2014 | MARKET INTELLIGENCE

International Post Corporation

STRATEGIC PERSPECTIVES ON THE POSTAL MARKET

Key insights from IPC market intelligence and best-practice sharing

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May 2014

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

IPC's Strategic Perspectives on the Postal Market provides a distillation of the cooperative work carried out between member postal operators and IPC over the past 12 months to the year ending 31 December 2013. This year's edition focuses on how changes in the use of technology are driving developments in both e-Commerce and data-driven marketing. We also look at the implications for postal digital business and how the postal sector's initiatives in sustainability compare with other industry sectors.

In a rapidly changing market, a cooperative platform to share best practice, provide short and long-term industry forecasts and monitor industry trends is an efficient way to inform strategic choices. We have drawn on the outcomes and findings of IPC's Senior Executive Forums (SEFs), Best Practice Seminars (BPS) and the IPC Postal Sector Sustainability Report. IPC SEFs in Australasia, Europe and North America over the reference period combine input from a wide spectrum of senior postal executives with leadership roles in their areas of responsibility.

In addition, in 2013 IPC continued its research partnerships with two leading global academic institutions: the Stanford Graduate School of Business and the Massachusetts Institute of Technology Center for Digital Business. These partnerships provide a critical external and academic assessment of postal innovation against global best practices, both in supply chain management and in focusing how digital technologies can deliver measurable business value.

We have drawn out the key trends, challenges and solutions as identified through our intelligence gathering, research and best-practice-sharing platforms, to give an overview of the most recent strategic thinking from inside and outside the postal industry in five key areas: e-Commerce; data-driven marketing; digital business, and the postal sector environmental sustainability programme. Each of the following four chapters discusses these topics in detail. The following is a digest of the main points and findings for each chapter presented by means of an executive summary and is drawn from the conclusions of each chapter.

E-COMMERCE

The continued growth of e-Commerce is fuelling growth in packets and parcels in postal networks both domestically and internationally as well as in the networks of the integrators and increasing number of private parcels delivery operators. In addition there are many new players who are moving down the supply chain to enter the logistics market to capture growth and margins. Through its work with the Stanford Global Supply Chain Management Forum, IPC members have been able to hear firsthand from companies in Silicon Valley who are championing the very latest in e-Commerce developments.

Amazon has set the bar very high for all operators in the e-Commerce arena and continues to dominate the market in North America and Europe with year-on-year growth of 30%, largely driven by its expanding Amazon Prime customer base and the range of bundled advantageous services available to these customers. In Japan similar dominance is seen through the marketplace Rakuten and in China through the Alibaba Group.

Having set the norm with free delivery, tracking and free returns, Amazon is moving down the delivery value chain itself into delivery. They are not on their own in this as other online internet giants including eBay and Google are also offering delivery services for e-Commerce, albeit on a limited trial basis.

Many retailers are looking at their business models to address services that Amazon is not providing, such as customised goods and excellent face-to-face customer service. Traditional brick-and-mortar retailers are ramping up their ‘order online and collect in store’ services, offering customers the convenience of online shopping with the instant gratification of collecting the goods the same day.

The potential e-Commerce prize for postal operators is huge, and postal parcel services are at an advantage as they have traditionally been more geared towards the C2C market. Competition in the marketplace for B2C e-Commerce delivery is now so intense that postal operators need to work together in a partnership of competition and cooperation. Examples of such successful partnerships are to be seen in other industries such as the airlines.

The postal sector is responding to the needs of global e-retailers and consumers through the IPC e-Commerce Interconnect Programme which is introducing end-to-end delivery service standards for participating postal operators around the globe. The aim is to improve the visibility of parcels through the network and the reliability of the delivery service to the consumer through the provision of defined, reliable end-to-end delivery standards.

In this chapter we see how posts are successfully diversifying into new areas of e-Commerce with case studies from Norway Post, Austrian Post, bpost, Poste Italiane, New Zealand Post, Le Groupe La Poste, Swiss Post, US Postal Services, PostNL, Australia Post and Hongkong Post. Although many of these case studies are domestic, increasingly postal operators are realising that the bigger prize is to be gained through addressing the needs of the cross-border e-Commerce market. It is this global cross-border market place that IPC believes will be the future as e-Commerce truly becomes the new normal.

DATA-DRIVEN MARKETING

Data-driven marketing reflects the effect big data is having on the preferred channel choices of marketers in their engagement with the consumer. In the US in 2012, producers of goods and services spent around US$156bn on data-driven marketing services based on individual-level consumer data (ILCD) and this benefited the overall economy through the employment of 676,000 people.

Not all marketing channels are perceived by consumers to be effective as shown by the findings of a major new study commissioned by Australia Post in 2013. To achieve true consumer-centric marketing, consumer preferences must be front and centre. Organisations need to understand which channels are appropriate for different message types and how generational differences can alter how individuals like to be communicated with. We are no longer in a world of “one size fits all”. Each customer is unique and the key to successful marketing is to treat them as such. This research provided a unique insight into effective channel usage and how to truly engage with audiences. It is clear from the results that not all channels are created equal – however, all have a role to play in customer communications, albeit for different audiences, purposes and contexts. It is the job of marketers to translate this new knowledge into a successful multichannel marketing mix.

Marketing communication professionals need to use data to understand their customers and data-driven marketing is a science established on the traditional analytical basis of direct mail; it has become part of the total marketing mix, starting from customer data gathered from a website and building on this through all available communications channels as data-driven marketing is truly channel agnostic.

Data is the biggest opportunity and the biggest challenge for the marketing community and according to the Association for Data-driven Marketing & Advertising (ADMA), less than 15% of companies surveyed in Australia are satisfied with their data sources.

In many cases technology is dictating the development of data-driven marketing. Technology is dominating the discussions at the table when marketing campaigns are developed and mail is not part of this conversation. The marketing technologist needs to be targeted by posts and communicated with in order to understand mail. The customer experience is the focus for marketers – using data, technology, content and creativity. Marketers need to consider how customers want to hear from them and to reverse engineer this interaction to be part of the conversation and to consider how mail can continue to play a role in the customer experience.

There are major data opportunities for posts through augmented data and analytics and posts need to develop or acquire the expertise to analyse data. There is data throughout the postal business and this needs to be exploited.

Posts need to engage with their customers in a discussion about mail and how it drives other channel engagement. We need to get away from a negative perception about mail and prove that when combined with other channels it is effective.

Content marketing is one of the biggest objectives for companies. Direct mail needs to be about engagement, about content and must support content marketing. Direct mail is how companies can get their content in front of their customer and so data-driven marketing presents huge opportunities for posts.

IPC has set up an online community, IPC Direct Marketing PostBoard to establish a continuous dialogue between direct marketing experts from its membership. PostBoard launched in October 2012 has over 100 participants from 20 IPC member posts and provides a channel to engage with peers around the globe to exchange ideas, research and best practice.

The IPC Direct Marketing PostBoard has shown that direct mail faces the same issues across the world; that posts are developing online direct marketing tools and that there is a strong will to share knowledge and business ideas. In addition IPC offers an online library of case studies in direct marketing as part of its strategy to support its members to defend the core postal business of both transactional and promotional mail.

DIGITAL BUSINESS

IPC commissioned research on behalf of its members in 2013 from the Massachusetts Institute of Technology's Center for Digital Business. The findings from the report on Digital Transformation in the Postal Industry outline the factors which are driving successful digital transformation among large organisations.

Posts recognise the opportunities of digital transformation but also lean towards caution in their framing of digital changes. Many posts lack the radical digital visions that are required to catalyse the necessary organisation-wide changes.

Collectively, posts are careful with their digital funds and their experiments with digital tools. However, they may be overlooking the need to invest in new human capital as well as new technologies. More attention to developing appropriate technical skills, stronger partnering skills and greater cultural adaptability is warranted.

Postal digital activity is already extensive and varied. Further digital experimentation in the following areas could be rewarding:

- Focusing on mobile technologies to engage individual and SME customers in co-creating the services they seek
- Promoting further self-service by integrating multi-channel customer interfaces with internal operational processes
- Leveraging existing expertise plus the possibilities of low-cost digital replication to tailor existing services for additional customer segments
- Leveraging digital tools to identify and reach evolving and new customer segments
- Partnering and collaborating broadly to rapidly gain additional digital skills and experience even while delivering novel digital services
- Using trusted brands and unmatched physical footprints to broker any kind of relationships (B2C, B2B, G2C, etc) that can benefit from integrated physical and digital relationship management

Although posts are engaged in many novel digital initiatives, most are not leveraging the full potential of digital business with a view to enterprise-wide transformation. In many cases, decisions on digital investments and governance of digital initiatives are happening at a departmental or unit level rather than at the enterprise level. As a result, there is fragmentation of the infrastructure and data stores that underpin digital activity.

In most posts, the potential role for the IT unit in digital transformation is not well understood, and IT is situated at the periphery of digital decision making.

SUSTAINABILITY AND ALTERNATIVE FUEL VEHICLES

Through participation in the IPC Environmental Measurement and Monitoring System (EMMS) which was established in 2008, IPC members have reduced their collective carbon emissions by nearly 20% and are now just 50,000 tonnes short of the target set for Scope 1 and 2 emission reductions by 2020. In addition, participants have increased their collective carbon management proficiency to 76% which represents a year on year increase of six percentage points on the previous year.

Postal operators are increasingly focused on reducing their reliance on gasoline. Of the 500,000 vehicles in the EMMS fleet in 2009, around 57,000 (10%) were alternative fuel vehicles; in 2012 more than 16% (almost 97,000) were alternative fuel vehicles.

The need to champion alternative fuel vehicles is vital to the postal industry as in 2012, of the Scope 1 and 2 emissions around 40% came from transport. However if Scope 3 emissions are included around 77% is caused by transport.

There is a big divergence between North America and Europe in terms of which types of alternative fuel vehicle are being promoted. In North America the focus is on E85 (bio-ethanol). In Europe the focus is on electric for smaller vehicles and on CNG for medium sized vehicles.

There is currently no suitable alternative fuel vehicle for heavy trucks which account for more than 50% of fuel costs for the more logistics focused postal operators.

Engagement with the vehicle manufacturers is required to promote the development of positive business cases to fund suitable vehicles for the postal sector. Deutsche Post DHL determined that there were no suitable alternative fuel commercially available vehicles that were fit for purpose and has developed a bespoke delivery van for parcel deliveries together with Bombardier.

IPC continues to work with members, vehicle manufacturers, NGOs and other industry associations to promote best practice and sustainable transport infrastructure for its membership. There is a strong commercial justification for doing this as between 2009 and 2012 over 324m litres of fuel were saved by EMMS participants which represents an accumulated cost saving of €265m.

E-COMMERCE

As high-speed broadband facilitates everyday life and consumers become increasingly mobile, e-Commerce continues to grow in double digits year on year and has become a key driver of global commerce.

The online world has resulted in the emergence of new business models to challenge the traditional ones – including the postal delivery model. Posts are acting to consolidate their positions by developing new offers to meet consumer needs and to interconnect their networks around the globe.

This chapter looks at the latest trends in e-Commerce, at the changing consumer needs, e-retailer strategies and growth opportunities for posts worldwide. The content builds on the intelligence gathered at various IPC events during the last twelve months including the IPC Annual Conference in May 2013 in Oslo, the e-Commerce symposium held in Stanford in October 2013 with the Stanford Graduate School of Business, and the IPC Senior Executive Forums on e-Commerce held in November 2013 in Brussels and Melbourne.

2.1 KEY FINDINGS

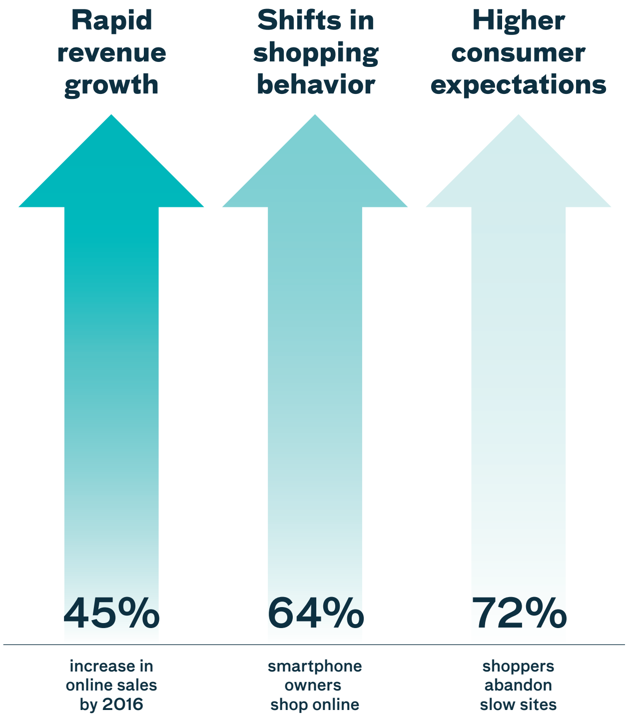
- Total B2C e-Commerce sales amounted to slightly over €1tn in 2013.
- Overall e-Commerce sales are set to grow by 45% by 2016.
- E-Commerce traffic is increasingly passing through a wide range of channels and is moving past a multi-channel approach to an omni-channel experience.
- Google Shopping Express and eBay Now offer same-day delivery services, which respond to a growing consumer demand for convenience and speed.
- Google believes the same-day delivery of goods from local stores can be a retail revolution. It is a merger of online technology and local retail outlets, built on the back of Google Maps data.
- As a retailer with a strong high-street presence, Macy's has developed a commercial strategy which focuses on leveraging in-store pick-up options, which provide immediacy and personal interaction.
- Only 2% of all US wine purchases are made online, therefore there are plenty of opportunities for online wine fulfilment and Wine.com is growing at 19% CAGR.
- Norway Post is piloting large shared letter boxes using RFID technology, which provide a secure space in which parcels and packages can be delivered at the consumers' homes.
- In Belgium, bpost continues to develop its Shop & Deliver service with the aim to "bring everything that really counts to every door". bpost is working on a transformation from mail to goods in order to build its future business.
- Poste Italiane has developed a fully integrated e-Commerce offering to address the different needs of Italian SMEs by supporting the end-to-end e-Commerce process.
- New Zealand Post is aiming for a more integrated model among its business units so as to create much more value for the group and sees digital business is an enabler to the core business.
- Le Groupe La Poste created a digital division one year ago, called La Direction du Numerique.
- Russia is the biggest opportunity for Itella. There are 68m online users in Russia, making it the biggest market in Europe. Itella is already a market leader in third-party logistics in Russia.
- To facilitate the growth of e-Commerce, USPS has introduced a new service called Parcels Select for small parcels weighing from 3.5oz to 1lb (100g to 1.59kg) with a free tracking service.
- Australia Post is investing over AU$1bn, having already spent AU$400m on the acquisition of StarTack, which provides 100% B2B capability; the post is now linking up to have the B2B2C interoperability across all systems.
- Through the IPC e-Commerce Interconnect Programme, leading postal operators from America, Europe and Asia Pacific aim to establish a fully interconnected network for cross-border e-Commerce deliveries.

2.2 GLOBAL E-COMMERCE TRENDS

Total B2C e-Commerce sales amounted to slightly over €1tn in 2013. With sales amounting to €350bn in 2013, Europe was the largest e-Commerce market and showed an average year-on-year growth of 19%. Eastern Europe and in particular Russia have registered growth rates well above the average (up to 35%). Asia Pacific was the second-largest e-Commerce market with sales of €338bn in 2013 but with a year-on-year growth rate of 30%, the region is set to overtake Europe as the largest e-Commerce market in the coming years. E-Commerce sales in 2013 amounted to €318bn in North America, seeing a per annum growth rate of 18%.

Overall e-Commerce sales are set to grow by 45% by 2016. This overall increase in e-Commerce is accompanied by a growth in data volume exchanges, not without consequences for e-retailers, as data can no longer be managed traditionally.

E-Commerce challenges
Can your platform keep pace?



THE ONLINE CUSTOMER EXPERIENCE

At the IPC Stanford Symposium in October 2013, Gagan Mehra of big-data company Terracota discussed the online customer experience and how big data can support growth. Online e-Commerce platforms are a crucial part of the online shopping experience and should address customer needs. Responding more quickly to consumer demands can have a significant impact on revenue growth; efficiently handling so-called 'big data' on trends and consumer behaviour is central to providing an adequate online shopping experience.

Functionalities such as a quick and adequate product search are important and should be able to process hundreds of thousands of events per second, without impacting a website's user-friendliness. Mehra stated that 72% of online shoppers will abandon their purchases on slow websites; according to Gartner, 45% consumers will abandon a page if it takes longer than 1.5 seconds to load.

These requirements require businesses to implement new functionality or business rules to integrate databases while enhancing the customer experience and supporting growth.

According to Mehra, e-Commerce businesses need to focus on business growth and not on managing data and as such outsourced cloud solutions for big data will become increasingly the norm.

THE OMNI-CHANNEL EXPERIENCE

E-Commerce traffic is increasingly passing through a wide range of channels and is moving past a multi-channel approach to an omni-channel experience. This experience is an extension of multi-channel retailing, but is concentrated on a seamless approach to the consumer experience through all available shopping channels, i.e. mobile devices, computers, brick-and-mortar stores, television, radio, direct mail, catalogues etc. This shift is taking place across the value chain, from browsing over purchasing to delivery. For instance, consumers take a multi-device path to online purchases and shift easily from smartphones to computers during the purchase.

Discussing the challenges of omni-channel retail at the IPC Stanford Symposium, Google Shopping Express General Manager, Jenna Owens stated that retailers are meeting new customer demands by deploying specialised supply chain strategy software in order to enable a seamless e-Commerce experience across different channels. According to Owens, the evolution towards omni-channel e-Commerce will be enabled by the supply chain, combining online and offline shopping channels, including brick-and-mortar shops for the collection of parcels.

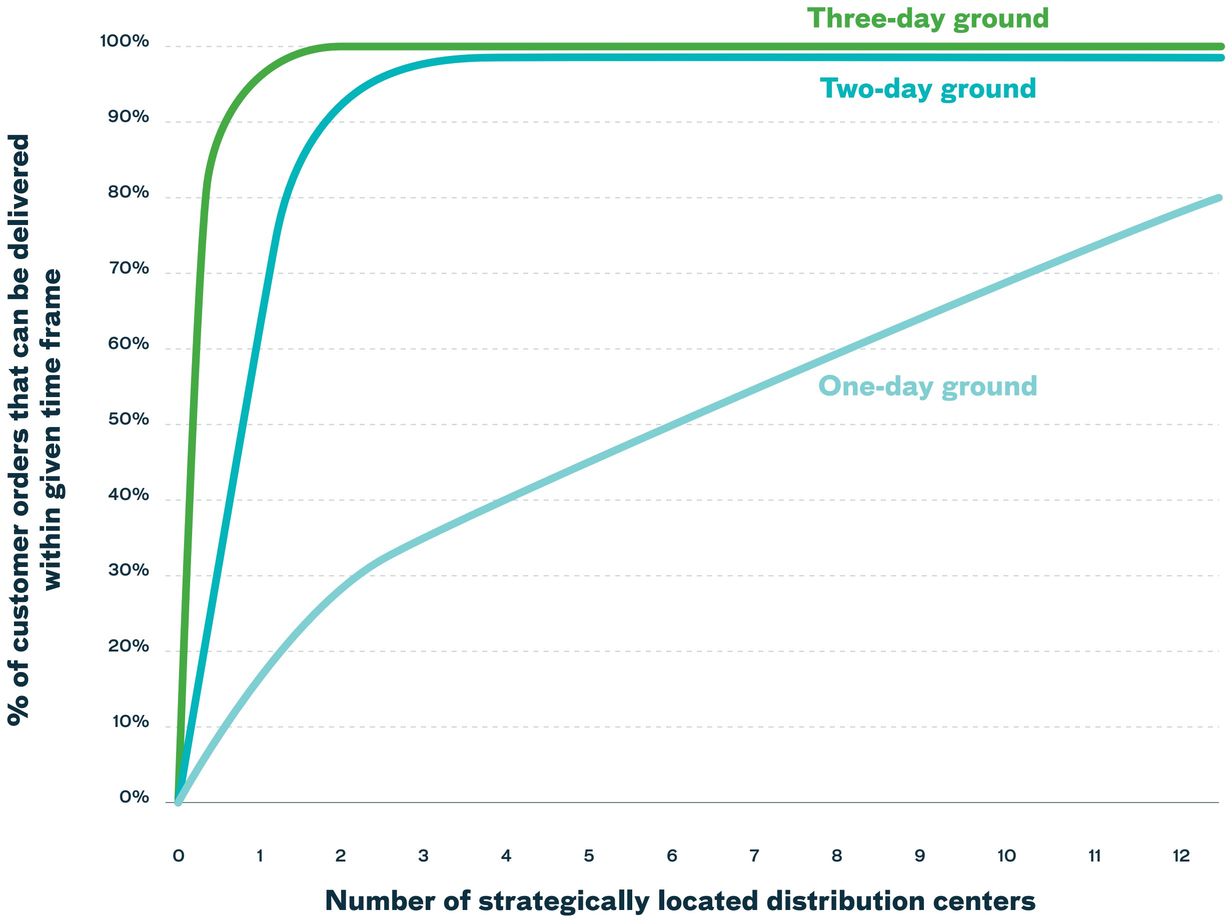
TOWARDS SAME-DAY DELIVERY

AmazonFresh, Google Shopping Express and eBay Now offer same-day delivery services, which respond to a growing consumer demand for convenience and speed. One such same-day delivery service developed by eBay, eBay Now, is currently on trial in the San Francisco Bay Area and offers a one-hour delivery service for goods purchased through the app for a US$5 delivery charge. The minimum charge is US$25 per order.

Same-day delivery remains at the moment a niche market, with limited-scope pilot projects and premium services limited to certain goods, such as fresh products. However, it might impact consumer expectations and put further pressure on transit times. Google Shopping Express's Jenna Owens stated that same-day delivery will increasingly become the norm. Moreover, as omni-channel e-Commerce continues to gain momentum and consumers are looking for a seamless, on-the-go, on- and offline retail experience, there is an increased interest in local e-Commerce shopping which allows for same-day or two-day delivery to consumers.

McKinsey Quarterly, May 2013

Retail economics in the era of one-day delivery



However a two-day delivery service model will increasingly become the norm in the United States. According to McKinsey's Quarterly Retail report, the market in the US for same-day delivery is akin to the delivery arms race. McKinsey calculated that just twelve distribution centres around the US are required to achieve a hub-and-spoke two-day delivery service.

NEW E-RETAIL BUSINESS MODELS

Presented at the IPC Stanford Symposium in October 2013, the following case studies showcase innovative retail business models and illustrate how new entrants, as well as established retailers are moving down the delivery value chain. While the approaches presented vary widely, many of them seem to have a similar outset, which is to offer something – services or products – that are not covered by e-Commerce giants the likes of Amazon.

2.3 CASE STUDIES

GOOGLE SHOPPING EXPRESS

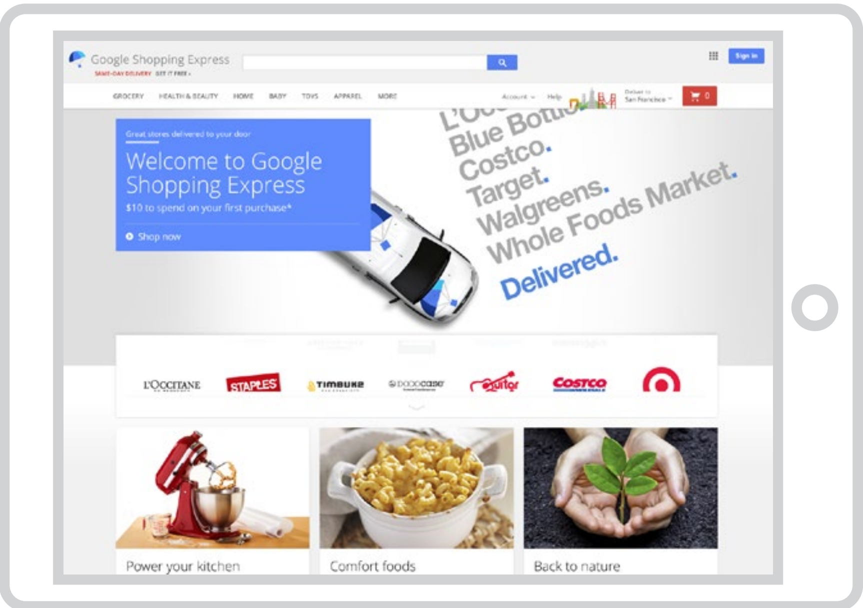
At the IPC Stanford Symposium, Google presented the company's new Google Shopping Express service, which allows consumers to shop for everyday items from a range of national, regional and local stores and then have products delivered to their doorstep the same day. Shoppers can use the service to select a delivery window from the morning to 9PM. Google Shopping Express offers a one-checkout cart with all products from different stores purchased by the customer delivered within a three- to four-hour delivery window.

Currently, the service is operating in the San Francisco Bay Area with retailers including American Eagle, Office Depot, Staples, Target, Toys“R”Us/Babies“R”Us and Walgreens.

Google Shopping Express was tested on 50,000 Google employees in the San Francisco Bay Area for a year, after which the service was launched to friends and family of the employees and finally to the public. The cost to the customer is currently free for an initial six-month trial period.

Delivery drivers are routed efficiently based on customer orders. Couriers are franchised but wear a Google Shopping Express uniform and have branded vehicles. Google employees do the picking and packing in the stores such as Target and Walgreen as well as at smaller suppliers.

Google believes the same-day delivery of goods from local stores can be a retail revolution. It is a merger of online technology and local retail outlets, built on the back of Google Maps data.



Google sees the service also as a way to gain new learnings and insights. To leverage the learning, companies such as Amazon and Google run their business as a scientific experiment.

On a wider scale, e-Commerce fulfilment has become a machine in which retailers such as Amazon have worked out how to make two-day shipping cost effective.

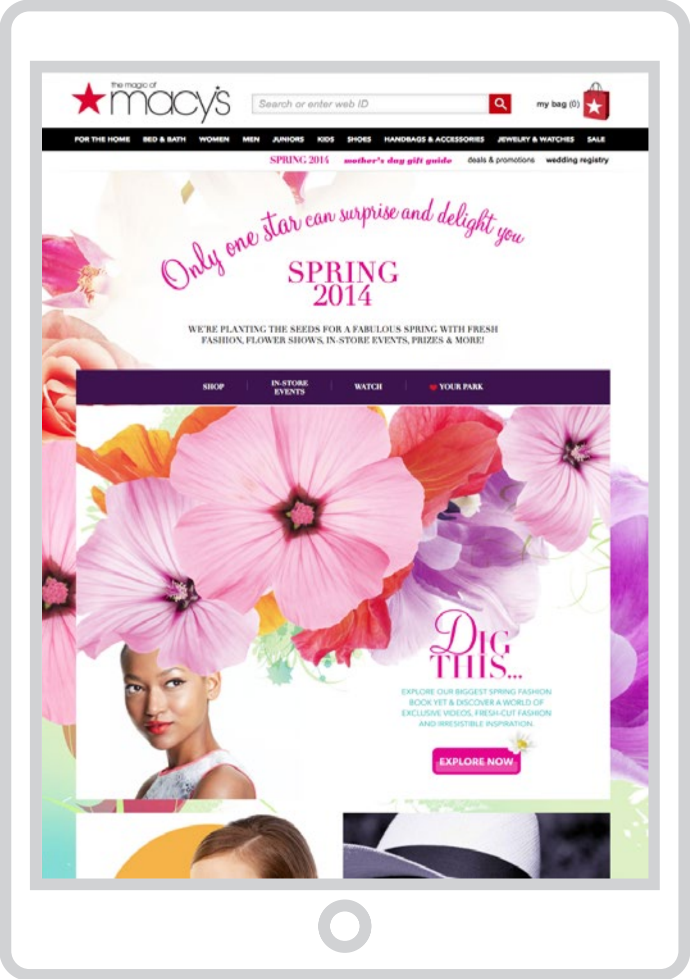
Technology is important but it is not everything, according to Google. People and processes are much more important and Google has paid attention to delivering great service which is paying dividends.

MACY'S.COM

At the IPC Stanford Symposium, Macy's presented on the retail company's e-retail strategy. Macy's new strategy is based on the analysis and the understanding of its potential strengths over its main competitor – namely Amazon. Although Amazon is growing at roughly twice the rate of overall e-Commerce and up to eight times the rate of traditional retail, Macy's believes the e-retail giant lacks a strong physical retail network.

As a retailer with a strong high-street presence, Macy's has developed a commercial strategy which focuses on leveraging in-store pick-up options, which provide immediacy and personal interaction. The halo effect of bringing consumers into the stores is estimated to increase the value of goods purchased by 20-50% compared to online purchase with home delivery.

While Macy's sees same-day delivery as a must, it had not yet implemented it for its in-store pick-up service.



Macy's has outlined its e-retail strategy as follows:

- Leverage in-store pick up from 500 in-store fulfilment locations
- Ensure customer and product fit through the online experience
- Ease of returns
- Customer service phone support and expertise
- Inventory balancing – a challenge especially during peak shopping season
- Quick and effective search of items
- Price matching and use of coupons online or in stores to match
- Expose as much choice as the customer can handle in the delivery: most customers want no more than four choices or it can become confusing

ZAZZLE

At the IPC Stanford Symposium Zazzle explained how the demand for customised products through e-retail is rapidly expanding and could change the e-Commerce value chain. Zazzle is an online retail platform and connects consumers with products and artists/designers so that the customers can customise or create products unique to them. Many of the customised products are for events such as weddings and family engagements. Zazzle is a hub for customers, with 30m unique visitors per month and more than 95m unique product designs.

Demand for high-quality products that are unique is expanding rapidly, which allows e-Commerce players to leverage favourable margins.

E-Commerce successes in the last five years have focused on what Amazon does not do. This has resulted in the emergence of an industry of specialised services, including local supply chain services and customised and unique products.

According to Zazzle, customised products can have a pricing premium of between 20% and 100%. Repeat rates of users who personalise or configure products are 120% higher than customers who buy pre-paid designed products, and very favourable to the Zazzle business model, return rates on customised goods are very low at just 1-2%.

Fulfilment is fast with the majority of products having a 24-hour turnaround from order with the offer of overnight shipping.

WINE.COM

Online wine retailer Wine.com believes there are strong business opportunities for selling wine through an online platform. Only 2% of all US wine purchases are made online, therefore there are plenty of opportunities for online wine fulfilment and Wine.com is growing at 19% CAGR. The company ships 2.6m bottles per year of which 90% cost less than US$20. It provides a customer subscription service similar to Amazon Prime with free, standard shipping for a two-day delivery service.

In terms of delivery, the company offers next-day, evening, time-specific and date-specific delivery through both UPS and FedEx.

Wine.com offers the possibility to ship to stores using FedEx retail outlets where orders will be held for up to five business days.

2.4 POSTAL INNOVATION TO MEET CONSUMER NEEDS AND FACE COMPETITIVE PRESSURE

CASE STUDIES
POSTAL OPERATOR CASE STUDY #1: NORWAY POST

Recipients of e-Commerce items in Norway prefer to receive their purchases in their mail box. As online shopping continues to grow, the ability to offer consumers a simple, efficient, effortless way to receive goods is likely to be an important service differentiator. The size of current letter boxes does not allow for the dropping off of parcels or large packages, resulting in consumers having to pick up items – including small packages which require a signature – from alternative locations.

Norway Post is piloting large shared letter boxes using RFID technology, which provide a secure space in which parcels and packages can be delivered at the consumers' homes.

The lockers installed by Norway Post alongside current letter boxes in communal areas in residences are opened by the postal carrier and by the receiver with an RFID key.

To provide consumers with a simple return service for letter packets, Norway Post has developed a return ID and return code. The e-merchant signs an agreement with Norway Post and receives a return ID for each web shop. The shop sends instructions including the return ID and return address label with the product to the receiver. Customers can return their purchases by writing the return ID code on the packet before dropping it off at a Post in Shop, a post office or in a mail box. The e-retailer is invoiced based on the number of ID codes booked.

Research by Norway Post indicates that 47% of web shops display only one delivery option, even when there are different options available. The full range of options available are not typically communicated to the consumer at the point of purchase. In addition, the terminology used to describe the delivery of the product is often inconsistent. Reviewing a sample of 513 Norwegian web shops showed 25 different descriptive names for the same standard delivery option. By contrast there is often a lot of information provided for payment options. Through its delivery choice database, Norway Post would like to provide richer information to the consumer about delivery options available to them and this is available via APIs to retail platforms.

By leveraging the electronic flow of information provided by technologies such as RFID, Norway Post is looking to provide consumers with greater flexibility and convenience. It has developed an app which allows consumers to see whether there is a parcel on its way to them. The app pushes a message to the consumer to inform them when and where their parcel will be delivered and there is the facility to redirect the delivery to a parcel shop, or to the home, once the item has been despatched.

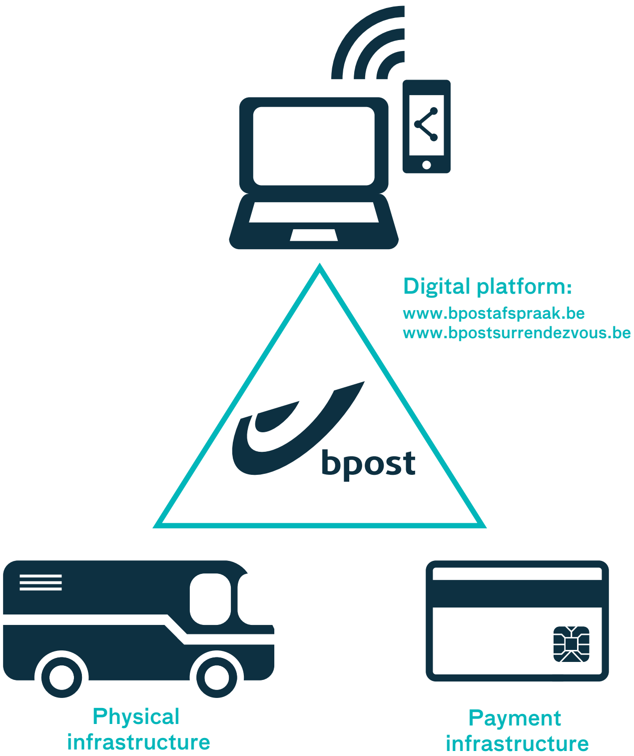
POSTAL OPERATOR CASE STUDY #2: AUSTRIAN POST

Austrian Post is developing a self-service, around-the-clock delivery network with an intuitive, logical customer interface. The aim is to deliver to the customer, or to a pick-up wall. In the case of a failed first delivery, the mail carrier will reserve a pick-up box. At the end of the route the carrier will drop the parcel off at the pick-up box. Closing the door of the locker triggers a text message to the customer informing them their parcel is available for collection.
Alternatively, the consumer can re-direct the item to a pick-up wall at the time of receiving the pre-alert from Austrian Post. This two-way communication enables the consumer to confirm they will be able to receive their home delivery, or to request the item to be placed in a pick-up wall, with the code provided by Austrian Post.

POSTAL OPERATOR CASE STUDY #3: BPOST

In Belgium, bpost continues to develop its Shop & Deliver service with the aim to "bring everything that really counts to every door". bpost is working on a transformation from mail to goods in order to build its future business.

The service addresses the opportunity for online food deliveries to the home and the growing trend of subscription services for deliveries (e.g. Amazon Prime).



Starting from the consumer the intention is to deliver and collect anything, anywhere, anytime. It is a customer-centric service accessed via a portal. The customer agrees on a delivery time with bpost and pays for the delivery. All purchases from local shops which have signed up to the service are consolidated by bpost and delivered together at the same time. Customers can also return goods. Payment is currently made by bankcard, although other payment options will become available. The deliveries are made during the day and in the evening, utilising postal assets which would not have been utilised otherwise.

The service is in the first year of a trial in two locations. bpost identified four target groups: young families; frequent online shoppers; less mobile and elderly people, and small offices and home offices who are looking for time-saving services. The business model for Shop & Deliver is based on merchants paying a fee (approximately €4 per order) for first-mile services and consumers paying a fee per delivery (currently €9.95). Tariffs will vary depending on the number of boxes per order, the size of merchant and the service requested.

POSTAL OPERATOR CASE STUDY #4: POSTE ITALIANE

Poste Italiane has set out to leverage its services to support outgoing cross-border e-Commerce in Italy. Italy has 98% of businesses classified as SMEs and these can face significant barriers when looking to trade internationally. Such barriers include different taxation regimes, languages, custom duties and bureaucratic complexities. A Boston Consulting Group (BCG) study in Italy showed that companies with an online presence were able to grow by 1.2% despite the adverse economic conditions.

Poste Italiane has developed a fully integrated e-Commerce offering to address the different needs of Italian SMEs by supporting the end-to-end e-Commerce process. It set out to launch a new international marketplace in partnership with other postal operators. This strategy resulted in an online platform called ‘Shoppen in Italie’ (Shopping in Italy) in collaboration with PostNL. The platform is a co-branded marketplace enabling Italian merchants to sell online to the Dutch market. The platform is mainly aimed at manufacturers, distributors and retailers of brands and products that clearly identify Italy, such as fashion, food, toys, furniture and home accessories.

The front end and customer care are managed and maintained by PostNL. The back-end operating model leverages Poste Italiane assets, such as its e-Commerce cloud platform, the .post domain, its payment transactions platform, and shipment and reverse logistic services.

The business model requires high levels of cooperation between postal operators to achieve a satisfactory end-to-end cross-border experience for e-retailers and consumers. The service leverages trusted postal brands within the .post domain – Poste Italiane is now setting up with China Post on their ULE platform and is in discussions with USPS.

Moreover, Poste Italiane and Russian Post have signed a new agreement to cooperate further to develop new integrated physical and digital communication services, such as in the fields of direct mail and hybrid mail, and strengthen international express delivery services between the two countries. The deal also aims at promoting the development of e-Commerce between Russia and Italy, based on a new ‘Made in Italy’ online retail platform that will offer Italian products for sale to Russian consumers.

POSTAL OPERATOR CASE STUDY #5: NEW ZEALAND POST

As a business, New Zealand Post is fairly traditional, with its financial operation, Kiwibank being a very important part the group. In the 2013 financial year, parcels revenue overtook letters revenue, with parcel and express representing 53% of group revenues and letters 39%.

New Zealand Post successfully renegotiated the universal service obligation to enable three-days-a-week delivery as standard.

New Zealand Post

New Zealand Post has invested in market segmentation and better understanding of emerging customer needs.

'OLD WORLD' VALUES	'NEW WORLD' VALUES
Trust / security in the physical. Respect /deference to authority. Dependence on others, the 'expert'. Passive. Static. Acceptance / security in the status quo. Acceptance of process / time delays. Black and white. Local. Compartmentalised.	Connectivity. Trust in digital world. Immediacy, real time, 24/7. Knowledge/ information is power. Independence, responsibility for own decisions. Choices. Control. Empowerment. Active, alive. Acceptance of constant change/ new and better ways of doing things. Global. Blending and merging.

ENTERPRICE & GOVERNMENT	1. Help me transform my customer experience 2. Help me take cost out 3. Help me use the right channels
BUSINESS	1. Help me acquire customers to maintain and grow market share 2. Help me retain and grow my existing customer revenue 3. Help me use the right channels 4. Help me utilise multi-channels 5. Help me reduce my costs
CONSUMER	1. Make my life easier to manage 2. Help me shop

Capabilities in the e-Commerce value chain are being established through partnerships such as Cargo Services Far East in Asia. A three-way partnership between Australia Post, New Zealand Post and Cargo Services, leverages last-mile and database capabilities as well as the trusted postal brands. Access to an agency in China enables all the goods to be photographed and fulfilled directly from China with merchants benefitting from reduced costs.

New Zealand Post is looking to strengthen its expertise in supply chain management by recruiting external expertise to the group. Its key focus is to leverage core competencies and develop a two-sided platform for e-Commerce transactions.

New Zealand Post is aiming for a more integrated model among its business units so as to create much more value for the group and sees digital business is an enabler to the core business.

POSTAL OPERATOR CASE STUDY #6: LE GROUPE LA POSTE

The e-Commerce market in France is mature. There were 117,500 companies in France doing online business in 2012, an increase of 17% on the previous year. The value of e-Commerce in France in 2012 was €45bn, with 450m parcels being sent, however cross-border flows remain low, with only 8% of parcels being sent internationally. Le Groupe La Poste's market share of the parcel home delivery market in France is 65%.

Le Groupe La Poste created a digital division one year ago, called La Direction du Numerique. The opportunity for value creation in e-Commerce lies in building services to match the emerging merchant and consumer needs across all areas of the e-Commerce value chain. To meet the needs of the merchants, Le Groupe La Poste focuses on the following services:

- Developing a mobile version of merchant website
- Social shopping
- e-logistics
- Webmarketing
- Payments: Le Groupe La Poste has recently launched an e-wallet company

La Poste believes one of its main challenges is to integrate different services along the value chain into online platforms for small and medium-sized businesses. It can be very profitable to be a successful marketplace where other companies offer their products for sale. For instance, Amazon will get much higher margins from a marketplace sale than for their own products. However, e-Commerce is already a crowded market in France and the business opportunities need to be carefully assessed.

While investments have been made in parcel lockers, branded as Cityssimo in urban centres and the Pickup network offers 7,000 collection points for parcel delivery in France and the rest of Europe, La Poste is also developing tailor-made home delivery services. These services leverage item tracking information to ensure items are successfully delivered at home. The service provides consumers with SMS notification of next-day delivery and offers the option of a postponed delivery if absent.

POSTAL OPERATOR CASE STUDY #7: SWISS POST

In addressing the different needs of senders, receivers and logistics providers, Swiss Post is focusing on:

- high first-time delivery rates;
- a range of delivery time and location options for recipients;
- a range of return solutions.

At the moment, Swiss Post achieves a 99% B2B first-time delivery rates and a 90% B2C first-time delivery rate. This strong result is aided by the letter box infrastructure in Switzerland, which provides significant opportunities for cost-efficient and convenient delivery and returns of parcels and packets.

Over 30 years ago, every residential building was required to install storage boxes or 'milk boxes' close to every letter box and according to a minimum size specification. These provide a large-sized access point to every household which has enabled Swiss Post to deliver close to 40% of all X2C parcels and packets to people's homes. The boxes are open and free to all delivery service providers.

Swiss Post's strategy is to better serve consumers at home, or at a location of their choice. Every household can be considered an access point and Swiss Post will pick up returns from each household in the country.

Every parcel for delivery in Switzerland is coded with the full address details. Each Swiss citizen has a unique key number and around 800,000 citizens have registered their delivery preferences.

Evening delivery is between 5PM and 8PM. Time-definite services are being tested within three-hour time windows, running from 9AM-12AM, 12AM-2PM and 2PM-5PM. There is a surcharge paid for this service.

POSTAL OPERATOR CASE STUDY #8: ITELLA

Itella's e-Commerce unit was established in 2012 with the aim of being the 'first choice in postal, logistics and e-Commerce services' by 2020. Its mission is to 'provide a smooth flow of trade and ease of everyday life'.

Mail volumes in Finland are forecast to continue decreasing at current levels until 2020. To counter this trend, Itella has identified opportunities in e-Commerce and the Russian market. The aim is to move the company from letter, publication and advertising distribution to e-Commerce parcel and goods distribution, warehousing and fulfilment. Building intelligent delivery networks which allow consumers to choose a delivery operator, method and pick-up point location is critical to achieving this aim.

Over 80% of goods used in Finland are imported. Because the inbound flow is so dominant, Itella has to work with domestic retail to ensure it survives by offering e-fulfilment and automated storage for fast-moving consumer goods. Itella is looking for partners to fulfil other parts of the e-Commerce value chain, such as

online platforms, marketplaces, marketing, payment channels, returns and call centres.
Russia is the biggest opportunity for Itella. It is a decade behind in terms of online development but it is becoming a major e-Commerce market. Only 1.9% of total retail sales in Russia are online, compared to 10.2% for the UK. There are 68m online users in Russia, making it the biggest market in Europe. Itella is already a market leader in third-party logistics in Russia.

POSTAL OPERATOR CASE STUDY #9: US POSTAL SERVICE

USPS recorded substantial volume loss in the United States over the last six years, from 213bn pieces of mail in 2006 to 155bn items of mail in 2013. What has negatively affected USPS the most is the mix change as first-class mail has dropped much faster than standard mail, resulting in the loss of higher-margin traffic.

To facilitate the growth of e-Commerce, USPS has introduced a new service called Parcels Select for small parcels weighing from 3.5oz to 1lb (100g to 1.59kg) with a free tracking service. There are three different entry points enabling companies to drop off at the delivery office. Through these partnerships, FedEx is currently the number-four customer in terms of revenue, and UPS is number nine. The fastest-growing customer for USPS in the US is Amazon. The Parcels Select revenue has more than doubled in the last three years.

POSTAL OPERATOR CASE STUDY #10: POSTNL

In the Netherlands, PostNL has introduced a peak/off-peak delivery network which will result in no more deliveries being made on a Monday. It has also rationalised its mail and parcels business into separate delivery networks with registered mail included in the parcels network. PostNL has set out to add 18 new delivery and sorting centres to its parcels network with a view to reduce costs and enable the sortation of larger and fragile goods; these centres will be situated close to the biggest retailers, which will allow them to hand over parcels up to 2AM for next-day delivery in the Netherlands.

POSTAL OPERATOR CASE STUDY #11: AUSTRALIA POST

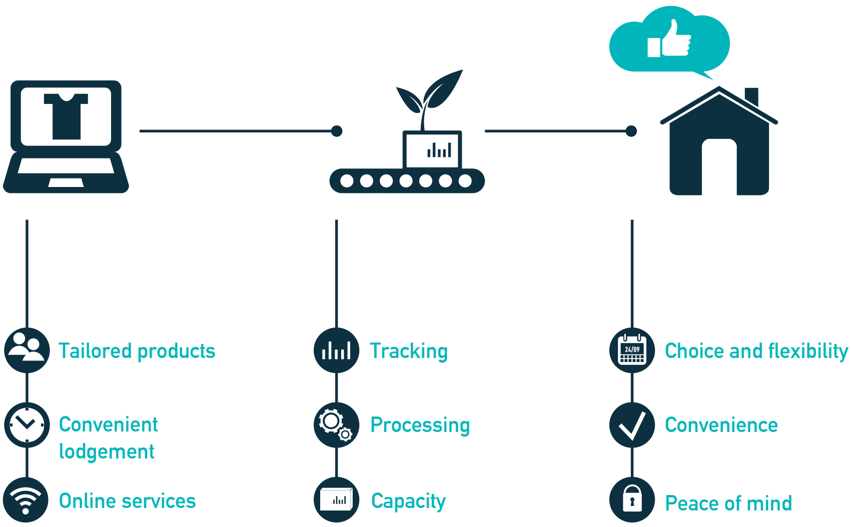
About 70% of all parcels shipped by Australia Post are related to e-Commerce. Given this importance, Australia Post bought an online payments company, Securepay, which has developed an online payment device for small businesses servicing up to 3,000 customers. With this acquisition came the insight that it was necessary for the post to work closely with the web development community who create applications and APIs. Through this acquisition, Australia Post is shifting its role in e-Commerce to an enabler rather than a supplier.

In 2010, Australia Post set out to reposition itself around parcels and packets rather than mail and launched its Future Ready strategy. Since then the post has focused on B2B2C e-Commerce as the majority of online purchases are not sent directly from the producer to the receiver. Often a business sells stock from somewhere else so they need someone to bring the goods to them before they can sell them on to their customers. Following this approach, the capability sets for B2B and B2C are now identical. Australia Post thinks posts need to see the whole picture as a supply chain and deliver parcels to any door. It sees international delivery as exactly the same as domestic delivery and thinks operators should provide the same services globally as they offer domestically as e-Commerce knows no boundaries.

Postal organisations need to treat every parcel as an individual item. Technology and big data will enable huge quantities of products to be defined in terms of individual items, which will make them easier to track. The postal sector has core strength in the critical component of the last mile, but it can increase its value if it can go up the value chain and extend the last mile upstream by establishing consolidation points where the goods originate, for instance in Asia.

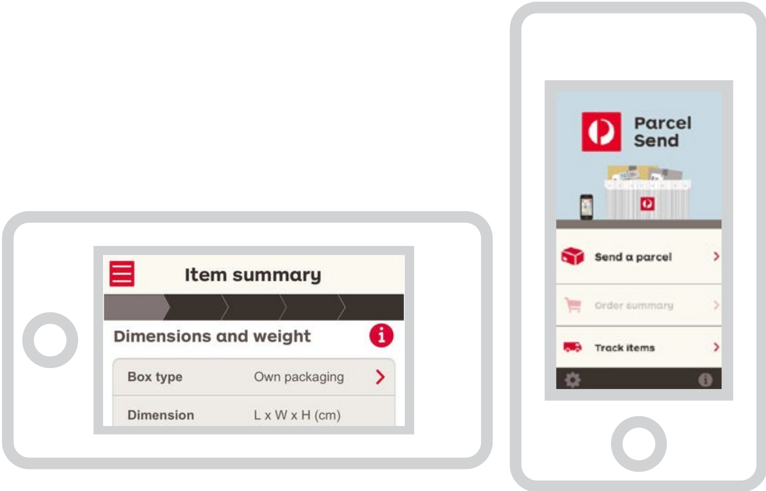
Australia Post

E-Commerce transformation



Australia Post has stated it is carefully expanding, thinking of concentric circles and what they can move into in the near future as a result of the unique individual item identifier. This does not mean they want to own every part of the supply chain, but they will partner and outsource as required, selling under the Australia Post brand and provisioning services from other suppliers.

Australia Post is investing over AU$1bn, having already spent AU$400m on the acquisition of StarTack, which provides 100% B2B capability; the post is now linking up to have the B2B2C interoperability across all systems.



All products are about speed: same-day, next-day, or deferred delivery. For this purpose, the post has built a strong courier and express capability which has resulted in the roll out of 26,000 scanners to every employee who handles a parcel.

All barcode information is in SAP to enable trigger events such as payment; the scan provisions all the other services. There is a philosophy of 'scan everything' as this is the link to the entire range of services that are being sold. Scanning to send event data to the consumer for visibility is only a 'nice to have', according to Australia Post; the barcode itself links to all the other value-added service elements.

E-Commerce is changing the counter interface with the consumer; the way consumers purchase goods has fundamentally changed as they do everything online. Traditionally they would have bought in a store, wrapped the parcel and taken it to a post office for posting. As a result of this, Australia Post has developed a smartphone application called the Parcel Send App, which was developed for senders to calculate postage, create labels, pay and post parcels on the go. Australia Post can also collect from the nominated address to pick up the parcels. The Parcel Send App has been integrated within the eBay Australia environment so sellers can print out labels and either take them to a post office, have a collection, or post in a street post box. This partnership proved to be boost for the application's uptake.

Australia Post has also focused on providing support to SMEs to win e-Commerce based on detailed segmentation exercises and understanding. There are 800,000 SMEs in Australia and 43% have a turnover of AU$100,000. They represent 57% of the economic value of Australia and are growing today at 19% per annum. The SME strategy is to know the customer segments, to create relevant offers and get the access channels right. Australia Post has done a lot of research on the needs of SMEs and has evaluated six different value propositions.

Local area markets are very important to create a sustainable business plan. In this framework, Australia Post installed pack stations around big businesses such as Coca Cola and are promoting pack stations to office workers as an alternative to having goods delivered at work.

One of its products aimed at SMEs, PostPay, provides a merchant account which will only release the payment to the merchant once the delivery scan has been received. This service was specifically developed for SMEs as they know they will be paid and it also provides the consumer with the reassurance that they will receive their goods as Australia Post holds their payment as an escrow service.

POSTAL OPERATOR CASE STUDY #12: HONGKONG POST

Hong Kong is a big net importing territory with the volume coming from China; many Chinese companies will truck goods in from the mainland and the packing and onward shipping will be done by companies in Hong Kong. Indeed many e-shippers send their goods from China to Hong Kong to post them as there are more outlets and consumer confidence is higher if the goods come from Hong Kong.

Hong Kong has excellent global logistics connections with 80% of world's population accessible within eight hours. Over 100 airlines operate around 990 scheduled passenger and all-cargo flights every day between Hong Kong and 180 destinations worldwide.

In order to benefit from its location, Hongkong Post developed the iMail service for bulk depatch. An e-Express service to the US provides four basic scans (C, D, H & I) to users without a requirement for signature on receipt. This service is being expanded into Australia, New Zealand, Canada and the UK. The CRM benefits from this programme are very important as Hongkong Post will know more about the customer and so can help with the profile pricing.

2.5 CROSS-BORDER E-COMMERCE

ESTABLISHING A GLOBALLY INTEGRATED POSTAL NETWORK

IPC has refocused to meet the e-Commerce agenda by supporting members' letter mail business and supporting the growth of members' e-Commerce business.

The challenge for postal operators remains to re-define postal business structures and models as their core business activity moves away from letter mail. In 2012, mail business revenues accounted for less than 50% of total postal industry revenue on a global basis.

The focus for postal operators has to be on increasing the efficiency of their last-mile delivery network in a way that delivers the flexibility and visibility required by e-Commerce merchants and consumers, and to respond to the increased competition from new models.

With cross-border e-Commerce set to grow by 10% per annum, postal operators have to respond to consumer and e-retailer concerns in order to get a bigger share of the cross-border e-Commerce market. Postal operators need to play a role in facilitating domestic and cross-border opportunities for SMEs by offering end-to-end integrated services.

Delivery and product returns are among the top concerns of both e-shoppers and e-retailers in the EU. Delivery-related problems are responsible for 68% of the instances where e-shoppers have added items to their shopping chart, but abandoned the shopping chart before finalising the order. Lack of transparency and of delivery options have been identified as important issues for SMEs as well.

While the opportunities and growth of cross-border e-Commerce have been identified and are being addressed in the context of the IPC e-Commerce Interconnect Programme (eCIP), 85% of parcel and packet volume is still domestic. Through the IPC e-Commerce Interconnect Programme, leading postal operators from America, Europe and Asia Pacific aim to establish a fully interconnected network for cross-border e-Commerce deliveries.

Upon completion of the programme, all participating posts will be able to enable their local SMEs and e-retailers to reach consumers globally through an integrated global postal network based on the features opposite:

- A choice of end-to-end transit times and features available in all destinations
- A full track and trace platform from posting to delivery using barcodes or RFID and providing full end-to-end visibility to consumers and e-retailers of sold and returned goods
- A cross-border e-Commerce return solution, enabling consumers to return unwanted items free of charge
- Consistent cross-border delivery options offering consumers the same delivery and collection solutions for cross-border as for domestic e-Commerce
- Harmonised customs and labelling processes
- Service reliability
- A more rapid resolution of customer queries through connecting call centres from up to 180 posts worldwide

2.6 CONCLUSION

The continued increase of e-Commerce is fuelling growth in packets and parcels in postal networks both domestically and internationally as well as in the networks of the integrators and increasing number of private parcels delivery operators. In addition there are many new players who are moving down the supply chain to enter the logistics market to capture growth and margins. Through its work with the Stanford Global Supply Chain Management Forum, IPC members have been able to hear firsthand from companies in Silicon Valley who are championing the very latest in e-Commerce developments.

Amazon has set the bar very high for all operators in the e-Commerce arena and continues to dominate the market in North America and Europe with year-on-year growth of 30%, largely driven by its expanding Amazon Prime customer base and the range of bundled advantageous services available to these customers. In Japan similar dominance is seen through the marketplace Rakuten and in China through the Alibaba Group.

Having set the norm with free delivery, tracking and free returns, Amazon is moving down the delivery value chain itself into delivery. They are not on their own in this as other online internet giants including eBay and Google are also offering delivery services for e-Commerce, albeit on a limited trial basis.

Many retailers are looking at their business models to address services that Amazon is not providing, such as customised goods and excellent face-to-face customer service. Traditional brick-and-mortar retailers are ramping up their 'order online and collect in store' services, offering customers the convenience of online shopping with the instant gratification of collecting the goods the same day.

The potential e-Commerce prize for postal operators is huge, and postal parcel services are at an advantage as they have traditionally been more geared towards the C2C market. Competition in the marketplace for B2C e-Commerce delivery is now so intense that postal operators need to work together in a partnership of competition and cooperation. Examples of such successful partnerships are to be seen in other industries such as the airlines.

The postal sector is responding to the needs of global e-retailers and consumers through the IPC e-Commerce Interconnect Programme which is introducing end-to-end delivery service standards for participating postal operators around the globe. The aim is to improve the visibility of parcels through the network and the reliability of the delivery service to the consumer through the provision of defined, reliable end-to-end delivery standards.

This chapter shows how posts are successfully diversifying into new areas of e-Commerce with case studies from Norway Post, Austrian Post, bpost, Poste Italiane, New Zealand Post, Le Groupe La Poste, Swiss Post, US Postal Services, PostNL, Australia Post and Hongkong Post. Although many of these case studies are domestic, increasingly postal operators are realising that the bigger prize is to be gained through addressing the needs of the cross-border e-Commerce market. It is this global cross-border market place that IPC believes will be the future as e-Commerce truly becomes the new normal.

DATA-DRIVEN MARKETING

In this chapter we investigate data-driven marketing and explore the effect big data is having on the preferred channel choices of marketers in their engagement with consumers. We quantify how data is driving the direct marketing economy through new research in the US, and examine the effectiveness as perceived by consumers, for both the new and the traditional marketing channels through the findings of a major new study commissioned by Australia Post in 2013.

3.1 KEY FINDINGS

- In 2013 Australia Post commissioned the Association for Data-driven Marketing & Advertising (ADMA) to find out how marketers ensure they use the correct channels to not only reach their target audience but also to deliver on customers' expectations and needs.
- Data is the biggest opportunity and the biggest challenge for the marketing community and according to the ADMA, less than 15% of companies surveyed in Australia were satisfied with their data sources.
- In the US in 2012, producers of goods and services spent around US$156bn on data-driven marketing services based on individual-level consumer data (ILCD). This benefited the overall economy through the employment of 676,000 people.
- The data-driven marketing economy in the US was therefore accountable for around half of all marketing communications spend in 2012 and is forecast to increase significantly over the next five years.
- Postal production resulting from ILCD accounted for a marketing spend of US$32bn in 2012, representing 15% of the total spend of the data-driven marketing economy in the US.
- In Germany, Deutsche Post DHL has the leading database on customer behaviour and has combined this data with household information. The post has been able to provide more online services and intelligence through acquisitions.
- In Belgium, bpost has developed a two-pronged approach to increase the uptake of its direct marketing offering: on the one hand, the post launched a campaign targeting key decision makers and stakeholders at marketing agencies; on the other hand it identified its potential customer base and retrained part of its sales force to effectively target them.
- Norway Post earns approximately NOK1bn (€130m) in revenue from unaddressed mail; 20 customers generate about 65% of the revenue from unaddressed mail. The main objective of its NOK7.5m (€1m) direct marketing budget is to protect existing direct mail volume by focusing on 600 key accounts.
- There are major data opportunities for posts through augmented data and analytics and posts need to develop or acquire the expertise to analyse data. There is data throughout the postal business and this needs to be exploited.
- Posts need to engage with their customers in a discussion about mail and how it drives other channel engagement. We need to get away from negative perception about mail and prove that when combined with other channels it is effective.

3.2 TRANSACTIONAL MAIL

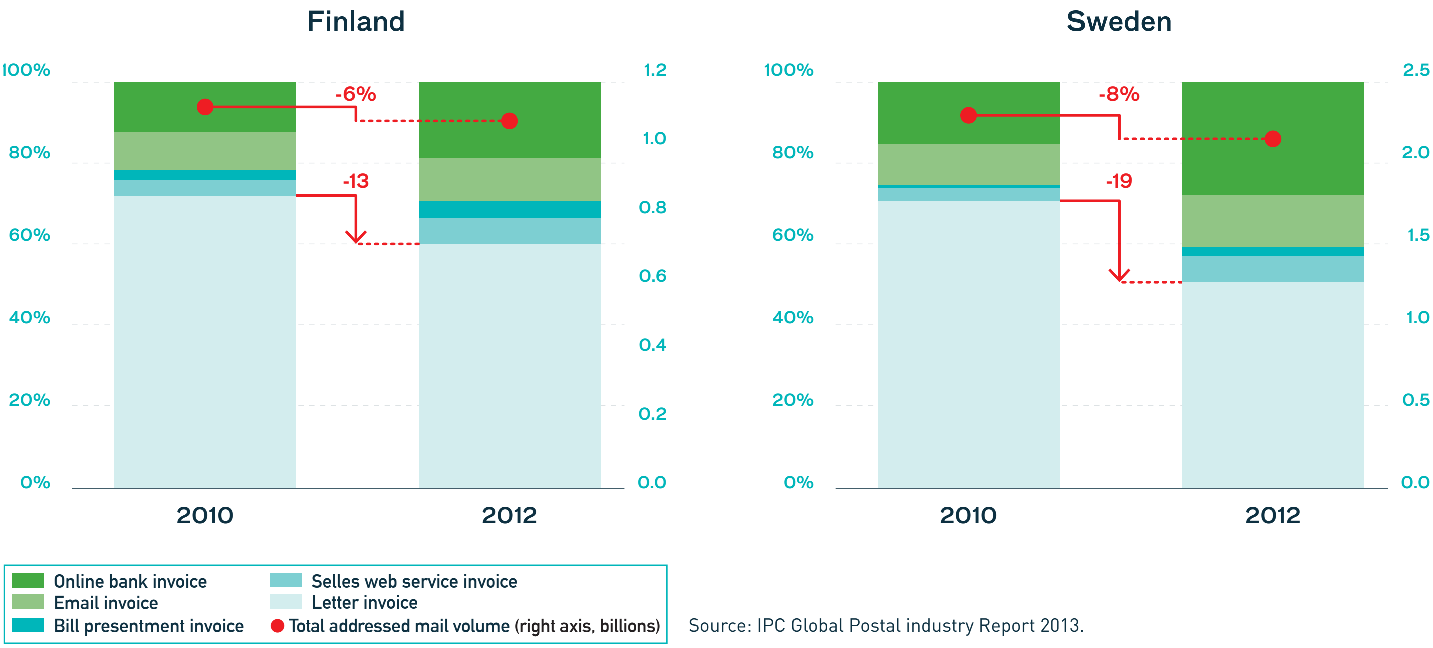
The chapter begins with an overview of the reality to mail volumes for both transactional and promotional mail, and highlights the Scandinavian market where broadband prevalence and governmental legislation in support of digital communication have had pronounced effects on mail volumes, which may serve as a barometer for other postal markets.

The chapter concludes with a selection of postal case studies based on work undertaken between IPC and its members during 2013 at direct marketing forums in both Europe and in Australasia.

TRANSACTIONAL MAIL

Based on analysis by IPC reported in the Global Postal Industry Report 2013, transactional mail volumes continue to decline across many countries around the world. Central to these declines are the mass movements of invoices and statements, traditionally the domain of physical letters, towards a variety of electronic alternatives. The following charts illustrate the relationship between the decline in total addressed mail and the digitisation of consumer invoices in Finland, Sweden, Denmark and Norway over the period 2010-12.

Mail volumes and consumer invoice digitisation in Scandinavia, 2010-12

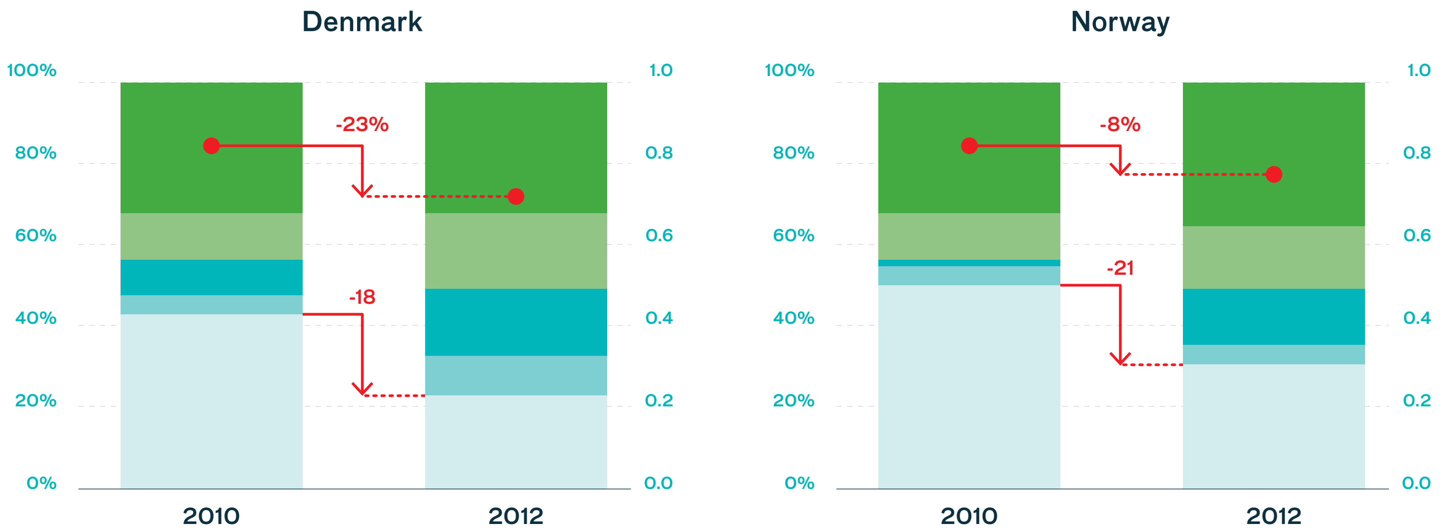


Source: IPC Global Postal industry Report 2013.

Market research in each of the four Scandinavian countries found that the share of letter invoices among total consumer invoices has fallen considerably over 2010-12, with Norway seeing the largest decline of 21%. Although other factors have played a part, the digitisation of consumer invoices ensured the continued decline of total addressed mail in each country over the same period, ranging from 6% in Finland to 23% in Denmark.

In terms of the overall level of consumer invoice digitisation in each country, Denmark was by far the most advanced with only 24% of consumer invoices delivered via mail in 2012. This was largely due to a combination of both senders and receivers actively pursuing e-billing alternatives as well as the Danish Government's aim to have 80% of government-to-consumer correspondence digitised by 2015.

In contrast, and despite a significant increase in the share of digital invoices since 2010, almost 60% of consumer invoices were still delivered via mail in Finland in 2012. Research suggests that Finland's higher share of letter invoices and milder declines in addressed mail compared to other Scandinavian countries was in part due to the use of hybrid letters, defined as letters sent digitally but received as physical mail. In effect, hybrid letters have allowed the mismatched preferences of senders and consumers to be met simultaneously, insulating a proportion of mail volume from the forces of technological change.



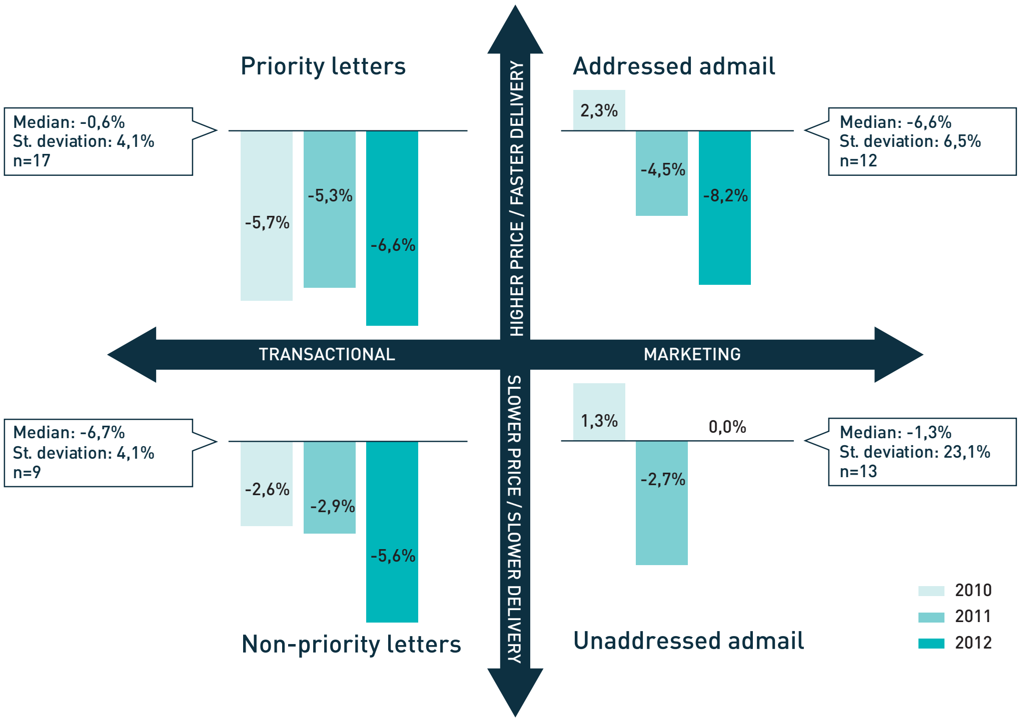
3.3 ADVERTISING MAIL

After growing in 2010, the industry has seen addressed admail volumes decline at an increasing rate over the last two years, a result likely influenced by increased competition in some markets and consumer down-trading from more costly to less costly products. The pattern of down-trading is less clear for transactional mail, where priority and non-priority volume declines appear to be converging.

Faster, higher-priced products (priority letters and addressed admail) continued to decline more rapidly than slower, lower-priced products (non-priority and unaddressed admail) in 2012.

For higher-priced products, priority volumes fell by 6.6% while addressed admail fell by 8.2%. For the lower-priced products, non-priority letters declined by 5.6% and unaddressed admail was stable.

Key mail product volumes. 2010-2012



Source: IPC Global Postal industry Report 2013

For postal operators defending the core mail business is a key strategy to be undertaken in parallel with growing new business areas such as e-Commerce.

IPC is playing an active role to support its members in understanding and responding to the changes that are taking place in the increasingly data-driven communications market and how to position core postal services of transactional and promotional mail within this mix.

3.4 DATA DRIVEN MARKETING

In 2013 the Australian Direct Marketing Association rebranded itself as the Association for Data-driven Marketing & Advertising (ADMA). They felt they needed to do this as the term direct marketing was no longer resonating with digital direct marketing companies such as LinkedIn and Facebook. This rebranding was driven by the recognition that today, marketing communications are very much driven by data and posts need to reflect this in their offer to the market and focus on data-driven mail, which is a new and more compelling concept for the market to pick up on.

Marketing communication professionals need to use data to understand their customers and data-driven marketing is a science based on the traditional analytical skills upon which direct mail was established. Now data-driven marketing is part of the total marketing mix, starting from customer data gathered from a website and building on this through all the available communications channels as data-driven marketing is truly channel agnostic. As evidence to support this claim, in the US in 2014 the tipping point will be reached where there will be more internet connection points through smartphones than through personal computers.

Data is the biggest opportunity and the biggest challenge for the marketing community and according to the ADMA, less than 15% of companies surveyed in Australia were satisfied with their data sources.

In 2013 a report was published on the value of data and the consequences for insight, innovation and efficiency in the US economy.[1] This study which was commissioned by the DMA as part of their data-driven marketing initiative set out to answer the following questions:

- How much incremental value does data-driven marketing contribute to the US economy?
- How much of this value is accounted for by the flow or transfer of data among firms?

The study examined how 650 firms in the US generated revenue through the supply of individual-level consumer data (ILCD) marketing communications to their clients.

The conclusions were that in the US in 2012, producers of goods and services spent around US$156bn on data-driven marketing services based ILCD. This benefited the overall economy through the employment of 676,000 people.

The data-driven marketing economy in the US was therefore accountable for around half of all marketing communications spend in 2012 and is forecast to increase significantly over the next five years. The study predicted that not only will the online communications grow, but that offline marketing practices such as direct mail will become increasingly reliant on individual-level consumer data. ILCD was found to optimise expenditure for both online and offline interactive and direct response marketing, as it improved efficiency in pairing producers with customers.

[1] The Value of Data: Consequences for Insight, Innovation & Efficiency in the U.S. Economy, John Deighton and Peter A. Johnson, 2013.

THE DATA-DRIVEN MARKET ECONOMY IN THE US

Value created by firms that rely on individual consumer data computed by summing firm revenues net of data that they purchase or media for wich they are reimbursed

DDME Business Segment	Total contribution of the sector to the data-driven marketing economy		Value added by services that depend directly on data exchanged or rented among firms		Value added by services that indirectly depend on data exchanged or rented among firms		Value added by services that do not depend on data exchanged or rented among firms because it is generated and captured within single firms	
	US$ millions	% of total	US$ millions	% of total	US$ millions	% of total	US$ millions	% of total
Agency holding companies	7,000	4%	1,000	3%	4,000	5%	2,000	4%
General independent agencies	6,000	4%	1,000	3%	4,000	5%	1,000	2%
Digital agencies	2,000	1%	0	0%	1,000	1%	1,000	2%
Direct / CRM agencies	2,000	1%	1,000	3%	1,000	1%	0	0%
Measurement / analytics	3,000	2%	1,000	3%	0	0%	2,000	4%
Digital audience assembly	4,000	9%	7,000	22%	4,000	5%	3,000	7%
Search audience assembly	19,000	12%	2,000	6%	2,000	3%	15,000	33%
Audience targeting	4,000	3%	4,000	13%	0	0%	0	0%
Direct / CRM customer targeting	7,000	4%	3,000	9%	4,000	5%	0	0%
Postal production	**32,000**	**21%**	**1,000**	**3%**	**24,000**	**31%**	**7,000**	**15%**
Email customer delivery	1,000	1%	1,000	3%	0	0%	0	0%
Teleservices	10,000	6%	2,000	6%	6,000	8%	2,000	4%
Mobile customer targeting	2,000	1%	0	0%	0	0%	2,000	4%
Commerce - e-Commerce	34,000	22%	4,000	13%	22,000	28%	8,000	17%
Commerce - loyalty	5,000	3%	2,000	6%	1,000	1%	2,000	4%
Commerce - fulfillment	9,000	6%	0	0%	4,000	5%	5,000	11%
Total	156,000	100%	32,000	100%	78,000	100%	46,000	100%

Source: The Value of Data: Consequences for Insight, Innovation & Efficiency in the U.S. Economy, John Deighton and Peter A. Johnson, 2013.

As can be seen in the table above, postal production resulting from ILCD accounted for a marketing spend of US$32bn in 2012, representing 15% of the total spend of the data-driven marketing economy in the US.

Although around the world social media has benefited from an increase in investment, it is still not able to measure the business benefit from a campaign. Indeed a number of companies are looking to pull out of social media advertising as they view it as more of a very public complaints channel.

Australia Post has been challenged by the emergence of digital communications and their impact on the habits and behaviour of Australian consumers. In 2013 Australia Post commissioned the Association for Data-driven Marketing & Advertising (ADMA) to find out how marketers ensure they use the correct channels to not only reach their target audience but also to deliver on customers' expectations and needs.

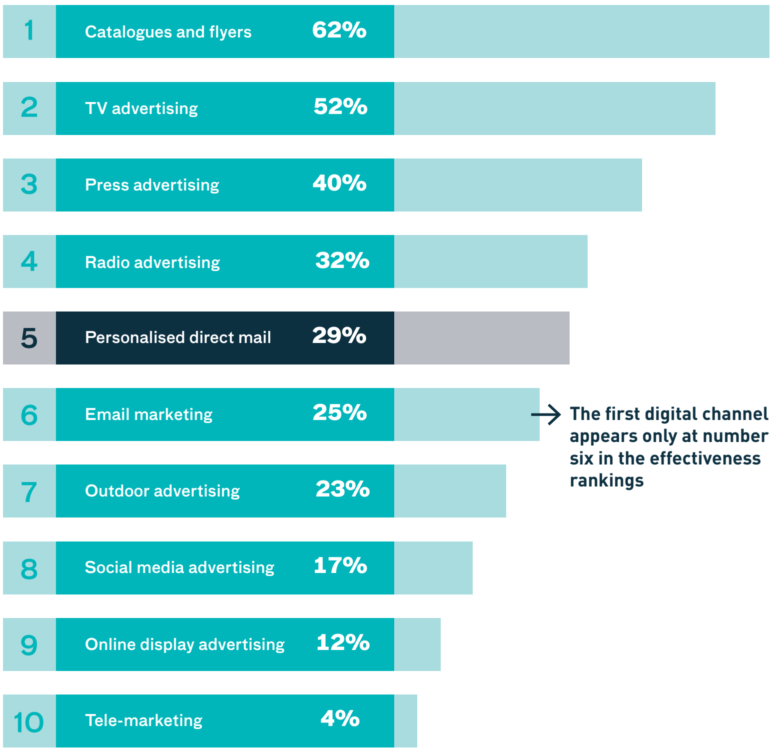
The findings of this study[2] – which was based on Nielsen research[3] – included the fact that Australian advertisers spent almost AU$9.6bn in the year to 30 June 2013. However, media fragmentation had been accompanied by growing confusion over what channels were most likely to give marketers and businesses a solid return on investment. For this research, more than 9,000 Australian consumers were canvassed to get their views on advertising and effectiveness of communication channels.

Key findings:

- Six out of ten Australians are receptive to advertising messages.
- The top five channels consumers consider to be most effective for advertising messages are: catalogues and flyers, TV advertising, press (newspapers/magazines), radio advertising and personalised direct mail.
- Consumers' top advertising channel preferences are remarkably consistent across demographics. However, variations further down the rankings can help marketers target a multi-channel mix most appropriately.
- Current marketing spend does not match these reported preferences: three of the top five most effective channels experienced a drop in advertising spend in 2013.
- When people are making a purchase, they consider websites, TV advertising, direct mail, email and catalogues to be useful in helping them evaluate their options or keep informed.
- The channels consumers consider most useful vary across the nine industries examined – banking and finance, telecommunications, utilities, superannuation, insurance, fashion and department stores, supermarkets, public service (local council and political parties) and charities.

[2] Creating connections that matter: How Australians want to hear from brands, ADMA, 2013.
[3] Nielsen AIS data, Jul 2011-June 2013.

The top ten most effective advertising channels in Australia



Source: Creating connections that matter: how Australians want to hear from brands, ADMA, 2013.

The research found that all seven of the demographic sectors analysed agreed that the so-called traditional advertising channels were the most effective advertising media and personalised direct mail was ranked the fifth most effective advertising channel in Australia.

All demographic groups researched considered catalogues and flyers, TV advertising, press advertising, radio advertising and direct mail to be effective advertising channels to influence their purchase decisions.

According the ADMA, although Australian marketing communication budgets are relatively flat, they do show an increase in online banner and video advertising – which the research shows are not effective channels with consumers.

Clearly although a multichannel mix is essential, marketers are not necessarily spending their budgets in the channels consumers consider to be the most effective.

The lessons from both these research studies show that postal operators cannot go out as a silo channel to talk about direct mail. Data, content, technology and creative are the insights to engage clients with when integrating mail into the marketing mix.

The rest of this chapter looks at different case studies from the IPC membership to demonstrate how postal operators are responding to the challenge of data-driven marketing, and how to integrate mail within an omni-channel marketing mix.

POSTAL OPERATOR CASE STUDY#1:
DEUTSCHE POST DHL ENABLES E-COMMERCE THROUGH BIG DATA

In Germany, Deutsche Post DHL has the leading database on customer behaviour and has combined this data with household information. The post has been able to provide more online services and intelligence through acquisitions.

Deutsche Post DHL has stated their main strategic focus is leveraging e-Commerce through direct marketing. According to the company, direct marketing should be an enabler to e-Commerce and the resulting return on investment from the increase in parcels volumes will be higher than from direct marketing.

One of the solutions it has developed is Bioba, an unaddressed direct marketing solution aiming to increase the ROI for customer acquisition and by doing so leveraging marketing consulting to increase logistics volume. Another service offered is Nugg.ad, a predictive behavioural targeting for online marketing. The service sets out to match online presence back to physical addresses.

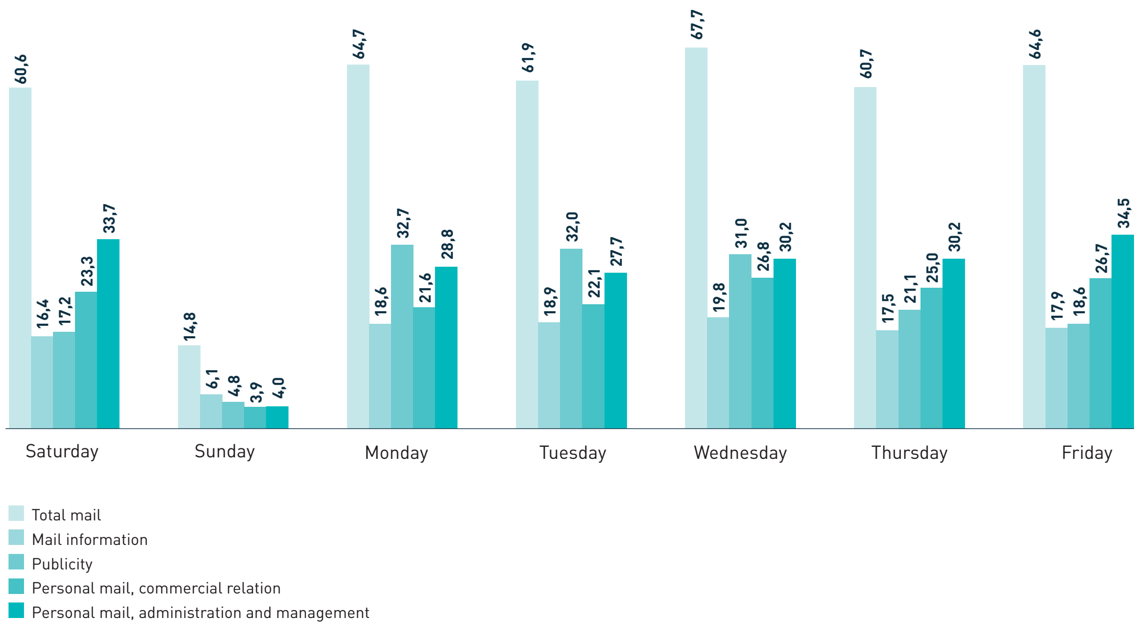
POSTAL OPERATOR CASE STUDY #2:
LE GROUPE LA POSTE SETS UP MEDIA-PLANNING TOOL

Le Groupe La Poste, its direct marketing subsidiaries and the French direct marketing and printing trade associations have joined together in the BALmétrie project to create a measurement system for direct mail as a reference guide for the market.

According to the research, on an average day, 56% of France's population has contact with direct mail, 98% after seven days with unaddressed mail accounting for 46% of items read.

The chart on the next page shows what respondents read on each day of the week. Most unaddressed mail was read on Monday, Tuesday and Wednesday, when the main distributors in France deliver. This indicates that most people read unaddressed mail on the day they receive it.

Audience Average day from Saturday to Friday



Source: BalMétrie, Ipsos MediaCT

Comparing the reading rate for unaddressed mail with the reading/listening/watching rate for other media shows that the people who spend the most time watching television also spend the most time reading unaddressed mail. It is, however, the opposite case for heavy internet users.

The story is different for addressed direct mail. Those who spend the most time reading newspapers also read direct mail; however, heavy internet users read less direct mail.

POSTAL OPERATOR CASE STUDY #3: POSTNL DEVELOPS AN ONLINE/OFFLINE PARTNERSHIP WITH CUSTOMERS

According to PostNL, marketers want consumer engagement that leads to sales and a guarantee their campaign will bring results. The post is looking at the best way to address these needs, possibly by charging a set-up fee covering costs and then a payment per lead achieved, thereby basing the pricing on the effectiveness of a campaign. For online adverts, pricing could be based on guaranteeing a number of visits to a website.

To track campaign effectiveness, a response model validates customer or prospect data for key accounts and determines direct mail, email and call centre contacts. The model uses a range of measures such as delivery and response card returns for direct mail, number and type of clicks, and conversion to orders. Measured results from all media are gathered together into one reporting tool.

The model was developed by PostNL in conjunction with its database marketing subsidiary, Cendris, using data from past campaigns. Customers can choose to use Cendris' call centre, or their own, which would then feed measurement data back into the model.

POSTAL OPERATOR CASE STUDY #4:
CORREOS OFFERS A VALUE PROPOSITION THAT INCLUDES THE POSTMAN

Correos in Spain is leveraging its workforce of 40,000 delivery carriers to provide address validation through two projects, Validalia and Inforpostal.

Validalia is a database validation service. Customer lists are sent to delivery managers who give carriers the task of correcting and validating addresses on their delivery route using a smartphone. Correos then takes the cleaned list and sends it back to the customer as a coded file.

Inforpostal uses the delivery carriers to survey for customers what is happening on the ground and return the intelligence gained to the customer. Correos prepares a checklist to capture the information required. This might be confirming whether retailers are using promotional material to support advertising campaigns, or whether bars have TV screens that can be used for local advertising.

Correos tested the technology for its postal carrier services throughout 2013.

POSTAL OPERATOR CASE STUDY #5:
BPOST TARGETS KEY DECISION MAKERS AND POTENTIAL CUSTOMERS

In Belgium, bpost has developed a two-pronged approach to increase the uptake of its direct marketing offering: on the one hand, the post launched a campaign targeting key decision makers and stakeholders at marketing agencies; on the other hand it identified its potential customer base and retrained part of its sales force to effectively target them.

bpost devised a new strategy to engage key stakeholders and promote direct marketing through a year-long campaign which reinforces the attributes of direct mail, reaching key decision makers at customers and agencies. The programme, launched at the beginning of 2013, was based on a structured analysis of customers, both current and prospective direct mailers, and a new sales approach that identified and resolved customers' marketing needs.

A major objective was to reach more senior individuals within the top marketing companies than before.
In developing its new approach, bpost acknowledged that although its sales story had been making a rational case for direct mail, it was rather uninspiring; it failed to excite advertisers and did not communicate on an emotional level.

The bpost plan to develop market share

KPI = Media Share + Revenue

Offering (Product & Price)	Retention	Promotion (Communication)	Hunting
KPI = CLI on DM	KPI = X million Churn	KPI = Consideration for DM	KPI = > Y million EUR incremantal revenue

Source: bpost

The new style of communication allowed customers to experiment with direct mail, based on the principle: "Tell me and I will forget; show me and I might remember; but involve me and I will understand".

Through the campaign recipients experienced some of direct mail's strengths:

- Time – demonstrating the time spent reading direct mail
- Action – asking target recipients to do something
- Senses – stimulating more than one sense at the same time
- Personalisation – showing that personalisation has impact and is only possible with direct mail
- Youth – demonstrating that direct mail is a preferred medium of young consumers

The campaign combined mailings throughout the year with events at which bpost reinforced the message contained in the current mailshot.

The first mailing dropped on 15 January 2013. It was a locked metal box accompanied by a message that a secret code to open it could be found at a given website. Up to 60% of recipients went to the website, where it took more than a minute to activate the code, demonstrating the length of the 'mail moment'.

Inside the box, bpost placed a letter about the experience it had provided including the security of the direct mail medium. It was also able to give details of the more rational reasons to choose direct mail having first engaged with the receiver.

The second mailing focused on action, inviting recipients to break a penny bank; the third mailing in the form of a pizza box showed how direct mail engages the senses.

To obtain a structured mailing list, bpost first devised a 'hunting' method that embraces both addressed and unaddressed mail.

The existing sales approach was not capable of taking on the task ahead, so bpost developed a new model named DM Boost 2.0. This had two main aims:

- Developing a needs-based approach by identifying customers' own business challenges, translating them into marketing objectives and showing what bpost can offer to meet them.
- Developing the bpost sales process by getting personnel engaged with customers' senior management, conducting sales training, rehearsing presentations and role playing.

bpost's key objective is to make its sales personnel understand that a mailshot is merely a consequence of a discussion about marketing. Role playing and coaching play an important part in retraining.

The customer presentation includes levers selected for greatest impact on the customer, paving the way for detailed follow-up discussions and ultimately the involvement of bpost support teams and external partners as the direct marketing campaign is developed.

POSTAL OPERATOR CASE STUDY #6: LE GROUPE LA POSTE PERSUADES AGENCIES TO LOVE DIRECT MAIL

Le Groupe La Poste decided in 2010 to create a separate subsidiary which would be part of the media world and have the flexibility to innovate quickly. Mediapost Publicité is a wholly owned media agency staffed exclusively by people from marketing agencies and the advertising sector. Its aim is to develop the market for direct mail by showing customers and – more importantly – agencies that direct mail is not outdated.

Mediapost Publicité is part of the Mediapost Communication group of acquisitions and start-ups within Le Groupe La Poste. Companies within the group specialise in coupon promotion, data management, email, e-Commerce and display media sales as well as direct and unaddressed mail.

Le Groupe La Poste thinks the image problem does not lie with consumer acceptance of direct mail but with agencies; creative teams prefer to work with digital media. It is more difficult to create a physical mail piece than an email campaign so it is crucial to demonstrate the enhanced creative possibilities offered by direct mail. Mediapost Publicité's immediate objective is to convince advertisers in the automotive, telecoms and fast-moving consumer goods sectors of the values of direct mail. The main objective is to give agencies the tools to understand and promote direct mail.

To avoid the word 'mail', which is seen by media agencies as a supply chain product, Mediapost Publicité is repositioning its offer as 'home media', a term which includes addressed and unaddressed direct mail, email and mobile marketing.

POSTAL OPERATOR CASE STUDY #7: SWISS POST SHOWS THAT DIRECT MAIL AND ITS BENEFITS CONTINUE TO PREVAIL

Swiss Post is developing new direct mail products adapted to the customer, emphasising direct mail's impact, return on investment and targeting capabilities to chief executives and marketing directors.

Swiss Post has developed a range of products for small and medium-sized businesses (SMEs). January 2012 saw the launch of MailingGuide, an online, step-by-step guide to developing a direct marketing concept. In another service currently on test, Swiss Post offers to create a complete direct marketing campaign for companies that do not have an advertising agency.

Besides these services, Swiss Post has developed products that address customer needs, such as time-specific campaigns. One rail operator wanted to advertise its scenic journeys through Switzerland in the snow. The campaign was developed and Swiss Post held the mailing and delivered as soon as the snow fell.

Swiss Post has also targeted consumers. Homeset is a targeted product that bundles together unaddressed mail pieces and vouchers aimed at people moving house. Movers receive one post-branded package prior to moving (Umzugsset) and another at their new address (Homeset). The Homeset mailing list is captured from the redirection service for people who move house in Switzerland. In total there are 800,000 people moving house in Switzerland each year and Swiss Post sends out 33,000 monthly Homeset Mailings – about 400,000 pieces a year.

Swiss Post works with customers to reduce the number of 'no advertising' stickers currently on about 50% of all mailboxes in Switzerland. A TV commercial for SportScheck warns consumers that they will not receive its advertising voucher if they have a sticker on their mailbox. Leaflets dispensed at point of sale in Aldi supermarkets carry the same message.

POSTAL OPERATOR CASE STUDY #8: NORWAY POST FOCUSES ON RETAINING UNADDRESSED VOLUME

Norway Post earns approximately NOK1bn (€130m) in revenue from unaddressed mail; 20 customers generate about 65% of the revenue from unaddressed mail. The main objective of its NOK7.5m (€1m) direct marketing budget is to protect existing direct mail volume by focusing on 600 key accounts.

Norway Post has key account managers providing the main contact with customers and is investing NOK1.12m (€150,000) in training the sales force to interact effectively with marketing and finance directors. The sales approach identifies customers' problems and issues and finds direct marketing solutions, working either through agencies or directly with customers.

Specialist direct marketing consultants maintain relationships with agencies. Norway Post pays for studies, testing and sales modelling and has a range of communications tools. Its online content offers research findings, a quarterly newsletter and 'mailbox facts' about the strength of direct mail in the advertising market.

The 3,000 most important Norwegian decision makers in direct marketing receive a physical magazine, Dialog, three times a year. The content is provided mostly by sales personnel who persuade customers to provide case studies and to talk about their success stories.

POSTAL OPERATOR CASE STUDY #9: POSTE ITALIANE'S NEW STRATEGY TO RELEASE DIRECT MAIL'S GROWTH POTENTIAL

Poste Italiane is developing a strategy to increase its business in a market where direct mail accounts for 8% of mail revenue in Italy and 23% of volume, a much lower proportion than in other countries.

Only 34% of the 1,000 biggest advertisers use direct mail; 56% have never tried it. The market is concentrated: 100 customers account for 55% of revenue, with 25 accounting for 36%.

The priority is to help the post's non-specialised salesforce to provide a more consultative sales approach based on meeting customers' marketing goals. The direct marketing unit helps the salesforce to grasp the entire range of direct mail products.

Poste Italiane conducted market research in order to develop its new strategy. The study found that large customers want high quality, a one-stop shop, and flexible pricing, all of which present challenges. In its first steps to meet these challenges the company has moved direct mail out of the universal service to gain more pricing flexibility and will introduce tracking to provide customer feedback on delivery.

POSTAL OPERATOR CASE STUDY #10: POSTNL DEVELOPS AN ONLINE/OFFLINE PARTNERSHIP WITH CUSTOMERS

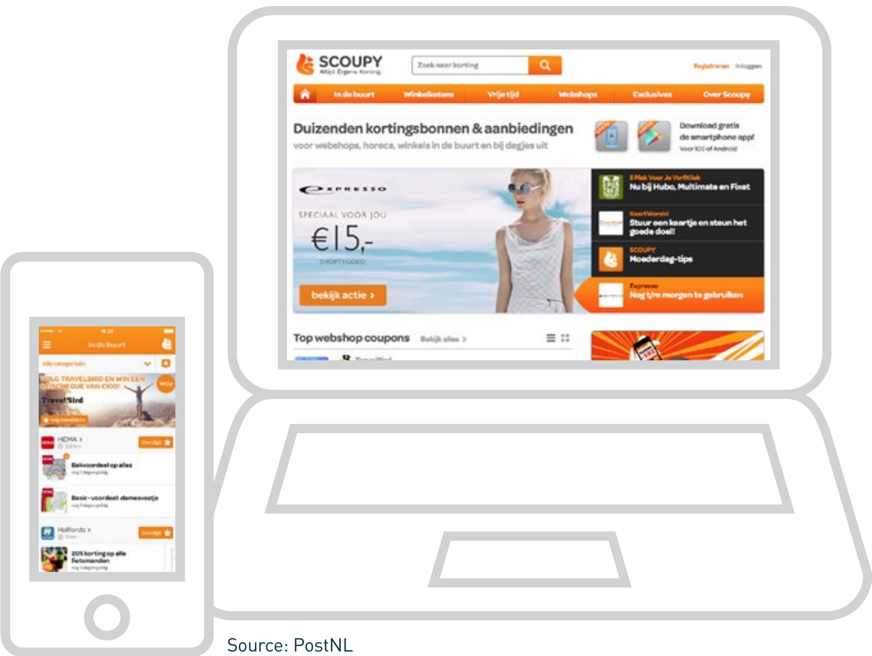
PostNL is offering its customers integrated digital/physical solutions, seeking to be a partner in cross-channel direct marketing and to offer guarantees on campaign results. The strategy responds to a decline in direct mail's share of the Dutch advertising market and a rise in the online share.

The launch campaign for the direct marketing strategy contacted customers and prospects by direct mail. The mail pieces incorporated personal URLs showing how PostNL can help advertisers compete: by combining an online/offline offer, reaching the right consumers, innovating and attracting sales.

PostNL's direct marketing strategy is supported by a range of services packaged to make selling easier. These services include Marvia, a self-service online tool that helps advertisers change the copy in their marketing communications without involving an agency. Customers upload their designs and make the changes themselves before sending the new communication for printing and mailing.

Another new service is Scoupy, a location-based coupon application for mobile devices. It provides users with pop-up vouchers as they pass by participating businesses and allows them to check if retailers nearby are offering vouchers. Big retailers have signed up to Scoupy. They can take out a subscription for three, six or 12 months and pay a fee for each discount they advertise on the system. The application has been downloaded by 253,000 consumers.

PostNL's Scoupy service



Source: PostNL

PostNL is working with Layar, a software system providing do-it-yourself tools for adding digital content to print that can be activated by mobile phone. Catalogue mailers have incorporated the enhanced content allowing consumers to buy products straight off the page and share them on Facebook. A promotional video produced by PostNL carries the slogan: "Scan it, buy it, share it".

POSTAL OPERATOR CASE STUDY #11: AN POST'S POSTCARD DIRECT MAIL PRODUCT FILLS A MARKET GAP

An Post's Mail Media Unit is staffed by direct mail marketing experts who accompany sales personnel on key customer visits, providing free consultancy on the development of direct mail campaigns. The team promotes direct mail, carries out analysis, develops products and runs customer events and awards.

The Mail Media Unit identified growth opportunities in loyalty marketing, integrated campaigns and unaddressed mail and saw a gap in the market for an easy-to-use, low- to mid-volume (minimum volume of 200), targeted product. It was aware of demand for local, customised solutions from advertisers disillusioned by social media. It studied SMEs with local audiences, which lack in marketing know-how, have small promotional budgets and no mailing lists. Newspapers provided their main advertising medium with easy to book adverts which were relatively expensive at an average cost of over €4,000 per full page.

The solution to attract SMEs to direct mail is Admailer.ie, a local addressed or partially addressed postcard with a quality print finish, generated online and with a cost of €0.54 per piece, less than the price of a letter. That price includes data, printing and postage with a minimum mailing of 200 postcards.

Customers can select a distribution area to meet their requirements using an interactive map which shows them the cost of mailing.

In the product's first 12 weeks the admailer.ie site was visited 26,000 times, 249 customers registered and 52,500 postcards were generated.

3.5 CONCLUSION

Data-driven marketing reflects the effect big data is having on the preferred channel choices of marketers in their engagement with the consumer. In the US in 2012, producers of goods and services spent around US$156bn on data-driven marketing services based on individual-level consumer data (ILCD) and this benefited the overall economy through the employment of 676,000 people.

Not all marketing channels are perceived by consumers to be effective as shown by the findings of a major new study commissioned by Australia Post in 2013. To achieve true consumer-centric marketing, consumer preferences must be front and centre. Organisations need to understand which channels are appropriate for different message types and how generational differences can alter how individuals like to be communicated with. We are no longer in a world of "one size fits all". Each customer is unique and the key to successful marketing is to treat them as such. This research provided a unique insight into effective channel usage and how to truly engage with audiences. It is clear from the results that not all channels are created equal – however, all have a role to play in customer communications, albeit for different audiences, purposes and contexts. It is the job of marketers to translate this new knowledge into a successful multi-channel marketing mix.

Marketing communication professionals need to use data to understand their customers and data-driven marketing is a science established on the traditional analytical basis of direct mail; it has become part of the total marketing mix, starting from customer data gathered from a website and building on this through all available communications channels as data-driven marketing is truly channel agnostic.

Data is the biggest opportunity and the biggest challenge for the marketing community and according to the Association for Data-driven Marketing & Advertising (ADMA), less than 15% of companies surveyed in Australia are satisfied with their data sources.

In many cases technology is dictating the development of data-driven marketing. Technology is dominating the discussions at the table when marketing campaigns are developed and mail is not part of this conversation. The marketing technologist needs to be targeted by posts and communicated with in order to understand mail. The customer experience is the focus for marketers – using data, technology, content and creativity. Marketers need to consider how customers want to hear from them and to reverse engineer this interaction to be part of the conversation and to consider how mail can continue to play a role in the customer experience.

There are major data opportunities for posts through augmented data and analytics and posts need to develop or acquire the expertise to analyse data. There is data throughout the postal business and this needs to be exploited.

Posts need to engage with their customers in a discussion about mail and how it drives other channel engagement. We need to get away from a negative perception about mail and prove that when combined with other channels it is effective.

Content marketing is one of the biggest objectives for companies. Direct mail needs to be about engagement, about content and must support content marketing. Direct mail is how companies can get their content in front of their customer and so data-driven marketing presents huge opportunities for posts.

IPC has set up an online community, IPC Direct Marketing PostBoard to establish a continuous dialogue between direct marketing experts from its membership. PostBoard launched in October 2012 has over 100 participants from 20 IPC member posts and provides a channel to engage with peers around the globe to exchange ideas, research and best practice.

The IPC Direct Marketing PostBoard has shown that direct mail faces the same issues across the world; that posts are developing online direct marketing tools and that there is a strong will to share knowledge and business ideas. In addition IPC offers an online library of case studies in direct marketing as part of its strategy to support its members to defend the core postal business of both transactional and promotional mail.

DIGITAL BUSINESS

This chapter evaluates the digital strategies and transformation initiatives that are in place within postal organisations. It includes a summary of the Digital Transformation in the Postal Industry research from the Massachusetts Institute of Technology (MIT) Center for Digital Business which was commissioned by IPC on behalf of its members in 2013. This research outlines factors which are driving successful digital transformation among large organisations.

This chapter also provides a selection of postal case studies in digital service development based on work conducted by IPC with its members during 2013.

The key message is that companies which are successfully adapting to the digital world are working to ensure digital initiatives and investments transform business processes, thereby deriving value in new ways and building a competitive advantage.

4.1 KEY FINDINGS

- Executives in every industry face a proliferating array of new digital tools that both threaten disruption and offer distinction if used effectively.
- Most posts acknowledge that digital communications have already triggered a slow (or sometimes not so slow) decline in their core businesses. And yet, despite wide-ranging digital experimentation, few postal operators are confident that they have found a new role where they can thrive in an increasingly digital world.
- In the MIT Center for Digital Business's report, Digital Transformation in the Postal Industry, which was sponsored by IPC on behalf of its members, findings were shared from a new study that explored the state of digital maturity within the postal industry. Drawing on survey data, industry research, and case studies of reference organisations, this report highlighted postal operator strengths and assets among the drivers of digital maturity and suggests opportunities for postal operators to accelerate their digital transformations.
- Posts recognise the opportunities of digital transformation but also lean towards caution in their framing of digital changes. Many posts lack the radical digital visions that are required to catalyse the necessary organisation-wide changes.
- Although posts are engaged in many novel digital initiatives, most are not leveraging digital with a view to enterprise-wide transformation. In many cases, digital investment decisions and governance of digital initiatives are happening at a departmental or unit level, rather than at the enterprise level.
- Over the past decade, Poste Italiane has transformed from a traditional postal operator to an integrated service provider for public administrations as well as private companies. Postecom is a business unit within the Poste Italiane Group dedicated to innovation and digitisation, with a remit centred on standardisation of digital business initiatives across the group.
- Today the most important competitor to the adoption of digital mail solutions remains physical mail with Deutsche Post DHL delivering 65m physical letters per day, more cheaply than most digital solutions in the market.
- Although current legislation limits the range of digital services US Postal Service (USPS) is able to offer its customers, USPS believes its brand credentials of security, privacy and trust can translate from the physical to the digital space.
- In Denmark, there is greater consensus among administrations, businesses and consumers of the value of adopting a digital agenda quickly. In Sweden, a highly competitive mail market has kept the price of the stamp relatively low and therefore there is less overall impetus for driving digitalisation.
- Digital innovation requires agility and a willingness to invest in continual product improvement. Value will be created from the development of external ecosystems. Through its Digital Business Unit, Le Groupe La Poste is looking to create value through external partnerships and enhance open innovation within the group.

4.2 DIGITAL TRANSFORMATION IN THE POSTAL INDUSTRY

New digital technologies like social media, mobile, analytics and smart embedded digital sensors are advancing rapidly across the global economic landscape. Data is being generated at an estimated rate of over 2.5 quintillion (10^{15}) bytes worldwide per day from sensors, mobile devices, online transactions and social networks.[1] There are 6.8bn mobile handsets in use globally and over 3.2bn active mobile users.[2]

Mobile commerce is expected to reach US$31bn by 2016, representing a compound annual growth rate of 39% from 2011 to 2016.[3] In Africa, often perceived as the least digitally connected of all populated continents, mobile penetration has already passed 60% of its 1bn people, while mobile access represents over 90% of all African telephone lines.[4]

Worldwide, billions of people are engaged daily through familiar social media tools like Facebook, Twitter, Google+ and other rapidly emerging social media sites like Qzone, Sino Weibo and Orkut.

Such technologies are widely used by consumers and employees alike; indeed, access to consumer technology often drives employee expectations of having work-centric digital solutions as good as those they have at home. Executives in every industry face this proliferating array of new digital tools that both threaten disruption and offer distinction if used effectively. They have seen how fast-moving digital technologies disrupted media industries over the past decade, and recognise the need to take advantage of the business opportunities these tools can offer to keep their own organisations relevant in this new world.

Traditional postal operators find themselves in similar positions. Evolving digital possibilities have set in motion changing patterns of communication. Now individuals and businesses have multiple media choices for delivering document and text communication, and senders and receivers have increasing access to multiple digital infrastructures, applications devices and experience. The letter has lost its status as the universal and monopoly media for document communication and posts face significantly reduced demand for the physical delivery of letters. Most posts acknowledge that digital communications have already triggered a slow (or sometimes not so slow) decline in their core businesses. And yet, despite wide-ranging digital experimentation, few postal operators are confident that they have found a new role where they can thrive in an increasingly digital world.

Achieving digital transformation (DT) – the use of digital technology to radically improve organisational performance or reach – is not self-evident nor is it simply a matter of imitating current digital leaders. Many would-be-digital firms are larger, older and more burdened with cultural, technological and organisational legacies. For them, recommendations based on fast-moving startups like Twitter, Zynga and Pinterest, or on large but 'born-digital' tech firms like Apple, Google, or Amazon, are rarely actionable.

MIT's Center for Digital Business (CDB) has conducted extensive research revealing that large traditional organisations deal with fast-moving digital innovations in different ways and to different degrees.[5]

Importantly, however, some of those firms have taken on digital in ways that enable them to establish a true digital advantage. Postal operators can learn from this research, which offers insights about how firms have developed a 'digital maturity' that yields real business benefits. According to the CDB, the approaches that digitally mature organisations use can be adopted by any organisation that has the leadership insight and drive to do so.

In the report Digital Transformation in the Postal Industry, findings were shared from a new study that explored the state of digital maturity within the postal industry. Drawing on survey data, industry research, and case studies of reference organisations, this report highlighted the strengths and assets of postal operators among the drivers of digital maturity and suggests opportunities for posts to accelerate their digital transformations.

[1] Widely cited estimate from IBM, introduced at "Information on Demand (IoD)" Conference, October 2011.

[2] International Telecommunication Union: "The World in 2013, ICT Facts and Figures".

[3] Forrester Research: Mobile Commerce Forecast 2012-2017.

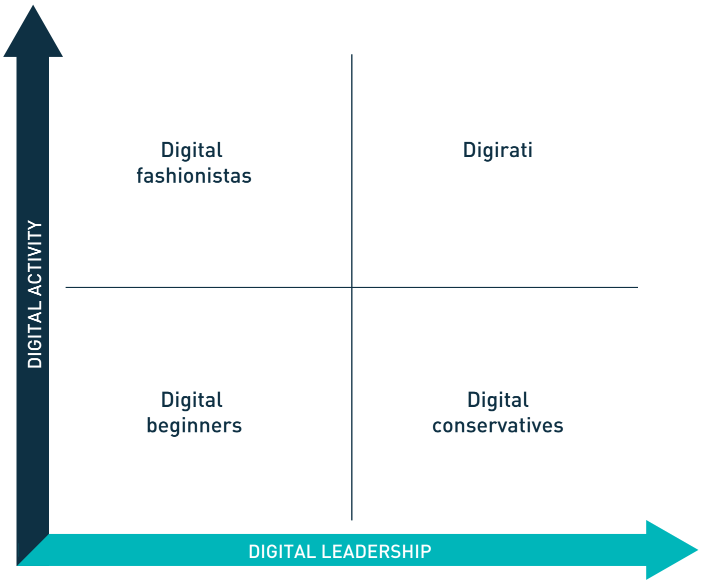
[4] International Telecommunication Union: "The World in 2013, ICT Facts and Figures".

[5] See MIT/CDB and Capgemini Consulting (2011) "Digital Transformation: A Roadmap for Billion-dollar Organizations" and MIT/CDB and Capgemini Consulting (2012) "The Digital Advantage: How digital leaders outperform their peers in every industry".

TYPES AND CONSEQUENCES OF DIGITAL MATURITY

Previous MIT/CDB research with Capgemini Consulting identified four types of digital maturity based on measures of digital intensity (digital activity) and transformation management intensity (digital leadership).

Types of digital maturity



Source: MIT/CDB and Capgemini Consulting (2012)
"The Digital Advantage: How digital leaders outperform their peers in every industry."

Organisations positioned in the top left quadrant are 'digital fashionistas', which are motivated to bring on digitally powered change and have implemented or experimented with many innovative digital applications. However, they may lack an overarching vision and strategy that enables them to maximise and grow the business benefits from these applications collectively.

Organisations in the lower left quadrant are 'digital beginners'. These organisations make little use of advanced digital capabilities, although they may have extensive experience using more traditional applications such as enterprise resource planning (ERP) or electronic commerce. Many organisations in this category are unaware of the opportunities, or may be starting some small investments without effective digital leadership parameters in place.

Organisations in the top right quadrant are labelled ‘digirati’. They understand how to create value from digital business, combining a transformative vision, careful governance and engagement, with sufficient investment in new opportunities. By investing and coordinating digital initiatives, while developing a digital culture able to envision subsequent changes and implement them appropriately, digirati continuously advance their digital competitive edge.

Organisations in the lower right quadrant are ‘digital conservatives’, who favour prudence over innovation. They are cognisant of the importance of a strong unifying vision, good governance, and cultural alignment in implementing change successfully. Typically sceptical of the value of new digital trends, they can take an overly careful approach to valuable digital opportunities upon which their more impulsive competitors will pounce.

Organisations that are mature in either of the two dimensions outpace their industry competitors along different dimensions of financial performance. Those with stronger digital activity derive more revenue from their assets than their industry’s average. Those with stronger digital leadership tend to be more profitable than their industry average and enjoy higher market valuations. Digirati, those organisations showing maturity on both dimensions, benefit on both counts, exhibiting significantly higher financial performance than their less digitally mature industry peers.

RESEARCHING DIGITAL MATURITY WITHIN THE POSTAL INDUSTRY

The goal of the CDB research was to explore the state of digital maturity within the postal industry, and to identify opportunities for postal operators to transform their organisations through the strategic adoption and application of digital technologies. CDB built on prior research that established the concept of digital maturity and documented a positive relationship between digital maturity and financial performance[6]. Digital maturity accounts for both what kind of digital initiatives an organisation undertakes, and how the organisation reconfigures itself to integrate and leverage those initiatives effectively. Digitally mature organisations exhibit strong progress on both dimensions and are well positioned to radically improve their performance using digital technology.

The research gathered quantitative data on digital capabilities and practices through a survey of 25 informed respondents representing eleven different organisations across the postal industry.

Respondents were drawn from both IPC and non-IPC member organisations. The postal enterprises participating in the survey are engaged in a range of businesses. All have operations in letter mail, parcels and express, and postal retail. Many also have logistics and freight businesses (82%) and financial services businesses (73%). Nearly two-thirds (64%) offer information services and solutions, while about one-third (36%) are engaged in telecommunications services and solutions. One-third (36%) operate additional businesses (eg insurance).

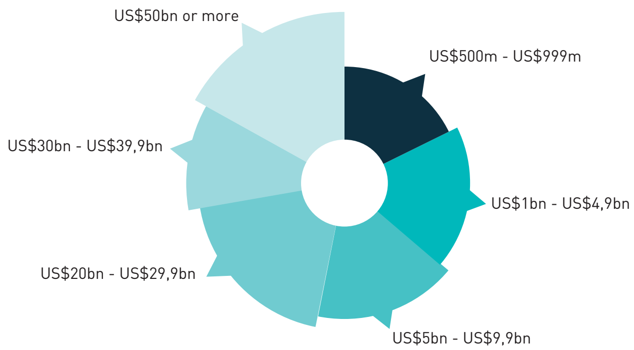
In addition, postal experts were interviewed about digital developments in their industry and developed in-depth case studies and vignettes of specific delivery and fulfilment settings, based on interviews and public sources. The combined analysis of these quantitative and qualitative materials formed the basis for the findings and conclusions of the report.

CONCLUSIONS OF THE DIGITAL TRANSFORMATION IN THE POSTAL INDUSTRY RESEARCH

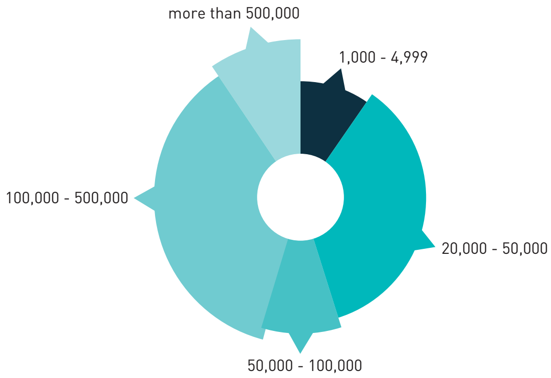
Analysis of both survey responses and ongoing industry activity suggests that digital transformation is well underway in the postal sector. The postal industry, viewed collectively, is situated comparably with other industries, close to the average in terms of both digital activity and digital leadership.

Sample metrics of postal survey responces

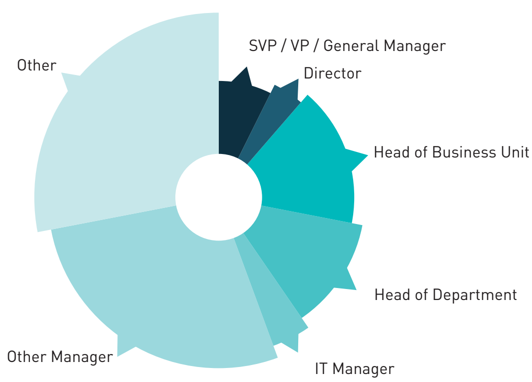
Respondent posts by size (revenues)



Respondent posts by size (employees)



Respondents by role



[6] MIT/CDB and Capgemini Consulting (2012), “The Digital Advantage: How digital leaders outperform their peers in every industry”.

Digital maturity mapping: postal benchmark

Source: MIT/CDB IPC Digital Transformation in the Postal Industry

As has been found in other industries, there is also immense variation among individual postal organisations, in terms of the scale and scope of their digital initiatives as well as the effectiveness with which these initiatives are being led.

Some key findings from this study:

- Posts recognise the opportunities of digital transformation but also lean towards caution in their framing of digital changes. Many posts lack the radical digital visions that are required to catalyse the necessary organisation-wide changes.
- Collectively, posts are careful with their digital funds and their experiments with digital tools. However they may be overlooking the need to invest in new human capital as well as new technologies. More attention to developing appropriate technical skills, stronger partnering skills and greater cultural adaptability is warranted.
- Postal digital activity is already extensive and varied. Further digital experimentation in the following areas could be rewarding:
    - Focusing on mobile technologies to engage individual and SME customers in co-creating the services they seek
    - Promoting further self-service by integrating multi-channel customer interfaces with internal operational processes
    - Leveraging existing expertise plus the possibilities of low-cost digital replication to tailor existing services for additional customer segments
    - Leveraging digital tools to identify and reach evolving and new customer segments
    - Partnering and collaborating broadly to rapidly gain additional digital skills and experience even while delivering novel digital services
    - Using trusted brands and unmatched physical footprints to broker any kind of relationships (B2C, B2B, G2C, etc) that can benefit from integrated physical and digital relationship management
- Although posts are engaged in many novel digital initiatives, most are not leveraging digital with a view to enterprise-wide transformation. In many case, digital investment decisions and governance of digital initiatives are happening at a departmental or unit level rather than at the enterprise level. As a result, there is fragmentation of the infrastructure and data stores that underpin digital activity. This approach is more typical of digital fashionistas than digirati; although it can be effective if the short-term synergistic learning and replication across the organisation is constrained.
- In most posts, the potential role for the IT unit in digital transformation is not well understood, and IT is situated at the periphery of digital decision making. There is opportunity for clarifying how IT can contribute to postal operators' digital futures.

POSTAL OPERATOR CASE STUDY #1: POSTE ITALIANE

Over the past decade, Poste Italiane has transformed from a traditional postal operator to an integrated service provider for public administrations as well as private companies. The diversification and transformation of the Poste Italiane Group has been driven by senior management as well as Massimo Sarmi, CEO of Poste Italiane.

Postecom is a business unit within the Poste Italiane Group dedicated to innovation and digitisation, with a remit centred on standardisation of digital business initiatives across the group. This has allowed Poste Italiane to become more flexible in its approach to innovation, leveraging internal expertise.

Postecom has strategic responsibility for four pillars of digitisation:

- Digital communications
- e-Commerce
- Cloud services
- e-Government

When developing its e-Commerce platform, a detailed assessment was undertaken which revealed that Poste Italiane already had access to all elements necessary for an e-Commerce platform (Magento). The platform needed to be cloud-based and these new capabilities were achieved through partnerships. A platform targeted at SMEs was launched in October 2012, with a platform targeted at medium-sized and large enterprises in February 2013.

Poste Italiane has successfully engaged with 150,000 employees and their families to promote the consumer side of the platform. Poste Italiane has the vision to become an e-Commerce enabler and an e-Commerce player.

Postecom is also creating synergies between Posteshop and posteitaliane.com. A current initiative is the development of a marketplace for 'Made in Italy' where merchants access a customised platform promoting products 'Made in Italy'. This is a partnership with local postal operators and a memorandum of understanding has been signed with Russian Post and China Post. Local postal operators are responsible for customs, last mile parcel delivery, reverse logistics and local payment processes. An e-Commerce initiative is also underway with the Netherlands, built on the .post environment.

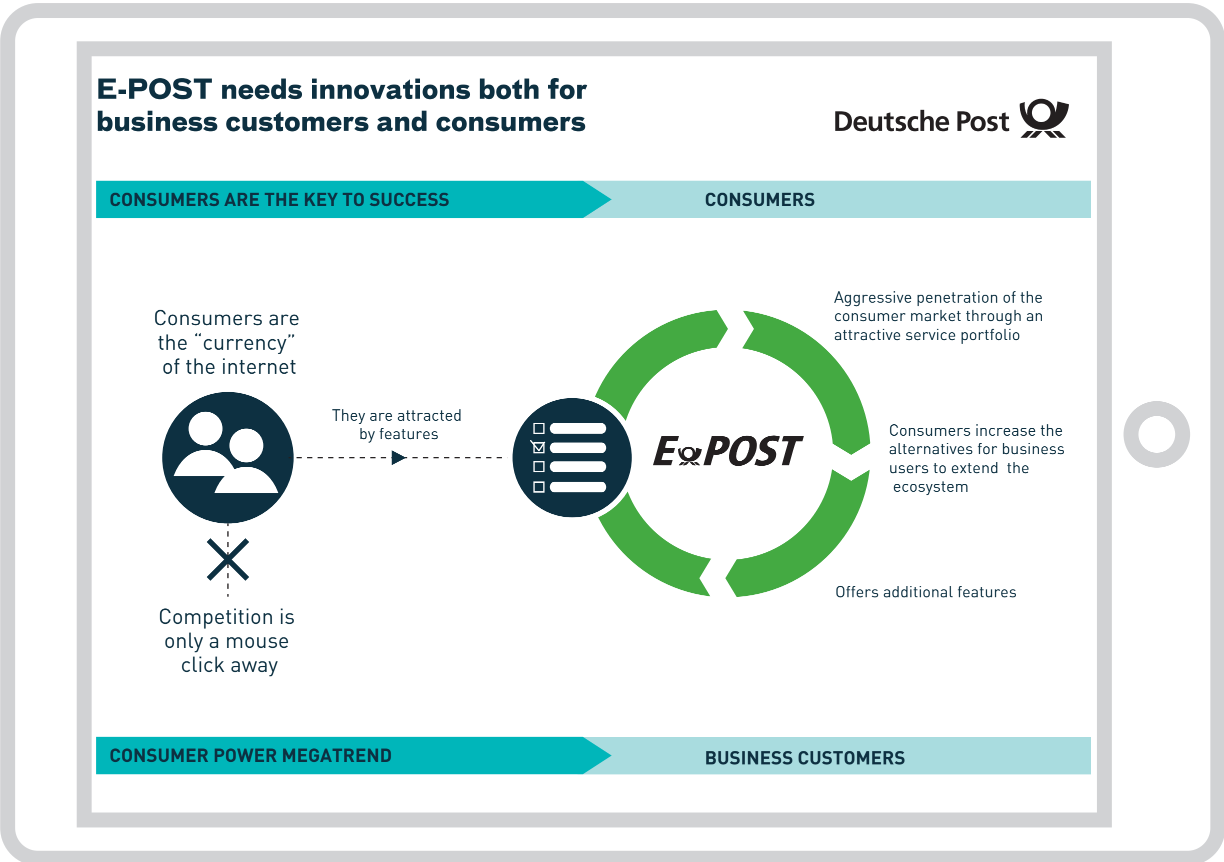
POSTAL OPERATOR CASE STUDY #2: DEUTSCHE POST DHL

In 2007 the E-POSTBRIEF solution was developed as a secure digital communication channel from business customers to end-consumers. Today the most important competitor to the adoption of digital mail solutions remains physical mail with Deutsche Post DHL delivering 65m physical letters per day, more cheaply than most digital solutions in the market.

Transformation driven by 'consumerisation'

The key to electronic post transformation is a focus on the adoption of digital communications by the end-consumer. While digitisation of businesses is gathering pace, the digitisation of end-consumers or recipients, is happening at a much faster rate and players in this space are constantly innovating and bringing out new devices, products and services.

Deutsche Post DHL's E-POST



Source: MIT/CDB IPC Digital Transformation in the Postal Industry

The focus for E-POST is to gain relevance and to promote the adoption of end-consumers by developing and launching a range of services and solutions which improve their daily lives. This has required significant investment in new IT infrastructure to enable agile development which has involved re-defining and relocating the unit, as well as hiring new people with appropriate skills.

Product portfolio which delivers on trust

Since 2012, E-POST has focussed on introducing new products which serve a range of needs for end-consumers and small and medium-sized enterprises. Products have been launched in the areas of communication, transactions and business processes.

E-POSTBRIEF is currently the main product, with a €100m revenue target for 2013. Other products are primarily developed through partnerships and focus on positioning Deutsche Post DHL in key areas in the digital economy: digital identity, payment solutions and business process solutions which integrate with current sector-specific solutions. Some of Deutsche Post DHL solutions are:

- E-POSTZAHLUNG, a one-click payment system launched to take on PayPal and the banks
- E-POSTSCAN, a scanning solution for private consumer and SMEs
- E-POSTSAFE, an archiving and storage solution
- E-POSTIDENT, a digital identity generating revenues from new segments such as the lottery, gambling and erotica; E-POST is the only company which can verify physical identity and digital identities, thereby providing businesses with highly accurate identity profiling verification services
- E-POSTBUSINESS CONNECT, a set of APIs to enable small businesses to generate bills
- E-POST App, a set of mobile apps

E-POST is creating an open platform by offering API interfaces which other businesses can use to offer services. Providing a range of consumer-focused services will facilitate the transformation of the business model from a price per transaction model, to one where products are bundled together in order to create new markets and drive demand.

POSTAL OPERATOR CASE STUDY #3: USPS

Working within legislative constraints

Although current legislation limits the range digital services US Postal Service (USPS) is able to offer its customers, USPS believes its brand credentials of security, privacy and trust can translate from the physical to the digital space. As a government agency, USPS is able to innovate and develop digital services for businesses and consumers to interact with the government. USPS is allowed to offer business customers digital services which were developed prior to 2006, including an electronic postmark.

Unique assets for digital services

USPS has set its digital strategy to leverage its current assets and legislative requirements in the secure transactional space:

- USPS digital services are bound by the same privacy laws as for first-class mail.
- USPS has access to over 36,000 retail points with trusted and cleared workforce – all employees have been security checked.
- USPS can offer protection in the digital space through USPS inspection service and Office of Inspector General (OIG), thereby ensuring action by federal law against people or organisations involved in security violations.
- USPS has the fourth largest IT infrastructure in the US linking to 32,000 postal facilities.
- USPS is allowed to operate in the digital government space by verifying identities of those wanting to access government services (G2C and G2B).

International developments

USPS sees potential in .post as a new top-level domain with additional security and has been working with the UPU on the technical standards. Interoperability is essential for digital services in areas where posts offer common services.

USPS is working with the UPU on standard digital protocols for international interoperability. The AESUG group, within the UPU is working on e-identity business processes as well as assessing technical standards.

POSTAL OPERATOR CASE STUDY #4: LE GROUPE LA POSTE

Challenges in building a digital positioning

In 2011, Le Groupe La Poste Mail Division launched DigiPoste, initially targeting the new e-salary slip market. This was primarily a defensive strategy to address the ongoing electronic substitution of physical mail. The digitisation of transactional communication has increased significantly in France since then and La Poste has forecast a 50% reduction in mail volume over the next five years.

DigiPoste was created to offer universal access to electronic documents for consumers, with one digital identity. It enables digital receipt, archiving and sharing. Two mobile apps have been developed: DigiPoste and DigiShoot, which is used to take watermarked geo-localised photographs from smart phones.

At the time of the SEF on Digital Business in May 2013, more than 1m customers had registered to use the service. Growth in uptake has been driven by salary notification services with banks and insurance companies, as well as by the large retailer Carrefour with 10,000 employees.

Current usage of DigiPoste is low as it offers a limited range of features. The initial promise of DigiPoste was to have all transactional documents in one space accessible with one ID, but significant fragmentation in the market has occurred with large utilities, banks and government agencies developing portals and products through which consumers access services and information. DigiPoste is often perceived as a middleman and postal customers are not willing to pay for the digitalisation of documents.

Creating relevance for end-consumers to attract large business customers

DigiPoste has succeeded in becoming the main brand in electronic HR services and for positioning postal services in the digital world in France. The business priority is now to increase the number of users and to accelerate the growth of the new features and create value for the users.

Le Groupe La Poste has set up a roadmap, which includes the following priorities:

- Development of an automatic collector of documents, which is a new value proposition for businesses looking to promote digitalisation with their end-consumers by driving more documents to a centralised DigiPoste mailbox
- Integration of IDN features
- Integration of QR codes to create a link to prove that the document is an original
- Upgrading of the graphical user interface (GUI) and release a version for professionals

In looking to develop the DigiPoste platform, different business models and revenue streams are being considered. An important debate is around the use of advertising as an additional source of revenue and the development of end-user tools to allow consumers to manage their own data.

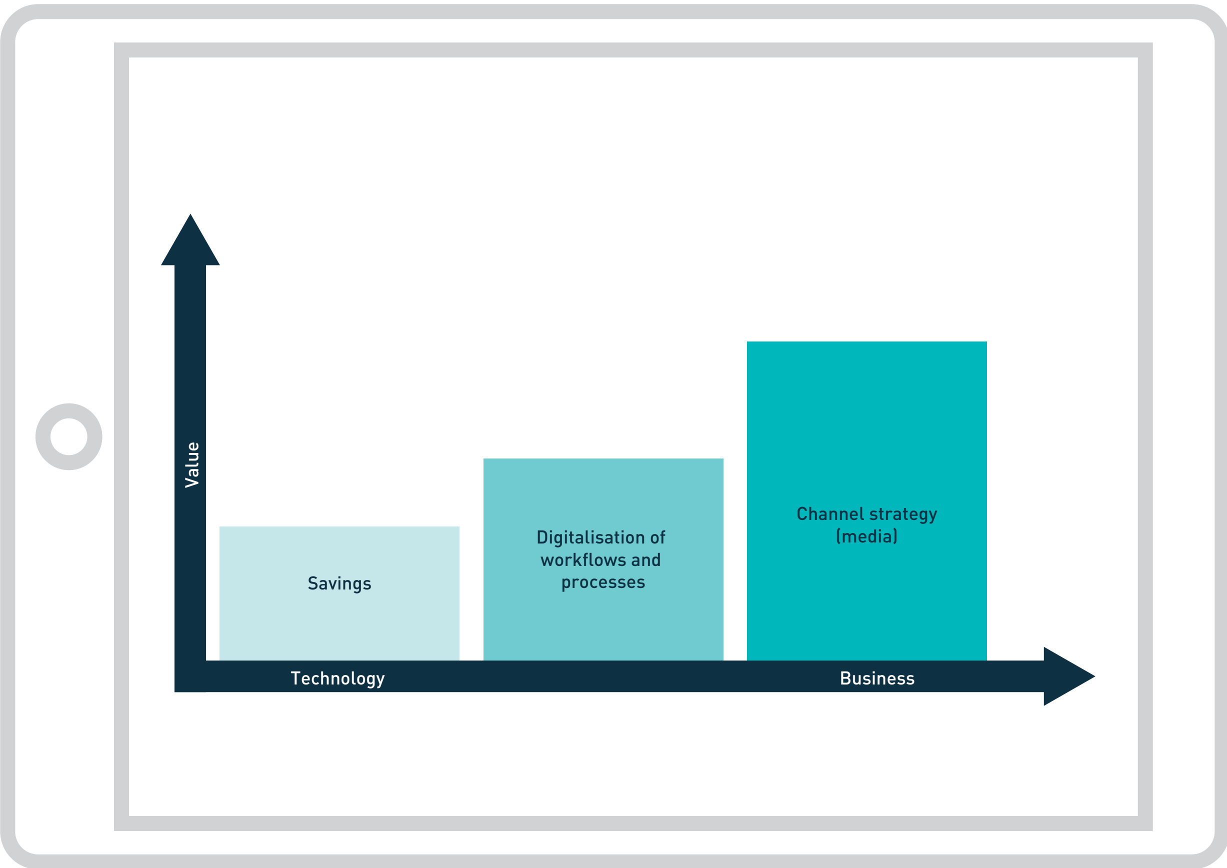
POSTAL OPERATOR CASE STUDY #5: POSTNORD

In 2012, PostNord experienced a 7% drop in mail volume (12% in Denmark and 5% in Sweden). The company is working to implement a transformation strategy which requires adapting the business at a very fast pace in order to maintain revenue and profits.

In Denmark, there is greater consensus among administration, businesses and consumers of the value of adopting a digital agenda quickly. In Sweden, a highly competitive mail market has kept the price of the stamp relatively low and therefore there is less overall impetus for driving digitalisation.

New trends in B2C digital services

The initial adoption of digital technology is focused on delivery cost savings. In recent years, the focus moved to the digitalisation of workflows and processes. This made it much harder to get projects off the ground as customers are required to invest heavily. Current levels of digitalisation among businesses and customers have led to digital services being used as a channel strategy. Postal customers must be where their end-customers are, developing one-to-one interactions using a range of communication channels – portals, mobile, letters and electronic services.

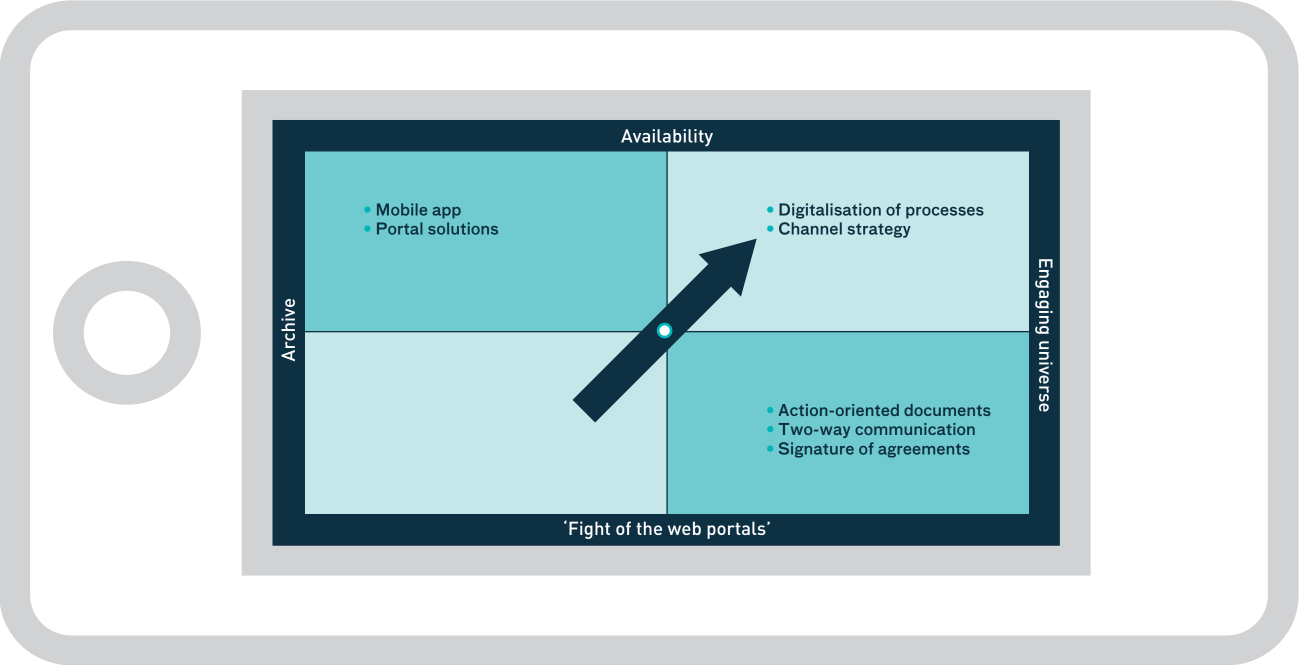


Source: PostNord

Adding value to documents

Senders are driving the pace of digitisation and are served by a specialist PostNord sales force. There is a recognition that there is a need for a more engaging universe for end-consumers by providing services that deliver value and which allow consumers to be part of the digitisation process. Adding value to documents within the e-Boks environment is an important strategy to achieve this.

Solutions from e-Boks



Source: PostNord

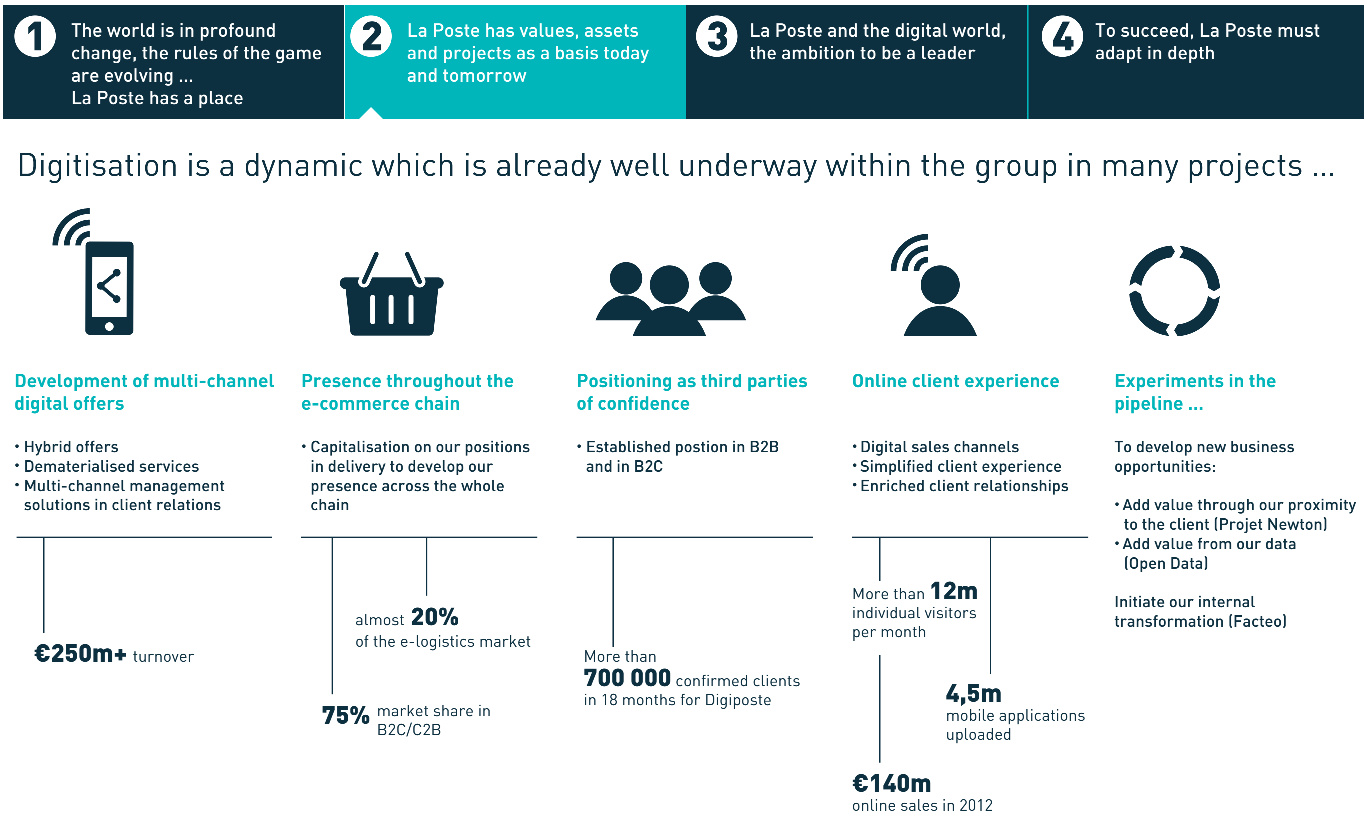
e-Boks offers consolidated services and integrates apps with a single sign-on capability. New value is derived from enabling two-way communication in a secure environment, supported by a legally binding digital signature.

POSTAL OPERATOR CASE STUDY #8: LE GROUPE LA POSTE'S DIGITAL BUSINESS UNIT

A new Digital Business Unit has been created within Le Groupe La Poste. The impact of digitisation goes far beyond electronic substitution and changing customer and consumer needs and challenges all aspects of an organisation, including management hierarchies, resources and the working environment.

La Poste thinks digital innovation requires agility and a willingness to invest in continual product improvement. Value will be created from the development of external ecosystems. Through its Digital Business Unit (DBU), Le Groupe La Poste is looking to create value through external partnerships and enhance open innovation within the group. The core strategy is to link between the physical and digital worlds.

Digitisation is well underway within the group with a significant number of projects existing across a range of businesses.



Source: Le Groupe La Poste

The unit is investigating the creation of additional value from data, behavioural targeting of communication, e-health and opportunities from the last-mile daily contact with consumers. Mobile phones are being deployed to all postmen and -women to increase capabilities for services in the last mile, such as digital signatures.

Postal staff are at the heart of the transformation within the group with a focus on adapting the work environment to take advantage of digital communication channels, establishing new styles of management and collaboration, and adapting the IT system.

The Digital Business Unit was created to gain efficient coordination, to centralise digital expertise and to bring products to the market more quickly. It reports directly to the executive board. Previously the innovation department was part of the corporate group. The unit has a mix of objectives including business development, governance and coordination of digital strategy throughout the group. The ROI tools for the unit differ from that of other business units.

The Digital Business Unit employs approximately 100 people and is tasked with five work streams:

1. Strategy and innovation; which focusses on coordinating and developing a digital strategy for the whole group, as well as investing in innovation and incubating new projects. When a project is mature it will go to the business programme in the DBU, or the main stream.

2. Creating new businesses; the unit's first business is DigiPoste. The DBU is also responsible for steering activity on e-Commerce and SMEs.

3. Channeling customer experience; the objective is for La Poste.fr to integrate existing information and transactional websites across mail and parcels divisions.

4. Internal transformation; which focusses on steering and coordinating digital capabilities and adapting digital management methods and IT tools.

5. Communication; with the unit driving La Poste's digital brand development through internal and external communication of digital capabilities and the brands ability to meet the challenges of the digital world.

4.3 CONCLUSION

In 2013 IPC commissioned research on behalf of its members from the Massachusetts Institute of Technology's Center for Digital Business. The findings from the report on Digital Transformation in the Postal Industry outline the factors which are driving successful digital transformation among large organisations.

Posts recognise the opportunities of digital transformation but also lean towards caution in their framing of digital changes. Many posts lack the radical digital visions that are required to catalyse the necessary organisation-wide changes.

Collectively, posts are careful with their digital funds and their experiments with digital tools. However, they may be overlooking the need to invest in new human capital as well as new technologies. More attention to developing appropriate technical skills, stronger partnering skills and greater cultural adaptability is warranted.

Postal digital activity is already extensive and varied. Further digital experimentation in the following areas could be rewarding:

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- Partnering and collaborating broadly to rapidly gain additional digital skills and experience even while delivering novel digital services
- Using trusted brands and unmatched physical footprints to broker any kind of relationships (B2C, B2B, G2C, etc) that can benefit from integrated physical and digital relationship management

Although posts are engaged in many novel digital initiatives, most are not leveraging the full potential of digital business with a view to enterprise-wide transformation. In many cases, decisions on digital investments and governance of digital initiatives are happening at a departmental or unit level rather than at the enterprise level. As a result, there is fragmentation of the infrastructure and data stores that underpin digital activity.

In most posts, the potential role for the IT unit in digital transformation is not well understood, and IT is situated at the periphery of digital decision making.

SUSTAINABILITY

This chapter highlights the progress made by IPC's Environmental Measurement and Monitoring System (EMMS) over the past year and showcases key learning points from IPC sustainability events held during 2013.

The EMMS programme was developed in 2008 at the request of the CEOs on the IPC Board. The objectives of the programme are to drive carbon management proficiency and performance by providing a common reporting structure for posts to disclose their environmental management strategies and reductions; to make informed sustainable strategic decisions and to engage with employees on the topic of sustainability.

This chapter focuses on the need to accelerate the use of alternatively powered vehicles in the postal sector and is based on findings from the Best Practice Seminar on Alternative Vehicles and Fuels in the Postal Fleet which took place in September 2013.

In this chapter we present a number of case studies to provide insight on current efforts, the business case, challenges and next steps for future development. By exchanging information on advancements in existing vehicles and pilot results, posts can learn from each other and take the next steps in the use of alternative-fuel vehicles in the fleets of the EMMS participants.

IPC is also committed to stimulating employee engagement and eco-driving through the IPC Drivers' Challenge. The first IPC Drivers' Challenge was held in Montpellier, France in 2012 and the second in partnership with An Post in Ireland in 2013.

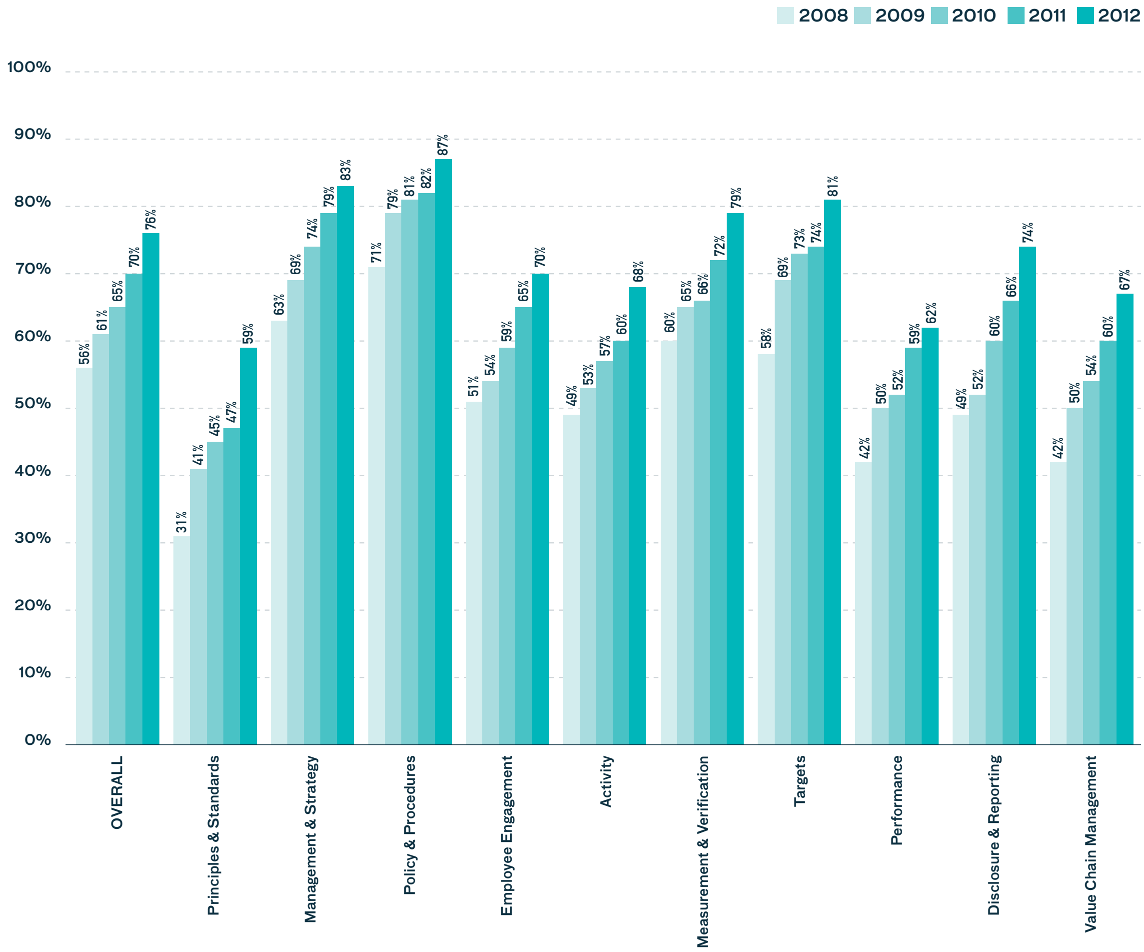
5.1 KEY FINDINGS

- The 2013 IPC Postal Sector Sustainability Report, covering the reporting year 2012, presented the impressive efforts by the participants in IPC's sustainability programme. On both Carbon Management Proficiency (CMP) and carbon emissions reductions, good progress was made towards reaching the 2020 targets of 90% CMP and 20% CO_2 reduction compared to the 2008 baseline.
- Of the 500,000 vehicles in the EMMS fleet in 2009, around 57,000 (10%) were alternative fuel vehicles; in 2012 more than 16% (almost 97,000) were alternative-fuel vehicles.
- In 2012 of the Scope 1 and 2 emissions around 40% of the total emissions came from transport. If Scope 3 emissions are included, around 77% is caused by transport.
- Most of the alternative vehicle fleet are bio-ethanol (E85) vehicles (more that 40,000 of the 97,000); almost 24,000 are bicycles; 17,000 are electric vehicles.
- The postal operators in the Americas (Correios Brazil and USPS) have over 45,000 (46%) of the alternative vehicles; Europe has almost 28,000 (29%) of the alternative vehicles in the EMMS fleet.
- Of the E85-fueled vehicles in the postal fleets, 100% can be found in the Americas.
- Of the electric vehicles, 99.7% can be found in Europe, whereas also 85.3% of the CNG vehicles can be found in Europe.
- Between 2009 and 2012 over 324m litres of fuel have been saved, which represents an accumulated cost saving of €264m.
- Whereas the Kyburz electric tricycle in Switzerland has a sound business case (Swiss Post has currently around 2,900 Kyburz DXPs in their fleet), in Belgium the business case is not positive (because attaching a trailer to it is not allowed).
- USPS is focussing on biofuel and not on electrification of their fleet.
- Subsidies within the EU show considerable differences: in France €7,000 per electric vehicle is subsidised by the government; in Sweden, PostNord gets 50% of the cost difference back via governmental subsidies. In other countries in Europe and certainly in North America, companies do not get any subsidies for alternative vehicles.
- There needs to be more attention on heavy trucks; postal operators are now very much focused on mini vans and delivery vehicles, but emissions from trucks are substantial; for some (the more logistics focussed companies; the share is greater than 50% of their total transport). PostNord is testing two hybrid electric Volvo FE trucks and two methane diesel Volvo FM trucks.
- Deutsche Post DHL has developed, together with Bombardier, a bespoke delivery van for parcel deliveries.

5.2 CLOSE TO REACHING CARBON REDUCTION TARGET

The 2013 IPC Postal Sector Sustainability Report, covering the reporting year 2012, presented the impressive results by the participants in IPC's sustainability programme. On both Carbon Management Proficiency (CMP) and carbon emissions reductions, good progress was made towards reaching the 2020 targets of 90% CMP and 20% CO_2 reduction compared to the 2008 baseline.

IPC EMMS Carbon Management Proficiency



Source: 2013 IPC Postal Sector Sustainability Report.

The 2013 IPC Postal Sector Sustainability Report includes 18 best practice cases illustrating how participating postal operators have overcome particular regional challenges to maximise their environmental efforts.

The online report can be consulted at http://sustainability.ipc.be.

CARBON MANAGEMENT PROFICIENCY

In 2012, EMMS participants achieved an average CMP score of 76%, a significant increase compared to 70% in the previous year. The year-on-year increase of six percentage points in 2012 and the average yearly increase of five percentage points since reporting started in 2008 are well above the required rate of 2.8% to achieve our goal of 90% in 2020. When newcomers Nigeria Post and Correios Brazil's scores are included, the average is slightly lower, at 71%; however, this still is an improvement compared with the 2011 average. Moreover, the current annual rate of improvement of all posts combined remains above the required rate, at almost four percentage points. The current rates suggest that the EMMS participants will be able to reach the 2020 goal well ahead of schedule.

CARBON EMISSIONS

In 2012, Scope 1 and 2 carbon emissions from EMMS participant mail and parcel activities amounted to 6,738,000 tonnes of CO_2, down from 7,173,000 tonnes in 2011. This 435,000 tonne decrease is considerably more than the 261,000 tonnes reported the previous year, and that of 329,000 tonnes reported between 2009 and 2010.

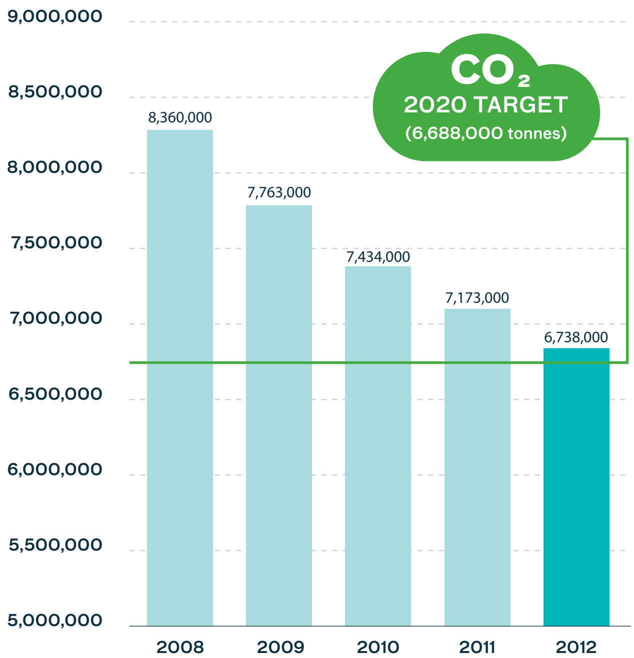
The 2012 results demonstrate that considerable reductions can still be made by the global postal sector as a whole. With the 2012 decrease standing at more than three times the required annual reduction rate from baseline, and with only 50,000 tonnes left to go in Scope 1 and 2, the EMMS programme is likely to already reach the 2020 target in 2014.

In 2012, combined Scope 1, 2 and 3 emissions amounted to 17,284,000 tonnes. Combined with the significant reduction in Scope 1 and 2 emissions, this accounts for the overall stabilisation in the combined three scopes. This clearly demonstrates that the sector's performance in Scope 1 is largely the result of internal efforts, and not due to significant amounts of outsourcing or sub-contraction.

EMMS tracks direct and indirect emissions using the following Scope 1, Scope 2 and Scope 3 terminology:

- Scope 1: all direct GHG emissions, including those from buildings and transport owned by the company
- Scope 2: indirect GHG emissions, from consumption of purchased electricity, heat or steam
- Scope 3: other indirect emissions, including transport-related activities by vehicles not owned or controlled by the reporting entity, business travel and employee commuting, outsourced activities, etc.

IPC EMMS Carbon emissions reduction



Source: 2013 IPC Postal Sector Sustainability Report.

BUSINESS CASE

The significant reductions achieved by EMMS participants present a compelling business case for carbon management. The fuel and energy savings resulting from environmental efforts have led to significant financial savings. The total accumulated electricity savings of 3.3TWh since 2008 have led to more than €260m worth of cost savings.

324 MILLION

LITRES OF FUEL SAVED IN EFFORT TO COLLECTIVELY REDUCE CO_2 EMISSIONS, SAVING

€264M

Combined, the original group has saved 324m litres of fuel as part of their efforts to collectively reduce CO_2 emissions since the start of the programme. The fuel consumption savings since 2008 represent a financial saving of €264m. This is the result of structural investments made by IPC members in sustainability, such as policies to modernise the fleet, or to turn to green energy. Moreover, employee engagement has been essential to achieve considerable reductions through for instance eco-driving.

IPC and the EMMS participants are keen to extend the EMMS programme where possible, in order to decrease the sector's environmental impact.

5.3 POSTAL FLEET TRANSFORMATION

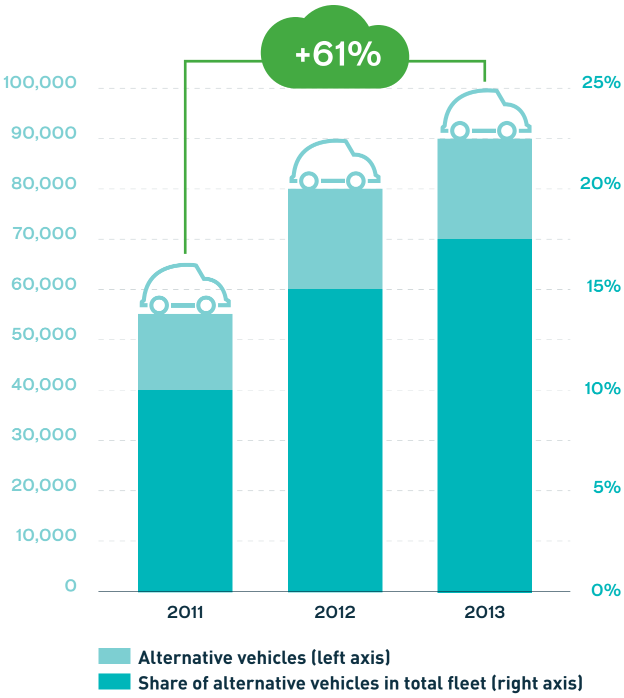
In 2012 of the total Scope 1 and 2 emissions around 40% came from transport. However if Scope 3 emissions are also included, around 77% is caused by transport. This is why in 2013 the EMMS programme focussed on transforming the postal fleet, either through employee engagement or through looking to increasing the use of alternative-fuel vehicles in their fleets.

Eco-driving postal initiatives include the following:

- USPS conducted eco-driving training for its drivers, teaching them to increase speed gradually and avoid 'rabbit starts' on multi-drop operations. Training included tyre pressure checks and instruction on keeping to designated routes.
- bpost has trained 4,230 postal agents and 170 executives in eco-driving techniques. In one location where most employees completed the course, fuel consumption decreased from an average of 8.2 litres per 100 km to 6.5 litres. The post has found that long-term success depends on the local managers' commitment.
- CTT Correios includes fuel consumption in each unit manager's monthly scorecard.
- An Post is training 1,000 drivers a year in eco-driving techniques. It tests them annually and intends to raise the standard it requires. The company believes that a structured programme is essential in order to ensure drivers meet minimum standards, but fears that savings in fuel consumption do not fully cover the training costs. An Post runs an eco-driving challenge each year achieving a very high level of engagement from the drivers and managers who reach the national final. The ultimate winners compete against other posts in IPC's international challenge which this year was held in Ireland and hosted by An Post.

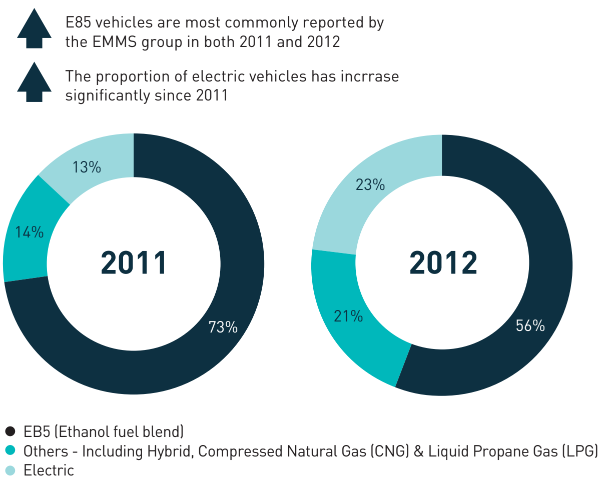
ALTERNATIVE FUELS AND VEHICLES IN THE POSTAL FLEET

Alternative-fuel vehicles in the postal fleet



Source: IPC Global Postal Industry Report 2013.

Percentage of alternative vehicles by type, 2011-2012



Source: IPC

The 2013 Sustainability Report shows that alternative-fuel vehicles now account for 16% of the total postal fleet of the IPC EMMS participants, which includes over 516,000 vehicles. Since the start of the programme in 2009, the number of alternative vehicles has increased from 56,000 to 90,000.

The most common alternative fuels are bio-diesel and bio-ethanol, but the number of electric vehicles has more than doubled to 17,089 between 2011 and 2012. Many posts are trialling or deploying electric vehicles for last-mile delivery operations.

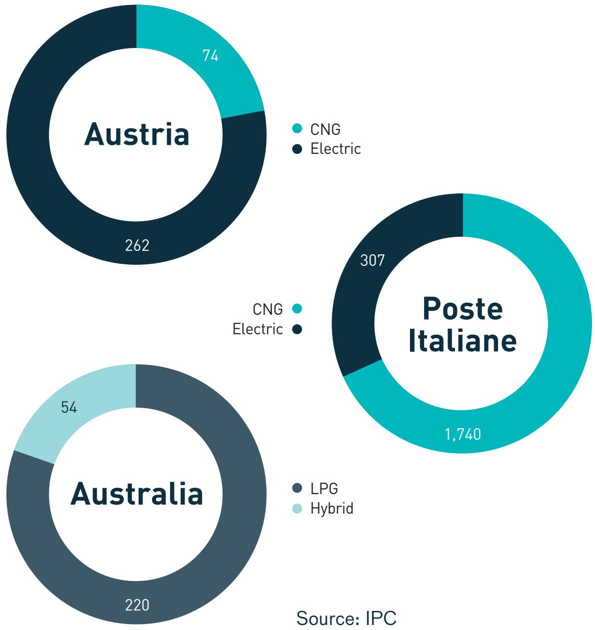
Posts in each geographic region are taking a different approach to their choice of alternative fuels: in North and South America they have opted for E85 bio-ethanol, while in Europe they are choosing CNG (compressed natural gas) and electric power.

There is also a wide difference in approach between individual posts. For example, Austrian Post's alternative vehicle fleet comprises 74 CNG and 262 electric vehicles; Poste Italiane has 1,740 CNG and 807 electric vehicles, and Australia Post has 220 LPG (liquid petroleum gas) and 54 hybrid vehicles.

There is a striking difference in the success of individual posts in building their financial and operational business case for specific vehicles. For instance, government subsidy, or lack thereof, plays a part. Subsidies within the EU show major differences: in France €7,000 per electric vehicle is subsidised by the government and in Sweden, PostNord gets 50% of the cost difference back via governmental subsidies. In other countries in Europe and North America, companies do not get any subsidies for alternative vehicles.

The lack of infrastructure for refuelling and recharging also presents a major barrier to the adoption of alternative-fuel vehicles. Moreover, the source of electricity used to power vehicles has a determining influence on their overall environmental impact. In Norway, for example, 96% of electricity comes from hydropower or renewable resources, whereas in South Africa, 94% of electricity comes from coal.

2012 alternative vehicle fleet comparison



Source: IPC

EMMS participants also identified a pressing need for information sharing and in-depth discussions on larger vehicles including trucks which account for a large proportion of total CO_2 emissions. There has been little progress in finding an alternative fuel solution for heavy trucks.

The following section includes a range of case studies from IPC member postal operators as well as industry stakeholders. They have been sorted according to the alternative fuel used.

CASE STUDIES ON GAS-POWERED VEHICLES

Volkswagen: Compressed natural gas (CNG)

Volkswagen believes that electric power is unlikely to be suitable for long-distance transport and has therefore taken a strategic decision to focus more on compressed natural gas (CNG) technology over the next few years. The group believes that CNG can reduce both CO_2 emissions and costs.

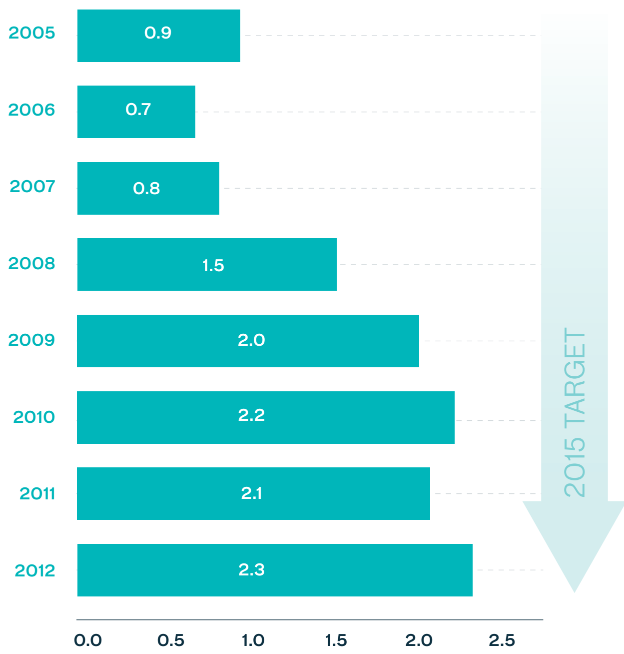
The group's natural gas-enabled vehicles include heavier, long-distance models such as the MAN and the Scania Ecolution as well as the Volkswagen Transporter and Caddy.

USPS: Researching best practice on alternative fuels

USPS has 42,218 alternative-fuel vehicles in its fleet which is equivalent to around 15% of its total fleet.

USPS has tested the feasibility of all types of electric power, E85 ethanol and propane as well as CNG. The results of USPS' testing and research indicate that compressed natural gas (CNG) has emerged as the most desirable. Although CNG vehicles have lower emissions, they would cost US$4,000 to US$5,000 more to buy than a new gasoline vehicle, but annual fuel costs would be US$936 compared with US$1,684 and maintenance costs would be the same. There is no major CNG vehicle manufacturer in the US and few suppliers of lifecycle parts. However the biggest drawback is the cost and availability of a refuelling network across the United States.

USPS alternative fuel use



Million Gasoline Gallonuivalle Equivalent (GGEs)
Source: USPS 2012 Sustainability Report.

bpost: Trialling gas-powered heavy vehicles

bpost's trials of heavier alternative-fuel trucks have produced disappointing results. The trials found that the Mercedes compressed natural gas (CNG) truck it tested had an insufficient range, too little power and too small a load capacity. There were concerns also about availability of fast-fill refuelling stations.

Deutsche Post: CO_2 efficiency in daily logistics operations

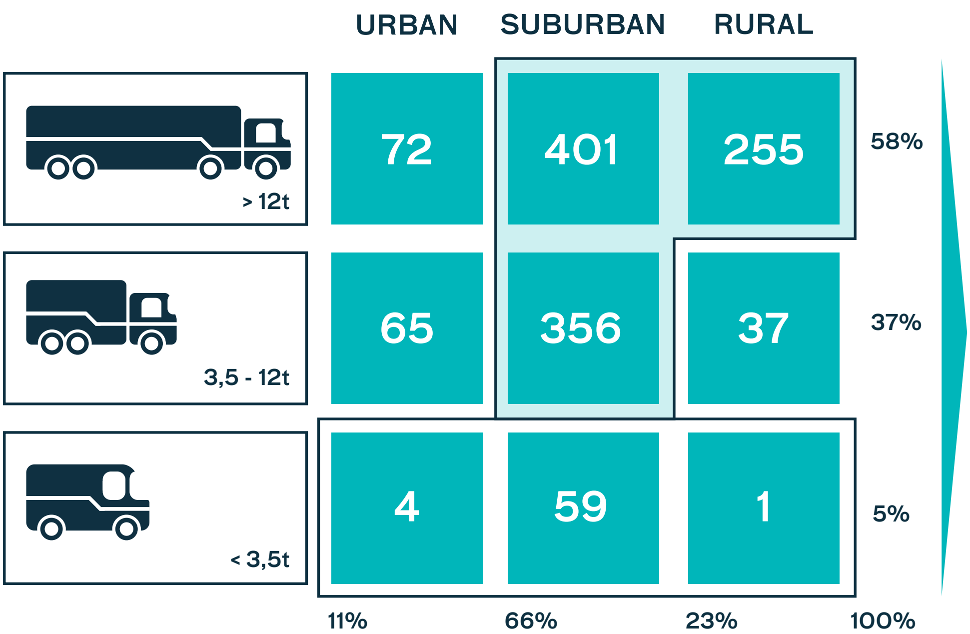
Deutsche Post DHL has a group target to increase its CO_2 efficiency, including Scope 3, by 30% by 2020 and had already reached 16% when reporting in 2013.

Deutsche Post DHL has 8,500 vehicles running with alternative fuels or modifications. The company believes that liquefied natural gas (LNG) will be the optimum solution. It is clean, a refuelling tank can be located on site at depots, and suppliers are willing to build a refuelling infrastructure.

As a global logistics operator, just 5% of all fuel consumption by the Deutsche Post DHL fleet comes from smaller vehicles; the biggest trucks account for nearly 60% of fuel usage while numbering only 20% of the total fleet. Group-wide, heavy trucks are the focus for CO_2 reduction.

Share of fuel consumption and carbon footprint

A big part of Deutsche Post DHL total emissions comes from suburban and rural transportation



- 20% of Deutsche Post DHL's fleet accounts for 80% of total fuel consumption, driven in rural and suburban areas by trucks
- For a significant group-wide CO_2 reduction, alternative truck technologies play a major role.

■ = Scope 1 footprint in 1,000 tonnes of CO_2

% = Share of total exposure

Source: GoGreen, DP Fleet, Sustainability Report, CO_2 Footprint and Fleet data 2011.

The truck fleet includes 100 vehicles running on dual-fuel diesel and gas – LNG, liquid petroleum gas (LPG) and compressed natural gas (CNG). In normal driving conditions, the substitution rate of gas-to-diesel is 54% to 70% achieving a cost saving of 22% to 28% and a 13% to 15% reduction in CO_2 emissions.

Dual-fuel vehicles are 7% more efficient than diesel-only vehicles in total cost of ownership assessments. If a truck runs for more than 200,000km a year it achieves payback in two years despite a purchase and maintenance cost 65% above a diesel truck, a differential which will reduce in time.

CASE STUDIES ON BIO-FUELS

PostNord: Heavy green trucks in PostNord Logistics

PostNord is looking for a sustainable solution for long-distance heavy trucks and is investing in more electric vans, club cars, mopeds and bikes for final delivery.

The company is trialling a range of alternative fuels but believes that di-methyl-ether (DME) is the fuel of the future for heavy vehicles.

How PostNord is reducing its environmental impact

PostNord participates in tests of new fuels and new technologies.

PostNord collaborates with its customers and suppliers to develop new smart communication and logistics solutions throughout the chain.

PostNord's drivers know how to drive fuel-efficiently and safely.

PostNord is improving the efficiency of its facilities and buying green electricity.

PostNord has one of Europe's largest electric vehicle fleets among postal operators.

PostNord fills its trucks as much as possible and optimises routes.

PostNord transports more than 65% of mail volumes in Sweden by rail between sorting terminals.
In Norway, the majority of goods are transported by rail.

Source: PostNord Annual Report 2012 and Sustainability Report

PostNord has been testing two DME trucks as part of a four-year, ten-vehicle trial undertaken by the BioDME project which is two-thirds funded by the European Union and the Swedish energy agency. The project began by using the fossil fuel DME which has low emission levels and produces no particulate matter. It has been using 100% bio-DME since February 2012.

Field tests showed that DME/methanol fuel derived from black liquor (a waste product from pulp mills) is highly efficient in terms of land needed for production, achieving more than 10,000km per hectare a year. DME liquefies at very low pressure and it is therefore easy to handle and transport.

Besides DME-powered vehicles, PostNord is also trialling two methane diesel Volvo FM drawbar trucks for line-haul operations. On line-haul operations, the FM's fuel consumption is 20% to 25% diesel (the diesel engine has high efficiency) and 75% to 80% methane.

The range is almost as far as a standard truck. A major drawback, however, is a lack of filling stations. There are only three available in Sweden at present under a cooperation agreement with a vehicle gas organisation. These are subsidised so PostNord is not paying the full price for fuel.

USPS: Testing bio-fuels

USPS has tested the use of E85 ethanol and has found that vehicles using it are 30% less efficient than gasoline vehicles. Current government subsidies are due to end soon and there is a limited refuelling infrastructure for ethanol, located mostly in the US Midwest.

CASE STUDIES ON ELECTRIC VEHICLES

Volkswagen: Electric vehicles

Volkswagen will launch its fully electric E-Golf in Europe in 2014, claiming an operating cost of €3.30 per 100km, a range of 190km and a maximum speed of 140km/h.

Another electric vehicle, the E-Load UP van, was launched in 2013 is the smallest electric Volkswagen with 1.4m^3 of load space and a range of 160km. Like electric vans from other manufacturers, E-Load Up is expensive to purchase at around €27,000. The battery is the most expensive element; battery prices are projected to reduce, but no clear indication of the amount is available yet.

Toyota: An OEM perspective on multimodal transport

Toyota forecasts growth in the use of electric power in urban areas. It is working towards an affordable case for electric power that does not rely on subsidy. It believes, however, that hybrid and plug-in hybrid systems will be obsolete in the future.

Toyota has launched its COMS electric vehicle for urban logistics with a 60kg payload and 50km range. It says it is in discussions with Le Groupe La Poste, Poste Italiane and Slovak Post. The LCV IQ EV electric van is engaged in trials, claiming a 70km range and 250kg payload. Discussions about the van with posts have revealed differing payload requirements.

PostNord: Electric solutions

PostNord has a total of 5,660 electric vans, club cars, mopeds and bikes making final deliveries. A sustainable fuel solution was easier to find for small vehicles than for heavy trucks. The switch to electric power was made originally for health reasons, but now CO_2 reduction is seen as the principal benefit.

PostNord group company Post Danmark has 50 electric Mercedes Vito vans operating on distribution routes that are less than 100km long. An additional 60 electric vehicles will join the fleet in 2014. The vehicles attract purchase subsidies and have required very little maintenance. They are fitted with diesel heaters because their driving range would reduce by 25% to 30% if the heaters were run off the battery.

CTT Correios de Portugal: A sustainable mobility electric bicycle project

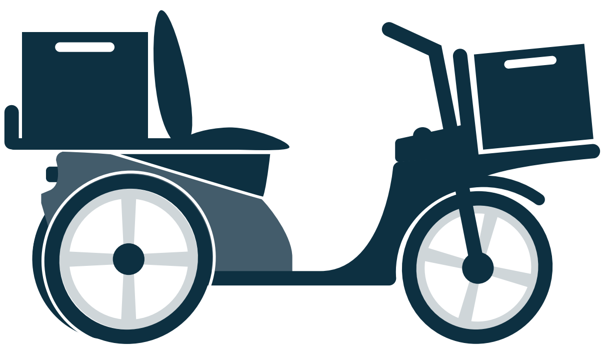
CTT–Correios de Portugal believes that electric power will be its technology of choice for delivery operations in the future. Its fleet includes over 200 alternative-fuel vehicles, mostly electric bicycles resulting from a two-year project, just reaching completion, to evaluate and specify a new electric bicycle for final-mile delivery.

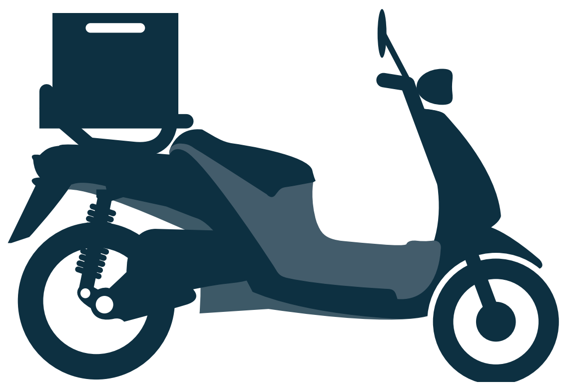
The company's business case for its €245,000 investment in 150 e-bicycles is based on both cost and sustainability factors, taking account of the fact that power-assisted vehicles increase the average speed of deliveries made previously on foot. The purchase and maintenance costs of e-bicycles are lower than for traditional motorcycles; e-bicycles produce 6g per km of emissions, just 10% of the emissions of a standard motorcycle.

By September 2013, 120 e-bicycles had been deployed. They travel an average of 11km a day with an overall range of 4km to 22km. CTT already had several e-bicycles in its fleet but the new, custom-designed models are allocated to specific routes that have themselves been re-engineered. In most cases they have replaced pedestrian routes and have gained high levels of acceptance from the delivery carriers.

Swiss Post: Fleet projects and developments

Swiss Post operates 2,900 DXP three-wheel scooters capable of pulling a trailer and 1,600 Oxygen two-wheelers. It is also evaluating a new e-scooter.





E-scooters cost twice as much to purchase as conventionally powered scooters, however, they have greater load capacity allowing for longer delivery routes to be completed by fewer staff. They are also considered beneficial to Swiss Post's green reputation.

The initiative reduced CO_2 emissions by 3,400 tonnes a year and eliminated tail pipe emissions. They required fewer but longer repairs, used only certified renewable electricity and were highly accepted by drivers.

USPS: Reluctant to pursue electric power as alternative

USPS has studied the use of electric power as an alternative to fossil fuels. According to the post, electric and hybrid vehicles have a positive impact on the environment, but 50% of US electricity is derived from coal, which lessens the benefit. The biggest drawbacks in the USPS's view are high vehicle purchase and maintenance costs. It found that batteries needed replacing after three to five years. The US Postal Service is very reluctant to pursue electric power as a viable alternative fuel, except possibly for a limited number of short routes where a plug-in hybrid could be feasible.

Poste Italiane: Green Post project for electric delivery

Poste Italiane's Green Post project for city centre delivery was launched in 2007 aiming to achieve economic, social and environmental sustainability. Since then the Free Duck has replaced more and more motorcycles on the last-mile delivery. The company is trialling electric vans but has yet to find a cost-effective solution.

Poste Italiane is developing an electricity consumption monitoring system with energy supplier ENEL. Intelligent charging stations are connected to a central system that monitors usage for each vehicle.

Poste Italiane plans to double its electric vehicle fleet in three years and is developing a heavier, quadri-cycle specifically for postal needs. It is testing the models on the market but as yet results are not good enough to deploy.

bpost: The bpost fleet now and in the future

bpost has purchased ten electric three-wheelers to see if they can achieve a low accident record that could tip the current unfavourable business case to positive. It has already assessed a whole range of e-scooters, but the company's safety officers have ruled them out because it finds their centre of gravity too high.

Trials continue of the eKYBURZ which performed well in bpost's technical tests. The company can however only justify a business case if the vehicle is operated with a trailer, which is banned in Belgium. It is lobbying for a change in the law.

Le Groupe La Poste: Electric vehicle strategy and development

Le Groupe La Poste's fleet currently has almost 15,000 e-vehicles including 658 trolleys, 12,392 bicycles and 1,734 club cars and vans. The company is assessing three-wheelers for deployment in 2014.

The French government pays a €7,000 subsidy on the cost of purchasing an e-van which helps the business case for switching to electric power.

Electric vehicles are efficient if they run for more than 15,000km a year. Before each deployment, La Poste assesses whether usage will be sufficient to achieve the mileage required. It has found that rural and suburban operations are more suited to electric vans than city centres.

Le Groupe La Poste is committed to deploying 10,000 more electric vehicles by the end of 2015 and is leading initiatives in France for an electric vehicle recharging infrastructure, integrated transport for green cities and future innovation in energy and mobility.

Le Groupe La Poste partnered with energy distributor ERDF to launch Infini Drive, a research and development project for an electric vehicle recharging infrastructure. The two companies are trialling recharging needs in operating conditions and the impact on the electricity grid. The test aims to achieve a range of at least 126km through eco-driving.

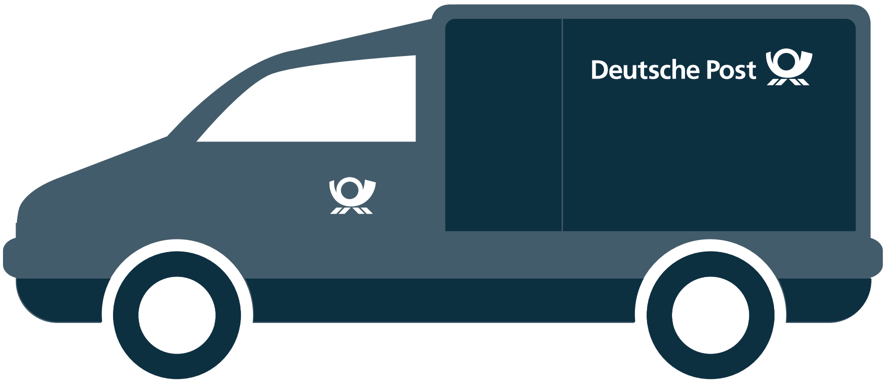
Infini Drive will publish guidelines for establishing and using infrastructures for recharging captive fleets. It aims for this to serve as a reference document for companies and communities considering electric vehicles.

Deutsche Post DHL: Developing its own electric vehicle solution

Deutsche Post DHL has tested the technical feasibility of electric vans, finding no problem with their range or reliability. E-vans were found to require 33% less maintenance than standard models and Renault has a national service network operating 140 sites with mechanics qualified to work on high-voltage batteries.

Deutsche Post DHL also found that manufacturers' models had insufficient load capacity for its postal operational needs offering a third less capacity than its standard vehicles. However, the principal disadvantages are the cost of recharging and potential electricity shortages if e-van numbers grow at the projected rate.

As Bonn is to be Germany's first CO_2 free city, Deutsche Post DHL is switching its entire fleet there to electric power in 2013 and 2014; with the first 79 mail and parcel delivery vehicles already in service. From 2014 it is planned to extend this to 141 vehicles in total. It is using the Bonn project to understand the impact on its processes of an electric-only city, especially when all the traffic in the city goes electric. It is in discussions with energy suppliers on a charging infrastructure and intelligent loading.



Deutsche Post DHL tested more than 200 electric vehicles but found all the vans on the market too expensive. In response it has developed (in co-operation with Bombardier) its own electric vehicle with a price tag of €20,000 to €25,000.

The vehicle uses manufacturers' parts. It incorporates all the features required by Deutsche Post DHL and only what the company requires. It has a 650kg payload and 4m^3 of load space. It has battery capacity of 15kWh (100% from renewable energies), 130Nm torque, 30kW power (max. 45kW peak power), a maximum speed of 85km/h and a range of 120km.

An Post: Alternative-fuel vehicle performance

An Post decided to focus on its van fleet and in 2012 began a one-year trial of three Kangoo ZEs in partnership with Renault, judging it to be the only electric van offered at a realistic price.

Energy costs for the ZE were lower than diesel for all three vehicles after the one-year trial – by up to 65%. CO_2 emissions also reduced; the company's carbon footprint would drop by approximately 40% if all its 1,700 vehicles were electric.

The ZEs cost of €20,000 to €25,000 in Ireland will attract a €5,000 government subsidy and at this price the financial business case is close to being positive. However the trial uncovered significant operational difficulties associated with the vehicle range and availability of service points which will need to be overcome.

5.4 CONCLUSION

Through participation in the IPC Environmental Measurement and Monitoring System (EMMS) which was established in 2008, IPC members have reduced their collective carbon emissions by nearly 20% and are now just 50,000 tonnes short of the target set for Scope 1 and 2 emission reductions by 2020. In addition, participants have increased their collective carbon management proficiency to 76% which represents a year on year increase of six percentage points on the previous year.

Postal operators are increasingly focused on reducing their reliance on fossil fuels. Of the 500,000 vehicles in the EMMS fleet in 2009, around 57,000 (10%) were alternative-fuel vehicles; in 2012 more than 16% (almost 97,000) were alternative-fuel vehicles.

The need to champion alternative fuel vehicles is vital to the postal industry as in 2012, of the Scope 1 and 2 emissions around 40% came from transport. If Scope 3 emissions are included, around 77% is caused by transport.

There is a big divergence between North America and Europe in terms of which types of alternative-fuel vehicle are being promoted. In North America the focus is on E85 (bio-ethanol). In Europe the focus is on electric for smaller vehicles and on CNG for medium-sized vehicles.

There is currently no suitable alternative-fuel vehicle for heavy trucks which account for more than 50% of fuel emissions for the more logistics focused postal operators.

Engagement with the vehicle manufacturers is required to promote the development of positive business cases to fund suitable vehicles for the postal sector. Deutsche Post DHL determined that there were no suitable commercially available alternative-fuel vehicles that were fit for purpose and has developed a bespoke delivery van for parcel deliveries together with Bombardier.

IPC continues to work with members, vehicle manufacturers, NGOs and other industry associations to promote best practice and sustainable transport infrastructure for its membership. There is a strong commercial justification for doing this as between 2009 and 2012 over 324m litres of fuel were saved by EMMS participants which represents an accumulated cost saving of €265m.

OUR PUBLICATIONS

IPC PUBLICATIONS

IPC produces a broad range of publications and electronic information that provide insight into the complex and evolving postal sector. Here are some examples of industry intelligence available to you through IPC.

Your IPC

A fortnightly newsletter covering the latest news on IPC's activities. Your IPC includes the Market Flash, a newsletter with a focus on market changes, mergers and acquisitions, financial reports and personnel actions. The Market Flash features quarterly special editions on sustainability, direct marketing and e-Commerce.

IPC Postal Sector Sustainability Report

IPC members have adopted a common carbon measurement and monitoring system for the postal sector: the IPC Environmental Measurement and Monitoring System (EMMS) provides the postal industry with a sector-specific tool that we can use to asses postal operators' individual and industry-wide performance in carbon management and efficiency and report the sector's annual progress to the public. The IPC Postal Sector Sustainability Report presents the yearly results of that assessment.

Focus on the Future

Annual publication which takes a broad view on the future of the postal sector, exploring its key drivers, examining its financial performance and portfolio options, and providing a business review of the main markets it serves.

MEMBERS-ONLY PUBLICATIONS AND ONLINE TOOLS

Regulatory Flash

Monthly and weekly newsletters detailing the latest developments emerging in the world of international regulatory affairs.

IPC Strategic Perspectives on the Postal Market

This annual report provides a distillation of the cooperative market intelligence projects carried out between member postal operators and IPC throughout the preceding year.

IPC Global Monitor

IPC's quarterly report provides detailed information on how domestic postal volumes have evolved since 2005 combined with key macro environment information on economy and substitution.

IPC Statistical Database

A member-only, web-based tool providing access to key macro, market, financial, and operational data for over 50 postal and logistics operators worldwide, enabling users to export data for further analysis.

Regulatory Portal

Online interactive database that provides members with a synoptic overview of regulatory options for 37 countries, with specific attention paid to USO (quality of service, accessibility, retail network); USO Financing (and USO cost); price control (tariff and price cap regulation, format-based pricing), and downstream access/ licensing (work-sharing and downstream access).

Regulatory Database

A comprehensive overview of regulatory options for 46 countries, with specific attention paid to USO (quality of service, accessibility, retail network); USO Financing (and USO cost); price control (tariff and price cap regulation, format-based pricing), and downstream access/ licensing (work-sharing and downstream access).

IPC PUBLICATIONS AVAILABLE FOR PURCHASE

IPC Global Postal Industry Report

The sector's most comprehensive, holistic and in-depth report on global postal industry trends and performance, with coverage of 39 postal operators and 4 integrators worldwide and over 100 pages of analysis updated each year.

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Individual web-based reports providing instant access to critical financial, operational, strategic and market information for over 50 leading postal and logistics operators from around the world in an easy-to-read, consistent format.

For more information about IPC, please visit our web site at www.ipc.be or write to publications@ipc.be.

International Post Corporation

Avenue du Bourget 44
1130 Brussels, Belgium

Tel +32 (0)2 724 72 11
Fax +32 (0)2 724 72 32

www.ipc.be
info@ipc.be