Market Flash E-Commerce Special

International Post Corporation

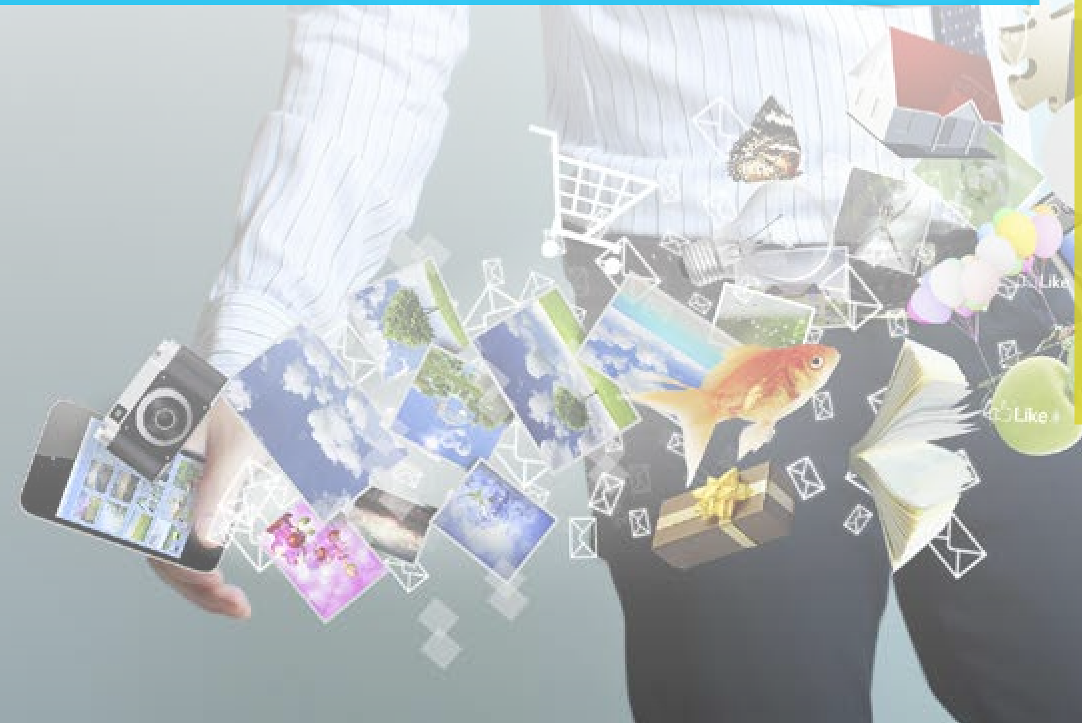
Issue 475 | 26 November 2013

IN THIS ISSUE

AMERICAS US Postal Service increases revenue but sustains a US$5bn loss ■ UPS survey points to more customer-centric supply chains ■ FedEx spreads the word on support for exporters ■ **ASIA PACIFIC** TSB is first bank to use New Zealand Post's RealMe ID service ■ New DHL hub helps a customer expand in Japan ■ **EUROPE** Austrian Post increases revenue in first nine months ■ Georg Pölzl reappointed for a further three years ■ Deutsche Post DHL increases earnings in third quarter ■ Third-quarter revenue and profits rise at bpost ■ PostNord achieves net sales growth ■ City Link launches international tracked service ■ ByBox acquires DX Group's B2B locker network ■ La Poste expands internet access via tablets in rural post offices ■ Portugal launches sale of 70% stake in CTT ■ Polish Post orders Siemens sorters for next automation stage

IN THE E-COMMERCE SPECIAL

WELCOME ■ **EVENTS** 5th Annual European E-Commerce Conference in Brussels ■ IPC Stanford Symposium ■ Best online retailers recognised with Canada Post E-commerce Innovation Awards ■ E-Commerce in focus at Post-Expo 2013 ■ **TRENDS** US e-Commerce exceeds US$50bn in July to September ■ US purchases on smartphone and tablet up by 26% ■ Australia second largest cross-border e-Commerce market for Borderfree ■ Australia Post successful year thanks to growth in parcel business ■ German e-Commerce set to reach €39.8bn this year ■ UK home-delivery parcel growth patterns set to change, says Hermes ■ Deutsche Post DHL to boost e-Commerce ■ October e-Commerce sales in the UK up 15% on last year ■ Differing views on same-day growth potential in the UK ■ **NEWS** Canada Post launched Delivered Tonight service pilot ■ eBay steps up local delivery strategy with Shutl acquisition ■ The USPS will provide Sunday deliveries for e-Commerce enabler Amazon ■ Video message delivered with a parcel ■ ASOS moves into China with Kerry Logistics ■ Austrian Post begins deployment of KePol LS self-service terminals ■ Iceland Post installs InPost lockers in Reykjavik ■ DPD launches same-day delivery in German cities ■ PostNord gains expanded e-Commerce logistics contract ■ Royal Mail offers free delivery alerts ■ Yodel signs up a new international delivery partner



Americas

US Postal Service increases revenue but sustains a US$5bn loss

Despite an increase in operating revenue for the first year since 2008 and an US$8.9bn (€6.6bn) reduction in operating expenses, the United States Postal Service registered a net loss of US$5bn (€3.7bn) in its fiscal year to 30 September 2013.

Operating revenue, excluding a US$1.3bn (€1bn) non-cash change in an accounting estimate, was US$66bn (€49bn) compared with US$65.2bn (€48.3bn) in 2012. Package Services revenue rose by 8% to US$923m (€683bn) on a volume up 6% to 201m pieces. Shipping and package services as a whole saw revenue rise to US$12.5bn (€9.3bn), about 19% of total revenue. Standard Mail revenue grew by 3% on a volume that increased by 1.8% to 1.4bn pieces, but the Postal Service's most profitable product, First-Class Mail, saw volume fall by 2.8bn pieces impacting negatively on financial results.

The Postal Service said its liquidity remained "dangerously low" with liabilities exceeding assets by about US$40bn (€30bn).

Source: USPS

UPS survey points to more customer-centric supply chains

High-tech companies are adjusting their supply chains in order to be more customer focused and successful in responding to changing demand patterns.

The fourth annual UPS "Change in the (Supply) Chain" global survey found that interest in bringing production closer to demand had more than tripled with 27% of executives responding embracing near-shoring as one strategy to improve customer service.

Strategies for making supply chains more customer-centric included reduced lead times, better planning, improved fulfilment and improved after sales and returns capabilities.

Source: UPS

FedEx spreads the word on support for exporters

FedEx International's sales force is to make customers aware of US Government support for exporters under a new alliance with the Export-Import Bank of the United States (Ex-Im Bank).

In a move to help small and medium-sized businesses get into exporting, FedEx staff will tell their customers about Ex-Im Bank's ability to protect against the risk of non-payment and to extend credit to buyers, thereby eliminating the need for letters of credit or cash-in-advance payments.

Source: FedEx

Asia Pacific

TSB is first bank to use New Zealand Post's RealMe ID service

New Zealand's TSB Bank will be the first to offer customers the opportunity to open an account via a smartphone using the RealMe digital ID service.

RealMe has been developed jointly by New Zealand Post and the government's Department of Internal Affairs to provide secure identity verification remotely via internet.

Currently, 43 online services provided by central and local government are using RealMe login.

Source: New Zealand Post

New DHL hub helps a customer expand in Japan

DHL Supply Chain has begun operating a new, 3,344m^2 global distribution hub in Tokyo for its customer, ON Semiconductor Corporation, which plans to expand its business in Japan.

Europe

Austrian Post increases revenue in first nine months

Austrian Post increased its total revenue by 1.7% in the first nine months to end September to €1.73bn (US$2.34bn) (excluding disposal of Benelux subsidiaries) and by €11.3m (US$15.3m) to €561.1m (US$758.2m) in the third quarter.

The company said its mail business boosted revenue thanks to contributions from acquisitions in Central and Eastern Europe and several elections and referendums. The underlying decline in letter volume continued, however, owing to electronic substitution. The Austrian parcels business continued to profit from e-Commerce, but the international parcels and logistics business was more difficult. A challenging market and reduced earnings at trans-o-flex resulted in a non-cash impairment loss of goodwill of €27m (US$36.5m).

Overall earnings before interest and tax (EBIT) improved slightly to €131.5m (US$177.7m) in the first nine months compared with €131m (US$171m) last year. EBIT from mail and the branch network rose by €15.4m (US$20.8m) to €208.8m (US$282.2m) but parcels and logistics made a loss of €14.4m (US$19.5m) after the €27m (US$36.5m) impairment.

Source: Austrian Post

Georg Pölzl reappointed for a further three years

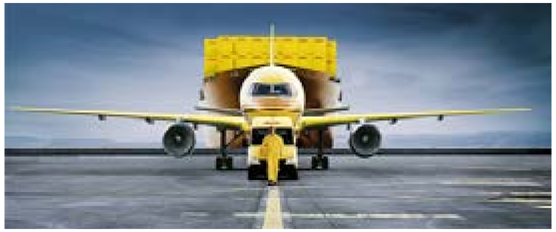
Austrian Post's supervisory board has reappointed Georg Pölzl as chairman and chief executive of the management board for a further three years after his current term of office which ends in October 2014.

The board praised Georg Pölzl's "outstanding" performance in transforming Austrian Post into a modern and customer-friendly service provider.

Source: Austrian Post

■ AUSTRIAN POST INCREASES REVENUE IN FIRST NINE MONTHS ■ GEORG PÖLZL REAPPOINTED FOR A FURTHER THREE YEARS ■ DEUTSCHE POST DHL INCREASES EARNINGS IN THIRD QUARTER ■ THIRD-QUARTER REVENUE AND PROFITS RISE AT BPOST ■ POSTNORD ACHIEVES NET SALES GROWTH ■ CITY LINK LAUNCHES INTERNATIONAL TRACKED SERVICE ■ BYBOX ACQUIRES DX GROUP'S B2B LOCKER NETWORK ■ LA POSTE EXPANDS INTERNET ACCESS VIA TABLETS IN RURAL POST OFFICES ■ PORTUGAL LAUNCHES SALE OF 70% STAKE IN CTT ■ POLISH POST ORDERS SIEMENS SORTERS FOR NEXT AUTOMATION STAGE

Deutsche Post DHL increases earnings in third quarter



Deutsche Post DHL increased its operating earnings by 7% to €646m (US$873m) in the third quarter of 2013 owing largely to higher volumes and revenues in the parcels business in Germany. Adjusted revenue showed a 3.5% year-on-year improvement but exchange rates and other inorganic effects caused reported revenue to fall by 2.5% to €13.5bn (US$18.2bn).

The mail division increased earnings before interest and tax (EBIT) to €261m (US$352.7m) from €246m (US$332.4m) in the third quarter of 2012; DHL increased its profit to €489m (US$661m) from €463m (US$626m) largely on account of a 14% earnings improvement from express operations.

Source: Deutsche Post DHL

Third-quarter revenue and profits rise at bpost

Continuing packet growth and productivity improvement helped bpost to increase revenue and profits during the third quarter of 2013.

Group revenue rose by €17.2m (US$23.2m) to €566.6m (US$765.7m), boosted by €11.4m (US$15.4m) gained from property sales. Earnings before interest and tax (EBIT) were €81.5m (US$110.1m) for the quarter, €17.5m (US$23.6m) higher than the same period last year. Net profit was €53.8m (US$72.7m) compared with €36.2m (US$48.9m) last year.

Source: bpost

PostNord achieves net sales growth

New acquisitions produced a 4% increase in PostNord's net sales to SEK9.31bn (€1.05bn, US$1.42bn) in the third quarter of 2013. The company said net sales were largely static when acquisitions and currency effects were excluded, reflecting "continued dramatic decline" in mail volumes.

Earnings before interest and tax (EBIT) improved year-on-year to SEK247m (€27.8m, US$37.5m) compared with SEK165m (€18.6m, US$25.1m) owing to sales growth, lower restructuring costs and efficiency improvements.

E-Commerce continued strong growth with PostNord's business-to-consumer parcel volumes rising 11% during the quarter. The logistics business continued to grow both through acquisitions and organically although profitability remained low.

Source: PostNord

City Link launches international tracked service

The United Kingdom's City Link has added a new product to its international delivery services provided in cooperation with bpost which handles transport and delivery through its international partner network.

Packet Worldwide is a tracked, signed-for package service designed to complement Citypack Worldwide which was launched in the summer. Both services offer delivery from the UK in three to five working days within the European Union, three to seven days in the rest of Europe and five to ten days in the rest of the world.

City Link said its new e-booking system powered by Intersoft was aimed at both high-volume customers, who could upload multiple collection requests for individual packets, and customers sending one packet at a time.

Source: CEP Research

ByBox acquires DX Group's B2B locker network

United Kingdom parcel locker operator ByBox has acquired DX Group's Business Direct business-to-business delivery operation for an undisclosed sum.

Business Direct provides in-night delivery, mainly for field engineers, through a network of 365 ParcelXchanges comprising some 5,000 parcel lockers.

ByBox said its acquisition would enable it to expand its field support services and create new business-to-consumer delivery opportunities for postal and parcel operators. Hermes UK delivers to some 250 ByBox drop-off machines as an alternative to home delivery and UK e-retailer Shop Direct offers a returns service via 500 ByBox locations.

Source: CEP Research

La Poste expands internet access via tablets in rural post offices

Le Groupe La Poste has been offering the public access to online services at two post offices in the communes of Gargilesse-Dampierre and Solesmes since September. The

trial is now expected to result in the installation of tablet devices at around 50 local post offices.

The tablets provide free access to the group's banking, mobile phone, parcel and mail services plus a range of public services including social security.

La Poste said that 24.1% of French households had no internet access of which 26.5% were in rural communes. Its aim was to provide internet access and expand its service offer to post office customers in rural areas. The project is also part of La Poste's strategy to develop digitisation in France.

Source: Le Groupe La Poste

Portugal launches sale of 70% stake in CTT

The Portuguese Government aims to raise between €430m (US$581m) and €580m (US$783m) from the sale of a 70% stake in CTT that began on 9 November prior to a stock market listing on 5 December. The government is selling 60% of CTT direct to institutional investors and 10% via an initial public offer. It is committed to retaining a 30% stake until August next year.

Source: CEP Research

Polish Post orders Siemens sorters for next automation stage

The Polish postal operator, Poczta Polska, has awarded Siemens a PLN48m contract for sorting machines for standard letters.

The investment marks Polish Post's next stage of automation due for deployment in 2014-15. The new machines will combine preliminary and final sorting into one process. Once a new database is ready, Polish Post said the Siemens machines would sequence letters according to delivery routes.

Source: Poczta Polska

IN BRIEF

POST Luxembourg appoints a chief information officer

Pierre Zimmer has joined POST Luxembourg as chief information officer with additional responsibility for information technology. The company said he would develop new business applications offering customers more efficient solutions.

International Post Corporation

E-Commerce Special

IN THIS ISSUE

WELCOME ■ EVENTS 5th Annual European E-Commerce Conference in Brussels ■ IPC Stanford Symposium ■ Best online retailers recognised with Canada Post E-commerce Innovation Awards ■ E-Commerce in focus at Post-Expo 2013 ■ TRENDS US e-Commerce exceeds US$50bn in July to September ■ US purchases on smartphone and tablet up by 26% ■ Australia second largest cross-border e-Commerce market for Borderfree ■ Australia Post successful year thanks to growth in parcel business ■ German e-Commerce set to reach €39.8bn this year ■ UK home-delivery parcel growth patterns set to change, says Hermes ■ Deutsche Post DHL to boost e-Commerce ■ October e-Commerce sales in the UK up 15% on last year ■ Differing views on same-day growth potential in the UK ■ NEWS Canada Post launched Delivered Tonight service pilot ■ eBay steps up local delivery strategy with Shutl acquisition ■ The USPS will provide Sunday deliveries for e-Commerce enabler Amazon ■ Video message delivered with a parcel ■ ASOS moves into China with Kerry Logistics ■ Austrian Post begins deployment of KePol LS self-service terminals ■ Iceland Post installs InPost lockers in Reykjavik ■ DPD launches same-day delivery in German cities ■ PostNord gains expanded e-Commerce logistics contract ■ Royal Mail offers free delivery alerts ■ Yodel signs up a new international delivery partner

Welcome

IPC POSTBOARD

The IPC PostBoard E-commerce community is an active platform for postal e-Commerce experts to share case studies and knowledge. If you would like to participate and contribute to this platform, please contact Jakub Rymkiewicz.

Dear reader,

The last three months saw plenty of innovations and important events in the area e-Commerce. The peak Christmas period is on the horizon, and postal operators are gearing up to manage the increased volumes smoothly, but the long-term challenge is bigger than this. There is a growing focus on cross-border e-Commerce and delivery players are working hard to develop new products and innovations regarding delivery in order to stay competitive in a fast-changing market.

In this E-Commerce Special we provide you with an overview of key industry news and reviews from major events such as the 5th Annual European e-Commerce Conference and Post-Expo 2013 in Vienna.

In this issue, you will also find detailed information on this year's awards, including the renowned Postal Technology International Awards and the second Canada Post e-Commerce Innovation Awards.

We hope you will enjoy reading the Special.

International Post Corporation

Events

5th Annual European E-Commerce Conference in Brussels

On 15 October 2013, IPC attended the 5th Annual European E-Commerce Conference in Brussels organised by EMOTA, the European Multi-channel and Online Trade Association, EDiMA, the European Digital Media Association and the European Commission.

The conference theme revolved around trends and challenges in e-Commerce and the need for legislation to meet these challenges and achieving the Digital Single Market in Europe.

Update on e-Commerce in Europe

Walter Devenuto, President of EMOTA, shared the most up-to-date overview of e-Commerce trends in Europe. He reported that Europe still has the largest e-Commerce market in the world and it keeps growing faster than the North American market. According to EMOTA, the e-Commerce industry currently employs around 2.3m people in Europe and, thanks to its strong growth, has the potential to create as many as 1.5m additional jobs (net jobs) in the next five years. France, Germany and the UK account for 60% of European e-Commerce with a yearly turnover estimated to amount EUR 209bn in these three countries alone. Total European turnover from e-Commerce in 2013 is estimated to be EUR 350bn.

EMOTA has developed a European trust mark (to be introduced later in 2014) for easier recognition of reliable online businesses selling internationally. The greatest potential for growth will be from cross-border e-Commerce, which is estimated to grow twice as fast as its domestic equivalent in the coming years.

E-Commerce of the future

At the conference, Nick Sohneman from Futurecandy, a German innovation consultancy, on the future trends of electronic commerce.

He proposed five theses about the state of e-Commerce in five years from now:

1. E-Commerce is an artificial term. There is only shopping.

2. Deliveries will be faster and customised.

3. Shopping will be more interconnected.

4. Virtual shops and virtual products will dominate the shopping landscape.

5. The high street shopping will be mobile.

Constant focus on SMEs

Claire Bury, Director of the Directorate E-Services at the European Commission, expressed her support for further collaboration between businesses and regulators to create safer and more attractive conditions for businesses to sell online. Bury stressed the fact that small and medium-sized enterprises (SMEs) are the backbone of Europe's economy and will be the focus of the Commission when streamlining the legislative processes and making funds available.

Barriers for businesses

During the session on e-Commerce and European SMEs, Hugh Morgan Williams, founder of Canford Group, presented his company's experience when looking to expand sales internationally. Among many, Hugh mentioned faulty waste recycling regulation, the need for multilingual call centres and unreliable or very expensive international shipping options as the main issues that his business had to deal with as soon as they decided to sell internationally. The opportunity for postal operators would be to enhance the delivery experience both for the retailers and the consumers.

Delivery opportunity

One of the afternoon panel sessions was devoted to distribution; topics such as the efficiency and cost of the delivery process were identified as being key for the positive development of e-Commerce across Europe. Speaking in the panel, Herbert Götz, Director of Marketing at IPC, highlighted the importance of the e-Commerce for postal operators today. "For the first time in history, the parcel market is due to overtake mail and the postal industry is in the middle of a transformation".

Nick Basford, VP Marketing at UPS Europe, shared that innovation must be fast and continuous. UPS's key focus regarding delivery is on the customer needs and discussions addressed issues such as costly last-mile delivery, label and VAT harmonisation within the EU.

"Through IPC, postal operators are willing to set the foundations for a seamless global network for e-Commerce and enable consumers and businesses to benefit from consistent and reliable cross-border delivery", added Herbert Götz reinforcing the strong position of postal operators in leading the change in cross-border e-Commerce.

In the closing debate, participants emphasised the need for closer cooperation between businesses and regulators in the cross-border e-Commerce area focusing especially on streamlining delivery offering, ensuring customer safety and harnessing the power of big data in view of the hyper-connected marketplace Europe has become.

You can find more information and some of the presentations on the event's website.

IPC Stanford Symposium

Toward a New e-Commerce Supply Chain: Opportunity through Disruption

22 October 2013, Stanford, US

What are the next trends in e-Commerce? How will e-Commerce further impact the supply chain? These topics were at the forefront of an executive symposium hosted by IPC and the Stanford Global Supply Chain Management Forum on Tuesday 22 October in Stanford, titled "Toward a New e-Commerce Supply Chain: Opportunity through Disruption". Speakers included executives from Amazon Fresh, Google Shopping Express, IPC, Macys.com, Terracotta, Wine.com and Zazzle.

The IPC-Stanford Symposium was the occasion to discuss latest e-Commerce trends and identify new models.

Same-day delivery of goods from local shops, with the recent launch of Google Shopping Express, was seen as a major trend, leading to a revolution of the retail landscape but also creating additional challenges to existing delivery models.

E-Commerce is evolving from multi-channel to omni-channel retailing and smartphones are becoming the favourite tool for online shopping, accounting for 65% of purchases online.

Brick-and-mortar shops are finding a second life as more and more e-retailers rely on shops for the delivery of the goods.

In the audience were delegates from Apple, eBay, Gap Inc, Nike and from the IPC membership. The event was followed by a one-day executive workshop exclusively designed for IPC delegates with sessions lead by two of the Stanford GSCM Professors.

Key discussion points from this event focused on:

- Today e-Commerce is all about big data and systems delivering the cheapest and fastest way to get the goods to the customer. Price transparency is a requirement but customer service is the differentiator.

- A digital flow of information must parallel the physical flow of e-Commerce items in order to meet the service expectations of customers and consumers. This requires managing large volumes of highly disaggregated data in near real time (big data), analysing and extracting relevant insights in order to create useful information which in turn creates opportunities for making better-informed decisions across the e-Commerce value chain.

- Increasingly, businesses are leveraging commercial in-cloud solutions to store and manage product information. This powers a faster, more targeted and personalised system architecture, thereby enhancing the consumer experience.

- As omni-channel e-Commerce continues to mature, there is increased focus on local e-Commerce shopping which allows for same-day or two-day delivery to consumers. Google Shopping and Amazon are undertaking pilots to assess how to scale such services while delivering the consistent service experience expected from consumers in a profitable way.

- Retailers with high-street presence such as Macy's, commercial strategies focus on leveraging in-store pick-up options, which provide immediacy and personal interaction. The effect of bringing consumers in-store is estimated at a 20-50% increase in value of the goods purchased compared to a purely online shopping experience.

- Demand for high-quality products that are unique is expanding rapidly which allows e-Commerce players to leverage favourable margins. Customised products have a pricing premium of 20% to 100%. Repeat rates of users who personalise or configure products are 120% higher than customers who buy pre-paid designed products.

Best online retailers recognised with Canada Post E-commerce Innovation Awards

Seven online retailers have been named Canada's best in their categories in the 2013 Canada Post E-commerce Innovation Awards. Recognised by the judging panel for their innovative business models and superior online customer experience, the winners will share a total of US$1m worth of prizes from Canada Post, including shipping services, customised direct-marketing packages that include data and targeting solutions, and marketing exposure.

Canada Post
E-commerce Innovation
Awards

The Canada Post E-commerce Innovation Awards were launched in 2012 to invigorate and recognise e-Commerce excellence in the country and to position Canada Post as a top-of-mind delivery partner for Canada-wide e-Commerce orders.

The judging panel included Rafe Petkovic (Google Canada); Josh Bloom (Facebook Canada); Stéphane Ricoul (Sid Lee Technologies, also Co-founder and President, eComMTL); Duncan Payne (Hut2Hut Events and DX3 Co-founder); and Siobhan Vinish (Postmedia Network).

Below you will find profiles of 2013 winners:

Best Multi-Channel Retailer – Large winner Lowe's Canada, a big-box home improvement retailer, excels at the omni-channel experience to offer, for example, the same products and exceptional product information online that shoppers will find in the store, a real-time product availability tool, as well as how-to advice geared to the do-it-yourself market.

Best Multi-Channel Retailer – Small winner SNAKES and LATTES boasts the largest publicly accessible board game library in North America. Its innovative business model creatively engages customers of their physical café and of their online gaming marketplace – making it easier not only to buy a board game but also to participate in a growing global community.

BEST MULTI-CHANNEL

Click here to watch an overview of the candidates:

Large Small

Click here to watch an overview of the candidates:

Large Small

Click here to watch an overview of the candidates:

Large Small

Best E-tailer – Large winner well.ca was a start-up working out of the closet of a Guelph pharmacy five years ago, and now carries online more than 50,000 health, beauty and baby products with free shipping to most Canadians, and recently delivered its one millionth package. Leveraging research about the busy working mothers who represent their key market, well.ca has, among other things, optimised its mobile app's user experience for iPad and iPhone users.

Best E-tailer – Small winner Build.ca created the ability to offer Canadians a wide array of home improvement and décor products from U.S. suppliers by leveraging Canadian warehouses to fulfil orders, paid for in Canadian dollars, thereby avoiding customs duties.

Most Innovative Retailer – Large winner Jewlr.com has a website that allows customers to create their own unique piece of jewellery by choosing a metal, stones and personalised engraving – but it has also created a kiosk equipped with iPads which customers can use to place orders directly, with free shipping and a 99-day 'hassle-free' returns policy.

Most Innovative Retailer – Small winner TenTree International, an apparel company that plants ten trees for every item sold, has used social marketing in innovative ways to drive awareness and spectacular sales growth. It is now branching out to allow customers to discover the location, species and more about their ten trees.

Consumer Champion Award – NailPolishCanada.com used its website, Twitter and Facebook, with daily contests and clever calendar reminders, to engage customers about voting to express their support for the brand.

The full event video can be viewed here.

E-Commerce in focus at Post-Expo 2013

E-Commerce was a hot topic at Post-Expo, hosted in Vienna in October 2013, as postal operators focused on future growth opportunities. The potential of e-Commerce to drive growth in postal operators' B2C parcel activities was observed as crucial for postal future. Michael Lierow, representative of the Oliver Wyman consultancy, noted that consumers are demanding more convenience and thus delivery choice and see delivery in general as a commodity add-on without particular value. Lierow gave a clear overview of how Google, eBay and Amazon are developing their e-Commerce activities to further enhance their customers' experience end-to-end. Amazon was said to expand its same-day deliveries in Germany as an evening service in 2014 after setting up seven regional depots that already cover more than 60% of the population with a 100km radius.

For postal companies, these trends mean that while they have to focus on B2C deliveries in future to capture the market growth, they need to become more agile and digital literate to understand e-retailers and consumers better. It was also suggested that posts should review their business models in terms of customer mix, operations, pricing and profitability and innovate significantly in those key areas.

Awards

Post-Expo also featured the Postal Technology International awards, including several categories in the field of e-Commerce.

The Last Mile Delivery Innovation of the Year title was given to DPD for its 'Follow My Parcel' service. In brief, enabling customers to live-track their parcel delivery using a GPS mapping interface designed for smartphones, tablets and PCs. The mapping tool shows the driver on his route and counts down the deliveries in real time to give the recipient an accurate 15-minute delivery slot. Although this precise information about delivery time had been available for management purposes for some time already, it started to be seen as critical to the general delivery experience only recently.

The Parcel Handling Technology of the Year award went to USPS's new Product Tracking System PTS-2, an industry-leading solution that replaces the ageing mainframe PTS system. The purpose was to create a modern, seamlessly integrated solution to support the various USPS business functional areas involved in the package delivery process.

The transition from the legacy system to PTS-2 needed an extensive data transformation and conversion effort in order to maintain existing historical data and facilitate a smooth and seamless transition to the new system. It also required a detailed, results-driven programme office encompassing many related USPS systems and applications to facilitate the transition with minimal impact.

Austrian firm Keba gained the Supplier of the Year award in recognition of its successful installation of more than 3,000 self-service KePol parcel terminals with over 250,000 boxes in various countries around the world. An important innovation in Keba's parcel terminal concept has been its modular design. Operators are given the ability to install parcel terminals in any available space, using different modules of parcel lockers sized as S, M, L, XL and XXL units. The company's most recent development is a solution targeted at small items, which account for the majority of items bought online, and which are sent as packets rather than parcels.

Source: CEP Research

Trends

US e-Commerce exceeds US$50bn in July to September

The value of e-Commerce in the United States between July and September totalled US$53.2bn (€39.4bn), exceeding US$50bn (€37bn) for the first time, according to digital data measurement company ComScore.

Purchases from desktop computers grew by 13% year-on-year totalling US$47.5bn (€35.2bn). Purchases from mobile devices grew by 26% to US$5.8bn (€4.3bn).

Source: CEP Research

US purchases on smartphone and tablet up by 26%

Internet analytics company comScore shared its retail e-Commerce sales estimates for the third quarter of 2013 in the US. The estimates showed that while desktop-based e-Commerce sales grew by 13% to US$47.5bn, consumer spending on smartphones and tablets was up by 26% compared to the same period in 2012, bringing the total third-quarter e-Commerce sales figure to US$53.2bn.

According to comScore, e-Commerce now accounts for 9.4% of consumers' discretionary spending with purchasing using smartphones accounting for 62% of the m-commerce figure, with 38% of m-commerce spending now taking place from tablet devices such as the iPad.

According to the estimates, the best product categories were Digital Content & Subscriptions, Apparel & Accessories, Consumer Packaged Goods, Consumer Electronics and Jewellery & Watches, with each category growing by 14% or more.

Source: CEP Research

Australia second largest cross-border e-Commerce market for Borderfree

The international e-Commerce specialist company Borderfree shared in their report that Australia is one of the most attractive cross-border e-Commerce markets for retailers to pursue. Consumer demand for e-Commerce imports is high, spurred by limited local competition, higher wages and short store hours (the majority of orders placed by Australians on US websites occur between 19:00-21:00 local time – when stores are closed).

Going Global. Simplified.

Australian purchasing power is powered by high disposable household incomes, consistent economic growth and low unemployment rates (just 5.2% in 2012). Australians are active and well-travelled, providing them with high global brand familiarity and driving their demand for active wear and outerwear. According to Borderfree, while the strength of the AUD has retreated over the recent period due to concerns over slowing economic growth in China, the current two-year low for AU$/US$ is still above the five-year floating average, and pricing arbitrage opportunities are there for consumers to enjoy when purchasing from overseas merchants. Moreover, Australia's import policies are extremely favourable for cross-border commerce, with exceptions for duty and tax applying to all imports below AU$1,000.

Source: Borderfree

Australia Post successful year thanks to growth in parcel business

Australia Post unveiled a near-11% rise in net profits in the year ending June 2013 thanks to strong growth in parcels. One of the actions which supported this growth was undoubtedly the full takeover of B2B express delivery company StarTrack earlier in 2013. Australia Post's revenues increased by 15% to AU$5.9bn (€4.16bn) in the year ending 30 June 2013.

According to Ahmed Fahour, Managing Director and CEO, Australia Post, the non-regulated parcels and retail services businesses continued to be the key driver of both revenues and profit for the organisation, helping to offset the losses in the traditional mail business.

Significant changes in the parcel area, including simplification of domestic parcel offering and adding tracking to each parcel product, also contributed to the positive financial results. Furthermore, the company has rolled out Australia's largest network of 108 parcel lockers allowing for 24/7 access to e-Commerce items across the country, reaching 7m customers (30% of population) within 10 minutes of their homes.

The positive changes and investments in parcel business already delivered, however, may not be enough to offset the decline in mail volumes in the long term perspective. This makes the need to further innovate and look for savings in both mail and parcel areas a constant challenge for the years to come.

Source: CEP, Australia Post

German e-Commerce set to reach €39.8bn this year

Germany's e-Commerce and distance selling association, BVH, has more than doubled its estimate of e-Commerce sales growth in 2013 to 44.2% which would mean total online retail sales of €39.8bn (US$53.8bn).

The revised estimate came after e-Commerce sales rose by 44% to €6.9bn (US$9.3bn) in the three months from July to September, according to BVH's survey of 40,000 consumers. E-Commerce now accounts for 83.4% of all distance sales revenue in Germany.

Source: CEP Research

UK home-delivery parcel growth patterns set to change, says Hermes

UK home delivery parcel growth has mainly come from large online retailers until now, but it is about to change in the near future according to one of biggest UK parcel delivery players, Hermes. The company expects annual growth rates of 15-20% to continue, although in-store collection was limiting volume growth with certain customers. It is still expected to see around 50% growth over the coming three years, but for much of this to come from smaller customers.

Regarding the balance of home delivery versus collect from store, Hermes expects the type of customers that have been driving their growth to change over the next three years – more from the myHermes business and SMEs. MyHermes ParcelShops have proved to be extremely popular with small and medium-sized businesses, niche online retailers, eBay power sellers, Amazon Marketplace sellers and consumers for sending personal and business parcels. The ParcelShop network handled over 1m parcels in just nine months after its launch and its growth was strengthened by a robust holiday period in December 2012.

Hermes expects its peak volumes to be 25% higher than last year, and is confident that the company's network and infrastructure has been expanded sufficiently to handle this. Part of this expansion was building a new hub in Warrington, to be used for manual sorting during the peak Christmas in 2013 period and to become fully operational by April 2014.

Source: CEP Research

Deutsche Post DHL to boost e-Commerce

Deutsche Post DHL plans to move its European parcels business in Benelux, Poland and the Czech Republic from its express to its mail division in order to grow faster in e-Commerce markets outside Germany.

Group chief executive Frank Appel said the parcels business would be the number one growth driver for the mail division in future.

The transfer will take place in January 2014 to expand the mail division's business-to-consumer parcels activities and leave DHL Express to focus on business-to-business activities.

Source: CEP Research

October e-Commerce sales in the UK up 15% on last year

E-Commerce sales in the United Kingdom have grown by 15% year-on-year during October, according to the monthly IMRG Capgemini e-Retail Sales Index. The index has recorded 16% growth in the first ten months of 2013 compared with 13% in the same period of 2012.

Source: CEP Research

Differing views on same-day growth potential in the UK

DHL has announced its intention of disposing its same-day courier business in the United Kingdom as "not fundamental" to the international express business in the UK.

The decision coincided with the "Future of E-Commerce Delivery" conference in London where speakers saw growth potential in same-day services.

Chris Haighton of distance retail group Shop Direct saw a place for a small-scale same-day delivery option; Carole Woodhead of Hermes UK believed same-day delivery would grow for certain types of customer and product while the mass market would continue to seek low-cost or free delivery.

Dick Stead of Yodel, however, said same-day delivery would become incredibly important in the UK in two or three years' time. He foresaw new challenges for all current distribution models with a growing need for a larger number of despatch points.

Patrick Gallagher of CitySprint said his company could provide near-instant deliveries in a radius of up to a mile for £2.95.

During the same conference, a senior e-Commerce logistics executive in the United Kingdom has urged delivery operators to develop "market-appropriate services" that will improve customer experience and efficiency in cross-border delivery. Chris Haighton of Shop Direct said e-Commerce operators wanted local-language customer services and a local returns address for their cross-border operations.

In addition, once an e-retailer had built up volume in another national market, it would seek local stockholding which was likely to be cheaper for larger scale operations.

Source: CEP Research

News

Canada Post launched Delivered Tonight service pilot

Canada Post's pilot project Delivered Tonight™ combines the immediacy of purchasing a product in a store with the convenience of e-Commerce home delivery. In partnership with Canada Post, these retailers are leveraging the Delivered Tonight™ pilot to better understand and adapt to the needs and expectations of Canada's rapidly evolving e-Commerce market. The pilot will also help Canada Post better understand and plan for the considerable challenges of delivering a product through rush-hour traffic within hours of it being ordered online.

Delivered Tonight™ will be available to a limited number of Greater Toronto Area based customers through the participating retailers until the end of the holiday shopping season. This focused pilot is expected to create a new category of online shoppers and add to more than 90,000 parcels Canada Post delivers in the GTA on average per business day. In the pilot, Canada Post will work with a select group of retailers who meet volume thresholds and are willing to meet pilot requirements including existing specifications for size and weight.

Source: Canada Post

eBay steps up local delivery strategy with Shutl acquisition

As part of a strategy to 'change the way people shop', the American e-retailer eBay has decided to accelerate its efforts to take on a central distribution role in local retail. It plans to expand its eBay Now service, which was launched in San Francisco last October and offers local delivery on behalf of retailers to their customers within an hour of a purchase being made for a US$5 fee. UK company Shutl, an online courier aggregator offering fast delivery for e-Commerce orders, has been acquired to develop the eBay Now service, initially in Chicago. The service will expand to other cities later in 2013 followed by more than 20 other major market areas by the end of 2014, including locations such as London.

eBay's newly-acquired same-day delivery company Shutl was founded in 2009 to provide an IT platform to link up small same-day delivery companies into a single nationwide virtual network. Shutl provides an online platform that enables retailers to offer same-day or named-day delivery to selected shoppers. Each delivery job is offered automatically to a community of third-party courier companies, who in effect bid for the work; but the process is almost instantaneous, and to the shopper it is seamless. Shutl announced its US launch in 2012 as it attracted investment from delivery giant UPS. Taken up by eBay, Shutl operations can be expected to expand exponentially in the coming years and further revolutionise the same-day delivery market.

Source: Post&Parcel/eBay/Shutl

The USPS will provide Sunday deliveries for e-Commerce enabler Amazon

The new service will start in the Los Angeles and New York metropolitan areas, but there are plans to extend the service to other areas including Dallas, Phoenix, New Orleans and Houston in 2014. The service will offer Sunday delivery for Amazon's subscription membership in the Prime programme to enable products purchased by Friday to be delivered by Sunday evening. The new service came in reflection of the huge growth in online shopping at the moment. Patrick Donahoe, the US Postmaster General, said that with the new service, the Postal Service was delivering packages seven days a week in select cities and that customers could expect reliable and valued service. It's still unknown whether the USPS plans to launch a similar deal with other e-Commerce companies.

For the US Postal Service, like most postal organisations in the world, the busiest period of the year is approaching fast, and USPS is predicting that it will handle 545m pieces of mail every day through the holiday season – more than 15bn items between Thanksgiving (28 November) and New Year's Eve. Package volumes are expected to grow by 12% compared to last year, to about 420m packages during the 2013 holiday season.

Source: CEP Research

Video message delivered with a parcel

Australia Post released in November 2013 the Video Stamp, the world's first stamp which allows the customer to send a 15-second personalised video with a parcel.

The Video Stamp is being distributed free with Express Post and Express Courier International products during the pre-Christmas period. Australia Post Executive General Manager, Parcel & Express Services, Richard Umbers, said the Video Stamp is one of the many ways Australia Post is helping people connect with each other this festive season.

"Christmas is a time when people want to be with their loved ones but more and more friends and family are scattered across the country and around the globe," he said.

The Video Stamp is simple to use; the customer scans the Video Stamp, attaches it to their parcel and records a personalised greeting using a smartphone. When the parcel is delivered, recipients just scan the Video Stamp with their smartphone and it will play the recorded message. The Video Stamp personalised messages can be accessed through a smartphone, using the Video Stamp app or any QR code reader or online via a unique log in sent with the stamp anywhere in the world.

Video Stamps are available for viewing for 90 days after recording and once received, can be shared via social media or email. The service is available from participating Australia Post outlets nationwide from the beginning of November.

More information at: www.auspost.com.au/videostamp.

Source: Australia Post

ASOS moves into China with Kerry Logistics

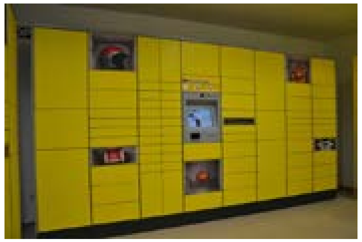
Fashion and beauty e-retailer ASOS is moving into China's e-Commerce market supported by Kerry Logistics as its fulfilment partner.

Kerry Logistics will provide warehousing and delivery services, managing inbound goods from ASOS's global hub in the United Kingdom.

ASOS aims to reach sales of £1bn (€1.2bn, US$1.6bn) in its current financial year to August 2014 with the help of e-Commerce business from China. In the year to August 2013, sales rose by 40% to £754m (€902m, US$1.2bn) and profit before tax increased by 23% to £54.7m (€65.5m, US$88.5m). The company delivers to 190 countries.

Source: CEP Research

Austrian Post begins deployment of KePol LS self-service terminals



Austrian Post has begun installing 400 self-service KePol LS collection terminals ordered from KEBA under a €4m contract.

The deployment, scheduled for completion by 2016, has started with the installation of terminals in Vienna, Krems and Graz, with about 70 due to be in place by the end of the year.

The KePol LS terminals are located in self-service zones within post offices enabling customers to pick up parcels, large-format letters and registered mail. Austrian Post is also installing stand-alone Post 24 terminals for parcel collection and returns at locations across the country.

Source: CEP Research

Iceland Post installs InPost lockers in Reykjavik

Iceland's postal service, Islandspóstur, is purchasing 18 InPost parcel terminals from Polish company Integer.pl for installation in and around Reykjavik.

The latest version of the InPost locker uses QR codes to speed up their operation to seven seconds, according to Iteger.pl.

The company said it planned to install up to 16,000 InPost lockers worldwide by the end of 2016, including 10,000 in the United States. It currently operates about 2,400 lockers and said a further 2,000 would be deployed by the end of this year.

Source: CEP Research

DPD launches same-day delivery in German cities

DPD has launched a same-day delivery service in 19 German cities in cooperation with Munich-based city courier portal tiramizoo.

DPD Germany purchased a 20% stake in tiramizoo earlier this year. Its new same-day service uses the tiramizoo network of 1,200 local delivery couriers to offer e-retailers' customers delivery within 90 minutes or a specified two-hour window between 10:00 and 22:00.

The partners said the same-day service would expand to more cities and the delivery time would reduce from 90 minutes to one hour next year.

Source: CEP Research

PostNord gains expanded e-Commerce logistics contract

PostNord has expanded its logistics services for clothing and textiles e-retailer Ellos Group under a new, three-year contract covering Norway as well as other Nordic markets.

The company has about 5,000 distribution points across Sweden, Denmark, Norway and Finland, offering the e-Commerce market Nordic logistics services extending from orders and inventory, to distribution and home delivery.

Source: PostNord

Royal Mail offers free delivery alerts

Royal Mail is offering selected e-retailers free email and SMS delivery alerts to online shoppers.

It announced that free alerts would now be a standard service feature for contract business customers using its Special Delivery Guaranteed service. In addition, contract customers of Royal Mail's Tracked services will no longer be charged £0.05 per alert sent.

The company said its service enhancement was designed to help e-retailers improve their customers' e-Commerce experience.

Source: Royal Mail Group

Yodel signs up a new international delivery partner

United Kingdom parcel operator Yodel has signed up P2P eSolutions as the new partner for its international delivery service, Yodel World. The company said software provider P2P eSolutions would allow it to offer a fully tracked delivery service to all destinations worldwide and would provide access to service providers covering 98% of global residential and business addresses.

The service enhancement is designed to support the cross-border growth of Yodel's customers. The company quoted IMRG research findings that 55% of UK consumers had already shopped at foreign websites.

Source: CEP Research

Market Flash

Issue 475 | 26 November 2013

About this publication

IPC Market Flash is a fortnightly newsletter providing a comprehensive look at new developments emerging in the international postal marketplace. It is published by the Markets and Communications department of the International Post Corporation.

If you would like to contribute to this publication or require further information, please contact: publications@ipc.be.

More information on our publications

Subscribe to IPC's newsletters

© IPC
Avenue du Bourget, 44
1130 Brussels
Belgium
Tel.: +32 (0)2 724 72 71
www.ipc.be