

2016



MARKET INTELLIGENCE

International **Post**
Corporation



2016 KEY FINDINGS

Global Postal Industry Report



24 pages
December 2016



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INTRODUCTION



Holger Winklbauer
Chief Executive Officer, IPC

MESSAGE FROM THE CEO

I am delighted to present to you for the fourth year, the key findings of the IPC Global Industry Report. The full report provides the most informative analysis of performance within the global postal sector as it responds to the trends of globalisation, digital substitution, the ongoing acceptance and adoption of e-commerce and in particular, the rapid growth in cross-border e-commerce.

Diversification continues across the postal industry. Mail accounted for 37.7% of global industry revenue in 2015, down from 48.5% in 2010. Apart from mail services, postal operators have pursued growth opportunities in other markets like parcels and express and financial services, with both segments combined accounting for 45.0% of industry revenue in 2015.

In part driven by cross-border e-commerce, international markets accounted for 23.0% of total revenue on average in 2015, having grown at an average CAGR of 7.3% since 2010.

E-commerce remains the most important growth driver for the postal industry. Over the last decade, global online retail sales have increased by more than 20% a year on average and reached €901.6bn in 2015.

We trust that this key findings report will provide a useful insight into the sector.

ABOUT THIS PUBLICATION

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

The IPC Global Postal Industry Report is published yearly and provides a comprehensive and detailed review of the postal industry. Covering 45 postal operators worldwide along with major integrators, it reports on individual performance at the Group and business unit level, as well as factors such as digitisation, e-commerce, human resources and diversification in the postal industry.

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

For more information on IPC Market Intelligence products, please see pages 20 and 21 of this report.

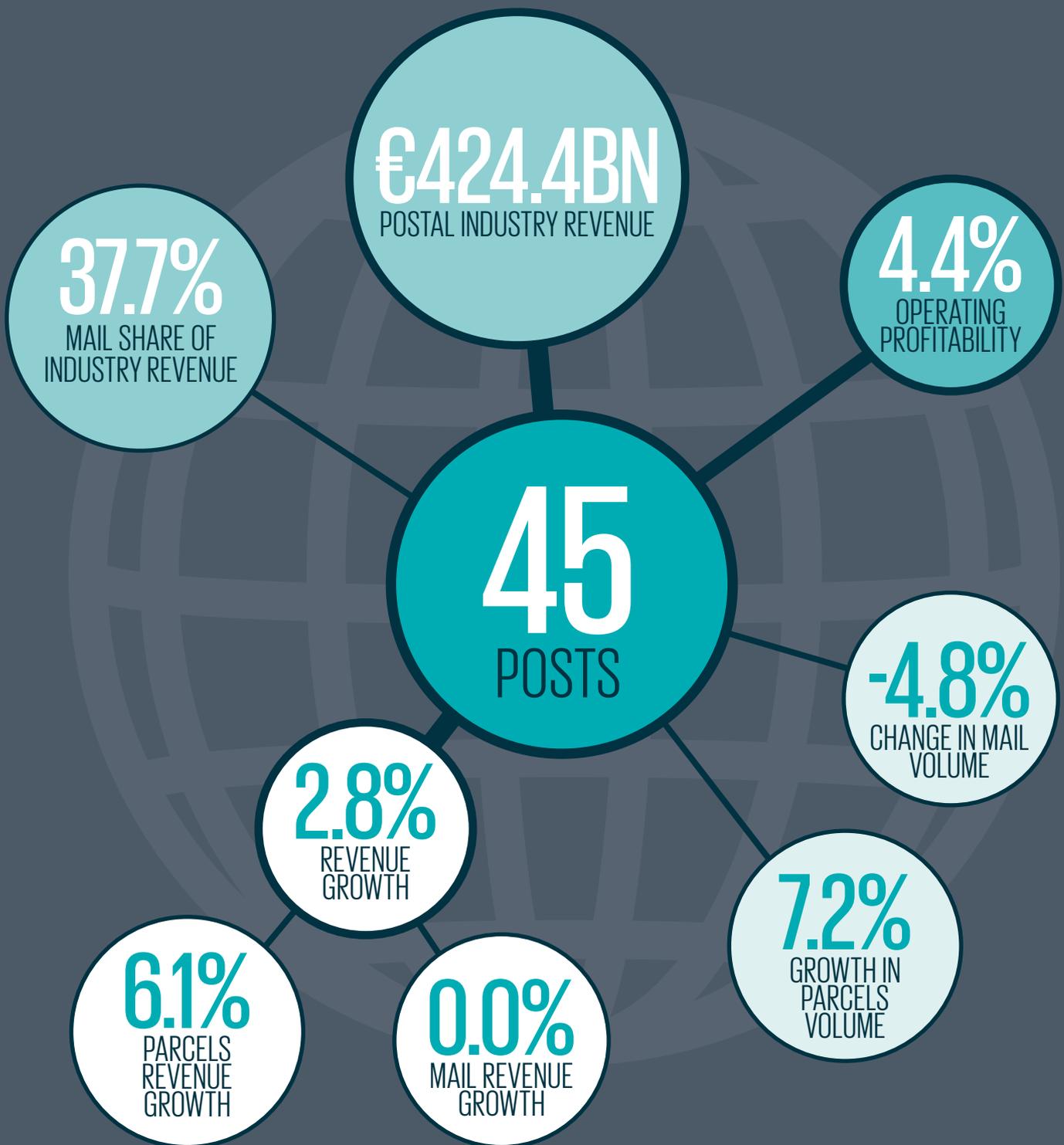
To have access to the full range of in-depth analysis offered by IPC, please contact us at info@ipc.be.

ABOUT INTERNATIONAL POST CORPORATION

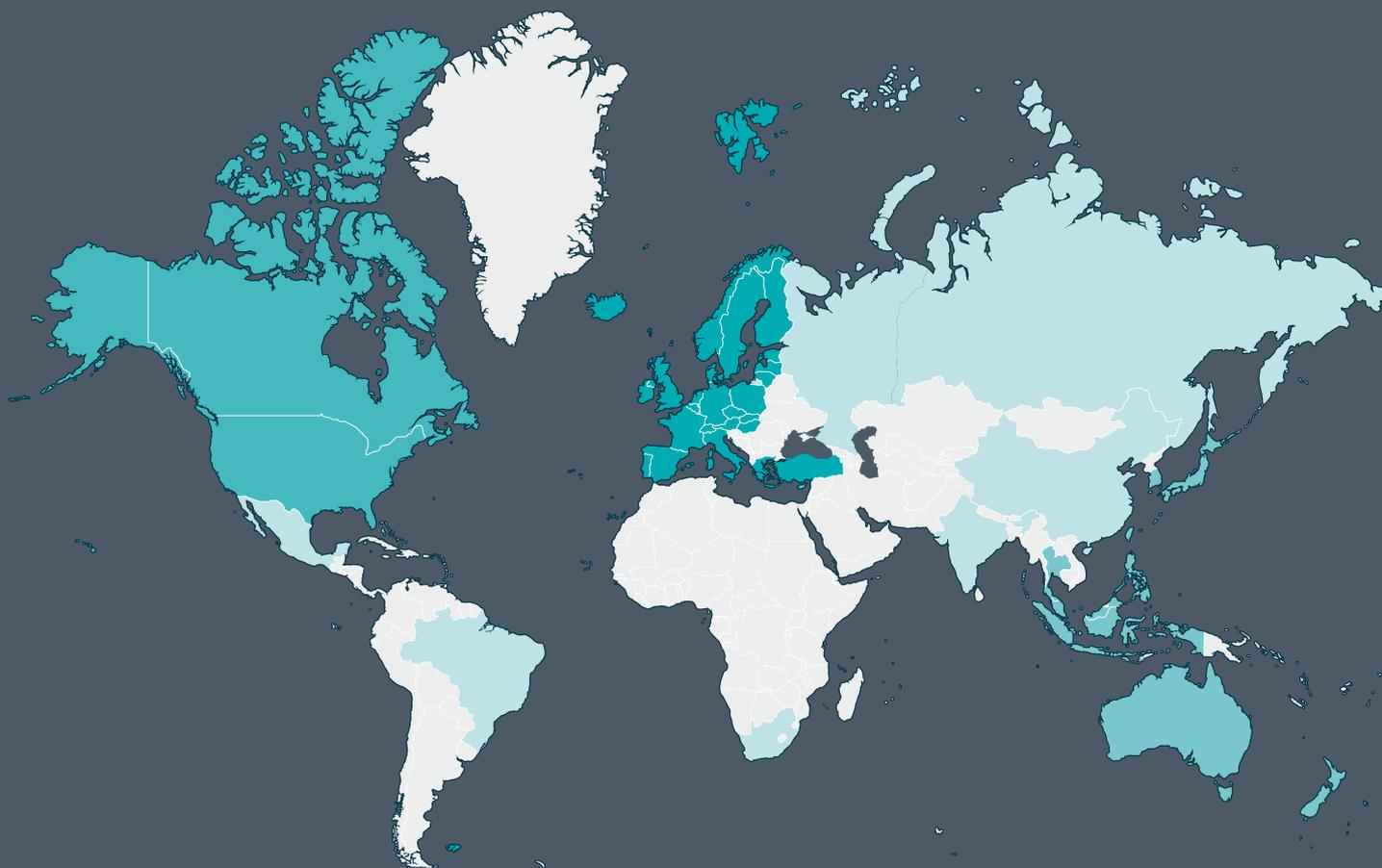
International Post Corporation (IPC) is the leading service provider of the global postal industry that provides leadership by driving service quality, interoperability and business-critical intelligence to support posts in defending existing business and expanding into new growth areas. It is a cooperative association of 24 member postal operators in Asia Pacific, Europe and North America. IPC's solutions and services are used by over 180 posts worldwide. Since 1989 IPC has set standards for upgrading quality and service performance and developed technological solutions that help members enhance service for international letters, packets and parcels. IPC engages in industry research, creates business-critical intelligence, provides a range of platforms and programmes for member post CEOs and senior management to exchange best practices and discuss strategy. IPC also manages the system for incentive-based payments between postal operators.

For more information please visit our website at www.ipc.be

IPC GLOBAL POSTAL INDUSTRY REPORT **KEY FINDINGS**



IPC GLOBAL POSTAL INDUSTRY REPORT REGIONAL FIGURES



2015	Market			Corporate			Mail		Parcels	
	Economy	Digitisation	E-commerce	Diversification	Revenue	Profitability	Revenue	Volume	Revenue	Volume
	Real GDP Δ 2014-15	Internet users 2015	Online retail Δ 2014-15	Non-mail revenue share 2015	Revenue Δ 2014-15	EBIT margin 2015	Revenue Δ 2014-15	Volume Δ 2014-15	Revenue Δ 2014-15	Volume Δ 2014-15
EUROPE	2.4%	81.4%	16.9%	44.7%	1.3%	4.8%	-2.1%	-5.3%	7.4%	9.4%
NORTH AMERICA	1.8%	81.5%	20.9%	33.7%	1.0%	-2.5%	1.6%	-1.7%	-	7.6%
ASIA PACIFIC	3.3%	69.9%	21.5%	51.5%	6.1%	8.3%	5.0%	-4.4%	16.2%	-0.4%
BRICS + MEXICO	2.4%	50.9%	37.3%	61.2%	4.1%	-5.4%	-0.5%	-3.6%	-	-

Regional averages calculated where data exists for more than half of posts

GLOBAL TRENDS



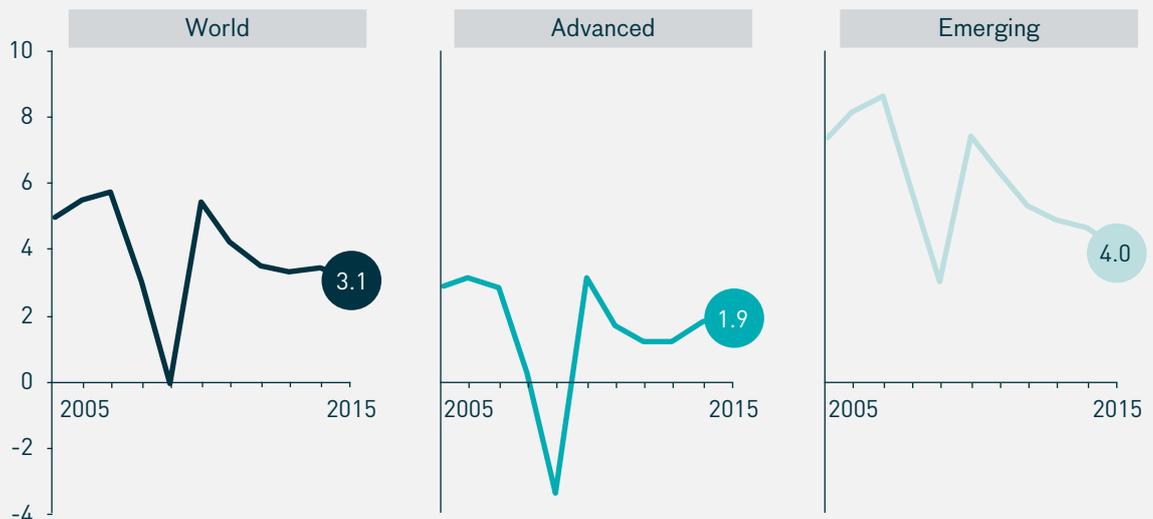
A sluggish global economy, steadily increasing digitisation and rapid growth in e-commerce continue to present both opportunities and challenges for the global postal industry. Despite ongoing mail decline, industry revenue and profitability remain strong as postal operators focus on growth and efficiency initiatives to create long-term shareholder value.

SLOWING GROWTH IN EMERGING MARKETS

While advanced economies saw a slight pick-up in growth in 2015, the economic slowdown in emerging economies continued as these markets faced significant headwinds, including dampened external demand, declines in commodity prices and the gradual tightening of global financing conditions. According to the IMF, global economic growth was 3.1% in 2015, with advanced and emerging economies growing 1.9% and 4.0% respectively.

1. ECONOMY

Real GDP, % change on prior year



Sources: 1. IMF

DIGITISATION ONGOING

Meanwhile, internet penetration continues to rise. The number of global internet users tripled over the last decade and reached 3.2bn in 2015, according to the International Telecommunication Union. While all regions saw internet users increase over the period, Asia Pacific recorded the strongest growth: new technology, improved infrastructure and lower prices have brought connectivity to more than a billion people in the region. As internet penetration in the advanced world remains high, fewer letters are being sent by consumers, businesses and governments alike, with e-substitution continuing to erode the postal industry's core service of collecting and delivering lettermail.

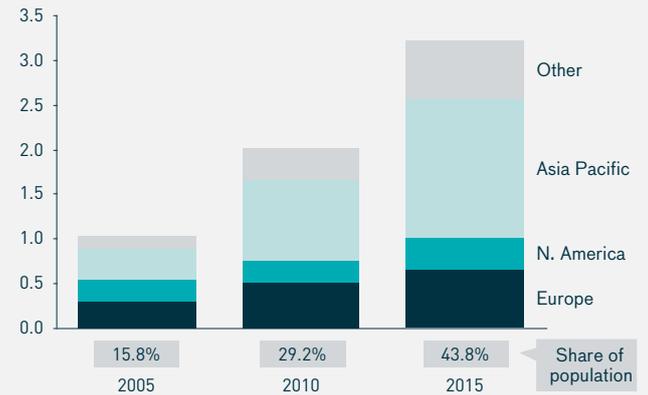
Digital technology and mobile connectivity have profoundly changed how consumers and businesses interact, particularly in the buying and selling of goods and services. As a result, online shopping is booming: global internet retail sales have grown by more than 20% a year on average since 2005 and reached €901.6bn in 2015 according to Euromonitor International.

STABLE FINANCIAL PERFORMANCE

Revenue growth for the postal industry remained steady at 2.8% on average in 2015. The average EBIT margin remained strong but dipped to 4.4%, as productivity and efficiency programmes were offset in part by stronger competition and cost pressures. On aggregate, total postal industry revenue reached €424.4bn in 2015, up €11.6bn on 2014 results. Mail revenue remained flat overall, as many posts looked to offset digitisation-driven volume declines with price increases while actively promoting the value of mail – particularly advertising mail – to corporate clients. Parcels and logistics were the two largest growth drivers in 2015, up €4.9bn and €5.0bn respectively.

2. DIGITISATION

Global internet users, bn



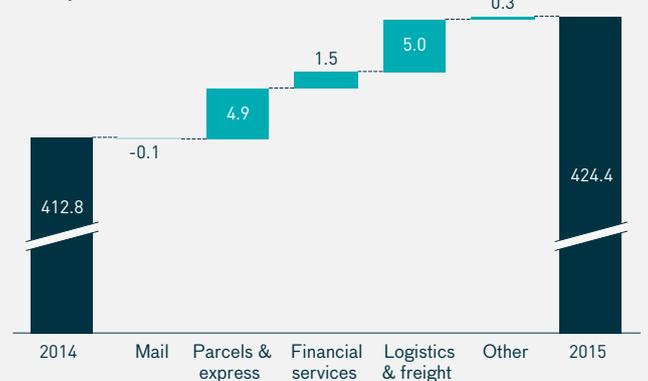
3. FINANCIAL PERFORMANCE

Industry average, %



4. GROWTH DRIVERS

Industry revenue, €bn



Sources: 2. ITU, Euromonitor International
3. Operator reports, member questionnaires
4. Operator reports, member questionnaires, OANDA

MAIL



E-substitution continues to drive the decline in global mail volume as consumers, businesses and governments switch to digital alternatives. To ensure a high-quality, sustainable service for all citizens, and as industry regulation evolves, posts worldwide have looked to boost efficiency, leverage new technology and promote and increase the value of mail.

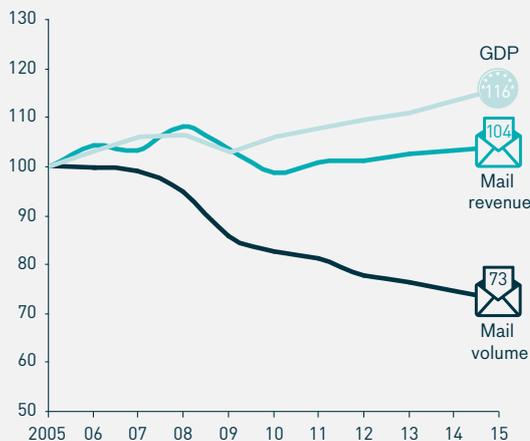
DIGITISATION DRIVES VOLUME DECLINE

The digital revolution has transformed the way the world interacts. As internet penetration steadily increases and smartphones become a part of everyday life, businesses and governments are shifting more and more services online. This dramatic shift has disrupted industries and weakened traditional business models across the globe. While more than half the world's population remains offline, the digital divide is narrowing and markets are expected to become increasingly dynamic in future.

The decline in mail volume fell to 4.8% on average with three quarters of posts seeing declines. Since 2005, aggregate mail volume has fallen by more than a quarter and the historically strong positive relationship with economic growth has weakened. The shift from physical letters to digital alternatives, as well as market liberalisation in some countries, have impacted all mail segments. While transactional mail, advertising mail and periodicals declined over the period, the speed of decline varied across products. In contrast, mail revenue has remained relatively steady over the past decade.

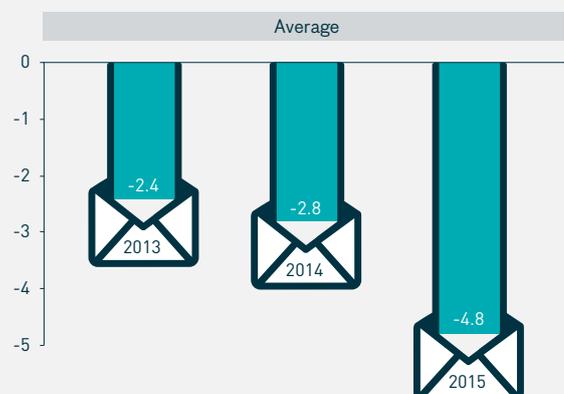
5. HISTORICAL VOLUME

Mail volume, revenue & GDP indices, 2005 = 100



6. VOLUME

Total mail volume, % change on prior year



Sources: 5. Operator reports, member questionnaires, IMF
6. Operator reports, member questionnaires

ADVERTISING MAIL REMAINS IMPORTANT

Posts are looking to make advertising mail services more appealing to clients in the face of stiff competition from digital advertising channels. Some are rebranding and repackaging advertising services, taking advantage of the opportunities of multichannel marketing, while others are targeting fast-growing sectors, such as SMEs.

Significantly in the world's biggest advertising market, the United States, between 2010 and 2015, USPS reported stable development in advertising mail volumes, indicating that the downward trend in advertising mail volumes as a result of e-substitution has levelled off in recent years.

MAIL REVENUE FLAT IN 2015

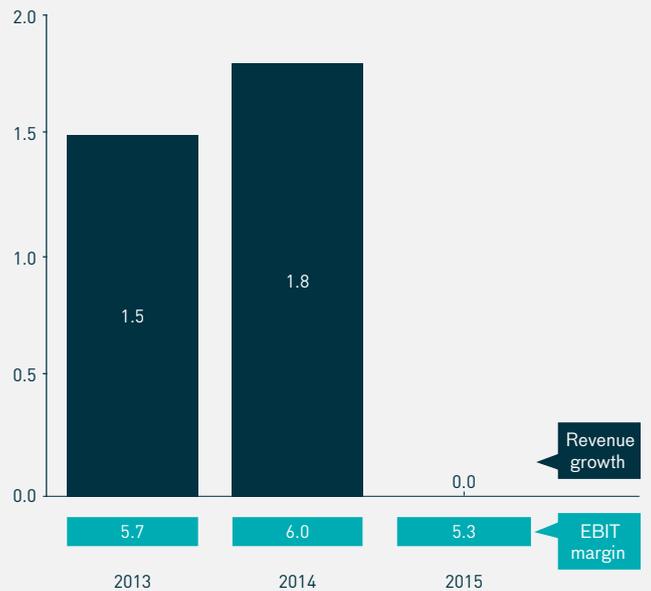
Mail revenue was flat on average in 2015, despite more than half of the 45 posts covered reporting revenue growth of above 1%. Posts from emerging markets accounted for eight of the ten fastest growing mail units in 2015, driven by stronger economic growth and lower e-substitution.



Posts are looking to make advertising mail services more appealing to clients in the face of stiff competition from digital advertising channels.

7. FINANCIAL PERFORMANCE

Average mail business unit performance, %



Sources: 7. Operator reports, member questionnaires

PARCELS



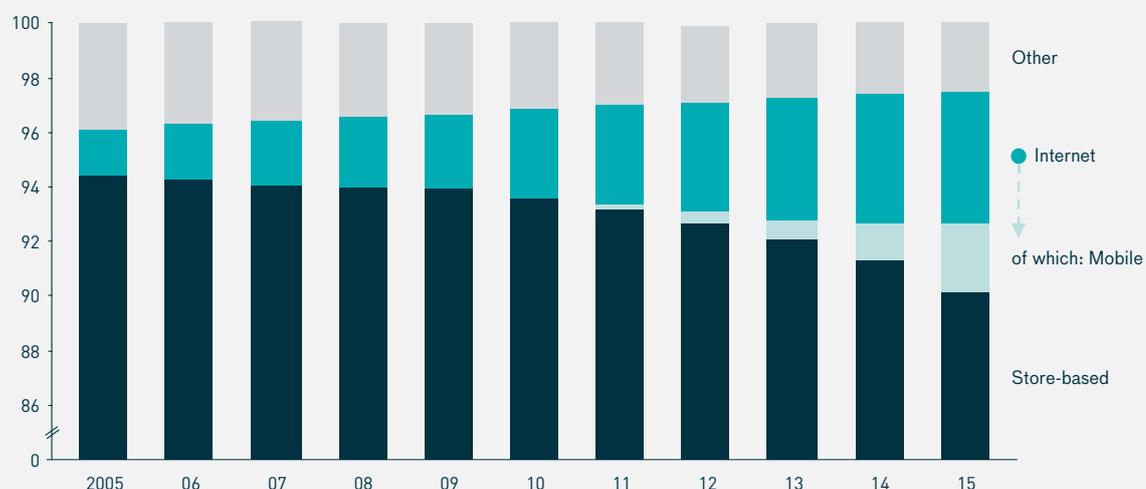
As the rise of e-commerce boosts parcel volumes worldwide and customers demand faster, cheaper and more convenient deliveries, companies as diverse as UPS, Amazon and Uber are fighting for the prize. In response, posts are leveraging their core assets and developing a strong focus on innovation to increase their share of the growing parcels market.

STRONG E-COMMERCE GROWTH

Consumers continue to buy more products online, and increasingly via smartphones. Since 2005, global internet retail sales have grown above 20% a year on average according to Euromonitor International, much faster than traditional store-based sales. Mobile e-commerce (m-commerce) is also on the rise and accounted for a third of internet retail sales in 2015. Online retail is still relatively immature however, representing only 7.3% of total retail. E-commerce is clearly the most important future growth driver for the postal industry, as online shopping boosts demand for parcel delivery services worldwide.

8. E-COMMERCE

Global retail sales, % share of total



Sources: 8. Euromonitor International

9. FINANCIAL PERFORMANCE

Average parcels & express business unit performance, %



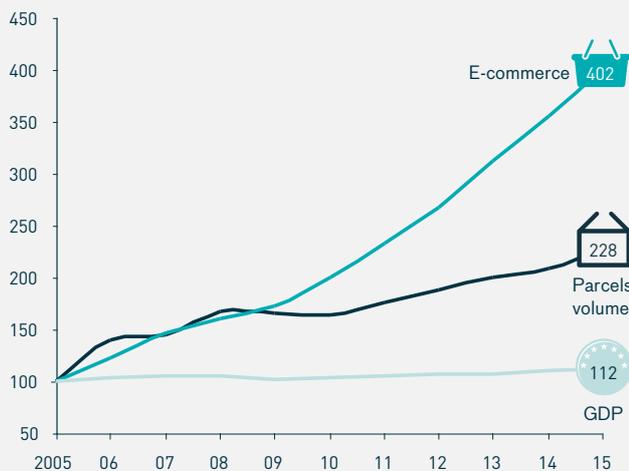
10. VOLUME

Total parcels & express volume, % change on prior year



11. HISTORICAL VOLUME

Aggregate parcels volume, GDP & e-commerce sales indices, 2005= 100



Sources: 9-10. Operator reports, member questionnaires

11. Operator reports, member questionnaires, Euromonitor International, IMF

REVENUE GROWTH CONTINUES

Parcels and express revenue grew by 6.1% on average in 2015, roughly on par with previous years' results. Most posts reported stable or improving revenue, with organic, e-commerce-driven growth in business-to-consumer (B2C) volume commonly reported as the key factor driving performance. The dip in average profitability in 2015 was in part due to pressure on prices, as both posts and their competitors balance network investment with cost efficiency to offer the most attractive delivery rates to price-sensitive customers.

INCREASING PARCEL VOLUMES

On aggregate, the industry's parcel volume more than doubled over the last decade, growing at a rate far above economic growth. While seemingly impressive, the growth in parcels delivered by posts still lags behind that of e-commerce sales which quadrupled in size over the same period. The trend continued in 2015: as the majority of posts reported higher parcel volumes, growth in industry volume accelerated to 7.2% on average, more than double that of world GDP (3.1%) but much slower than internet retail sales (24.4%).

FURTHER GROWTH POTENTIAL

In addition to rising domestic B2C volumes sent by e-retailers both large and small, the fast-growing cross-border e-commerce market remains a key potential growth driver for posts. According to a joint analysis from Alibaba's research arm AliResearch and Accenture, the global cross-border B2C e-commerce market was worth close to €280bn in 2015, up 30% on 2014 and expected to grow by more than 25% a year to 2020. While international parcels represent less than a fifth of total parcel volume on average across operators, and only a fraction of that for some, many posts continue to report increases in cross-border deliveries.

DIVERSIFICATION



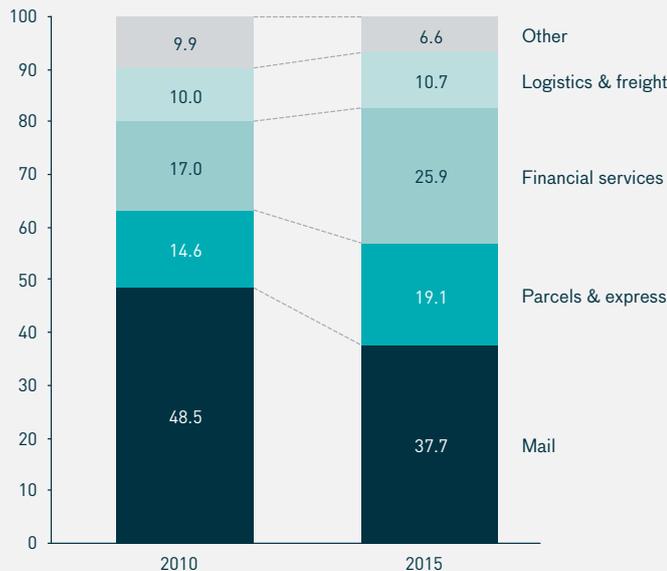
After years of structural decline, mail now accounts for less than half of overall industry revenue. Through investment and innovation, pilots and partnerships, posts are leveraging existing assets and emerging technologies to enhance their services and pursue growth outside the industry's core.

POSTAL INDUSTRY CONTINUES TO DIVERSIFY

As core mail volume continues to decline, posts have looked to grow and diversify revenues in three ways: via expansion of existing operations, by acquisitions, joint ventures and partnerships, or a mix of both. As a result, diversification is on the rise with non-mail revenue accounting for an increasingly large share of global industry revenue. Despite the trend towards diversification, mail remains the industry's core revenue source and accounted for more than a third of total revenue in 2015.

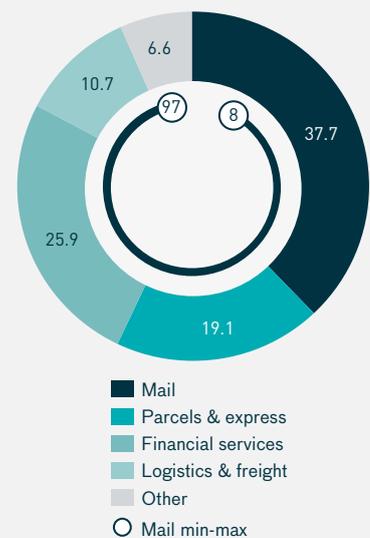
12. HISTORICAL DIVERSIFICATION

Industry revenue share, %



13. BUSINESS DIVERSIFICATION

Industry revenue share, %



Sources: 12-13. Operator reports, member questionnaires

INVESTING AND MODERNISING

While mail is no longer the most significant source of revenue for many of the largest operators, the degree of diversification varies widely across the industry: in 2015, mail represented over 90% of revenue for some posts and less than 10% for others. Most posts are becoming more diversified however: over two thirds saw mail revenue share fall since 2010, as many have looked to strengthen positions in growth markets by investing in e-commerce, broadening financial services and improving retail networks.

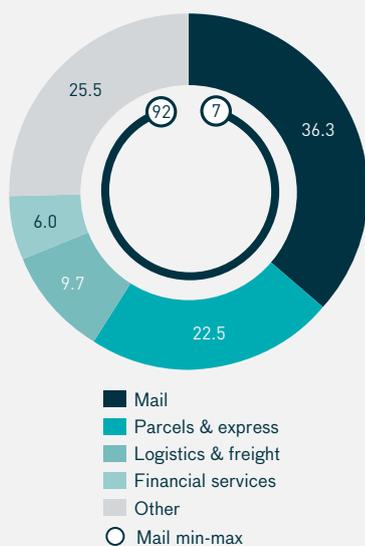
From modernising mail operations to buying innovative start-ups, posts worldwide are increasingly investing in new and existing assets to foster future growth: industry capex has risen by more than a third since 2010, driven by growth in Asia Pacific. With many posts investing in mail sorting facilities and equipment to improve efficiency, mail accounted for around a third of industry capex, though the share ranged from 7% to 92% across posts. The combined parcels and logistics segments also accounted for a third of total capex, as posts have expanded network capacity and integrated mail, parcels and logistics operations in response to the growth in e-commerce.

ACQUISITIONS ON THE RISE

Acquisition activity has accelerated, with posts buying controlling stakes in more companies in 2015 than previous years. In line with capex trends, a large share of companies purchased by posts were operating within the parcels and logistics segments. Moreover, while over half of acquisitions were of domestic companies, more than a third were of firms from nearby or neighbouring countries as posts continued to seek international growth.

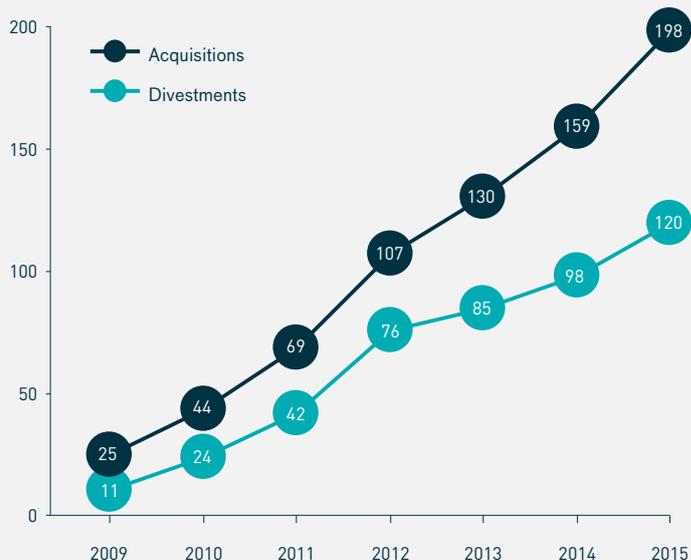
14. INVESTMENT

Capital expenditure 2010-15, % share of total



15. ACQUISITIONS & DIVESTMENTS

Acquisitions & divestments, cumulative totals



Sources: 14. Operator reports

15. Operator reports, press releases and websites

STAKEHOLDERS



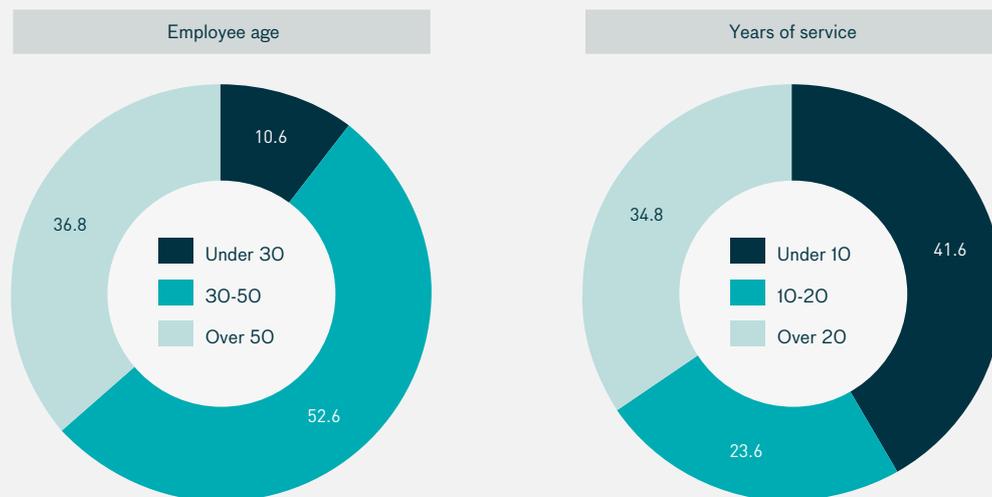
Ongoing societal trends continue to impact the global postal industry. Working together with stakeholders to improve economic and social outcomes, posts have looked to create a flexible, diverse and motivated workforce and deliver important government services in both urban and rural areas.

EMPLOYEE AGE AND SERVICE PROFILE

Reflecting wider demographic trends, the average age of the postal industry's workforce is on the rise. In 2015, over a third of employees were aged above 50 on average while those under 30 accounted for only a tenth. Moreover, roughly one third of staff had worked for their employer for more than 20 years. As many workers approach retirement, posts continue to balance the need for younger employees capable of performing manual operations with the experience that older workers can offer.

16. EMPLOYEE PROFILE

Average share of total employees, %



Sources: 16. Operator reports, member questionnaires

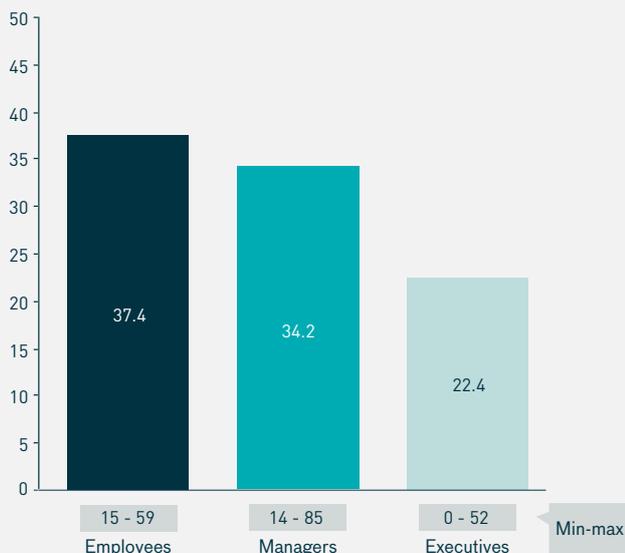
EMPLOYEE DIVERSITY

Gender equality remains a priority for the postal industry which has traditionally attracted a higher proportion of male employees in frontline roles. From leadership programmes to recruitment quotas, posts have introduced a range of initiatives in line with government-led schemes to promote female employment and achieve equality in decision-making roles. The postal industry is outperforming the wider market in terms of hiring women in leading positions, with eight of the posts assessed having a female CEO at the end of Q3 2016.

There is however still work to do: in 2015, women accounted for just over a third of total employees on average and a lower share still for management and board-level positions. Some posts report challenges in meeting quotas when recruiting internally for frontline roles, but higher success rates for senior management positions where recruitment is mixed between internal and external candidates.

17. EMPLOYEE DIVERSITY

Average female share of total, %



Sources: 17. Operator reports, member questionnaires

“
The postal industry is outperforming the wider market in terms of hiring women in leading positions.”

OUTLOOK



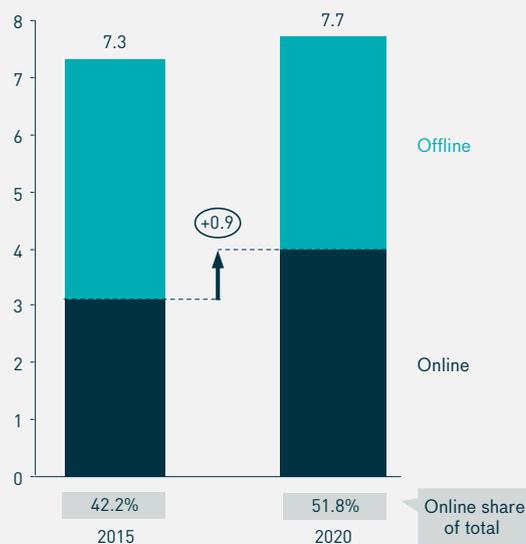
Important economic, demographic and technological trends are driving rapid change in market dynamics across the globe. As posts continue to transform mail, grow parcels and pursue opportunities outside the core, and despite increased competition from both established and emerging players, the postal industry remains on track for future growth.

E-COMMERCE AND DIGITISATION DRIVING CHANGE

By 2020, more than half the world's population will use the internet, though the digital divide will still remain wide. Governments are looking to tackle the issue by increasing coverage and speed while reducing access costs, particularly in poorer and more remote regions. The rise in digital connectivity is also changing market dynamics. According to ZenithOptimedia, the advertising market will grow faster than the global economy to 2018, driven by expansion in emerging Asian markets and strong growth in internet adspend.

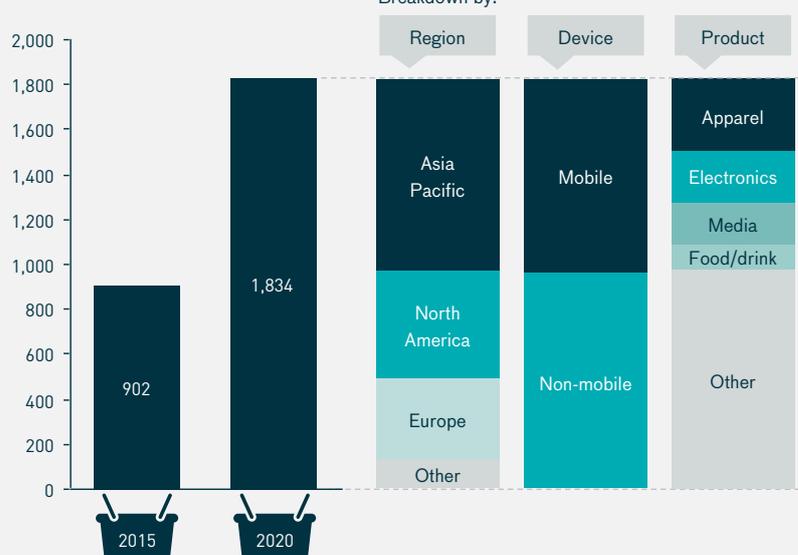
18. DIGITISATION

Global population, bn



19. E-COMMERCE

Global internet retail sales, €bn



Sources: 18. eMarketer, Euromonitor International
19. Euromonitor International

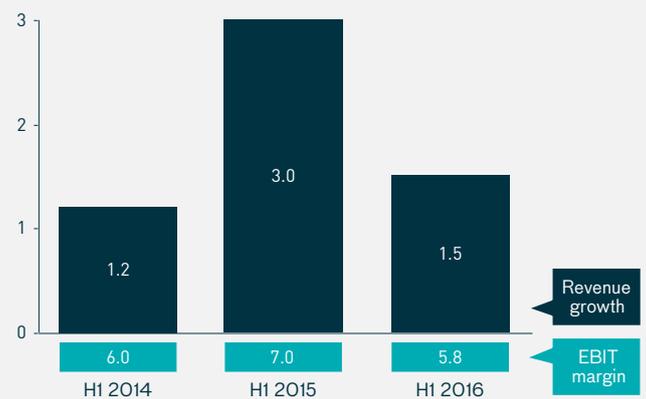
ON TRACK FOR FUTURE GROWTH

As e-commerce drives growth in B2C parcels and as tech-savvy consumers demand faster, cheaper and more convenient deliveries, innovative companies will look to increase their share of the growing B2C delivery market. The contrast between mail and parcels performance is also set to continue. Despite the ongoing decline in letter mail volume, mail divisions returned to growth on average in H1 2016 with revenue up 0.5% year on year. Parcels divisions saw revenue growth slow to 2.8%, with growth drivers varying across operators.

Leading positions in mail and parcel services and successful debt-reduction and transformation programmes have been cited by credit ratings agencies as key factors contributing to posts' strong financial positions. The market remains upbeat about the postal industry's future prospects with analysts citing e-commerce as the key to growth.

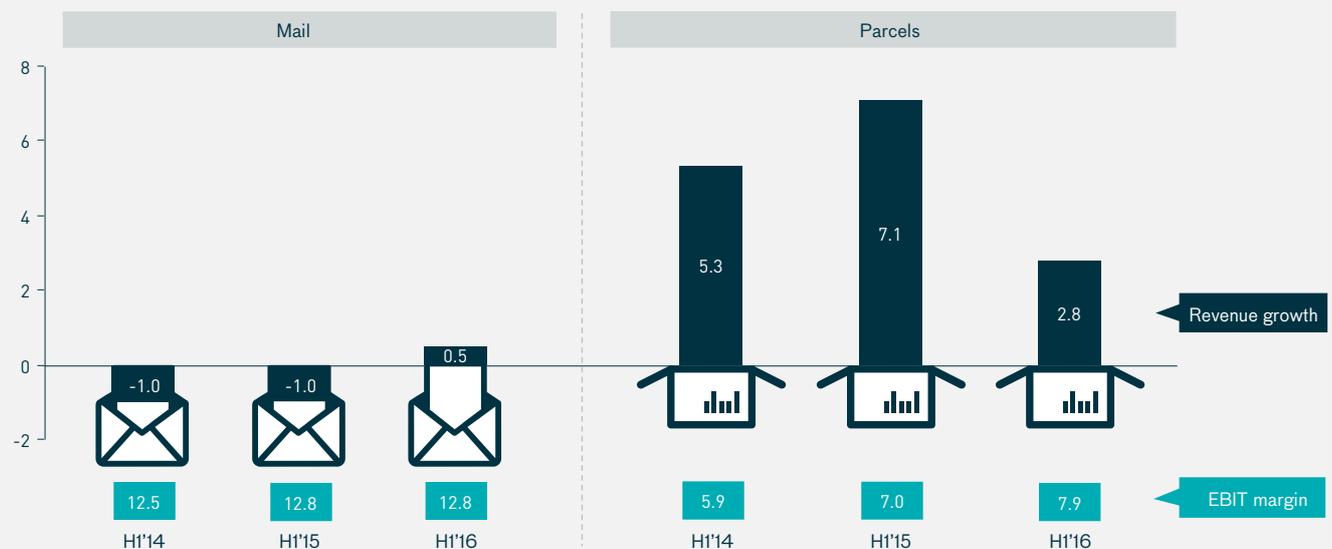
20. FINANCIAL PERFORMANCE

Half-year financial results, industry average, %



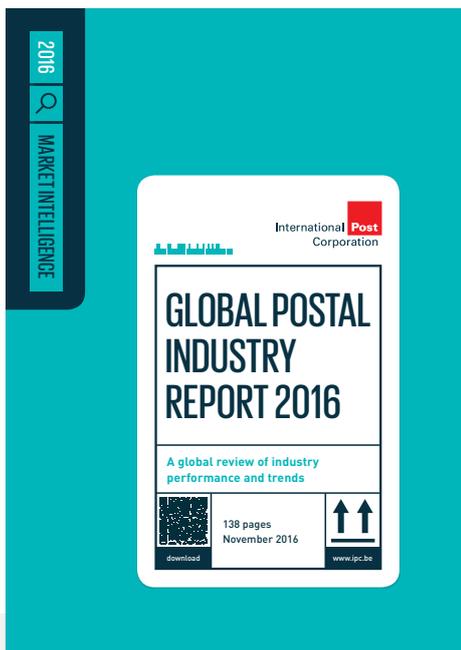
21. BUSINESS SEGMENTS

Half-year financial results, industry average, %



Sources: 20-21. Operator reports

IPC MARKET INTELLIGENCE PRODUCTS



IPC GLOBAL POSTAL INDUSTRY REPORT

The IPC Global Postal Industry Report is the sector's most comprehensive, holistic and in-depth report on postal industry trends and performance.

- Over 130 pages of industry-specific analysis updated and refreshed each year
- Worldwide coverage of 45 postal operators
- In-depth review and comparison of corporate and business unit performance
- Solid foundation to benchmark performance and better understand industry trends
- 2016 report available for purchase and immediate download

FIG. 1.2 REVENUE SEGMENTS, 2014-15

26 POSTS RECORDING REVENUE GROWTH IN 2015



more info

IPC CARRIER INTELLIGENCE REPORTS

IPC Carrier Intelligence Reports provide instant access to critical financial, operational, strategic and market information for 50 leading postal and parcels operators from Europe, Asia Pacific, the Americas and Africa in an easy-to-read, consistent format.

The reports provide operator-specific analysis on topics of key strategic importance for the postal sector, including information on the macro environment, corporate governance and strategy, consolidated and business unit performance, corporate social responsibility, business outlook and strategic targets.

IPC Carrier Intelligence Reports have been specifically designed to meet the market intelligence needs of industry executives as well as consultants and analysts engaged in research throughout the postal and parcels sectors. By compiling key quantitative and qualitative data for each operator, the reports save valuable resources for in-house strategic and market analysts.

The reports are available by annual subscription giving participants access to all 50 reports. To register your company for access to all IPC Carrier Intelligence Reports, or if you require further information, please contact info@ipc.be.



more info

For more information, visit our website: <https://www.ipc.be/en/programmes/market-intelligence>.



NOTES & SOURCES



DATA SOURCES

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

INTERNAL

- IPC member questionnaires
- IPC Statistical Database
- IPC Carrier Intelligence Reports
- IPC Market Flash

EXTERNAL

- Operator annual and interim reports
- Operator websites and press releases
- eMarketer
- Euromonitor International
- International Monetary Fund
- International Telecommunication Union
- OANDA

GRAPH NOTES

This report includes data for the following 45 postal operators: An Post; Australia Post; bpost; Canada Post; China Post; Chunghwa Post*; Correios Brasil*; Correos; Correos de México; CTT-Correios de Portugal; Cyprus Post; Czech Post; Deutsche Post DHL; Hellenic Post-ELTA; Hongkong Post*; Iceland Post; India Post*; Japan Post; Korea Post; Latvian Post; Le Groupe La Poste; Lithuania Post; Magyar Posta; New Zealand Post; Omniva; Österreichische Post; PHLPost*; Posten Norge; POST Luxembourg; Poczta Polska; Pos Indonesia*; Pos Malaysia; Poste Italiane; Posti Group; PostNL; PostNord; PTT-Turkish Post; Royal Mail; Russian Post; Singapore Post; Slovenska Posta*; South African Post Office*; Swiss Post; Thailand Post; United States Postal Service.

Sample sizes vary from chart to chart due to data availability. Unless otherwise stated, all averages refer to an unweighted mean for all posts reporting consistent data for the entire period covered in the chart. Operators marked with an asterisk (*) had not published data covering the full 2015 period at the time of analysis; data for these posts are based on the latest periods for which data exists. Where required and unless otherwise stated, local currencies were converted into euros at 2015 exchange rates from OANDA. Regional categories for external data such as GDP are based on the source's regional definition and include countries in addition to those related to the 45 national postal operators in this report.

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