

IPC Global Postal Industry Report

Key findings

DECEMBER 2013

International **Post**
Corporation

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 ●

About this publication

This report provides a distillation of the data and analysis included in the IPC Global Postal Industry Report. This summary includes an overview of the main trends in the postal industry, as well as a selection of key graphs and commentary from the full IPC Global Postal Industry Report.

The IPC Global Postal Industry Report is published yearly and provides a comprehensive and detailed review of the postal industry. Covering 39 postal operators worldwide along with major integrators, it reports on individual performance as well as factors such as digitisation, e-Commerce and diversification in the postal industry.

The IPC Global Postal Industry Report is available for purchase to stakeholders outside the IPC membership.

The IPC Marketing department also produces the IPC Carrier Intelligence Reports, a range of reports providing instant access to critical financial, operational, strategic and market information for 50 leading postal and logistics operators in an easy-to-read, consistent format.

To have access to the full range of in-depth analysis offered by IPC, please contact us at info@ipc.be.

Message from the President and CEO

Overall, the postal industry is in full transformation and continues to thrive despite decreasing letter mail volumes and an uncertain economic climate. Faced with challenges like market liberalisation and digitisation, postal operators across the world have nevertheless been strengthening their businesses and investing in growth opportunities.

In this context, we feel there is a need for clear and comprehensive analysis of postal industry performance and trends. IPC has positioned itself in recent years as a valuable source of industry knowledge and analysis and, in an era characterised by significant change and business transformation, aims to provide relevant, reliable and timely market intelligence to its members and other postal stakeholders. We have done this by creating a portfolio of market intelligence which provides a solid foundation for our members to benchmark their performance and make informed decisions on key strategic issues.

This year, we have decided to reach out beyond the IPC membership and develop a report which gives an insight into the state of the postal industry. This report is an extension of our already strong range of market intelligence products, including the IPC Global Postal Industry Report and the IPC Carrier Intelligence Reports. In this report, you will find a distillation of the critical market intelligence offered by IPC.

Covering 39 postal operators worldwide as well as the major integrators, this report provides a review of corporate performance and letter mail and parcel volumes and industry acquisitions and divestments, and covers important trends such as digitisation, sustainability, and geographical diversification

I am confident you will find this report a valuable resource.

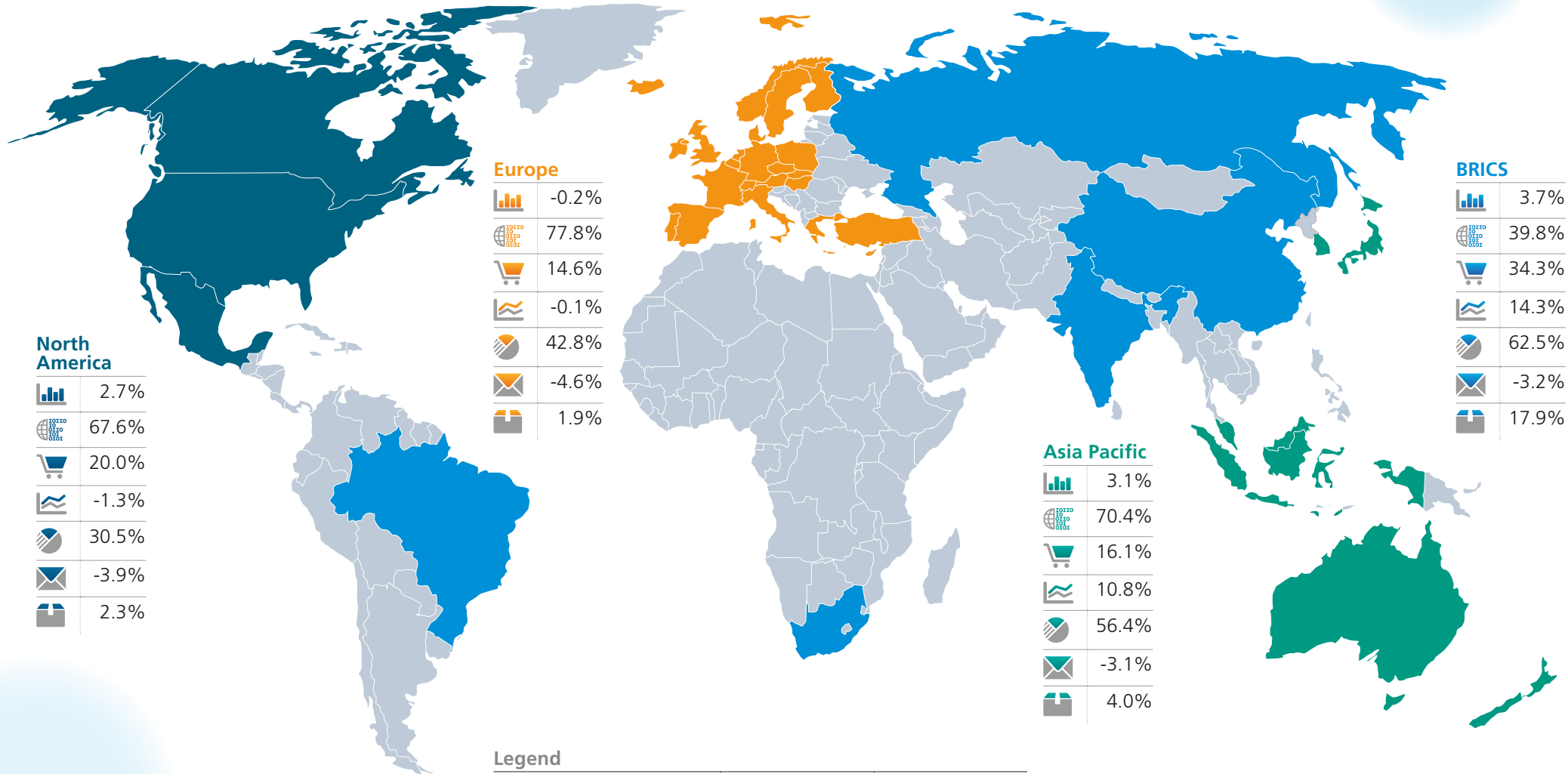
Herbert-Michael Zapf



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Regional overview



North America

	2.7%
	67.6%
	20.0%
	-1.3%
	30.5%
	-3.9%
	2.3%

Europe

	-0.2%
	77.8%
	14.6%
	-0.1%
	42.8%
	-4.6%
	1.9%

BRICS

	3.7%
	39.8%
	34.3%
	14.3%
	62.5%
	-3.2%
	17.9%

Asia Pacific

	3.1%
	70.4%
	16.1%
	10.8%
	56.4%
	-3.1%
	4.0%

Legend

Market			Corporate		Volumes	
Economy	Digitisation	E-Commerce	Revenue	Diversification	Mail	Parcels
Real GDP Δ 2011-12	Internet users 2012	Online retail 5-year CAGR	Revenue Δ 2011-12	Non-mail revenue % of total, 2012	Volume Δ 2011-12	Volume Δ 2011-12

Main findings

Postal operators around the globe continue to face challenges such as increasing digitisation, stronger competition and weaker economic conditions.

As these trends continue to drive structural declines in global letter mail volume, operators have seen new opportunities open up because of e-Commerce growth, all the while making strong efforts to streamline their operations. As a result, most posts increased their **corporate revenue** in 2012.

Revenue growth was strongest in BRICS and Asia Pacific while revenue declined on average in Europe and North America, though individual performances varied considerably within regions. Economic conditions clearly influenced results, as did each operator's level of revenue diversification: on average, mail represented 80% of total revenue for the four weakest performers and only 40% for the four strongest performers.

In absolute terms, **industry revenue** grew by €6.7bn in 2012, driven by an increase of €8.4bn in the parcels and express, postal financial services and logistics and freight segments and offset by a €1.6bn decline in mail. While organic growth was responsible for much of the increase, M&A activity also played an important role: 43 acquisitions were completed in 2012, up from 33 in 2011.

On aggregate, mail revenue declined at the industry level. Nevertheless, many posts saw growth in this segment in 2012, particularly those operating in BRICS and Asia Pacific. The average operator grew mail revenue by 1.7%, helped in many cases by increased consumer letter rates as posts extracted more value from key mail products.

The degree of revenue **diversification** has continued to increase for the industry as a whole as posts have been actively pursuing growth opportunities in other key business areas.

Parcels and express revenue increased across all regions in 2012, in part due to bolstered B2C parcel volumes resulting from the growth in online retail e-Commerce and increased M&A activity.

Corporate revenue growth for many of the top performing posts was driven by strong growth in **postal financial services**. **Logistics and freight** also represents an area of growth for the industry, as evidenced by the significant increase in M&A activity within the segment in recent years.

Moreover, most postal operators with **publicly traded shares** have outperformed the market over the past few years.

There was a clear contrast between mail and parcel & express **volumes** in 2012, with mail volume in decline and growth for parcels and express. While greater internet penetration has increased the rate of e-substitution of letter mail through, for example, the digitisation of consumer invoices, it has also had a positive effect on the shipment of physical goods stemming from e-Commerce transactions. In addition, there remains a strong correlation between the economy and mail and parcel volumes.

The **postal workforce** is evolving as well. Postal operators in the more developed countries are faced with an aging population and workforce; over a third of postal employees were aged 50 years and above. Furthermore, nearly 40% of the postal employees were women.

Meanwhile, amid a setting of business transformation and cost management, many operators were prioritising **environmental sustainability**. Postal operators participating in the IPC Environmental Measurement and Monitoring System have collectively reduced their carbon emissions by 1,622,000 tonnes – down 19.4% compared to the programme's 2008 baseline. With transport accounting for 40% of postal carbon emissions, many operators have heavily invested in alternative vehicle fleets.

Revenue development

Despite increasing digitisation and adverse economic conditions, global postal industry revenue keeps growing. This growth varies, however, between regions, operators and business areas.

Overall industry revenue in 2012

€422.6bn

Mail revenue share in 2012 47.1%

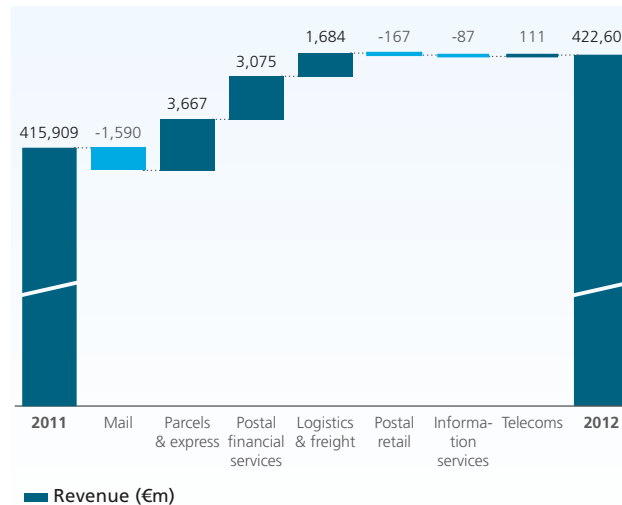
Global industry revenue development

Overall industry revenue reached €422.6bn in 2012, up from €415.9bn in 2011.

The following graph shows how this growth is spread over different business areas and which segments have shown the strongest growth. Mail revenue fell by €1.59bn as most operators saw revenue for this segment either remain steady or decrease in 2012.

Consistent with the increase in industry diversification in recent years and as posts continue to transform their businesses to take full advantage of new market opportunities, other key business areas saw significant growth over the period, especially in parcels & express, financial services and logistics & freight.

Fig. 1 Global industry revenue, 2011-12

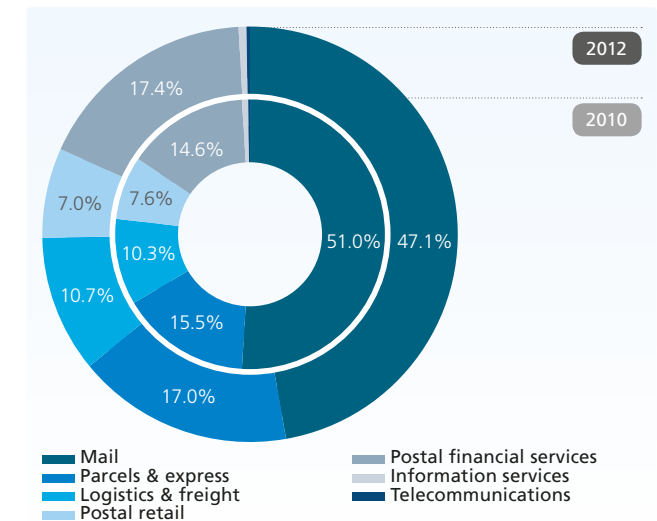


Business area overview of industry revenue

The degree of revenue diversification increased for the postal industry as a whole over 2010-12, with the share of mail revenue falling 3.9 percentage points to 47.1%.

Postal operators around the globe have continued to extract more value from their core business in the face of structural declines in volumes. However, digitisation, competition, economic conditions, channel substitution and changing customer needs have all contributed to the general decline in industry mail revenue.

Fig. 2 Global industry revenue by business area, 2010-12

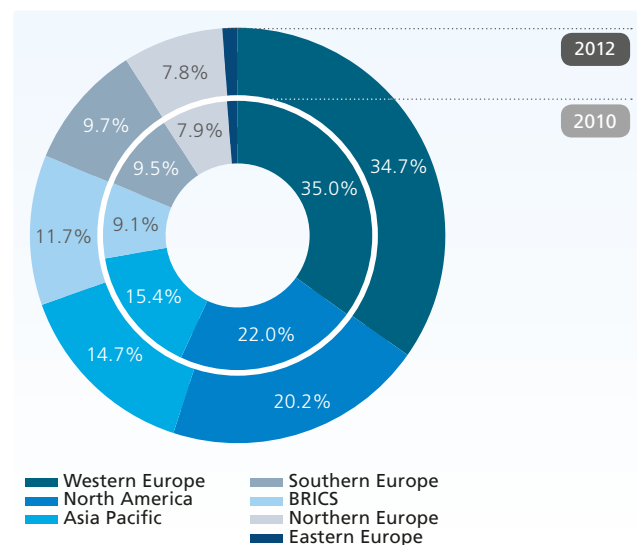


At the same time, posts have been actively pursuing growth opportunities in other key business areas. Parcels & express, logistics & freight and postal financial services have increased in importance over the past three years and now account for 45.1% of total industry revenues, up 4.7 percentage points on 2010.

Regional overview of industry revenue

Looking at the spread of industry revenue of the 39 operators analysed, there are clear differences between the regions. While Europe's share remained steady over 2010-12, North America declined in importance to 20.2%. Similarly, Asia Pacific's share fell over the period. BRICS increased its share of industry revenue by the largest margin, driven by stronger economic conditions and significant e-Commerce growth in these countries.

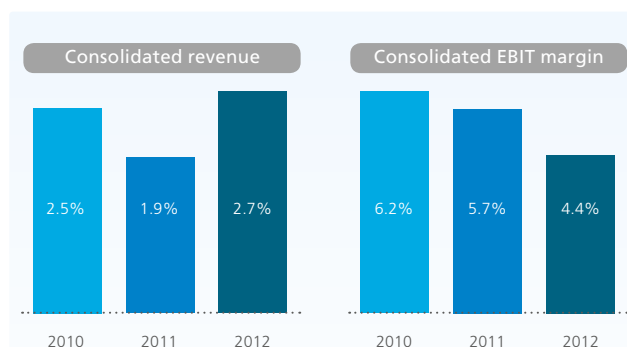
Fig. 3 Global industry revenue by region, 2010-12



Average corporate revenue development

Differences in revenue development between operators remain large, but on average the trend has been positive over 2010-12. The vast majority of operators analysed saw revenue develop between 6.0% and minus 2.0% in 2012. Average revenue growth fell following the global financial crisis but has continued to improve since. However, individual performances varied considerably over the period, with higher variability in revenue growth for some and lower variability for others.

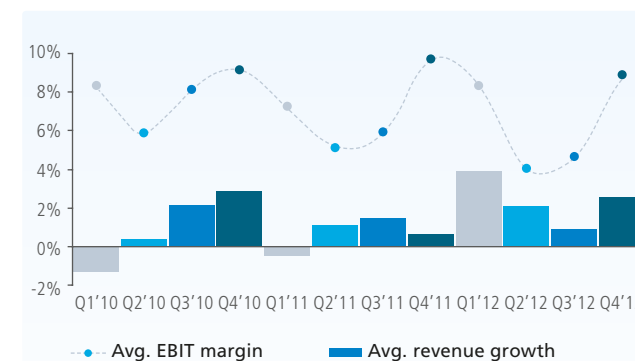
Fig. 4 Corporate revenue and profitability development, 2010-12



Seasonal revenue development

Adding to the annual trends discussed, this graph shows the seasonal nature of the postal industry for eight operators with consistent quarterly data over 2010-12. Throughout the period, operating profitability was highest in quarter four as customers sent more letters and parcels domestically and around the globe during the holiday season.

Fig. 5 Quarterly corporate profitability and revenue, 2010-12



“ On average the revenue trend has been positive over 2010-12 ”



A sector in transformation

As mail volumes decline and parcel volumes continue to grow, operators are increasingly looking to transform their businesses by re-aligning and streamlining operations and expanding into new areas of growth through acquisitions and product diversification.

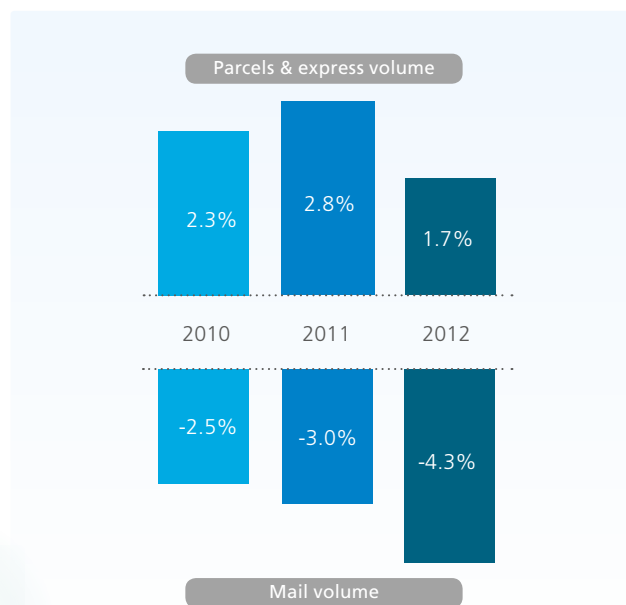
“There were strong correlations between economic growth and both mail and parcels & express volumes over 2010-12”

Mail and parcel volume developments

The average operator saw mail volumes fall by 4.3%, parcel and express volumes up 1.7%.

There were strong correlations between economic growth and both mail and parcels & express volumes over 2010-12. Posts operating in contracting economies generally saw below average developments in both mail and parcels and express volume.

Fig. 6 Total mail and parcels & express volume, 2010-12

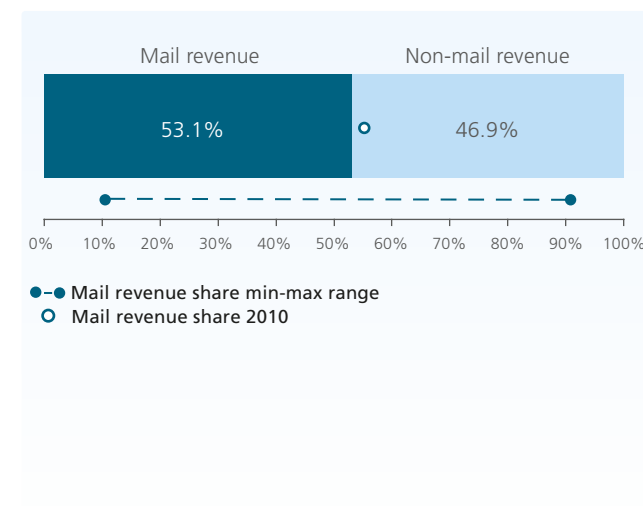


Revenue diversification

Despite mail representing about half of total industry revenues in 2012 the importance of this business unit differed across operators, ranging from 10.1% to 92.2%, with mail representing 53.1% of the revenue base for the average operator.

However this situation is gradually changing as posts continue to transform their businesses, with the vast majority of operators seeing mail decline in importance since 2010. Overall, the average operator saw diversification increase by two percentage points over the period.

Fig. 7 Carrier revenue diversification, 2010-12



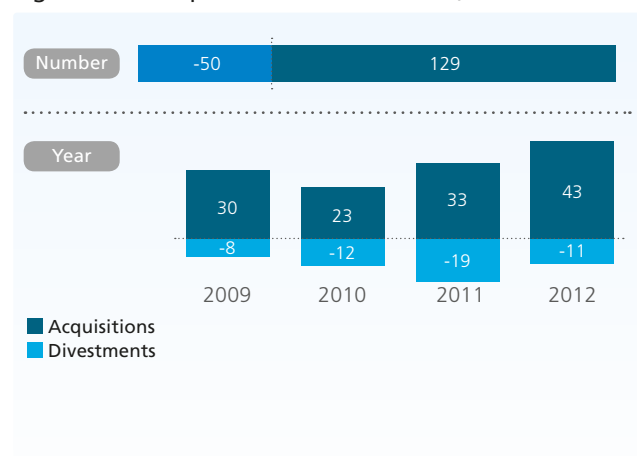
Acquisitions and divestments

Acquisitions and divestments play an important role for operators in both consolidating positions in existing markets and expanding into new markets and geographical regions. While not taking into account the size and importance of each individual acquisition, the graphs below provide an indication of how operators have been pursuing 'inorganic' growth and investment opportunities over the past four years.

There were 129 acquisitions and 50 divestments completed by 22 operators over 2009-12. Since 2010 there has been a steady increase in the number of businesses acquired, peaking at 43 individual acquisitions in 2012.

The nature and location of the businesses acquired and divested over the period varied considerably, with business operating in the logistics, parcels, information services and mail segments being the most common acquisitions.

Fig. 8 Postal acquisitions & divestments, 2009-12

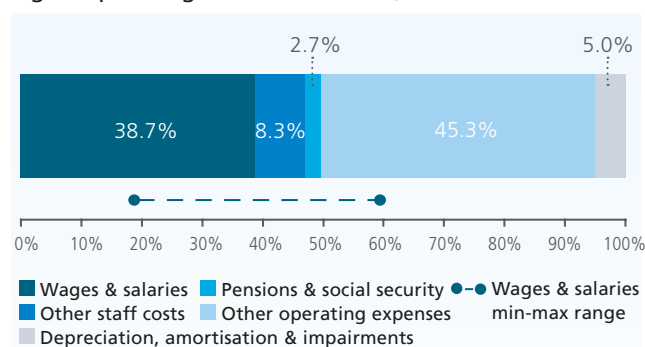


Operating costs

Optimising operating costs is as much part of postal transformation as diversification. The following graph sheds some light on the global operating costs of postal operators.

On average, total staff costs accounted for 49.7% of total costs. The relative share of wages and salaries as a percentage of total costs varied considerably across operators in 2012, from 18.8% to 59.8%.

Fig. 9 Operating costs breakdown, 2012



129 acquisitions

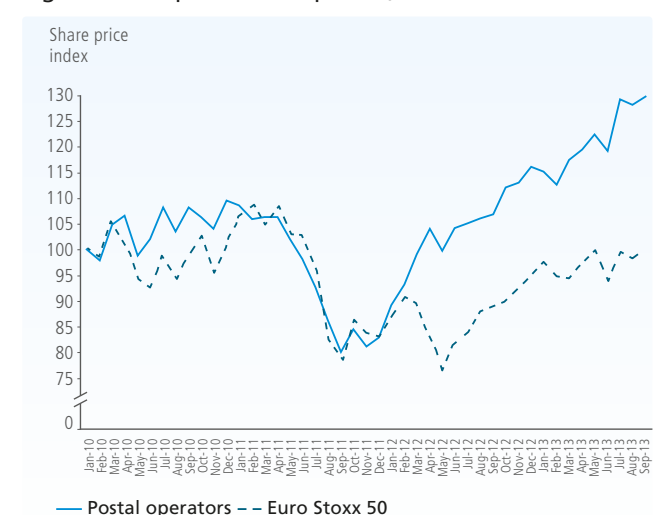
50 divestments

Publicly traded shares development

The ongoing transformation has had a positive effect on the market performance of postal operators listed on the stock exchange. This is reflected by the generally positive trend of publicly traded shares of these operators.

Between January 2010 and September 2013, most postal operators outperformed the Euro Stoxx 50, some by a large margin.

Fig. 10 Share price development, 2010-12



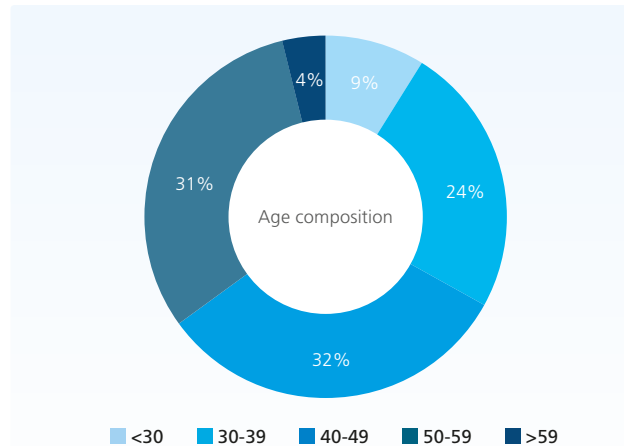
A people's industry

At the heart of the postal industry is a workforce of several million employees. This section sheds some insight in the age and gender profile of the postal workforce.

Age composition

This graph shows the average age profile across 13 operators in 2012. The challenge for the industry is clear: an average of 35% of the workforce are aged 50 years and above, with categories above 40 years representing 67% of staff. By contrast, the under-30s represent only 9% of the workforce, and no operator had more than 50% of staff aged below 40 years.

Fig. 11 Age profile, 2012

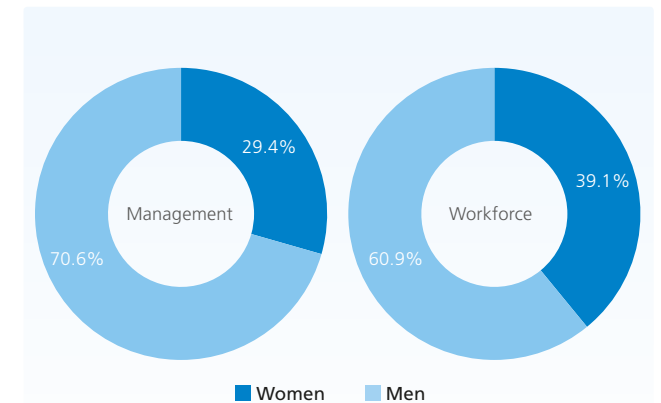


Women in the postal industry

On average, 39.1% of all staff and 29.4% of managerial staff were women, though there was significant variation among operators. The proportion of female employees varied from 19.9% to 62.4%, while the female manager ratio ranged from 8.0% to 61.0%.

The correlation between the female employee ratio and the female manager ratio was quite strong indicating that operators with a high proportion of female employees also tend to have a high proportion of female managers.

Fig. 12 Women in the postal industry, 2012



35% share of workforce aged 50 years or more

39.1% share of women in the workforce

A responsible industry

Under the umbrella of the IPC Environmental Measurement and Monitoring System (EMMS), 25 postal operators from Africa, the Americas, Asia Pacific and Europe have committed to reducing their carbon emissions and are collaborating to improve their environmental sustainability.

This section highlights some of the progress made since IPC launched its sustainability initiative in 2008.

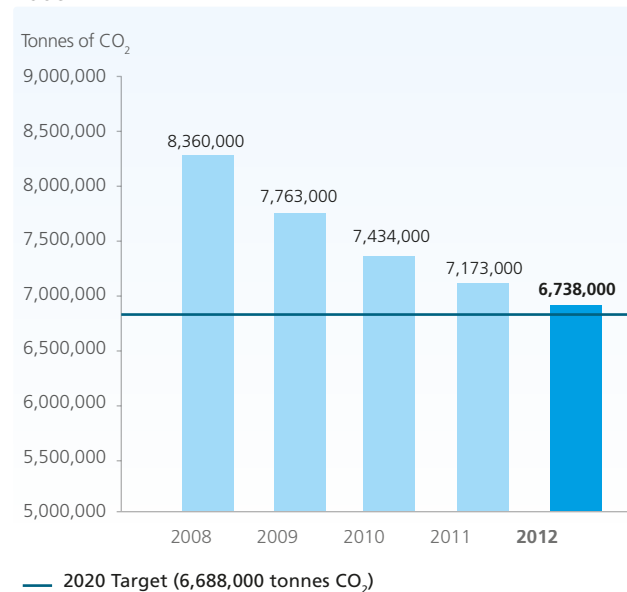
61% increase in alternative vehicles

19.4% reduction of CO₂ between 2008 and 2012

Postal sector sustainability

Carbon emissions are measured annually for all operators participating in the EMMS programme. Launched in 2008 as the first sector-wide sustainability programme in a services industry, the programme has expanded from 16 to 25 participants. The original goal of the EMMS programme was to reduce carbon emissions by 20% by 2020 compared to 2008 levels. As reported in the 2013 IPC Postal Sector Sustainability Report, these operators have reduced their carbon emissions by 19.4% – a total of 1,622,000 tonnes of CO₂ over the course of five years.

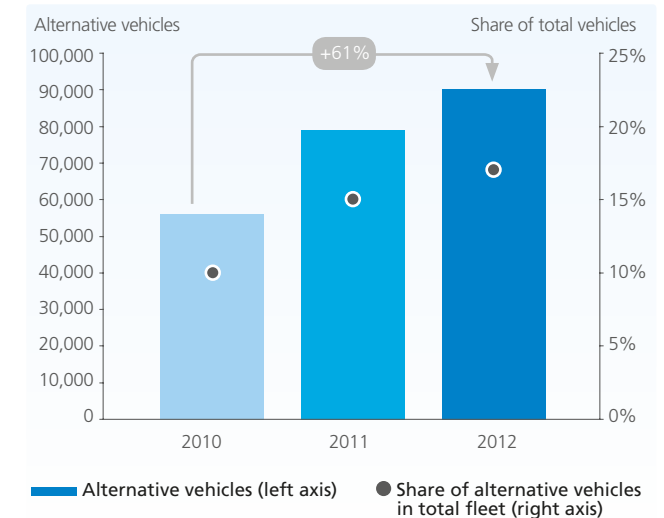
Fig. 13 EMMS participants' yearly CO₂ emissions, 2008-12



Alternative fleet development

EMMS participants have continued to lessen the impact that their operations have had on the environment. As transport accounts for 40% of participants' combined Scope 1 and 2 CO₂ emissions, the use of alternative fuels represents one way in which this has been achieved. Since 2010, alternative-fuel vehicles used by participants have increased by more than 30,000 and their share of total fleet up by seven percentage points. Of the group's 516,000 total vehicles in 2012, 90,000 (17%) used alternative fuels and were mainly small to medium in size.

Fig. 14 Alternative fleet, 2010-12



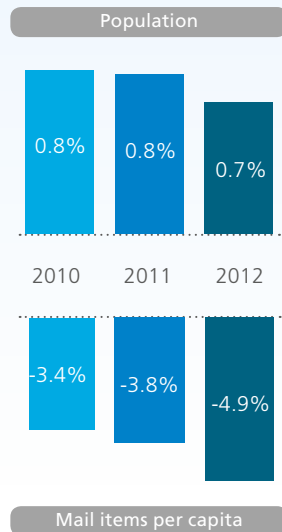
Outlook for the future

The postal industry is in full transformation and current trends in mail and parcel volume development provide some insight into the future of the industry.

Mail volume per capita

This graph shows the development of mail items per capita over 2010-12, which on average declined by 4.9% in 2012. Mail items per capita varied from 5 to 705, with an average of 217 across the sample of operators.

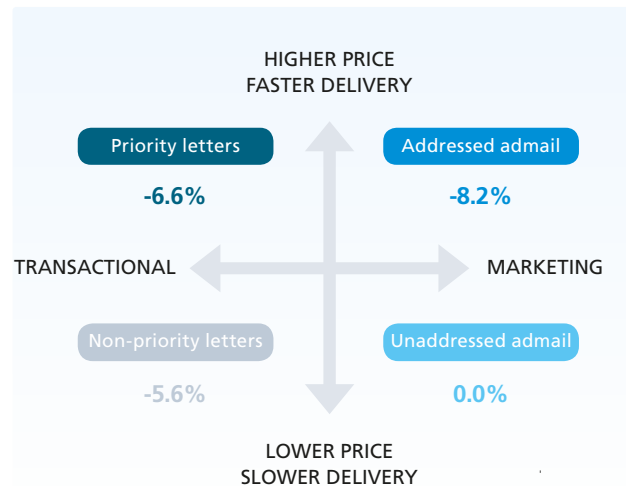
Fig. 15 Mail items per capita, 2010-12



Mail product volume development

Continuing a trend in recent years, 2012 saw faster, higher-priced products (priority letters and addressed admail) continue to decline more rapidly than slower, lower-priced products (non-priority and unaddressed admail). However, results varied widely across operators in 2012.

Fig. 16 Key mail product volumes, 2012

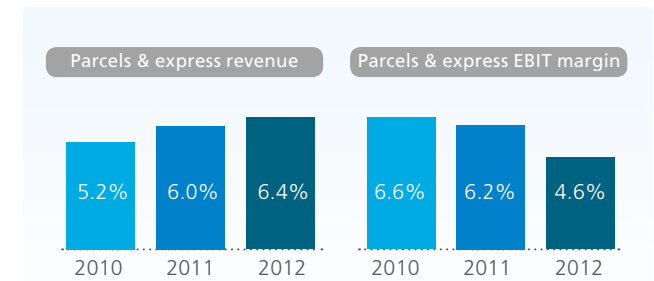


Parcels & express performance

Parcel and express revenue fell sharply following the global financial crisis, but has steadily improved since with average growth rates positive and improving over 2010-12. Average parcel and express revenue growth was 6.4% in 2012. However, much like in the mail segment, individual performances varied considerably.

Most operators posted a positive EBIT margin in 2012, up 4.6% on average and down from 6.2% in 2011.

Fig. 17 Parcels & express revenue and profitability, 2010-12



6.4% parcels & express revenue growth in 2012

Notes and sources

Data sources

This report provides a summary of the key findings of the IPC Global Postal Industry Report and relies on a variety of internal and external sources.

Internal

- IPC member questionnaires
- IPC Statistical Database
- IPC Carrier Intelligence Reports
- IPC Postal Sector Sustainability Report 2013
- IPC Market Flash
- IPC Regulatory Flash

External

- Operator annual and interim reports
- Operator websites
- European Central Bank – Euro exchange rates
- Euromonitor – Internet retail sales
- International Monetary Fund – Real GDP; Population
- International Telecommunication Union – Internet users
- Yahoo! Finance – Operator share prices and Euro Stoxx 50

Notes

This report includes data for the following 39 postal operators: An Post; Australia Post; bpost; Canada Post; China Post Group; Correios Brasil; Correos; Correos de Mexico; CTT-Correios de Portugal; Cyprus Post; Czech Post; Deutsche Post DHL; Hellenic Post-ELTA; Hongkong Post; Iceland Post; India Post; Itella Corporation; Japan Post Group; Korea Post; Le Groupe La Poste; Magyar Posta; New Zealand Post; Norway Post; Österreichische Post AG; P&T Luxembourg; Poczta Polska; Pos Indonesia; Pos Malaysia; Poste Italiane Group; PostNL; PostNord; PTT-Turkish Post; Royal Mail Group; Russian Post; Singapore Post; Slovenska Posta; South African Post Office; Swiss Post; United States Postal Service. Some analyses also include data from UPS, FedEx and TNT Express.

The overall sample size varies for each analysis due to data availability. Moreover, the sample sizes for some analyses may differ from those included in the IPC Global Postal Industry Report. This has been done to ensure consistent reporting across all years for some multi-year analyses covered in this report. Some averages may therefore differ from those in the IPC Global Postal Industry Report.

Unless otherwise stated, all averages refer to an unweighted mean across operators.

Graph notes

- Fig. 1** Based on data for 39 postal operators. Local currencies converted into euros.
- Fig. 2** Based on data for 38 postal operators. Local currencies converted into euros.
- Fig. 3** Based on data for 38 postal operators. Local currencies converted into euros.
- Fig. 4** Based on data for 32 postal operators.
- Fig. 5** Based on data for 8 postal operators. Local currencies converted into euros. Q4 data estimated as full year less the sum of Q1-Q3 for some operators.
- Fig. 6** Mail volume data based on 24 postal operators. Parcels & express volume data based on 18 operators.
- Fig. 7** Based on data for 32 postal operators.
- Fig. 8** Based on acquisitions and divestments as reported by 22 operators.
- Fig. 9** Based on data for 19 postal operators.
- Fig. 10** Postal operators include Deutsche Post DHL, Österreichische Post AG, PostNL and Singapore Post.
- Fig. 11** Based on data for 9 postal operators.
- Fig. 12** Based on data for 22 postal operators.
- Fig. 13** Mail and parcel combined Scope 1 & 2 carbon emissions. Based on the original set of 20 EMMS participants.
- Fig. 14** Based on the original set of 20 EMMS participants.
- Fig. 15** Based on data for 24 postal operators.
- Fig. 16** Based on data for between 9 and 17 postal operators depending on the mail product analysed.
- Fig. 17** Parcels & express revenue based on data for 18 operators. EBIT margin based on data for 15 operators.

For further information, please contact info@ipc.be

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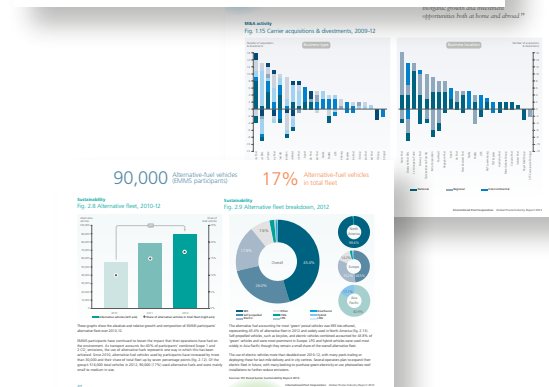
The following two Market Intelligence products – the IPC Global Postal Industry Report and the Carrier Intelligence Reports – are available for purchase.

For pricing information, order forms and further product information, please visit www.ipc.be or contact info@ipc.be.

IPC Global Postal Industry Report:

The sector's most comprehensive, holistic and in-depth report on postal industry trends and performance.

- 100 pages of industry-specific analysis updated and refreshed each year
- Worldwide coverage of 39 postal operators and three global integrators
- In-depth review and comparison of corporate and business unit performance
- Solid foundation to benchmark performance and better understand industry trends
- 2013 report available for purchase and immediate download



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Critical financial, operational, strategic and market information on the leading global postal operators.

- 50 individual profiles of leading postal and logistics operators
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- Standardised presentation to enable easy comparison across companies
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GREECE



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ICELAND



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