International Post Corporation

Third quarter 2019: Continued positive progress

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The yearâ€™s third quarter shows continued positive progress and, in comparison with the same quarter in 2018, improved income. A clearer focus on the business and the ongoing transformation process are delivering improved profitability in Sweden, Denmark and Norway.

A more focused strategy was established in the quarter. Under the strategy, PostNord is focusing purposefully on its core business - parcels and mail - in order to secure a leading position in a world where patterns of communication and consumption have changed. In recent years, PostNord has brought in major changes to address the decline in mail. At the same time, we have taken to the offensive in gaining a leading position in e-commerce deliveries. Our prime business opportunity lies in our parcel services for end consumers. This fast-growing segment is characterized by high demands from recipients for convenient deliveries.

“An offering adapted to consumer expectations, for example, sustainable delivery options, is essential. We are now working on all this within the Group’s new, customer-oriented and simplified organization. The most important factor driving the positive trend of the business is good efforts of all our employees,” says Annemarie Gardshol, acting President and CEO.

Three out of four online buyers in the Nordics say that they always, often or sometimes take the issue of sustainability into account. One important issue is to increase the capacity utilization in our trucks by reducing the volume of air in parcels and by coordinating transport operations. As regards our target of reducing the Group’s overall carbon dioxide emissions by 40% by the end of 2020 - relative to the levels in 2009 - we are now at just over 35%. The returns issue also affects the climate impact of the parcels business. In September, PostNord published its E-barometer report for the second quarter. According to the report, free returns are now less common in Swedish e-commerce and the expectations of Swedish consumers for free returns has fallen since last year.

The end consumer and the customer experience are becoming more and more important to our business. In Denmark, our delivery network has expanded considerably and PostNord has established a presence even closer to the end consumer. Since year-end, more than 300 new delivery points have opened in Denmark. The aim is to have

nearly 500 in operation before the intensive Black Friday period.

To secure a long-term future for the postal service under the strategy, we need to strive to achieve a service level that meets the market's needs at reasonable cost. PostNord Denmark has entered the final phase of the ongoing transformation of the Danish business, and with a new, efficient service model in place the focus is now on improving the customer experience. At the same, the process of developing and establishing a new delivery system for mail in the Swedish market is ongoing.

"In addition, the current systems of regulation on Sweden and Denmark need to be updated and constructive dialogue is under way with both Swedish and Danish decision-makers. One step in the right direction was Sweden's new Postal Ordinance in August, which opens the way to higher postal rates to offset falling mail volumes. On September 30, we announced that we would be raising the letter rate for domestic letters in Sweden from SEK 9 to 11 on January 1, 2020," says Annemarie Gardshol, acting President and CEO.

Notable business transactions during the period include a scanning and EDI contract between PostNord Strålfors and Telia, new contracts for PostNord Sweden with Volvo Cars and Ahlsell and a logistics contract signed by Thanke AS and PostNord Norway. In the Swedish market, we recorded good growth in Value Letter (Varubrev) and a continued flow-back of mail volumes following withdrawals by competitors from certain geographical areas, as well as renewed interest in unaddressed direct marketing (UDM).

Delivery quality for mail in Sweden (SWEX) ended the quarter at 96.74%, above the legal requirement of 95%. In Denmark, delivery quality for the Danish standard mail service (DEX) was slightly above the legal requirement of 93%. Overall delivery quality for parcels across the PostNord Group was 95.6%.

During the autumn, we held two widely-covered launches of new stamps; a set of Danish stamps with dog motifs, which resulted from PostNord's "My Dog on a Stamp" competition, and a set of Swedish stamps designed to highlight the export success of Swedish fashion.

Source: PostNord

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