



Strategic Perspectives on the Postal Market 2012

International **Post**
Corporation

Table of contents

1. Executive summary	1	4. Digital business	33
E-commerce		Introduction	
Media services and direct marketing		A digital postal platform	
Digital business		Ten recommendations	
Expanding environmental sustainability		Postal operator case studies	
		Conclusion	
2. E-commerce	5	5. Expanding environmental sustainability	45
E-commerce growth forecasts		Introduction	
Long-term drivers of e-commerce growth		EMMS results to date	
Short-term drivers of e-commerce growth		EMMS development	
The challenges for postal operators		Benchmarking the global postal emissions reduction programme against other industry initiatives	
Enhancing cross-border e-commerce services – postal initiatives		Biodiversity and the postal sector	
Conclusion		Scope 3 development	
		Conclusion	
3. Media services and direct marketing	19		
Direct mail is in transition			
How effective is direct mail in comparison to other advertising media?			
IPC online resources to promote direct mail			
Social media			
Social media case studies			
Innovative technologies linking print to online media			
The importance of managing customer data to postal operators			
Conclusion			



1

Executive summary

IPC's Strategic Perspectives on the Postal Market provides a distillation of the cooperative work carried out between member postal operators and IPC over the past 12 months, to the year ending 31 March 2012.

This year's edition focuses on social media, mobile commerce and marketing, and how these are driving change in both e-commerce and media services, including direct mail. We also look at the implications for postal digital business and how the postal sector's initiatives in sustainability compare with other industry sectors.

In a rapidly changing market, a cooperative platform to share best practice, provide short- and long-term industry forecasts and monitor industry trends is an efficient way to inform strategic choices. We have drawn on the outcomes and findings of IPC's Senior Executive Fora (SEFs), Best Practice Seminars (BPS) and the IPC Postal Sector Sustainability Report. IPC SEFs in Europe and Asia over the reference period combine input from more than 100 senior postal executives with leadership roles in their areas of responsibility.

In addition, in 2011 IPC entered into research partnerships with two leading global academic institutions: the Stanford Graduate School of Business and the Massachusetts Institute of Technology Center for Digital Business. These partnerships provide a critical external and academic assessment of postal innovation against global best practices, both in supply chain management and in focusing how digital technologies can deliver measurable business value.

We have drawn out the key trends, challenges and solutions as identified through our intelligence gathering, research and best-practice-sharing platforms, to give an overview of the most recent strategic thinking from inside and outside the postal industry in five key areas: e-commerce; media services and direct marketing; digital business, and the postal sector environmental sustainability programme. The following four chapters discuss each of these topics in detail. The following is a digest of the main points and findings from each chapter; it is presented as an executive summary and draws from the conclusions of each chapter.

E-commerce

E-commerce continues to offer postal operators a major opportunity for growth: the global e-commerce market was worth around €400bn in 2010 and IPC estimates that the value of the e-commerce market available for physical goods delivery is approximately half of the stated total. Asia is predicted to become the largest e-commerce market by 2013 with a CAGR of 28%.

Six long-term drivers have been identified as fuelling growth in e-commerce. These are trust; information; lifestyle; simplicity; loyalty, and sustainability. Growth is being driven by mobile e-commerce, social media and, increasingly, cross-border e-commerce as consumers gain more and more confidence in online shopping and search for goods abroad that are either cheaper, or unavailable in their home market.

Some posts have already demonstrated how social media can be used effectively to promote services and engage in a two-way dialogue with customers. DPD, part of Le Groupe La Poste, is using Twitter for customer service, as well as using Facebook and YouTube to promote a 'predict service' that uses text or email alerts in their one-hour delivery time slot service. Both Itella and Le Groupe La Poste are encouraging subsidiaries to develop creative elements for social-media promotions – resulting in amusing and successful campaigns far removed from traditional corporate postal communications.

Educational programmes can also be offered to encourage small businesses to venture into cross-border e-commerce. Again posts can play a major role in supporting such ventures. For instance, Japan Post has partnered with eBay to provide and host educational workshops for businesses across the country.

However the consumer is increasingly demanding cost-effective delivery with visible tracking. IPC research has shown that consumers are not willing to pay more than 20% of the value of goods on postage. Consumers are also often confused by the bewildering range of postal services that are available for international delivery and do not understand the differences between letters, packets and parcels, let alone, PRIME, EPG, EMS, registered and parcel service offerings. As such, major simplification of the product offering is required. IPC recommends three basic levels of service for postal operators to meet the needs of 90% of cross-border e-commerce shipments. These relate to the value of the goods purchased. Consumer expectations for delivery services for goods at €10, €50 and €500 differ considerably. Much like in clothes ordered online, one size does not fit all.

Evidence shows that where posts have simplified their services and pricing structure they can experience double-digit growth in cross-border packet services. This was the case in 2011 for Deutsche Post, where they combined their European and world tariffs into one, resulting in a simple and memorable proposition – the cost of sending a packet up to 500g anywhere in the world is just €3.45.

IPC continues to work closely with its members to promote the growth of cross-border e-commerce. Having identified returns as a major barrier to cross-border e-commerce, the Easy Returns Solution (ERS) was developed in partnership with five IPC members. At the beginning of 2012 this service had been successfully rolled out by ten European postal operators and IPC will proactively expand ERS beyond the EU during the coming year.

E-commerce remains a prize to be won for postal operators.

Media services and direct marketing

The marketing community is enthusiastically embracing all forms of online advertising, and the online platform has become increasingly dominant in the marketer's arsenal of channels: even the standard-bearer for direct mail, the Direct Marketing Association (DMA), branded its 2011 annual conference as 'the global event for real-time marketers'.

While many companies are looking at new forms of advertising that require a lower investment than direct mail, and data-driven online campaigns have the benefit of being measurable, the business case, or return on marketing investment (ROMI), has yet to be fully proven for social media. Sifting through the hype to determine reality can be difficult, even for those at the forefront of the world of social media.

Creativity, entertainment and customer convenience are much in demand, and in the right combination the results can be spectacular. Case studies are emerging that demonstrate the ROMI for social-media advertising campaigns. These include how Levi's used Facebook to generate a four-fold increase in footfall at their retail outlets in the US; how the advertisement for Orabrush, a simple product to cure bad breath, was viewed more than 46m times on YouTube, and how quick reference (QR) codes are revolutionising the way consumers shop in South Korea, boosting online sales by 130% for Tesco's Homeplus.

Posts are embracing technologies within direct mail, such as QR codes to link to mobile sites, or content or registration sites to further engage consumers and enrich their brand experience. In the summer of 2011 USPS ran a successful campaign incorporating QR codes offering a discount to mailers which resulted in a 30% increase in sales. Le Groupe La Poste has published extensive consumer research on QR codes for both advertising and transactional mail within a very informative white paper offering best practice on how to use and maximise the benefits of these codes.

Augmented reality is another development being used to promote products via direct mail; an example is how Nissan mailed out cardboard steering wheels to enable potential customers in Australia to drive virtual cars.

Some IPC members have also been successful in developing their customer data services and integrated CRM campaigns, which are being implemented by these posts on behalf of major national and international companies.

IPC is working with the MIT Center for Digital Business and General Motors to research and understand the optimal combination of media, including direct mail, in engaging consumers. Other resources developed by IPC in support of direct mail include a cross-media database and extensive library of case studies that can be downloaded from the Intelligence section of the IPC website.

Direct mail is evolving to become a key driver of customers to the internet. Postal operators must continue evolving and adapting their services to meet the needs of the direct marketing community.

Digital business

Commissioned by IPC, the MIT Sloan School of Management's Center for Digital Business White Paper *A Digital Postal Platform: Definitions and a Roadmap* has set out how postal operators can establish a viable market position in digital business, and elaborates upon ten key recommendations that the Center for Digital Business suggests postal operators follow in order to take advantage of the opportunities provided by digital business and thrive in a digital business model.

The ten recommendations are that postal operators should

1. open platform to third parties and aid their business models;
2. enumerate functions that can serve as platform foundations and choose features conferring control;

3. redefine the Universal Service Obligation;
4. use a VISA-type model for organisational structure;
5. articulate the space of platform opportunities for developers and develop demonstration projects;
6. use platform envelopment, seeding and partnerships to solve the chicken-and-egg launch problem;
7. price to drive adoption using two-sided network strategies;
8. re-examine the concept of trust in the digital space, and its differentiation from trust in the physical space;
9. consider the integration of permission-based advertising to raise revenues, and
10. apply platform concepts retrospectively to physical assets.

By organising around a VISA-like structure postal operators can gain critical mass and market power. By defining low-level functions and opening the system, posts can create a platform. By seeding the platform, partnering with marquee users, and enveloping adjacent markets, posts can launch and expand. These partnerships can also mitigate risk. By pricing in two-sided fashion at architectural control points, posts can gain new revenue streams. By applying these insights retrospectively to physical assets, they can recover lost ground and grow long-term sustainable business models.

Expanding environmental sustainability

The postal sector has demonstrated leadership to stakeholders around the world through its sector sustainability programme. Against a benchmark established in 2008, the postal sector, through the IPC Environmental Measurement and Monitoring System (EMMS), is now more than halfway to achieving its target of cutting 20% of CO₂ emissions by 2020, representing a cumulative reduction of 926,000 tonnes in just two years.

Establishing and communicating best practice has always been a key deliverable for IPC. In 2011 the carbon management proficiency of the postal sector was compared through a cross-sector benchmarking study against a group of 100 non-postal companies across nine industry sectors. The results showed that the early adoption by the postal sector of the sustainability programme had given them an advantage over many benchmarked companies, and further opportunities for improvement were identified.

As the EMMS programme is expanded to include new operators such as the South African Post Office, and new dimensions, such as Scope 3 emissions, more attention is being given not only to the quantitative measures but also to qualitative indicators that are included in the EMMS. These are the carbon proficiency measures that postal operators can use to measure their performance against best practices within the industry.

Biodiversity and ecosystem services provide new opportunities to posts to increase profit margins and performance levels, and IPC is planning to expand its environmental stewardship in this area, as well as expanding of Scope 3 reporting.

Sustainability is an area where postal operators do not compete, but in which they work together collectively to demonstrate and communicate their responsibility towards our planet.



For further information on IPC's Postal Industry Intelligence and Research, scan or click on the QR code.

2



E-commerce

- E-commerce has demonstrated exponential growth over the past years, and predictions are for that growth to continue into the coming years.
- The Boston Consulting Group says the rapid rise of mobile internet access will be one of the drivers behind the growth of e-commerce, from US\$2.3tn to US\$4.2tn per year by 2016.
- E-commerce today provides the great front-end promise for choice, but this promise has to be supported by delivery and distribution management systems. Failure to match customer loyalty to the delivery experience will erode loyalty due to the imbalance with customer satisfaction.
- Social networking is becoming an ever-more significant part of people's online experience.
- Finland's Itella is a good example of how a postal operator can use social media to increase consumer interest.
- DPD, part of Le Groupe La Poste's GeoPost group, has been using a selection of social media to engage with consumers in different national markets.
- Japan Post is building on its existing market strength to encourage small- and medium-sized e-tailers to operate across borders.
- New Zealand Post's strategy for e-commerce is to find ways to link buyers and sellers by identifying new markets and providing profitable services to both parties in the e-commerce transaction. Recognising its situation as a small economy distant from major global markets, New Zealand Post has developed several initiatives designed to facilitate international e-commerce.
- IPC analysis distinguishes three basic categories for fulfilment of e-commerce goods by postal networks, for each of which the consumer will have different expectations and requirements. These categories are defined by the average value of the goods being sent:
 - A: Average value of €10
 - B: Average value of €50
 - C: Average value of €500
- One of the biggest barriers to growth in cross-border e-commerce in Europe has been the absence of a simplified consumer-friendly process to return goods to the e-tailer. IPC's Easy Return Solution (ERS) has been developed to fill that need. By January 2012 the IPC ERS had been rolled out by ten postal operators: An Post; bpost; Czech Post; Deutsche Post DHL; Itella; Le Groupe La Poste; PostNL; Royal Mail Group; Slovakia Post, and Slovenia Post.

E-commerce growth forecasts

E-commerce has demonstrated exponential growth over the past years, and predictions are for that growth to continue into the coming years. The value of the web economy in G20 countries will nearly double by 2016, according to a study by The Boston Consulting Group (BCG).¹ The study, supported by web giant Google, assumes that in four years three billion people, or nearly 50% of the world's population, will be using the internet. The current rate of internet uptake is of around 200m people per year.

Based on these developments, BCG researchers speak of the emergence of a 'new internet' where

- web access will no longer be a luxury;
- the majority of web users will live in emerging markets (within four years China is expected to be home to 800m people using the internet, more than the number of internet users in France, Germany, India, the UK and the US combined);
- with the rapid decline in the cost of smartphones, by 2016 about 80% of all internet access will be from a mobile device, and
- the internet will become increasingly social and see ever-more interaction between customers and companies.

This trend will be coupled with another huge technology shift that will fundamentally change the nature of how businesses are run: the rise of the so-called 'internet of things', where different kinds of devices, from sensors to cars and home heating and cooling systems, will be connected to the web.

BCG says the rapid rise of mobile internet access will be one of the main drivers behind the growth of e-commerce.

Difficulties with assessing e-commerce growth

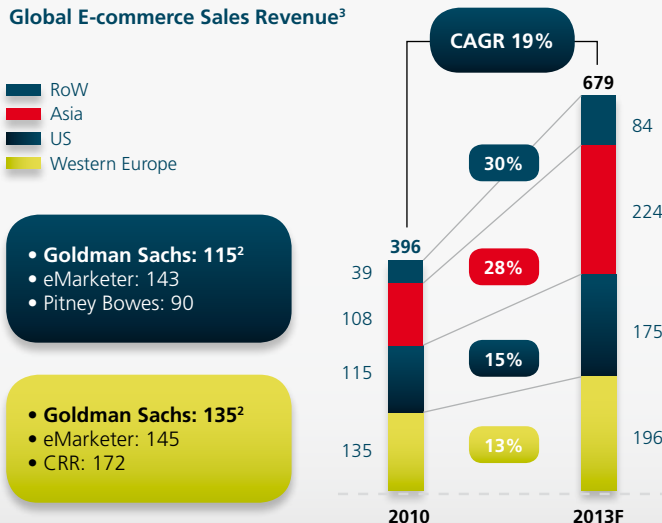
According to BCG, the volume of online shopping is expected to increase fourfold by 2015. While predictions for the evolution of e-commerce are universally positive, consistent figures on the size and growth potential of e-commerce are difficult to attain.

Evolution of the market is rendered even more difficult with some product categories such as books enjoying very high volume take-up only to drop off when alternatives such as digital content are launched. Some calculations of market growth also include purchases of non-physical services, such as insurance.

GLOBAL E-COMMERCE MARKET SIZE

GLOBAL E-COMMERCE¹ MARKET ESTIMATED AT ~€400BN IN 2010 WITH CAGR OF ~20% UNTIL 2013

Global E-commerce Sales Revenue³



Key Findings

- Overall e-commerce market size ~€400bn in 2010
 - Europe currently biggest market with €135bn
 - Thereof Germany has €23bn market volume (17%)
- Strong worldwide growth with 19% CAGR until 2013
 - All regions with double-digit growth rates
 - Asia will become the biggest e-commerce market by 2013 with CAGR of 28%

Source: Goldman Sachs; eMarketer, Pitney Bowes, CRR; 1) E-commerce defined as all goods and related services purchased via internet by end consumers incl. software (Eurostat, OECD); 2) Source was used for further analyzes; 3) Exact market definition tbd; regional allocation tbd

1 The Digital Manifesto: How Companies and Countries Can Win in the Digital Economy, BCG

Given these challenges, in developing its own vision for the future of e-commerce Deutsche Post DHL decided to rely on figures published by investment and securities firm Goldman Sachs, whose predictions for market evolution sit broadly mid-way between the least and most optimistic estimations. It estimates that the global e-commerce market will enjoy a compound annual growth rate (CAGR) of 20% until at least 2013. Based on Goldman Sachs's predictions, Deutsche Post DHL makes the following assumptions:

- Cross-border e-commerce will surge – and consumers will not always realise they are purchasing goods from abroad.
- The lines between B2C and B2B, domestic and international, and standard and express delivery will become increasingly blurred.
- The shift from retail to e-commerce will continue with new intermediate retail models such as showrooms emerging.

According to the figures cited by Goldman Sachs e-commerce was worth around €400bn globally in 2010, with Europe taking the biggest share, at €135bn. However, Asia is predicted to become the biggest e-commerce market by 2013, with a CAGR of 28%. On the other hand, Forrester, an independent market research company, predicts a compound CAGR in Asia-Pacific e-commerce of 18% in the 2010-2015 period. Whichever figure is ultimately revealed, the most accurate, both organisations agree that Asia Pacific will become the largest global e-commerce market in the coming few years.



Long-term drivers of e-commerce growth

Speaking at the Delivery Conference² keynote speaker Sir Terry Leahy – former CEO of Tesco, the largest British retailer – said that e-commerce growth is everywhere and that people's lives are changing as a result, in terms of lifestyle, technology, values and politics.

Sir Terry said that Tesco's growth strategy for 15 years was to follow the consumer. Over time this led to new markets, store formats, media, banking and insurance services, all of which came from looking at changes in society and the need for change within the company. One did not have to predict the future as the drivers for growth were already here:

- Digital technology has been around since the 1970s.
- E-commerce is not a new phenomenon – tesco.com started trading 16 years ago.
- The rise of China and Asia has been happening for more than 15 years.
- The increase in Alzheimer's associated with an aging population increases the need for care services.
- Being green is essential to future growth.

The important thing is not just to recognise these drivers, but to act upon them. According to Sir Terry, the moment something is going to change is the time to go back to one's organisation and make changes – break up business models to build for the future. Sir Terry outlined six drivers for growth:

1. Trust: people need guidance in navigating a global world and will use brands, people and businesses they trust. This is why customer reviews are so important in retail.
2. Digitisation: the digital revolution is transforming businesses. Customers have more information on businesses than ever before. There exists more information on customers than ever before, although businesses are only scratching the surface of this rich knowledge base and do not yet know nearly enough about the customer and the two-way process of information flow.
3. Lifestyle: our society is fascinated with looking good and living for ever. The success of fashion brands, luxury goods and apparel has been due to people needing ways to express identity in a global world. The Asian consumer wants to emulate his or her Western counterparts, and that is why Western brands are so successful in Asia.
4. Simplicity: the need for convenient and satisfying products. People have too much choice, which it is bewildering. Simplicity is satisfying whereas choice is not.

² The Delivery Conference, 1 March 2012, London, MetaPack

5. Loyalty: a loyal customer is a profitable customer.
Concentrate on creating long-term customer loyalty.
Loyal customers cost less to service, complain less and spend more.
6. Green: can businesses afford to be green and grow?
They cannot afford not to. Governments will add more regulations and customers will increasingly require businesses to demonstrate their sustainability credentials.

Growth when found must be sustained. This is where the strategic considerations come in as judgement will be required for capability and capacity and to avoid bottlenecks and improve profitability. E-commerce today provides the great front-end promise for choice, but this promise has to be supported by delivery and distribution management systems. Failure to match customer loyalty to the delivery experience will erode loyalty due to the imbalance with customer satisfaction.

Short-term drivers of e-commerce growth

Social media

E-commerce is fundamentally changing the way consumers think about shopping, and spending time online is increasingly being considered as much, if not more, a social activity or pastime than a chore. In this regard, social media and platforms are revolutionising how consumers not only engage with brands but think about and share their whole shopping experience, from exchanging tips and preferences with friends and other shoppers to discussing trends and rating products and services.

China provides interesting insights in this regard. Trust has been something of an issue in Chinese retail, with the industry's reputation having been damaged by cases of counterfeit goods and services. This has very much encouraged consumers to exchange information on products and services via social media. This equally stimulates consumer confidence in e-commerce stores and creates a virtuous cycle, as online traders have to win consumer confidence and achieve good buyer feedback to be successful.

CASE STUDY: CHINA'S EMERGING E-COMMERCE MARKET

China is a good case study demonstrating the potential of e-commerce. In 2010 China's online shopping industry had a turnover of US\$80bn, and grew at a dizzying 87% year-on-year. This is driven by China's 420m internet users, who spend around a billion hours each day online. Last year 185m Chinese made at least one online purchase. Online shopping now accounts for more than 5% of China's retail sales.

To tap this vast market large and small online companies across China are learning how to be effective e-commerce players. Chinese online retailer Taobao Mall accounts for about 70% of the country's online transactions. It is a free-to-use online marketplace with some 800 million product lines - from food to clothes to technology. Attracting 50m unique visitors a day, it is the top destination for three quarters of online shoppers in China.

According to Duncan Clark, founder and Chairman of BDA³, an investment advisory firm in China specialised in China's technology, internet and e-commerce sectors, online retailing, not just in China, can overcome its weaknesses by combining the dynamic interaction of social networking with the commercial potential of e-commerce – social commerce as he likes to call it – by enabling consumers to rate e-tailers and provide their feedback to other purchasers. “Basically a one-to-one connection is being established that is breaking through the mistrust barrier [...]. The West can learn a lot from some of the developments happening in the Chinese e-commerce sector,” says Clark.

The seemingly unstoppable rise of social networks is reintroducing the social side of shopping, albeit in an online environment. Social networking is becoming an ever-more significant part of people's online experience: according to Comscore, an internet metrics firm, one in five minutes spent online is now on social networks. Or as Marc Benioff, the Chairman and CEO of cloud software firm salesforce.com, likes to put it, “Facebook is eating the internet”³.

³ BBC Technology Features

Postal operator case study #1: Itella grows e-commerce with social media

Finland's Itella is a good example of how a postal operator can use social media to increase consumer interest. In 2010 Itella purchased Estonia's SmartPost, a business providing automated terminals for parcel collection. Having first persuaded Finnish e-retailers to include SmartPost as a delivery option, Itella then had to drive consumer awareness and uptake of the service. For this it launched a Facebook campaign.

Itella made a conscious decision not to outsource the development and running of this campaign to a specialist communications consultancy; instead, its social media marketing team, a small operation involving the whole parcels team, took the lead in driving the campaign.

Having created the SmartPost Facebook page Itella next had to drive consumer awareness of it and generate a critical mass of Facebook fans. To do this it organised an online competition, providing special offers and gifts. This platform allowed it to communicate with fans every time an e-tailer added the SmartPost solution, and to pass on promotions and offers from e-tailers in Itella's SmartPost network. E-tailers in turn began promoting the SmartPost solution through their own Facebook activities.



Itella's Facebook marketing strategy is based on offering benefits continually. Fans pass on discounts and offers to their network of Facebook friends, encouraging them in turn to join the SmartPost group. Discussion groups on the SmartPost site have also allowed Itella to obtain good consumer feedback and to pass on information about its services, and Itella is using social media platforms to actively engage consumers in an ongoing dialogue. This can be of fundamental importance at all stages of the business, not just in driving consumer uptake and retention. For instance, when Itella acquired SmartPost, it communicated with Estonian consumers openly through Facebook and managed to prevent any negative reaction to the acquisition.

Postal operator case study #2: GeoPost's DPD, consumer care and social media

DPD is part of Le Groupe La Poste's GeoPost group. It has been using a selection of social media to engage with consumers in different national markets.

Twitter helpdesk

In the United Kingdom the DPD central customer service team is now using Twitter to answer tracking and delivery queries. The initiative is attracting an increasing number of Twitter followers and creates economies of scale, allowing a single customer service agent to deal with a number of queries at the same time.

The Twitter service is gaining positive feedback, which has reassured senior management, concerned that opening to the Twitter platform had the potential to expose DPD to criticism.



The Twitter helpdesk provides DPD with a cheap and quick way to deal with problems, resulting in fewer calls to the DPD call centres and increased customer satisfaction. Customers are able to engage in a two-way dialogue with a DPD representative and get a response more quickly and conveniently.

According to GeoPost, negative tweets also indicate interest in the DPD brand, and can be used to turn around a bad customer experience into a positive one. Companies have to balance complaints they receive against the engagement they achieve, provided they are fundamentally confident about the quality of their service.

Facebook consumer outreach initiatives

In the Czech Republic DPD generated brand awareness again via a Facebook competition, offering a free gift to the fan who created the winning scenario for an actor to play out.

The winning idea, decided by popular vote by Facebook fans, was for the actor to run naked through Prague, recreating a scene from a famous Czech film. DPD made a video of the event and posted it on YouTube.

Although public nudity may have been considered inappropriate for DPD's brand values and the video was at the very limit of acceptability, the company has a philosophy of allowing local business units freedom to conduct Facebook activity. The strategy was vindicated, as the Czech fans loved both the competition and film, which attracted very positive consumer feedback.

Other social media initiatives the company has run across Europe include the launch of its 'predict service' in the UK, for which DPD used Facebook and YouTube to promote the service, offering one-hour delivery time slots with text or email alerts. The initiative was part of a wider campaign to position DPD as a B2C as well as a B2B brand.

In France the company also used Facebook to promote the Colissimo delivery option on PriceMinister, an online marketplace. The campaign featured a well-known comedian who asked fans to suggest a perfect gift for him to buy from PriceMinister for mother's day.

Mobile e-commerce

The real game changer, though, will be the combination of social online shopping with mobile phones.

One in every three mobile shopping transactions is actually completed while in a store. This is because smartphone owners are increasingly likely to abandon a purchase in a bricks-and-mortar store because they can get instant reviews, feedback and price comparisons for products on the shelf via their mobile device.

Mobile devices are the ultimate combination of the digital and physical, the virtual and real. According to David Sable, global chief executive of advertising firm Young & Rubicam, mobile devices will not just change e-commerce, they will change the entire concept of retail itself. For example, eBay mobile sales have doubled each year in the past three years from US\$2bn to US\$4bn to US\$8bn in 2010.

The challenge for e-retailers is to turn this change to their advantage and deliver a positive and engaging mobile shopping experience.

CASE STUDY: THE CONTINUED GROWTH OF EBAY

In 2010 US\$62bn worth of merchandise was sold through eBay and net income for the last three months of 2011 came in at US\$1.98bn, up from US\$559m in the same period last year. Excluding exceptional gains such as the sale of Skype, eBay's profit from the quarter would have been US\$789m.

eBay's results were also boosted by strong performance from its online payments unit PayPal.

Commenting on the performance, eBay's CEO, John Donahoe said that eBay is no longer just an e-commerce leader but a stronger, more diverse global commerce company shaping the future of shopping and payments.

Speaking at the IPC Senior Executive Forum on e-commerce in October 2011, Christoph Homann, Director of Shipping at eBay Europe, said that the lines between physical and e-commerce are increasingly blurred. Consumers want to shop whenever, wherever and however they like, using the full range of digital (downloads), mobile, social and physical channels available to them.

They will research prices on smartphones while looking at products in shops, or ask their friends on Facebook to recommend brands. In the future, consumers will buy wherever they receive the best price and experience.

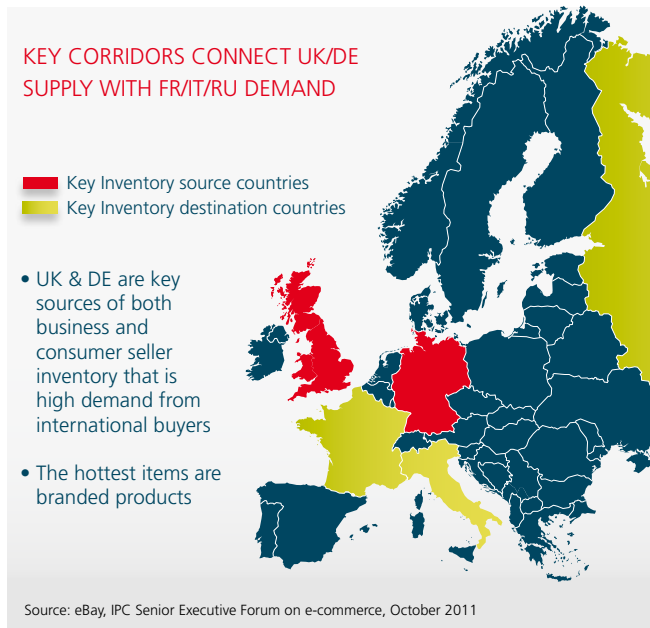
Comparison software, such as smartphone application Milo, is able to index products and show consumers a range of prices at both e-commerce webshops and local physical shops.



eBay believes there will be huge growth in e-commerce in the next four to five years driven by consumer behaviour. Physical retailers have to embrace online channels and understand that consumers are looking for value, and e-retailers must include mobile channels in their propositions.

Cross-border e-commerce

Cross-border e-commerce is another potential critical driver in the growth of online retail. While on average 40% of Europeans shop online (ranging from 61% in Sweden to 12% in Bulgaria), only an average 7.5% shop across borders⁴. The main product flows in Europe currently are from Germany and the United Kingdom to France, Italy and Russia⁵.



Another trend is for smaller countries with relatively small markets to purchase across borders from a larger neighbour, particularly where a language or culture are shared. In Austria, for example, 30% of the population shops online but 90% of their purchases are made in neighbouring Germany, with the same language and currency⁶.

Consumers will be attracted to websites in other countries offering goods at lower prices, niche products or products not yet available in their home market.

IPC's own 2010 cross-border e-commerce research⁷ showed much higher proportions of online cross-border purchases in the smaller markets of Belgium (40%) and Denmark (51%) compared to the bigger ones of France (33%), Germany (29%), the Netherlands (27%) and the UK (36%).

Deutsche Post DHL believes there is huge potential for cross-border e-commerce, driven by availability and price⁸.

Consumers will be attracted to websites in other countries offering goods at lower prices, niche products or products not yet available in their home market. In France, for example, 62 out of a basket of 100 products bought online were either at least 10% cheaper if purchased from an e-retailer abroad or were unavailable in France. However only 9.3% of French consumers engage in cross-border e-commerce while 43% shop online.

Research for Deutsche Post DHL has shown that prices have to be at least 10% cheaper for consumers to shop across borders⁹.

The current barriers to potential growth include language, lack of warranty for cross-border purchases, VAT differences, shipment and duty costs, and uncertainty about returns. E-tailers will need to solve these issues if they wish to give their cross-border purchasers e-commerce experience comparable to the domestic online purchasing experience.

Cross-border e-commerce could triple in Europe

COMBINATION OF AVAILABILITY AND PRICE OF E-COMMERCE PRODUCTS

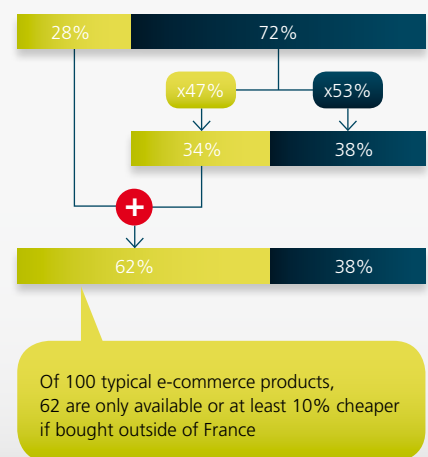
THE COMBINATION OF BOTH EFFECTS SHOWS THE TRUE DRIVER FOR CROSS-BORDER E-COMMERCE

Example: France

Availability:
Only available abroad

Price:
At least 10% cheaper abroad

Attractiveness:
Only available abroad or at least 10% cheaper abroad



Source: Deutsche Post DHL, B2C Parcel International

⁴ Consumer attitudes towards cross-border trade and consumer protection. Conducted on behalf of the European Commission, requested by Directorate-General Health and Consumers. March 2011

⁵ YouGovPsychonomics: Mystery Shopping Evaluation of Cross-Border E-Commerce in the EU. Conducted on behalf of the European Commission, Health and Consumers Directorate-General. 20.10.2009

⁶ Deutsche Post DHL, B2C Parcel International

⁷ IPC Cross-Border E-Commerce Report, 2010.

⁸ Deutsche Post DHL, B2C Parcel International

⁹ Deutsche Post DHL, B2C Parcel International

According to eBay, revenue from cross-border e-commerce in Europe could triple if these barriers are removed¹⁰. eBay actively promotes cross-border e-commerce by listing domestic suppliers beneath foreign e-tailers it knows will ship a specific product abroad if the cross-border price is competitive.

With growth, more e-tailers will enter the market, including physical retailers needing an online presence. It is likely that more specialised e-tailers in vertical sectors will emerge. eBay Europe's Director of Shipping Christoph Homann claimed that eBay's share of the e-commerce market is smaller today than two years ago on account of the growing number of new entrants¹⁰.

Another emerging trend is that of consumers buying from webshops that are presented as domestic services and appear to be based in their own country but are, in fact, offered by e-tailers located abroad. Growth in this market is being driven by e-tailers with regional or global distribution centres offering economies of scale, attracted by the opportunity to set up a direct channel to consumers without the need for a physical presence. Pixmania is a good example of this.

Postal operator case study #3: Deutsche Post's simplified tariffs stimulating cross-border e-commerce

The case of Deutsche Post shows that the elimination of certain barriers can stimulate cross-border e-commerce. Much of the growth of cross-border e-commerce in Germany has been attributed to a major simplification of the outbound tariffs within Germany at the beginning of 2011. Prior to that, prices for international letter-packets had been dependent on the destination.

From January 2011 pricing was simplified for international items, separate zones for Europe and World were abolished and consumers were offered one standard rate to international destinations around the world.

PRICING SYSTEM UNTIL 31.12.2010

		Europe	World
Postcard		€0.65	€1.00
Standardbrief	< 20g	€0.70	€1.70
Kompaktbrief	< 50g	€1.25	€2.20
Großbrief	< 500g	€3.40	€6.00
Maxibrief	< 1000g	€6.00	€12.00
	< 2000g	€14.00	€24.00

NEW PRICING SYSTEM

		International
Postcard		€0.75
Standardbrief	< 20g	€0.75
Kompaktbrief	< 50g	€1.45
Großbrief	< 500g	€3.45
Maxibrief	< 1000g	€7.00
	< 2000g	€16.90

Deutsche Post's simplified pricing system, 2011. Source: Deutsche Post DHL

During an IPC workshop on consumer outbound mail in January 2011 other postal operators voiced their concerns that regulators in markets outside Germany would not allow such a move. However the German outbound tariff change had been discussed for many years with the national regulator and was implemented within the constraints of the regulatory price cap.

MERCHANDISE SHIPMENTS IN THE LETTER MAIL STREAM ARE GROWING QUICKLY; WHEREAS CLASSIC LETTER MAIL (INFORMATION FORMATS) IS DECREASING

	Information formats (Standardbrief/ Kompaktbrief/ Postkarte)	Merchandise format (Groß-/ Maxibrief)	Value added services (Registered/ Insured/etc.)
Business customer segment	↓	↑	↑
Private customer segment	↓	↑	↑

Evolution trends of classic- and merchandise-letter-mail volumes. Source: Deutsche Post DHL

¹⁰ IPC Senior Executive Forum on e-commerce and the consumer in 2020, October 2011

For €3.45 a packet up to 500g can be sent anywhere in the world.

The simplification has acted as a stimulus for consumers and small businesses alike. For €3.45, a packet up to 500g can be sent anywhere in the world. Deutsche Post DHL has been working with retailers such as Haribo, a confectionary manufacturer, to allow customers to post gummi bears to friends and relatives around the world using pre-paid packaging available in retail outlets. Much of the growth in outbound packets in 2011 has come from consumers purchasing and sending goods from retail outlets. Deutsche Post DHL has also been leading an educational campaign to inform consumers that they can send goods as letters.



Deutsche Post DHL witnessed double-digit growth in its export market of packets up to 2kg in 2011, and saw similar growth in export registered and insured packets, from both consumer and SME sectors¹¹.

Postal operator case study #4: Japan Post's educational approach to driving e-commerce growth

Japan Post is building on its existing market strength to encourage small- and medium-sized e-tailers to operate across borders. As part of its strategy Japan Post Service offers an educational programme of e-commerce seminars for e-tailers to learn best practices and how to market products abroad. Advice is given on customs clearance and targeting foreign customers. The seminars take place at key cities in Japan and are organised by the Japan Post sales force.

During 2011, the company, in collaboration with partners such as PayPal and eBay, conducted ten half-day seminars for e-tailers with the potential to operate internationally. Delegates to these seminars are either targeted by Japan Post or apply to attend via its website. The seminars cover topics such as customs issues and international shipping. Japan Post follows these seminars up with one-to-one meetings with interested e-retailers.

However, Japan Post does not limit its activities to seminars. For larger customers, Japan Post's EMS service (operated within the Kahala Post Group) is launching an annual volume discount scheme. The company is also setting up partnerships with overseas e-commerce companies such as China's Taobao Mall. Furthermore, Japan Post's 'Mail My Page' international online service provides international label printing and shipping support, including the generation of electronic customs pre-advice.

JAPAN POST E-COMMERCE SEMINARS



Source: Japan Post, IPC Senior Executive Forum on E-commerce and consumer in 2020, October 2011

¹¹ Deutsche Post DHL, IPC Workshop on Outbound International Consumer Mail, January 2012

JAPAN POST'S INTERNATIONAL OUTBOUND SHIPPING SUPPORT SYSTEM

Overview



A system providing complete functions for generating dispatch forms for the enhanced convenience of major EMS and international parcel customers.

This support system provides:

- Automatic creation of dispatch forms and customs documents (customs declaration forms and invoices) for EMS and international parcels
- Automatic creation of postage-**deferred payment forms** and **acceptance receipts**; outbound shipping history management

Source: Japan Post, IPC Senior Executive Forum on E-commerce and consumer in 2020, October 2011

Postal operator case study #5: New Zealand Post linking domestic buyers and foreign sellers

New Zealand Post's strategy for e-commerce is to find ways to link buyers and sellers by identifying new markets and providing profitable services to both parties in the e-commerce transaction. Recognising its situation as a small economy distant from major global markets, New Zealand Post has developed several initiatives designed to facilitate international e-commerce.

As a broad strategy, the company aims to provide measured, reported services based on its value as a postal company, what it sells and what customers buy in the e-fulfilment supply chain. New Zealand Post has also launched its Redclick service, which is a portal to all its services for e-tailers, online sellers and importers. Redclick provides address and label printing, customs documentation and access to track and trace, New Zealand Post products, payment services and reverse logistics.

The company is also trying to stimulate cross-border e-commerce by conducting a lifestyle survey to understand what consumers want to buy and which groups of consumers are active. It will sell the findings to e-tailers overseas as an aid to entering the New Zealand market.

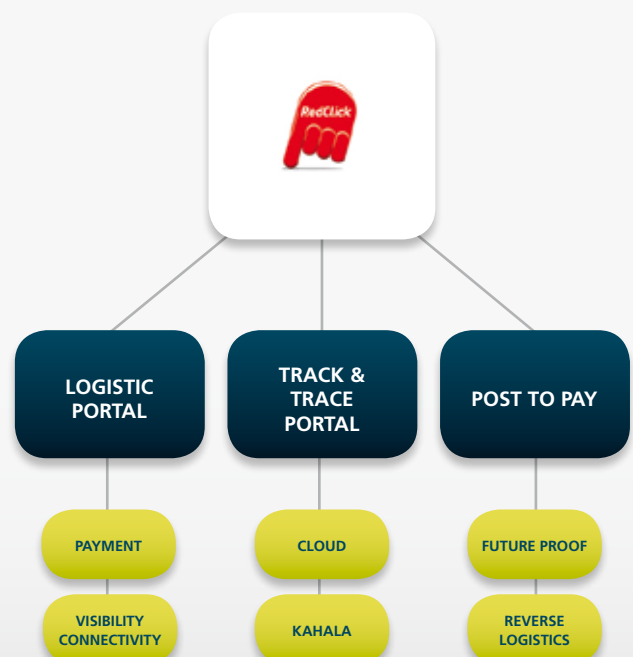
An Asia-Pacific regional data hub provides lists of potential customers in New Zealand, targeted at direct marketing companies such as Reader's Digest that operate in the region from Australia.

To facilitate e-commerce from these Australian companies New Zealand Post has developed a monitored end-to-end supply chain from Australia to New Zealand. Local contractors deliver to New Zealand consumers on the third day after online orders are placed, achieving a 99.87% quality of service. This strategy has allowed New Zealand Post to double its business from Australia in four years, creating the biggest channel into New Zealand.

New Zealand Post has also purchased its own logistics operator in order to participate directly in the end-to-end supply chain. Previously, it found it was nurturing e-tail customers until they became big enough for logistics operators to be interested in taking their business.

In another initiative to increase its foreign market, New Zealand Post began a pilot test with China Post in December 2011 inviting exporters in New Zealand to join the Chinese online marketplace Ule.com. New Zealand Post will help exporters with customs clearance and shipment.

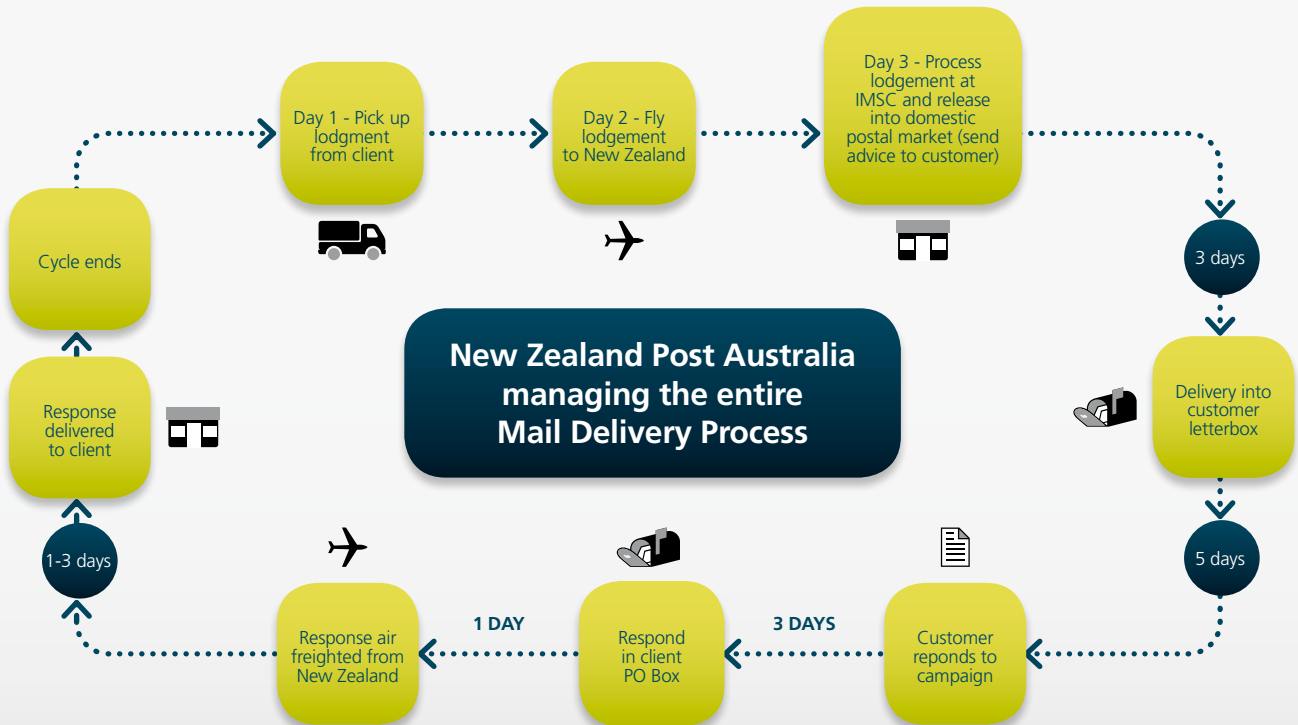
NEW ZEALAND POST'S REDCLICK - CUSTOMER PORTAL FOR ALL SERVICE REQUIREMENTS



Source: New Zealand Post, IPC Senior Executive Forum on E-commerce and consumer in 2020, October 2011

SUCCESSFUL INTERNATIONAL SUPPLY CHAIN

- “Active” international operator, export business, former NZ DM customers
- Service excellence (99.87%) is the basis for business success – growth opportunities follow from performance
- Customer satisfaction as measured by AC Nielsen is 89%



Source: New Zealand Post, IPC Senior Executive Form on E-commerce and consumer in 2020, October 2011

The challenges for postal operators

As these case studies show, there exists a range of ways in which postal operators can overcome existing barriers to cross-border e-commerce. For postal operators it remains crucial to be aware of current trends in online shopping and adapt their strategy to consumer demands. For many years postal operators have considered cross-border letters, packets and parcels to be a high-margin cash cow. However recent shifts in consumer preferences show this approach is no longer adequate.

IPC analysis distinguishes three basic categories for fulfilment of e-commerce goods by postal networks, for each of which the consumer will have different expectations and requirements. These categories are defined by the average value of the goods being sent:

- A: Average value of €10
- B: Average value of €50
- C: Average value of €500

Fundamental consumer preferences apply across all categories. One such is the move towards cheaper shipping alternatives. With the growth of e-commerce consumers are not prepared to pay the high shipping rates that the posts have traditionally charged, and are looking for cheaper alternatives. IPC research shows consumers are not prepared to pay delivery costs greater than 20% of the goods purchased. While track and trace for parcel services has become the norm and is viewed as a commodity, it is the cheaper, untracked letter-packets service where postal operators are seeing growth. Moreover, consumers do not expect the same level of tracking for lower-value goods (eg a €10 book) as they would for higher-value goods (eg a €500 tablet).

Consumers do not differentiate between letters, packets, parcels, or postal services such as Prime, EPG, registered or insured

Furthermore, IPC research¹³ on outbound consumer e-commerce confirmed that consumers do not differentiate between letters, packets, parcels, or postal services such as Prime, EPG, registered or insured. Indeed the range of services and the anomalies in pricing between parcels and letters can create confusion in the consumer's mind and act as a barrier to the growth of e-commerce. This complexity also prevents many domestic small businesses from trading cross-border. Consumers want easy-to-use, simplified postal services. Postal operators need to simplify both their product and pricing structures to remove these barriers for consumers. The case study of Deutsche Post DHL simplification of letter-packet tariffs has demonstrated remarkable results, with double-digit growth in e-commerce packets in 2011.

¹³ IPC Cross-Border E-Commerce Report, 2010

A - AVERAGE VALUE OF €10



Specification:

- Fits the average mail box
- 25cm x 20cm x 3cm
- 50-250g

Customer requirements:

- Postage ~ €2.50
- Acceptance scan
- IOD – information on delivery
- EU J+5 97%
- RoW J+7 97%
- Basic returns service (IBRS)
- No liability

Typical postal service:

Letters (G format)

B - AVERAGE VALUE OF €50



Specification:

- 30cm x 25cm x 20cm
- 250g-2kg

Customer requirements:

- Postage ~ €6.00 – €8.00
- Registered/Prime 100% scan rate
- Tracking on e-retailer web site
- EU J+5 97% RoW J+7 97%
- DDP - delivery duty paid
- Returns - IBRS / ERS
- Liability

Typical postal service:

Letters (G, E format) / Prime / Registered

C - AVERAGE VALUE OF €500



Specification:

- 30cm x 30cm x 30cm to 120cm x 60cm x 60 cm
- >500g to 20kg

Customer requirements:

- Postage ~ €50.00
- 100% scan rate
- Tracking on e-retailer website
- Proactive customer communication – progress and anticipated delivery
- EU J+5 97% RoW J+7 97%
- DDP - delivery duty paid
- Returns - IBRS / ERS
- Liability

Typical postal service:

EPG

Lastly, a returns service is required for all postal cross-border products. Although a customer may decide not to return unwanted goods with a value of €10, a returns service even if only to a central collection point for disposal or resale should be available.

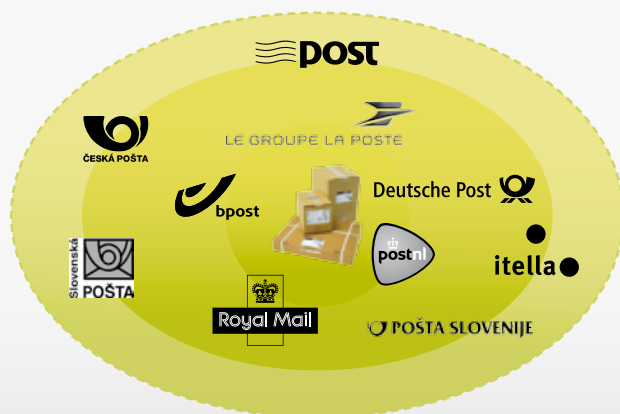
Enhancing cross-border e-commerce services – postal initiatives

IPC's Easy Returns Solution (ERS)

One of the biggest barriers to growth in cross-border e-commerce in Europe has been the absence of a simplified consumer-friendly process to return goods to the e-tailer.

IPC RAPIDLY BUILDING NEW SERVICES

IPC'S EASY RETURNS SOLUTION (ERS)



Source: IPC

Following the IPC Senior Executive Forum on parcels in 2010, a group of five IPC members (bpost, Deutsche Post DHL, Le Groupe La Poste, PostNL and Royal Mail) formed the Direct Point Group to tackle this issue and develop a cross-border Easy Returns Solution (ERS). ERS is based on the EPG parcel network and uses a double barcode label, one for the authorising (despatching) post and the other

for the accepting post receiving back the returned parcel. The labels are generated by IPC in a direct interface with e-retailers using the ERS system.

By January 2012 the IPC Easy Return Solution had been rolled out by ten postal operators: An Post; bpost; Czech Post; Deutsche Post DHL; Itella; Le Groupe La Poste; PostNL; Royal Mail Group; Slovakia Post, and Slovenia Post. The primary scope for ERS expansion is among EU members of EPG, as IPC is developing a returns solution which encompasses customs requirements. However IPC is also seeking to expand its ERS beyond the EU, as three of the seven new postal operators who confirmed they would join the scheme in 2012 are outside the EU.

Initially only German e-tailers had taken up the ERS, offering the service to their customers in the UK, France, Belgium and the Netherlands. By October 2011 another three postal operators – bpost, PostNL and Royal Mail – were also operating ERS for e-tailers. Le Groupe La Poste has plans to offer it to its e-tailer customers in the near future.

IPC's Easy Collect Solution (ECS)

Following the success of ERS, IPC and Direct Point Group members are working on an Easy Collect Solution (ECS) for cross-border e-commerce parcels. This will allow consumers to select a pick-up point or parcel locker at the time of ordering.

Parcels weighing up to 10kg will be used for a pilot test prior to rolling out the full service, covering parcels weighing up to 30kg. Consumers will receive email or SMS alerts, and proof of delivery will be obtained via a signature or electronic proof-of-access to parcel lockers.

EASY COLLECT SOLUTION PROCESS OVERVIEW



Source: Post NL

Conclusion

E-commerce continues to offer postal operators a major opportunity for growth. E-commerce was worth around €400bn in 2010 and IPC estimates that the value of the e-commerce market available for physical goods delivery is approximately half of the stated total. Asia is predicted to become the largest e-commerce market by 2013 with a CAGR of 28%.

Six long-term drivers have been identified as fuelling growth in e-commerce. These are trust, information, lifestyle, simplicity, loyalty and sustainability. Growth is being driven by social media, mobile e-commerce and increasingly cross-border e-commerce as consumers gain more and more confidence in online shopping and search for goods that are either cheaper cross-border, or which are unavailable in their home markets.

Some posts have already demonstrated how social media can be used effectively to promote services and engage in a two-way dialogue with customers.

Educational programmes can also be offered to encourage small businesses to venture into cross-border e-commerce. Again posts can play a major role in supporting such ventures.

However the consumer is increasingly demanding cost-effective delivery with visible tracking; no more than 20% of the value of goods should be spent on postage. Consumers are also often confused by the bewildering range of postal services that are available for international delivery. A major simplification of the product offering is required. IPC recommends three basic levels of service for postal operators to meet the needs of 90% of cross-border e-commerce shipments, relating to the value of the goods purchased: €10, €50, €500.

Evidence shows that where posts have simplified their services and pricing structure they can experience double-digit growth in cross-border packet services.

IPC continues to work closely with its members to promote the growth of cross-border e-commerce. Having identified returns as a major barrier to cross-border e-commerce the Easy Returns Solution (ERS) was developed. At the beginning of 2012 this service had been successfully rolled out by ten European postal operators and IPC will proactively expand ERS beyond the EU during the year.

E-commerce remains a prize to be won for postal operators.



For further information on IPC's e-commerce research and initiatives, scan or click on the QR code.



3

Media services and direct marketing

- Direct mail is in transition. Traditional marketing channels have been shaken up, but not necessarily supplanted by, online media, and today direct mail is becoming more of a complimentary rather than competitive medium to online.
- When combined with new technologies such as QR codes or augmented reality, direct mail can effectively compliment online media by taking brands' virtual connections with consumers to the physical level, and thereby enhance the total user experience – and ultimately consumer engagement.
- IPC has established a collaboration with the Massachusetts Institute of Technology (MIT) Center for Digital Business to compare different types of media, including direct mail, to help establish the best overall media mix for advertising.
- The challenge for the postal operators is how to survive in this new world. One way is to redefine themselves within a wider business model: posts do not just deliver mail, they solve problems.
- IPC's postal case study library includes more than 400 case studies on direct mail, which can be selected by postal operator or by industry sector. All case studies are in the local language(s) of the postal operator.
- IPC's cross-media information database helps postal marketing professionals benchmark the developments in cross-media marketing services and expertise in the postal industry – an area becoming increasingly important as advertisers adopt cross-media strategies to communicate with consumers and businesses in more relevant ways.
- The rapid spread and deep penetration of social media is without doubt one of the most significant game changers of the digital revolution.
- Direct mail's role needs to change along with customer perception to view direct mail as the key driver of traffic to the internet. This can be achieved through print communicating the right message to the right person at the right location, supported by technology that can capture engagement, and facilitate a response.
- A 2011 USPS mobile barcode promotion was used to build awareness of mobile technology and demonstrate to mailers how mobile barcodes can increase the value of direct mail.
- To understand the role of direct mail in cross-channel media, Le Groupe La Poste followed 50 digitally-minded people for one month, interviewing them and studying their reaction to media, emails, direct marketing, how they build relationships, all from the end-consumer's point of view.
- Bring Dialog, a wholly-owned subsidiary of Norway Post, is a specialist in one-to-one communications, offering a multichannel range of CRM and customer interaction.
- Canada Post recognises that it owns an unparalleled data asset in the Point of Call (address) data and is enhancing this data asset to provide the market with much-needed data solutions. The physical mail stream benefits as every CA\$1 spent on new data drives CA\$2 to CA\$4 in incremental postage.

Direct mail is in transition

Direct mail is in transition. Traditional marketing channels have been shaken up, but not necessarily supplanted by, online media, and today direct mail is becoming more of a complimentary rather than competitive medium to online. Empowered by innovative technologies and supported by high-quality data, direct mail still has a critical role as a vehicle for delivering enriched and interactive customer experiences that can drive consumers into the digital space. Marketing-savvy companies seek to engage consumers in one-to-one dialogues both off- and online, and direct mail plays a key role in enabling those conversations and a new B2C relationship dynamic.

Direct mail still has the ability to cut through the advertising clutter and engage directly with consumers

At a time when consumers are being bombarded with online marketing messages, direct mail still has the ability to cut through the advertising clutter and engage directly with consumers in an informative, entertaining and educational way. The perception and image of postal operators providing direct mail services also needs to change and evolve from old fashioned to dynamic, from inactive to interactive, from mass-market to premium one-to-one communications, and from expensive to value-added. Posts should be the facilitators of innovative technology, and direct mail should be perceived as a marketing medium that links offline to online effectively and with measurable results. For this to be achieved posts will have to become much more than a mere delivery service: they need to transform into strategic marketing business partners.

Research conducted by IPC in 2009 and 2010 clearly indicates that in order to maintain its relevance, direct mail has to work effectively alongside online advertising media through integrated cross-media campaigns. While the online medium is valued for being cost effective, less labour intensive and able to deliver higher volumes more quickly and easily, the bombardment of spam emails and the risk of digital communications overload are factors that negatively impact its effectiveness as a promotional channel.

Physical direct mail is perceived as being more personal and can be of greater impact by offering a more segmented communication that reaches specific consumer groups and sectors. Direct mail also has the potential of becoming a niche channel for personalised campaigns and premium products.

When combined with new technologies such as QR codes or augmented reality it can effectively compliment online media by taking brands' virtual connections with consumers to the physical level, and thereby enhance the total user experience – and ultimately consumer engagement.

This chapter discusses the role of direct mail, closely examines the impact of social media on advertising, and highlights some of the innovative technologies that can be used to link print media complementarily to online campaign messaging. Case studies of postal operator initiatives in this area will be presented, as will an outline of the activities that are being undertaken by IPC to promote effective use of direct mail.

How effective is direct mail in comparison to other advertising media?

IPC has established a collaboration with the Massachusetts Institute of Technology (MIT) Center for Digital Business on various research projects for the postal sector, one of which compares different types of media, including direct mail, to determine an optimal marketing mix model. The study is being led by Professor Glen Urban, keynote speaker at the 2011 IPC Senior Executive Forum on media services and direct marketing, where he presented some of his recent research.

"We are in the midst of a cloud-driven consumer revolution, on the fracture line of an earthquake that is taking place: mobile is everywhere," is how Professor Urban described our world today. "It is also a unique time for marketers with old and new media sitting side-by-side."

The challenge for Chief Marketing Officers (CMOs) is how to allocate media budget. Even the CMO of global players such as Amazon, Jeff Wilkie, is unsure in this changing landscape of how to allocate his US\$500m budget, how to balance old and new media, direct mail and TV, and whether he should be spending more or less.

The challenge for postal operators is how to survive in this new world. One way is to redefine themselves within a wider business model: posts do not just deliver mail, they solve problems. Helping answer some CMO questions by giving them an understanding of the role direct mail plays in the cloud-driven consumer world and why it should be included in the new media mix can generate new business growth.

How can new media be measured effectively?

MIT has been researching the relative effectiveness of new and social media as marketing channels to reach Generation-Y consumers¹. It uses its website-morphing methodology to compare new media to traditional advertising and examines the results through perspective marketing meta-analysis. It is carrying out the major body of this study on behalf of General Motors (GM), and research for IPC has been included in this bigger programme of study.

MIT is working with GM to develop future research using perspective marketing meta-analysis, a methodology to measure new media effectively drawing on the medical model of clinical trials. Drug companies use clinical trials to give a complete perspective based on protocol, global studies and data taken from a large sample size using the same protocol, with pre/post-test control. MIT research suggests that new media can be tested using the same analogy to medical trials and is making the same link to sales depending on what is done to market variances through perspective marketing meta-analysis.

GM's first global meta-project is taking place over the next three years. In three regions in the US, Europe and Asia, four types of media will be tested including TV, banner adverts, search and apps, with pre/post-test controls. The selection will be based on existing and new buyers (acquisition versus retention studies). All subjects will have the same measurement criteria, and each combination and interaction effect will be measured. IPC and some of its members will collaborate with MIT and GM in this global study, in particular to see causative results, and to determine whether morphing direct mail according to consumer preference will further increase response rates.

Advertisement morphing involves matching communication to an individual's cognitive style. It can be used to quickly decipher an online visitor's cognitive style and enable brands to switch advertising and steer prospects towards their preferred cognitive style. These styles can be either holistic-intuitive-impulsive (visual), or technical-analytical-deliberate (statistical). It is no coincidence that the majority of websites are designed for holistic-type people, as designers tend to be holistic. However this will not maximise the response from technically-minded people.

Can direct marketing learn from morphing?

Communications that generate sales are based on an understanding of the audience and could indeed take account of both cognitive styles. The difference would be through design, for example using colours and highlights to allow an impulsive person to quickly scan information and the more analytical person to continue reading the text.

GM faces a big challenge in the United States, as its brands do not resonate with younger consumers as well as those of other vehicle manufactures. The company has been testing online advertising to evaluate whether adapting their current banner advertising campaigns would be worthwhile. Two studies were completed, in the first of which a shopping environment was simulated with pre/post measures. As consumers clicked, pages morphed according to the buying stage they were in and they were served ads depending on their personal cognitive style. As morphing clicks increased the consideration rate for Chevrolet increased – a huge step forward for the brand.



In the second, GM tracked clicks and used MIT's decision engine to source the best advertisements. After testing several advertisements and analysing quick view results, the consumer's personal cognitive style was determined. MIT discovered that analytically-minded consumers also liked visual stimuli.

As part of its campaign to reach out to Generation-Y consumers GM created the DreamCar application, which allows consumers to pick a car, choose a style, customise it and enter it into a competition via the app. The winning entry receives a US\$250 voucher to rent a Chevrolet for a weekend and test-drive the car.

¹ Generation Y is the generation that followed Generation X. It is typically considered to begin with those born in the early-mid 1980s who grew up as digital natives.

IPC online resources to promote direct mail

Case studies

More mature online markets see a large opportunity in the benefits of cross-media approaches, integrating online and physical mail, but postal operators need to continue to adapt in order to become a valued player in the new environment. While delivery costs can create resistance from companies to use direct mail, posts need to reposition the medium by showcasing its added value to both sender and receiver and demonstrate direct mail's efficiency through business case studies. Postal operators also need to broaden their activities by providing additional services such as database management to their customers.

Companies are using direct marketing strategies in new and innovative ways, combining direct mail with other media channels or on its own, and IPC provides examples of best

practices from across industry types and media channels through a number of case studies from IPC members. These show how direct mail can be used either independently or in combination with other media. Each case study answers the same set of questions:

- Who was the advertiser?
- What was the challenge?
- What were the objectives for the campaign?
- Who was the target group?
- Which media were used?
- What was the mailing approach?
- What was the creative concept?
- What were the results?

In addition to these best-practice case studies, IPC's postal case study library includes more than 400 case studies on direct mail, which can be selected by postal operator or by industry sector. All case studies are in the local language(s) of the postal operator.

CASE STUDY OVERVIEW TABLE

Sector	Case study	Country	Advertising Mix
Tourism	Virgin Holidays	UK	Direct Mail, e-Mail, TV, Radio, Press, Online, Point of Sale
Finance & Insurance	Commonwealth Bank	Australia	Direct Mail, e-Mail, Press, Online
Public Transport	Via Rail Canada	Canada	Direct Mail, e-Mail
Charity & Non-Profit	RNL	UK	Direct Mail
IT & Technology	SAP	Portugal	Direct Mail, Press
Retail	COOP	Switzerland	Unaddressed Mail
Retail	Cafe Express	USA	Direct Mail, Online and Social Media
FMCG	Nescafe	Netherlands	Direct Mail with Print and Bill Board
Telecom	Telia	Denmark	Direct Mail and Online
Finance & Insurance	Tower Insurance	New Zealand	Direct Mail

POSTAL CASE STUDY LIBRARY

Case studies by IPC Member

An post
Australia Post
Canada Post
CTT Correios
Hellenic Post ELTA
Itella
New Zealand Post
Post Danmark
P&T Luxembourg
Royal Mail Group
Swiss Post
PostNL

Case studies by Industry Sector

Automotive
B2B
Banks
Education
FMCG
Government
Health Services
Insurance
IT
Leisure / Entertainment
Mail Order / Online Shopping
Manufacturing
Media
Non-Profit
Other Financial Services
Trade
Travel / Tourism
Utilities

Source: www.ipc.be

Cross-Media Information Database

IPC's Cross-Media Information Database helps postal marketing professionals benchmark the developments in cross-media marketing services and expertise in the postal industry – an area becoming increasingly important as advertisers adopt cross-media strategies to communicate with consumers and businesses in more relevant ways.

IPC has investigated the services its members are offering, examining the specifications of each and grouping them in categories to provide members with visibility of how their peers are meeting their own customers' needs.

Direct marketing services have been categorised as follows:

- Cross-media products
- Permission-based services
- Email marketing
- SMS marketing
- Call-centre marketing
- Sample boxes
- Hybrid direct mail
- Online direct mail creation
- Integration of direct mail and e-commerce
- Smartphone apps
- Data services and database management
- Direct mail ROI calculation
- Case studies
- Educational programmes

All the case studies, together with the cross-media database are available on the IPC website under Intelligence/Direct Marketing – the content is restricted to IPC members.

Social media

The rapid spread and deep penetration of social media is without doubt one of the most significant game changers of the digital revolution. Its impact can be seen in many areas of human activity, from the political to social and commercial. It is also a truism that social media is another factor accelerating the substitution of physical mail. However postal operators should not see social media merely as a threat to their business: as with any innovation, social media also offers posts opportunities, such as the smart integration of social media and advertising mail.

To increase consumer interest in direct mail, marketers need to take some of the positive digital out-of-home experiences and deliver these into the home through creative, interactive direct mail. This process involves bringing together new interactive technology within the creative treatment of direct mail.

TOPLINE FACTS ABOUT SOCIAL MEDIA

- More than 800m people – 11% of the world's population – have a Facebook account
- 50% of all Facebook users log in every day
- The average Facebook user has 130 friends and spends 700 minutes, or over 11.5 hours, a month on Facebook with 30bn pieces of content are shared each month
- Facebook alone accounts for more than 10% of the mobile data on the iPhone
- Every minute on Facebook:
 - 510,000 comments are posted
 - 293,000 statuses are updated
 - 136,000 photos are uploaded
- Twitter has 225m users, who send 150m tweets per day – 1,736 per second
- The average Twitter user has 115 followers
- LinkedIn has 135m users; two new users sign up every second
- 34% of LinkedIn users are in the 25-34 age category and 36% are of LinkedIn users are in the 35-54 age range
- YouTube has 490m unique visitors who generate 92bn page views per month
- More videos are uploaded to YouTube in sixty seconds than the major three US networks created in last sixty years
- 3,500 photographs are uploaded each second to Flickr
- Foursquare generates over 2m check-ins per week
- Smartphone users are twice as active on social media than non-smartphone users
- 60% of smartphone users admit to using their device in the bathroom
- Women are more socially active online than men (55% vs 45% of all social network users)

Source: World of Social Media, November 2011

Social media as a way to connect businesses and customers

Twitter co-founder Biz Stone believes that social media and the platforms used to connect with consumers have forced brands and businesses to function in a landscape that is more immediate, a true real-time, 24-7 cycle. Stone emphasises the importance for brands to listen carefully to their customers and react to their comments, while downplaying the importance of measuring the return on investment for a social media marketing campaign.

"Asking the ROI of social media is like asking what the ROI of your mother is" Biz Stone, co-founder, Twitter

According to Stone, consumers seek more meaningful relationships with brands, and social media tools are helping consumers around the world connect in a way that has never been possible before. Marketers should use these connections to deepen bonds between consumers and brands and deliver a more meaningful brand experience.

Stone states that Twitter, a social networking and micro blogging service, should be embraced by direct marketers as it can allow for open, informed and engaged two-way communications between businesses and consumers.

Speaking at the Direct Marketing Association (DMA) 2011 conference, a large annual event on direct marketing, Stone claimed that Twitter had revolutionised business communications in the B2B and B2C space. In the future, Stone believes that online dashboards will not only evaluate revenue and returns on investment (ROI) of social media campaigns, but also the somewhat more intangible 'measures of good'. Companies will start to realise that they are building their brands by helping people.

Another keynote speaker at the DMA 2011 conference was Grady Burnett, VP Global Sales and Operations at Facebook. Like Twitter, the case was made for Facebook to be the new real-time marketing tool to help marketers reach their customers.

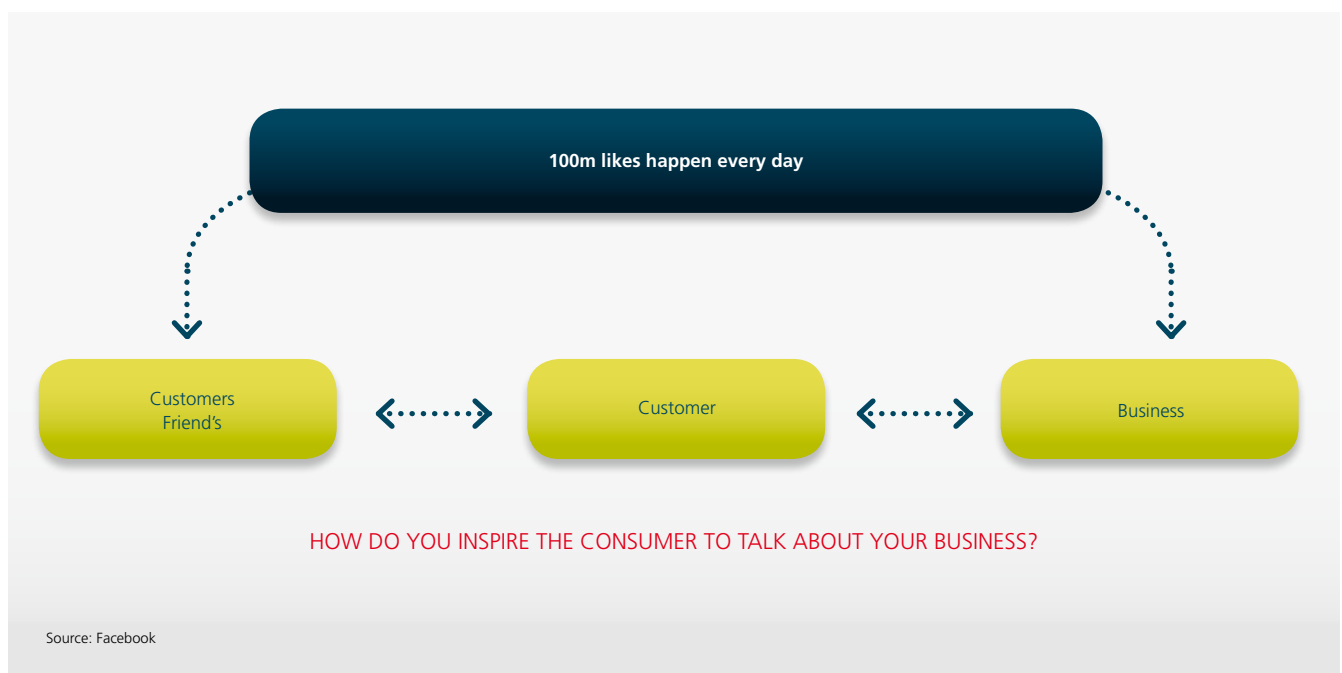
Burnett quoted Nielsen's Social Media Report (September 2011) which revealed the size of the audience and the degree of consumption across social-networking platforms in the US. This study identified as a major driver of social media use the desire to view and contribute to reviews of products and services: 68% of social media users read product reviews on social media sites, and over half provide product feedback, both positive and negative.

Burnett described how Facebook is being used to build email databases to gain new customers and grow business. The key point is the need to establish a two-way dialogue with the consumer and convert them into brand ambassadors: providing they perceive a personal benefit, these consumers will share brand messages with their Facebook friends, of whom the average Facebook user has 130.

Social media case studies

Facebook and Levi's: a social shopping experience

Levi's partnered with Facebook to create a new social shopping experience for its consumers. Every product in the Levi's catalogue could receive consumers' votes of approval using the Facebook 'like' function. The 'like' functionality was incorporated across the site in family and product pages. A new section of the site called 'Friends Store' was created as the hub of the social shopping experience. Empowered by approval from their friends more consumers parted with their cash to buy Levi's products. The result of this promotion was that the Levi's stores experienced a fourfold increase in the number of shoppers visiting their retail outlets.



Vail Resorts' mobile app: connecting on the slopes

Another case study based upon the successful integration of Facebook within an online promotion is that of the Vail Ski Resorts in Colorado.

Vail Resorts in Colorado wanted to make it easier for skiers to track their progress on the slopes and to share with their friends on Facebook automated updates on how far, how fast and where they had skied during their day. For this the company introduced its EpicMix App. The app is enabled by chips embedded into ski lift passes read by RF scanners.

The system automatically tracks data from each skier's ride, including vertical distance skied and days on the mountain. Digital pins are given to guests for special achievements. Resort guests can track their progress online or on their mobile phones and can also share their accomplishments via social media updates. The mobile app lets skiers know who of their friends are also on the slopes and provides trail condition and resort information, including weather reports and traffic updates.

The results of this campaign at a time of economic decline when all other US ski resorts were experiencing a downturn were outstanding:

- 100,000 guests activated – 15% adoption
- 275,000 social posts on Facebook and Twitter
- 35m social impressions
- 2011-12 season pass sales up 19% and a 27% revenue increase

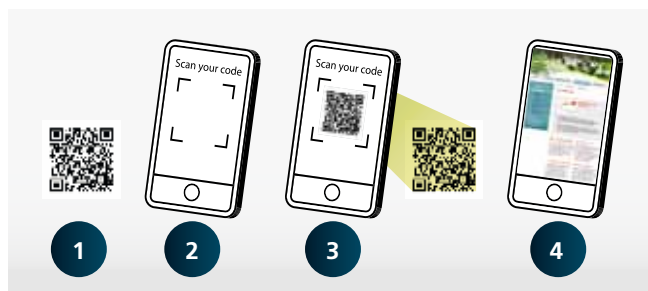


Orabrush and YouTube: how a business can go viral

An invention that has been propelled to YouTube super stardom is the Orabrush tongue cleaner, a humble device to cure bad breath. The inventor of the Orabrush had tried for many years to promote his product without success, but also without ever using mainstream advertising. Eventually he agreed to finance a US\$500 advertisement to be shown on YouTube. Orabrush has sold over one million units and as of January 2012 the entertaining advertisements have been viewed 46m times on YouTube, and Orabrush now has 309,000 Facebook fans. Orabrush has eclipsed the Apple iPad2 on YouTube in terms of the number of views.

Innovative technologies linking print to online media

The focus of the September 2011 IPC Senior Executive Forum on Direct Marketing and Media Services was on innovative technology and how it can be used to promote direct mail. Examples of such technology include quick reference (QR) codes and augmented reality, where a more engaging customer experience can be created by linking print, sound and vision.



A QR (or 2D) code is used to direct consumers to online information about a product. To use QR codes consumers need to have a QR code reader installed on their smartphone. The code is then scanned with the smartphone camera and the owner is immediately directed to a mobile web page associated with the code.



US research shows that of 14m mobile users, 6.2% of total audience scan mobile QR codes, with 57.4% scanning at home. This suggests QR codes are being used as a new form of web response to direct mail to initiate purchase decisions. Scan the QR code on the left for further information on this technology.

Jagtags are bringing QR codes to a mass audience. Similar to QR codes, Jagtags utilise a 2D barcode that sends multimedia to most mobile phones, and not just smartphones, either by scanning with a QR code application, or simply taking a picture of the code and texting, emailing or tweeting it to Jagtag. Scan the Jagtag above to link to a video demonstration on your phone.



Images can also be used in lieu of QR codes. Augmented reality involves computer-generated sensory input such as sound, video, graphics and GPS data, and can be used to interact with an individual. Augmented reality is more than a virtual technology. With augmented reality, newspapers, print, magazines and direct mail can be used to launch videos, web browsers and make promotion come alive and enrich the customer experience with endless opportunities to interact with content.

Videos can also now be sent using direct mail through a state of the art fusion of packaging and digital media technology with a micro-thin LCD screen embedded in paper. By adding 'touch and feel', 'see and hear' and 'scratch and sniff', all the senses can be brought together in a powerful direct marketing campaign.



These types of innovation, coupled with the rapid expansion of smartphone ownership, will have a major effect on direct marketing communications. Many market players, including several postal operators have played into this trend, as the following case studies show.

Case study: Tesco's innovative entry into the Korean retail market with QR shopping on the go

Several case studies show how QR codes can revolutionise an industry. One of the best examples in 2011 was a QR code application launched by the retailer Tesco to create a virtual shopping experience for commuters in metropolitan underground railway stations in South Korea, to successfully engage customers in an effective and cost-efficient way.



Tesco Homeplus had fewer retail outlets than the market leader E-mart. As Koreans prefer to shop in stores near their homes for convenience, Tesco created virtual stores in metropolitan underground railway stations. The displays replicated the shelves in the physical stores – from the display to merchandise – with the only difference being that the display was a poster. Customers use their smartphones to scan the QR code of the products they wanted to purchase and pay online, and their purchases are delivered to their home that evening.

This virtual shopping initiative drove Tesco Homeplus's online sales exponentially: 10,287 consumers shopped using their smartphones during a three-month period in 2011, the number of registered customers increased by 76% and online sales increased by 130%, making Homeplus the market leader in online grocery retail in South Korea.

Postal operator case study #1: US Postal Service - innovations and intelligent mail in media

Technology has greatly affected the US market and direct mail: 40% of US consumers own smartphones, and of these, 6-7% have interacted using mobile bar codes. The US Postal Service wants to align itself to this new technology and create an opportunity for direct mail by becoming a marketing services organisation, providing its customers with relevant information that can enhance relationships in turn with their own customers.

In 2011 USPS ran a mobile barcode promotion to encourage the use of direct mail as an interactive tool. The 2011 USPS Mobile Barcode Promotion was intended to build awareness of mobile technology and demonstrate to mailers how mobile barcodes can increase the value of direct mail.

The promotion provided business mailers with an upfront 3% discount on Standard Mail® and First-Class Mail® letters, flats and cards, that included a two-dimensional (2D) barcode that could be read or scanned by a smartphone.



All companies, including Mail Service Providers (MSPs), who mail using a permit imprint and submitted their mailing documentation electronically were eligible to participate. USPS showed prospective customers AT&T's promotional barcode video. Marketing organisations started thinking differently about mail and saw an increase in the value of mail: sales jumped from 4% to 34%, making USPS the de facto expert in mobile barcodes.

Augmented reality is another technological advancement that has been championed by USPS. Through their website, a consumer is able to hold a product to a web camera and be informed of the required size of pre-paid packaging to ship a product. Nissan has created a direct mail campaign using augmented reality in the form of a steering wheel, which USPS is using as a case study to customers and advertising agencies.



USPS is actively reaching out to technology firms for guidance on the role it can play in mobile communications and provide access to certain services. USPS has identified two areas where it can support new business. Firstly, in the provision of analytical services, QR codes and barcodes that small business do not have access to, and secondly through

the integration of social media with direct mail to create a product offering that attracts attention and initiates action. For example the 'eat free chikin' campaign attracted consumer attention through a postcard that drove traffic to a campaign Facebook page, with a chance to win prizes. Free coupons were offered when consumers shared the page with their Facebook friends.



Postal operator case study #2: Le Groupe La Poste studies the digital world

Le Groupe La Poste's response to technology and innovations in direct marketing was to write a white paper on the necessity of integrating response technology in mail. The company worked with design researchers and customers on how QR codes and augmented reality are created and applied to create the customer experience. While augmented reality has considerable potential, it only serves core customers due to its price point. Once costs come down, the possibilities from augmented reality will become endless. According to Le Groupe La Poste, direct marketing has to adapt its attributes to meet the needs of the digitally-minded, who want to be addressed personally and to be part of a community. These consumers need to trust and want to be in control (pull, not push). They also have multiple online identities.

To understand the role of direct mail in cross-channel media Le Groupe La Poste followed 50 digitally-minded people for one month, interviewing them and studying their reaction to media, emails, direct marketing and how they build relationships, all from the end-consumer's perspective. This research resulted in a white paper on clickable mail, *Livre Blanc du Courrier Clicquable*, published by Le Groupe La Poste Business Solutions in 2011. The digitally-minded recognise seven keys to brand relationships.

Seven keys to understanding brand relationships according to the digitally-minded

1. Engagement  or price focus 
2. Short messages 
3. Empowerment: brand dialogue, co-creation 
4. Personalisation and part of a community 
5. Trust 
6. Pull, not push 
7. Private life and several identities 

Source: Le Groupe La Poste

The white paper also provides guidance and best practice for the application of QR codes within mailings. Le Groupe La Poste has also undertaken research with consumers on the use of 2D tags within mail and has tested nine different uses within transactional and advertising mail. These included:

1. Electricity bills
2. Water bills
3. Bank statements
4. Mobile telephone bills
5. Direct mail for fashion
6. Direct mail for services
7. Direct mail for automobile distributors
8. Direct mail for beauty products
9. Direct mail for food

In each case communication was simulated with QR codes and tested with consumers. The research found that there was an initial barrier in which it is essential to explain how to download the barcode application and how to use it for this first time. After this however the benefits reported by the users were numerous:

- Simplicity – once the application has been installed everything becomes easy and it's simply a question of scanning the code to access a service and so it is immediate.
- Time saving – the code is perceived by the users as a time-saver, it removes barriers such as making contact, waiting on the telephone, having the right documents to hand.
- Accessible – the code provides the user with information they do not have to go and search for themselves and information can be accessed on their mobile.
- Interactive – more media is made available (video, images, text) and so the advantages of digital are combined with those of paper.
- Informative – additional and complementary information is provided as an extra service.
- Fun and innovative – 2D codes create a more dynamic relationships between the sender and the receiver. The recipient is no longer a passive recipient of information but becomes actively engaged.
- Personalisation – the information or service can be personalised for the recipient on the basis of past behaviour, consumption or known preferences.
- Customer relations – the sender can personalise communication and become closer to the consumer.

Le Groupe La Poste identified seven areas in which QR codes can be integrated within mailings, as detailed on the following chart.

LE GROUPE LA POSTE'S RECOMMENDATIONS FOR QR CODE USAGE

7 areas for using QR codes	Call to action	Objective of the sender
Financial transactions	Pay a bill	Make a sale
	Pay a fine	
	Make a purchase	
	Make a donation	
	Make a contribution	
Engage with a customer	Subscribe to a loyalty programme	Expand the information gathering capability of mail
	Request a contract	
	Sign a petition	
Instant knowledge	Request and receive additional information	Extend the capabilities of mail
	Request a quote	
	View a demonstration video	
	Receive a sample or trial	
	Listen, read, view a cultural article	
Response	Listen to an audio version of the mail	Understand customer preferences
	Give a quote for a product or service, a sample or an advertisement	
	Inform your preferences	
	Inform of your situation	
	Vote	
Share	Acknowledge receipt	Create online buzz
	Post a review or opinion online	
	Forward to a friend	
Actions	Share via a social network	
	Add to a shopping basket or to a wish list	
	Enter a discount coupon	
	Enter a date	
Games / amusement	Enter a contact	Making mail more fun
	View an exclusive video	
	Download a game or ring tone	

Source: Le Groupe La Poste, Livre Blanc du Courrier Clicquable, 2011

The importance of managing customer data to postal operators

Consumer empowerment through social media has emerged as the game changer in the marketing and advertising worlds, and data-driven hyper-segmentation and targeting are the new realities in consumer engagement, as testified by advertising revenue on Facebook expected to reach some US\$5.75bn in 2012. Anticipating these changes and understanding how they will affect consumer behaviour into the future is key for postal operators preparing to take advantage of the opportunities the changing landscape provides.

The key to Facebook's success in advertising has been through its understanding and use of customer data. Posts too have had success capitalising on the value that can be created from consumer data. In this section we provide examples from both Norway and from Canada.

Postal operator case study #3: Bring Dialog Norge AS

Bring Dialog, a wholly-owned subsidiary of Norway Post, is a specialist in one-to-one communications, offering a multichannel range of CRM and customer interaction. Its value chain is totally integrated in line with customer trends: communication that works for a specific need, whether recruiting, winning back customers or rewarding loyalty, into one integrated solution. "Our offering is about giving the right message rather than using the right channel. Twenty years ago the goal was to own the whole value chain and handle everything for our clients: that goal hasn't changed, we just integrate new technologies," said Arild Horsberg, CEO of Bring Dialog speaking at the IPC Senior Executive Forum on Media Service and Direct Marketing in September 2011.

Bring Dialogue assumes full responsibility for the customer communications of its clients. It runs 150 databases for managing data to avoid returns and to ensure a more efficient delivery of post. It advocates websites as the most cost-efficient way to recruit new customers, along with unaddressed mailings, and provides list builder, vendor and broker services.

Bring Dialogue assumes full responsibility for the customer communications of its clients

The four most important areas the company sees in Scandinavia for customer data over the next five years are demographics, psychographics, real estate and car ownership.

Seven analysts work full-time on data, building on all touch points and churn predictions, and categorising them into advertising segments which can be sold to business customers.

In discussing how direct mail and postal media services need to evolve and adapt to meet the needs of the consumer in 2020, Horsberg's advice is to convert the unconverted and tell the direct mail story, especially to new customers.

Postal operators need to evolve and become the lighthouse in terms of technology, design, user interface, solutions and value-chain integration with media agencies. Direct mail has been a very profitable medium for the posts, though the challenge today is that it is not popular anymore, even though it works. What needs to change is customer perception and this can be achieved through showcasing innovative technology.

"Ten years ago I thought direct mail would die: I was wrong," Horsberg says. "Three years ago I thought social media would kill email: I was wrong. Whatever I predict will happen in 2020, I know won't happen! What I do know is that the future will change so what I can do is be as prepared as possible for change and steer my company in a different direction if there is an unexpected need. Full flexibility is my mantra."

Horsberg believes that posts can and indeed should do what Bring Dialogue is doing. He did however acknowledge that Bring Dialogue's advantage was being able to run as a separate business to Norway Post and to be able to stick to its core business model without interference from the parent company.

Postal operator #4: A DM postal survival guide from Canada

Laurene Cihosky, Senior Vice-President, Direct Marketing, Advertising & Publishing Business, Canada Post has a goal to evolve Canada Post from a 'just delivery' mind-set to a leading direct marketing services provider.

Key drivers in making this change have been Canada Post's 'enable' and 'expand' programmes. The 'enable' programme through market intelligence leverages data as a powerful asset to create targeting and insight solutions. The 'expand' programme builds on digital media services by commercialising online consumer traffic with new online media solutions and leveraging the post's logistics role in the digital arena.

Data has become a universal marketing asset enabling all media and facilitating the delivery of one-to-one communications. Canada Post recognises that it owns an unparalleled data asset in Point of Call (address) data, and is enhancing this data asset to provide the market with much-needed data solutions. The physical mail stream benefits as every CA\$1 spent on new data drives CA\$2 to CA\$4 in incremental postage.

Cihosky believes that new mobile technology is enabling location-based marketing which is becoming very important for advertisers in the digital world. This presents an opportunity for postal operators like Canada Post to capture and link the digital and mobile addresses of consumers with their physical address and geo-demographic attributes to offer unique targeting solutions. Physical address insights can also be used to provide the market with geo-fencing solutions necessary to define mobile consumer engagement boundaries.

Canada Post offers a suite of data services to help marketers understand the context of their target audience, enabling location-based intelligence (fixed point of call), these services include:

- List services: mail, email (near future) and mobile (future).
- Targeting, analytics and location intelligence services: Geographical Information System (GIS), segmentation, profiling, local areas marketing and retail planning.
- Licensed products: point of call (POC) and post codes.
- Data management services: hygiene, hosting (near future) and online response solutions (near future).

Multi-Media Hosting Solutions

Multi-Media Hosting Solutions

Leveraging CPC brand and reach to support new online advertising products and services

- Localized advertising
- Monetizing CPC assets
- eCommerce Marketing
- Social Media
- Online Ad Server/broker
- Ready for 'what's next'

Multi-Channel Delivery Solutions

Providing 'Delivery', Inbound Response Management and Outbound Fulfillment services to 100% opt in user base

(EM, Text, Multi-media and Mobile Web)

Integrated Campaign Management

Providing customers with full campaign management solution that includes data hosting, channel and customer deployment, response management, and campaign analytics



MASMEDIA
Premium mobile delivery services

Source: Canada Post

Canada Post is expanding its media offer to take advantage of the country's high internet and broadband penetration – the highest internet penetration in the world, ahead of Japan, the UK and the US. Canadians rank first globally in terms of time spent online, with almost twice the world average, and are also active users of online banking, social networking and video streaming. Mobile penetration is also set to grow in Canada, paving the way for mobile marketing.

Through the web Canada Post offers a suite of multi-channel solutions enabling customers to lever the Canada Post brand and support new online advertising and products and services. CentrSource Comparison Shopper, launched in October 2010, provides an online shopping website, making shopping easy based on values important to the buyer. Multi-channel delivery solutions provide inbound response management and outbound fulfillment services to the user base.

The message from Canada Post is that direct mail is in transition. Its role needs to change along with customer perception, to view direct mail as the key driver of traffic to the internet. This can be achieved through print communicating the right message to the right person at the right location, supported by technology that can capture engagement and facilitate a response.

*The message from Canada Post
is that direct mail is in transition*

Canada Post predicts that direct mail is going to become a premium communication tool, with the post as the delivery service, helping to set up the campaign and push it out. Direct mail will

- drive multi-channel marketing campaigns;
- be heavily integrated into the interactive media landscape;
- be perceived as a highly targetable and discreetly measurable one-to-one media, and will
- command a premium price in one-to-one advertising.

Conclusion

The marketing community is enthusiastically embracing all new forms of online advertising, as testified by traditional exponents of direct mail such as the Direct Marketing Association (DMA) branding its 2011 annual conference the “global event for real-time marketers”. While many companies are looking at new forms of advertising that require a lower investment than direct mail, the business case, or return on marketing investment has to be proven for new media. However, sifting through the hype to determine the reality can be difficult, even for those at the forefront of the world of social media.

Creativity, entertainment and customer convenience are much in demand, and in the right combination the results can be spectacular. Case studies are starting to appear that demonstrate the ROI for social-media advertising campaigns. These include Levi’s Facebook campaign, the Orabrush advertisement with more than 46m YouTube hits, and QR codes revolutionising the way consumers shop in South Korea, boosting online sales by 130% for Tesco’s Homeplus.

Posts are embracing technologies within direct mail, such as QR codes to link to mobile sites, competitions or registration sites to further engage consumers and enrich their brand experience. Le Groupe La Poste has published extensive consumer research on QR codes for both advertising and transactional mail. Augmented reality is another development being used to promote products via direct mail.

Some IPC members have also been successful in developing customer data services and integrated CRM campaigns, which are being implemented by the posts on behalf of major national and international companies.

In short, direct mail is evolving to become the key driver of customers to the internet. Postal operators must continue evolving and adapting their services to meet the needs of the direct marketing community.



For further information on IPC’s direct marketing research and initiatives, scan or click on the QR code.



4

Digital business

- Since IPC started working with its members on digital business in 2010 there has been increasing interest and a rapid escalation of new digital services offered by posts.
- Posts have been trying to address the move to digital communication by launching applications such as hybrid mail, secure digital eBox service, digital identities and other products and services.
- Following the IPC Annual Conference in May 2011 in Rome, IPC announced its commitment to work with the MIT Sloan School of Management's Center for Digital Business to carry out further research projects and to publish a white paper on the role of postal operators in the provision of digital business. The paper, *A Digital Postal Platform: Definitions and a Roadmap*, was published in February 2012.
- In the white paper, authors Van Alstyne and Parker see postal business models as platforms, two-sided networks that match senders and receivers.
- In order for postal operators to offer platforms, which are distinct from standalone products and services due to their scope and openness, portions of the ecosystem must be opened to third parties.
- While this is a regulatory issue, postal operators must individually and collectively understand how their roles change as citizens move online. As in the case of trust, the Universal Service Obligation (USO) in the physical space is unlikely to be identical to that in the digital space. One solution would be to create an intellectual property (IP) holding enterprise analogous to that founded by VISA member banks.

Introduction

Since IPC started working with its members on digital business in 2010 there has been increasing interest and a rapid escalation of new digital services offered by posts. Posts have been trying to address the move to digital communication by launching applications such as hybrid mail, secure digital e-box, digital identities and other products and services.

Posts have been facing declining volumes of physical mail and low utilisation of physical assets. Much of this caused by the shift to digital communications from letter mail and by advertisers moving to online media. Broadcast media and mass mailings are becoming interactive and personalised, bill presentment is moving online, and mobile devices enable individual tracking and broader reach, regardless of location.

Many firms and industries – in analogue photography, analogue telephony, newsprint, video cassettes, DVD rental, and music discs – have been reshaped by digital competition, and companies in these sectors have shrunk, transformed or exited. Control is shifting from senders to receivers as information overload reduces the effectiveness of untargeted communication and screening technologies let recipients choose the type of communications they wish to receive, as well as the time and place they receive it.

New entrants like Zumbox, Volly, and Amazon's drop shipping are challenging the traditional position held by posts.

Over the past two years, IPC has worked with its members to study and develop new strategies to move into the digital sector

Over the past two years, IPC has worked with its members to study and develop new strategies to move into the digital sector. To that end, IPC has been working in close collaboration with the MIT Sloan School of Management's Center for Digital Business in helping IPC members rise to the challenge of the digital marketplace.

At the 2011 IPC Annual Conference the theme of which was 'Digital Business: Opportunities to Create Value', CEO delegates learned about the importance of creating network effects from Marshall Van Alstyne of MIT's Center for Digital Business. Following the IPC Annual Conference in May 2011 in Rome, IPC announced its commitment to work with the MIT Sloan School of Management's Center for Digital Business to carry out further research projects and to publish a white paper on the role of postal operators in the provision of digital business. The paper, *A Digital Postal Platform: Definitions and a Roadmap*, was published in February 2012.

Co-authored by MIT Research Scientists Marshall Van Alstyne, Associate Professor Boston University, and Geoffrey Parker, Professor Tulane University, the paper sets out and elaborates upon ten key recommendations that the authors suggest postal operators follow in order to take advantage of the opportunities provided by digital business and thrive in a digital business model. The research aims to answer two critical questions: whether a postal digital business model, equivalent to posts' physical business model, exists, and if so, how it would work.

This chapter presents the main precepts and findings of that white paper. In addition, it presents three case studies from two postal operators active in digital business (Deutsche Post DHL and Poste Italiane), looking at their respective approaches, and how they collaborate in developing cross-border interoperability in digital services.

At its core, the principal problem facing posts is competing on transportation and targeting in the physical space against transportation and targeting in the digital space. The latter has an overwhelming cost advantage.

How can postal operators establish a viable market position in digital business?

A digital postal platform

In the white paper Van Alstyne and Parker see postal business models as platforms, two-sided networks that match senders and receivers. They attempt to provide an answer to how these platforms and networks can be leveraged and enhanced to be relevant in the digital age. The authors based their analysis on the concepts and aspects of the postal industry, and presented the following principles, attributes and ideas for posts operating a digital platform.

Principles

- Help the end-user control who connects with them.
- Build an ecosystem that will grow.
- Open the environment to encourage integration and interoperability.
- Encourage the development of market-driven finished services.
- Do not try to provide all these services alone.
- Facilitate open and equal access for all – public service.
- Be an enabler and partner, and cede some control.
- Be the last-resort provider at the lowest cost.
- Reward participants in proportion to the value they create.
- The modern postal platform could be built on a foundation of authenticated users linked to a physical location.

Attributes

- Secure
- Authenticated
- Private
- Confidential
- User-friendly
- End-user control
- First-mile and last-mile delivery control points
- User ability to choose physical or digital
- Identity management capabilities
- Location aware

Roles

- Posts manage the control points – these include the first-mile and last-mile access points playing the intermediary role and the relationships with both the supply side and demand side.
- Posts are the platform sponsor, setting the standards for participation, security, authentication, incentive systems, and governance.
- Posts are a custodian of the connections between individuals and their corresponding address(es), whether physical or digital (provider role).
- Posts are a service provider for first-mile collection and last-mile delivery.

Ten recommendations

The result of the research completed by MIT Sloan School of Management's Center for Digital Business was a set of ten recommendations for postal operators to build a strong and long-term digital presence.

1. Open platform to third parties, aid their business models

In order for postal operators to offer platforms, which are distinct from standalone products and services due to their scope and openness, portions of the ecosystem must be opened to third parties. Portions that can be opened include the sponsor role, the provider role, and the content developer role. For postal operators, this can be content or applications developers, larger mailers, or mail houses. Currently, openness is not the norm among hybrid-mail providers and secure digital e-box services as many posts have chosen not to coordinate the development and provision of these services.

Opening to third-party developers implies having a public set of Application Programming Interfaces (APIs) and a suite of System Development Toolkits (SDKs). These are now commonly used as a source of competitive advantage in other platforms such as Facebook and iTunes.

One of the biggest assets of IPC member organisations is the extensive coverage of homes and businesses in offline space. One opportunity is to drive the transition of consumers to the online space and facilitate developers' outreach to this market.

There are multiple advantages of opening a postal digital platform. Firstly, posts can harness third-party innovation and pull in ideas that they have not considered. Successful projects then increase the size and value of the market. Secondly, the platform can create a framework for risk sharing. Not every project will be successful so this creates a cushion for the platform sponsor who cannot afford to conduct all market experiments alone. Thirdly, the platform creates an additional revenue stream that further enhances the value of the platform.

2. Enumerate functions that can serve as platform foundations. Choose features conferring control

A number of posts have had the wisdom to realise that platform business models exist. A handful have even initiated or sought partnerships to push this forward. Yet a platform should not be a single function application. Instead, it needs a suite of functions that can be combined in novel ways to create a space of opportunities.

These underlying functions then serve as the services that applications providers access and recombine to provide custom news, location-based ads, music, calculators, web browsers, remote control devices, star charts, task lists, flight trackers, restaurant recommendations, games, business card readers, voice recording, etc.

A digital postal platform must provide many similar underlying functions offered as core platform competencies, which can be recombined to create new business models. A non-exhaustive list of functions that could represent core elements of a postal platform with the potential to be recombined by third parties includes:

- Digital signatures
 - Identification and authentication
 - Non-repudiation
 - Privacy/encryption
 - Time stamping
- Location
- Archiving
- Search

- Profile management
- Preference declaration/elicitation
- Billing methods
- Payment services
- Reputation management
- Legally binding / Legally protected transmission

Particularly first-mile access and last-mile delivery services represent unique advantages of postal operators in physical presence and delivery; these advantages can be leveraged and applied to digital delivery.

3. Redefine the Universal Service Obligation

While this is a regulatory issue, postal operators must individually and collectively understand how their roles change as citizens move online. As in the case of trust, the Universal Service Obligation (USO) in the physical space is unlikely to be identical to that in the digital space. Certain countries, like Finland, have already moved to add broadband delivery to the rights of citizens along with physical delivery, while other countries such as the UK are moving in that direction as well.

Finland's Itella has adopted an innovative strategy to understand how users would want their USO needs met. Experiments linked to understanding preferences for various delivery models were undertaken in a living lab in the small town of Anttila. In the framework of the experiment mail is delivered physically to consumers' houses once a week, but people can pick up their mail at the post office on any day of the week or can choose to receive their mail daily in a digital format. Note that the digital USO can interact with the physical USO.

Another factor, raised at the 2011 IPC Annual Conference in Rome, is the extent to which understanding the digital USO entails understanding competition with cable companies, mobile phone companies, banks, email and archival services, and social networks. The problem of building a digital platform is like that of playing three-dimensional chess. Each of these competing industries has a role to play in delivering digital goods and services, and matching consumers with advertisers. Furthermore, each of these organisations can benefit from a digital USO in the same way they benefitted from a physical USO two hundred years ago. They have an assured means of reaching customers and also means of getting paid.

USO issues must be flagged as an issue and resolved. Banks, social networks and telecommunications firms will be tough competitors if not co-opted to play a role on a postal digital platform.

Decisions regarding how the USO will be honoured and who will be responsible will help define which ecosystem partners can build on the platform functions defined in the previous section.

4. Use a VISA model for organisational structure

Managing ownership is, in effect, the management of incentives. Divided and competing ownership implies divided and competing incentives. Posts offer a variety of independently controlled digital services that have the potential to garner much wider adoption if standards are set in a coordinated fashion. One difficulty is that innovation occurs independently and then access requires multiparty negotiation.

One solution would be to create an intellectual property (IP) holding enterprise analogous to that founded by VISA member banks.

An example is the DVD holding company DVD6C, which pools multiple essential technologies necessary for producing the whole ecosystem around DVDs. Academic literature often describes such organisations as 'patent pools'. IP is transferred into the patent pool with substantial and continuing royalties going to the original IP owners. Third-party access is then provided to all members on a Reasonable And Non-Discriminatory (RAND) basis. The patent pool holding organisation can also seek to acquire independent firms and technologies that benefit the pool's members.

This has multiple advantages relative to divided and competing ownership.

Firstly, complementary technologies can be combined in such a way that the platform offers the best of diverse components across the platform as distinct from having to offer more limited functionality in certain areas.

Secondly, user acceptance tends to be substantially higher. When multiple competing standards exist, from divided and competing platforms, users limit their participation because they do not know which platform will dominate. This occurred in the case of HD-DVD versus BluRay formats in gaming platforms. When competing standards first emerge, potential consumers hesitate. Just as in video cassette recording, no one wanted to get stuck with a Betamax when the market converged on VHS.

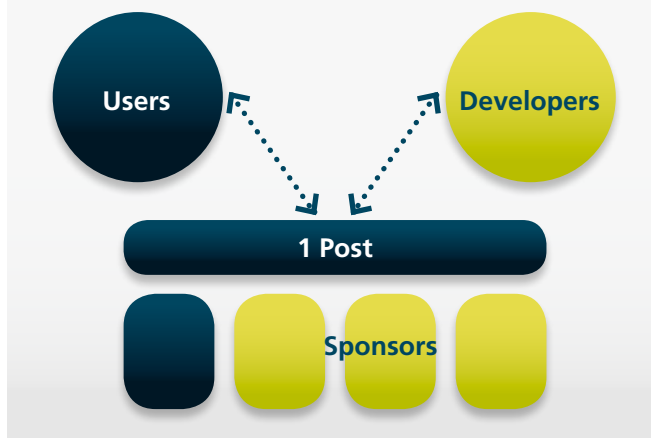
Thirdly, even the original IP owner can potentially earn more profit by contributing to the pool than staying independent if terms are negotiated correctly. The reason is that markets grow faster via coordination: 5% of a €1bn market is worth more than 95% of a €1m market.

In order to leverage the advantages of an IP-sharing entity, postal organisations can take one of several roles within the platform, either as service provider or as sponsor. The

role postal operators take will depend on the technology and IP they control, the competitive technology and services available to users and developers as well as the degree of market openness desired.

MARKET OPENNESS: MODEL 1

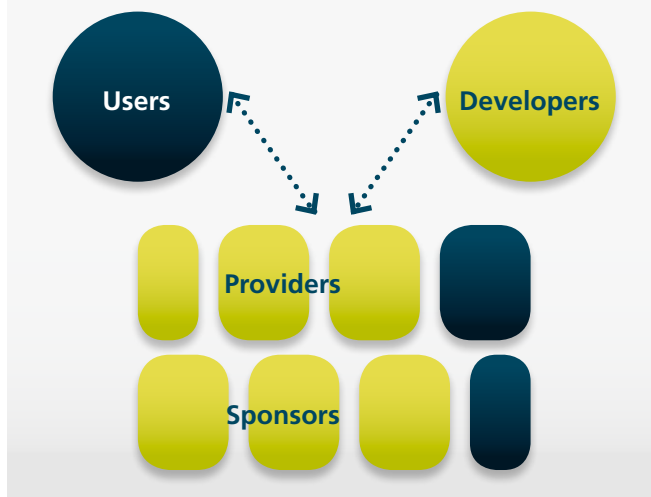
FIGURE 1: WITHIN A COUNTRY, A SINGLE POST CAN REPRESENT THE POINT OF CUSTOMER CONTACT. INTELLECTUAL PROPERTY CAN BE SHARED AMONG IPC MEMBERS.



Within a country a single IPC member post can serve as the provider, making connections between content developers and users, and one of potentially several other member sponsors of the platform. In this case, other member sponsors could include the other postal operators, telecommunications companies, banks, logistics operators, and government. While the post might not provide all of the services, it controls the provider layer and can contract with others, as it does today, with the physical platform to do elements of provision.

In the case of cross-border platforms – and for posts such as Royal Mail, Swiss Post and Itella – the IP ownership picture looks more like that illustrated in Figure 2.

FIGURE 2: ACROSS COUNTRIES (MARKETS), THERE CAN BE MULTIPLE POINTS FOR CUSTOMER CONTACT.



A second view might have the posts own the sponsor role. In this role, the post defines the structure, the design of the platform and the network ecosystem. It would also have a provider role with the connection to the consumer but that could be rolled into other services and solutions. As a sponsor the post would need to create the rules for interaction and facilitate how the various elements of the ecosystem work together.

MARKET OPENNESS: MODEL 2

FIGURE 3: AN ALTERNATE WITHIN-MARKET VIEW COULD HAVE A SINGLE POST KEEP THEIR OWN IP BUT ALLOW MULTIPLE POINTS OF CUSTOMER CONTACT.

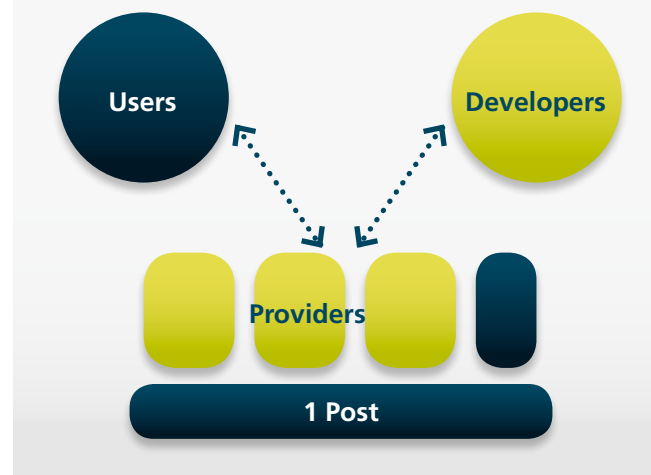


Figure 2 is not a recommended structure for within-country platform organisation. It cedes too much control and relegates that particular post to a position that can be squeezed by other providers and sponsors. Changes in direction also require complicated negotiation with other ecosystem participants.

Many postal organisations have adopted this model to manage their retail network where many other parties serve as a point of contact and offer postal services out of convenience stores operated by third parties. This model resembles that of the Microsoft Windows™ desktop operating system and the Google Android™ mobile operating system. It can work for individual posts in the digital world but requires very strong underlying intellectual property. It also requires an independent capacity to support a multi-function platform.

5. Form a space of platform opportunities; develop 1-2 demonstration projects

Developers need motivation to invest in a risky new platform. Intel has solved this problem, using what it calls a 'rabbit strategy' of targeting a platform complement with a high probability of success and assisting the developer in highly public and visible fashion¹. Other investors then follow after observing that developer succeed.

Consider the following platform² applications:

- E-government
- Certified, authenticated, delivery confirmed digital mail
- Hybrid & reverse hybrid mail
- Reputation systems
- Digital concierge, archiving, search, universal login
- Digital currency exchange
- Digital storefront

Once a platform with the capacity to support applications in these spaces has been developed, postal operators could partner with firms such as Symantec to provide secure authenticated digital mail, or firms such as Adobe to provide concierge services for archived documents. From this set of applications, posts should conduct trial implementations with partners, use these to showcase successes, and learn from these successes and failures to improve on each iteration of postal platform evolution.

Application providers should not be offered exclusivity but merely first mover advantage in the creation of the digital postal ecosystem. Also, posts should collect tariffs from these partners rather like Apple collects tariffs on sales through its digital iTunes store.

It is worth reiterating that postal operators should not seek to act individually as they develop demonstration projects. Rather, demonstrations should prove that third parties can build successful enterprises on the postal ecosystem.

6. Use platform envelopment, seeding and partnerships to solve the chicken-and-egg launch problem

The classic difficulty for building a platform is the chicken-and-egg launch problem. Users of a platform want content and applications before they will use it; developers for a platform want users before they will provide content and applications. Each side wants the other side to commit before it will spend resources to adopt the platform. This is a 'critical mass' problem. There are several strategies to promote a successful launch.

Seeding Strategies – Portable Document Format (PDF) has become such a ubiquitous standard that most people do not recall the difficulty Adobe had building its ecosystem. Originally, consumers had no reason to bother acquiring PDF readers because there was no content. Document publishers had no reason to buy the PDF writer because no one had the reader³. Adobe adopted one brilliant strategy and offered the US government massive discounts to place all tax forms online for free. This maneuver saved the government millions in printing and distribution costs. It also created a very large corpus of documents that tax payers could access at will so long as they had a PDF reader.⁴

Posts could take a very similar seeding strategy in providing access to all kinds of e-government documents and services. If the presence of a seed is a benefit, the absence of a seed is a problem. One e-post service has only 15,000 messages per day spread over one million users. On average this produces only one message every two months, not enough to drive interest or traffic. The point is to seed the platform with content or applications, preferably material that is already in high demand in order to attract users.

7. Price to drive adoption using two-sided network strategies

Numerous sophisticated organisations have made pricing errors determining how to make money in platform markets. Even the best platform firms have made serious mistakes because prices on one side of a market are connected to purchases on the other side. Adobe originally tried to charge for the PDF reader at a time when there was not yet PDF content for consumers to view, causing their business model to fail.⁵ In the 1980s, Apple charged US\$10,000 for its system developer toolkits, which drove developers to Microsoft⁶. Surprisingly, Salesforce.com repeated this mistake in the 2000s.⁷

For platforms, postal operators should not price to marginal cost or price to extract the most revenue from a given user group. Standard economic pricing rules provide inadequate guidance and do not build markets. Instead, posts must price to drive adoption, maximising revenues across both sides of the platform.

Currently almost all major postal models have the sender pay. Recipients get service for free. In general, this is the correct model.

However, because platforms couple developers and consumers, there are reasons to subsidise one side of the market in order to increase revenues on the other side of

¹ Cusumano & Gawer, 2002a; 2002b

² Based on an applications list appearing in "The Postal Service Role in the Digital Age Part 2: Expanding the Postal Platform" Risk Analysis Research Center. Working Paper WWP-11-03.

³ Parker and Van Alstyne, 2005

⁴ Tripsas (1995) "Adobe Systems Incorporated," Harvard Business School Case 801-199 Working Paper WP-11-03.

⁵ Op. Cit. Tripsas (1995).

⁶ Eisenmann et al., 2011

⁷ Op. cit. Babcock (2011).

the market. Posts should note that Google paid US\$5.5m in prizes for the best new Android applications in order to promote Android adoption. It has now overtaken Apple's iPhone in the total stock of mobile phones supporting Android. In the digital mail context Zumbbox is covering all costs on behalf of consumers to support scanning, bill collection, presentment, payment, archiving, and single sign-on across users' various accounts. This is a subsidy. Having a captive set of consumers allows Zumbbox to charge merchants and mailers more than if they had no such pool of users. Additional revenues will later come from providing advertising access to these consumers on a consumer permission basis.

A key insight for posts is to offer free pricing to general consumers, subsidise developers to create new postal applications (eg e-government, hybrid mail, digital concierge, currency exchange, etc), and subsidise consumers when their adoption creates network effects (eg the Zumbbox strategy). Posts can increase revenues by offering specialty services (eg custom news, legally binding transmissions) and charging the price-inelastic side at key architectural control points as in section on platform pricing rules.

8. Re-examine 'trust' in the digital space. It is not the same as in physical space

To the computer science community, a 'trusted' transaction has five properties. Maintaining trust in the digital space, as distinct from the physical space, implies that these properties should exist in a digital platform:

- 1) Users are **authenticated**, meaning the sender or receiver is in fact the right party.
- 2) They are **authorised**, meaning they have permission to do what is proposed (eg spend from an account or buy alcohol).
- 3) The transaction has high **integrity**, meaning the parties each receive what they expect to receive.
- 4) The transaction is **private**, meaning third parties cannot observe its contents without permission.
- 5) The transaction is **non-repudiable**, meaning the recipient cannot lie about not receiving a parcel, summons, or transfer when the transfer was in fact completed.

All five factors represent sources of trust yet most analysis focuses on violations of topic four.

In the context of increasing loss of privacy, we can articulate several possibilities regarding data analysis for posts:

- a) Continue with a commitment not to analyse transaction data in any form and help safeguard user privacy, keeping it always sealed against inspection. This will likely limit interest and therefore the ecosystem to a niche market of privacy- and security-conscious citizens, enterprises and consumers. The market for such services

has, somewhat surprisingly, never grown very large.

Based on actual behaviour, the bulk of consumers replaces willing to have transaction data analysed in exchange for value-adding services. If Facebook is any indication, users will even volunteer information in exchange for value-adding services.

- b) Offer services that 'consummate the match' based on declared user preferences rather than observed user behaviour. This has the benefit that it does not require transaction data analysis and that user profiles can make public only that which users wish to reveal. The downside is that such declarations omit many topics users have not thought to declare, that our actual behaviour can differ from our declared behaviour, and that users must act positively to provide such data as opposed to having it passively collected on their behalf by observing what they do.
- c) Offer services that analyse masked data rather than raw data. This option is frequently overlooked. The purpose of masking is to reduce the semantic interpretability of any specific message or transaction, yet to still be able to offer value-adding services based on a user's global pattern of activity. It is possible to secure individual transactions against inspection and yet accurately describe broad properties of sets of transactions.
- d) Offer services based on analysis of raw data. This is what typical businesses do, based on the transactions of their customers or based on data they purchase from other sources.

All uses of data should adhere to the 'fair information practices' of gaining consent, informing people about any data being collected, identifying the uses to which it could be put, giving them means to inspect their own data and correct any data errors, and keep the data secure against third-party misuse. Ironically, few commercial enterprises give users control over their own data allowing them the opportunity to reveal only what users themselves are comfortable revealing.

Revenue models increase across steps a-d in direct proportion to the loss of privacy. A business model based on option (a) is unlikely to compete successfully against a business model based on option (d). An economic logic is straightforward. A business model based on identifying and providing what people want can provide relatively more value than a business model based on protecting the privacy of transactions that are, on average, not terribly sensitive.

A business model for posts could be based on (b) or (c) with additional caveats. Among commercial enterprises, the platform manages the transactions data for the interest of the platform. On a postal platform, maintaining users' trust could be a matter of managing transactions data for the interests of the users themselves, not commerce or government. Giving users the ability to control exposure of their data, while maintaining its accuracy, could well be a revenue opportunity welcomed by consumers relative to

current commercial practice. Offering to mask this data to afford additional privacy, while permitting broad pattern analysis could make this opportunity even richer.

The importance of this issue goes well beyond the transition from physical transport to digital transport of information for posts. Analysis of information flows is statistically associated with improved marketing effectiveness, improved healthcare delivery, and improved operational efficiency⁸. In fact, EU regulations banning the use of personal data are associated with more than a 50% drop in banner advertising effectiveness, which in turn is associated with a loss of competitiveness and economic growth⁹. This problem was not observed for non-EU countries that did not enact this legislation. Transitioning from physical to digital transport of information implies that privacy has become part of a society's innovation policy¹⁰.

Simply assuming posts' trust based on a physical framework does not imply this trust will translate to a digital framework. Failure to understand how data are being used can lead to a non-competitive revenue stream.

9. Permission-based ads can raise revenues

From the recipient's perspective, advertising is not necessarily good or bad. A positive perception depends on whether an ad fits a user's interests. In movie theaters previews of 'coming attractions' are nothing more than ads for forthcoming movies but moviegoers enjoy them because the genre of these ads matches the genre of the movie the audience has paid to see. Well-targeted ads are a bonus. In contrast, mistargeted ads, displayed merely because the audience is captive, meet with frustration and annoyance.

Permission-based ads resolve the problem of how to match users' perceptions. Households and businesses are willing to receive, and are generally happier to receive, information they have declared they want. Better still, advertisers will pay more per capita to reach consumers for whom their ads are effective. Posts should take advantage of this fact, avoid bulk digital transfers (otherwise known as spam), and use permission-based techniques to deliver ads and increase revenues.

There are known methods for doing this such as Amazon's suggestions by consumers who bought X also bought Y, Amazon's user reviews of books and Travel Advisor's user ratings of hotels. The latter is more straightforward as users must act positively to volunteer such information. To respect

trust, the issue for posts is to let users decide what they wish to receive, honour these preferences, and give users' control over updates and changes. Help the users receive what they wish to receive and posts can run very profitable businesses.

10. Apply platform concepts retrospectively to physical assets (not just digital assets)

Posts should apply the openness strategies introduced in Figure 4 retrospectively to physical plant and infrastructure, delivery services and logistics. Allow third parties to help posts innovate. The point is to open spare capacity in ways that other interested parties can figure out new ways to use them.

- 1) Le Groupe La Poste is considering very clever models of absorbing new and existing services onto the postal platform. Given that postal workers already reach homes and offices, they can also perform meter reading, deliver meals, pick up medical prescriptions and drop them off. This highly valuable service requires feet on the ground and overlaps with routes already taken by postal workers. This is a physical form of 'platform envelopment'.
- 2) E-commerce lacks the opportunity for people to try floor samples, test fit, heft, texture and quality. The trick is to find merchants who want to use this opportunity, do not have a retail presence and can drop-ship directly to the location or send onto the home. In this platform extension, the merchant takes the risk that the sample sells, not the post. Note that the post does not even need to know which merchant will be successful. To solve this information problem, the post can allow merchants to bid on the retail space, accepting the highest offer that also fits with community values.
- 3) Amazon is partnering with 7-11 stores to drop-ship purchases to retail stores nearest to buyers. There is no reason posts cannot adopt the same model and do it better. Posts can offer a shipping discount for delivery to a postal service centre relative to home or business delivery (it can also be conditional on the item being picked up in a reasonable time). Wholesalers can then ship to postal service centers where price sensitive consumers can trade time for money.

Posts should examine the retail space and decide whether to (1) sell the space like PostNL and Royal Mail and move into other spaces such as convenience stores, (2) diversify and expand the offering of products/services like Poste Italiane did with mobile phones and banking, or (3) open their physical business models to match digital business model equivalents.

8 Goldfarb & Tucker (2012 forthcoming) "Privacy and Innovation." In Innovation Policy and the Economy Volume 12. Eds. J. Lerner and S. Stern. NBER <http://www.nber.org/chapters/c12453>

9 Goldfarb & Tucker (2011) "Privacy Regulation and Online Advertising" Management Science Vol. 57, No. 1, January 2011, pp. 57–71. These authors claim the drop is in fact 65%.

10 Op. Cit. Goldfarb & Tucker (2012 forthcoming).

Postal operator case studies

Three case studies from two IPC members highlight some developments in postal operator digital business initiatives over the last twelve months, and look at an initiative in developing cross-border interoperability.

Postal operator case study #1: Deutsche Post DHL's E-Postbrief (from secure email to a digital platform business)

Deutsche Post DHL is using its E-Postbrief secure email system as the launch-pad for a digital business that focuses on the needs of business-to-consumer (B2C) interactions.

E-Postbrief was launched in 2010 as a secure email service with the vision to provide binding, confidential and reliable communication. After one-and-a-half years Deutsche Post DHL's strategy is to build on E-Postbrief as the platform for its digital business growth, by making it faster, more widely available and more flexible.

Deutsche Post DHL believes that the B2C channel, through the full integration of Deutsche Post's digital offering into its business customers' processes, will provide strongest growth and revenue opportunities, and sees the consumer-to-consumer (C2C) secure electronic channel only of limited

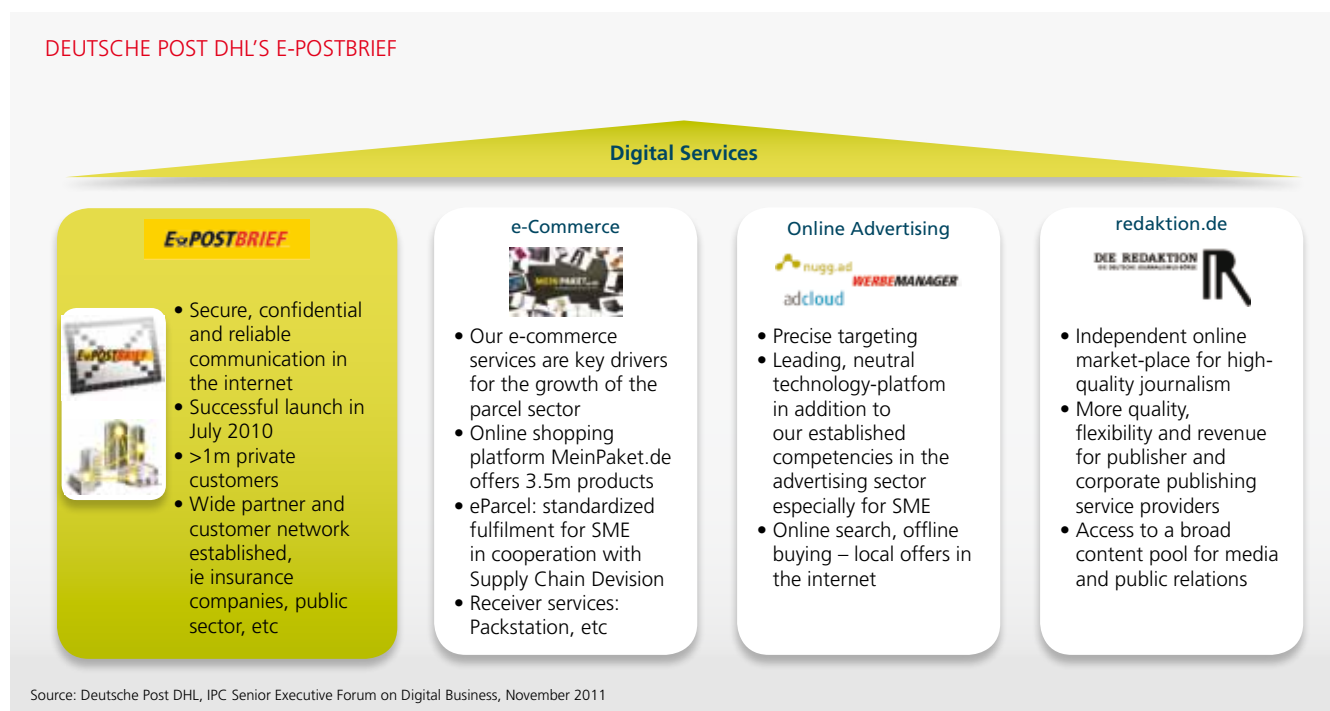
value in commercial terms. Deutsche Post DHL's proposition is that companies can save money by automatically executing bulk communications to their customers and business partners through the platform with either fully electronic or hybrid delivery.

Deutsche Post DHL plans to help companies identify where the added value lies for their own individual business both before and during the integration process. It will also work on demonstrating to professional customers how its digital platform can provide targeting for direct marketing and long-term document storage services. Deutsche Post DHL aims to undertake joint marketing initiatives with its business customers to advertise to consumers the benefits of communicating with business via E-Postbrief.

Postal operator case study #2: Poste Italiane's PosteMailBox

Poste Italiane is rolling out its digital PosteMailBox, first launched to the postal bank's 2.5m personal account holders in September 2011 offering free registration.

In December 2011 PosteMailBox was opened to all consumers. In April 2012, Poste Italiane launched its service for professionals and small businesses, with the corporate, multi-user version coming online in July 2012.



PosteMailBox is a secure, legally certified electronic mail system. For consumers it creates a digital identity combined with a digital signature to facilitate access to all Poste Italiane's products and services. To register individuals obtain an online code which they take to a post office with valid ID. Registration is simpler for bank customers who are already registered with the bank.





Once registered, consumers can use PosteMailBox free of charge to receive messages, invoices and documents and to access online services such as phone credit and banking.

For professionals and businesses the plan is to base PosteMailBox on an integrated digital communication platform for legally valid exchanges. It will include internal document creation, collaboration tools that manage certified and secure information exchanges and internal/external communication

Postal operator case study # 3: cross-border interoperability for secure digital postal services

Poste Italiane and Deutsche Post DHL have been working since April 2011 to determine how their electronic mail systems can be interoperable in order to provide a cross-border postal solution for secure electronic communication.

The operators are targeting customers using both services to see whether ID and registration processes are compatible, having identified pilot clients. The operators began testing a prototype product in early 2012. The objectives of the pilot study are to see how Poste Italiane and Deutsche Post DHL can transmit information and data across the border from one system to the other, how to convert data into messages, and how to print hybrid mail.

POSTE ITALIANE'S POSTEMAILBOX				
	Sept 2011	Dec 2011	Apr 2012	July 2012
Product/Service	 Consumer (bankpost clients)	 Consumer (yearly charge)	 Prof & Soho (single user)	 Corporate (multi-user & cloud)
Bulletin Board	✓	✓	✓	✓
Other Portal Online Services	✓	✓	✓	✓
Payments	✓	✓	✓	✓
Certified MailBox	2 GB	2 GB	4 GB	4 GB
Event Manager	✓	✓	✓	✓
Utilities Mail Management	✓	✓	✓	✓
Simple Remote Storage	4 GB	4 GB	10 GB	30 GB
Certified Remote Storage	Pay per Use	Pay per Use	50 MB	250 MB
Hybrid Mail (first class, registered mail, telgrams)	Pay per Use	Pay per Use	Pay per Use	Pay per Use
Advanced Tracing & Tracking	✓	✓	✓	✓
Digital PostMark	Pay per Use	Pay per Use	Pay per Use	Pay per Use
Virtual Digital Signature	✓	✓	✓	✓
MailRoom	Pay per Use	Pay per Use	Pay per Use	Pay per Use
International Registered Mail (PReM)				✓
Post Office Payments Archiving				✓
Online Payments Basket				✓

Source: Poste Italiane, IPC Senior Executive Forum on Digital Business, November 2011

Through the pilot the partners will gather know-how on the interoperability of the different technical solutions. They will also survey and develop process descriptions of levels of identification in Italy and Germany. On completing the pilot they will make recommendations for a common directive for mutual acceptance of identification processes. The ultimate aim is to achieve interoperability with other posts in order to create a wider cross-border postal communications network.

Poste Italiane and Deutsche Post DHL made similar technology decisions when they set up their respective electronic communication systems, but these have a differing number of layers and have evolved at different speeds.

The collaboration project uses the European Commission's STORK scheme to assess the strength of each partner's identification and authentication processes. The aim of the STORK project is to establish an interoperable European eID platform that will allow citizens to establish new e-relations across borders.

Conclusion

The MIT Sloan School of Management's Center for Digital Business White Paper *A Digital Postal Platform: Definitions and a Roadmap* has set out how postal operators can establish a viable market position in digital business, and elaborates upon ten key recommendations that the Center for Digital Business suggests postal operators follow in order to take advantage of the opportunities provided by digital business and thrive in a digital business model.

By organising around a VISA-like structure, postal operators can gain critical mass and market power. By defining low-level functions and opening the system, posts can create a platform. By seeding the platform, partnering with marquee users, and enveloping adjacent markets, posts can launch and expand. These partnerships can also mitigate risk. By pricing in two-sided fashion at architectural control points, posts can gain new revenue streams. By applying these insights retrospectively to physical assets, they can recover lost ground and grow long-term sustainable business models.

IPC members Deutsche Post DHL and Poste Italiane have each taken considerable steps in developing and rolling out digital services within their respective markets, and are together collaborating on a project to explore the interoperability of their respective systems. This may be a first step in developing the integrated platform of digital services MIT recommends.



For further information on IPC's digital business research and initiatives, scan or click on the QR code.





5

Expanding environmental sustainability

- In 2009 International Post Corporation launched its Environmental Measurement and Monitoring System (EMMS), the first ever global approach to carbon reduction for a services industry.
- The global postal industry is more than half way to achieving its target of cutting 20% of emissions by 2020.
- In 2011 IPC commissioned a cross-sector benchmarking study on the Carbon Management Proficiency (CMP) section of IPC's Environmental Monitoring and Measurement System. The 22 participating IPC members were compared with a benchmark group of 100 non-IPC companies across nine sectors.
- In 2011 IPC members commissioned a study from Maplecroft into the biodiversity impacts of the postal industry. The potential impact of the postal sector on biodiversity is broad. Companies operating in this industry have a responsibility to assess and manage the potential impact that the distribution of mail and parcels may have on biodiversity.
- Organisations across the life cycle of mail delivery must work together to accomplish this objective and establish best practices that support environmental sustainability of mail and minimise their impact on biodiversity.
- In 2011 IPC produced a set of guidelines on the reporting of Scope 3 emissions from the postal sector, following the workshop on Scope 3 reporting held by IPC in May 2011.
- The following emission categories were identified for the postal sector:
 - Subcontracted road
 - Subcontracted air
 - Driver-owners
 - Business travel
 - Employee commuting

Introduction

In 2009 International Post Corporation launched its Environmental Measurement and Monitoring System (EMMS), the first ever global approach to carbon reduction for a services industry. At the launch of the programme the postal industry set an ambitious target to cut the global sector's carbon emissions by 20% on 2008 baseline figures by 2020, and to continue the expansion of the global postal sustainability programme to extend its impact as widely as possible across the world.

The EMMS programme is being expanded both in terms of engaging new participants and in widening the scope of its reporting. This chapter details the background to the programme and provides an overview of the results from the first three years of the programme, and benchmarks it against similar initiatives in other industries.

This chapter also presents a detailed discussion on the impact of postal sector activities on biodiversity based upon a report commissioned by IPC from Maplecroft, an independent advisory consultancy specialising in global risks management, and maps out potential avenues to mitigate and reduce such impact. Lastly, this section also explores guidelines for Scope 3 reporting which were developed for IPC by PwC.

EMMS results to date

The 2011 IPC Postal Sector Sustainability Report was published on Thursday 08 December on the margins of the UN COP 17 climate change negotiations in Durban, South Africa.



The report detailed how in 2010 postal operators participating in IPC's global postal sustainability programme collectively reduced their CO₂ emissions by 329,000 tonnes.

This is equivalent to a cut of 4.2% on 2008 baseline figures. Added to the 597,000 tonnes of CO₂ cut in 2009 and announced in 2010, this represents a cumulative reduction of 926,000 tonnes eliminated in just two years, and means that the global postal industry is more than half way to achieving its target of cutting 20% of emissions by 2020.

The 2011 IPC Postal Sector Sustainability Report focused on the business case for going green, and detailed how by cutting these emissions, operators saved over US\$400m.

EMMS development

IPC developed its Environmental Measurement and Monitoring System (EMMS) in direct response to requests from CEOs from throughout the postal industry for the implementation of a common carbon measurement and reporting framework, in line with customer requirements and stakeholder expectations. With the help of IPC members a pilot was launched in 2008, with the full programme rolled out in 2009. The programme captures emissions data and progress for the calendar and financial reporting year. The objective is to provide a common reporting structure for posts to disclose their environmental management strategies, performance and achievements.

Comprehensive data collection

Each year participating postal companies complete a comprehensive self-assessment questionnaire. This involves reporting on performance trends, sector averages and company scores, for both the qualitative Carbon Management Proficiency (CMP) section of the EMMS and a suite of 20 Carbon Performance Indicators (CPI) across five categories: Overall Sector Indicators; Scope 1; Scope 2; Scope 3, and Activity Indicators. To ensure consistency of the data, participants are provided with an exhaustive reference guidance document. The final results are subject to review by IPC and Maplecroft, and are audited by PwC. This review process also stimulates constructive feedback, monitoring and continuous improvement of the programme for the future.

Management proficiency

The first section of the EMMS measures carbon management proficiency (CMP) across ten areas, aligned with IPC's 'plan-do-check-act' management system approach. CMP is measured through a questionnaire, primarily taking into account qualitative aspects of each postal company's carbon management proficiency.

Key carbon management proficiency results 2008-2010

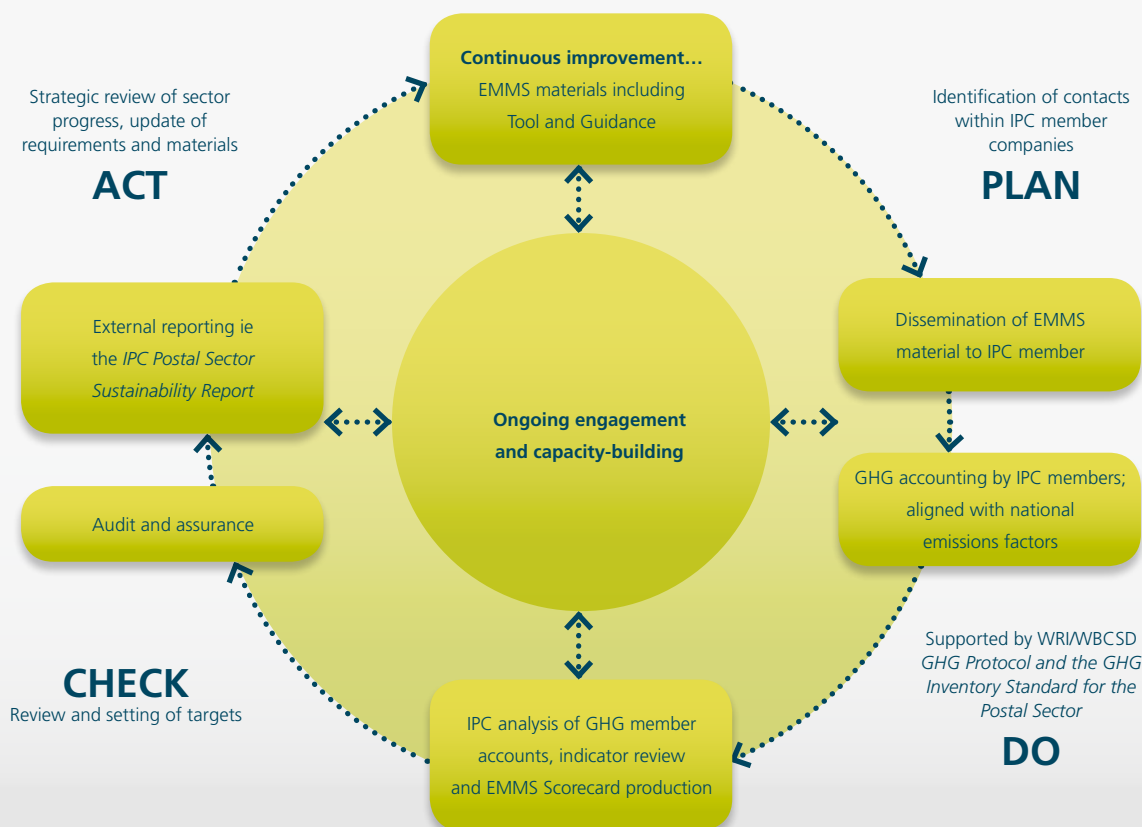
In 2010 participating companies achieved an average score of 65%, evidence that the target set is both realistic and attainable. These improved results demonstrate an

increasing appreciation of energy and carbon emissions as strategic priorities in business management among EMMS participants.

Over 90% of participants reported performance improvements. Continued improvements at this rate (approximately five percentage points per annum) will enable the industry to reach its 20% carbon reduction target approximately three years ahead of schedule, by around 2017.

Each of the ten carbon management proficiency areas includes a series of questions geared towards evaluating participants' programmes.

FIGURE 1 ANNUAL EMMS CYCLE AND ACCOUNTING SYSTEM



Source: IPC

Methodology

The EMMS questionnaire is divided into a series of ten sections or 'pillars', which are self-assessed by the sustainability experts of each participating post. Questions are grouped into pillars according to their focus area. In this section a description of what is covered under each pillar is provided, along with examples of best practice activities that demonstrably would likely result in particularly favourable scoring under each pillar. In total 100 points are awarded across the ten pillars. Each of the ten pillars is detailed hereunder.

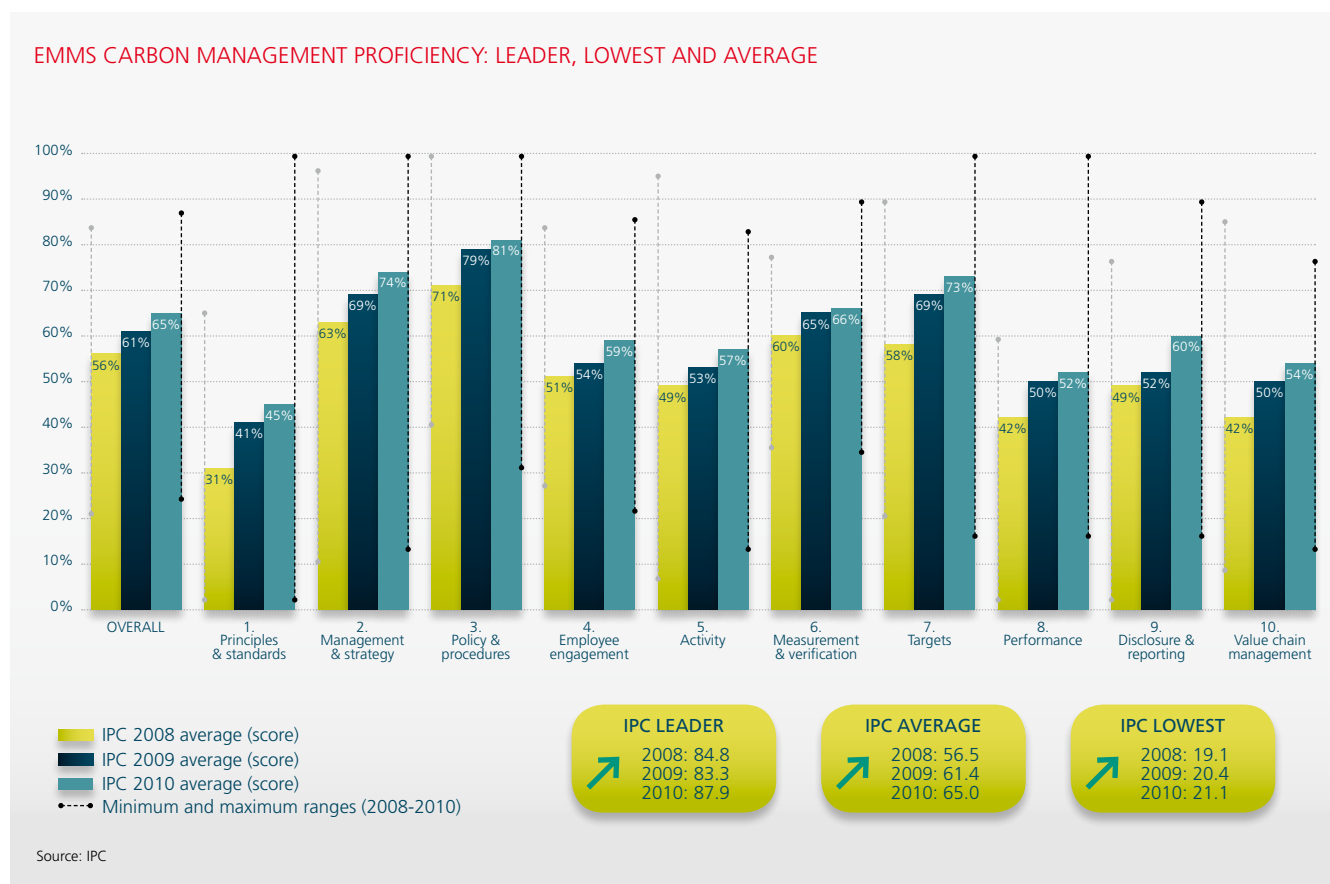
ownership, non-applicability is factored into the score (and maximum points can still be achieved through this re-weighting system).

Maximum score: 5

2. Management & strategy

The management and strategy area assesses how well developed a company's environmental management system (EMS) is, examining how well the management system incorporates carbon and the level to which responsibility for climate change, carbon, energy and emissions management is defined within the organisational structure.

Maximum score: 20



1. Principles & standards

Principles and standards focus on leadership, with scores based on the company's endorsement not only of its own principles, but also of internationally recognised standards. These are the standards that are most important to stakeholders. The company's performance on recognised sustainability indices, such as the Dow Jones Sustainability Index, is assessed. If a company is not eligible for participation in the indices, for example due to government

3. Policy & procedures

The policy and procedures area assesses whether adequate and publicly-available policy elements are in place for carbon and climate-change management. Higher scores are allocated for commitment within company policies to the reduction of carbon emissions as well as frameworks for achieving relevant and material targets and objectives.

Maximum score: 5

4. Employee engagement

The employee engagement area is scored along two themes: the first assesses how well a company's carbon policy, targets and performance are communicated to employees; the second concerns the extent to which the company actively engages with employees on the issues surrounding carbon, for example, awareness-raising campaigns.

Maximum score: 5

5. Activity

The activity area is a measure of leadership and proactivity through involvement in a range of initiatives, with the goal being to increase carbon efficiencies and relative carbon reduction. These initiatives include internal carbon reduction initiatives; customer-focused initiatives; products and services; external partnerships; lobbying, and other proactivity indicators. More credit is given to reducing transport fuel demand than to switching to alternative fuels, and more credit is given to switching to fuels than to offsetting (in line with IPC policy in this area).

Maximum score: 20

6. Measurement & verification

The measurement and verification area assesses current measurement techniques and the relevance and accessibility of appropriate indicators and metrics. It also assesses the use of these measurements within the business and their verification, particularly by third parties.

Maximum score: 20

7. Targets

The targets area assesses progress in setting and achieving numeric targets for reducing greenhouse gas emissions in short-, medium- and long-term timeframes. Higher scores are achieved when activity objectives for carbon management and emissions are in place to guide progress against these targets.

Maximum score: 5

8. Performance

The performance area is based upon the increase in the company's emissions efficiency over a five-year period. The methods contributing to the achievement of emissions reductions are assessed.

Maximum score: 5

9. Disclosure & reporting

The disclosure and reporting area enables participants to be assessed based on the presentation of historic indicators and illustrate trends against current year's figures, and the detail of publically reported accompanying narrative. IPC fully encourages complete disclosure but appreciates that this may not be possible. The EMMS scorecards encourage benchmarking and improvement in completeness of disclosure.

Maximum score: 5

10. Value chain management

The value-chain management area scores the rigour of the requirements and the auditing of suppliers and subcontractors with regard to carbon management issues and the extent to which carbon management is taken into consideration in the selection of subcontractors, suppliers, products, services and partnerships. It also assesses the level of interest of customers and suppliers in reducing their carbon footprint, and their willingness to pay for such reductions. This area goes beyond the postal company's supply chain to consider the entire value chain.

Maximum score: 5

A further five points are awarded based on carbon-related impact and risks that affect participating postal operators, and which highlight the management steps that are being taken to address these.

Benchmarking the global postal emissions reduction programme against other industry initiatives

In 2011 IPC commissioned a cross-sector benchmarking study on the Carbon Management Proficiency (CMP) section of IPC's Environmental Monitoring and Measurement System¹.

Carbon Management Proficiency was measured using a questionnaire-based approach, consisting primarily of questions focused on the qualitative aspects of a company's carbon and climate change management policies and activities. These questions were organised into ten main pillars. The answers from the 22 participating postal companies were compared with a benchmark group of 100 non-IPC companies across nine sectors.

This benchmarking exercise was carried using a total of 100 companies across the nine sectors out of the Bloomberg Industry Classification System (BICS).

The benchmark sample included globally-representative companies across multiple sectors, many of which would be in the value chains of the logistics and transport sector, including as customers, distribution networks or providers of raw materials.

Companies were selected by choosing the 100 largest firms by market capitalisation. This produced a list of global organisations representing all major sectors. The score for each company was calculated in alignment with the IPC EMMS scoring system to enable a direct comparison.

The EMMS questionnaire was also completed for the 100 benchmark companies, done initially using public domain information such as annual and sustainability reporting, corporate websites and third-party information sources.

BENCHMARK COMPANIES

Sector	Example Companies
Basic materials (14)	Newmont Mining, Alcoa, Air Products
Communications (8)	AT&T, Cisco Systems, McGraw-Hill
Consumer, cyclical (7)	Wal-Mart, Ford Motors, Carnival Corporation
Consumer, non-cyclical (22)	Con-Agra Foods, Pfizer, Procter & Gamble
Energy (7)	Chevron, Baker Hughes, Covanta
Financial (7)	Goldman Sachs, Prudential, JPMorgan Chase
Industrial (12)	Boeing, Agilent Technologies, GE
Technology (12)	CA Technologies, Lexmark, Dell, Intel
Utilities (10)	Xcel energy, Pepco, ConEdison, PG&E
In total 100 companies	
Source: IPC	

The benchmark companies were also contacted and directly engaged to ensure they were given adequate opportunity to provide additional input and to ensure all relevant information was included. Engagement was through telephone and email interviews.

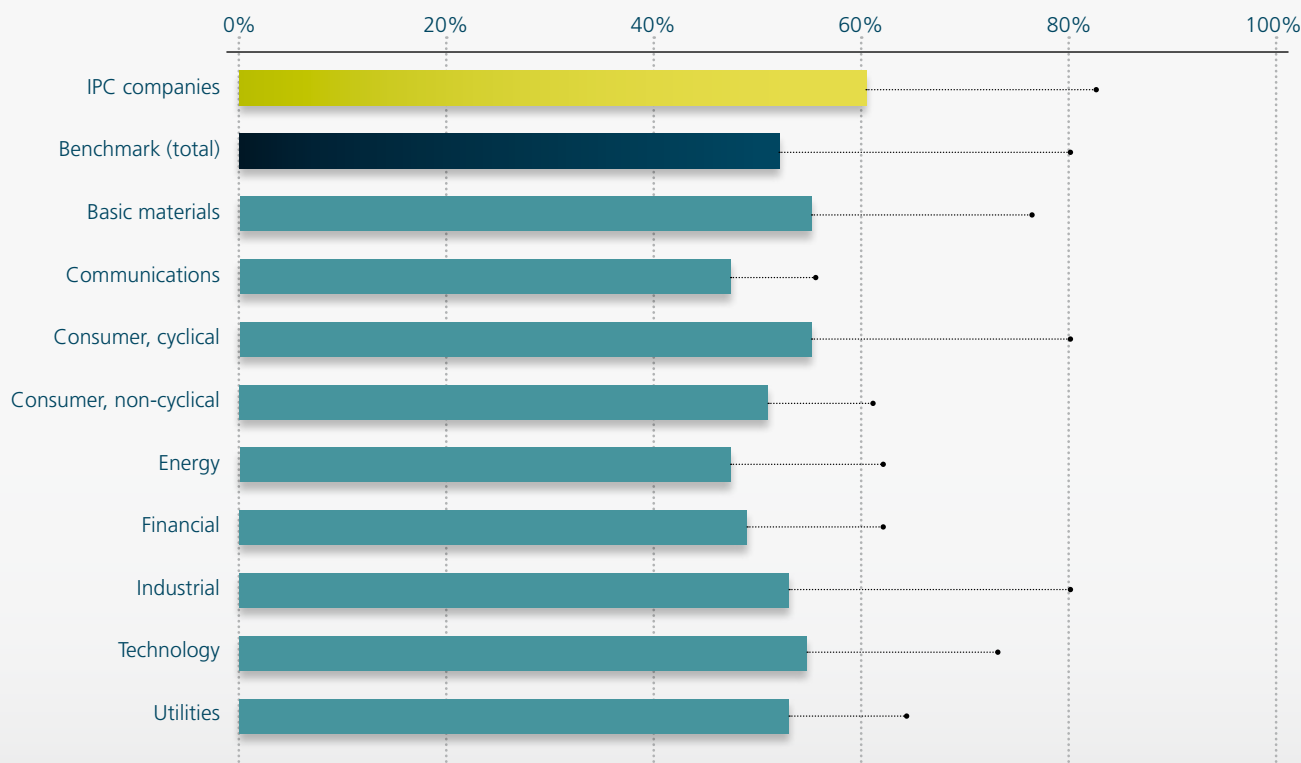
For each sector, benchmark comparisons were made using both overall scores and the constituent scores for each of the ten pillars for carbon management proficiency. The benchmark company scores were adjusted to reflect the participation rate of 60%, as opposed to the 100% engagement of IPC members. Benchmarking was completed by comparing overall scores and pillar-by-pillar comparison.

¹ Cross-sector benchmarking study on Carbon Management Proficiency, September 2011, IPC

² Analysis by Maplecroft

CARBON MANAGEMENT PROFICIENCY

OVERALL BENCHMARK RESULTS



The coloured bars show average values for all IPC members, for all benchmark companies, and for five keys sectors within the benchmark group. Black lines show minimum/maximum range.

Source: IPC

Initiatives in other industries

It is believed that the postal sector's Environmental Measurement and Monitoring System (EMMS) is the most developed sector-based measurement tool. The closest initiative identified was the hotel industry's Carbon Measurement Working Group, developed by the International Tourism Partnership (ITP) and the World Travel & Tourism Council (WTTC). This is an initiative to consolidate hotel industry efforts to calculate and communicate carbon impact by agreeing on a standardised methodology and metrics – however no analysis or reporting has been published to date for this sector².

Other industry initiatives that provide guidance to their members on calculating and reporting emissions include:

- The Electronic Industry Citizenship Coalition;
- Electric Utility Industry Sustainable Supply Chain Alliance, and
- Extractive Industries Transparency Initiative.

These initiatives do not however appear to be supported by a system such as the EMMS, where collection, measurement, and analysis of emissions across a sector is centralised.

Aluminium: European Aluminium Association (EAA)

- Focus on energy efficiency and recycling through research and industry-wide initiatives.
- Support for market-based mechanisms to reduce emissions, such as carbon trading schemes.
- Environmental policies cover the entire value chain, from mining and processing to use, collection and recycling.

Automotive: European Automobile Manufacturers Association (ACEA)

- Voluntary reduction in CO₂ emissions agreed with the European Commission (EC) in 1998.
- Coordination between sectors (manufacturers, retailers, fuel suppliers).
- Support for research and development, eg in electric vehicles.

Aviation: International Air Transport Association (IATA)

- Set objectives to achieve carbon-neutral growth in the medium term and to build an aircraft that produces no emissions within 50 years.
- Airlines are required to monitor CO₂ and traffic data from 2010.
- Four-pillar strategy for emissions reduction.

- Emphasis on
 - investing in technology;
 - improving operational efficiency;
 - building and using efficient infrastructure, and
 - incentivising through positive economic instruments.

IT: Computing Technology Industry Association (CompTIA)

- A survey of 650 senior executives across a range of industries to better understand clients' views on sustainable IT identified how customers integrate environmental issues into the purchasing decisions and where key areas of demand lie. One barrier to 'Green IT' is the difficulty of measuring returns on investment from environmentally-friendly products.
- Research is available to members.

Oil & Gas: International Petroleum Industry Environmental Conservation Association (IPIECA)

- IPIECA participates in the Intergovernmental Panel on Climate Change (IPCC) and United Nations Framework Convention on Climate Change (UNFCCC), and provides members with information about these and other international processes dealing with climate change.
- *Industry Guidelines for GHG Reduction Projects* provides technical guidelines for five 'project families'.

Retail: British Retail Consortium (BRC)

- The 2008 *A Better Retailing Climate* report set out members' collective ambitions.

- Five specific goals relating to member companies and business partners detailed.
- Regular progress reported to provide updated key performance metrics.

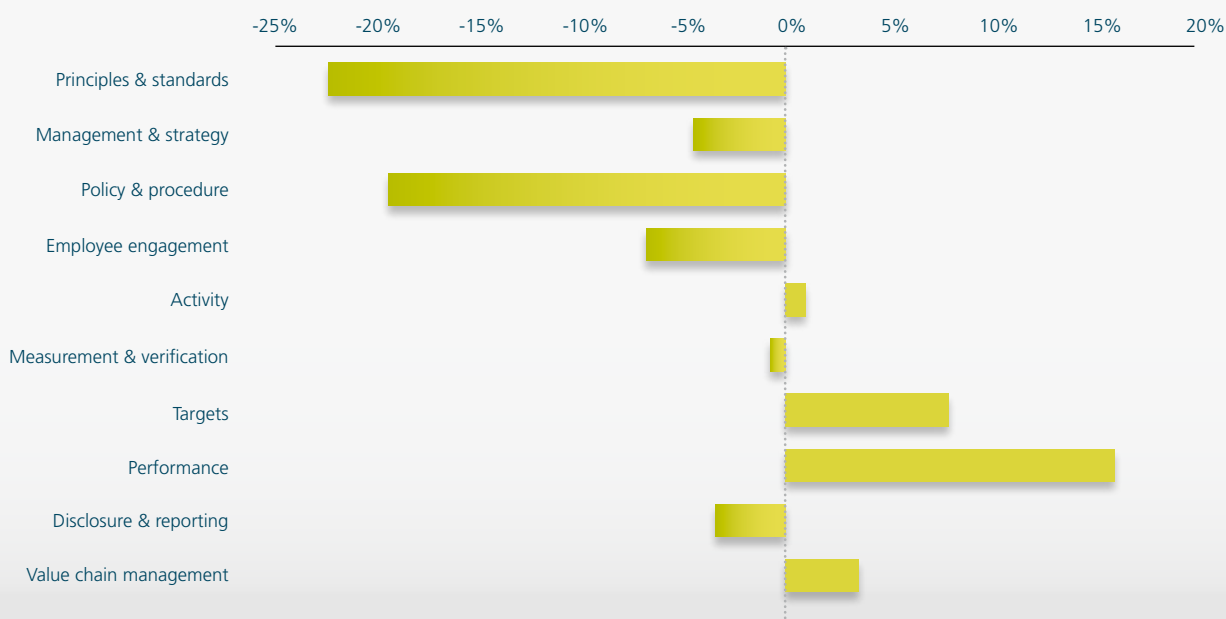
Telecoms: Telecommunications Industry Association (TIA)

- Virtual events organised to share information on environmental issues and best practices.
- Energy & Environment Working Group focuses on environmental technologies and legislation.
- *Energy and Environment Standards* publications cover a range of areas.

Summary of key results

- IPC members slightly outperform benchmark companies.
- Scores are variable and opportunities for improvement still exist.
- Scores are not always consistent between IPC members, suggesting that best practice sharing could be used to improve performance.
- IPC members outperform benchmark companies overall.
- Average score of 61% vs. 53% for benchmark companies.
- IPC average scores are higher in four out of ten pillars.
- IPC overall average scores are higher in nine out of nine sectors.
- Key areas for improvement are Principles & Standards (average 37%), Performance (average 50%), Value Chain Management (average 52%), and Disclosure & Reporting (average 52%).

DIFFERENCE BETWEEN AVERAGE IPC SCORE AND AVERAGE BENCHMARK SCORE



Source: IPC

Biodiversity and the postal sector

Biological diversity means the variability among living organisms from all sources including, among other things, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.

The United Nations declared 2010 to be the International Year of Biodiversity. Throughout the year countless initiatives were organised to disseminate information, promote the protection of biodiversity and encourage organisations, institutions, companies and individuals to take direct action to reduce the constant loss of biological diversity worldwide.

In 2011 IPC members commissioned a study from Maplecroft into the biodiversity impact of the postal industry.³ The study was carried out as an initial exploratory exercise and included a strong focus on stakeholder engagement, with over 195 stakeholder groups contacted for their expert advice and informative opinions. The aim of this study was to investigate the importance of biodiversity to business – specifically to the postal industry – taking into account relevant risks and opportunities presented by new mechanisms for change. A range of stakeholder views were taken into account to develop a range of possible solutions that IPC members and the postal industry more broadly should consider when integrating biodiversity concerns into their long-term corporate responsibility and environmental protection strategic planning.

Key stakeholder feedback found that

- the postal sector has a significant responsibility to take action over its biodiversity impact;
- industry impact requires effective and systematic measurement and management;
- the wide reach and global influence of the industry presents significant opportunities for change;
- there is much to be managed when considering the wider value chain, and
- the industry should focus on cross-sector collaboration and external partnerships.

The business case for biodiversity

There is growing awareness of both the impact and dependencies that business operations have on biodiversity and associated ecosystem services. Organisations are increasingly profiting directly or indirectly from biodiversity and ecosystem services. The resulting impact on biodiversity can be translated into business risks in many ways. Whether direct or indirect, the impact on biodiversity can have the

net result of increasing operational costs and decreasing profit margins. The impact of paper production on which mail depends brings the issue into clearer focus with regard to the postal sector.

Business leaders are realising that biodiversity and ecosystem services can provide new opportunities for increasing profit margins and performance levels

At the same time, business leaders are realising that biodiversity and ecosystem services can provide new opportunities for increasing their profit margins and performance levels. The integration of biodiversity conservation into organisational and supply chain management can result in heightened efficiency, generating significant savings and revenues. Effective management of biodiversity risks may uncover hidden value in existing production and marketing practices. Furthermore, these benefits may generate corporate social responsibility opportunities at a time when the public is increasingly aware of the importance of environmental conservation.

The biodiversity impact of the postal sector

As testified by IPC's flagship cross-sector carbon emissions reduction programme, the postal sector is alive to the importance of tackling climate change and its responsibility to reduce man-made carbon emissions. Results recently published in the 2011 IPC Postal Sector Sustainability Report demonstrate that many postal operators are effectively actively analysing, understanding and mitigating the CO₂ emissions that are generated throughout the life cycle of mail delivery activities, as well as through peripheral services such as express and logistics and retail operations.

The potential impact of the postal sector on biodiversity is broad. Companies operating in this industry have a responsibility to assess and manage the potential impact that the distribution of mail and parcels may have on biodiversity. As there are numerous potential ways in which the postal sector can affect biodiversity, it is helpful to distinguish between direct and indirect impact:

Direct impact

Aside from the actual use and disposal of the delivered mail piece or parcel by the end customer, there exists potential for every stage of the life cycle of mail and parcel delivery to impact biodiversity and the environment generally. An industry-wide life-cycle-based analysis carried out by the Aspen Institute divided the life of a single mail piece into six distinct stages:

³ The Postal Industry - Biodiversity and Ecosystem Services Impacts Study, December 2011, IPC

1. **Mail design**, ie planning, data collection, copywriting, design, and pre-production.
2. **Manufacturing**, ie wood harvesting and pulp and paper production, for envelopes, writing paper, and packaging.
3. **Production**, ie type of paper and packaging used, ink, writing and printing, inserts, franking, etc.
4. **Distribution**, ie mail and parcel sorting and delivery.
5. **Use** (this phase does not have an impact on the environment).
6. **Disposal** of the letter or contents of the parcel, including recycling, incinerating, or landfill disposal.

Systematic Life Cycle Assessment (LCA) methods of analysing the social and environmental impact of business processes can often be used to identify the direct impact on biodiversity of business processes. The strength and objectivity of these assessments can be improved by ensuring they are carried out by an expert third party.

In 2009 IPC commissioned an LCA assessment that evaluated the greenhouse gas impact of mail and compared the impact of email and posted mail. A follow-up assessment evaluated the impact on greenhouse gas emissions of marketing.

The findings from this study⁴ showed that emissions generated by a single item of electronic advertising (banner ads or email) are less than those emitted from a single item of telemarketing or direct mail:

- Single internet banner ad: 0.34-0.36g CO₂e
- Single email: 0.65-0.78 CO₂e
- Single item of direct mail: 67-76g CO₂e
- Single telemarketing call: 70-100g CO₂e.
- On average, one item of direct mail generates the same quantity of CO₂e as 204 banner ads or 100 emails, but these figures hide the net environmental impact of electronic advertising campaigns due to their reduced effectiveness.

However in terms of the effectiveness of a marketing campaign, the study found that direct mail and telemarketing were more effective in generating a return on an investment of US\$10,000 and have a relatively low environmental footprint compared with e-marketing campaigns:

- Internet banner ad marketing campaign: 100-107kg CO₂e
- Email campaign: 130-156kg CO₂e
- Direct mail campaign: 34-39kg CO₂e
- Telemarketing campaign: 15 and 22kg CO₂e.

E-marketing campaigns tend to have a carbon footprint three to five times that of a direct mail marketing campaign. The Return on Marketing Investment (ROMI) associated with direct mail therefore makes it a competitive choice for marketing managers in campaigns where the importance of environmental concerns meets that of financial concerns.

Pulp and paper manufacturing

According to research by the WWF, over 45% of the world's annual commercial timber cut goes to pulp, paper and board. The northern hemisphere dominates both paper production and consumption, however most rapid rates of growth are being seen in the industrialising countries of Latin America and Asia, such as Brazil, China and Thailand, as well as more established Asian economies like that of South Korea. The rise of industrial, mono-species plantations is having a negative impact on biodiversity and the environment, including on soil and water. It is also eliminating the numerous non-timber uses of forests, which are often of crucial importance to local communities. The problems are exacerbated when non-indigenous tree species are introduced, which have been shown by numerous scientific studies to have a particularly damaging impact on local ecosystems, affecting the biodiversity of both plant and animal species.

This industry is also very energy intensive, requiring large amounts of water, and often entailing the use of toxic chemicals, of which the most problematic are the chlorine compounds used in bleaching pulp to make bright white paper. The pulp and paper industry could certainly do more to reduce its damaging impact by sourcing wood fibre from sustainably-managed forests, increasing use of post-consumer recycled paper, improving energy and water use efficiency, and eliminating chlorine bleaching. Due to the significant volumes of paper and packaging involved across the life cycle of mail and parcels, the postal industry has a role to play in ensuring that the impact on biodiversity due to the production of paper and packaging is appropriately assessed and mitigated, through impact assessment analysis, and partnerships. The global nature of postal industry networks means that even relatively small changes can have wide-reaching benefits.

Partnering to ensure the sustainable paper and packaging



The Forest Stewardship Council (FSC) is an international non-profit multi-stakeholder organisation established to promote responsible management of the world's forests. It facilitates this through setting measurable standards and providing independent certification and labelling of forest products.

IPC members are increasingly becoming involved in this and similar initiatives which encourage improved forest production practices with benefits for biodiversity and the environment.

For example, Deutsche Post DHL now prints pre-stamped envelopes and postcards on FSC-certified paper. There are

⁴ Greenhouse gas impact of marketing - A comparison between the greenhouse gas impact of five advertising channels, Dr William Roberts, Prof Alyson Warhurst, Daniel Fox, December 2009

VALUE CHAIN SURROUNDING PAPER AND DIGITAL MEDIA TO PROMOTE THE DISTRIBUTION OF MAIL AND PARCELS



Source: IPC

significant opportunities for the postal industry to ensure that paper sourced along the value chain comes from forests managed with practices certified by independent, third-party organisations.



Print Power is focused on the effective use of marketing and advertising printed media. The organisation represents the entire print media value chain, from production to distribution, printing, content and delivery. Print Power's 'Two Sides' campaign aims to present the facts about paper production, use and recycling to dispel misconceptions surrounding paper and to promote more informed and confident decisions as well as a more responsible use of paper and print as a communications medium. Several IPC members are involved in this initiative, including Correos y Telégrafos, CTT Correios de Portugal and Le Groupe La Poste.

The distribution of mail and parcels

The postal sector directly controls the distribution stage of mail and parcels. There are two key components of a postal company's direct impact on biodiversity that need to be considered:

1. Impact of facilities: associated with the postal retail and mail handling facilities and sorting equipment, and the generation of heat and electricity, including the impact on wildlife from office pollution and the construction of new buildings and other facilities;
2. Transportation resources: associated with transportation between facilities, from either collection or the point of acceptance, to the destination postal facility, and thence to the customers. This could include birdstrikes, by aircraft and into corporate office buildings, roadkill by wholly-owned delivery trucks, as well as plant, soil and wildlife degradation from air and water pollution from owned or controlled vehicles. The image above shows a typical value chain for transportation-related processes of the distribution of mail.

IPC members are working increasingly with their clients and suppliers to ensure that the biodiversity and other

environmental impact of their activities are reduced across the life cycle of mail and parcels. The following select examples help illustrate how.

Royal Mail - Sustainable® Mail

Royal Mail has introduced a Sustainable® Mail green standard for its mailings. The scheme has strong government support and provides guidance for direct mail marketing activities. Royal Mail highlights that both businesses and consumers view unaddressed post items negatively.

PAS 2020 - Direct marketing standard

As part of its efforts in this field, Royal Mail has also been instrumental in the development of the PAS 2020 direct marketing standard. PAS 2020 has been commissioned by the Direct Marketing Association (DMA) in partnership with Acxiom, ISBA (The Incorporated Society of British Advertisers), Royal Mail and the Telephone Preference Service, and has been developed by BSI British Standards.

PAS 2020 establishes a set of environmental objectives, performance levels and indicators for different environmental aspects of direct marketing campaigns. The indicators provide an indirect measure of a campaign's environmental impact on environmental issues such as biodiversity and climate change. They can be used by clients and suppliers to demonstrate in real terms a commitment to more responsible business practices.



Post NL - Eco Label

As part of its 'Planet Me' environmental strategy Post NL has developed an 'Eco-label' green standard for mail delivery with the aim of promoting environmentally-friendly production and distribution of mail. The scheme involves providing advice to senders and suppliers, and a guarantee to receivers that each piece of mail is produced and distributed in a responsible way.

- The focus is on the reduction of all harmful effects of mail.
- The scheme covers unaddressed and addressed mail, direct mail and letters.
- The whole supply chain is covered to ensure maximum positive environmental impact.
- Monitoring takes place by random mailing checks as well as regular meetings.

Indirect impact

In addition to the direct impact that the postal sector may have on biodiversity and the environment, it is important to also consider the sector's indirect impact, which may be much broader, more difficult to address, and for which accountability is hard to pinpoint. A key indirect impact of the postal sector on biodiversity can for example be associated with the infrastructure used in the transportation of mail. Transportation infrastructure, and particularly road networks, are blamed for a significantly adversely affecting the natural habitat in both quantity and quality.

The need for construction materials and the development of land-based transportation such as roads and railways has led to deforestation. Many transport routes have required draining land, thus reducing wetland areas and driving out water plant species. The need to maintain road and rail rights of way or to stabilise slopes along transport facilities has resulted in restricting growth of certain plants, or has produced changes in plants with the introduction of new species different from those which originally grew in the areas. Many animal species are becoming extinct as a result of changes in their natural habitats.

If we extend the scope of the assessment to include the wider value chain of the postal sector, further impact on biodiversity emerges from a wide variety of sources, ranging from the manufacture of aircraft and other vehicles used in the industry to the construction of facilities, business operations of supply chain participants, business travel and commuting by employees, and the extensive impact arising during the process of production of energy by the oil and gas industry, to name just a few.

The impact of transportation infrastructure

The postal sector can clearly not be held fully responsible or accountable for all of the above. Transportation infrastructure is used by everyone and by companies across all industries. However, as the postal sector is involved in the business of

mail and parcel distribution, it does have a particularly strong reliance on transportation resources. As such it can have an important role to play in communicating best practice in both transportation and construction infrastructure.

Stakeholder viewpoints

In order to evaluate the viewpoints of postal stakeholders on the industry's impact on biodiversity, a stakeholder engagement exercise was carried out, the intention of which was to generate detailed qualitative input to identify stakeholder priorities. The research comprised a set of questions that allowed for open-ended responses, to give participants ample opportunity to voice their opinions on the topic without constraint, and to raise ideas and questions. A stakeholder mapping was conducted, identifying over 195 potential stakeholder contacts, including environmental organisations, sustainable business groups, non-governmental organisations (NGOs), customers, business users and industry associations. After the initial mapping exercise had been completed, key contacts were identified, with engagement carried out over the phone and by email. The questions included but were not limited to:

- What responsibilities does the postal industry have in addressing biodiversity?
- What is the potential impact of postal operations on biodiversity and the environment?
- What are the potential challenges that the industry may face in addressing its impact on biodiversity?
- What positive solutions could help the postal industry address these challenges?

Key observations

The following is a summary of some key insights and observations that emerged during the stakeholder engagement exercise.

- Stakeholders believe that the industry does have a significant responsibility to take action over its potential impact on biodiversity.
- The impact the industry has on biodiversity needs to be effectively measured, monitored and managed, and can be split between direct and indirect, eg the impact of vehicles, paper and packaging, and the impact of infrastructure.
- The wide reach and extensive influence of the industry presents a significant opportunity for it to significantly mitigate its impact on biodiversity.
- It is important to manage the industry's potential impact across the wider value chain.
- Raising awareness, encouraging recycling and promoting efficiency measures are all important in reducing the industry's impact on biodiversity.
- Biodiversity degradation can accelerate the risk of climate change.
- Climate change tends to come ranked as a key risk for many companies. Biodiversity however is a far broader

issue and is also very complex, and it is often not assessed or managed as such an important risk. There are also huge geographical differences to consider.

- More than many other service industries, the postal sector is driven by population growth, a macro-trend of particular relevance to the industry, and consequently to biodiversity, in long-term planning.
- Market-based mechanisms may provide a practical approach to supporting biodiversity, however the aim should be to achieve 'net positive' biodiversity benefits, rather than just resorting to offsetting or mere mitigation.
- Mail and parcel delivery involves a lot of packaging and paper-based products, often from plantations or natural forests. The disposal of non-organic packaging can be a problem with a negative impact on the local biodiversity.
- Collaboration and partnerships are extremely important, not just with environmental organisations, charities, universities and NGOs, but also across the industry.
- In an ideal world one could envisage a fractional contribution from each stamp sold donated to biodiversity restoration.
- At a fundamental level, if there is no biodiversity, there will be nothing to ship.

Recommendations and next steps

The focus of International Post Corporation and its members to achieve the highest environmental standards has succeeded in driving progress in many areas. The industry plans to continuously expand its environmental stewardship activities for long-term growth in a dynamic marketplace. The postal sector spans the globe and the organisations involved have a substantial collective influence, with the potential for real and significant positive impact.

Organisations across the life cycle of mail delivery must work together to accomplish this objective and establish best practices that support environmental sustainability of mail and minimise their impact on biodiversity. To meet these objectives, the following activities are recommended:

1. Industry leadership

Biodiversity, climate change and other sustainability issues are systemic challenges that require cohesive, collaborative approaches. By developing a biodiversity leadership initiative, the tendency to form ad-hoc partnerships and to take unstructured approaches towards logical management frameworks can be addressed. IPC provides a neutral platform for discussion and critical thinking on sustainability and other issues, and is looking into the possibility of forming working groups, workshops and conferences which will form the basis of an industry-leading biodiversity initiative, in collaboration with external partners.

2. Partnership-based approach

Cross-industry partnership is a key aspect for postal operators to consider. By working in collaboration with conservation groups, government, academic institutions and organisations in the same or other industries, operators will be better placed to find solutions to manage their impact on biodiversity and capitalise on potential opportunities. The drivers behind such initiatives include securing continued supplies of raw materials, branding, and revised legislation. Partnerships also give access to additional resources, including expertise and information networks, essential in addressing systemic, global and long-term challenges. Operators should therefore aim to actively develop and create additional partnerships, for example with peers, NGOs, conservation groups, academic institutions and environmental certification organisations, to better understand and mitigate their impact, and to work to establish mechanisms to share biodiversity best practices and establish standards for the industry.

3. Social and environmental impact assessment

Formalised and systematic social and environmental impact assessment (SEIA) processes can be used in the identification, prediction and assessment of the business impact on biodiversity and the broader environment, as well as the opportunities associated with business activities. Such assessments should be undertaken before beginning new projects, as impact mitigation could involve the redesign or relocation of the activity. Effective consideration of the potential impact on biodiversity may require assessments to be undertaken throughout the life cycle of a project, to ensure full consideration of seasonal issues and migratory species. Where biodiversity is thought to be an issue, it may be important to partner with relevant third-party environmental impact assessment specialists to ensure that widespread stakeholder consultations are effectively carried out, and that eventual impact is assessed by an objective third party. This should help ensure that the complexities of biodiversity conservation are overcome.

4. Market-based mechanisms

Much of the postal sector's impact on biodiversity is indirect, and therefore it is complicated for operators to accurately measure and mitigate. Market-based mechanisms provide a practical means by which companies can contribute to offset or pay for their impact on the ecosystem. Payments for Ecosystem Services (PES) can be used to conserve the ecosystem on which individual companies depend, and biodiversity offsetting can compensate for residual impact on biodiversity that cannot be mitigated onsite. Effective use of these mechanisms would go some way to alleviating the significant indirect impact of postal operators on biodiversity, and participation is relatively easy to

implement. The use of these mechanisms should be carried out under appropriate guiding principles and frameworks.

5. Targets and continuous improvement

As well as carrying out detailed impact assessments before embarking on new projects, the sector should work to systematically identify and evaluate the ecosystems on which they depend, assessing the likelihood of ecosystem degradation and resilience to this. Businesses should measure and report their direct and indirect impact on biodiversity and ecosystems across the value chain, set long-term goals, commit to ecological neutrality, or 'zero impact', and ideally aim for a net positive impact on the environment. Industry operators may consider using the Global Reporting Initiative Framework to guide their sustainability measurement and reporting activities, of which five indicators (EN 11 to EN 15) are of relevance to biodiversity. Environmental Diagnostic Tools, which form an integral part of all ISO 14001/EMAS certified management systems could also be expanded to include biodiversity issues.

By systematically measuring and monitoring the impact of their activities on biodiversity and setting and publicly reporting challenging performance targets, postal operators will be able to provide a benchmark to drive standards among industry peers, as well as drive continuous improvement.

Scope 3 development

In 2011 IPC produced a set of guidelines on the reporting of Scope 3 emissions from the postal sector, following the workshop on Scope 3 reporting held by IPC in May 2011.

Scopes 1, 2 and 3 are defined by the greenhouse gas (GHG) Protocol Corporate Standard as follows:

- Scope 1: all direct GHG emissions (ie owned or controlled by the reporting entity).
- Scope 2: indirect GHG emissions from consumption of purchased electricity, heat or steam.
- Scope 3: other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (eg transmission and distribution losses) not covered in Scope 2, outsourced activities, waste disposal, etc.

Since the boundaries of Scope 3 emissions are potentially very broad, industry-specific guidelines are useful in providing a consistent set of parameters for industry-wide reporting of Scope 3 greenhouse gas emissions. This builds on the framework set out in the GHG Protocol Corporate Standard for reporting of Scope 1, 2 and 3 emissions.

The following emission categories were identified for the postal sector:

- Subcontracted road
- Subcontracted air
- Driver-owners
- Business travel
- Employee commuting

Subcontracted road and air – related to core activities

The significance of each of these categories varies between posts due to the specific business model and geographical characteristics of the countries in which they operate. A first prioritisation indicated subcontracted road transport as the most relevant subcontractor emission category. Subcontracted air is relevant, and has a significant impact, especially if a substantial number of domestic flights are operated (eg Canada Post, Australia Post and Correos).

All posts use commercial long-haul flights to transport international mail. This does have some impact, varying on the size of the international volumes.

The category 'driver-owners' has limited impact and limited relevancy for the majority of posts. For those posts for which this category is relevant the overall impact is generally assessed as relatively low, with the exception of Canada Post: in its case the impact from driver-owners is more than half when compared with the wholly-owned fleet.

Business travel and employee commuting – not related to core activities

For employee commuting, census data (from the national statistics office) provide a practical source for estimating commuter emissions. As postal operators are also geographically distributed, national statistics data are thought to be suitable to calculate emissions. However as such data is based on national averages, the calculated commuter emissions represent at best an approximation.

Regarding business travel, information provided by travel agents provides a valuable (and reliable) source for business air travel data. Different approaches can be taken for road transport, including cost indicators (eg spend on taxis, fuel reimbursement) or secondary data (eg distance travelled) are mostly used. The overall impact of business travel is relatively small.

Approaches to data collection

Collecting subcontractor emissions should ideally not be an isolated process but part of a broader dialogue with subcontractors about logistical performance, pricing, CO₂ emissions and quality, amongst other factors. Specific approaches will have to be developed per category and relevant subcategories. IPC will support the posts by providing guidance for this process.

EMMS SCOPE 3 REPORTING

	Primary indicators (energy activity data)	Secondary indicators (physical activity data)	Cost indicators/Proxy data (financial activity data)
Increasing relevancy ↑ Related to core activities	Road <ul style="list-style-type: none">Fuel consumptionFuel spend	<ul style="list-style-type: none">Kilometers drivenAverage fuel consumption (per type of vehicle) per km	<ul style="list-style-type: none">Subcontractor spend
	Air transport <ul style="list-style-type: none">Actual fuel consumption	<ul style="list-style-type: none">Modelled fuel usage (based on aircraft type, load capacity, distance, weight)Tonne per kmFuel efficiencyDistance	<ul style="list-style-type: none">Subcontractor spend
	Commuting	<ul style="list-style-type: none">Kilometer administration (per mode of transport) per employee	<ul style="list-style-type: none">Census data
Non-core ↓	Business air travel	<ul style="list-style-type: none">Travel agency: kilometers flown	<ul style="list-style-type: none">Cost data
	Business road travel <ul style="list-style-type: none">Fuel consumptionFuel spend	<ul style="list-style-type: none">Kilometer driven (company cars, train, employee own vehicle)	<ul style="list-style-type: none">Cost data (taxi, train, etc.)
	← Increasing accuracy →		

Source: IPC

Based on the character of each of the emissions categories (road, air, commuting, business travel) different approaches are to be taken to collect data. In general three different types of input for calculating emissions have been identified by the GHG protocol for Scope 3 reporting:

- Primary indicators: direct energy activity data like fuel consumption or fuel spend
- Secondary indicators: physical activity data like distance driven or modelled fuel usage
- Costs or proxy indicators: subcontractor spend, costs data, etc.

Depending on the availability of data and the significance of a specific emission category, different approaches can be taken to collect subcontractor data. The draft model pictured above provides a general overview.

Resulting from this work IPC has issued detailed guidelines for the reporting of Scope 3 emissions to the participants of the EMMS for 2011 results reporting.

Conclusion

The postal sector has demonstrated leadership to stakeholders around the world through its sector sustainability programme. Against a benchmark established in 2008, the postal sector through the IPC Environmental Measurement and Monitoring System (EMMS) is now more than halfway to achieving its target of cutting 20% of CO₂ emissions by 2020, representing a cumulative reduction of 926,000 tonnes in just two years.

Establishing and communicating best practice has always been a key deliverable for IPC. In 2011 the carbon management proficiency of the postal sector was compared through a cross-sector benchmarking study against a group of 100 non-postal companies across nine industry sectors. The results showed that the early adoption by the postal sector of the sustainability programme had given them an advantage over many benchmark companies and further opportunities for improvement were identified.

As the EMMS programme is expanded to include new operators such as the South African Post Office, and new dimensions, such as Scope 3 emissions, more attention is being given not only to the quantitative measures but also to the qualitative indicators that are included in EMMS. These are the carbon proficiency measures that postal operators can use to measure their performance against best practice within the industry.

Biodiversity and ecosystem services provide new opportunities to posts to increase profit margins and performance levels and IPC is planning to expand its environmental stewardship in this area as well as through the expansion of Scope 3 reporting.

In conclusion, sustainability is an area where postal operators do not compete, but in which they work together collectively to demonstrate and communicate their responsibility towards our planet.



For further information on IPC's global postal sustainability programme, scan or click on the QR code

Published by:

International Post Corporation
Avenue du Bourget 44
1130 Brussels, Belgium
Direct +32 (0)2 724 72 11
Fax +32 (0)2 724 72 32
www.ipc.be

Printed in Belgium April 2012 © IPC