

2016



MARKET INTELLIGENCE

International **Post**
Corporation



MARKET FLASH

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



Issue 539

08 September 2016

www.ipc.be

IN THIS ISSUE

TOP STORY

- DHL launches more Asia-Europe multimodal solutions

AMERICAS

- UPS breaks ground on Louisville Centennial Hub expansion
- Office Depot expands FedEx shipping services to all US retail outlets

ASIA PACIFIC

- Australia Post records AU\$36m full-year profit after tax
- New Zealand Post Group reports net profit of \$141m
- Change of leadership at NZ Post

EUROPE

- Zalando expands European logistics operations with new sites in France and Poland
- DHL Express opens new Stockholm facility
- E-Commerce and cost savings drive better Q2 results for Norway Post
- Swiss Post not to implement its “Realignment of over-the-counter transactions” pilot project

- Small businesses missing out on international sales
- Royal Mail recreates first scheduled, international airmail flight from the UK to France

> TOP STORY

DHL LAUNCHES MORE ASIA-EUROPE MULTIMODAL SOLUTIONS

DHL has launched new multi-modal solutions from Asia to Europe using China’s ‘Belt and Road’ infrastructure to speed up time to market. The DHL Global Forwarding services, comprising Japan-Germany, Chengdu-Istanbul and Vietnam-China-Europe routes, offer cargo delivery in 14-22 days.

The new Sea & Rail LCL service between Japan and Germany allows businesses to export low-volume shipments for as little as half the cost of standard air freight. With a transit time of about 22 days, shipments are moved from Kobe to Taicang via sea, and by rail to Hamburg through hubs like Duisburg, Lodz, Malaszewicze and Warsaw.

The new services build on a series of major DHL investments in the last 12 months, including a multi-modal service between Japan and Warsaw via Suzhou announced in November 2015; and an MOU signed in May 2016 with Chengdu’s Gateway Logistics Office to upgrade infrastructure and customs processes. DHL has been developing multimodal services along the Belt and Road since 2010, when it launched a suite of five services – International Rail, Rail-Air; Sea/River-Rail; Sea-Air and Cross-Border Road Freight.

Broadly, combinations of multi-modal services can reduce transport costs by up to six times and up to 90% reduction in carbon footprint as compared with air freight, making it an increasingly attractive option for SME and MNC customers alike.

Source: CEP-Research



> AMERICAS

UPS BREAKS GROUND ON LOUISVILLE CENTENNIAL HUB EXPANSION

UPS has invested an estimated US\$300m in expanding their Louisville Centennial Hub. The investment will triple the size of the package facility to 838,000ft², and nearly double current sorting capacity to 85,000 packages per hour. In addition, the project will create a mix of 300 new full and part-time jobs.

The Centennial Hub, constructed in 2007 during UPS's 100th anniversary year, provides pickup and delivery operations for customers in Louisville and surrounding counties and serves as a transfer point for trailers moving to destinations beyond Kentucky. The expansion will take place in three phases and continue through 2020. In addition to increasing the building's footprint, the project will modernise the Hub's conveyor technology, enhancing the flow of packages through the building, and increasing accuracy during sorting. The automated conveyors will move packages through the sorting process while capturing data used to route packages to the proper location for loading on outbound vehicles.

Source: [UPS](#)

OFFICE DEPOT EXPANDS FEDEX SHIPPING SERVICES TO ALL US RETAIL OUTLETS

Office Depot, a leading global provider of office products, services and solutions through the Office Depot and OfficeMax brands, will offer FedEx shipping services at all of its 1,513 retail locations across the US from early September.

FedEx has been cooperating with OfficeMax stores since 2009, offering its portfolio of FedEx Express, FedEx Ground and FedEx International services at the OfficeMax outlets. In addition, customers will have access to a number of additional service options, including signature confirmation and Saturday delivery.

Office Depot has annual sales of approximately US\$14bn, employs approximately 49,000 associates, and serves consumers and businesses in 59 countries with approximately 1,800 retail stores. The company operates under several banner brands including Office Depot, OfficeMax, Grand & Toy, and Viking.

Source: [CEP-Research](#)

> ASIA PACIFIC

AUSTRALIA POST RECORDS AU\$36M FULL-YEAR PROFIT AFTER TAX

Australia Post has announced a full-year profit after tax of AU\$36m, representing a turnaround of AU\$258m compared with FY2015 driven by strong performance in the parcels business and the impact of letters reform.

Addressed letter volumes fell by 9.7%, the largest ever 12-month decline, contributing to a loss in the postal business of AU\$138m, with parcels profit up 8% to AU\$314m.

Ongoing investments in e-Commerce have successfully delivered capabilities and capacity for future growth. Key highlights include a strategic alliance announced with global logistics provider, Aramex to facilitate seamless cross-border logistics and delivery support for Australian businesses and customers and a new government innovation partnerships signed by the Trusted e-Commerce Solutions business. New parcel delivery options for MyPost customers including parcel safe drop and redirection services. MyPost added 1.9m new members this financial year, with more than 4m Australians now registered

The business has continued to support its important stakeholders during the business transformation, with more than 2,800 Licensed Post Office operators

sharing in AU\$125m of additional annual payments committed to over the past 3 years, a 39% increase. This will assist to support and service our customers and communities Australia-wide.

The Post People 1st programme has also focused on putting employees first for jobs and supporting them through retraining or redeployment to growth areas of the business. This year 62% of jobs were filled by 8,300 internal applicants.

As a result of a sustained focus on safety culture at all levels of the business, this year's safety performance has equalled the previous record low for injuries, down 44% over the past four years.

Source: [Australia Post](#)



NEW ZEALAND POST GROUP REPORTS NET PROFIT OF \$141M

The New Zealand Post Group has reported a net profit after tax (NPAT) of NZ\$141m for the year ended June 2016 confirming a steady year-on-year financial performance for the Group overall.

The NPAT result is down 1.4% (NZ\$2m) on the previous financial year. Revenue fell by 6.6% to NZ\$1,485m and this was matched by a 6.6% reduction of expenditure to NZ\$1,335m. A dividend of NZ\$5m was returned to the shareholders.

In the postal services business (parcels, letters and logistics), letter volumes continued to decline at a rate of approximately 8% but parcel volumes and revenue were up 6.4% and 2.9% respectively. Excluding one offs, the postal services business made a small loss. However, ongoing investment in processing and delivery technology position it well for the future.

Source: [New Zealand Post](#)

> ASIA PACIFIC

CHANGE OF LEADERSHIP AT NZ POST

The Board of the New Zealand Post Group has announced that Chief Executive Brian Roche will leave the business early next year.

Board Chairman, Sir Michael Cullen, says Mr Roche indicated his intentions some time ago to the Board and had now resigned, effective April 2017. Brian Roche joined the New Zealand Post Group as Chief Executive in January 2010. After close to seven years as CEO, Mr Roche says it is time for someone new to take up the role, and that he will be retiring from full time executive positions to pursue other business interests.

As Chief Executive, he has overseen major achievements within the Group including the introduction of alternate day mail delivery, the integration of its courier and postal businesses and growth in Kiwibank. I

Mr Roche's departure date of April 2017 provides time to search for a new CEO for the New Zealand Post Group.

Source: New Zealand Post



> EUROPE

ZALANDO EXPANDS EUROPEAN LOGISTICS OPERATIONS WITH NEW SITES IN FRANCE AND POLAND

Major fashion retailer Zalando is further expanding its international logistics network with new locations in Paris, France, and Stettin, Poland, after successfully launching a new satellite warehouse in Stradella (Italy) last year.

The fast-growing German-based company said a new satellite warehouse near Paris is expected to become operational next year. The small fulfillment centre will ensure that customers in and around the French capital receive their online orders faster than before. Zalando will start the construction of its new international fulfillment centre in Gryfino near Stettin, in cooperation with the company's established partner Goodman. Similar to the existing locations in Monchengladbach and Erfurt in Germany, the new property will cover an area of around 130,000m² and offer jobs for more than 1,000 future employees.

Zalando started to expand its logistics network on the international level in December 2015 by opening the satellite warehouse in the north of Italy enabling Italian customers to receive their orders up to one and a half days faster. Today, 60% of all Italian orders

are already being processed from the 20,000m² site in Stradella, which lies south of Milan and west of Piacenza.

Overall, the fashion retailer currently operates four logistics centres, three in Germany and one in Italy. The three German sites are a 30,000m² centre with 1,200 employees at Brieselang, near Berlin, a 130,000m² site with 2,700 employees in Erfurt, and a 130,000m² site with 1,800 employees at Mönchengladbach.

[Source: CEP-Research](#)



DHL EXPRESS OPENS NEW STOCKHOLM FACILITY

Deutsche Post DHL Express has opened a new terminal near Stockholm as part of a SEK400m (€42m) investment in the Swedish market to increase capacity and speed up deliveries.

DHL Express has invested SEK 70m (€7.4m) in the new 13,000sq² terminal which is the largest of its kind for the company in Sweden. The Västberga terminal will be used for export and import deliveries to customers in the Stockholm area. The new terminal, fitted with modern sorting technology, can handle 4,000 packages per hour and has about 80 employees. The property is owned by DHL Express.

DHL Express already has a terminal at Arlanda airport that previously handled all shipments for the Swedish capital. With the new facility, just 6km from the city centre, the company can now transport shipments significantly more effectively and customers will get considerably faster deliveries.

[Source: CEP-Research](#)

> EUROPE

E-COMMERCE AND COST SAVINGS DRIVE BETTER Q2 RESULTS FOR NORWAY POST

Posten Norge (Norway Post) has improved its results in the second quarter of 2016 thanks to cost reductions and double-digit growth in e-Commerce volumes, is expanding its logistics activities and has acquired a digital services company.

The postal and logistics group is also hoping the country's Parliament will this autumn approve the government's cost saving plan to merge the current 'priority' and 'non-priority' letter services into a single mailstream with a standard two days' transit time. This would go ahead in 2017 if approved. In the April – June quarter, Posten Norge more than doubled adjusted operating profits to NOK 203m from NOK 82m the previous year while revenues grew by 1.4% to NOK 6,208m. In the first half-year, however, profits dropped nearly 30% to NOK 221m on flat revenues of NOK 12,406m, due to a heavy fall in Q1 profits.

Posten Norge continued to grow strongly outside Norway in the first half-year, with an 11.2% rise in international revenues to NOK 4 706m, which represented nearly 38% of revenues compared to just over 34% one year earlier.

Source: CEP-Research

SWISS POST NOT TO IMPLEMENT ITS "REALIGNMENT OF OVER-THE-COUNTER TRANSACTIONS" PILOT PROJECT

As part of a pilot project, Swiss Post has modified customer care in individual post offices. It offered both counters for purchases that can be processed quickly and counters for consultations that require more time. After in-depth analysis, Swiss Post has decided not to implement the pilot project.

Swiss Post started the pilot project in selected post offices in July 2015. For customers who would like advice or have other more time-intensive requirements – such as opening a PostFinance account or concluding a new mobile phone subscription – Swiss Post set up special advice counters. Postal transactions could be carried out at all other counters. After weighing up all the factors, especially the impact on salaries for employees, Executive Management decided not to implement the project.

The positives drawn from the project will however be incorporated into the ongoing development of over-the-counter transactions. This will take place, as usual, in dialogue with employees and social partners.

Source: Swiss Post

SMALL BUSINESSES MISSING OUT ON INTERNATIONAL SALES

The majority of UK small businesses (60%) are not exporting abroad, potentially missing out on millions of pounds in lost revenue according to new research from Royal Mail.

The research released as part of Small Business Advice Week, lists key reasons for this, including the perceived cost and complexity of getting through customs (26%), a lack of knowledge of the market (21%) and language barriers (21%). The scale of the potential missed revenue is illustrated by the fact that among small businesses who sell internationally, just over a quarter of their sales (26%) this Christmas are expected to come from international orders. Thirty-five percent of small businesses believe Europe holds the most potential to generate new sales for their business, whilst 28% believe the US and North America are the most promising markets.

Other reasons given by small business owners for avoiding exporting were a lack of knowledge of the market (21%) and language barriers (21%). But the research shows that those who are not selling overseas are missing out. Among the 40% of business who sell internationally, just over a quarter of their sales this Christmas (26%) are expected to come from

> EUROPE

international orders.

A further look into the export aspirations of UK small business owners found that 10% are currently selling to customers within the EU and would like to seek more opportunities to sell to non-EU customers. Fifteen percent said they sell outside the EU and would like to seek even more opportunities to sell to non-EU customers.

While domestic online marketplaces are popular among small business looking to grow their UK customer base, only 25 per cent of small businesses look to international marketplaces to grow their sales potentially missing out of the huge sales potential they offer.

Source: Royal Mail

ROYAL MAIL RECREATES FIRST SCHEDULED, INTERNATIONAL AIRMAIL FLIGHT FROM THE UK TO FRANCE

Royal Mail flew a vintage Tiger Moth - carrying a symbolic bag of mail - from Headcorn Airfield in Kent to Le Touquet in France as part of Royal Mail's celebration of 500 years of postal services. The event recreated a proving flight that was made by the Aircraft Transport and Travel airline in 1919. The flight helped to establish a regular airmail service between England and France.

The Royal Mail branded Tiger Moth biplane carried a special mail bag of letters from UK school children as well as a personal letter from Royal Mail CEO Moya Greene to Le Groupe La Poste CEO, Philippe Wahl

The flight pays tribute to those early pioneers of aviation who braved often difficult conditions to get mail overseas and established it as a key communications channel.

Source: Royal Mail

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 Marketing department of International Post Corporation.

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

ABOUT IPC

International Post Corporation (IPC) is the leading service provider of the global postal industry that provides leadership by driving service quality, interoperability and business-critical intelligence to support posts in defending existing business and expanding into new growth areas. It is a cooperative association of 24 member postal operators in Asia Pacific, Europe and North America. IPC's solutions and services are used by over 180 posts worldwide. Since 1989 IPC has set standards for upgrading quality and service performance and developed technological solutions that help members enhance service for international letters, packets and parcels. IPC engages in industry research, creates business-critical intelligence, provides a range of platforms and programmes for member post CEOs and senior management to exchange best practices and discuss strategy. IPC also manages the system for incentive-based payments between postal operators.

For more information please visit our website www.ipc.be or contact us at info@ipc.be.

© IPC

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

