

accenture<sup>></sup>consulting

# THE NEW DELIVERY REALITY

Achieving High Performance in  
the Post and Parcel Industry 2016

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# FOREWORD

## Brody Buhler

Global Managing Director  
Accenture Post and Parcel



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FOREWORD

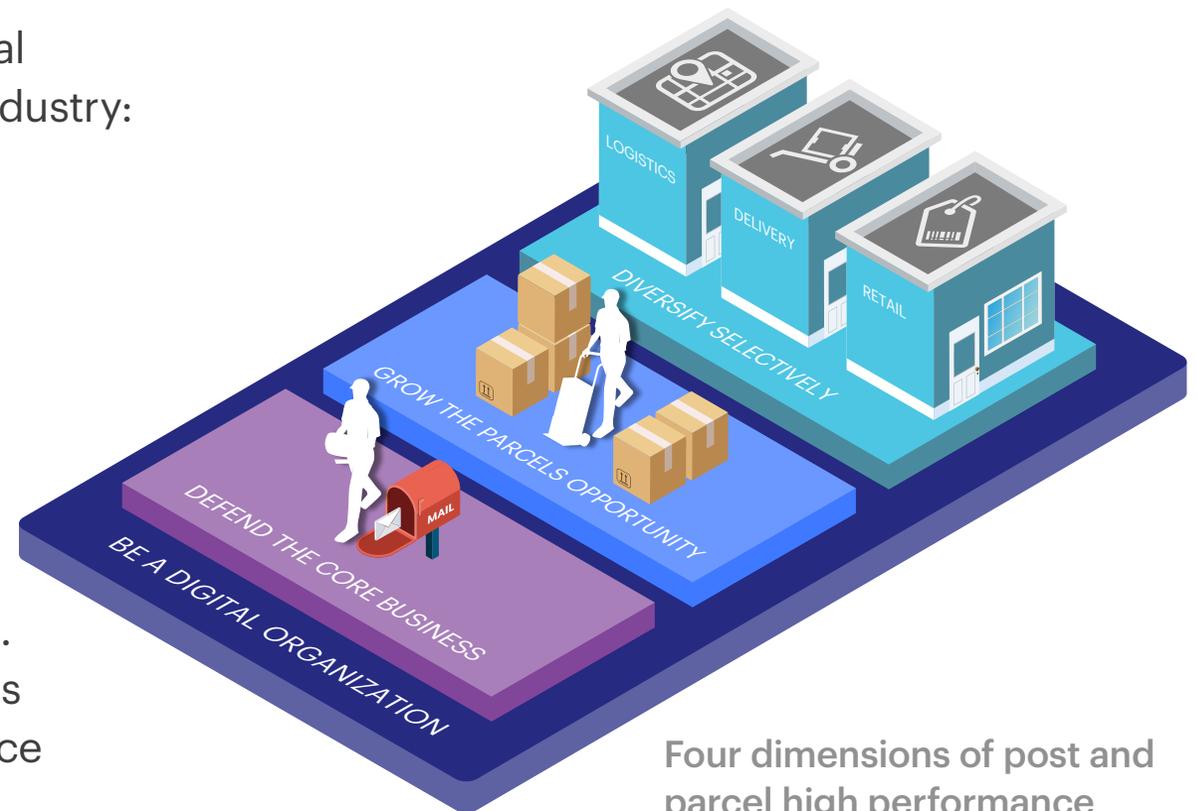


# A DECADE OF POST AND PARCEL INDUSTRY INSIGHTS

Accenture in-depth research has identified the four, critical dimensions of high performance in the post and parcel industry:

- Defend the core business
- Grow the parcels opportunity
- Diversify selectively
- Transform into a digital business.

As the industry battles disruption, high-performing companies are seizing the new growth engine of parcels while making their existing mail businesses more profitable. But to succeed in the long term, post and parcel companies must continuously reinvent themselves to achieve excellence in all four dimensions of post and parcel high performance.



Four dimensions of post and parcel high performance

# STATE OF THE POST AND PARCEL INDUSTRY

01

# DIGITAL IS RESHAPING THE INDUSTRY

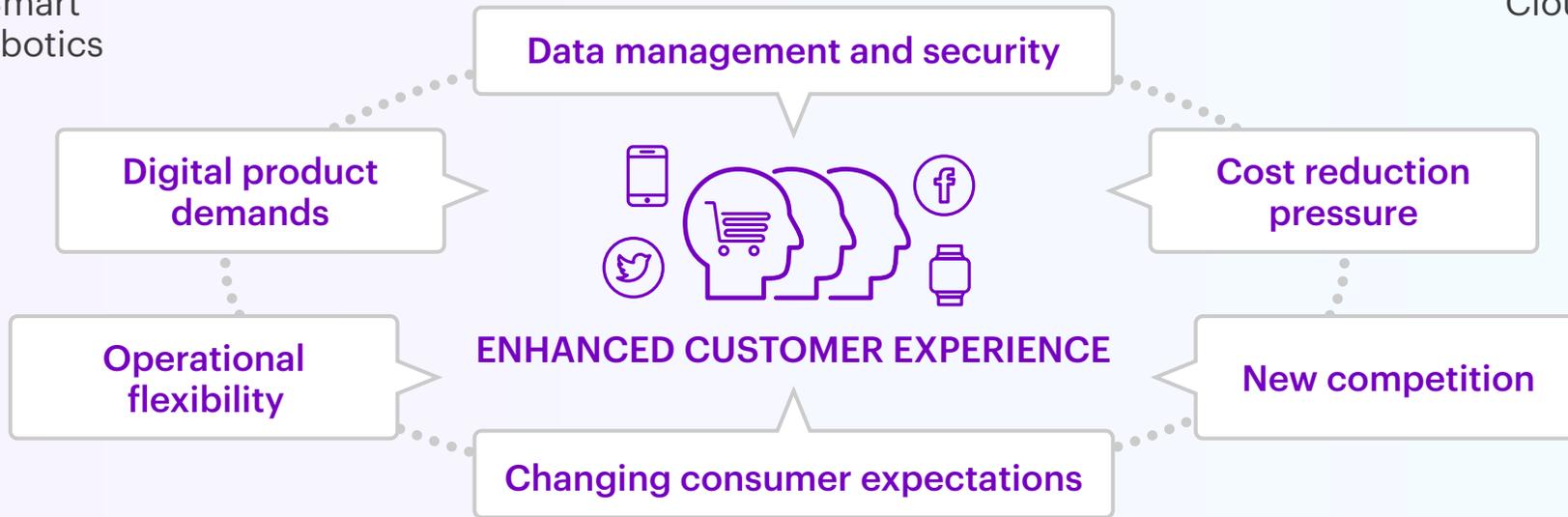
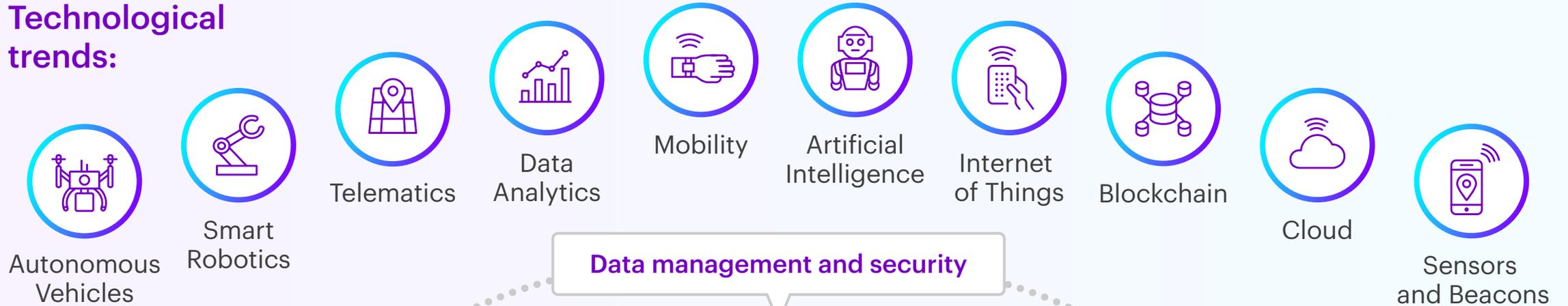
Powerful digital trends continue to reinvent the post and parcel industry. Technology-driven innovations redefine products, realign customer expectations and reshape the competitive landscape. As retail shifts toward digital, post and parcel organizations are reengineering their core businesses to meet the new reality of rapidly growing B2C parcel delivery.



STATE OF THE POST  
AND PARCEL INDUSTRY



# Technological trends:



**DEFEND THE CORE**

**GROW PARCELS**

**DIVERSIFY SELECTIVELY**



STATE OF THE POST AND PARCEL INDUSTRY



# VENTURE CAPITAL-FUNDED START-UPS ARE REINVENTING DELIVERY

The flow of capital into this sector has dramatically increased over the last few years. The impact is being seen especially in last mile delivery. In contrast to the fixed-cost, company-owned asset model of incumbents, start-ups are using partnership or crowdsourced technology-driven models to disrupt the value chain.

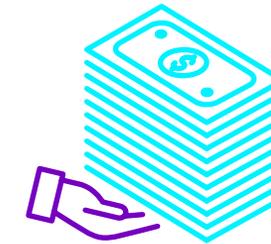
Information-driven and rooted in the platform or sharing economy, **these start-ups are inherently nimble and “asset lite” which enables them to be experience- versus efficiency-focused.** They operate anywhere, at a fraction of the cost, using data and analytics to coordinate complex networks. Fueled by a low cost of capital, these start-ups are

able to innovate at pace with eCommerce demand. Post and parcel players are just starting to embrace these innovative business models—but they cannot afford to delay.

## Venture capital funding supply chain and logistics start-ups



2013:  
**US\$266M**



2016 (Q1):  
**US\$1.75B**



STATE OF THE POST  
AND PARCEL INDUSTRY

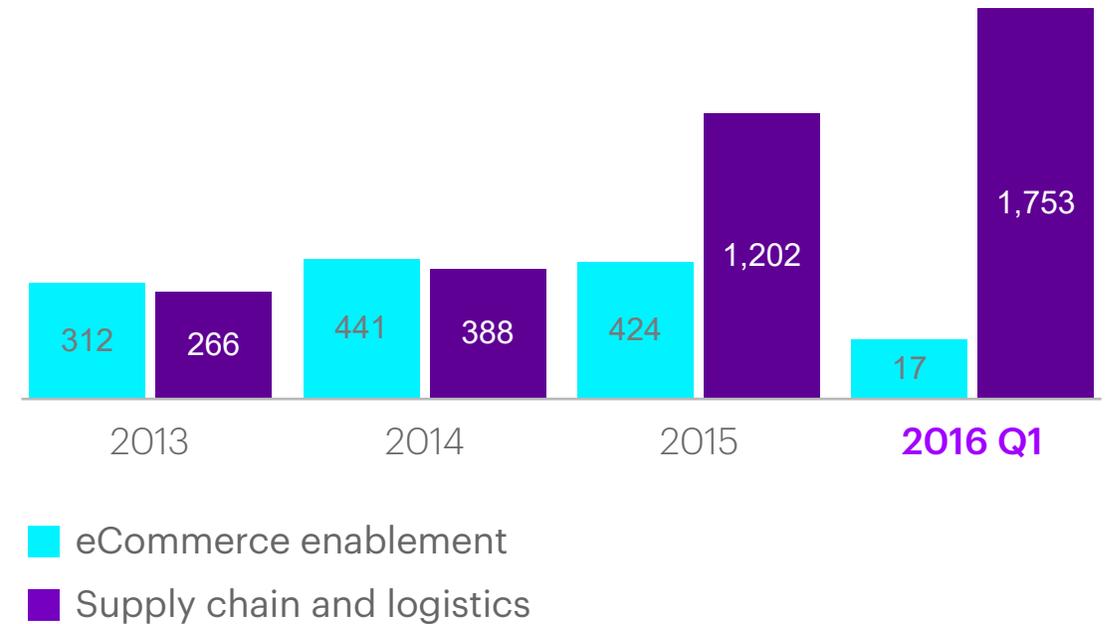


# VENTURE CAPITAL-FUNDED START-UPS ARE REINVENTING DELIVERY

## ONIBAG CASE STUDY

Recent entrant **Onibag** has created a next day network across 70 cities in the United States—without owning a single vehicle or building. It crowdsources first and last mile services and then uses spare capacity on the national bus system for transport. This model helps to enable Onibag to charge less than half of its competitors while making significantly more profit.

Venture capital investment and start-up activity, 2013 to 2016  
Size of funding, US\$m



# INCUMBENTS ARE INVESTING AT A RECORD PACE

**Industry capital expenditure has grown more than 40% from 2013 to 2015** as post and parcel organizations make significant investments in increased capacity, new capabilities and diversification to keep up with eCommerce-driven change and demand.

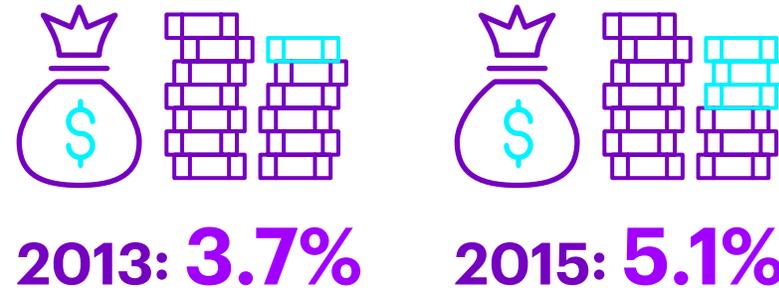
**Some are spending as much as one-third of their revenues on major internal or external projects.**

Almost all are investing in additional capacity to accommodate eCommerce growth, especially for peak periods.

Merger and acquisition activity is also high. Unlike the last 15 years, acquisitions are now smaller and more specialized.

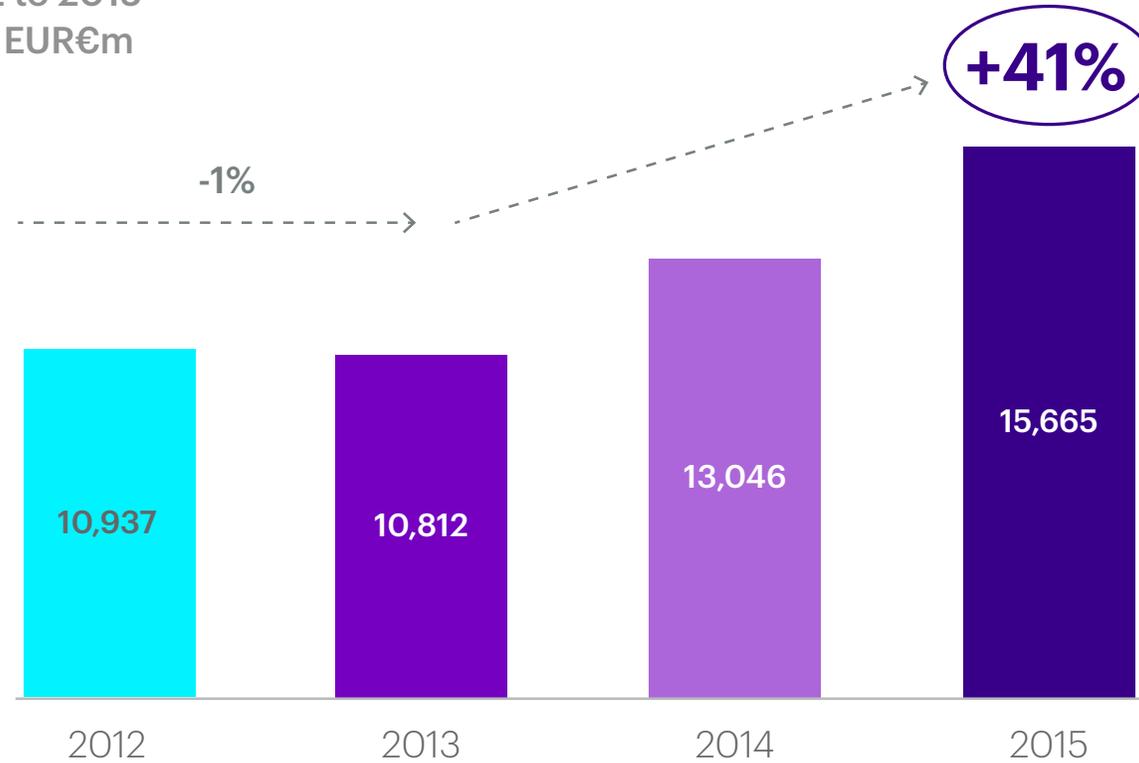
Acquisitions are being made around logistics and transportation, parcels and express, technology and software, financial services, and mail.

## Capital expenditure as a percentage of revenue



# INCUMBENTS ARE INVESTING AT A RECORD PACE

Capital expenditure trends 2012 to 2015  
Aggregate capital expenditure\* EUR€m



\* Measured at 2012 exchange rates



STATE OF THE POST  
AND PARCEL INDUSTRY



# ECOMMERCE IS POLARIZING DELIVERY

Changing retailer and consumer behaviors affecting the eCommerce logistics chain are polarizing delivery—at one end, a global direct model; at the other, hyper-local delivery. Simultaneously, the use and importance of a robust domestic, national network is being reduced.

**Increasingly, consumers are shopping beyond their borders.** Ubiquitous eCommerce is leading to significant growth in cross-border volumes. Consumers are less concerned about where the goods come from and more interested in what they are priced and when they will arrive.

In response **67% of all merger, joint venture and acquisition transactions in 2015 occurred outside the player's domestic country,**<sup>1</sup> mainly to supplement

“missing” eCommerce capabilities in such areas as warehousing or fulfillment technology.

**The battle for the last mile is fiercer.** Online retailers are investing in customer proximity as they seek to accelerate delivery speed and reduce delivery cost. They use free, fast delivery as a competitive differentiator to take eCommerce market share. These dynamics create greater demand for last mile services and erode a significant barrier to entry—the cost of building and maintaining an end-to-end network.

## Global eCommerce growth 2016 to 2020

Domestic and international: **20.2%**<sup>2</sup>

International only: **25.5%**<sup>3</sup>



# ECOMMERCE IS POLARIZING DELIVERY

## AMAZON PRIME NOW HUBS

As of 2016, there were 58 Amazon Prime Now hubs in the US, stocking high velocity items for same day delivery<sup>4</sup> and offering one to two hour delivery to more than 77.6 million consumers.<sup>5</sup> Amazon is also opening Prime Now hubs in Germany, Spain and Italy.<sup>6</sup>

## RETAILERS EXPAND ACROSS THE SUPPLY CHAIN

Increasingly, Alibaba, Amazon and Walmart are focusing on the first and middle mile. Walmart and Alibaba have begun leasing shipping container space to transport manufactured goods from China to North America. Alibaba offers this capacity to third-party merchants. Retailers and marketplaces are taking such measures to secure much-needed capacity and to lower overall cross-border transportation costs.<sup>7</sup>



# PARCEL VOLUMES GROW BUT PRICING POWER DECLINES

In a healthy growth market like eCommerce shipping, yield should be increasing and creating pricing opportunities. Instead, **revenue per package is flat globally—declining 0.5% from 2013 to 2015.** While many factors are at play, the race for capacity and the emergence of new entrants is impacting yield.

Our research shows growing marketplace dominance is impacting yield, as volumes from small and medium shippers move into marketplace models.

As marketplaces increase market share, they demand better service at lower prices which depresses yield.



**80%+**

of online retailers receive at least 40% of their revenues from marketplaces.<sup>8</sup>

**Top three global marketplaces' General Merchandise Value growth between 2010 and 2015<sup>9</sup>**



CAGR:

**48%**



**98%**

of online retailers use at least one marketplace as a channel.



STATE OF THE POST  
AND PARCEL INDUSTRY



# PARCEL VOLUMES GROW BUT PRICING POWER DECLINES

Changes to parcel volume, revenue and yield CAGR 2013 to 2015

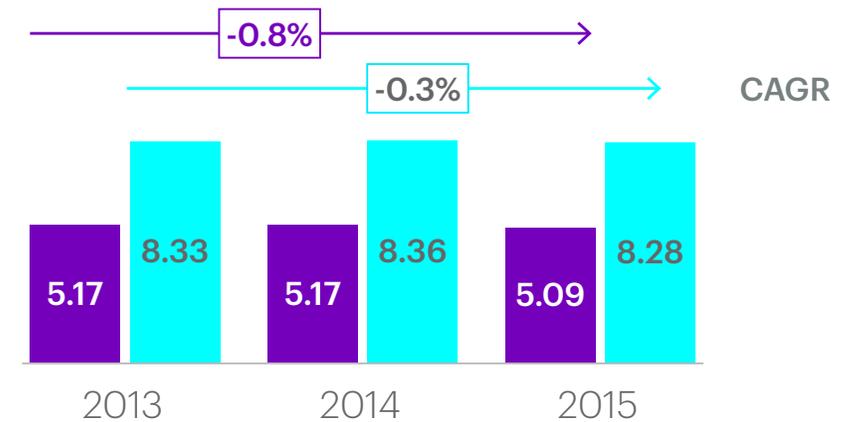
Parcels volume growth



Parcels revenue growth



Revenue per package



■ Postal players ■ Integrators



STATE OF THE POST AND PARCEL INDUSTRY



# MAIL VOLUMES DECLINE BUT AVERAGE PROFITABILITY IS UP

**Today, the world sends 100 billion fewer letters than a decade ago.**

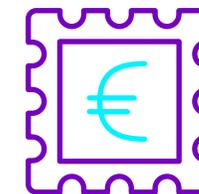
In 2015, total mail volume declined by 2% globally, significantly lower than the 6.3% total volume decline between 2007 and 2010. This number is markedly skewed by a few large players with relatively modest declines. The average mail volume decline was 4.5% for 2014 to 2015. Consistent transactional mail volume decline has been offset by the continuity of small gains in advertising mail volumes.

Many postal organizations benefit from strong mail profitability, with the average mail profitability in 2015 being 6.8%. Streamlining and modernization of their mail operations, and a recent focus on price increases, has helped to secure that profitability. In some cases, better margins are the result of dramatic price increases as our research shows postal organizations are testing mail elasticity.

## Mail pricing annual growth in Europe



2010-2013:  
**5%**



2013-2016:  
**11%**

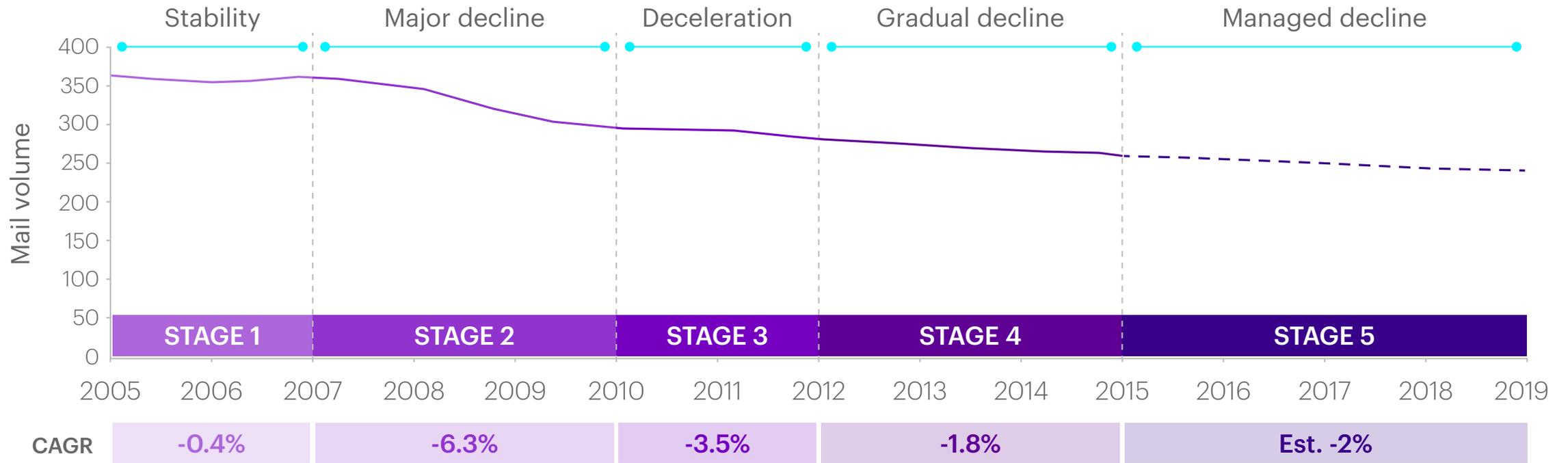


STATE OF THE POST  
AND PARCEL INDUSTRY



# MAIL VOLUMES DECLINE BUT AVERAGE PROFITABILITY IS UP

Mail volume decline and forecast 2005 to 2019



Global mail volumes in aggregate, in billions of items



STATE OF THE POST AND PARCEL INDUSTRY



# DIVERSIFICATION DRIVES GROWTH— BUT TESTS PROFITABILITY

Our analysis shows diversification is an important driver of revenue growth for post and parcel organizations. Expansion across the logistics supply chain adds revenue while leveraging existing assets and skills to improve utilization. There is synergy in these investments, as broader logistics capabilities fill last mile networks to improve the profitability of both business units.

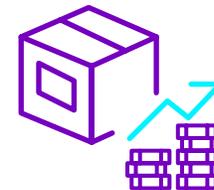
Investment continues in payment and financial services capabilities—providing new sources of revenue with higher profitability. **Financial services diversification remains the most profitable and the fastest growing diversification strategy** for the industry as postal organizations in particular seek better utilization of their vast retail assets.

No one-size-fits-all in diversification. Post and parcel organizations have a competitive advantage from their ubiquitous network. But with higher than average cost of labor, they need to find offerings that fit their commercial structure, while introducing lower cost and flexible labor to enable new business models.

## Revenue growth 2013 to 2015



Mail: **-US\$2B**



Non-mail: **US\$14B<sup>10</sup>**

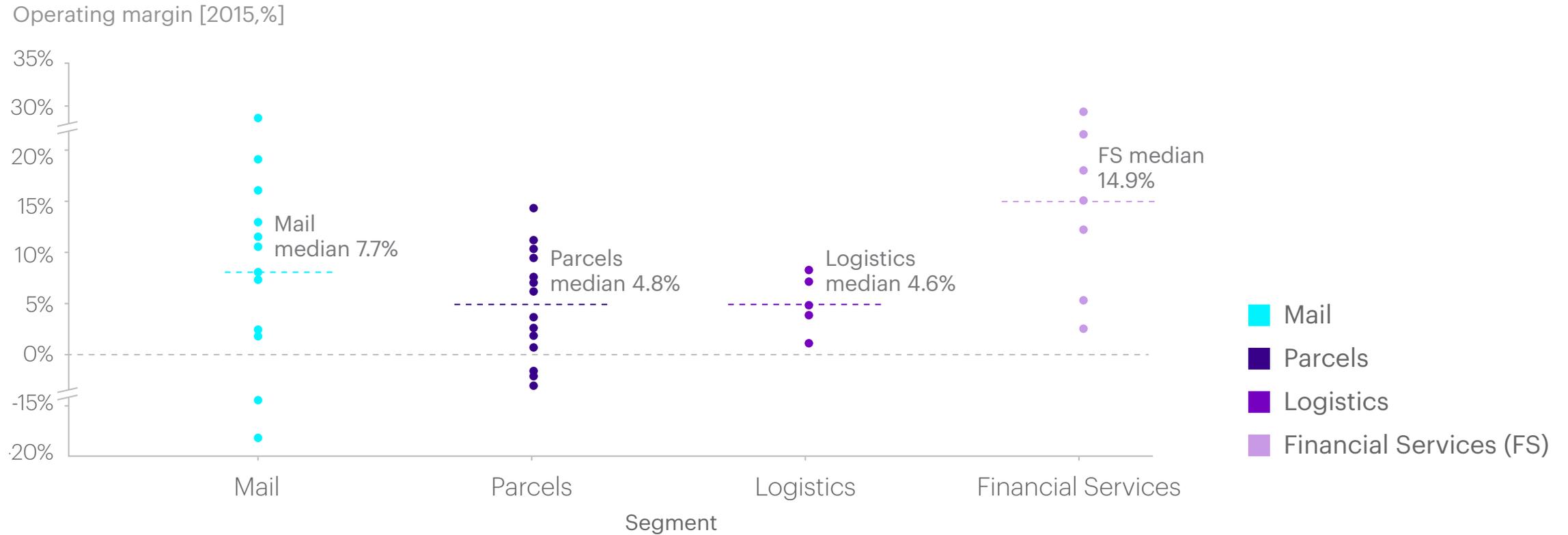


STATE OF THE POST  
AND PARCEL INDUSTRY



# DIVERSIFICATION DRIVES GROWTH— BUT TESTS PROFITABILITY

## Segment profitability 2015



STATE OF THE POST  
AND PARCEL INDUSTRY



# **HIGH PERFORMER HIGHLIGHTS**

**02**

# 5 SUCCESSFUL STRATEGIES DETERMINE HIGH PERFORMANCE

1



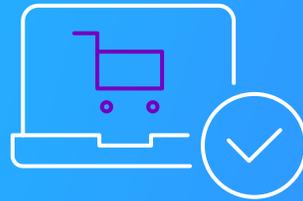
Drive superior  
value

2



Make mail  
profitable

3



Enable  
eCommerce

4



Accelerate smart  
diversification  
strategies

5



Adopt a  
commercial  
mind-set



HIGH PERFORMER  
HIGHLIGHTS



# 1 HIGH PERFORMERS DRIVE SUPERIOR VALUE

## GROW REVENUES 2.82X

**FASTER** than middle and bottom performers combined, generally driven by a smart blend of acquisition and organic growth. High performers deliver value while driving scale.

*USPS has realized an average annual sales growth of more than 20% since 2012, driven by investments in predictive analytics and best-in-class CRM Cloud technology.<sup>13</sup>*

## DRIVE GROWTH AT HIGH

**MARGINS** with an average overall EBIT of 11.8%, significantly higher than the 0.3% of bottom performers.

*From 2014 to 2015, Poste Italiane managed not only to grow revenues 7.9% but also increase its EBIT by 20.1%.<sup>11</sup>*

## DELIVER BETTER RETURN ON

**CAPITAL** by relentlessly pursuing value. High performers create value with their invested capital at nearly three times the rate of the next group.

*SingPost has been successful at driving profitable growth by making major acquisitions; in 2015 revenue growth was 25.6% and EBIT margin 17.3%.<sup>12</sup>*

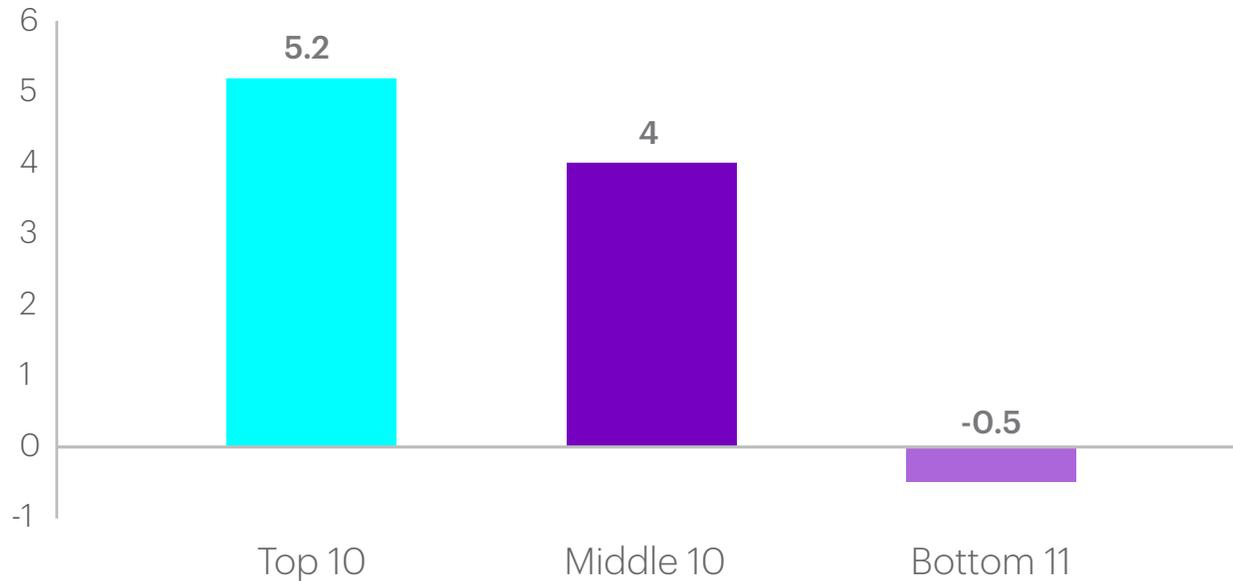


HIGH PERFORMER HIGHLIGHTS



# 1 HIGH PERFORMERS DRIVE SUPERIOR VALUE

Overall revenue growth by performance group



Measured at 2012 exchange rates

CAPITAL SPREAD IN 2015  
(ROIC – WACC\*)

Top 10	<b>5.7%</b>
Middle 10	<b>1.9%</b>
Bottom 11	<b>-16.1%</b>

\*ROIC – WACC (Return On Invested Capital – Weighted Average Cost of Capital)



HIGH PERFORMER HIGHLIGHTS



# 2 HIGH PERFORMERS MAKE MAIL PROFITABLE

## DRIVE HIGHER OPERATIONAL EFFICIENCY AND UTILIZATION

They aggressively move packets onto their mail network and continue to invest in automation. Some shift to a single mail and parcel network while others slow mail to create more consistent volumes.

*Investments in automation and network realignment have placed **Canada Post's** multi-year postal transformation on track to surpass its planned CAN\$250M (US\$185M) in annual savings.<sup>14</sup>*

## APPLY SMART PRICING

They use aggressive price increases, averaging above 10.5% CAGR between 2013 and 2016, to offset mail volume declines.<sup>15</sup>

***Australia Post** increased the price of a stamp from 70 cents to 1 dollar while also introducing a priority label to accelerate delivery for 50 cents more.<sup>16</sup>*

*Strategic pricing unique to each of its brands has enabled **Austrian Post Group** to maintain volume with high profitability (19% EBIT in 2015).<sup>17</sup>*

## INNOVATE TO REINVENT THE MAIL SERVICE

They focus less on declining mail revenues and more on adding value to mail. They develop unaddressed and addressed admail products, undertake data-driven marketing with online geo-targeting tools and invest in digital enhancements to mail.

***Royal Mail Data Services** uses data and analytics to create targeted marketing campaigns that improve mail value and ROI.<sup>18</sup>*

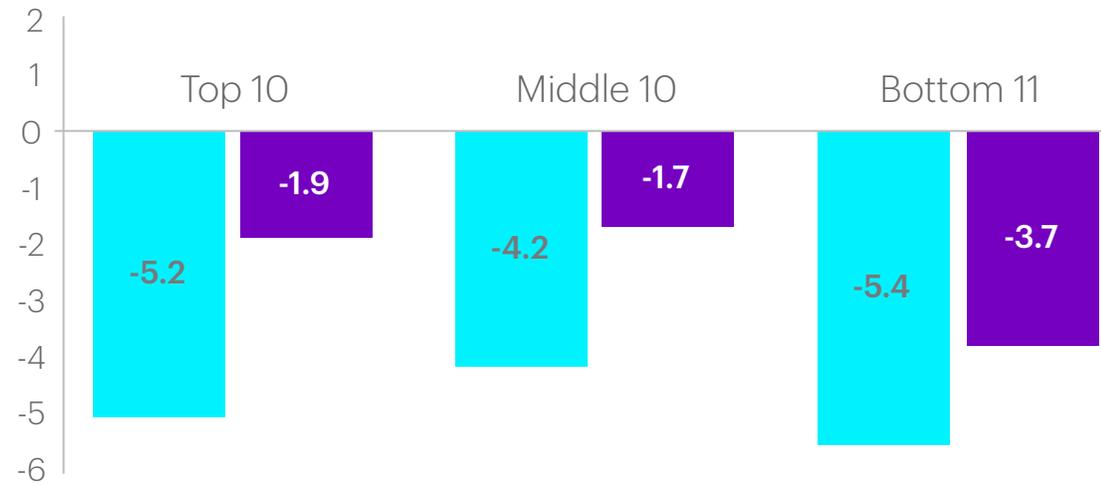


HIGH PERFORMER  
HIGHLIGHTS



# 2 HIGH PERFORMERS MAKE MAIL PROFITABLE

Mail volume and revenue change from 2014 to 2015, in percentages



- Mail volume change from 2014 to 2015
- Mail revenue change from 2014 to 2015

Mail volume and revenues change (average of individual company changes)

	AVERAGE MAIL EBIT IN 2015	MEDIAN MAIL PIECES PER EMPLOYEE
Top 10	<b>15.9%</b>	<b>101,218</b>
Middle 10	<b>8.7%</b>	<b>81,265</b>
Bottom 11	<b>-9.4%</b>	<b>82,250</b>



HIGH PERFORMER HIGHLIGHTS



# 3 HIGH PERFORMERS ENABLE ECOMMERCE

## GROW REGARDLESS OF MARKET COMPETITION

They capture more than their fair market share of the B2C growth engine.

## PARCELS REVENUE CAGR OVER 5 YEARS

Top 10	12.0%
Middle 10	5.2%
Bottom 11	4.4%

*Australia Post and Canada Post have invested in strong domestic capabilities and command market shares of approximately 75% and 66% respectively in B2C.<sup>19</sup>*

## TARGET CROSS-BORDER DELIVERY

In particular, postal players run a highly-focused, international strategy to achieve nearly twice as much revenue from outside their domestic boundaries as other performers—across all products.

*Japan Post's acquisition of Toll for US\$4.9 billion gives it significant presence in cross-border logistics and serves as a foundation for its growth aspirations in Asia.<sup>20</sup>*

## FOCUS ON THE RECIPIENT

They give consumers control over delivery by offering flexible delivery and returns while using consumer data to improve the delivery experience and efficiency.



# 7/10

high performers have or are planning a platform that focuses on the recipient vs 3/11 bottom performers.

*UPS My Choice has 29 million subscribers across 16 countries.<sup>21</sup>*

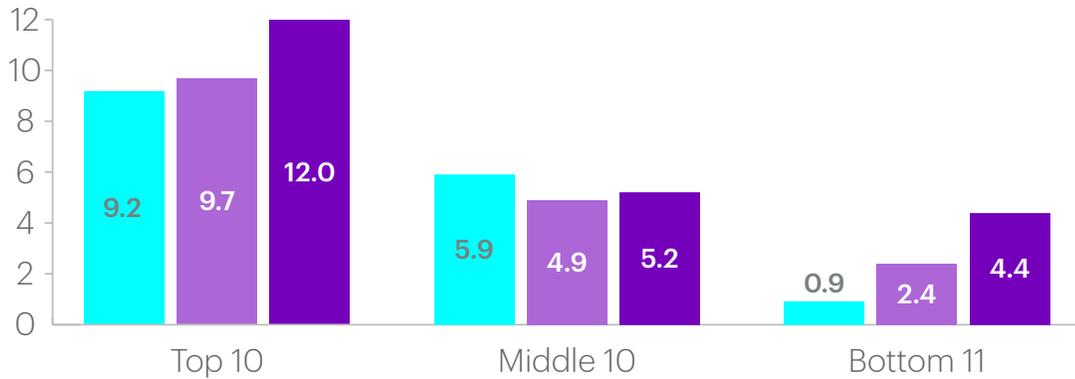


HIGH PERFORMER HIGHLIGHTS



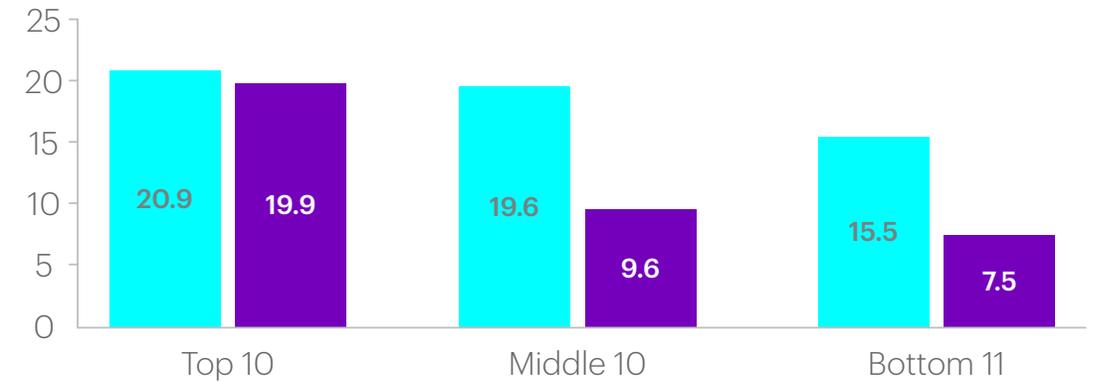
# 3 HIGH PERFORMERS ENABLE ECOMMERCE

Parcel revenue growth by performance group, in percentages



- 1-year revenue growth 2014 to 2015
- 3-year CAGR revenue growth
- 5-year CAGR revenue growth

Percentage of revenue outside headquartered country, 2015



- Post and parcel players
- Postal operators only



HIGH PERFORMER HIGHLIGHTS



# 4 HIGH PERFORMERS ACCELERATE GROWTH WITH SMART DIVERSIFICATION STRATEGIES

## DRIVE SYNERGIES IN LOGISTICS

They gain economies of scale through capacity and infrastructure, creating low marginal costs for incremental business and delivering high eCommerce density.

*FedEx completed the acquisitions of Bongo International, **GENCO** and **TNT Express** over the last two years, adding additional eCommerce logistics capabilities.<sup>22</sup>*

## EXPAND FINANCIAL SERVICES

They deliver strong financial services' revenue growth of 7% (between 2013 and 2015) while also driving strong profitability of 14.9% in 2015. These services help to sustain the cost of the retail network.

*Less than 15 years after launching Kiwibank, financial services and banking at **New Zealand Post** represents 88% of all net profits.<sup>23</sup>*

## DIVERSIFY THROUGH ACQUISITION

They react more rapidly to the market through M&A—adding new capabilities or capacity more quickly than can be achieved organically. They account for nearly 50% of all M&A activity with more than 3x the M&A activity of lower performers.

***La Poste** has been the most active in M&A activity over the last 5 years, closing 35 deals since 2011.<sup>24</sup>*

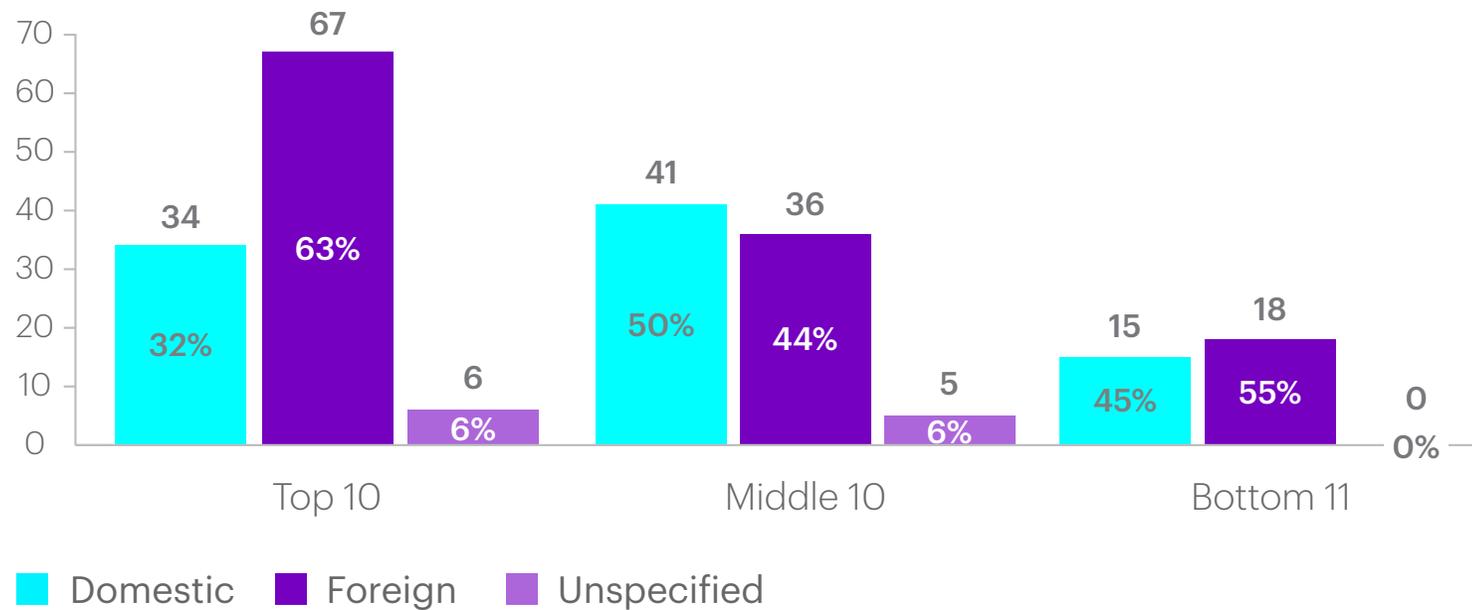


HIGH PERFORMER HIGHLIGHTS



# 4 HIGH PERFORMERS ACCELERATE GROWTH WITH SMART DIVERSIFICATION STRATEGIES

Number of mergers, acquisitions and joint ventures from 2011 to 2015



## DIVERSIFICATION (NON-MAIL) REVENUE GROWTH 2014 TO 2015

Top 10	9.5%
Middle 10	4.9%
Bottom 11	-0.1%



### 7/10

high performers have diversified into logistics, achieving an average operating margin for logistics activities of 4.8%



HIGH PERFORMER HIGHLIGHTS



# 5 HIGH PERFORMERS ADOPT A COMMERCIAL MIND-SET

## FOCUS ON THE MARKET

They focus on the question “what do customers want?” as opposed to “what will the regulator let us do?”

*USPS retained more than US\$550M last year by using analytics to predict customer defection before it happens, and proactively reaching out to specific customers with a targeted service message.<sup>25</sup>*



**8/10**  
are privatized

## DRIVE SHAREHOLDER VALUE

They are able to deliver true value creation reflected in cash or stock growth that is returned to shareholders.

*DPDHL has a strong value driven culture leading to the best shareholder return in the industry.<sup>26</sup>*



HIGH PERFORMER  
HIGHLIGHTS

## CREATE A PROFIT-LED CULTURE

They create a profit-led culture using privatization as a catalyst to reorient performance management and investment strategies to a profitability mind-set.

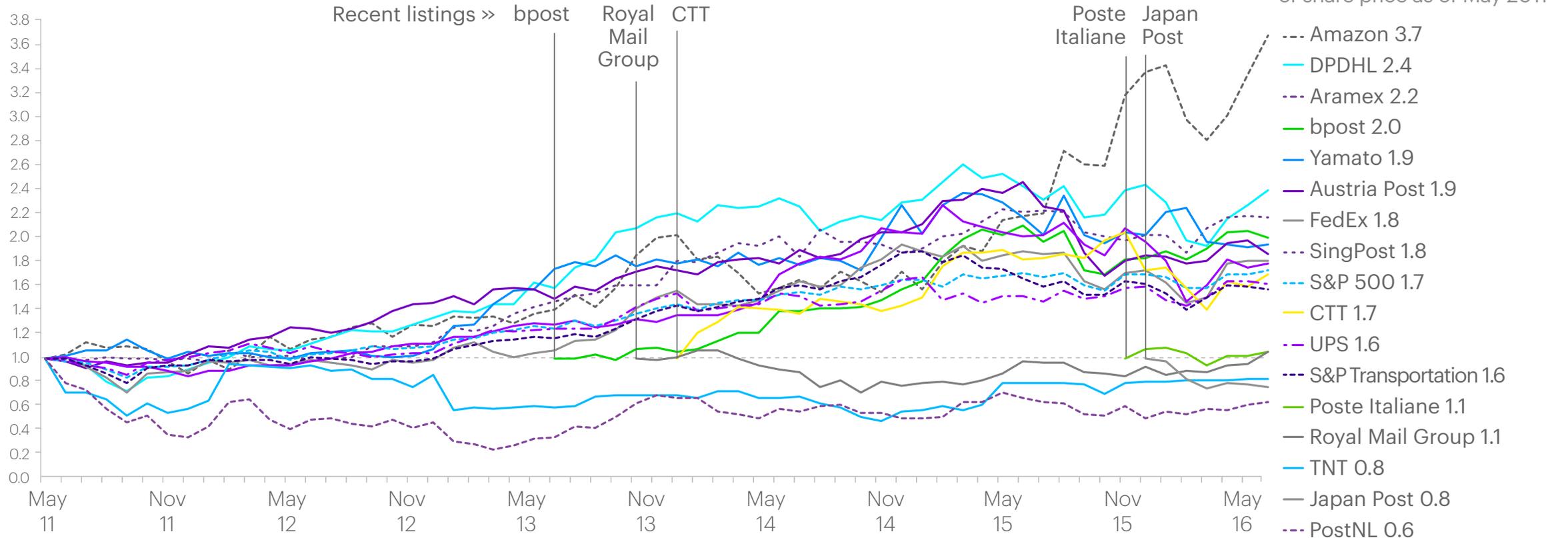
## THE IMPACT OF PRIVATIZATION

	2 YEARS BEFORE	2 YEARS AFTER <sup>27</sup>
Year-on-year revenue growth	0.36%	▶ 6.05%
Average EBIT	5.19%	▶ 9.74%



# 5 HIGH PERFORMERS ADOPT A COMMERCIAL MIND-SET

Total return to shareholders, 2011 to 2016



HIGH PERFORMER HIGHLIGHTS



# BEING A DIGITAL ORGANIZATION

Digital is the fourth strategic priority that underpins and informs the other three and demands a balanced approach across three actions: drive efficiency, digitize delivery and create new revenue.

03

## BE A DIGITAL ORGANIZATION

**DIVERSIFY  
SELECTIVELY**



**DRIVE  
EFFICIENCY**

Used to prove digital to the board and free up capital for other investments.



**DIGITIZE  
DELIVERY**

Used to prove digital capability publicly to change brand perception.



**CREATE NEW  
REVENUE**

Used to deliver growth but requires capital, board buy-in and a digital brand image.

**GROW PARCELS**

**DEFEND THE CORE**



**BEING A DIGITAL  
ORGANIZATION**



# DIGITAL WILL BECOME VITAL TO HIGH PERFORMANCE

The **Accenture digital performance index**<sup>28</sup> shows how digital investments are positioning companies for growth, identifies the gaps required for digital transformation and assigns post and parcel organizations to one of four categories:

1. **Digital high performers** (strong digital and financial performance)
2. **Digital leaders** (strong digital capabilities not yet delivering financial value)
3. **Traditional leaders** (strong financial performance without digital)
4. **Digital contenders** (companies with the potential to improve their financial performance with the right digital investments).

Our research shows the post and parcel industry is in the midst of digital transformation, but has yet to reap the full rewards. This will change over the next two years. Evolving consumer expectations that will demand data-driven, more personal services, for example, will require new digital capabilities. Digital investments will also underpin the operational efficiency and cost saving programs necessary for continued profitability improvements. Post and parcel organizations are just beginning to realize the financial rewards of digital but our research shows those investments are creating the foundation for future growth.



BEING A DIGITAL ORGANIZATION



# Accenture digital performance index

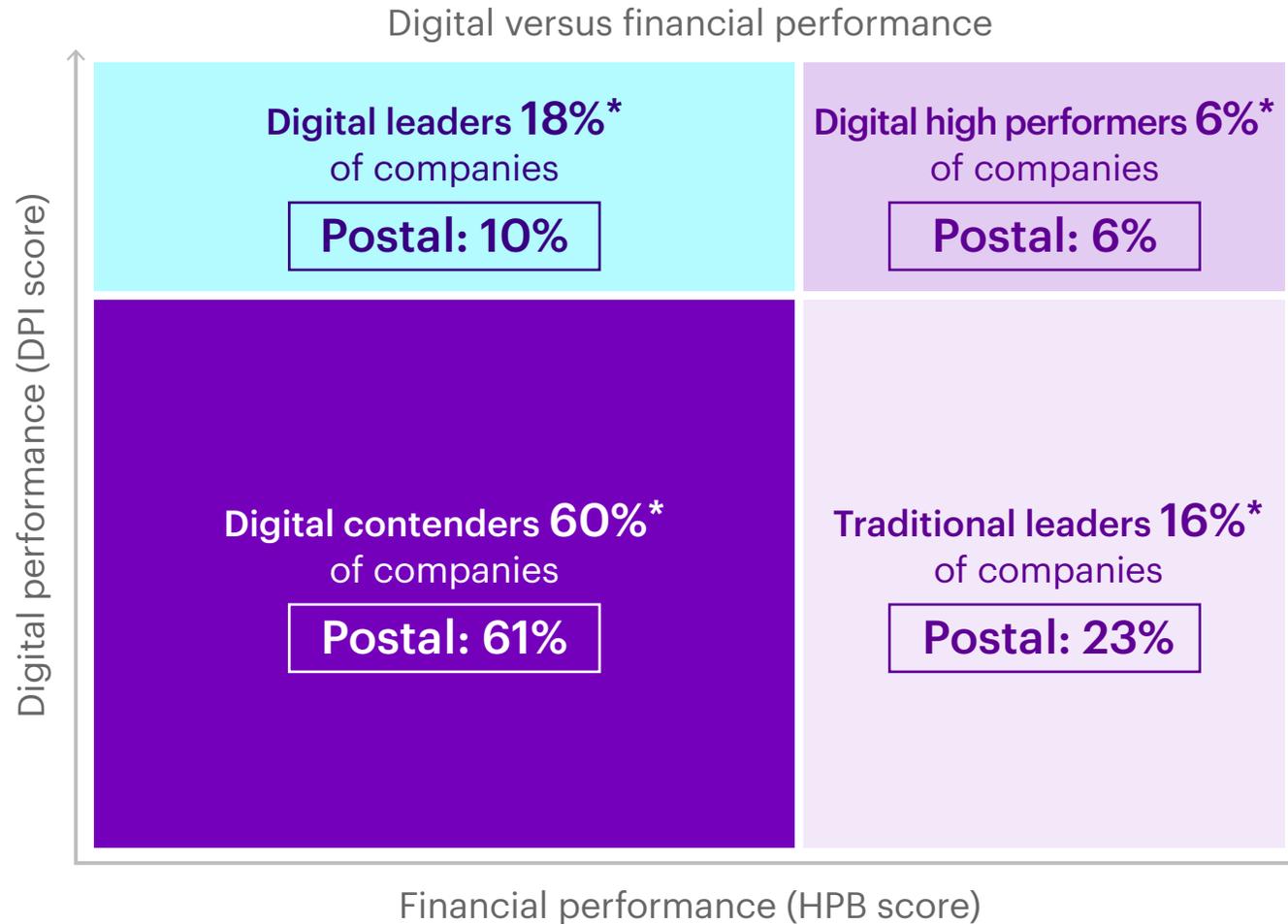
## Prioritized digital, awaiting rewards

Companies made significant progress in digital capabilities, working to translate that into financial results

## Got by without digital

Companies have survived in the past without building up digital capabilities

\*Note: Taken from the Accenture Digital Performance Index which researched 343 companies across eight industries.



## Achieving high performance in the digital world

Companies with both strong digital performance and financial performance

## Maintained financial strength with legacy

Companies have achieved strong financial performance without prioritizing digital



BEING A DIGITAL ORGANIZATION



# DIGITAL INDEX FINDINGS IN BRIEF

Post and parcel organizations score well in terms of a stated digital strategy but less well for investing and implementing digital across their organizations. Enabling digital capabilities can future-proof an organization's corporate strategy.<sup>29</sup>

## DIGITAL PROGRESS



**90%**

Include digital in their strategy.



**48%**

Aim to offer an integrated physical and digital shopping and information-gathering experience.



**51%**

Are using digital technologies to change their product development process.

## AREAS FOR IMPROVEMENT



**27%**

Have a dedicated budget for digital transformation, despite a majority identifying digital as part of their market expansion strategy.



**13%**

Significantly\* optimize customer targeting with digital technologies. (\*Scores  $\geq 3$ )



**35%**

Have open innovation initiatives.



BEING A DIGITAL ORGANIZATION



# POST AND PARCEL PRIORITIES

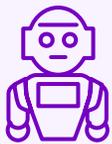
# 04

There are some distinct and emerging opportunities that can create a significant impact on post and parcel industry performance.

# ARTIFICIAL INTELLIGENCE: A NEW FACTOR OF PRODUCTION

## AUGMENT LABOR AND CAPITAL

AI can automate simple or oft-repeated tasks enabling workers to focus on value-added tasks in areas such as customer service, automated parcel tracking and exception handling, which could result in significant cost savings.



AI bots will power 85% of all customer service interactions by the year 2020<sup>30</sup>

## OPTIMIZE THE NETWORK

Algorithms can quickly analyze volumes of data to identify patterns not visible to the naked eye—traffic information, weather events, or Twitter feeds. AI self-learns, creating continuously improving processes and efficiency.



AI market by 2020

**US\$ 5.05B**<sup>31</sup>

## ANTICIPATE CUSTOMER BEHAVIORS

Services could be designed to anticipate delivery changes. By building customer data into “consumer genomes”—living profiles of preferences, behavior, motivations and needs—parcel delivery can go beyond giving customers choice to understanding why they make those choices and anticipating behavior, lowering costs while delighting customers.



**POST AND PARCEL PRIORITIES**

# AUTONOMOUS VEHICLES: THE NEW DELIVERY ENGINE

## AUTONOMOUS VEHICLES WILL CHANGE THE POST AND PARCEL INDUSTRY IN TWO WAYS

### Transport utilization will improve

Air or ground-based autonomous vehicles can be available for delivery 24/7, enabling radically different utilization profiles.

### Transport costs will radically reduce

Labor costs associated with transport will decline (or be eliminated) leading to drastic cost reduction. The changes will begin with line haul—Uber's Otto division made the first autonomous delivery in the United States in October 2016.<sup>32</sup>

While autonomous vehicles can find a location, or a person, some challenges around secure delivery must still be resolved, such as last meter management or vandalism risks.

By 2020

**10 million**



Forecasts say that there will be more than 10 million cars with self-driving features globally.<sup>33</sup>



POST AND PARCEL  
PRIORITIES

# PARCEL DELIVERY: AS A PLATFORM

## CONVENIENCE IS THE NEW LOYALTY

As retailers use the delivery experience to compete for and retain customers, improving the consumer delivery experience with features like control of parcel delivery will be key to unlocking loyalty.

**65%** of consumers globally consider the ability to change delivery instructions an important factor when selecting a delivery company.<sup>34</sup>



## ECOMMERCE RETURNS AS A DIFFERENTIATOR

The evolution of eCommerce forces delivery companies to develop new capabilities to fit with the dynamic resolution of returns. Turning returns into a value capability instead of a “necessary evil” creates differentiation as an eCommerce delivery partner.

**79%** of eTailers place returns capabilities among the most important criteria when evaluating a delivery provider.<sup>35</sup>



## INTERCONNECTED ECOSYSTEMS

Retail competition is focusing on delivery models that are free, fast and convenient. The lines are blurring between retailers and shippers. Solutions that tie retail demand with shipper supply and optimize the ecosystem will become more important as capabilities mature.

**68%** of retailers say that a direct consumer to shipper relationship is one of their top three priorities.<sup>36</sup>



POST AND PARCEL PRIORITIES

# MOBILE ADVERTISING: THE SECOND WAVE OF MAIL DISRUPTION

## THE POWER OF PERSONALIZATION

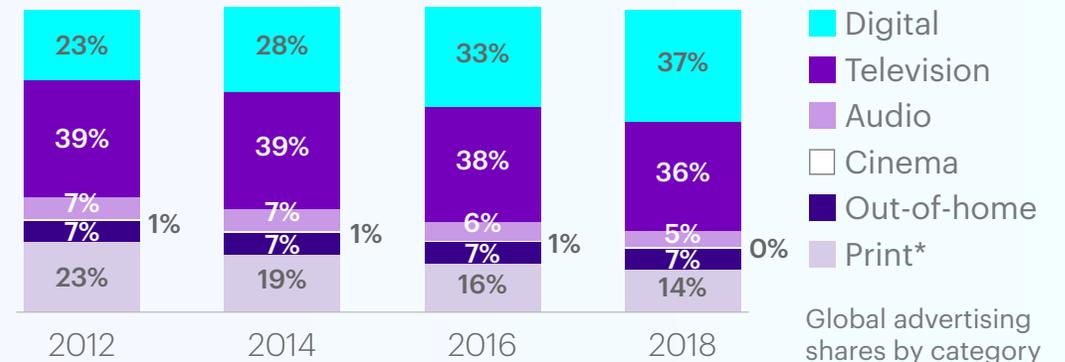
The dramatic improvement and growth in mobile advertising has the potential to disrupt direct mail. It is less expensive than traditional advertising mail and offers a totally different and far more personalized experience—radically changing the potential effectiveness of advertisements.

With smartphones serving as life management devices, it will become more important to make mail relevant on these devices. Postal organizations have an opportunity to tie digital, mobile content to their physical products to create a new consumer channel.



of global digital advertising spend by 2018 will be attributable to mobile, which will overtake desktop advertising in 2017<sup>37</sup>

## Print advertising losing share to digital advertising



\*Print includes newspapers and consumer magazines



POST AND PARCEL  
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# SECURITY: THE NEXT CRITICAL CHALLENGE

## FOSTERING DIGITAL TRUST

Digital technologies have opened up new business models and opportunities, but also introduced new risks—valued assets become less tangible, more distributed, and more vulnerable to cyber threats. As post and parcel organizations store greater quantities of more sensitive data, their security capabilities must mature.

The digital enterprise must foster a culture of security that enables digital trust. Digital trust represents secure, transparent relationships and engagement between the enterprise and its employees, partners, and customers.



**50%**

of consumers globally are confident that their national postal operator keeps their personal information private and secure.<sup>38</sup>



**48%**

of cybersecurity professionals from large enterprises believe management views cybersecurity as an unnecessary cost.



**76%**

of enterprise security professionals believe they need to improve their ability in threat and vulnerability assessments.



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# CONCLUSION

## Brody Buhler

Global Managing Director  
Accenture Post and Parcel



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# RESEARCH METHODOLOGY

Our analysis is based on publicly available information, content published by post and parcel organizations and Accenture industry knowledge and experience.

As in previous years, we have used a quantitative model to assess financial performance and a qualitative model to determine the drivers of high performance. Our methodology is based on the value of discounted cash flows to shareholders, or economic value added (EVA<sup>®</sup>) and the total shareholder return (TSR).

We measured high performers based on a comparison of metrics across six different elements and created a scorecard identifying which organizations performed above average within the industry. Comparative analysis was adapted to account for government ownership of the majority of postal organizations.

We also adjusted our methodology to normalize reported numbers for non-recurring items and for pension obligations, included a calculation of the return on invested capital (ROIC), and undertook deeper research into diversification.

# RESEARCH SAMPLE

## Thirty-one post and parcel operators

ORGANIZATION	COUNTRY
An Post	Ireland
Aramex	United Arab Emirates
Australia Post (AusPost)	Australia
Austrian Post Group	Austria
bpost	Belgium
Canada Post Corporation (CPC)	Canada
Ceska Posta	Czech Republic
Correios Brasileiros (ECT)	Brazil
Correios de Portugal (CTT)	Portugal
Correos y Telégrafos (Correos)	Spain

ORGANIZATION	COUNTRY
Deutsche Post DHL (DPDHL)	Germany
FedEx	United States
Groupe La Poste (La Poste)	France
Gruppo Poste Italiane (Poste Italiane)	Italy
India Post	India
Japan Post	Japan
Magyar Posta	Hungary
New Zealand Post (NZ Post)	New Zealand
Posti Group	Finland
Post Office Limited (POL)	United Kingdom

ORGANIZATION	COUNTRY
PostNord	Sweden/Denmark
Posten Norge (Posten)	Norway
PostNL	Netherlands
Royal Mail Group (RMG)	United Kingdom
Singapore Post (SingPost)	Singapore
South African Post Office (SAPO)	South Africa
Swiss Post	Switzerland
TNT Express	Netherlands
United States Postal Service (USPS)	United States
UPS	United States
Yamato	Japan

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