

2015



MARKET INTELLIGENCE

International **Post**
Corporation



MARKET FLASH

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latest news from the global postal sector



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DIRECT MARKETING SPECIAL

> TOP STORY

EUROPEAN POSTAL AND PARCEL OPERATORS GENERATE RECORD PARCEL VOLUMES FOR CHRISTMAS

Parcel and postal operators across Europe are reporting new record parcel volumes as e-Commerce sales continue to drive their growth during the Christmas 2014 peak season.

In Austria, e-Commerce has given a major boost to Austrian Post's parcel business in December, especially during the Christmas period. On a single day in December alone, the country's postal operator delivered a new record of 470,000 parcels, which corresponds to 40,000 more parcels compared to last year. It has almost doubled the company's usual parcel volumes of 250,000 parcels on an average day.

In Scandinavia, PostNord posted a new volume record on a single day on 16 December, when it delivered around 455,000 parcels. This corresponds to an increase of nearly 30,000 parcels compared to the previous record in 2012 when 427,000 parcels were handled. The big difference to previous years is also that parcel volumes remain at a very high level for more weeks before Christmas. PostNord said that Christmas parcels volumes are boosted, on the one hand, by the shops that need to replenish their shelves to cope with the increasing demand during the holiday shopping season, and on the other hand, by the increasing trend among consumers to buy their Christmas gift online.

In Spain, where presents are given both at Christmas and on 6 January, parcels firm Seur took on 1,300 additional temporary staff to cope with peak volumes of up to 30% more than normal volumes during the year. The company was expecting to deliver up to 500,000 parcels on peak delivery days in December.

Source: [CEP-Research](#)



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FEDEX ACQUIRES 3PL PROVIDER GENCO

FedEx Corporation announced today that the company signed an agreement to acquire GENCO, one of the largest third-party logistics (3PL) providers in North America. With a comprehensive portfolio of supply chain services, GENCO's expertise will expand existing FedEx service offerings in the evolving retail and e-Commerce markets.

Processing more than 600m returned items annually from many of the world's leading brands, GENCO is considered a pioneer and market leader in reverse logistics, providing triage, test and repair, remarketing and product liquidation solutions. With US\$1.6bn in annual revenue and more than 11,000 teammates at over 130 operations, GENCO offers a complete range of product lifecycle logistics services to customers in the technology, consumer, industrial, retail and healthcare markets.

Source: [FedEx](#)

FEDEX EXPANDS CROSS-BORDER SERVICES WITH ACQUISITION BONGO INTERNATIONAL

FedEx Corporation announced that it acquired Bongo International, a provider in cross-border enablement technologies and solutions. According to FedEx, Bongo International's capabilities complement and expand the FedEx portfolio of offerings important to the rapidly growing global e-Commerce marketplace.

Bongo International's technology and processes provide a comprehensive and integrated end-to-end solution that helps retailers and e-tailers grow by reaching international

e-Commerce consumers. Bongo International's capabilities include duty and tax calculations; export compliance management; HS classification; currency conversions; international payment options inclusive of language translation, and shopping cart management and fraud protection.

With a base of over 2,000 retailers across Europe, the UK and US, Bongo International is currently delivering cross-border enablement solutions to more than 200 countries worldwide.

Source: [FedEx](#)

FEDEX REPORTS STRONG EARNINGS GROWTH

FedEx Corporation reported earnings of US\$2.14 per diluted share for the 2014 second quarter ended 30 November, up 36% from last year's US\$1.57 per share.

FedEx reported revenue of US\$11.9bn, up 5% from US\$11.4bn the same period the previous year, operating income of US\$1.01bn, up 22% from US\$827m last year, operating margin of 8.5%, up from 7.3% a year ago, and net income of US\$616m, up 23% from last year's US\$500m. Operating income and margin increased primarily due to higher volumes and base yields in all three transportation segments. Results in the second quarter also included benefits from the company's profit improvement programs, lower pension expense and a slightly positive net impact from fuel.

The FedEx Express segment reported revenue of US\$7.02bn, up 3% from last year's US\$6.84bn, while operating income was up 36% at US\$484m. The FedEx Ground segment

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reported revenue of US\$3.06bn, up 8% from last year, and an operating income of US\$465m, up 6% from US\$439m a year ago. The FedEx Freight segment reported revenue of US\$1.59bn, up 11%, while it reported an operating income of US\$112m, up 35% compared to the 2013 second quarter.

Source: [FedEx](#)

UPS EXPANDS FOUR FACILITIES IN NORTH AMERICA AND EUROPE

UPS announced the addition of three buildings and the expansion of another in four North American locations. UPS also announced three international facility expansions driven by growing demand from retail and high-tech customers. The moves add over 20,000 m² to UPS's global supply chain network.

UPS furthermore announced the expansion of its UPS Worldwide Express Freight™ service in 12 new origin and nine new destination countries for urgent, time-sensitive and high-value international heavyweight shipments. UPS now offers the guaranteed service to 50 origin and 51 destination countries and territories.

Sources: [UPS](#); [UPS](#); [UPS](#)

AMAZON EXPANDS DELIVERY AND COLLECTION SERVICES

In December, Amazon launched new delivery services around the world, including one-hour delivery in central New York and additional pickup points in North America and Europe. The new services include the launch of Prime

Now, a one-hour delivery service in Manhattan, and parcel collection point partnerships in Canada, Spain and Italy.

Prime Now, offering one-hour delivery on tens of thousands of goods through a mobile app, was officially launched in December in select parts of Manhattan, New York, using the company's growing network of fulfilment centres. Prime Now, available from 6am to midnight seven days a week, offers two-hour delivery for free and one-hour delivery for US\$7.99.



In Canada, the company has linked up with Canada Post to launch Amazon Pickup Points, a new delivery option where customers can choose to have their goods shipped directly to one of 6,200 Canada Post retail locations across the country for collection. Meanwhile, Amazon has set up a similar partnership with Spanish postal operator Correos to use some 2,400 post offices as collection points. Spanish customers can select delivery to a Correos location when buying their goods and collect the parcel at their convenience. Last month, Amazon set up a similar arrangement with Poste Italiane, enabling customers to collect parcels from pickup points in more than 10,000 post offices across Italy.

Source: [CEP-Research](#)

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JAPAN POST HEADS FOR IPO IN SECOND HALF 2015

Japan Post Group is to launch its initial public offering (IPO) in the second half of this year, including a parallel partial flotation of its two banking and insurance main subsidiaries – Japan Post Bank and Japan Post Insurance – although the group's loss-making postal business seems likely to remain largely in government hands.

By listing the insurance and bank units at the same time as the holding company, the group aims to ensure a fair valuation for the whole company as well as its two financial businesses. Japan Post Bank Co Ltd is the nation's biggest bank and Japan Post Insurance Co is its biggest insurance company.

Ranked as one of the world's biggest financial institutions with net assets estimated at around JPY13.8tn (US\$115bn), the state-owned postal group said it planned to eventually cut its stakes in the two banking and insurance units to around 50%. Government officials reportedly said the IPO could raise as much as JPY4tn (US\$33bn) in several tranches starting in the second half of the year.

According to the Nikkei business daily, the government plans to initially list 10% of outstanding shares for each of the three companies. It reported that the group's other main unit – the national postal service, with more than 20,000 post offices – would not be listed.

Source: [CEP-Research](#)

BOOMING CHINESE EXPRESS MARKET SOARS BY 50% IN 2014

The Chinese express market grew by a spectacular 50% last year, driven by strong e-Commerce growth.

Delivery volumes increased by 52% to 14bn parcels in 2014, making China the biggest single market worldwide, according to the State Post Bureau, which announced the figures this week. The combined revenues of express companies in China grew by 42% to RMB204bn (€27.85bn) last year.

Meanwhile, China has permitted three new overseas courier firms to offer domestic delivery services. The State Post Bureau has approved licence applications from Japanese-owned Yamato (China) Transport and OCS Overseas Courier Service (Shanghai) Co Ltd as well as Hong Kong-based Kerry Logistics. The government said in September it would ease restrictions on foreign couriers seeking to deliver packages nationwide.

Source: [CEP-Research](#)

SINGPOST ADDS PARCEL POINTS AND CONTRACTS SIEMENS FOR NEW HUB

SingPost has expanded its network of 'POPStations' to 77 with around 6,200 lockers as an alternative delivery option for end-consumers providing them with more convenience. Besides parcel collection, they can also post or return their items or pay safely for their online purchases round-the-clock at a terminal of their choice located near their homes



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and offices. With the recently launched POPStation mobile app, customers can pick up their parcel even quicker with a swipe on their smart gadgets.

Meanwhile, more details about SingPost's SG\$182m (€112m) new Regional eCommerce Logistics Hub, due to open in the second half of 2016, have been revealed by Siemens, which announced that it has been contracted to design, supply, install and commission an integrated parcel sorting system for the facility.

The e-commerce logistics hub will be equipped with Siemens' VarioSort cross-belt. The new facility, situated in the east part of Singapore on a 30,000 m² plot of land, will house a parcel sorting hub on the ground level, warehouses on the second and third levels, and a car park with space for 270 vehicles on the fourth level.

Source: [CEP-Research](#)

UPS EXPANDS PARTNERSHIP WITH 7-ELEVEN FOR PARCEL PICK-UPS

UPS announced that customers in Singapore can pick up their parcels at new Alternative Delivery Locations (ADL) that the company has set up at 20 Shell petrol stations as part of its exclusive partnership with 7-Eleven. UPS explained that the move was driven by



e-Commerce and online growth, cross-border transactions as well as the need to offer customers in Singapore greater control over their shipments by providing them secure and convenient delivery alternatives.

The new solution offers customers the flexibility of collecting parcels from selected online retailers, at the closest participating Shell ADL operating 24/7, if they are not at home when UPS makes the first delivery attempt.

Source: [CEP-Research](#)

FEDEX SIGNS UP NEW SAUDI ARABIA PARTNER

FedEx Express has selected Abdul Latif Jameel Group as a new global service provider in Saudi Arabia as of January 2015, for its international inbound and outbound services to and from 220 countries and territories.

FedEx has been active in Saudi Arabia for more than 20 years and the selection of Abdul Latif Jameel Group will allow FedEx to utilise the Saudi conglomerate's deep market expertise to meet growing shipping needs.

Source: [CEP-Research](#)



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ITELLA BECOMES POSTI WITH RENEWED APPEARANCE AND SERVICES

Itella has officially become Posti at the turn of the year. At the same time, Posti renewed its appearance and services to offer an even better customer experience and a more consistent service range to its consumer and corporate customers under a single name.



The name Itella Corporation changed to Posti Group Corporation on 1 January 2015. With the change of name, Posti will adopt a new, topical appearance describing its business. The new logo and visual appearance were inspired by logistics services and parcels. Orange, which will replace blue, is the colour of post and logistics. Finnish business companies will be combined into one company, Posti Ltd. The changing of the name will not concern international companies; instead, they will continue with their current company names until further notice and serve our business customers under the name Itella.

According to CEO Heikki Malinen, the renewal will show not only in the change of name, but also in the corporate structure, business organisations, service content and the service culture. The renewals are part of the strategy published last year, in which the aim is to transform Posti into a modern, customer-oriented, high-quality service company.

Source: [Posti](#)

POSTI REPORTS PARCEL VOLUME GROWTH

Compared to last year, Posti delivered 9% more packages in December. The total parcel volume for 2014 was 32.6m parcels, showing an increase of 800,000 parcels from last year.

Parcel points are gaining popularity as pickup points for online purchases and have become a standard delivery option for online stores. In comparison to 2013, over 50% more deliveries passed through parcel points in 2014. During the busiest weeks in December, Posti delivered about 1m packages, setting a new record. Posti hired 3,300 seasonal employees for Christmas 2014. Most of them worked in sorting Christmas cards, which is done mostly by hand.

This Christmas, Finns sent about 34m cards. Three out of four consumers planned to remember their friends and relatives this way. According to Posti's research, 64% of Finnish consumers think that Christmas would not feel the same without traditional Christmas cards. A Christmas card is preferred to an electronic greeting mainly because it is better in conveying emotion.

Source: [Posti](#)

FRANCE'S LA POSTE SUCCESSFULLY TRIALS PARCEL DELIVERY VIA DRONES

French postal operator La Poste announced that it successfully piloted 'drone deliveries' of parcels in cooperation with the drone manufacturer Atechsys in September this year, following tests by other firms such as Amazon and DHL.



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The pilot project, called GeoDrone, was conducted via La Poste's express parcels subsidiary GeoPost at the Centre of Studies and Tests for Autonomous Models (CEEMA) in the Var département in south-eastern France. During the test, the drone successfully completed a fully automated transport process for a parcel weighing 2 kg and a distance covering 1,200 m. The sequence included take-off, flight phase, landing and return to the starting point.

La Poste's drone delivery pilot follows earlier tests conducted by other companies. For example, DHL Parcel Germany successfully tested urgent deliveries by a 'parcelcopter' drone to the North Sea island of Juist earlier this year and is now operating a regular commercial service to the island. The small unmanned aircraft transports medications and other urgently needed goods at fixed delivery times to the car-free holiday island off the Lower Saxony coast. E-commerce giant Amazon has also been testing small drones this year for 'Prime Air' deliveries of small parcels up to 2.3 kg with a ten-mile radius of the company's distribution centres within 30 minutes.

Source: [CEP-Research](#)

FRENCH FIM SODEXI OPENS EXPRESS FREIGHT HUB AT PARIS CHARLES DE GAULLE AIRPORT

French express carrier Sodexi, owned by Air France-KLM and GeoPost, has started operating a new express freight hub at Charles de Gaulle Airport in Paris, in cooperation with Aéroports de Paris.

As an investor and end-user of the hub, Sodexi invested €22m in the 7,600 m² express freight facility, with its shareholders contributing funds to finance the logistics building. Its construction was completed in autumn last year after a long-term building lease had been signed in October 2012.

The new facility comprises around 7,000 m² of warehouse space with the capacity to process up to 55,000 tonnes per year from over 160,000 commercial flights at Charles de Gaulle Airport. Around 600 m² have been allocated for offices and a semi-underground car park with 200 spaces, manoeuvring areas and a number of green spaces.

Source: [CEP-Research](#)

LA POSTE TARGETS 'INTERNET OF THINGS' WITH DIGITAL DEVICES CONNECTION HUB

France's La Poste is targeting the future 'internet of things' with an innovative 'digital hub' enabling consumers to connect and manage all kinds of digital devices through a single app.

Its subsidiary Docapost has teamed up with Arcos, a French specialist of connected objects including smartphones, tablets and other digital equipment, to offer customers a common platform to connect all their digital objects. The digital hub features a unique mobile application which makes it possible to interconnect digital objects such as watches, alarm systems, smartphones, energy management systems, etc. It enables users to manage information in a secure way while multiplying the use of the respective objects.



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The solution is part of its efforts to compensate for its declining mail business by diversifying into new business areas as well as expanding parcels and financial services. La Poste stressed that it is the only solution that allows the combination of human services such as installation or maintenance work with digital tools including applications and online services. It is available on La Poste website but not yet at post offices.

Source: [CEP-Research](#)

FRENCH GO ONLINE FOR WINTER SALE BARGAINS

The majority of French online shoppers plan to use the internet for their purchases during the winter sales that started on 7 January and will last for the following six weeks, the national e-Commerce association Fevad reported in its latest study.

The survey results have revealed that 69% of French e-buyers intend to research or make their winter sales purchases online, which corresponds to nearly 25m people. The overall percentage of those e-shoppers who will make their purchases online is estimated to exceed 60%.

Source: [CEP-Research](#)

TNT TO INSTALL VISION TECHNOLOGY FOR SHIPMENT HANDLING

TNT has signed a worldwide deal to install machine vision technology from German firm Vitronic GmbH at more than 100 sites throughout Europe and later in other parts of the world. Under the long-term global partnership, TNT's

hubs, gateways and service centres will be equipped with the latest machine vision technology for data capture of all transported items.

The initial project consists of systems that read barcodes, measure the volume and check the weight and capture 3D images of conveyables, smalls and documents, and non-conveyables.

Source: [CEP-Research](#)

DPD LAUNCHES OPERATIONS AT NEW €11M SOUTHERN GERMAN DEPOT

DPD has this week launched operations at its new €11m depot at Dinkelsbühl, southern Germany. The new facility, its 76th location in Germany, supplements the existing depots in Nuremberg, Heilbronn and Neu-Ulm.

Environmental considerations also played a major part in the planning of the new location, with solar power being used in the heating of the office building. In addition there will be a reduction in CO₂ emissions caused by transport operations, because the new facility will shorten distances to shippers and consignees.

Source: [CEP-Research](#)

DEUTSCHE POST ADDS SECURE, SELF-DESTRUCTING VOICE MESSAGES

With its newly acquired licence to delete, the latest update to Deutsche Post's secure messenger, SIMSme, also provides the opportunity to record, send and destroy voice



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messages. Using the service, smartphone users can send a voice message via the simple user interface to friends or colleagues without having to type lengthy texts with both hands. From the very launch of the messaging service, text messages, photos and videos could be assigned an expiry date or countdown and be destroyed after that date, and this function has become available for voice messages as well.

Data such as private messages, photos or videos, user contact data or other sensitive information should not fall into the wrong hands – which is why the app is password protected. In the iOS version, SIMSme can now be unlocked with a thumbprint using Touch ID.

SIMSme continues to encrypt all messages automatically before they are sent, only decrypting them again on the recipient's smartphone. The end-to-end encryption makes eavesdropping by third parties impossible. Furthermore, the high security standards of the German Data Protection Act apply for all information sent. SIMSme temporarily stores data exclusively on servers located in Germany and deletes it again after delivery.

Source: [Deutsche Post DHL](#)

POSTE ITALIANE PLANS TO INVEST FOR FUTURE GROWTH

Higher investments, revenue growth and cost savings are the key objectives in the long-awaited new five-year strategy presented on 16 December by Poste Italiane ahead of a possible privatisation in 2015.

Poste Italiane, which will continue to focus on its current business areas of postal services, logistics and financial services, aims to expand its parcels business in order to grow its B2C market share to more than 30%, and will also develop activities such as mobile phones.

The Italian postal operator plans to invest about €3bn between 2015 and 2019, with the aim of increasing revenues from last year's €26bn to €30bn. In addition, the company wants to reduce the workforce by 8,000. Investments totalling some €3bn will focus on infrastructure and digital platforms, and will include about €500m for the modernisation of the post office network.

Caio emphasised that privatisation remained part of the company's strategy but it is up to the government as the company's shareholder "to decide the timetable". The planned sale of a 40% stake in the company for some €4-5bn could go ahead next year after being postponed earlier this year due to poor financial market conditions.

Source: [CEP-Research](#)

GLS EXPANDS ITALY CAPACITY BY 30%

GLS has expanded its capacity in Italy by 30% this year with €2m worth of investments in eight new depots and a new hub to cope with double-digit volume growth and end-of-year peaks.

The eight new depots were opened in Cerea, Prato, Limena, Orbassano, Conegliano, Brescia, Mergellina and Sondrio, while countless other depots relocated to larger buildings to cope with rising volumes.



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The European parcels operator said this year's expansion will also give it capacity for further growth in the years ahead, including in the B2C market. Parent company Royal Mail noted in its recent half-year results that GLS had generated strong revenue growth in Italy so far this year, driven by rising B2C volumes.

Source: [CEP-Research](#)

ONLINE BOOKSHOP IBS.IT SIGNS UP FOR INPOST-TNT ITALY LOCKER DELIVERIES

Leading Italian online bookstore IBS.it has signed up for deliveries direct to the nationwide parcel locker network operated by InPost in cooperation with TNT.

The Milan-based e-retailer has signed a strategic agreement with TNT Italy for deliveries to the 100 lockers currently in operation in various parts of the country as well as to the 1,200 TNT Points located in retail outlets.

Source: [CEP-Research](#)

UPS TO BUY POLISH HEALTHCARE LOGISTICS FIRM POLTRAF

UPS announced its fourth healthcare logistics acquisition in Europe in the last few years with a deal to buy Polish firm Poltraf to strengthen its position in the healthcare supply chain business. UPS said it has agreed terms with Poland-based investment fund ORTIE to acquire its pharmaceutical logistics company Poltraf Sp. z.o.o. for an undisclosed sum.

The acquisition is the first deal since UPS last month unveiled an updated five-year strategy covering expansion in key vertical markets such as healthcare as well as in international growth markets and B2C activities. CFO Kurt Kuehn told analysts at the event that "there might be some small acquisitions along the way" although growth would be primarily organic.

Explaining the Polish acquisition, UPS said this would further strengthen its healthcare expertise and network in Europe, enabling compliant logistics services to customers for streamlining their product supply to the fast-growing healthcare markets of Central and Eastern Europe.

Source: [CEP-Research](#); [UPS](#)

DHL EXPRESS RUSSIA INVESTS €10M IN MOSCOW GATEWAY EXPANSION

DHL Express Russia is investing €10m in the expansion and modernisation of its gateway at Sheremetyevo International Airport in Moscow to increase the gateway processing capacity by more than 150%.

The customs gateway in Sheremetyevo handles shipments arriving from the DHL Express hub in Leipzig via the daily cargo flight six days a week. Its modernisation is due to be completed in the first quarter of 2015, with the overall storage area where freight shipments are handled due to be extended from currently 3,200 m² to more than 7,500 m².

Source: [CEP-Research](#)



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SWISS POST DELIVERS MILLIONS OF LETTERS AND PARCELS

Between 1 and 24 December, Swiss Post employees processed around 18m parcels. In 2012 and 2013, Swiss Post reported record totals of 16m and 17m parcels respectively. In the week leading up to Christmas this year, over a million parcels passed through the systems almost every day. This is around double the volume compared to a normal working day.

The pre-Christmas period also proved extremely busy when it came to delivering letters: On peak days, Swiss Post's delivery staff delivered up to 20m items. Despite the prevalence of SMS, e-mail and social networks, the physical letter remains as popular as ever: in 2014, Swiss Post successfully proved its production capacity by processing a total of more than 2bn addressed letters.

Source: [Swiss Post](#)

ROYAL MAIL LAUNCHES NEW POSTAGE SOLUTION FOR EBAY SELLERS

Royal Mail has launched Click & Drop, a new online postage and label solution to make it easier for eBay sellers to ship parcels using Royal Mail. This is the next step in Royal Mail's commitment to introduce new easy to use online shipping tools for customers of all sizes.

The new solution allows eBay sellers to integrate their accounts, enabling them to easily buy and print postage labels at the click of a button, without the need for manually

inputting the address of each individual buyer. The online service will also automatically check the delivery postcode to limit the risk of a misdelivery.

Royal Mail has also extended the payment options for those using the new solution. Customers now have the flexibility of paying using their PayPal account as well as debit or credit cards. By extending payment options, marketplace sellers have the option of covering the cost of their postage using the proceeds generated from their marketplace sales, if the same account is used.

Source: [Royal Mail Group](#)

UK E-RETAIL TOPS £100BN IN 2014

UK online retail grew by 14% in 2014 to £104bn and is expected to grow a further 12% in 2015, although delivery companies and e-Commerce representatives warned about the challenges of managing the "extreme activity spike" surrounding heavy discounting periods such as so-called Black Friday and Cyber Monday, which caused major logistics problems last year.

The Christmas shopping period as a whole, defined as the eight weeks between 2 November and 27 December, saw UK shoppers spend £21.6bn on gifts and bargains, equating to a "solid" 13% growth on the same period last year. However, e-retail during December recorded just 5% year-on-year growth – the lowest ever in the Index for this period – as the discounting around Black Friday on 28 November focused huge volumes of sales activity on the final week of November – the week commencing 23 November.

Source: [CEP-Research](#)



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UK PARCEL VOLUMES POST A NEW RECORD IN 2014, DRIVEN BY E-COMMERCE SURGE

Parcel volumes in the UK have reached a new record, boosted by a surge in e-Commerce sales, with the number of parcels from January until November already exceeding the total volumes for the whole year of 2013.

This, in turn, has generated double-digit volume growth for UK operators such as DPD. While the booming e-Commerce in general had a positive impact on retailers' businesses with some of them reporting unprecedented volumes of traffic and orders, the extensive promotions on Black Friday and Cyber Monday created a chaos for some of them, as shoppers held back their orders in the week prior to the 'super sales' weekend, IMRG explained. As a result, some retailers were unable to fulfil orders fast enough at the end of the month, which subsequently created some delays in dispatching parcels, the association further reported. This led to some carriers – including Yodel – struggling to cope with an overwhelming short-term demand. However, contingencies were quickly deployed to ensure that the vast majority of orders will be delivered in time for Christmas.

In terms of cross-border deliveries, 2014 has also seen an increase of deliveries overseas from UK retailers. IMRG estimated that that just under 20m orders were sent abroad in November compared with 18.2m last year.

Source: [CEP-Research](#)

UK SME E-RETAILERS TARGET GROWTH THROUGH INCREASED USE OF ONLINE MARKETPLACES

Royal Mail's annual tracker study into the expectations and challenges facing UK SME online retailers revealed the sector is in positive mood with seven in ten businesses expecting sales to increase in 2015. The study also revealed that UK SME online retailers are planning to increase their use of online marketplace sites, such as eBay and Amazon Marketplace, as they target growth in 2015.

Six in ten reported an increase in sales in 2014, up from the 49% who reported growth in 2013, the study found. The optimism for growth – which is up nine percentage points on last year – is despite 76% of SME online retailers saying competition is more intense than a year ago. The increasing number of websites was the top reason for rising competition, overtaking price sensitivity, which ranked first last year.

Delivery when expected jumped to top of the rankings for factors driving customer satisfaction last year. The price of goods was ranked the second most important factor. UK SME online retailers are increasingly recognising the importance of providing a good returns process for online shoppers. A third of retailers surveyed said a simple returns process was a key factor to customer satisfaction last year, up from 23% in 2013. Three in ten UK SME online retailers will be simplifying the returns process in 2015 to increase customer satisfaction.

Source: [Royal Mail Group](#)

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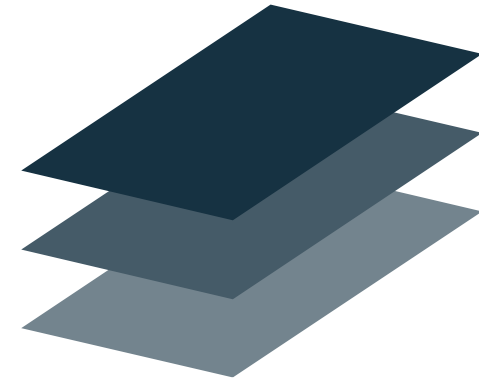
CITY LINK FAILURE 'WAS DUE TO INSUFFICIENT SPECIALISATION'

A final attempt this week to find a buyer for UK parcel delivery firm City Link has failed after “continued substantial losses” drove the company into administration on 24 December and its operations were suspended. The collapse was due to its failure to successfully find a niche in the market and adapt to changing customer expectations rather a correction of market overcapacity, according to industry experts.

E-Commerce consultant Richard Wishart, managing director of Delivery Management, stressed the need for innovation and investment in order to adapt to the rapidly evolving e-retail delivery market. “It is very difficult for a long-term loss-making company to invest adequately in the network redesign and tracking technologies that are required for omni-channel e-Commerce,” he said. He also said collaboration would be a major factor.

Moreover, industry experts believed that finding a place in the e-Commerce market was vital. E-Commerce consultant Elmar Toime stated: “It is a fragmented market and so if you are a small player you need at least a niche advantage: specialist sector, best-in-class cost model, large-sending customer loyalty.”

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



2015



MARKET INTELLIGENCE

International **Post**
Corporation



DIRECT MARKETING SPECIAL

Quarterly newsletter on events, trends
and news in the direct marketing sector



22 January 2015

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DIRECT MAIL GUIDE FOR MARKETERS

In October 2014, IPC published the Direct Mail Guide: Practical guide to cross-channel direct mail for marketers. This is supplemented by an online library of reports, interviews and case studies, as well as a video infographic showcasing the power of direct mail. Some of the main findings of the DM Guide are presented below.

A COMPLEMENTARY CHANNEL

Traditional marketing channels have been shaken up, but not necessarily supplanted by, digital media, and today direct mail is a complementary rather than a competitive medium to digital. Marketers who started their careers in the past ten years are familiar with online and social marketing but less so with direct mail. Nonetheless, direct mail is still used by the largest digital players including Google, Microsoft and IBM.

CHANNEL AGNOSTIC CONSUMERS

As today's consumers are channel agnostic, a campaign often requires a cross-media approach to ensure that it reaches its full potential. The marketing reality is not about finding the best channel, or about choosing between online or offline, but about the right set of channels working together to maximise the return on investment (ROI).

AN ENGAGING MEDIUM

Furthermore, direct mail delivers certain advantages that digital media simply cannot match: it is the only medium which speaks to customers' senses of touch and smell and that addresses a need for tactile experiences. Through



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catalogues and vouchers, direct mail is one of the most impactful channel to boost sales, with for instance 65% of US consumers of all ages make purchases as a result of direct mail.

A BOOST TO ONLINE ACTIVITY

In such a media-rich marketing experience, well-designed direct mail works as an indispensable booster to online activity. When the objective is to expand e-Commerce sales to new markets, a reliable address list and targeted direct mail campaign is all you need to drive traffic to an online store and trigger cross-border sales.

CONCLUSION

Ultimately, to make sure your marketing campaign is successful, regardless of the channel mix you are using, you need to make sure you have the following elements: precise targeting, a good offer and a creative which stands out.



Access the complete Direct Mail Guide [here](#).

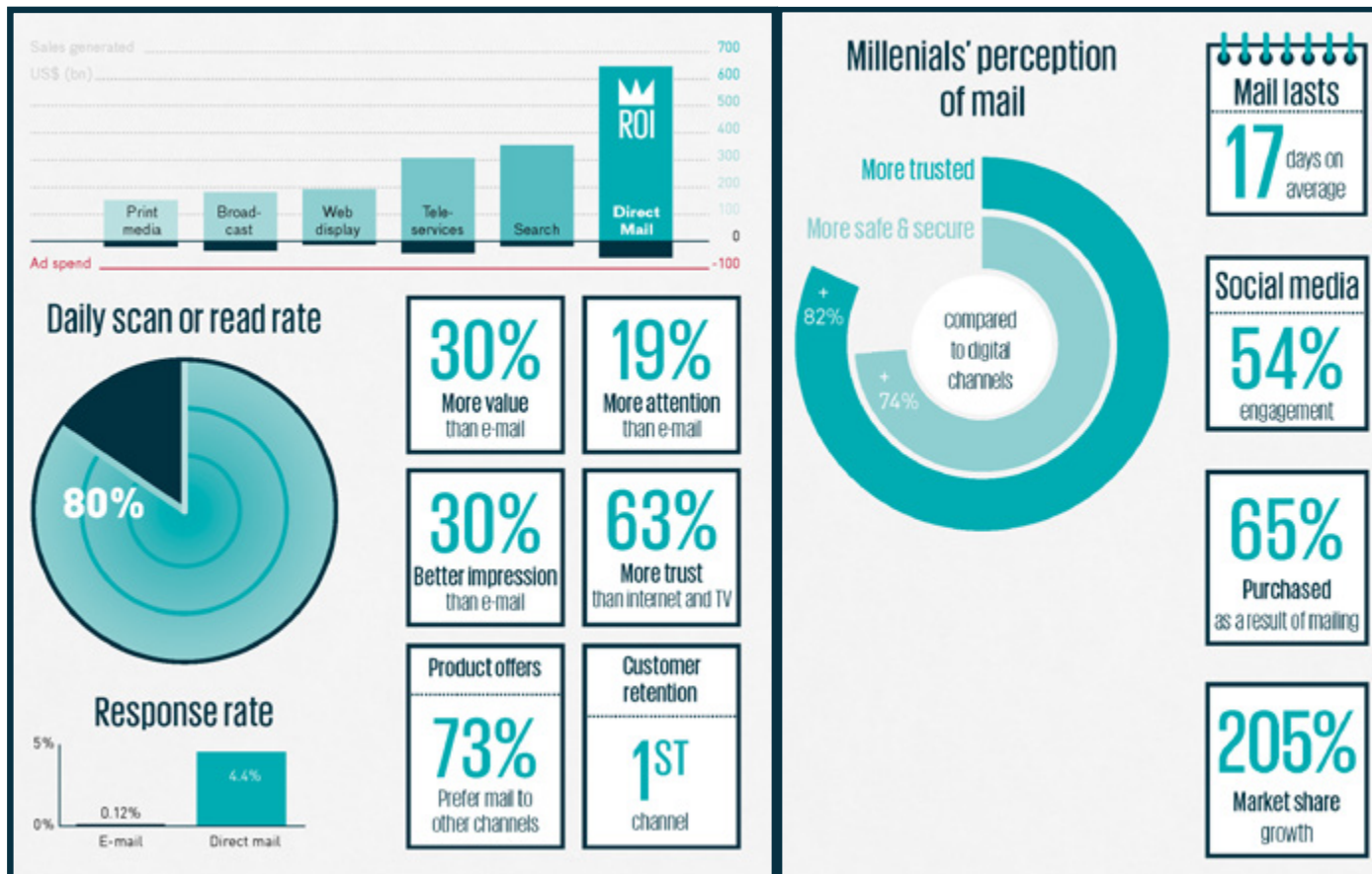


View a video about the power of direct mail [here](#).



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DIRECT MAIL AT A GLANCE



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HOW HAVE GLOBAL MAIL VOLUMES DEVELOPED?

IPC published the 2014 edition of the IPC Global Postal Industry Report (GPIR) in October. The report provides a comprehensive and detailed review of the postal industry. In this section, we present the key findings on mail volume and revenue trends, including the evolution in direct mail.

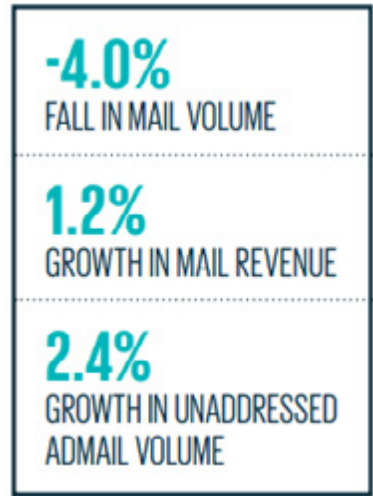
According to the data reviewed in the GPIR, the decline in mail volume across most countries continued to be driven by slow GDP growth, particularly in Europe, and e-substitution. As consumers and businesses continued to move away from physical mail towards digital alternatives, mail volume fell 4.0% on average in 2013. Mail revenue grew by 1.2% in 2013, however, and is still an important source of industry revenue. Average profitability also improved, with EBIT margins remaining stable or improving for most operators compared to 2012. The overall trend came as many operators focused on making mail operations more cost efficient in the face of increased competition, more delivery points and fewer mail items.

Direct mail, which remains a popular marketing channel for consumers, saw volumes improve in 2013 with a number of posts acquiring local admail distribution companies. Despite internet adspend growing rapidly in recent years, the improvement in admail volumes also reflects interest from companies in using direct mail to complement other marketing channels.

The impact of substitution can also be clearly seen in volume trends for major mail product classes over 2011-13. Both transactional and marketing mail has been affected by down-trading to lower-priced products and shifts towards

digital alternatives. For example, e-substitution for government, corporate and personal mail has contributed to the decline in non-priority volume in recent years. With internet usage growing globally, public authorities implementing e-government strategies to simplify administration procedures and reduce costs, and businesses enhancing online billing and payment services, more

and more postal operators are developing online alternatives to traditional mail delivery. Online delivery of traditional transactional mail, either through hybrid mail or offering an online channel through which consumers can communicate with companies, offers operators a long-term opportunity for recovering mail volumes lost through e-substitution. In 2013, 15 of the 45 postal operators analysed offered a digital mailbox to the general public.



Access the complete IPC Global Postal Industry Report [here](#).



Watch an overview of the report's content in an infographic [here](#).



TRENDS



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FIVE DIRECT MARKETING PREDICTIONS FOR 2015

A new year is upon us and for this reason we looked at the most important global direct marketing predictions. These predictions were compiled based on IPC research and are not indicative of any specific market.

1. OMNICHANNEL

However hyped and overused this concept may seem, omnichannel marketing brings amazing, new opportunities for companies, big or small. The idea itself is not new, but only recently did the development of technology enable a cost-effective approach to a 360-degree management of customer interactions.

2. FOCUS ON MOBILE

The increasing use of mobile devices gives marketers more ways to target people during different daily activities. If a consumer gives consent and has connection services such as Bluetooth, WiFi or mobile data enabled, it renders their device an always-on, relevant and personal micro ad-billboard.

3. ADOPTION OF VIDEO

The use of video has increased exponentially over the past few years. YouTube alone has 1bn video views per day on mobile and 94 out of AdAge's top 100 advertisers run YouTube campaigns. Companies with larger marketing budgets already started producing high-quality videos with interactive elements and often a direct-response mechanism. An example from Honda can be found [here](#).

4. FULLY INTEGRATED DIRECT MAIL

A well-planned cross-channel campaign will take full advantage of the strengths of the physical postal medium. With the adoption of data-driven approach and proliferation of various digital channels, direct mail will rarely be used in isolation. However, as marketers are increasingly accustomed to using an online ad creation and booking environment, a simplification of direct mail design and campaign booking tools will be required. On the suppliers' side, the marketing superstars will be companies which will manage to gain expertise in using various channels – either via acquisitions or expansion – to offer a seamless cross-channel capacity.

5. INCREASED USE OF DATA

Data for marketing is becoming more accessible and easier to analyse. Topics such as cost per acquisition and long-term value of customers will have no secrets for savvy marketers. More companies will seek ways to become data-driven as tools become available to help them digest and use the data in real time.



A well-planned cross-channel campaign will take full advantage of the strengths of the postal medium.

CASE STUDIES



- Direct mail grows pizza chain's business
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DIRECT MAIL GROWS PIZZA CHAIN'S BUSINESS

Advertiser • Old Chicago

Industry • Restaurant

Media used • Direct mail

Target group • NA

Date • 2013

BACKGROUND

In order to better identify its target audience, a US-based pizza chain Old Chicago conducted guest surveys and research. The data suggested that it was overlooking specific market, specifically guests who live in ZIP Codes where the average annual income ranged from US\$80,000 to US\$100,000.

Direct mail advertising with coupons was targeted at this specific group, but, surprisingly, it brought Old Chicago a drop in business despite a 10-12% redemption rate. The conclusion: the pizza chain was alienating its core customers – guests who live in ZIP Codes where the average annual income ranges from US\$60,000 to US\$90,000. Keeping these two demographic groups in mind, Old Chicago decided to run a test – they sent the same postcards with coupons (same creative, different redemption codes values) to both groups during the same period.

Read more [here](#).

PAPER INVITATION TO A TECH SEMINAR

Advertiser • BBDO, Belgium

Industry • Advertising

Media used • Direct mail

Target group • ~1,000

BACKGROUND

In 2014, BBDO and Microsoft joined forces to make marketers aware of the fact they needed to catch up with the digital revolution and with new technologies which their customers had already fully embraced. They wanted marketers to come to BBDO Connect – a series of three innovative seminars designed to educate and inspire them with the possibilities of the new technologies.

THE IDEA

The idea started with the insight that if marketers were not using new technologies it was because their outdated marketing handbooks did not discuss them. Over 2,000 pages of old marketing textbooks were ripped out and each was overprinted with an invitation to innovation. Each mailing comprised two pages from an obsolete marketing book, making it clear there were new technologies and new ideas to be discovered at the BBDO Connect event. 'Remember what you should forget. Your future sales are not in this book. Consumers are way ahead. It's time to catch up', stated the invitation, printed on top of the pages.

Read more [here](#).

CASE STUDIES



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MAZDA LAUNCHES CROSS-CHANNEL CAMPAIGN

Advertiser • Mazda

Industry • Automotive

Media used • Direct mail & web

Target group • 44,184 car owners

Date • 2012

BACKGROUND

The objective of this campaign was to bring more clients to the dealers, as well as to enrich and update the client's database. The challenge was to persuade Mazda drivers to do their pre-winter car check with Mazda, and not another service provider. The car dealer had to show that annual maintenance of their car with the original dealer did not necessarily mean paying high premiums.

THE IDEA

Mazda owners received a direct mailing with a link to a personal landing page. The mailing included a discount voucher for a winter check for only €14.95 and the chance to win an iPad or a digital camera. Once they had checked their personal details and amended them where necessary, customers could click through.

Read more [here](#).

MAIL DELIVERS ROCK & ROLL RESULTS FOR COCA-COLA

Coca-Cola Zero, the official sponsor of the music and entertainment festival Rock in Rio, launched a special edition of cans, featuring all music styles among its attractions.

THE CHALLENGE

The challenge was to promote this launch and generate a huge buzz among music fans. So they designed a VIP-Kit, containing a full set of Coca-Cola Zero musical cans and sent it to the most influential celebrities in Brazil. The cans in the kit could be scanned with a mobile app, launching playlists from bands playing in the festival.

And to make it a complete experience, the agency turned the VIP Kit into a passive acoustic amplifier, making it ready to play the songs at full blast, with no cables, no electricity. Just the smartphone's speakers.

Read more [here](#).



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.

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.

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

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

