



## Top story

## UPS takeover of TNT Express cancelled

The planned €5.16bn (US\$6.87bn) takeover of TNT Express by UPS will no longer go through. UPS announced the pull-out after the European Commission informed the two companies it was working towards prohibiting the planned deal.



The European Commission stated it would only approve the takeover if the companies were able to find a 'replacement' for TNT Express in the European market by selling off a large portion of the TNT Express business to a single company.

UPS will pay TNT Express a termination fee of €200m (US\$266m) and will withdraw the takeover offer as soon as the Commission has announced its decision, which is due by 05 February.

UPS Chairman and CEO, Scott Davis, stated that the company is "extremely disappointed" and that "the combined company would have been transformative for the logistics industry". He went on to thank TNT Express "for their shared vision" and "for the significant efforts they made over the past year."

TNT Express said it "regrets this situation, having believed the merger was feasible and beneficial for all stakeholders".

The Dutch company recognised that the protracted merger process has been a distraction for management, which will now solely focus on strengthening its strategy and reassuring customers of its continued "commitment to providing industry-leading services".

FedEx has been tipped as a possible future bidder for TNT Express by industry analysts, who cited TNT Express's operational and financial difficulties and FedEx's strong position to move in. FedEx had already come into the picture earlier as a possible replacement for the TNT Express air hub at Liège Airport.

UPS and TNT had offered to dispose of some TNT businesses to overcome the European Commission's concerns about the takeover's impact on competition in the European express market. As part of the now-defunct acquisition, TNT Express would sell off TNT Airways to ASL Aviation, based at Liège Airport, and focus on its Cologne air hub on the long term. TNT Express is currently engaged in a US\$200m (€150m) expansion at Cologne.

Earlier this month, British newspaper The Financial Times (FT) had reported that FedEx rejected informal approaches by UPS suggesting it might acquire some TNT assets. FedEx declined to comment on the FT report.

PostNL, which holds a 29% stake in TNT Express, has announced it still plans to sell its stake "over the medium term" despite the failure of the UPS takeover. As part of the UPS offer, PostNL agreed to sell its stake to UPS for €1.54bn (US\$2.05bn).

Following the announcement by UPS, TNT Express's share price have fallen by 42%, while PostNL's own share price fell by 34% due to investors' worries about the postal operators financial situation.



■ FEDEX EXPRESS REDUCES SECOND-QUARTER PROFITS ■ BPOST BUYS MAJOR STAKE IN LANDMARK GLOBAL ■ UPS LAUNCHES EXPRESS HEAVY FREIGHT SERVICE

## Americas

### FedEx Express reduces second-quarter profits

FedEx Corp revenue rose by 5% to US\$11.1bn (€8.3bn) in the second quarter to end November but operating income dropped year-on-year by 8% to US\$718m (€539m) and net income fell 12% to US\$438m (€329m).

The company said weakness in the global economy and increased demand for lower-yielding international services had limited profits at FedEx Express. Disruption caused by Superstorm Sandy was another negative impact on earnings.

At FedEx Ground, home delivery and business-to-business services drove volume upwards. FedEx SmartPost, which offers final-mile delivery by the United States Postal Service, saw average daily volume rise 17% above the previous second quarter owing mainly to growth in e-commerce. Net revenue from SmartPost rose by 2% because changes in service mix and rate increases were partially offset by higher postage rates.

FedEx Ground increased its overall revenue by 11% to US\$2.59bn (€1.94bn) and its operating income by 5% to US\$412m (€309m). Margin, however, dropped to 15.9% from 17% in the previous second quarter owing mainly

to lower fuel surcharges and the higher cost of purchased transportation related to fuel costs.

FedEx Express increased revenue by 4% to US\$6.86bn (€5.15bn) but suffered a 33% decline in operating income to US\$230m (€173m), compared with the previous second quarter. The revenue increase was due mainly to acquisition and growth in FedEx Trade Networks.

FedEx Express is to purchase four additional 767-300 freighter aircraft as part of its fleet modernisation. In total, the company has ordered 50 767-300s with deliveries beginning in fiscal 2014. David Bronczek, president and chief executive of FedEx Express, said fleet modernisation was one of the five pillars of the company's programme to improve profitability by US\$1.7bn (€1.3bn) by 2016.

During the second quarter, higher yields helped FedEx Freight's operating income to increase 90% year-on-year to US\$76m (€57m) while revenue rose by 4% to US\$1.38bn (€1.04bn).

FedEx Corp president and chief executive Fred Smith said the restructured express operation and other group



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businesses positioned the company perfectly for emerging new trading and shipping patterns worldwide, including the e-commerce boom, down-trading by domestic and international customers and the possibility of further near-sourcing by customers.

The company expects to recognise the costs of benefits provided to employees in a voluntary buyout programme in its fourth quarter. The pre-tax cost is forecast to be between US\$550m (€414m) and US\$650m (€490m) depending on employee acceptance rates.

### bpost buys major stake in Landmark Global

Belgium's bpost has purchased a majority stake in United States packet shipping and fulfilment company Landmark Global, gaining a stronger network and customer base for packet business within and to North America.

The company said its collaboration with Landmark would facilitate its geographic expansion in North America: it would offer an expanded range of services for international mail and packets to customers in Europe, North America and Asia.



bpost already has a majority stake in domestic and international mail company MSI, which has processing centres in the United States, Canada and the UK. MSI's packet activities will transfer to Landmark Global.

Landmark Global has seven operational sites in The US and Canada using more than 75 partners to transport international packets between the US and Canada and to other destinations. It achieved a turnover of about US\$50m (€38m) in 2012.



### UPS launches express heavy freight service

UPS has launched an international air express freight service for urgent, time-sensitive and high-value heavyweight shipments.

UPS Worldwide Express Freight is an extension of UPS Worldwide Express offering similar service attributes for pallets weighing more than 150 pounds as for express packages. The company said the new service provided overnight shipping to the United States from Asia, Europe and the Americas.

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## Asia Pacific

### Australia Post ranks among most innovative companies

Australia Post has been named one of the country's 30 most innovative companies by business magazine BRW.



Significant innovations implemented by Australia Post in the past 12 months include 24/7 parcel lockers, the opening of retail superstores and parcel delivery choices. The parcel lockers received the accolade: Number One Fresh

Business Idea, while delivery choices were recognised for supporting online retailers by giving customers innovative parcel delivery options at checkout.

After making its award submission, Australia Post further enhanced its delivery options by introducing time-specific delivery within two-hour time windows.

### New Zealand Post sells minority stake

New Zealand Post is to sell its 35% stake in information and technology company Datacom Group Ltd in order to release capital for other priorities related to restructuring the group's debt and funding strategic investments.

The purchase price of the shareholding is NZ\$142m (€89m, US\$119m). New Zealand Post Group chief executive Brian Roche said the sale had been necessary because strategic needs were not met by having a significant amount of capital tied up in a minority shareholding.

New Zealand Post will continue to be a significant customer of Datacom.

### DHL offers transit point in Kazakhstan

DHL Freight has opened an office in Almaty, Kazakhstan's largest city, to provide direct routes to its logistics hubs in China, Russia and Europe.

Almaty is located at the crossroads of two transport routes, The Transport Corridor Europe Caucasus Asia (TRACEA) and the Great Almaty Circle Motor Road (BAKAD). The company said the new transit point would allow faster delivery.

DHL services sold from its new premises include bonded warehousing, customs brokerage and online tracking.

### DHL service points aim to attract small business

DHL has added 110 service points to its network in Singapore in the past three years, bringing the total to 122.

The company has partnerships with convenience store chains FairPrice, Xpress and Cheers which all belong to grocery retailer NTUC FairPrice. The service points in branches cater for walk-in and account customers and make DHL services accessible to small businesses expanding into exports.

DHL Express Easy is available at Cheers outlets targeting walk-in customers and small businesses. It offers environmentally friendly packaging for shipments from 500 grams to 25kg and, according to DHL, allows customers to send packages in the fastest and simplest way.



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## Europe

### Acquisition puts La Poste at the centre of e-commerce logistics

Le Groupe La Poste, France, says it can now respond to the logistics needs of e-retailers of all sizes with the acquisition of Morin Logistic, a leading e-commerce logistics operator in France.

Morin has become a subsidiary of Le Groupe La Poste's holding company, Viapost, joining Orium, a cross-channel logistics operator acquired six months ago, and Neolog, a business-to-consumer and business-to-business logistics operator. It has a turnover of €45m (US\$38m) and experienced 30% growth in 2011.

Viapost provides the logistics for Le Groupe La Poste's mail business, serving pure e-retailers and retailers with an online presence in France and Europe. Morin has a European network of 23 hubs and claims to be able to handle all types on logistics flow.

Le Groupe La Poste said it offers customers its know-how across the whole e-commerce value chain, providing solutions for website creation, sales development, stock management, payment, order despatch, and delivery.



### UK SMEs predict growth in online sales and competition

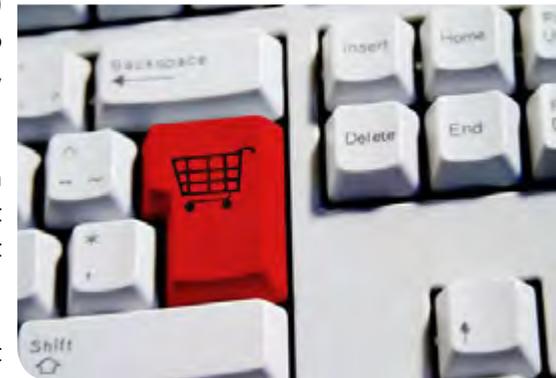
More than half the online retailers in the United Kingdom's small and medium-sized enterprise (SME) sector saw their sales increase in 2012 and 64% are confident that sales will increase this year, according to research carried out by Royal Mail.

While remaining optimistic about growth in online sales, e-commerce operators said that competition had become more intense in the past two years.

More than half the respondents (57%) said that attracting new customers was one of their biggest challenges, along with pricing goods competitively (49%) and achieving repeat purchases (36%).

Steps being planned by SMEs to meet the challenges they face include improving product range in order to increase customer satisfaction; pricing more competitively; improving product quality, and improving delivery and returns processes.

A third of respondents said they planned to develop mobile



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## IN BRIEF

### DPD operates its new Cologne centre

DPD has begun operations at its new €42m (US\$56m) parcel sorting centre at Erftstadt near Cologne. The energy-saving centre, constructed from recyclable materials, can process more than 18,000 parcels an hour. It replaces a centre located in Frechen.

apps in 2013; 10% already have one. With more consumers using smartphones and tablets to purchase goods, 31% of respondents said there is a trend towards purchasing from retailers already known to shoppers.

### Idermark leaves PostNord for forestry company

Lars Idermark announced in December that he was resigning as president and chief executive of PostNord in order to take up the position of president and chief executive of forestry group Södra.

He leaves after holding the top job at PostNord since 2010. Announcing his departure, he said he had served on the board of Södra for more than ten years and could not turn down an opportunity to lead a company in an industry close to his heart. Södra's headquarters in Växjö were near his home "so my extensive commuting can cease", he said.

The chairman of PostNord's board of directors, Fritz H Schur, said the company would begin recruiting a successor immediately.

He said that the corporate strategy now being implemented was created during Idermark's leadership of almost two years. Substantial cost efficiencies and important developments for the future in the form of investments and acquisitions had taken place.

One such acquisition was the agreement in December to purchase certain assets of Byrknes Auto in order to strengthen PostNord's position in Norway's temperature-controlled logistics market. Byrknes Auto has sales of about SEK293.6m (€33.98m, US\$45.34m) in 2011, primarily from fish and grocery transportation.

At the beginning of January, PostNord subsidiary Post Danmark finalised the acquisition of Distribution Services A/S which specialises in the packaging and handling of unaddressed mail.

Distribution Services has been a Post Danmark subcontractor since 2003. Its acquisition is part of the Danish company's efforts to adapt its operations and create a more efficient and profitable company.

### Swiss Post agrees pay deal with unions

Swiss Post has reached a pay agreement with two unions, Syndicom and Transfair, for a 0.2% wage increase plus lump sum and performance payments for some 34,000 employees covered by the collective employment contract.



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Along with the 0.2% increase for 2013, the agreement provides for a one-off payment of CHF500 (€404, US\$539) to each employee, based on positive financial results for 2012. In addition, 0.8% of the total salary amount has been set aside for individual, performance-related payments. Swiss Post said most employees covered by the agreement would receive a payment.

The agreement also sees employer contributions to the Swiss Post pension fund rising by 1% from January 2013.

### Entrepreneurs included in DHL's innovation award

The DHL Innovation Award is open this year to young entrepreneurs as well as students, graduates and research associates.

Entries to the annual award are judged for their innovation, global relevance, long-term focus and realisation. Academics must present a practice-oriented scientific contribution to a logistics-related problem, while entrepreneurs must show how they have tackled a logistics problem and set out their solution in a business plan—or even implemented it.

All entries must be handed in by 31 January. A high-profile jury of experts in science and economics will determine the winner, who will be announced on April 24, the evening before DHL Innovation Day 2013 at the DHL Innovation Centre in Germany.

The winner will receive €10,000 (US\$13,350). Additional awards will be presented to the most innovative employee and customer solution and for innovation in journalism.

### Consumer delivery boosts GLS volume in 2012

Royal Mail's European parcels company, GLS, has confirmed its forecast of a moderate volume increase in 2012.

Volume growth came from business-to-consumer deliveries. The company said the greater complexity of consumer delivery meant that revenue was rising more slowly than volume. GLS chief executive Rico Beck said parcel shops were playing a key role as an interface between shippers and their consumer customers.

In Germany, GLS plans to increase its prices by 6.8% from 01 April.

### Philippe Bajou appointed deputy DG of La Poste

Philippe Bajou has been appointed deputy director general of Le Groupe La Poste following the appointment of Jacques Rapoport as president of French railtrack company RFF.

Mr Bajou is director of Le Groupe La Poste's Enseigne division which is responsible for the quality of services to customers via retail and internet channels. He is also now a member of



## IN BRIEF

### Deutsche Post moves into buses

Deutsche Post is partnering the Allgemeine Deutsche Automobilclub (ADAC), the German automobile association, in developing a concept for a national long-distance bus network following the liberalisation of long-distance routes between cities throughout Germany. The partners are planning a joint market launch as early as 2014.

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the group executive committee. He remains a member of the operations committee of La Banque Postale and has been a director of the bank since 01 January.

La Poste further said that banking activities were essential to the future of the postal network, therefore, La Banque Postale would form stronger links with Enseigne.

### Norway Post seeks banking partner

Norway Post has issued a call for proposals from banks for services to be offered through its postal distribution network. A tendering procedure for banking services will be announced shortly.

Interested parties must be licensed to deliver banking services in Norway. Norway Post wishes to enter into an exclusive agreement with one supplier, preferably until 2020. The closing date for proposals is 31 January 2013.

### La Poste launches a service design competition

Le Groupe La Poste has launched a service design competition aimed at students and designers aged under 35.

The competition invites entrants to develop new services for the postal group on the theme: "New town, new links, new services". Le Groupe La Poste points out that the simplest,

most practical and most user-friendly services all involve an element of design.

The competition comprises two categories: young professionals and design students. Three finalists will be selected from each one to go on display at the Biennial International Design Exhibition in March. Two overall winners will have the opportunity to present their service design ideas to decision makers at Le Groupe La Poste.



### IN BRIEF

#### DPD predicts modest parcel growth

DPD is predicting only modest growth of about 2% for the parcels industry in 2013 but has pledged to continue developing its business-to-consumer services while expanding its parcel shop network.



# Market Flash



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

More information  on our publications

Contacts 

© IPC

Avenue du Bourget, 44

1130 Brussels

Belgium

Tel.: +32 (0)2 724 72 71

[www.ipc.be](http://www.ipc.be)

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