Peak season volumes break records

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The end of the year is a busy period for posts. Over the past decade, increased e-commerce traffic has made the peak season both an opportunity and a challenge for posts. More e-commerce goods flowing through the postal networks mean more business, especially as mail volumes continue to decline. Parcels & express volumes in the fourth quarter have been steadily growing - an increase that has been speeding up lately. However, when e-commerce volumes become more and more concentrated around sales events and the weeks before the holidays, postal operations are put under pressure to cope with the high volumes. Posts and integrators have put several measures in place to make sure the delivery of goods bought online is smooth and timely.

E-commerce breaking records year after year

E-commerce is growing year after year, and 2018 was no exception. Amazon announced a 'record-breaking' holiday season. Last year, the company registered 'tens of millions' of new Prime trials or paid memberships offering free delivery options. It shipped more than 1bn items for free through Prime in the US alone[1].

eMarketer reported that the 2018 retail holiday season was exceptionally strong, with the highest growth rates for brick-and-mortar and ecommerce sales since 2011. Adobe reported that online sales grew 16.5%, while Comscore saw holiday season sales grow 19.4%. Gains in e-commerce this season were fuelled largely by increased mobile shopping and buying, particularly on smartphones: Mobile accounted for 60% of online shopping traffic and 40% of sales.[2]

Australia Post Chief Operating Officer, Bob Black said that online purchases in Australia had grown by almost 20% in 12 months. "Our research found that people were buying up to 19.2% more items online. By

2020, we expect one in 10 items will be bought online." [3]

The rise of e-commerce leads to increased parcel volumes for most posts. Swiss Post set a new parcel volume record in 2018 with a total of 138m shipments. The new record, which corresponds to a 25% increase compared to 2013, is due to an increasing number of online purchases, especially in the pre-Christmas period, and sales promotions such as Cyber Monday or Black Friday. [4]

Black Friday sales volumes see double-digit growth

Black Friday and Cyber Monday sales and corresponding parcel volumes again hit all-time highs. According to Adobe Analytics, Black Friday online sales in the US reached a record high this year, surging almost 24% when compared with 2017, to US$6.22bn. Moreover, sales stemming from smartphones surpassed US$2bn in the US. Adobe found that 33.5% of e-commerce sales on Black Friday came from mobile devices in 2018, compared with 29.1% in 2017, reflecting the trend reported by eMarketer. [5]

In the UK, British e-commerce association IMRG reported that £1.49bn was spent with UK online retailers on Black Friday 2018, which was up 7.3% on the same day last year. In the Nordics, Black Friday online sales in Sweden hit a new record of SEK6.7bn this year, a 27% increase on 2017, according to a PostNord survey immediately after the event.[6]

As a result, the weeks after Black Friday see in surge in parcel volumes. PostNord processed 2.2m parcels in the few days following Black Friday, including a new single-day record of over 700,000 parcels in the night of Monday 24 November – Tuesday 25 November 2018, followed by just over 630,000 packages the following night. In Norway, Posten Norge handled about 30% more parcels than last year during the week after the Black Friday–Cyber Monday events, with about 200,000 packages a day at its main sorting centre in Oslo.

Meanwhile, in Spain, parcels carrier SEUR said it delivered 2.5m parcels in the week after Black Friday, which was 10% more than during the same period last year[7]. Swiss Post reported that nearly 6m parcels were handled during the Black Friday week alone.[8] In total, PostNL distribution centres received roughly 12m parcels between Black Friday and Sinterklaas. In 2017, just under 10 million parcels were processed in the same period.[9]

Australia Post reported a surge in volumes following Black Friday and Cyber Monday, with parcel deliveries growing more than 30% during the sales.

Increased e-commerce parcel volumes continue through December

Throughout the month of December, mail volumes continue to grow.

USPS stated it expected an overall seasonal haul of 900m packages and about 15bn pieces of mail for delivery between Thanksgiving Day (22 November) and New Year's Day.[10] The overall holiday season figure would be about 50m packages more than in the same period last year, a 6% increase.

Australia Post reported that it delivered more than 40m parcels during December 2018, 11.7% more than the same period the previous year, making it the biggest ever month for parcel volumes for the post.[11] Australia Post Chief Operating Officer, Bob Black, said: "Our busiest day was Monday 17 December, when we delivered a record 3m parcels across the country – by far the biggest day in our history."[12] Österreichische Post reported a new record on the same date, when it delivered 672,000 parcels to customers across the country.[13]

In Ireland, An Post said parcel volumes soared by 50% during the holiday season, with deliveries of up to 100,000 parcels a day.[14] The number of parcels delivered by PostNL between Saint Nicolas (5 December) and 24 December was about 17.5m.[15] Posti also reported that it had already broken the previous year's record by mid-December, with the busiest week still to come.[16]

Swiss Post handled a record 25m parcels between Black Friday (23 November) and

Christmas as well as more than 400m letter items. The daily average of up to 17m letters included an average of 120,000 international items with small product enclosures, of which about 80,000 came from Asia, the company noted.[17]

After the gifts come the returns

During the holidays, gifts are exchanged – many of those bought online. Sadly, not all gifts are wanted and many are returned. In the UK; Takeback Wednesday, the first business day after New Year's Day, is the day that most Brits return their unwanted and ill-fitting Christmas presents. The returns of online purchases were predicted to increase by 80% on this day, compared to the average number of return parcels per day in December, according to Royal Mail.[18]

Increased flows put pressure on postal operations

With parcel and mail volumes surging during the last quarter of the year, postal networks are stretched to their limits. Posts are struggling to process and deliver the large volumes of items while meeting customer expectations.

Posts pull many levers to flex their networks in response to large volume fluctuations. Seasonal workers in their thousands are hired on a casual or temporary basis and

staff work around the clock, seven days a week, often including public holidays, to help sort and deliver parcels. Key infrastructure is shored up: extra bikes, vans, trucks and aircrafts are brought online to reinforce postal fleets, and automated sorting machines at operation centres process parcels at full capacity. Last-mile options are extended, with retail hours extended, processing facilities are used for consumer pick-ups, parcel lockers filled more often and temporary pick-up points added.[19] Most German retailers expected massive delivery problems during the 2018 Christmas season as they feared that parcel operators would be overloaded, struggling to keep up with rising volumes in the peak season, according to a survey by the German traders' association Händlerbund.[20]

Hermes has responded to these concerns by launching a money-back delivery promise for British retailers in the run-up to Christmas: all items posted before the cut-off time will be delivered by Christmas or a refund is offered. The terms of the commitment apply to each individual parcel that enters the Hermes network, with a UK mainland address, by 23:59 on 20 December for standard deliveries and 23:59 on 21 December for Next Day.[21]

To manage the increased volumes, posts implement a wide range of measures, including 6- or 7-day delivery, additional seasonal workforce and vehicles, and expanding operational capabilities.

Increased delivery days

For instance, USPS expanded Sunday deliveries and even made express deliveries on Christmas Day in some areas.[22] FedEx moved its US ground package delivery business to a six-day operational week year-round to cope with rising volumes and ran six- and seven-day operations through the holiday season.[23]

Additional staff and vehicles

Canada Post offered employees voluntary overtime and hired almost 4,000 additional seasonal employees across the country, while also bolstering its fleet with almost 2,000 additional vehicles.[24] Australia Post employed more than 3,000 extra staff across the network to handle the increased peak period volumes.[25] As part of its preparations, New Zealand Post, which has some 6,000 regular workers, hired an extra 600 people in the lead up to another record-breaking Christmas.[26]

On peak days, Swiss Post worked extra shifts, hired more staff and additional vehicles. Swiss postal staff worked additional shifts, including sorting and delivering parcels on five Saturdays during the 2018 peak period.[27] Le Groupe La Poste strengthened its team with 3,000 additional staff who either have a fixed-term contract or have been hired on a temporary basis during the

peak season. In addition, La Poste has doubled the number of trucks on domestic routes with 500 more trucks per day deployed during the Christmas period.[28]

Investments in operational capacity

DHL USA invested in network capacity and innovative technology and expected to handle up to 40% more volume in the USA in the peak season compared to the rest of the year. Operational investments include more automation in distribution centres, a new automated distribution, collaborative robots in fulfilment centres and automated delivery depots for final-mile delivery in New York. UPS invested heavily in additional sorting and delivery capacity, including 22 new or expanded facilities.

Swiss Post is investing a total of CHF220m in its parcel sorting operations by 2020. Swiss Post has invested about CHF60m to expand their capacity in recent years and is now investing more than CHF150m on three new additional regional parcel to expand capacity for expected future growth.[29]

Posti doubled the number of parcel lockers and operated more than 100 temporary pickup points during the Christmas season, while its post shops operated with longer opening hours.[30]

Volumes putting pressure on profitability

These peak period measures can also put additional pressure on the posts' profitability. The increased revenue from the peak volumes might not offset the additional operational investments and costs of temporarily hiring additional transport capacity and staff.

In order to be able to handle the additional costs, PostNord introduced a capacity surcharge of SEK4 during the period 15 November–31 December 2018 for certain parcel services.[31]

You can find more in-depth analysis on peak period and other key industry trends in the 2018 IPC Global Postal Industry Report, which is available for free for IPC members and can be purchased by others. Please click here for more information.

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