

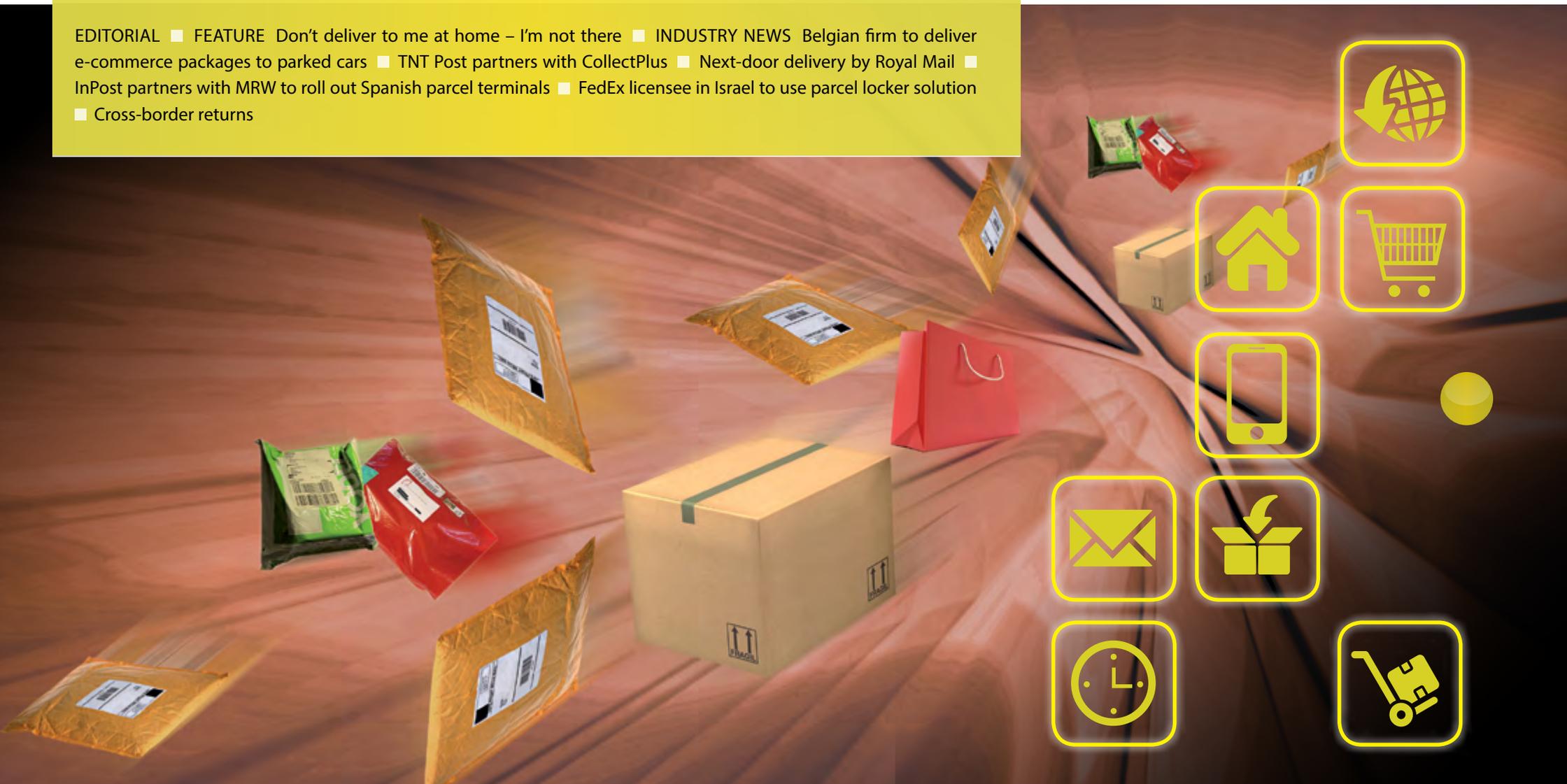
E-commerce

Flash

Issue 02 | 01 March 2013

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Editorial

Dear reader,

Welcome to the second edition of E-commerce Flash, the latest addition to the IPC Market Flash publications.

These are exciting times in the development of e-commerce. According to Forrester, double-digit growth rates will be realised in every region of the world until at least 2015. This growth is driven by economic and technological advances such as the growing affluent middle class in developing economies around the world, wider and higher-quality broadband access, developments in mobile technology and mobile apps, and the decline of certain brick-and-mortar retailers. As e-retailers innovate to create new and better shopping experiences, consumers are becoming more comfortable and trusting of shopping online.

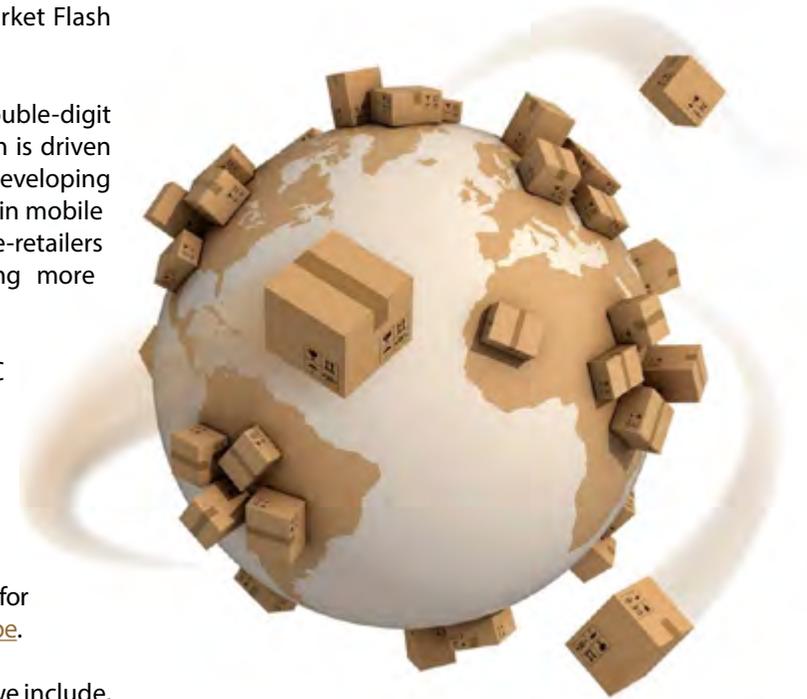
Having identified e-commerce as a critical development area for postal operators, IPC E-commerce Flash aims to highlight the most recent trends and developments in e-commerce. In this publication we focus on alternative delivery solutions and the competitive challenges postal operators face in developing such solutions. We report on major providers of alternative delivery solutions as well as examples of how these solutions are being implemented by posts, illustrating solutions ranging from packstations to delivery to parked cars.

We look forward to continuing the discussion on the IPC PostBoard E-commerce community for postal e-commerce experts. If you would like to join, please contact us jakub.rymkiewicz@ipc.be.

We hope to expand this publication both in terms of the range and richness of the articles we include, and to that end we very much encourage and welcome any news from your own organisation or industry trends that you would like to be included.

We hope you enjoy reading the IPC E-commerce Flash and very much look forward to receiving your feedback.

The IPC Publications team



Feature story

Don't deliver to me at home – I'm not there

E-commerce has grown exponentially over the past years, and predictions are for double-digit growth rates to continue into the coming years. First- and last-mile logistics have evolved quickly, driven by innovative business solutions aimed at satisfying increasingly sophisticated consumer needs. Change and developments in first-mile and last-mile logistics over the recent years have been driven by the growth of B2C and C2C e-commerce and the challenge of meeting consumer expectations in terms of parcel delivery effectively and efficiently.

Societal trends such as double-income households or the increasing number of single households result in people being out of home when the post is delivered. It is still true, however, that there are significant differences in standard delivery definitions depending on the country – in some Nordic countries, home delivery is a value-added service, with delivery to post offices/PO box as standard service, while in others, home delivery is still the preferred option for shoppers.

Modern lifestyles contribute to new expectations for delivery options. The Copenhagen Institute of Future Studies reports that consumers are increasingly integrating information-based behaviour into their everyday life, meaning that behaviour is based on real-time information. In terms of e-commerce, this means consumers are looking for reliable yet more flexible delivery options, based on access to real-time information.

Postal operators have been diversifying their delivery options to improve their first-time delivery success rates and customer experience. One significant diversification is the shift from delivery to collection, putting the consumer (receiver) in control. Many solutions on the market today align with the developments of multi-channel shopping. Advances in access to and the quality of broadband, as well as mobile technology mean that e-commerce is becoming the new commerce.

Alternative delivery solutions overview

Alternative delivery solutions to home delivery on offer today range from collection at brick-and-mortar stores, delivery to secure parcel lockers and delivery to authorised agents with extended opening hours, and to more innovative niche solutions such as dropping parcels and packages in parked cars (more on page 6). Secure parcel locker solutions have seen the biggest development over the recent years, with postal operators, major integrators and online retailers increasingly looking to secure their share.

Since the launch in 2004, Deutsche Post DHL has installed nationwide 2,500 parcel lockers (packstations) provided by Austrian manufacturer Keba. As a result of this investment, about 90% of people in Germany are within ten minutes of a packstation.

“Postal operators have been diversifying their delivery options to improve their first-time delivery success rates and customer experience.”





Le Groupe La Poste, France, and bpost have used ByBox's rich expertise in parcel locker solutions for public and private facilities and have both introduced parcel lockers in their markets over the past two years.

Increasingly, parcel locker manufacturers also see the enormous market growth as an opportunity to go beyond providing terminals and software for parcel carriers. Polish-based InPost is planning to deploy its parcel terminals in the UK, simultaneously running the network itself and offering multiple carriers access to deposit parcels in the lockers. The company aims to install 2,000 parcel terminals throughout the UK by the end of 2013. While InPost's parcel solutions are already widely used in many countries in Europe and beyond, their business plan in the UK is unique and clearly shows that different stakeholders are racing to win as much market share as possible from e-commerce growth.

Regarding the last mile, parcel shops are also a solution believed to improve the efficiency of first-time delivery. Local Letterbox, based in the UK, is to provide a branded network of parcel shops across the country with extended working hours and proof of delivery for all their services. Parcel carrier Yodel already co-own a network of 5,000 parcel shops in the UK, called the CollectPlus network, while parcel carrier Hermes launched a network last year that now numbers 1,000 outlets.

Major integrators have been investing in alternative delivery solutions as well. UPS for example has announced its new network of parcel shops in the UK, branded as UPS Access Points. The company is starting with about 500 outlets and plans to grow this to 1,500.

Who provides secure parcel lockers?

InPost

InPost is an independent postal services provider in Poland which offers secure electronic parcel services via its Paczkomaty facilities. Each parcel station has 76 locker boxes in three sizes, accessible 24 hours, 7 days a week. Users must register in order to access the parcel locker service. Consumers can select a Paczkomaty delivery from selected e-retailers with parcels ready for collection within 48 hours. SMS notification is provided including a delivery code, which together with the user's mobile number is required for collection.



Additional services include insurance and pay on delivery services. Registered users can also send parcels to registered receivers from a locker facility. Proof of posting and scanning barcode facilities are available to track and trace parcels. InPost now has its parcel terminals in 12 different countries – Australia, Chile, Cyprus, Estonia, Ireland, Latvia, Lithuania, Poland, Portugal, Russia, Saudi Arabia and Spain. The company has Venture Capital backing to help fund its EUR300m plans to install 16,000 parcel terminals in Europe by 2016.

Keba

Keba is the largest supplier of electronic secure lockers to the postal industry. KePol designs include compartment system and rotation systems, incorporating service solutions tailored to individual postal companies. Keba also provides support services such as IT-operations, a hotline, rollout management,

service, customer service and replacement parts logistics. KePol by KEBA provides its packstations to countries including Austria, Denmark, Germany, Lithuania, Luxembourg, Russia, Turkey and the UAE.

ByBox



ByBox is a UK-based company offering a night-time delivery model based on consolidating multiple parcel deliveries into a single locker location. In January 2007, ByBox launched its Field Service in France with further expansion into Ireland in 2009.

In April 2009 the company diversified into consumer solutions and launched MyByBox, consolidating parcel drop-boxes for B2C parcel deliveries. In addition to supplying lockers, ByBox also offers full management services for its installations.

Providing choices at point of purchase

PickPost is a service offered by Swiss Post which allows users to select their preferred location for collecting items (parcels, registered letters and court documents). When purchasing online or by mail order, consumers indicate at the point of purchase their preferred location from which they would like to collect their goods. E-tailers and mail-order companies integrate PickPost in their order process as a delivery option.

Consumers must pre-register with the post or with an online retailer offering integrated PickPost in its ordering process to receive a personal 8-digit PickPost customer number. This code must be included with the specific delivery address of the desired PickPost collection point when placing an order.

Consumers are notified by e-mail or SMS and must present proof of identity on collection.

There are approximately 700 PickPost points across Switzerland and include railway stations, filling stations, post offices and two distribution centers (Zurich and Givisiez).

This service is free to consumers and retailers. Consumers select their preferred delivery location based on opening timings when placing their order without leaving the retailers' website.

Swiss Post also offers Parcel Boxes which are not secure electronic parcel lockers as they do not interface with retailers' operations, but they do maximise success of first-time home deliveries. Parcel boxes are large, lockable storage boxes placed in the entrances of larger multi-family houses. They can be used to leave almost any parcel safely at its destination, thereby maximising first-time delivery success (around 90% of parcels are delivered directly).

Overall, evidence¹ from mature e-commerce markets such as UK suggests that the growth in home delivery will slow, with significant growth in alternative deliveries. The B2C flows will, to a great extent, transform to B2B flows where postal operators will cover only a part of the delivery process. In order to maintain their level of control in the delivery pipeline, postal operators will need to continue innovating and look for new market solutions and investments.

“Postal operators will need to continue innovating and look for new market solutions and investments.”

¹ Andrew Starkey, the IMRG's head of e-Logistics, Interview for Post & Parcel

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Industry news

Belgian firm to deliver e-commerce packages to parked cars



Cardrops, a new Belgian start-up is setting up a trial service which will offer direct delivery of e-commerce packages to recipients' unattended cars. The Board of Innovation had been working with e-commerce companies and automotive companies to identify potential

new business opportunities prior to discovering a potential niche to connect the two sectors.

Using smart vehicle technology, the company believes parked cars can provide an alternative delivery point for e-commerce parcels. The service would effectively turn consumers' cars into 'smart locker' parcel drop-off terminals, with free text message notifications of parcel arrival. The pilot is likely to involve 25-50 car owners in a trusted network, most probably within one company and its employees.

The Cardrops co-founder said his company was trying various technologies to track vehicles' locations and gain access to the vehicles. Modern vehicles already allow for the use of smart diagnostic technology to gain access for maintenance. If a car is moved prior to actual delivery, the drop-off can be cancelled and a new delivery plan devised.

The major issue for the service is the owners' concerns about security and privacy, since it involves gaining access to their cars in order to leave the deliveries.

When a full service is running, Cardrops intends to work with existing parcel carriers, rather than providing the delivery side of the service itself.

<http://www.cardrops.com/>

TNT Post partners with CollectPlus

PostNL's international arm TNT Post has formed a partnership with the UK retail parcel network CollectPlus, to offer smaller e-commerce merchants a way to reach customers abroad.

The partnership will mean e-retailers across the UK will be able to drop off parcels for international delivery at thousands of CollectPlus stores across the country. TNT Post said its partnership was an answer to the growing number of international orders received by smaller British e-retailers.

It said cross-border trade from the UK is booming, with online sales from Greece, France, the Netherlands and Finland growing by about 20% a year.



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Bob van Ierland, TNT Post director of international parcels, said the dense drop-off network CollectPlus offered in the UK made a strong combination with the company's global distribution capabilities.

He said: "Already 30% of all online cross-border trade in Europe comes from the UK. In addition, a majority of online entrepreneurs in the UK plan to expand internationally within the coming 12 months. They will need access to international shipping services around the corner."

Next-door delivery by Royal Mail

Royal Mail's Delivery to Neighbour initiative is making delivery easier for people who are out when Royal Mail delivers items that are too large to go through the letterbox, or which require a signature.



Royal Mail launched its Delivery to Neighbour initiative in October, for the first time allowing postmen and women to leave parcels with recipients' neighbours if they are not at home to collect them. The exceptions to this are Special Delivery items or international items requiring a signature. Other parcel carriers in the private sector have long been able to leave items with neighbours, and find strong acceptance among the British public for such an option.

Royal Mail offers free re-delivery for customers if they are not home to receive their packages to their address, or

to another location in the same postcode area. A trial of this service conducted in early 2012 showed that 92% of consumers expressed overall satisfaction with the service. The trial also included neighbours' opinions and 90% of those who accepted an item expressed overall satisfaction with the experience.

InPost partners with MRW to roll out Spanish parcel terminals

Poland's Integer.pl Group has signed a partnership deal with courier company MRW Group to develop a network of InPost parcel terminals in Spain. The deal makes MRW the exclusive Spanish partner for the EasyPack network across Spain and Portugal. The two companies aim to capture some of the EUR11bn Spanish e-commerce delivery market with the terminals enabling consumers to pick up parcels 24 hours a day, 7 days a week.



InPost forecasts EUR2m in revenue from the Spanish market in 2013, with expectations of future further growth. The new partnership follows an initial pilot between the two companies which involved 20 parcel terminals being set up in Madrid and Barcelona last year.

MRW and InPost now expect to install a few hundred parcel terminals in Spain and Portugal, with MRW paying a fixed lease fee to InPost per site for the equipment.

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According to InPost, from 2013 it will be possible to send parcels from the EasyPack network in Poland to terminals in Spain and vice versa.

InPost disclosed that the deal with MRW involved fixed income from leasing the parcel terminals, rather than a one-off purchase or sales margin. It means that from deployment, InPost will assume all costs of ownership for the network.

MRW has a network of about 1,300 franchises, 64 logistics sites and a workforce of about 10,000 in Spain, Portugal, Andorra, Gibraltar and Venezuela. The company handles about 40m items a year, and reported EUR565.4m revenue in 2011.

FedEx licensee in Israel to use parcel locker solution



Flying Cargo Express has signed up British firm ByBox to provide its automated self-service parcel locker terminals at Paz fuel stations, universities and in shopping centres.

It will mean retail consumers and engineers will be able to collect Flying Cargo Express deliveries at a time convenient to them. ByBox, which has lockers installed in more than 1,500 locations in the UK, France, Ireland and the Benelux countries, said its system will send text messages to Flying Cargo Express customers when their items have arrived at a local locker. The parcel will then be accessible 24 hours a day. Deliveries will be made as

early as 8am, which ByBox claims will allow engineers to pick up parts to start work earlier in the day.

For online shoppers in Israel, the service will allow easier collection of purchases, particularly for those working during the day. The partnership with ByBox comes as Flying Cargo Group works to develop its logistics services with the intention of making the distribution process much easier for customers.

Cross-border returns

Royal Mail Europriority

The Europriority return service from Royal Mail offers consumers in Germany, France and the Netherlands the opportunity to return unwanted items to UK retailers with free shipping.



If a consumer wants to return goods, the retailer generates a label from the shipping system and e-mails it to the consumer overseas. The consumer then prints out the label, sticks it to the parcel and takes it to the local post office. Alternatively, if no authorisation process is needed, labels can be included within the outbound parcel. The maximum weight of the parcel is 30kg and maximum dimensions are: 1.5m and 3m length and girth combined. Royal Mail provides end-to-end tracking and a 2-4 day transit time from most locations. The solution will shortly be offered from new destinations: Belgium, Czech Republic, Slovakia and Slovenia.

More details at: <http://royalmailexport.com/crossborderreturns.html>.

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IPC ERS

IPC's Easy Return Solution responds to the needs of postal customers and consumers alike – it is a simple returns process for cross-border e-commerce. ERS was launched in 2010 by the five founding members and expanded to 21 postal operators in February 2013.

IPC's ERS enables posts to offer distance sellers a priority postage-paid international return service for their customers. This leads to increased parcel volume, attracts e-business and avoids over-labelling costs for postal operators, without any operational changes.

The ERS is the simple way to return purchases bought online from a seller located in a foreign country. The distant seller provides the e-customer with a return label. All the buyer needs to do is to drop the unwanted purchase at a post office or indicated facility together with the dedicated ERS label provided by the e-seller.

The system is based on a double-barcode label, one for the accepting or despatching post and the other for the authorising post receiving the returned parcel. The labels are generated by IPC in a direct interface with authorising posts using the ERS system. ERS is based on the IPC-managed E-Parcel Group network and uses the same agreed barcode, facilitating a smooth and no-risk implementation at low cost.



Amazon parcel lockers

Packaging and shipping orders are a key overhead for Amazon which has been investing in warehouse networks to speed up delivery times. The company spent US\$1.36bn on order fulfilment in the second quarter of 2012, up from US\$941m a year earlier. One solution to reduce costs and to improve the first-time delivery success rate is the new Amazon locker system which is currently being tested with around 50 Amazon parcel lockers in the US. The Seattle-based company also offers lockers in the UK and is adding new Amazon Locker locations every week, according to the website.

One potential issue with the Amazon Locker system will be the package size and the prospect of some packages not fitting in the lockers. The company is anticipating this possibility, prompting a notification whenever a bulky product is added to the cart.

Lockers are “an interesting experiment for Amazon, though it's not clear whether this will be a huge business for them in the US”, according to Brian Walker, a Forrester Research analyst. Should the test be successful, the solution could be even more important for Amazon's international operations such as in China, where many consumers don't have home addresses that can accept packages.

Google invests in alternative delivery

At the end of 2012 Google had invested more than US\$20m in BufferBox, a start-up company based in Ontario, Canada dealing with parcel delivery options. BufferBox is to retain its distinct brand as part of the deal, but Google has not elaborated on its plans for the start-up beyond sharing the opinion that there are lots of opportunities related to end-to-end relationships with shoppers.



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BufferBox will offer 100 of its delivery lockers in two urban areas in Canada by the end of next year. These will be located primarily at transit depots to allow users to sign up for one-time delivery. As mentioned above, Amazon also offers a similar service through its Lockers programme which expanded to Silicon Valley last summer and which also uses temporary codes to enable single-use delivery. Therefore it looks as though Google is setting up to compete directly with Amazon in this aspect of online retail.

Australia delivery challenges

The online shopping market in Australia is growing every year; the volume of small parcel deliveries from overseas alone has doubled from 23.5m in 2006-07 to 48m in 2010-11, according to the Australian Customs and Border Protection Integrated Cargo System. Australia Post and Star Track Express report parcel volumes growing by 13% from a year ago and expect the trend to increase.

Customers who appreciate the low prices, choice and convenience of online shopping are often frustrated by the lack of varied options for receiving their purchases and often opt to have their parcels sent to their workplace.

Mailrooms at many companies have witnessed an increase in the volume of packages coming from online retailers and in many cases employers are acting to put an end to these practises. This rising issue for online customers and their employers has now become a business opportunity for start-ups.

ParcelPoint was launched 18 months ago in response to this opportunity. Its research estimates that between 10 and 15% of deliveries fail at the first attempt because of the unavailability of the recipient. ParcelPoint will arrange for a parcel to be delivered to one of nearly 1,000 collection points – typically convenience stores or newsagents – open over extended hours. The company sends an email to alert a customer when their package is available. The company has partnered with online retailers and is beginning to work directly with corporations to sign up collection points near their offices.

Australia Post is also addressing the challenge of alternative delivery options. The company already has free secure parcel locker sites where customers can pick up deliveries when they like. There are four in Victoria, three in New South Wales and one each in Canberra, Perth and Brisbane, and more will be set up. Australia Post chief executive Ahmed Fahour announced that by 2014 the aim is for 80% of Australians in a metropolitan area to be within 10 minutes' drive of a parcel locker location.

Parcel delivery associated with internet shopping is expected to reach AU\$2.5bn in 2015, according to the Switzer Super Report 2011 – making it a strategic step for the postal service's decision to invest AU\$450m in consumer initiatives by increasing the number of parcel lockers and expanding services at its superstores.



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