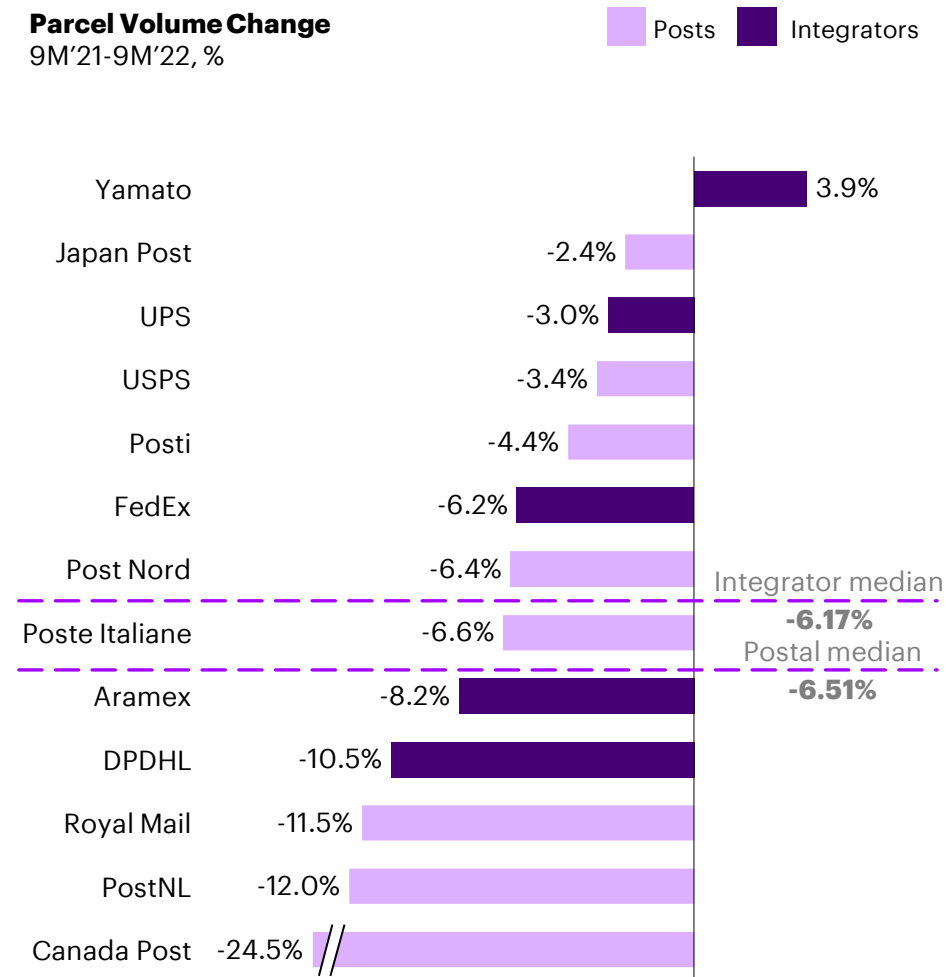
**Parcel Volumes<sup>1</sup>**  
9M'21-9M'22, bn



**Quarterly Parcel Volumes<sup>1</sup>**  
Q3'21-Q3'22, mn



**Parcel Volume Change**  
9M'21-9M'22, %



**Some headlines showcasing the mixed messages and speed of change**

**FedEx Parks Planes as Weak Demand Prompts Cost-Cutting Steps**

Canada Post segment reports \$160-million loss before tax for second quarter

**Belgium's Bpost cuts outlook on holiday season uncertainty**

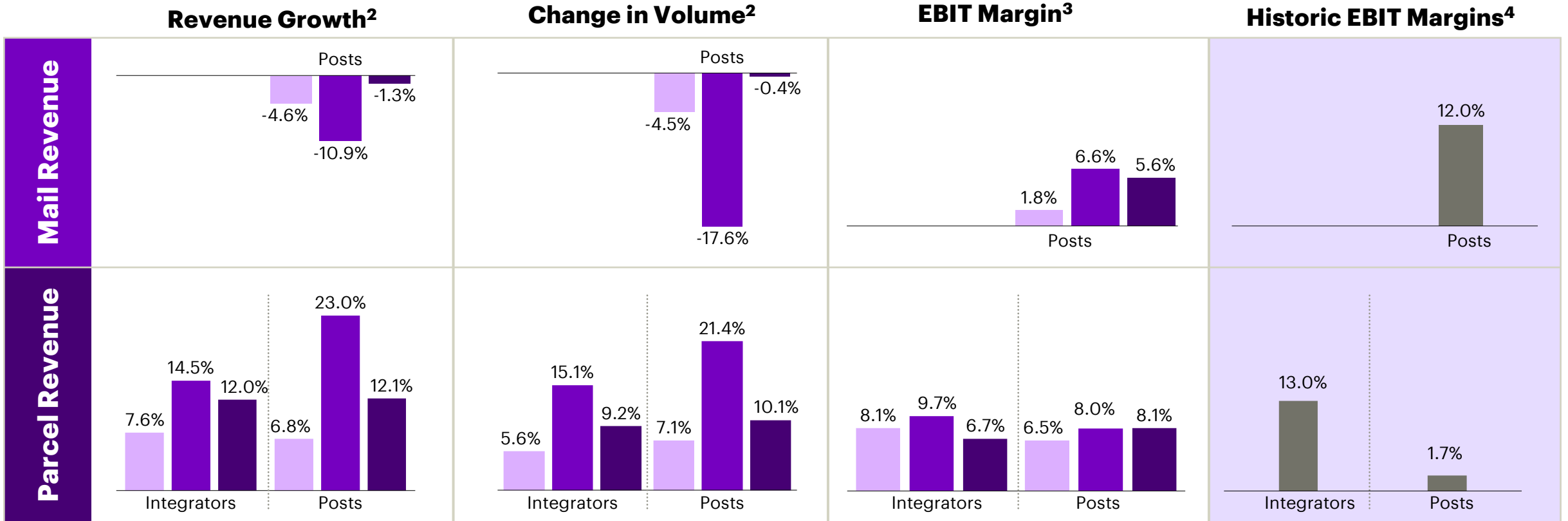
**Australia Post FY22 report shows new records**

**La Poste subit le recul des volumes de lettres et colis**



# Covid changed the profile of where profitability comes from

For integrators, margins are lower than pre-pandemic on parcels while for postal players parcel margins are up while mail margins are down from historic highs



**Y-o-Y Revenue Growth Drivers: Mail Revenue Growth vs Parcel Revenue Growth<sup>1</sup>**  
%, FY-12/2018 – FY-12/2021

Pre COVID-19 (FY 18 - FY 19)    During COVID-19 (FY 19 - FY 20)    Post COVID-19 (FY 20 - FY 21)

Notes: (1) All the above data is based on medians; and numbers are considered based on availability as per reporting in financial statements leading to variation in companies considered for the analysis (2) Posts considered for mail revenue, volume & unit price growth: Poste Italiane, Austria Post, Royal Mail, Post NL, CTT, USPS, Australia Post, Post Nord, Canada Post, Posti, Pos Malaysia, Swiss Post (3) Posts considered for mail EBIT margin: Austria Post, Post NL, CTT, Posten Norge, NZ Post (4) Posts considered for parcel revenue, volume and unit price growth: Poste Italiane, Austria Post, Royal Mail, Post NL, USPS, La Poste, Post Nord, Canada Post, Pos Malaysia, Swiss Post (5) Posts considered for parcel margins: Austria Post, Royal Mail - GLS; La Post - GeoPost, Canada Post - Purolator, Post NL, CTT, Posten Norge, NZ Post (6) Integrators considered for parcel calculations: UPS, FedEx, DPDHL, Yamato, Aramex, SF Holding (7) SingPost excluded from calculations due to restatements / unclear distinction between mail & parcel reporting (8) FedEx, Yamato, Aramex, SF Holding reported lower margins (9) Unit revenues are affected by change in product mix during COVID - low volumes of cheaper admails in 2020 | Source: Capital IQ, Bloomberg, Company Reports; Accenture Client Value Services; (4) Historic EBIT Margins from Accenture Research and past Points of View





**So what is happening?**

# As an industry, posts have struggled to grow

A majority of the postal operators have faced stagnant or declining revenues; postal operators with growth above 2% have grown largely inorganically

CEP Players smaller today than in 2007 2007-21 CAGR: <0%				CEP Players treading water 2007-21 CAGR: 0-2%			Moderate growth 2007-21 CAGR: 2-5%			High single digit growth 2007-21 CAGR: >5%					
Player	2007-2014	2014-2021	2007-2021	Player	2007-2014	2014-2021	2007-2021	Player	2007-2014	2014-2021	2007-2021	Player	2007-2014	2014-2021	2007-2021
Correos - Spain	<b>-3.9%</b>	<b>2.7%</b>	<b>-0.7%</b>	DPDHL	<b>-1.6%</b>	<b>5.4%</b>	<b>1.8%</b>	UPS	<b>2.3%</b>	<b>7.6%</b>	<b>4.9%</b>	Posti	<b>22.2%</b>	<b>-1.9%</b>	<b>9.5%</b>
Posten Norge	<b>-1.6%</b>	<b>0.2%</b>	<b>-0.7%</b>	Japan Post	<b>5.1%</b>	<b>-2.8%</b>	<b>1.1%</b>	Bpost	<b>1.1%</b>	<b>8.4%</b>	<b>4.7%</b>	SingPost	<b>10.0%</b>	<b>8.9%</b>	<b>9.4%</b>
Swiss Post	<b>-0.4%</b>	<b>-2.9%</b>	<b>-1.7%</b>	Austria Post	<b>0.3%</b>	<b>1.0%</b>	<b>0.7%</b>	La Poste	<b>0.9%</b>	<b>8.4%</b>	<b>4.6%</b>	Aramex	<b>10.8%</b>	<b>7.5%</b>	<b>9.1%</b>
NZ Post	<b>4.3%</b>	<b>-7.6%</b>	<b>-1.8%</b>	CTT	<b>-0.6%</b>	<b>0.8%</b>	<b>0.1%</b>	Australian Post	<b>4.9%</b>	<b>3.7%</b>	<b>4.3%</b>	Pos Malaysia	<b>7.5%</b>	<b>6.3%</b>	<b>6.9%</b>
SAPO	<b>-1.3%</b>	<b>-3.1%</b>	<b>-2.2%</b>	Poste Italiane	<b>-0.7%</b>	<b>0.9%</b>	<b>0.1%</b>	Yamato	<b>1.9%</b>	<b>2.8%</b>	<b>2.3%</b>	FedEx	<b>3.8%</b>	<b>9.1%</b>	<b>6.4%</b>
PostNL	<b>-12.7%</b>	<b>-2.9%</b>	<b>-7.9%</b>	AN Post	<b>-1.1%</b>	<b>1.2%</b>	<b>0.1%</b>	Canada Post	<b>0.9%</b>	<b>3.4%</b>	<b>2.2%</b>				
	<b>0.1%</b>	<b>4.3%</b>	<b>2.1%</b>					Royal Mail	<b>0.1%</b>	<b>4.3%</b>	<b>2.1%</b>				

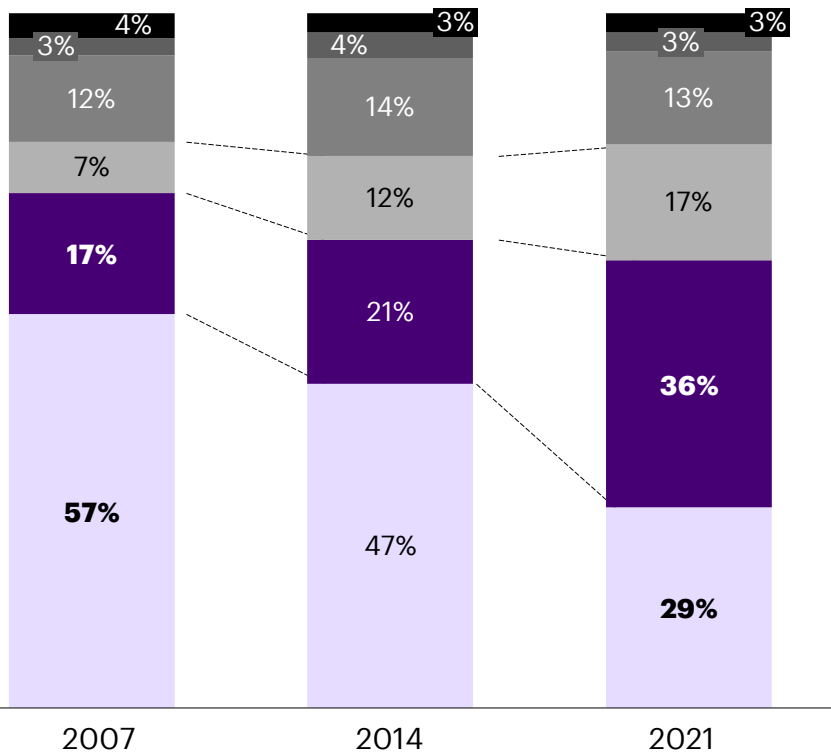
CAGR <0% 0-2% 2-5% >5%

Notes: (1) Figures in bold represent increase in revenue (2) For Japan Post and Royal Mail, revenues are as of years ending March 2008, 2015 and 2022 respectively  
Source: Company Reports; Accenture Client Value Services

# Diversification has had a marginal impact on revenues

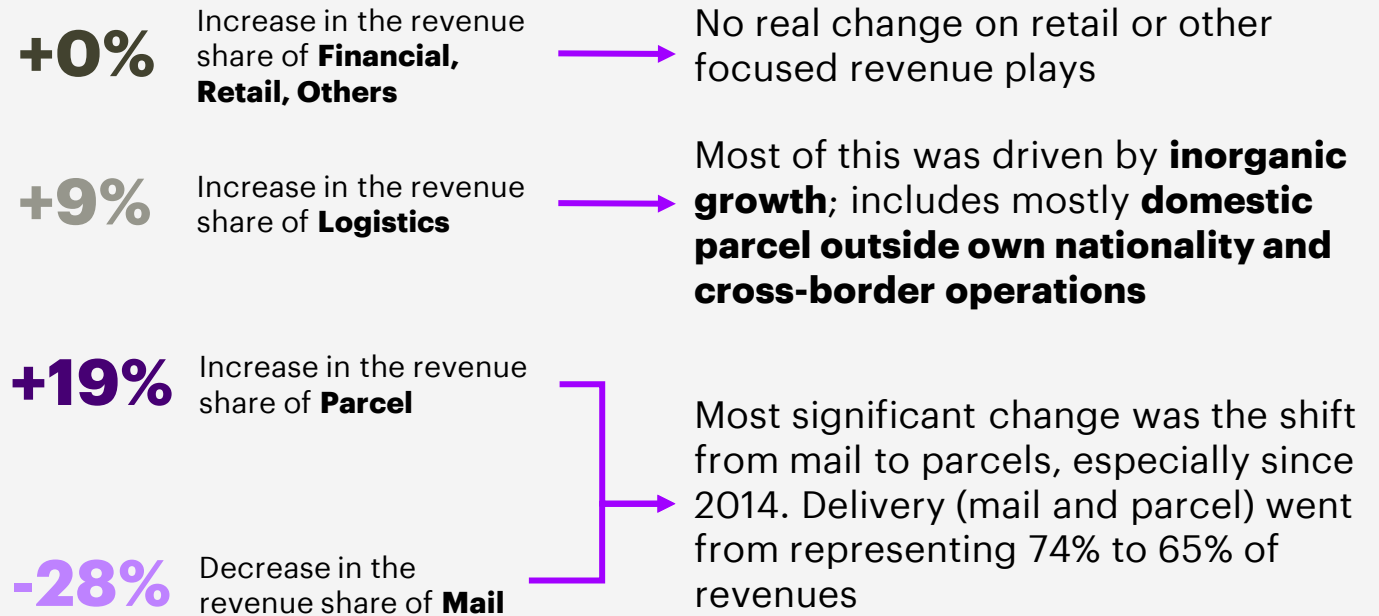
The Postal industry has seen a radical shift from mail to parcels and logistics services since 2007, and Posts that have diversified in “logistics” have performed better

**Segment Revenue Breakup for a Typical Post**  
%, FY07 – FY21



Mail Parcel Logistics Financial Services Retail Others

Posts have increasingly pivoted towards the fast-growing Parcel and Logistics segments



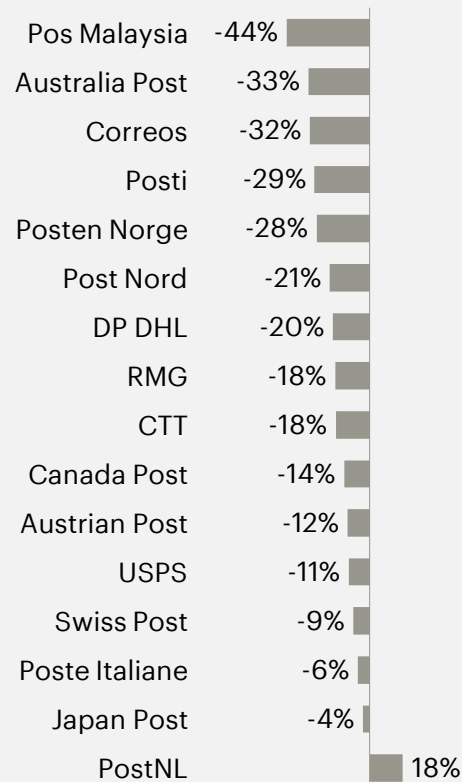
Note: (1) Includes PostNL and Canada Post which have largely played in Mail and Parcel segments. (2) Includes Poste Italiane, Japan Post, Bpost, Austria Post, SingPost, Royal Mail, CTT, USPS, La Poste, Australian Post, Posten Norge, NZ Post, Swiss Post, Posti, AN Post, Correos – Spain, Pos Malaysia and South African PO which are in Financial Services, Retail and Logistics apart from Mail and Parcel  
Source: IPC Industry Report; Company Reports; Accenture Client Value Services

# Not enough is done to add value to mail to extend its life

Mail volume decline is inevitable, but the right mail strategy along with price increases can help flatten the curve—mail adds route density

## Mail Volume Change<sup>2</sup>

Total change %, 2019-21



**Price increase is NOT a significant factor for volume decline**

**1.7x lower volumes**

Posts that implemented 3.4x higher price change witnessed 1.7x lower volumes<sup>1</sup>

**But players which implemented higher pricing increases might be BETTER OFF**

**22.4% higher revenue**

Posts that implemented 3.4x higher price change would have 22.4% higher revenue<sup>1</sup>

## How can Posts maximize value from Mail in the future

### 01

#### Reduce Service Levels

To meet the increasing operating costs and reduction in volumes, Posts can look to change their SLAs

### 02

#### Two-Speed Products

Posts can introduce Prio-Eco mode; a fast product with tracking and a slow eco products

### 03

#### Add Digital Angle

Explore options like informed delivery and informed visibility to digitize mail

### 04

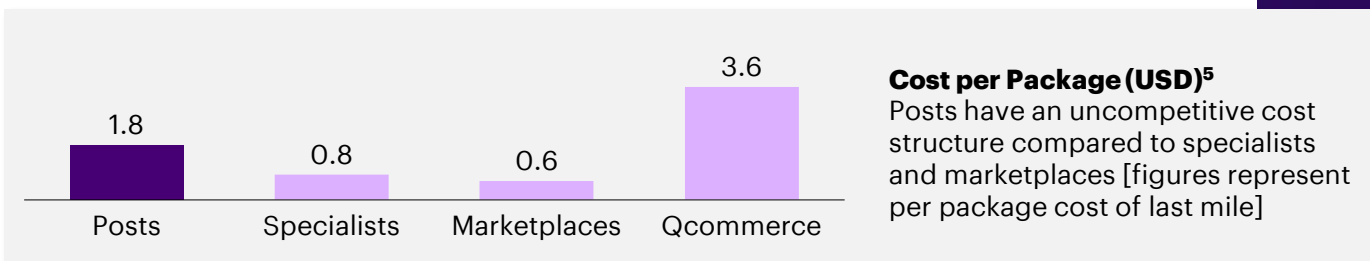
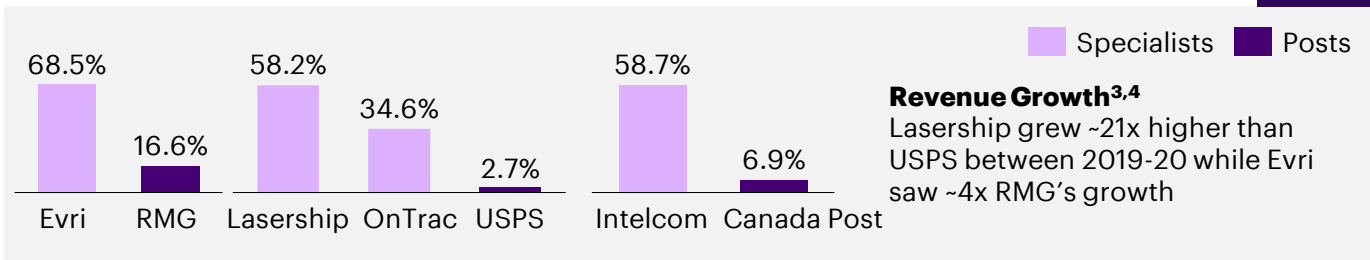
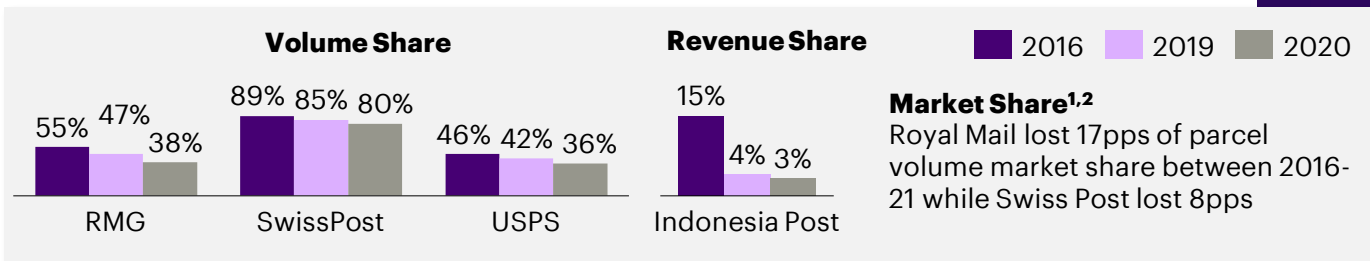
#### Be Bold

Pricing is an important lever. Posts need to be bold with their pricing strategy



# Of greater concern, postal players losing the parcel market

In some countries, we are seeing postal players losing market share to smaller B2C, asset light players that offer ease of doing business and reliability at lower costs



## What has driven growth for these players?



### Strong service levels on door delivery

Posts faced a capacity issue with surge in parcels, and overburdened facilities and reduced number of workers



### Strong retailer and marketplace relationship

Focus on developing a relationship with merchants and eCommerce marketplaces with lower delivery prices, depot induction, APIs and plug-ins, tracking and visibility, returns and fast delivery



### Provide senders/recipients with better CX

Services and products like fast delivery, more OOH and delivery options, better tracking and visibility, collect from home



### Technology first asset light model

Using technology to offer innovative solutions, streamline back-end and reduce costs and have diversified into cross-border and fulfilment to capture growth in these segments

Note: (1) Parcel market data sourced for UK from OfCom, for Switzerland from UPU, and for USPS from Pitney Bowes (2) Revenue Market share for Pos Indonesia's Courier market for years 2018, 2019 and 2020; (3) For the period 2019-20; Revenue growth for entire Royal mail group and Usps; (4) Intelcom estimated data for period 2020-21 (Link), Canada Post data for FY21 only for parcel segment (5) Last Mile Delivery average estimations for an illustrative market; Source: Company reports, Accenture Client Value Services

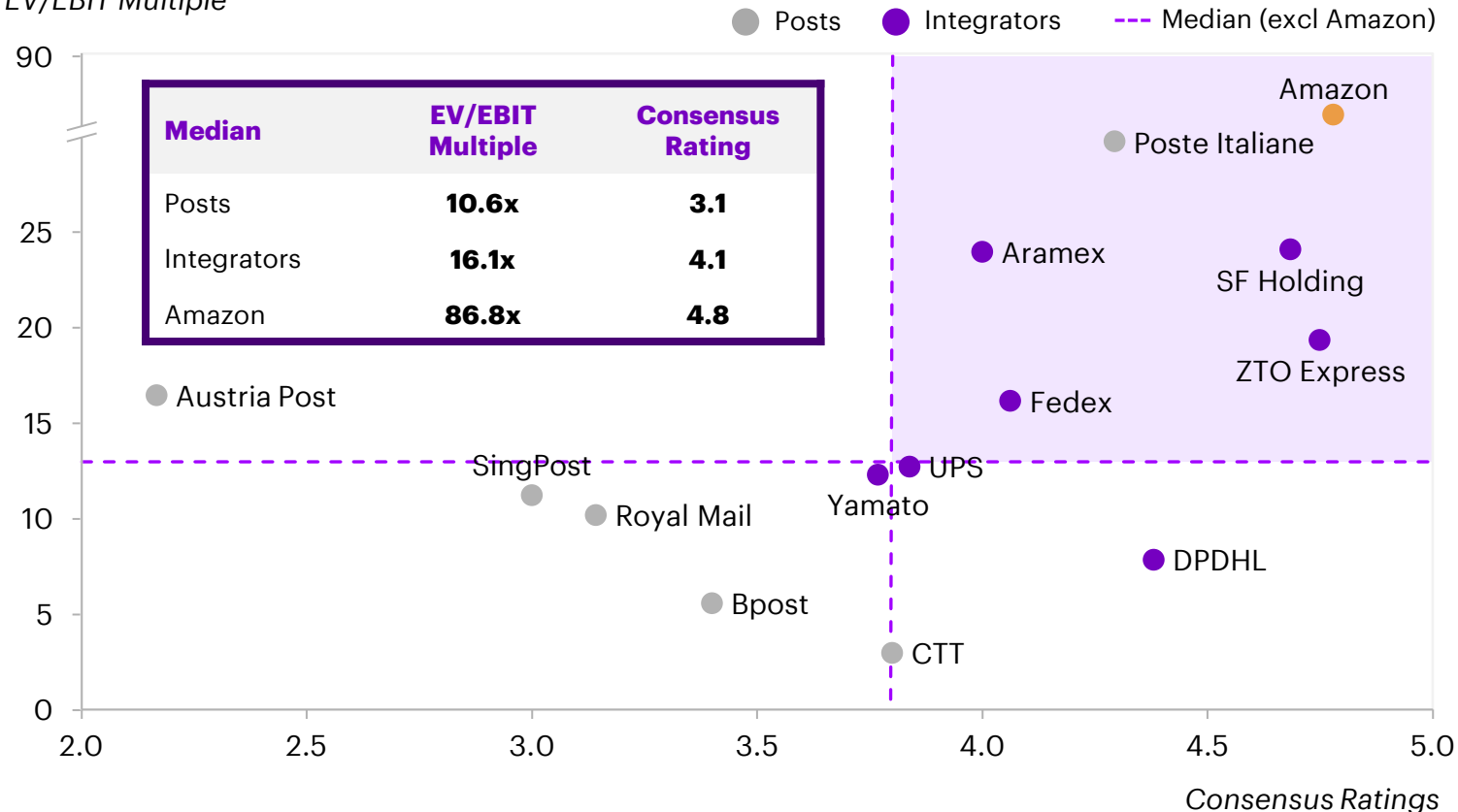
# Shareholders/analysts are reassessing the last mile claim

Market expects Integrators to perform better than Posts, with significantly higher EV/EBIT multiples and price premium

## EV/EBIT Multiple vs Analyst Consensus Ratings

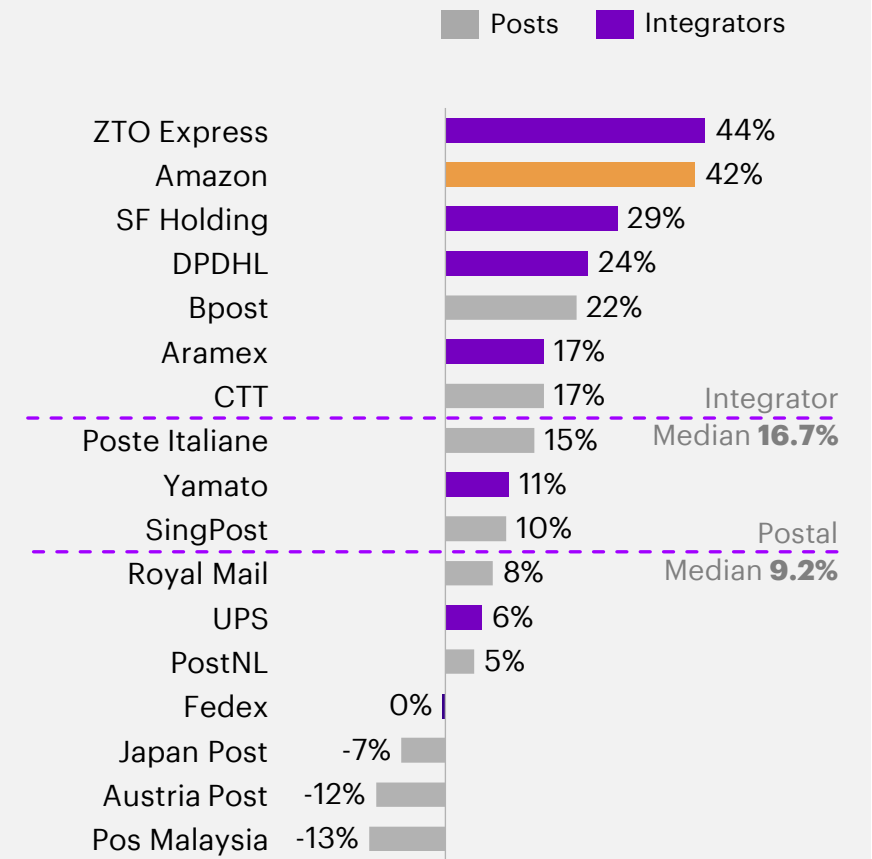
[02/2023]

EV/EBIT Multiple



## Expected 1-Year Share Price Growth

[02/2023]



Note: Analyst score of >3 implies a buy rating; =3 implies hold rating; and <3 implies a sell rating

Source: Capital IQ, Bloomberg, Company Reports; Accenture Client Value Services

# Competition is getting fiercer driven by technology, data & CX

Competition for parcel delivery and logistics will come from those with client relationship, data analytics and deep pockets

## CEPs

### Investing in digitization and profitable growth

- FedEx and UPS have announced change in strategies to concentrate on profits and not volume
- DPDHL is taking advantage of price increase for better margins
- Posts are investing in innovation in growth and operational areas

## Marketplaces

### Expanding in-house capabilities using smart logistics

- Amazon is going 1P via Amazon Logistics to further optimize last mile & truncate delivery windows
- Marketplaces are investing in innovation across payments, drone deliveries, smart supply chain, virtual currency

## Retailers

### Establishing multiple fulfilment models for buyers' convenience

- Brands are improving D2C experience
- 36.8% of Nike's 2021 revenue came from D2C sales worldwide
- Adidas targets 50% sale from D2C (2025)
- BOPIS, ROPIS, BORIS are some complex models that retailers are investing in globally

## B2C specialists

### Disrupting the value chain with innovative ideas

- Achieved hyper-growth during COVID by offering better delivery experience at lower costs
- Evri's delivery prices are ~27% lower than Royal Mail's
- Intelcom diversified using route optimization and sorting automation

## Logistics players

### Integrating vertically for an end-to-end offering

- 48% of logistics cos are pursuing vertical integration
- Players have acquired last mile companies: CMA CGM acquired Colis Privé; Geodis acquired Need It Now Delivers; Maersk acquired Visible SCM & B2C Europe

## Cloud-based platforms

### Getting into last mile delivery as a result of network effects

- Shopify, launched as an ecommerce solution for SMEs, is now making its platform a one-stop-shop for deliveries
- Stord, connecting retailers to warehouse-owners, is offering same-day deliveries across USA

# Amazon: making best even better

Amazon now delivers most of its parcels, has the third largest airplane fleet and offer 6 hour delivery on over 3M items through its [Prime Now](#) service.

**Amazon has been able to build an in-house logistics system that services 67% of its parcel volume, in a short span of 7 years**

**3%**

of its shipments were handled by Amazon, while UPS, USPS and FedEx delivered ~97% of packages

**2015**

**67%**

of shipments are handled by Amazon—almost two-thirds by itself

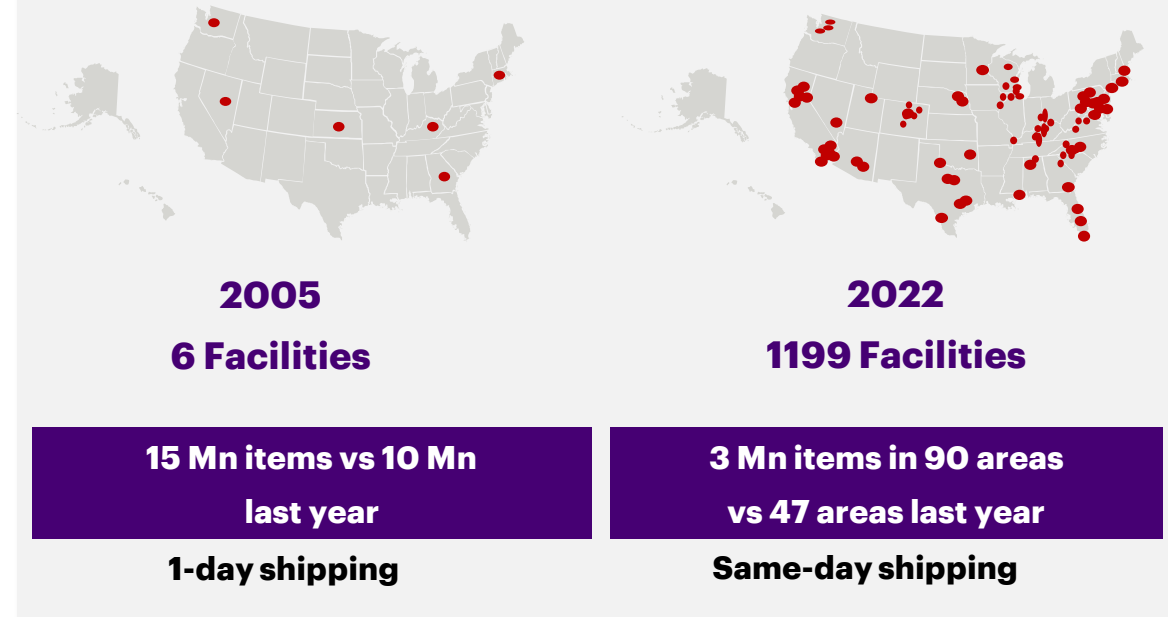
**2022**

**Amazon has spent ~USD 39 bn since 2014 to build a connected delivery network**

	<b>Order between</b>	<b>Get it by</b>
<b>Amazon</b>	Midnight – 8 AM	Today by 1 PM
<b>Four wave delivery</b>	8 AM – 1 PM	Today by 6 PM
	1 PM – 5 PM	Today by 10 PM
	5 PM - Midnight	Overnight by 8 AM

**Amazon setting and breaking its own benchmarks in terms of delivery speed with the help of its vast network in USA**

**Evolution of Amazon’s facilities in United States**

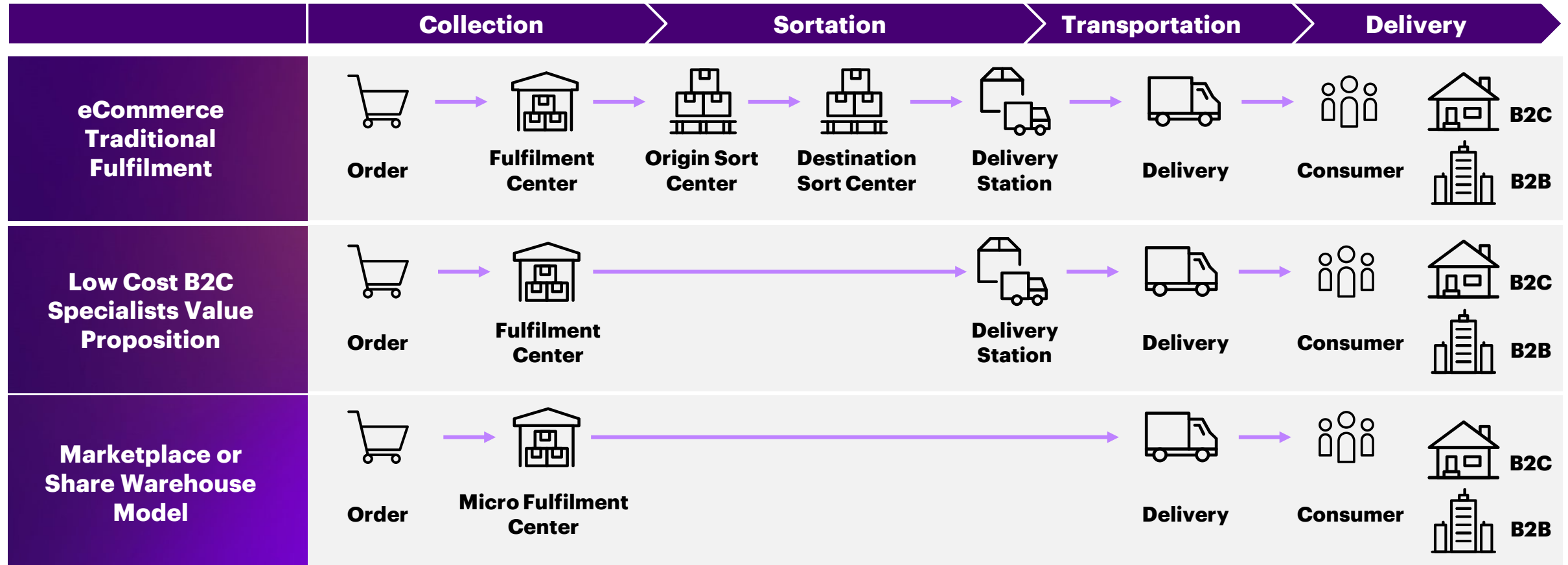


Amazon **has decreased the time** it takes to get an item through a Fulfillment Center onto the right truck for shipment from **~18 hours in the early 2000s to ~2 hours** on average currently



# Changes in ecommerce supply chains: a different network

Evolution of the supply chain and how local delivery has taken off. Players don't need a national network anymore as the keys to succeed are low costs and presence in metro areas.



**Last mile delivery represents ~50% of the total cost of a parcel, 80% of which is labor**

# Sustainability: Additional complexity

All carriers face growing constraints to reduce energy consumption, reduce pollution and congestion and to provide reports on carbon emissions

**Consumer demand for purpose led brands is growing**

**85%**

consumers **shifted** towards sustainable consumption in the past five years

**1 in 3**

consumer **stopped purchasing** certain brands due to sustainability concerns

**68%**

consumers **expect companies** and organizations to **take a lead**

**Industries are witnessing disruption by greener challengers**

**3x**

**customer loyalty**, 4x household penetration growth and 2x revenue growth earned by sustainable brands

**Net zero**

Targets by 2030-40 announced by major players in the postal industry

**2.6x**

**higher TSR** witnessed by companies with consistently high ESG performance

**Sustainability themes lead to cost savings across the value chain**

**50%**

Less **operational cost** of electric vehicles compared to gas-powered cars<sup>1</sup>

**30%**

**Reduction** in parcel truck **dwell time** by using real-time tracking

**10mn gallons**

Of **fuel saved** by UPS per year using route optimization

# 03

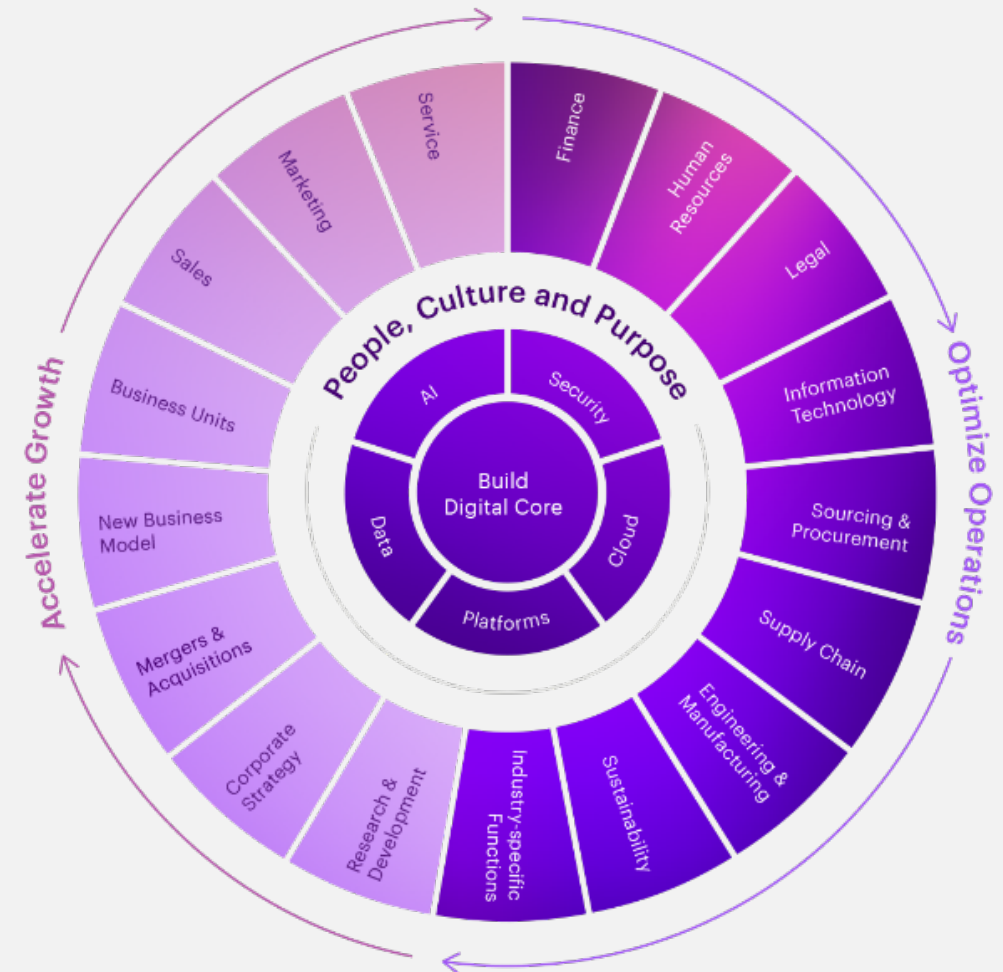
## **How to ensure financial sustainability and purpose**

# The need for total enterprise reinvention

There is not other industry that has a greater need for Total Enterprise Reinvention than the Postal and Parcel Industry.

Total Enterprise Reinvention is a deliberate strategy that aims to set a new performance frontier for companies and in most cases, the industries in which they operate. Centered around a strong digital core, it helps drive growth and optimize operations.

**Total Enterprise Reinvention isn't a to do; it's a to be.**



# Three things to drive the post and parcel company of the future

Three things to lower overall and per unit costs and drive new revenue opportunities

## 01

### Zero-Based Operations

- Take a carte blanche approach to operations and network
- Multi-wave / local delivery
- Complete network redesign
- Automation and robotics
- Data and forecasting

## 02

### Zero-Based Retail

- Unless bound by regulations, consider a zero-based approach; no more corporate stores but greater coverage
- Omni-channel experience
- Plus one franchising
- Partnerships
- Local business support

## 03

### Digital First

- Rethink technology as a competitive differentiator and meet future customer needs
- Better overall CX
- Applied AI
- Analytics and dashboards
- Cloud and lower TCO



# Thank You



## Mark Briganti

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Mark Briganti

## About Accenture

Accenture is a global professional services company with leading capabilities in digital, cloud and security. Combining unmatched experience and specialized skills across more than 40 industries, we offer Strategy and Consulting, Technology and Operations services and Accenture Song — all powered by the world's largest network of Advanced Technology and Intelligent Operations centers. Our 738,000 people deliver on the promise of technology and human ingenuity every day, serving clients in more than 120 countries. We embrace the power of change to create value and shared success for our clients, people, shareholders, partners and communities. Visit us at [www.accenture.com](http://www.accenture.com).

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