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I am pleased to present you the key findings of the IPC Global Postal Industry Report (GPIR) 2019.

The key findings brochure provides a summary of the IPC’s GPIR. Now in its eleventh edition, the GPIR provides a more comprehensive view of the postal industry than ever before. We analyse 50 posts from Asia Pacific, Europe, North America and BRICS countries, as well as integrators FedEx and UPS. We also continue our broad analytical coverage, from detailed performance comparisons across posts to tracking key market trends.

Despite ongoing structural change, the postal industry continues to grow: industry revenue reached €409.8bn in 2018, up €14bn on 2017 results. Parcels remained the engine of growth, contributing almost half of the aggregate increase in revenue. Mail revenue was also up, albeit by a smaller margin: while posts delivered fewer letters worldwide, volume declines were in part offset by growth in small e-commerce packets. And as other areas like financial services and logistics have grown in importance, non-mail business segments now account for two thirds of industry revenue on aggregate.

The industry is also investing in the future. Capital expenditure as a share of total revenue increased to 5.0% in 2018 as posts looked to automate mail sorting, expand e-commerce capacity and improve IT infrastructure. Acquisitions have also helped posts seek international growth: of the 298 firms acquired since 2009, one third were from nearby or neighbouring countries.

I hope these key findings will give you a good overview of the opportunities and challenges ahead for the postal industry worldwide. Should you want more information, the full GPIR is available for purchase.
KEY FIGURES

Global Postal Industry 2018

- **€409.8BN**
  - POSTAL INDUSTRY REVENUE

- **5.0%**
  - REVENUE GROWTH

- **2.0%**
  - OPERATING PROFITABILITY

- **32.5%***
  - MAIL SHARE OF INDUSTRY REVENUE

- **2.2%**
  - MAIL REVENUE GROWTH

- **-5.9%**
  - MAIL VOLUME CHANGE

- **12.7%**
  - PARCELS REVENUE GROWTH

- **9.1%**
  - PARCELS VOLUME GROWTH

- **5.0%**
  - CAPEX TO REVENUE RATIO

* Adjusted mail share of industry revenue as a result of reporting changes by some postal operators. See notes and sources on page 19 for details.
With digital connectivity on the rise, the postal industry remains focused on generating growth, increasing efficiency and investing in both a physical and digital future.

Parcels and financial services drive growth

On aggregate, total postal industry revenue reached €409.8bn in 2018, up €14.0bn on 2017 results. Mail grew €1.8bn as structural volume declines were offset by both consumer and business rate increases and growth in lightweight packets. Parcels and financial services were key growth drivers, up €6.9bn and €6.4bn respectively; while most posts reported e-commerce-fuelled parcels growth over the period, gains for financial services were largely driven by a few large posts.

Mail remains a key source of revenue

Mail accounted for one third of total industry revenue in 2018. The reliance on mail revenue varies considerably across regions however. While representing over two thirds of revenue in North America on aggregate, mail accounts for less than one third of total income in Europe, Asia Pacific and BRICS+Mexico countries also rely less on mail overall, with financial services accounting for a majority share of total revenue for both.

Sources: 1. Operator reports, member questionnaires, OANDA
Sources: 2. Operator reports, member questionnaires
Increase in postal industry revenue in 2018

Growth accelerates but profitability dips

As digitisation ripples through the industry, posts continue to sustain growth and generate profits. Average revenue growth accelerated to 5.0% on average, up from 3.9% in 2017. Operating profitability declined: the average EBIT margin fell to 2.0% in 2018, down from 3.3% in 2017, as competition and cost pressures offset efficiency gains. The trend was also due in part to a rise in capital expenditure intensity, as posts continue to invest in both a physical and digital future.

Revenue rises for three in four posts

More than three quarters of the 50 posts analysed saw stable or increasing revenues during the year and most cited parcels and express as a key growth driver. More than half of posts generated operating margins above 1% for the year, with 15 reporting margins of 5% or more. Taking both metrics into account, two in five posts reported both revenue growth and an operating profit in 2018, while only one in three saw a decline in revenue coupled with an operating loss.

Sources: 3. Operator reports, member questionnaires
Sources: 4. Operator reports, member questionnaires
As digitisation continues to reduce demand for traditional letter mail, posts worldwide are looking to boost operational efficiency, increase automation and promote the enduring value of mail.

**Digital connectivity is on the rise**

The number of global internet users grew to 3.9bn in 2018, representing 51.2% of the world’s population. As the expansion of faster broadband networks has brought more people online, data use across the globe has grown exponentially. Mobile devices are also fast becoming the preferred way for consumers to access digital content. But regional disparities remain: while four in five Europeans are now online, less than a quarter of Africa’s inhabitants use the internet.

**E-substitution erodes letter mail volume**

Transporting physical letters by air, land and sea has long been the postal industry’s core business. But digitisation has had a dramatic impact on postal volumes: since 2008, aggregate mail volume has declined by more than a quarter in advanced economies and more than halved for some posts. Moreover, the historically strong positive relationship between mail volume and economic growth has weakened and mail items per capita have fallen steeply as populations steadily increase.
Decline in letters, growth in packets

Digitisation remains the key driver of structural mail volume decline across the industry, though growth in small e-commerce packets has helped ease the fall. In 2018, the average decline in mail volume accelerated to 5.9% compared to 5.1% in 2017, as governments pursued e-initiatives and businesses opted for digital channels to issue bills, statements and invoices. Most posts delivered fewer items than in the previous year; within this group, decline rates varied from 0.7% to 25.3%.

Mail revenue up but cost pressures remain

Despite the challenges, the postal industry is proving resilient. While e-substitution has put strong downward pressure on revenues, letter rate rises and increases in lightweight e-commerce packets have helped stimulate growth; as a result, mail revenue grew by 2.2% on average in 2018. Meanwhile, posts have launched targeted efficiency initiatives to streamline and modernise their networks, but cost pressure remains high: the average mail EBIT margin fell to 3.0%, down from 4.2% in 2017.

Sources: 7. Operator reports, member questionnaires
Sources: 8. Operator reports, member questionnaires
Parcels

Shifting up gears to enable global e-commerce

Leveraging trusted brands, strong expertise and nationwide last-mile networks, posts are looking to grow their share of the global, dynamic and highly-competitive B2C delivery market.

The rapid rise of e-commerce continues

Global e-commerce sales have grown by over 20% per year on average since 2008 and reached €1.6tn in 2018, with over 11% of total retail sales worldwide now made online. Moreover, the e-commerce revolution is set to continue: global internet retail sales are predicted to roughly double over the next five years, reaching €3.1tn by 2023. By that time, one out of every two euros spent online will be done via a mobile device, and one in ten will involve a cross-border purchase.

E-commerce is fuelling demand for delivery

On aggregate, the industry’s parcels volume has almost doubled since 2008, rising much faster than economic growth. However, the growth in parcels delivered by posts still lags behind that of online retail which quadrupled in size over the period. Part of the gap is due to e-commerce items classed as lightweight packets and recorded as mail. But a key driver is competition: delivery firms are competing intensely to offer faster, cheaper and simpler solutions to consumers and retailers alike.

Sources: 9. Euromonitor
Sources: 10. Operator reports, member questionnaires, Euromonitor, IMF
Parcel volumes are growing strongly

Posts remain an essential part of the e-commerce value chain and are delivering more B2C parcels than ever before. Parcels volume grew by 9.1% on average in 2018, with roughly one third of posts seeing year-on-year volume growth of more than 10%. Leveraging their vast physical presence and dense networks, all are vying to become delivery partners of choice, teaming up with integrators, e-retailers and start-ups to further bolster their e-commerce volumes.

Growth accelerates as competition heats up

On average, parcels revenue growth accelerated to 12.7% in 2018 as most posts saw revenue improve. Higher B2C volume was commonly reported as a key growth driver, while one-off events such as acquisitions boosted revenue for others. Meanwhile the battle for market share continued as global integrators, regional delivery firms, e-retailers and start-ups all looked to gain firmer footholds. As price and cost pressure persisted, operating margins fell to 4.7%, down from 6.5% in 2017.

Sources: 11. Operator reports, member questionnaires
Sources: 12. Operator reports, member questionnaires
As they invest in e-commerce logistics, broaden financial services and revitalise retail networks, posts are strengthening their positions in growth markets both at home and abroad.

Diversification continues to increase across the industry: non-mail segments accounted for two thirds of total industry revenue in 2018. Most posts are becoming more diversified: close to two thirds saw mail revenue shares fall since 2013 as many have looked to strengthen positions in growth markets by investing in e-commerce logistics, broadening financial services and improving retail networks. But diversification still varies widely: mail shares range from 10% to 90% across posts.

International revenue, defined as either revenue generated by subsidiaries abroad or from customers outside the domestic market, reached 22.3% of total revenue on average in 2018 though the share ranged from 1% to 67% across posts. While most posts have grown international revenue since 2013, some have achieved average annual growth above 10% over the period. Many posts are also focusing on regional e-commerce delivery services to drive international growth.

Sources:
13. Operator reports, member questionnaires
14. Operator reports, member questionnaires
Investment intensity continues to increase

Capital expenditure as a share of revenue, which indicates to what extent posts are reinvesting into assets to generate new income, rose to 5.0% in 2018. Moreover, to meet the needs of customers both today and tomorrow, posts continue to invest in growth capex, defined as capex which exceeds depreciation and amortisation costs. Investment focused on both enhancing physical assets via facility and fleet upgrades, as well as bolstering digital capabilities and IT security.

Acquisitions focus on parcels and logistics

Posts have bought controlling stakes in nearly 300 firms since 2008, with the 28 acquisitions made in 2018 on par with the annual average. Together, companies operating in the parcels and logistics segments accounted for more than half of postal acquisitions. Moreover, just under a third were of firms from nearby or neighbouring markets, as posts continued to seek international growth, particularly in sectors that support e-commerce.
As the globe becomes more connected and physical and digital worlds merge, posts will need to place their bets wisely to navigate increasingly fast-paced, complex and competitive markets.

Global economic growth remains weak

Economic activity will continue to shape the postal industry in future. Medium-term growth for the world economy is expected to remain subdued, with advanced economies seeing slower overall growth than emerging markets. Looking ahead, downside risks to the global outlook remain elevated: the IMF reports that trade barriers and heightened geopolitical tensions, including Brexit-related risks, could further disrupt supply chains and hamper confidence, investment and growth.

Integrators invest heavily in e-commerce

As cross-border e-commerce increases and online shoppers expect ever-faster delivery, integrators DHL, FedEx and UPS are offering a range of premium B2C cross-border services via their global networks. All are making moves in e-commerce: building warehousing and fulfilment businesses, reinforcing sorting capacity, investing in aircraft and IT systems, and acquiring new firms to strengthen their suite of e-commerce logistics solutions and expand their geographical reach.
Average revenue growth in first half of 2019

E-retail giants rapidly expand delivery capacity

Amazon, Alibaba and JD.com dominate e-commerce: in 2018, one in every two euros spent online was done via their online platforms. All three are investing in logistics to get goods closer to customers and improve click-to-door times as the online and physical worlds continue to blur. Amazon is busily building its e-commerce logistics network and delivers its own parcels in mature markets; in China, Alibaba and JD.com are also rapidly ramping up their fulfilment and delivery capacity.

Slower growth and lower margins in 2019

On average, and across the smaller subset of posts that publish interim reports, revenue growth fell to 2.6% year on year and operating profitability dropped to 2.2% in the first half of 2019. E-commerce continued to fuel growth for domestic and cross-border parcels while ongoing e-substitution weighed down mail division results. Taking an outside view, market analysts have on average issued “hold” ratings for posts listed on stock exchanges, and a “stable” outlook for debt ratings.

Sources: 19. Company reports & presentations
Sources: 20. Operator reports
International logistics

The international post-to-post network faces mounting pressure from alternative transport models. Posts are competing with one another for cross-border volume via direct entry and their own private cross-border networks; global integrators and freight forwarders are moving B2C parcels via air, land and sea; and e-retail giants are transporting bulk inventory to their own fulfilment centres abroad. Our infographic maps the competitive landscape of cross-border flows, from eRetailer to consumer.

E-commerce fulfilment

Fast-growing small and medium-sized businesses are looking to outsource fulfilment as online orders pile up. To help, many posts are moving up the value chain into fulfilment either via acquisitions, joint ventures or by incubating innovative start-ups. But brick-and-mortar retailers and global integrators are also busily picking and packing, and Fulfillment By Amazon remains a strong proposition for SMEs. Our infographic explores how e-commerce fulfilment is helping e-retailers shrink click-to-door times.

Joint delivery

Mailbags across the globe are being filled with fewer letters and more e-commerce parcels. With the number of parcels set to exceed letters in future, posts are strengthening and extending their joint-delivery models. Many hurdles must still be overcome, including ensuring accurate demand planning, efficient sorting processes, larger delivery vehicles and first-time delivery of both letters and parcels. Our infographic explores the current use of joint delivery and the related operational challenges.

Delivery robots

Delivery robots are hitting the streets. Advances in driverless vehicle technologies have led to an increase in prototype trials across the delivery industry, as firms look to make the labour-intensive last mile ever-more efficient. And not all delivery robots are the same: pilots have tested models that vary greatly across important aspects, including location, function, capacity, range, speed and autonomy. Our infographic compares recent trials of delivery robots by posts, start-ups and e-retailers alike.
Detailed operator comparisons

The IPC Global Postal Industry Report is the sector’s most comprehensive, holistic and in-depth report on postal industry trends and performance. The report is split into two parts: Part One looks at overall industry trends, Part Two provides an in-depth analysis of the corporate and business unit performance across posts, allowing stakeholders to benchmark the performance of individual operators both against their peers and an overall industry average. This year’s report includes over 150 industry-specific charts, tables and infographics based on a rich data set of financial and operational data built up over more than a decade.

How to access the full report

The full version of the IPC Global Postal Industry Report 2019 includes over 130 pages of industry and operator analyses. The report is available to IPC members for free, and is also available for purchase by non-members. A full table of contents, as well as further details on how to purchase the report, are available via the IPC website. If you require more information, please contact market.intelligence@ipc.be.
IPC Carrier Intelligence Reports

While the IPC Global Postal Industry Report tracks industry trends and enables performance benchmarking across postal operators, the IPC Carrier Intelligence Reports focus on the performance of individual postal and parcel operators. These operator-specific reports provide instant access to critical financial, operational, strategic and market information for over 50 leading operators from Asia Pacific, Europe, North America and BRICS countries in an easy-to-read, consistent format.

The IPC Carrier Intelligence Reports have been specifically designed to meet the market intelligence needs of industry executives as well as consultants and analysts engaged in postal and parcel research. By compiling key quantitative and qualitative data for each operator, the reports save valuable resources for in-house strategic and market analysts.

Each individual report analyses key performance indicators for a specific operator, including revenue, profitability, investment and efficiency metrics, as well as monitoring volume and price trends across business segments. In addition, the reports examine governance and strategy, quarterly performance, share analytics and credit ratings, partnerships and innovations, acquisitions and divestments, as well as corporate social responsibility, key press releases and outlook and targets. For further context, the reports also analyse each company’s operating environment, including country demographics, economic conditions and key trends across digital media, e-commerce and national postal markets.

How to access the reports

The IPC Carrier Intelligence Reports are available by annual subscription. Subscription allows participants to access over 50 individual reports, which are updated throughout the year. Further details on how to purchase the reports are available via the IPC website. If you require more information, please contact market.intelligence@ipc.be.
The Key Findings report provides a distillation of data and analysis included in the IPC Global Postal Industry Report 2019, highlighting key charts and including commentary excerpts from the full version.

This report includes data for the following 50 postal operators: An Post; Australia Post; bpost; Canada Post; China Post; Chunghwa Post; Correios Brasil; Correos; Correos de Mexico; Croatian Post; CTT Portugal Post; Cyprus Post; Czech Post; Deutsche Post DHL; Eesti Post; Hellenic Post-ELTA; Hongkong Post*; Iceland Post; India Post; Japan Post; Korea Post; Latvian Post; Le Groupe La Poste; Lithuania Post; Magyar Posta; New Zealand Post; Österreichische Post; PHLPost; POST Luxembourg; Poczta Polska; Pos Indonesia; Pos Malaysia; Posta Romana; Posta Slovenije; Poste Italiane; Posten Norge; Posti Group; PostNL; PostNord; PTT-Turkish Post*; Royal Mail; Russian Post; Singapore Post; Slovenska Posta; South African Post Office*; Swiss Post; Thailand Post; Ukrposhta; United States Postal Service; Vietnam Post.

Sample sizes vary from chart to chart due to data availability. Unless otherwise stated, all averages refer to an unweighted mean for all posts reporting consistent data for the entire period covered in the chart. Operators marked above with an asterisk (*) had not published data covering the full 2018 period at the time of analysis; data for these posts are based on the latest periods for which data exists. Where required and unless otherwise stated, local currencies were converted into euros at 2018 exchange rates from OANDA. Regional categories for external data such as GDP are based on the source’s regional definition and include countries in addition to those related to the 50 national postal operators in this report.

Aggregate industry revenue diversification has changed from previous editions of this report. In this edition, the mail revenue share of industry revenue for 2018 is reported as 32.5%, compared with the 43.6% share of industry revenue for 2017 reported in last year’s edition. In previous years, financial service revenue for Japan Post was excluded from aggregate revenue diversification analysis, as it represented an outlier among posts. However, given the growing number of posts reporting financial service revenue, inclusion of Japan Post provides a clearer picture of overall industry performance. In 2018, Japan Post accounted for 52.0% of financial service revenue generated by posts.

For further information, please contact market.intelligence@ipc.be
International Post Corporation

Avenue du Bourget 44
1130 Brussels, Belgium

Tel +32 (0)2 724 72 11

www.ipc.be
info@ipc.be