

2015



MARKET INTELLIGENCE



International **Post**  
Corporation

# MARKET FLASH

A fortnightly newsletter covering the  
latest news from the global postal sector



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## > TOP STORY

### FEDEX AND TNT EXPRESS AGREE ON RECOMMENDED ALL-CASH PUBLIC OFFER FOR ALL TNT EXPRESS SHARES

FedEx Corporation and TNT Express announced that they have reached a conditional agreement on a recommended all-cash offer for all issued and outstanding ordinary shares of TNT Express for a cash offer price of €8.00 per share cum dividend except for TNT Express’s final 2014 dividend of €0.08. The offer price represents a premium of 42% over the average volume weighted price per TNT Express Share of €5.63 (US\$6.14) over the last three calendar months. The transaction values TNT Express at an implied equity value of approximately €4.4bn (US\$4.8bn).

The Executive Board and the Supervisory Board of TNT Express have frequently discussed the developments of the proposed transaction and the key decisions in connection therewith throughout the process. The Boards have received extensive financial and legal advice and have given careful consideration to the strategic, financial, operational and social aspects of the proposed transaction.

According to FedEx Corp chairman and CEO Fred Smith, favourable exchange rates, improvements in the European economy, and the recent progress made by TNT’s new management in turning around the company were among the key factors that caused FedEx to make a bid for TNT Express.

PostNL has irrevocably undertaken to tender all TNT Express shares it holds – i.e. approximately 14.7% – under the offer and to vote in favour of the resolutions proposed at TNT Express’s extraordinary general meetings that will be convened in relation to the offer. If the offer by FedEx is effected at the offer price of €8.00 per TNT Express share, as announced, PostNL expects to receive a cash amount of approximately €642m for its shares.

Source: [FedEx](#); [PostNL](#); [CEP-Research](#); [CEP-Research](#)

# AMERICAS

- Canada Post Group delivers healthy 2014 profit
- Canada Post and Purolator complete transition to Cargojet network

## CANADA POST GROUP DELIVERS HEALTHY 2014 PROFIT

The Canada Post Group returned to profit last year thanks to parcels growth and restructuring measures. The group, covering the core Canada Post business, express parcels firm Purolator and several smaller businesses, made an operating profit of CA\$299m last year compared to a CA\$193m loss in 2013. The net profit was CA\$198m compared to a CA\$29m deficit the previous year. Group revenues grew by 5.5% to just under CA\$8bn.

The core Canada Post segment reported a CA\$194m pre-tax profit compared to a loss of CA\$125m in 2013 while revenue grew to CA\$6.2bn from CA\$5.9bn the previous year. The results were mainly due to three factors that were consistent throughout much of the year – strong growth in the Parcels business, lower employee benefit costs and new pricing measures for Transaction Mail, according to the group. Total Parcels revenue for the Canada Post segment increased by 8.6% to more than CA\$1.5bn and the parcels business now accounts for 24% of overall revenues.

In contrast, the greatest challenge to Canada Post's financial sustainability is the continuing decline of Lettermail. In 2014, volumes of Transaction Mail, which includes mostly letters, bills and statements, fell by a further 5.2% or 214m pieces, compared to 2013. Revenues increased by 8% to CA\$3.2bn, however, due to price increases.

Source: [CEP-Research](#)

## CANADA POST AND PUROLATOR COMPLETE TRANSITION TO CARGOJET NETWORK

Canadian carrier Cargojet says it has successfully completed the transition to its network of all Canada Post and Purolator's air cargo services across Canada. Under the Domestic Air Cargo Network Services contract announced last year, Cargojet and Canada Post signed a Master Services Agreement for an initial seven-year term with three thirty-six month renewal options.



The so-called Domestic Air Cargo Network Services contract came into full effect on 1 April for an initial seven-year term, with extension options providing up to nine additional years. Under the agreement, Cargojet has become the main provider of Canada-wide air cargo services for the Canada Post Group of Companies, including Purolator's national air cargo network.

Source: [CEP-Research](#)

# ASIA PACIFIC

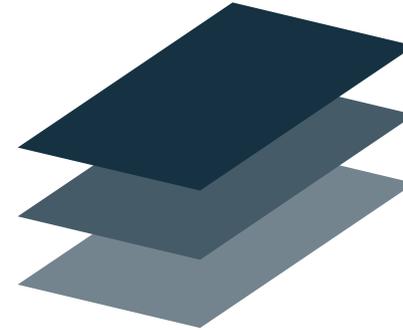
- Hermes expands in China

## HERMES EXPANDS IN CHINA

Hermes Group has opened a new branch office in Hong Kong to strengthen its operations in China.

In response to rising demand for international transport to and from Asia, Hermes Transport Logistics Asia was founded in 2014. The company recently launched a subsidiary – Hermes Transport Logistics Greater China – to expand in the Chinese market. It will focus on both turnkey supply chain solutions and environmentally friendly sea and airfreight transportation, increasingly serving traders from the Far East. The Hermes Group holds a majority stake of 70% in its new subsidiary Hermes Transport Logistics Greater China. The remaining shares are held by its long-standing partner Jet Speed.

Source: [CEP-Research](#)



# EUROPE

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## DRONES, CROWD-SOURCING AND BIG DATA “COULD DISRUPT” PARCEL DELIVERY, EXPERTS PREDICT

Unmanned drones, asset-light crowd-sourcing models and analytics-based ‘network brokers’ could potentially create ‘big bang disruption’ of traditional parcel delivery methods, according to industry experts and entrepreneurs.

Investors are putting “significant investments” into new last-mile delivery models which are technology-enabled, flexible, source-spare capacity and can be scaled up and down, Brody Buhler, Accenture’s global managing director for the postal and parcel industry, told last week’s European Post and Parcel Services conference in Vienna. These new entrants “have an entirely different cost structure,” he told delegates.

Another new business model was that of ‘analytics-driven network brokers’ who acted as multi-carrier domestic fulfilment providers for retailers by using the capacity of diverse delivery partners, Buhler said. One example is Cainiao, the Alibaba-owned Chinese logistics company that uses five different domestic carriers to create a nationwide virtual delivery network, targeting next-day delivery, he said.

The third potential ‘big bang disruptor’ is drone delivery, according to Buhler. Commercial drones are getting “cheaper, faster and smaller”, and people “will get used to the concept of flying robots”, he said. Various companies have started testing deliveries by drone. However, advances in technology and regulations are still necessary before drone delivery becomes a reality, he cautioned. “At present there’s no sustainable profitable model of drone delivery.”

Source: [CEP-Research](#)

## DPD GROWS ON B2B IN AUSTRIA AND POSTS STRONG B2C GROWTH IN ESTONIA



DPD recorded moderate volume growth and a slight revenue increase in Austria in 2014, mainly through B2B growth, while the company’s growth in Estonia turned out to be much stronger, boosted by spectacular three-digit growth in B2C parcel volumes.

Last year, DPD Austria increased its revenues by 1% to €167.2m, up from €166.6m in 2013. Volumes grew to around 40.3m parcels, which represents a moderate increase of 3.3% compared to 39m during the previous year. On a daily basis, the company transported an average of 162,500 parcels last year, with 88% of the recipients being business customers (B2B). The remaining 12% were private customers as the company successfully started B2C deliveries last year and plans to further expand in this segment this year.

Meanwhile, DPD Estonia announced solid revenue (unaudited) growth of 7.5% and even stronger parcel volume growth of 9.7% for 2014, with volumes reaching 3.1m parcels last year. Its B2C parcel volumes reached spectacular growth of 300% year on year, boosted by online trade.

Source: [CEP-Research](#)



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## AUSTRIAN POST SELLS ITS HUNGARIAN SUBSIDIARY FEIBRA

Austrian Post has disposed of its fully owned subsidiary feibra Magyarország in Hungary, selling it to the Hungarian businessman Tibor Varga. The closing of the transaction took place on 31 March 2015.

The company feibra Magyarország was founded in 1991 and acquired by Austrian Post in 2005. In 2014, the company delivered more than 800m unaddressed direct mail items and 1.5m addressed direct mail items and magazines.

Source: [Austrian Post](#)

## LA POSTE WILL PROVIDE 3D PRINTING AT POST OFFICES

Le Groupe La Poste (La Poste) announced that it will install 3D printing facilities at several new post offices in Paris, Bordeaux and Nantes, after having run several promising tests over the course of 2013.

Source: [Le Groupe La Poste](#)

## INSOLVENT FRENCH PARCELS FIRM MORYGLOBAL GETS LIQUIDATED WITH 2,150 LAYOFFS

French parcels and freight firm MoryGlobal (formerly called Mory Ducros) was legally liquidated on 31 March and will stop trading on 30 April, with 2,150 employees losing their jobs.

Last month, MoryGlobal requested legal liquidation by the Commercial Court of Bobigny as it failed to attract any satisfactory takeover bid after being placed under judicial administration in February and given six months to find a new investor.

Source: [CEP-Research](#)

## DPD LAUNCHES NEW SHOP2SHOP PARCEL DELIVERY OPTION IN GERMANY

DPD Germany has launched a new delivery option for private and small-scale business shippers enabling them to choose during the online order process to ship parcels directly to one of DPD’s 6,000 parcel shops across the country.



In order to send a Shop2Shop parcel, consignors enter the shipping data via the online portal [www.dpdwebpaket.de](http://www.dpdwebpaket.de) including the destination parcel shop of their choice. The payment is also effected online by direct debit or PayPal. They can then hand in their parcel at any of the 6,000 DPD parcel shops. As soon as the parcel arrives at the parcel shop indicated, the recipient is also informed by e-mail, with the parcel available with immediate effect or at any time within the seven-day period during which it is stored at the parcel shop.

Source: [CEP-Research](#)

# EUROPE

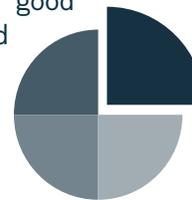
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## POSTE ITALIANE REPORTS REVENUE GROWTH BUT DECREASED PROFIT

The Poste Italiane’s Board of Directors approved the company’s Annual Report for 2014, including the results for the 2014 financial year. Total revenue for the year totalled €29bn, marking an increase on the €26bn of 2013, driven by growth in insurance premium revenue.

The operating profit was €691m, down from €1.4bn in 2013. The reduction is essentially due, on the one hand, to a decline in postal volumes and, on the other, to a €242m increase in non-recurring expenses due to the Group’s transformation process in line with the business plan and already initiated, also in view of the upcoming privatisation. Profit for the full year was €212m, down from the €1bn in 2013. In addition to the decline in operating profit, the reduction also reflects the impairment loss on the investment in Alitalia CAI and a significant increase in the tax rate.

Overall, the annual results reflect good performances from the insurance and financial services segments, offset by an expected contraction in postal services, reflecting a decline in demand for traditional forms of communication, driven by the rise of e-substitution, where electronic forms of communication replace paper forms. Express Delivery and Parcels reports a 13.8% increase in revenue compared with the previous year, thanks to growth in e-Commerce. The Group has confirmed its role as the leading provider of payment systems in Italy.



The company said that 2014 was a year of major changes, with the foundations for a new phase of development being laid during the second half of the year. The company has drawn up a new business plan designed to drive growth and development over the medium term, setting out the Group’s business priorities for the next five years. The Group has also implemented a new, more streamlined organisational structure, in line with the guidelines in the business plan and more effective in exploiting the synergies and distinctive characteristics resulting from the integration of the Group’s services.

Source: [Poste Italiane](#)

## RUSSIAN POST LAUNCHES FIXED-PRICE ‘LOW-COST’ E-RETAIL PARCEL SERVICES

Russian Post has launched new delivery services for online shops enabling corporate clients to send parcels weighing up to 5 kg at fixed prices and with guaranteed delivery times to all major big cities across Russia, which account for 70% of the country’s e-Commerce market.

The new products ‘Parcel Online’ and ‘Courier Online’ are designed for Russian Post customers who ship more than 1,000 parcels on a monthly basis. Parcel Online provides delivery to post offices in 38 major cities of Russia at a price of RUB 149 (€2.64), VAT included. Courier Online offers delivery to the address of the recipient in one of 27 destination cities, where the service is available for the cost of RUB 199 (€3.52), VAT included.

Source: [CEP-Research](#)

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## ROYAL MAIL PUBLISHES RESEARCH ON CUSTOMER ONLINE SHOPPING RETURNS EXPERIENCE

Royal Mail published the Delivery Matters Returns Special, which contains new research focusing on the customer returns experience. The study found that 16% of the respondents now do virtually all their shopping online and that online shoppers in general are looking for convenience and certainty in the way returns are handled.

When it comes to choosing an online retailer, free returns is a key factor for shoppers, with three quarters (73%) admitting that they would expect free returns as standard, while a further one in three (34%) would be very or extremely unlikely to use an online retailer again if they were charged to send unwanted items back. Moreover, the research has revealed a new breed of smart shoppers that are more experienced and confident in utilising their knowledge to create their own ideal shopping experience when buying online.

The publication of the study coincides with the launch of a new portal to help online retailers better manage returns while also improving the experience for their customers. The new Royal Mail Tracked Returns service improves the experience of returning online purchases for both retailers and customers. It allows customers to easily print off a returns label and monitor the progress of their item while giving retailers full visibility of what exactly is being returned, from which customer and for what reason.

Source: [Royal Mail Group](#); [Royal Mail Group](#)

## ROYAL MAIL LAUNCHES ‘NOMINATE A NEIGHBOUR’ AS ALTERNATIVE DELIVERY ADDRESS

Customers throughout the UK will now be able to nominate a neighbour close to their address to receive their parcels through a new initiative developed by Royal Mail employees.

The initiative, developed by Royal Mail’s front-line employees, trade union representatives and managers in a number of delivery offices, will further help to increase customer satisfaction and help further improve first-time delivery, according to the postal operator.

When customers arrive to pick up a parcel at a delivery office, they will be asked to nominate their preferred neighbour to receive parcels on their behalf. A simple form is completed at delivery offices so that identity and address information can be verified. Under the Nominate a Neighbour initiative, the postman or -woman will try the designated address first before trying other addresses nearby. This provides customers with further reassurance about the location of their parcel and helps postmen and -women on their delivery rounds.

Source: [CEP-Research](#)



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## MAJORITY OF UK ONLINE SHOPPERS VERY SATISFIED WITH CLICK AND COLLECT, IMRG SAYS

The majority of UK online shoppers are very satisfied with click and collect services as in-store collections continue to rise, according to the latest eCustomerServiceIndex (eCSI) by the British e-Commerce association IMRG and eDigitalResearch.

**75%**

**OF UK ONLINE CONSUMERS ARE SATISFIED WITH CLICK AND COLLECT SERVICES**

The survey found that 75% of online consumers surveyed are very satisfied with the current click and collect services in the UK. Almost three quarters of online shoppers have already used click and collect in the past, with another 10% intending to do so in the near future.

Despite the high customer satisfaction with click and collect, IMRG highlighted the need for retailers to continue to adapt their click and collect experience in order to meet rising consumer expectations. Of the 2,000 online consumers surveyed, almost half said that a dedicated in-store collection point would make click and collect deliveries more convenient for them, while one in five would like the ability to specify a collection time.

Source: [CEP-Research](#)

## UK MAIL DELIVERS FOR EBAY AT ARGOS CLICK AND COLLECT STORES

Parcels carrier UK Mail is helping eBay merchants to get their goods delivered through the click and collect partnership between the e-Commerce marketplace and the Argos chain of high-street stores.

eBay partnered last July with Argos in a large-scale click and collect initiative, enabling buyers to choose an eBay Collection Point at one of over 650 Argos stores across the UK, as an alternative to home delivery. UK Mail explained that once a sale has been completed, the eBay shipping systems have been adapted to incorporate the click and collect option within the current shipping process. If a buyer specifies they wish to use the click and collect option, eBay systems will automatically overwrite the recipient’s home address with those of the nominated Argos store.

The solution will enable delivery to be made within 72 hours, incorporating the sellers handling time. UK Mail is one of a selected range of carriers providing services for eBay, collecting from merchants and delivering to the required Argos stores.

Source: [CEP-Research](#)



# 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](mailto:publications@ipc.be).

# ABOUT IPC

International Post Corporation is a cooperative association of 24 member postal operators in Asia Pacific, Europe and North America. Over the past two decades IPC has provided industry leadership by driving service quality and interoperability, supporting its members to ensure the high performance of international mail services and developing the IT infrastructure required to achieve this. IPC engages in industry research, creates business-critical intelligence, provides a range of platforms for member post CEOs and senior management to exchange best practices and discuss strategy, and gives its members an authoritative, independent and collective voice. IPC also manages the system for incentive-based payments between postal operators. With members delivering some 80% of global postal mail, IPC represents the majority of the world's mail volume.

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