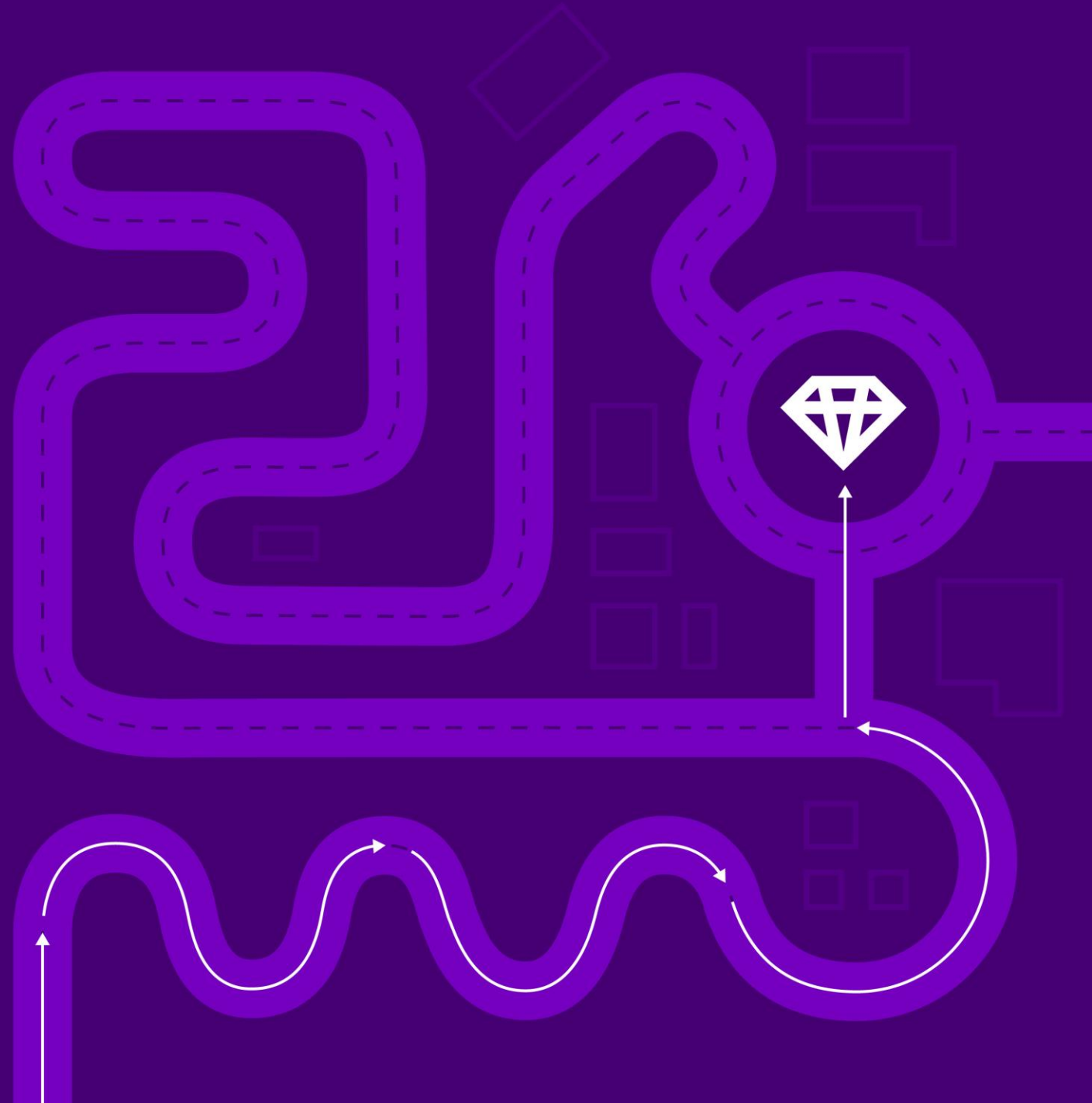




# KEY TRENDS: THE PATH TO VALUE

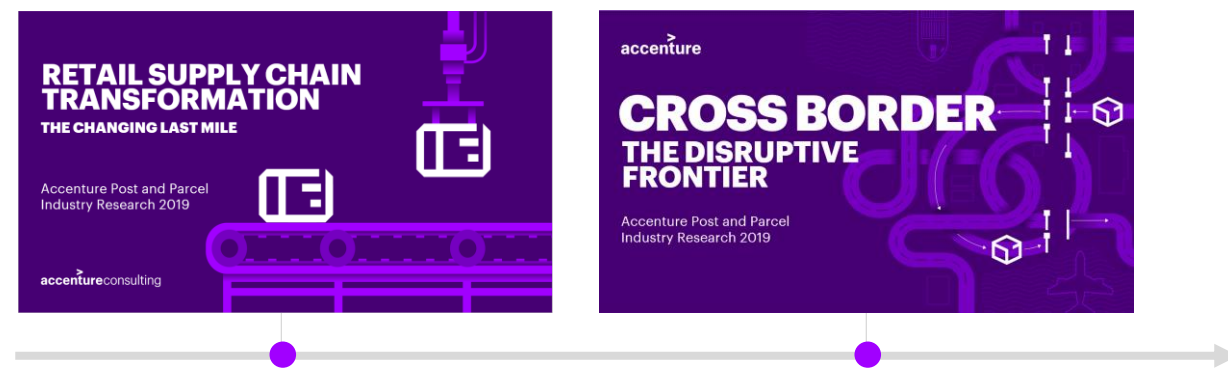
Accenture Post and Parcel  
Industry Research 2019

CTT eCommerce Day  
November 2019



# OVER A DECADE OF RESEARCH

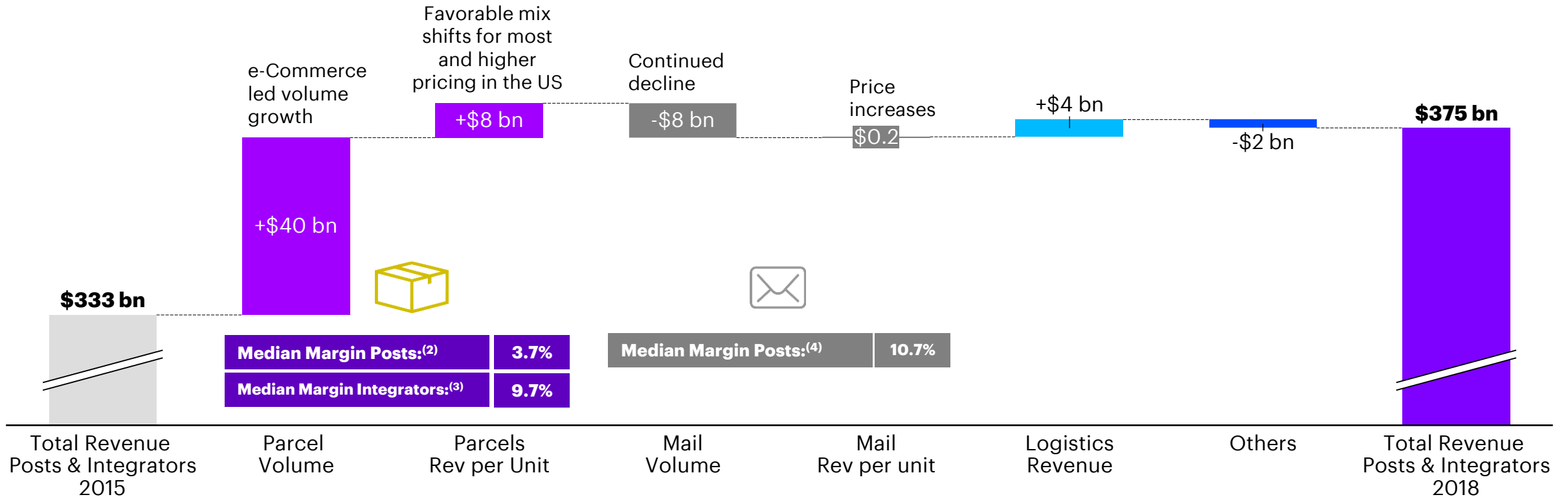
## Accenture post and parcel research



## The unfolding story in 2019

# THE STATE OF THE DELIVERY INDUSTRY: DECLINING MAIL, PROFITLESS PARCELS

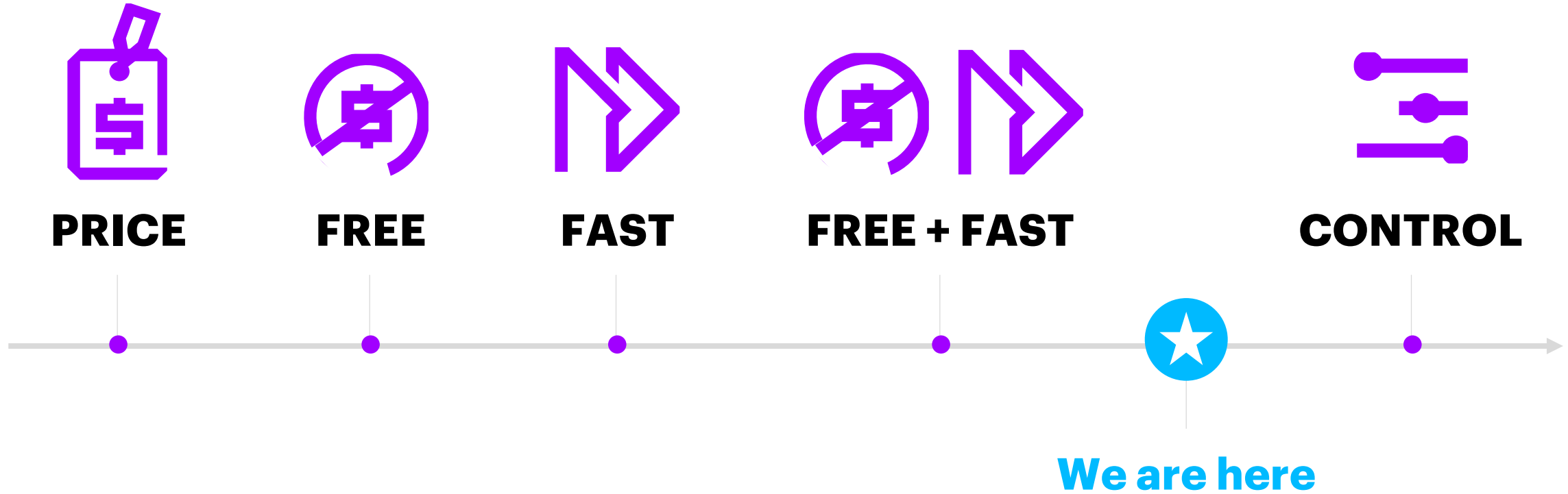
## 3 Year Revenue Development – Aggregate<sup>(1)</sup> [USD Bn, FY 2015 – FY 2018]



Based on 13 companies listed in the footnotes. 55% of our peer-set; - \$ 16bn not included as only companies which report mail and parcel revenue as well as volume could be considered

Note: (1) Aggregate sum of data from Austria Post, Canada Post, DPDHL, FedEx, La Poste, Post Nord, Poste Italiane, PostNL, Royal Mail, Swiss Post, UPS, USPS, Yamato; Rise due to Parcel Volume = (Volume 2018 – Volume 2017) \* Revenue per unit 2017; Rise due to Rev per unit = (Revenue per unit 2018 - Revenue per unit 2017) \* Volume 2018; (2) Median margins of 9 posts that report parcel margins separately: Austria Post, Canada Post, CTT, La Poste, PostNL, Posten Norge, Royal Mail, SingPost, Swiss Post; (3) Integrators include Aramex, DPDHL, Fedex, UPS; (4) Median margin includes Austria Post, CTT, Posten Norge, PostNL, Swiss Post; Exchange rate as of June 2019  
Source: Annual reports; Accenture Client Value Services

# CONSUMERS EXPECT MORE FROM CARRIERS: SPEED, RELIABILITY AND CONTROL

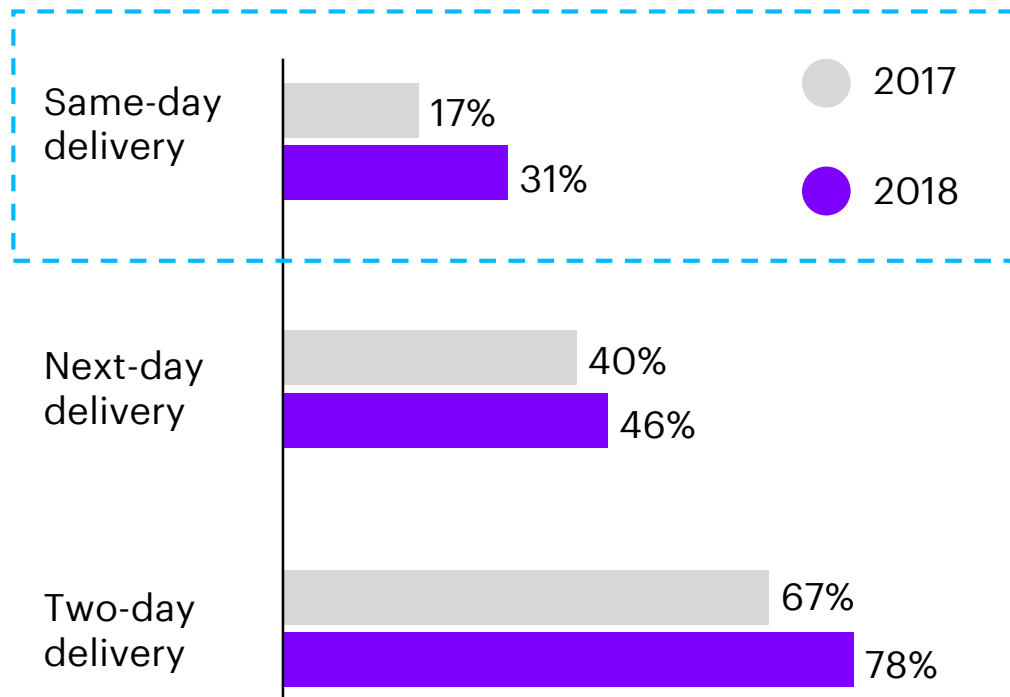


# CONSUMERS DEMAND MORE SPEED

## The Rise in Same Day Delivery

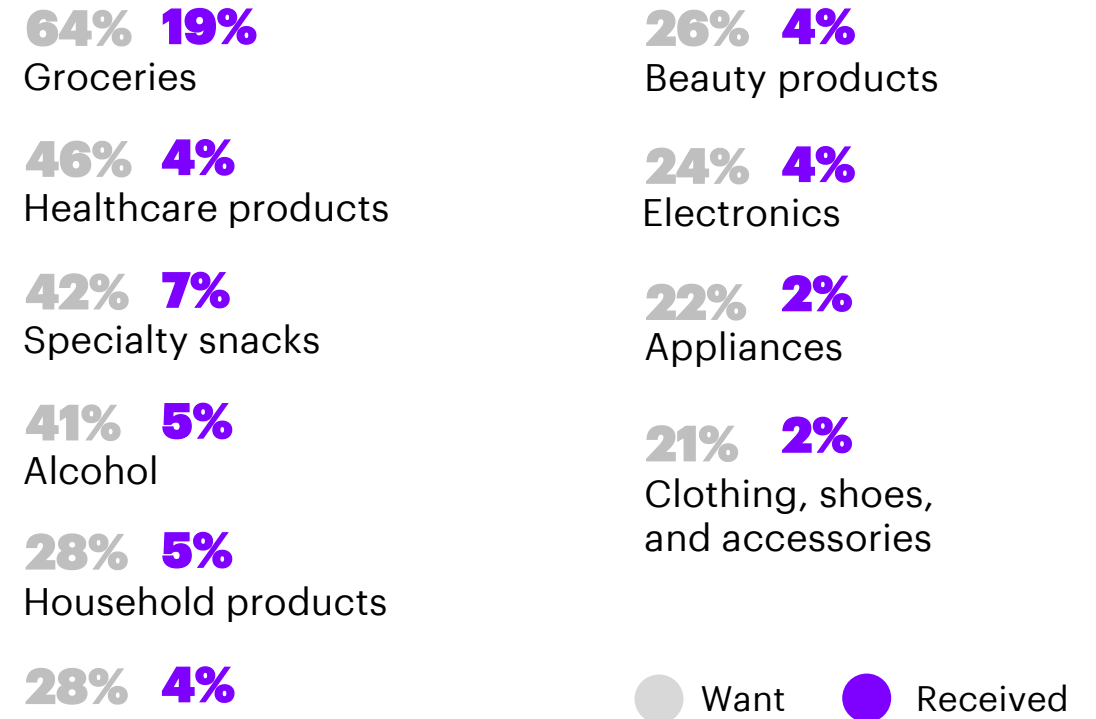
The number of US digital buyers using same-day delivery nearly doubled YoY in 2018<sup>1</sup>

Delivery options that US Internet Users have used when making digital purchases in the last 12 months, Feb 2017 and Feb 2018



Groceries are the leading product category wanted the same day<sup>1</sup>

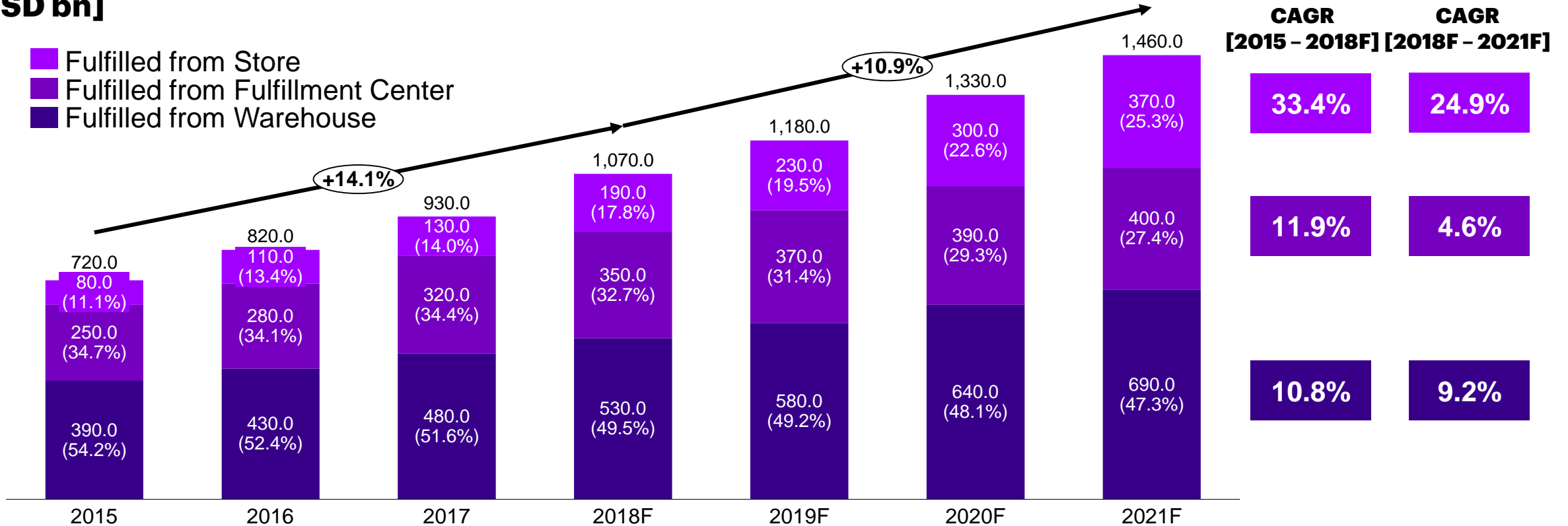
Items that US Internet Users want to be received via same-day delivery vs. actually received, by Category, Feb 2018 (% of respondents)



Source: <https://www.gopeople.com.au/blog/same-day-delivery-trends-and-statistics-to-guide-your-business/>

# WHY LAST MILE MATTERS?

## NA Retail & Hospitality eCommerce Consumer Spend by Fulfilment Channel<sup>(1)</sup> [USD bn]

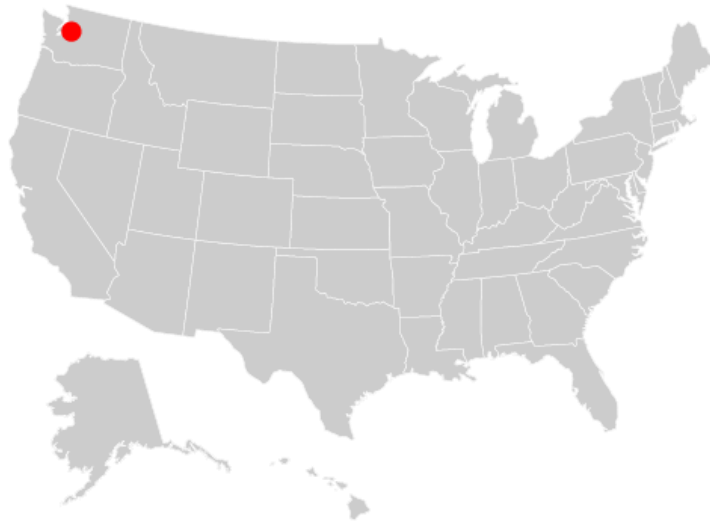


Source: (1) Retail's Radical Transformation/Real Opportunities, August 2018 by IHL Group

# INVENTORY IS GETTING CLOSER

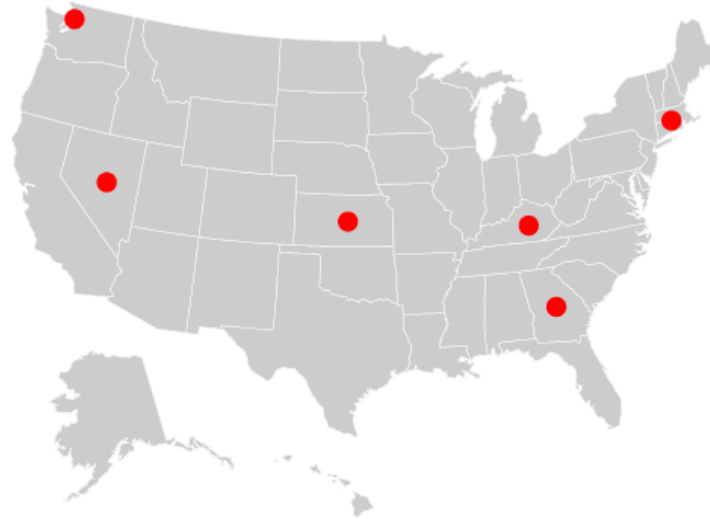
## AMAZON'S QUEST FOR 1 DAY PRIME AND SAME-DAY

**1995**



**1 Facility**

**2005**



**6 Facilities**

**2017**

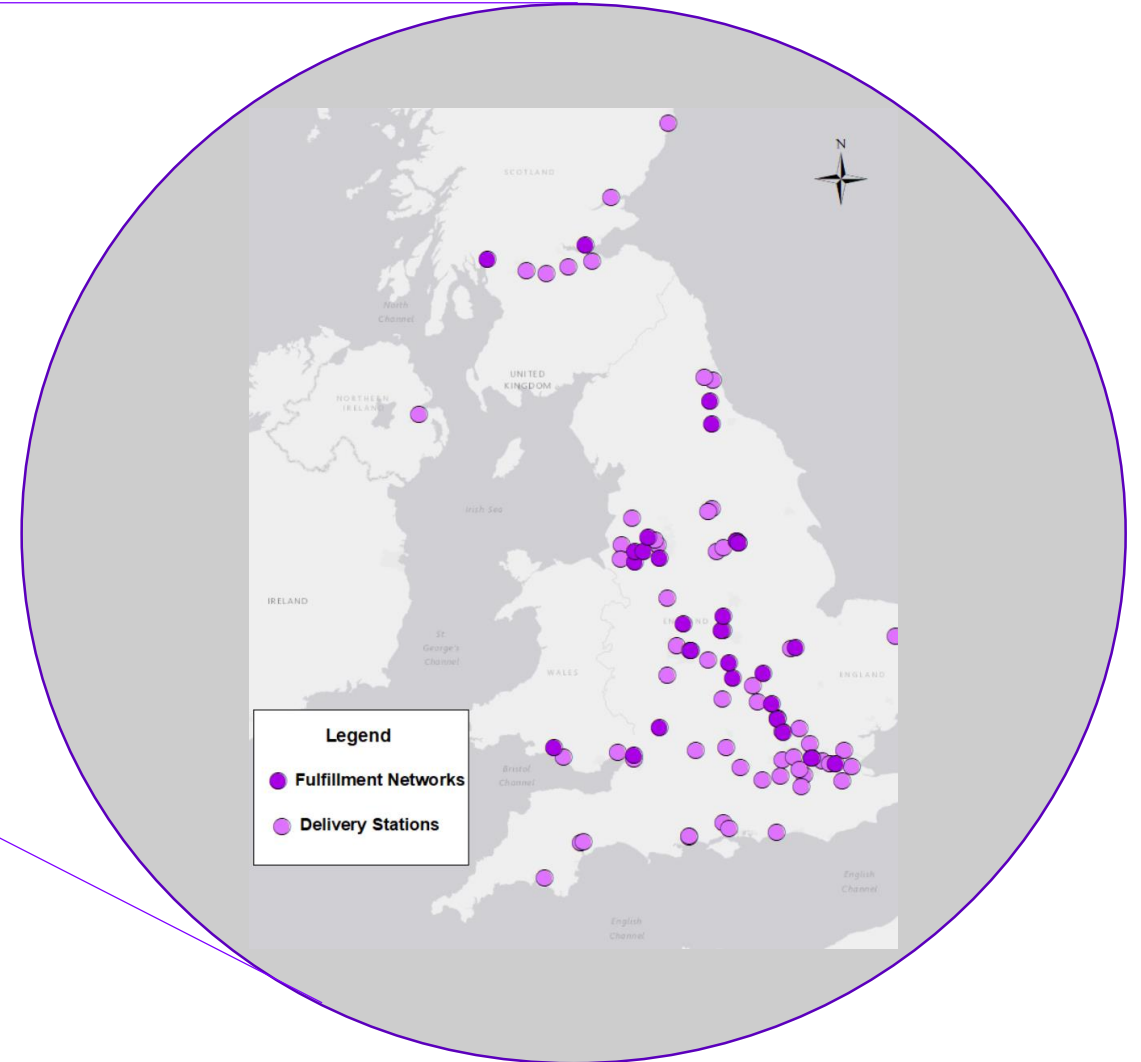
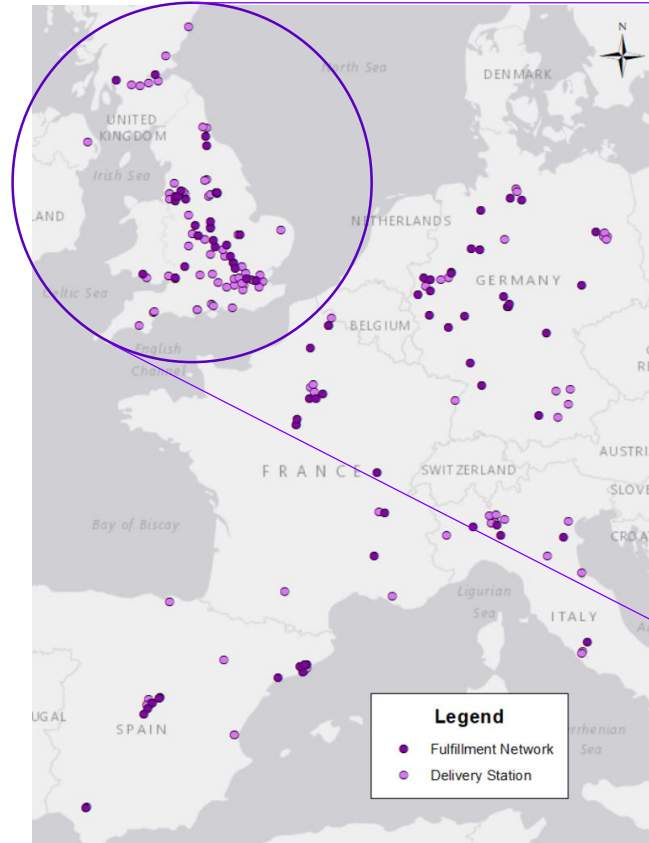


**787 Facilities**

Including 458 Whole Foods

Source: MWPVL.com, amazon.com,

# INVENTORY IS GETTING CLOSER EUROPE: ACHIEVING DENSITY ONE COUNTRY AT A TIME



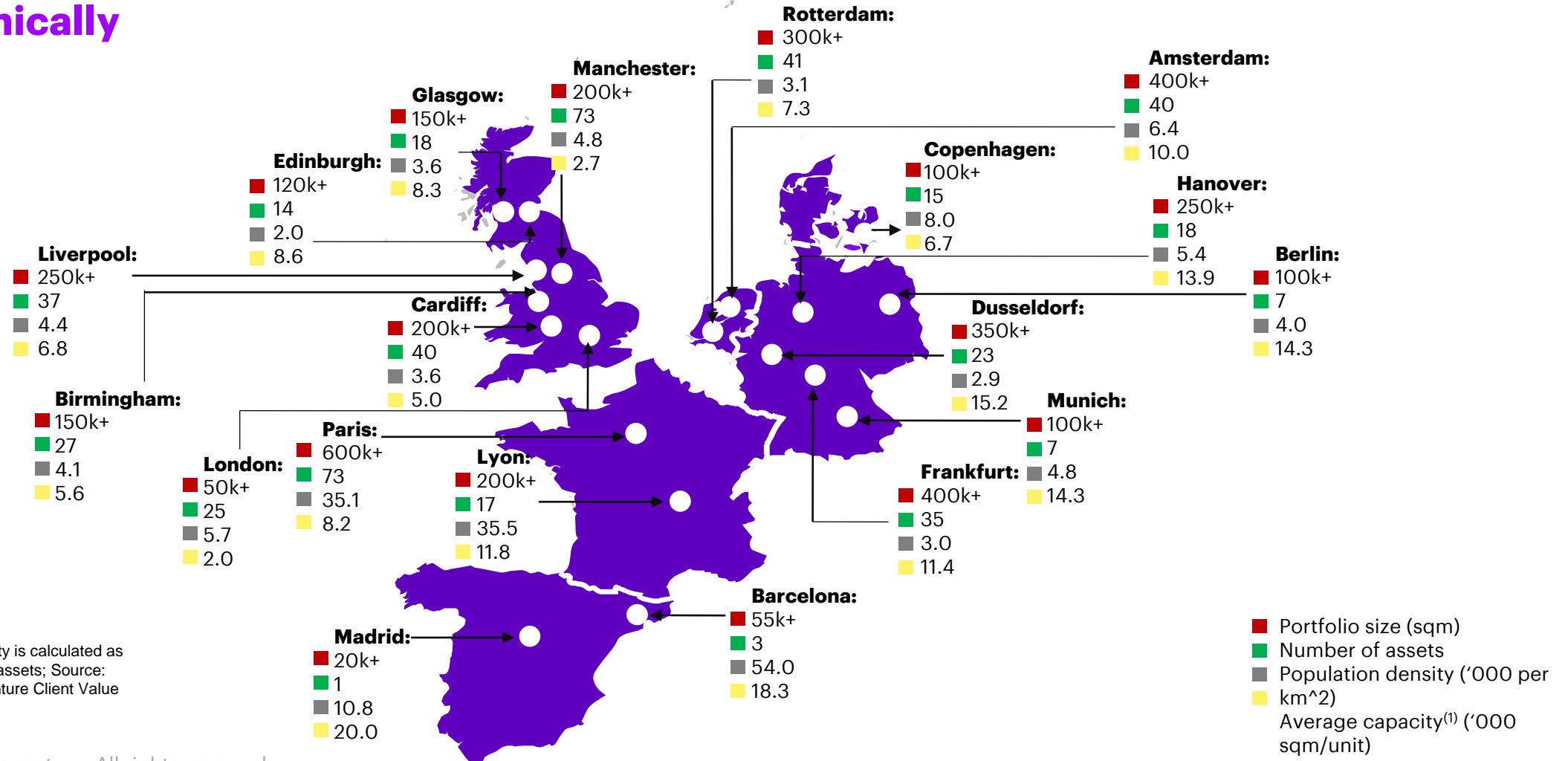
Source: MWPVL.com, amazon.com,

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# MILEWAY IS INVESTING IN URBAN DELIVERY CENTERS ACROSS EUROPE'S ECONOMIES

Mileway Offers Urban Logistics Hubs Within Close Proximity To Europe's Major Cities, Enabling Clients To Shorten Delivery Times, Grow Their Customer Base And Expand Geographically



# RETAILERS ADAPTING USING THEIR STORES FOR LOCAL DELIVERY

## Two Models To Speed Up Delivery And Meet Consumers Needs

Retailer	Example	Characteristics	Fulfillment Model
<b>Marketplace</b>	Amazon	Scale Analytics Subscription services	<b>From own fulfillment centers</b>
<b>Grocery</b>	Walmart, Carrefour	At least 35 orders per year High density of stores Cold chain and special packaging Deep pockets	<b>Adapting own stores as warehouses and FCs</b>
<b>Mass Merchant</b>	Nordstrom, Macy's	Low to high store density High cart values	<b>Use shared warehouses (3PLs) and own stores</b>
<b>Retail Chains</b>	Sephora, Zara	Less frequent purchases Variable density of stores	<b>Use shared warehouses (3PLs) and own stores (Shopping Centers)</b>
<b>DTC</b>	Nike, Nespresso	Losing retail space Increasingly going DTC - direct to consumer - but challenge in getting consumers to their websites	<b>Use shared warehouses (3PLs)</b>

# SEISMIC SHIFT IN ECOMMERCE FULFILLMENT: METABOLISM OF FULFILLMENT IS CHANGING

**1**

**FASTER  
CYCLES**

**2**

**SMALLER  
SHIPMENTS**

**3**

**LOCAL  
DELIVERIES**

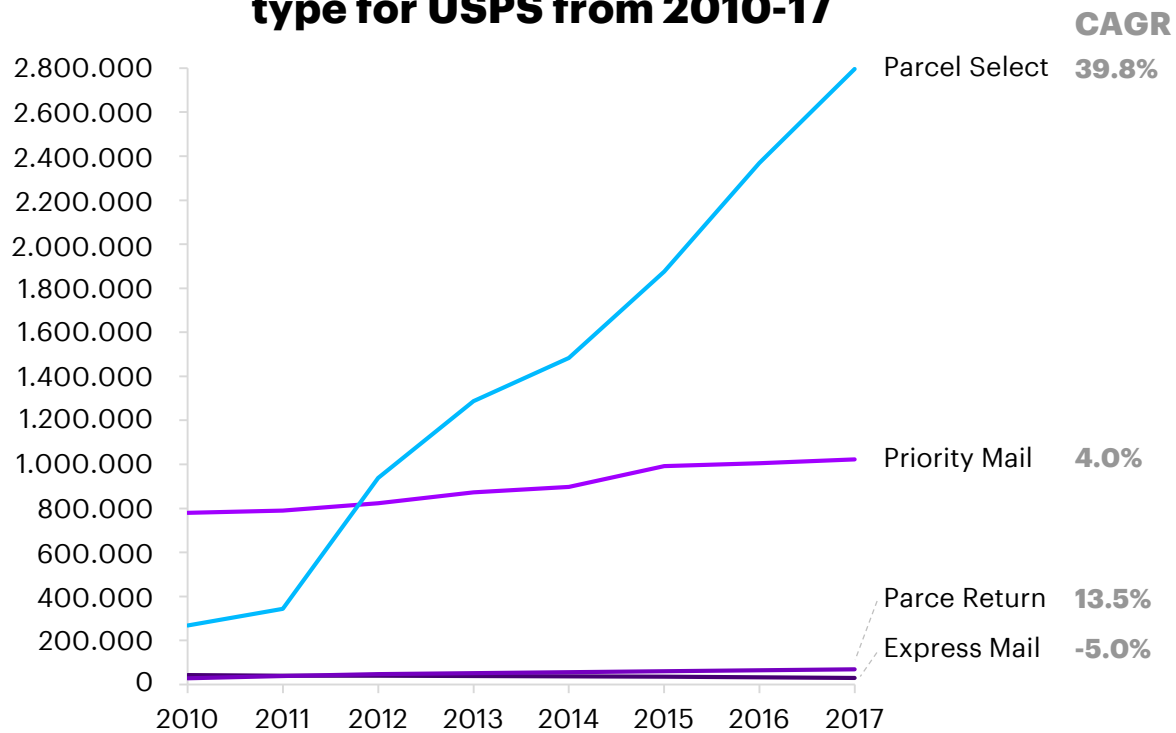
**4**

**ATOMIZATION  
OF INVENTORY**

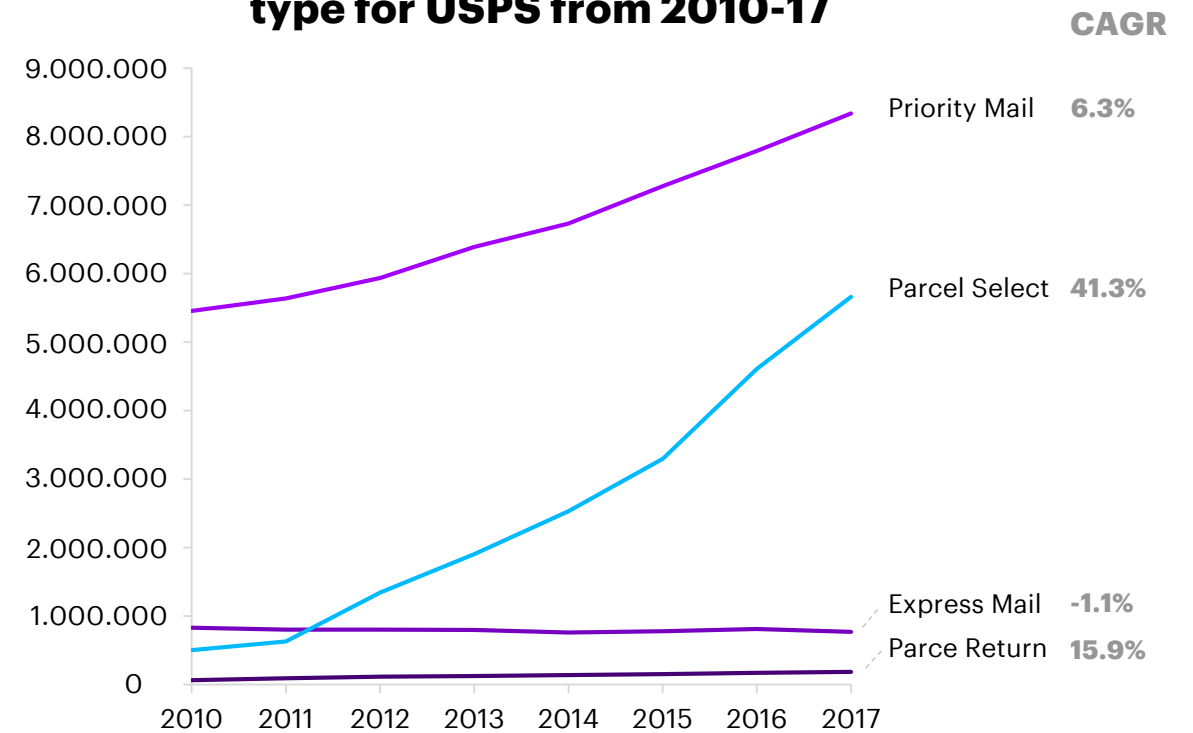
Source: Retail and Supply Chain SMEs; Accenture analysis

# SAME-DAY – DEEP INDUCTION – LOCAL DELIVERY HAS BEEN AROUND IN THE US FOR YEARS

**Volume (in 000) by product type for USPS from 2010-17**



**Revenue (in 000 USD) by product type for USPS from 2010-17**



Source: USPS

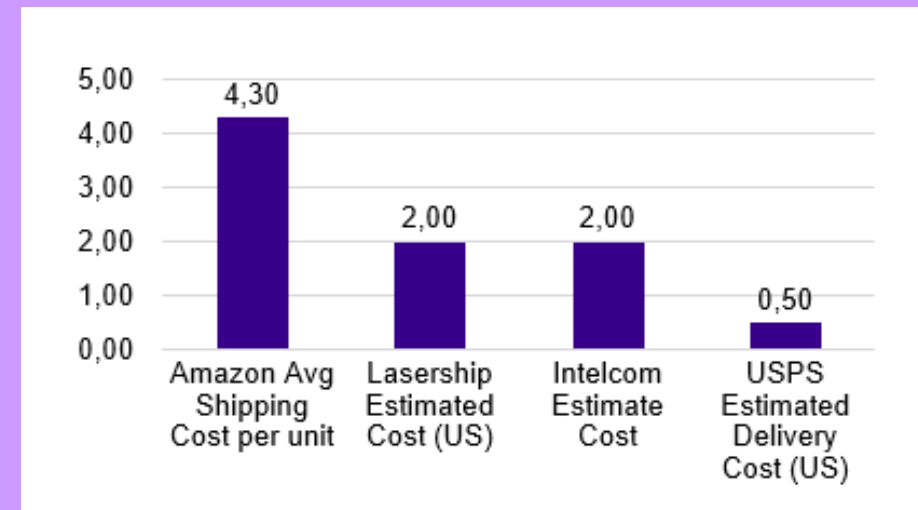
# ECONOMICS OF LAST MILE B2C ARE NOT PRETTY

Many delivery companies squeezed by new asset light startups

## FINANCIALS FOR TRADITIONAL DELIVERY COMPANY

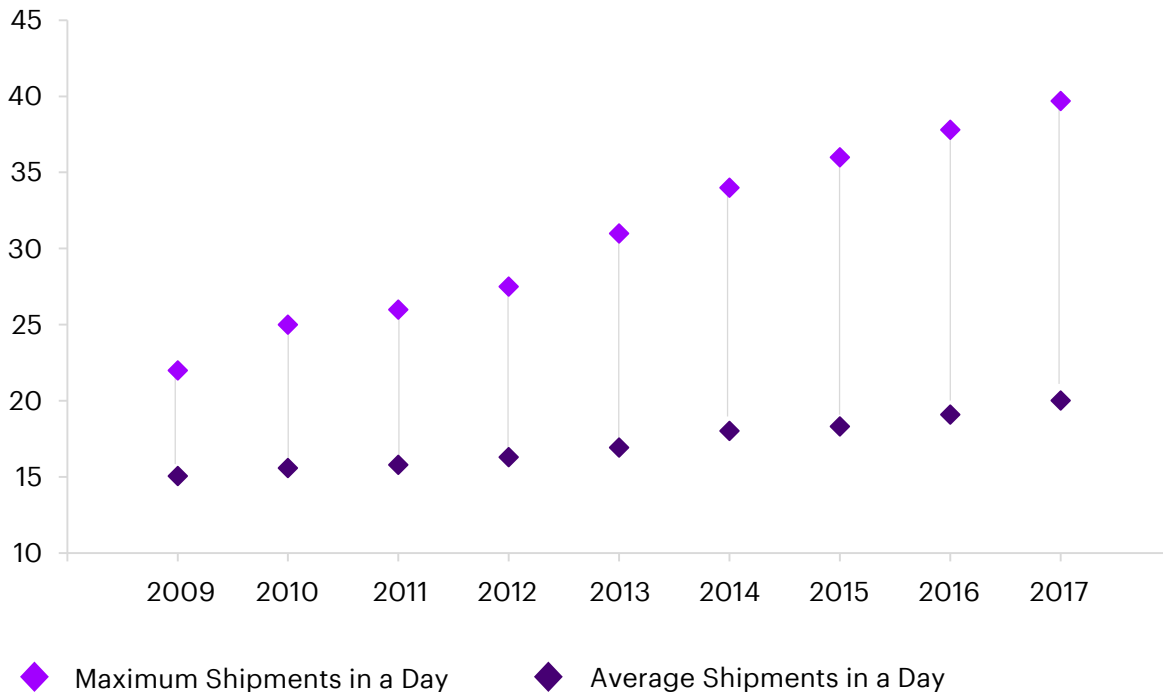
	B2B	B2C
Cost per stop	\$5.00	\$5.50
Parcels per stop	~3	~1.05
Cost per parcel	<b>\$1.67</b>	<b>\$5.23</b>
First time delivery rate	97%	85%

## COMPETITION FROM LAST MILE DELIVERY STARTUPS



# B2C PARCELS MEAN HIGHER VOLATILITY AND THE NEED FOR GREATER INVESTMENTS IN CAPACITY

## UPS Avg. and Max. Daily Shipping Volume (mn)<sup>1</sup>



## Amazon Prime Day - 2018<sup>2</sup>

**4.2 Bi** Global Prime Day Sales – July 16 2018

**1.7x** Jump in sales from 2017

## China Singles Day<sup>3,4</sup>

**\$25.5 +bn** Sales recorded in 24 hours in 2017<sup>3</sup>

**12x** Greater than average daily shipping volume in 2017<sup>4</sup>

Source: (1) Financial Reports and News Reports; Accenture Estimates; (2) Statista and Amazon; (3) TechCrunch; (4) Alibaba Group

# POSTS NEED TO ADAPT TO NEW LAST MILE DELIVERY MODELS NOW

## From

Static →

5 Days/Week →

Traditional Fulfillment →

Hub And Spoke →

Constant Labor →

Single Model →

Conventional Ops →

## To

Dynamic

7 Days/week

Disruptive Supply Chain

Deep Induction and Two Wave Delivery

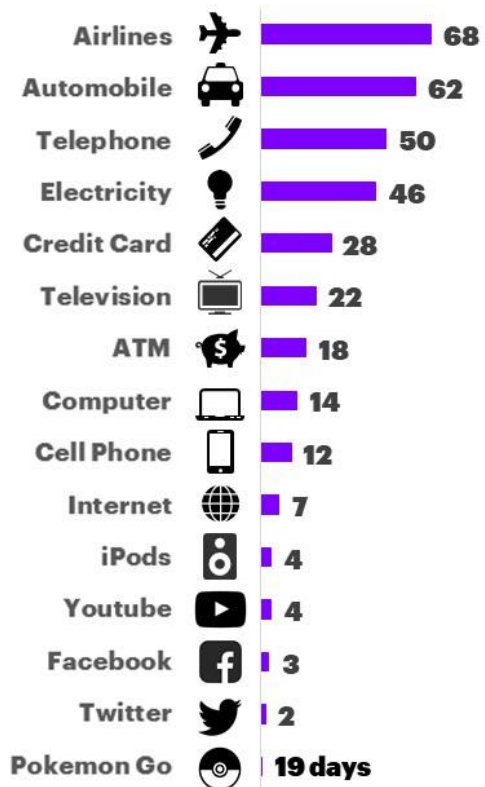
Variable Labor

Ecosystem

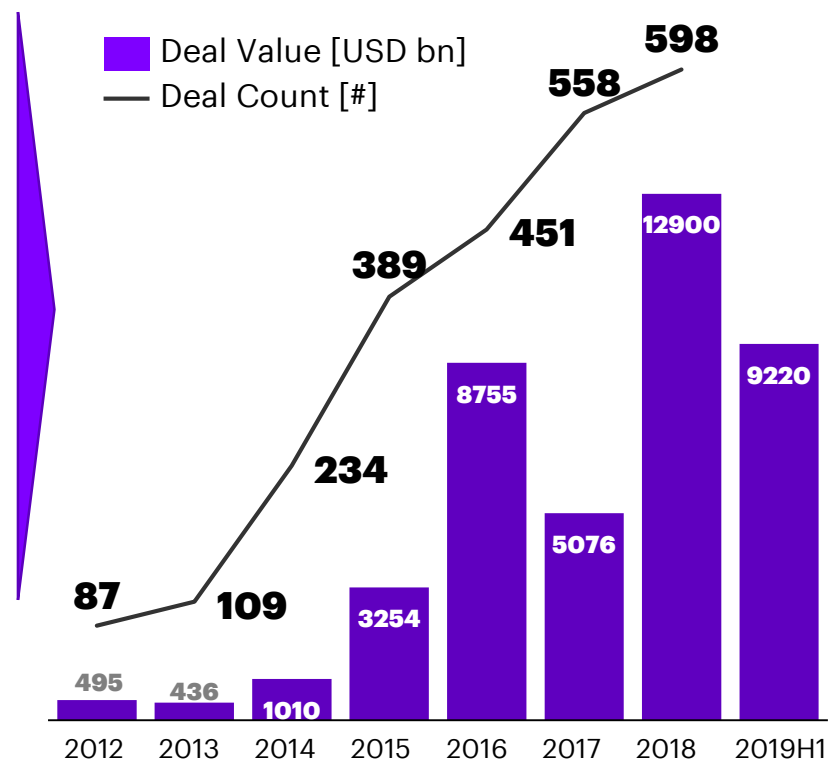
Data driven Ops

# BECAUSE THE PACE OF CHANGE IS ACCELERATING

## Acceleration: Number Of Years To Reach 50M Users<sup>1</sup>



## Global VC Funding – Supply Chain And Logistics – Number And Value Of Investments<sup>2</sup>



## Examples of Exponential Growth of Startups In Postal and Parcel Sector<sup>3</sup>



Since 2013, Cainiao expanded from a Chinese logistics player into a global one valued at ~USD 15 bn



Lalamove, a HK based on-demand delivery company, now has presence across Asia and is valued at ~USD 1 bn in less than 6 years



Glovo, a Spanish on demand courier service started in 2015 now operates in 19 countries -valued at USD 0.7 bn



Launched in 2013, Deliveroo is a food delivery company that has expanded across Europe and Asia with funding >USD 1,5 bn

Source: 1 - Visual Capitalist; 2 - CBInsights; 3 - Press releases, Accenture Research



## FOR MORE INFORMATION



### **André Pharand**

Global Consulting Leader  
Accenture Post and Parcel Industry



[andre.pharand@accenture.com](mailto:andre.pharand@accenture.com)



[/in/andre-pharand](https://www.linkedin.com/in/andre-pharand)



[@andre\\_pharand](https://twitter.com/andre_pharand)

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