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PART 2/4

COMMISSION STAFF WORKING DOCUMENT

IMPACT ASSESSMENT

Accompanying the document

Proposal for a Regulation of the European Parliament and of the Council on cross-border parcel delivery services

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Annex 1: Procedural information

Lead DG

The lead DG is the Directorate General for the Internal Market, Industry, Entrepreneurship and SMEs.

Agenda planning and Work Programme References

The Agenda Planning Reference is 2015/GROW/027.

The cross-border parcel initiative forms part of the Digital Single Market Strategy, adopted in May 2015 and, as one of the ten priorities for the Juncker Commission, part of the Commission's 2015 and 2016 Work Programmes.

Organization and Timing of the Impact Assessment and Inter-service Steering Group

The Directorates General participating in the Inter-service Steering Group chaired by the Secretariat General included:

- The Secretariat General
- The Legal Service
- DG Communications Networks, Content and Technology
- DG Competition
- DG Economic and Financial Affairs
- DG Employment and Social Affairs
- THE Joint Research Centre
- DG Justice and Consumers
- DG Mobility and Transport
- DG Taxation and Customs Union

Meetings of the Inter-service Steering Group were held on:

- 8 April 2015. The background to the project, the roadmap and the consultation were discussed.
- 22 July 2015. The problem definition, problem tree and approach to the IA were discussed.
- 25 September 2015. A draft of the impact assessment was discussed.
- 15 October 2015. The draft impact assessment was discussed.
- 8 January 2016. An updated impact assessment was discussed.
- 4 March 2016. The RSB opinion and draft regulation were discussed.

Consultation of the RSB

The Regulatory Scrutiny Board of the European Commission assessed a draft version of this Impact Assessment on 2 December and issued its opinion of negative on 4 December. The changes made in response to their recommendations are set out below.

<i>RSB recommendation</i>	<i>Changes</i>
The purpose of the initiative should be clarified	<i>Section 3.2, figure 3 and figure 4 have been updated to clarify the purpose of the initiative and the policy options have been streamlined.</i>
The baseline scenario should be further developed	<i>The baseline scenario is more comprehensively explained in sections 1.3, 4.1 and 6.1.</i>
More information about the evidence base and added value of the initiative is needed	<i>Evidence has been added from studies by the University of St Louis, University of Antwerp, the Joint Research Council; a report from the Body of European Regulators for Electronic Communications (BEREC) and the European Regulators Group for Postal Services (ERGP).</i>
The assessment of the impacts should be clarified using evidence	<i>The studies about have been used alongside evidence from the public consultation to clarify the expected impacts. Tables 2 and 3 have been revised with a comprehensive explanation given in Annex 8.</i>
The report should present the links between different sections and explain price setting mechanisms and the role of regulators.	<i>Cross references to different sections have been included and more information about the regulatory framework added in section 1.2.2 and details about how prices are set in sections 1.1.1.</i>

The Regulatory Scrutiny Board issued a second opinion of positive on 2 March 2016. The changes made in response to their recommendations are set out below.

<i>RSB recommendation</i>	<i>Changes</i>
The proposals can be better justified by explaining better the extent to which the objectives would be attained.	<i>The impact of the policy options on the objectives has been explained more clearly (sections 5 and 6). The baseline scenario (i.e. what would happen in the absence of the proposals) is more comprehensive.</i>

The content of the options should be better explained.	<i>The options have been described in more detail in section 4.</i>
The report should better assess the expected impacts of the proposed options.	<i>Section 5 (analysis of impacts) is more comprehensive, as it section (6) comparison of the options, and the ratings have been explained.</i>
Key assumptions for cost calculations should be better presented. The market structure should be presented.	<i>The administrative burden calculation, including uncertainties and limitations has been explained further (section 5.9). More detail on the a market structure is included in 1.2.1</i>

Evidence and Studies

Consumer market study on the functioning of e-commerce and internet marketing and selling techniques in the retail of goods (2011)

This study was commissioned by the Executive Agency for Health and Consumers, acting on behalf of the European Commission's Directorate General for Health and Consumers. The study was conducted by Civic Consulting with support of TNS Opinion and Euromonitor International. Research was conducted between December 2012 and February 2011 in the EU27 and included an online customer surveys, a price collection survey, interviews and surveys of business associations, consumer protection authorities, consumer organisations and European Consumer Centres. The study examined why e-commerce had developed more extensively in some Member States than others and whether e-commerce was delivering its full potential in consumer welfare and the obstacles and remedies for this.

Lower online prices and greater online choice can increase EU consumer welfare. The study estimated that the total welfare gains for EU consumers would amount to 204.5bn EUR per year (equivalent to 1.7% of EU GDP) if there was a single EU consumer market in the e-commerce of goods and a 15% share of internet retailing instead of 3.5% (the level at the time of the study). Two thirds of welfare gains were due to more choice, which is greater across borders. In contrast to more recent surveys, this study found that it was not common to use mobile phones for online shopping.

Worries about delivery, returns or replacing a faulty product were the mains concerns for both cross-border and domestic purchase: the top five concerns were related to this for cross-border purchases and the top four for domestic products. Long delivery times were the main concern for cross-border purchases (40% of cross-border online shoppers) and also the main problem that customers actually encountered (28% of those shopping online in their own country and

encountering problems and 26% of those shopping online cross-border encountering problems). The quality of delivery services also affected how willing consumers were to shop online. Although price comparison websites were valued, they often lacked adequate information about delivery costs and timings. Security of payment and personal data were the measures most likely to increase consumer confidence when buying online. Recommendations to address this 'missing potential' of e-commerce included reducing costs and time for cross-border deliveries and increasing convenience and quality; encouraging retailers to offer goods to consumers in other Member States, for example through an information platform and sharing best practice; promoting faster and improved complaint handling and customer service; and creating effective redress mechanisms for cross-border e-commerce.

http://ec.europa.eu/consumers/archive/consumer_research/market_studies/docs/study_ecommerce_goods_en.pdf

Study on intra-community cross-border parcel delivery (FTI Consulting – December 2011)

This 2011 study was commissioned by the European Commission, Directorate General for the Internal Market and Services to gain a deeper understanding of the EU cross-border parcel delivery market in terms of structure, regulatory environment and conduct of its participants. The project included significant data collection work, including from national regulatory authorities, delivery operators, e-retailers, the Postal User Group and relevant representative bodies. Desk research and other sources of public data (such as Eurobarometer surveys) were also used).

The study found that only 9% of EU consumers and 18% of e-retailers used cross-border e-commerce. E-commerce was estimated to account for 5% of retail turnover, 1% of which was generated cross-border. Participation of small retailers in cross border e-commerce was lower than this, with the potential to grow significantly. The study concluded there were three sets of barriers to e-commerce that are directly related to delivery and which affected smaller retailers in particular: prices, quality of service and information. The study also noted that in some member states competition for small infrequent senders of parcels was increasing, smaller customers tended not to take advantage of such deals and use national postal operators instead, due to lack of knowledge of and confidence in the alternatives. There was a two tier market in which larger firms were generally able to enjoy competitive markets, unlike individual consumers and smaller firms, particularly in low density countries or areas where the universal service provision is essential. The lack of confidence was exacerbated by the lack of information about the quality of service for cross border delivery.

Regulation of cross-border parcels was also found to be lacking, with consequences for pricing, particularly affecting smaller senders. Three factors were thought to contribute to the lack of regulation: differences between the parcels included in the universal service obligation

(USO); potential lack of data on volumes, quality, costs and termination rates; and scarce cooperation between NRAs regarding the regulation of cross border parcels. The study recommended that terminal rates should be disclosed to NRAs (but not made public).

The Study estimated that parcels paid for at 'individual' prices made up around 20% of the market. On average cross-border prices were twice as high as domestic benchmark prices, and three to five times higher for packets.

Recommendations included removing information barriers through rapid implementation (by Member States) of the Consumer Rights Directive and campaigns to promote awareness of consumer rights and cross-border delivery options; removal of quality of services barriers through publication of quality of service standards and introducing cross-border quality measurements for parcels; and removing price barriers through clarifying the scope of the USO, NRAs enforcing Articles 12 and 13 of the Postal Services Directive (including through appropriate cost allocation procedures) and sharing information to gain an understanding of cross border markets.

http://ec.europa.eu/internal_market/post/doc/studies/2011-parcel-delivery-study_en.pdf

AT Kearney: Europe's CEP Market, Growth on New Terms

This study was produced by the consultants A. T. Kearney and was based on over 500 interviews with industry executives and research into company performance in 16 European countries, including Russia, Norway, Switzerland and Turkey as well as EU Member States. Express products were defined as products including the fastest possible service with guaranteed delivery times and standard products as offering day certain and deferred delivery times. Packages weighing up to 2,500kg were included.

The study found that volumes grew faster than revenues between 2009 and 2011 for both the international and domestic markets. International traffic did however grow faster than domestic (volume growth of 10% between 2009 and 2010 and 8% between 2010 and 2011). International services accounted for 30% of revenues and 9% of volumes in 2011. From 2008 customers had moved away from more expensive express services towards cheaper standard services as a way of reducing costs during the economic downturn. Most markets therefore had stronger growth in standard parcel markets than express and "express" operators were noted to be moving more into the growing segments of B2C and standard parcels.

Subsequent research (Europe's CEP Market: Steady Growth Begins to Shift) by A. T. Kearney found that growth in volumes continued to outpace revenues up to 2013, growing by 5% between 2012 and 2013 compared to 4%. Growth in international shipments outpaced domestic ones (8% increase compared to 5% increase). Growth in standard (rather than express) parcels was still strong in many countries. Domestic volume growth was expected to

slow slightly by 2016 as shippers and service providers seek to minimise the number of returns.

<http://www.atkearney.tw/documents/10192/649916/Europe%27s+CEP+Market+-+Growth+on+New+Terms+%283%29.pdf/6613e0d5-1620-4694-b52c-26f8ef1b4ead>

<http://www.atkearney.tw/documents/10192/5544202/Europes+CEP+Market%E2%80%B9Steady+Growth+Begins+to+Shift.pdf/b63e4b9e-8979-4d54-a7bb-0ee9cf6008df>

E-commerce and delivery - Study on the state of play of EU parcel markets with particular emphasis on e-commerce - Copenhagen Economics (July 2013)

Commissioned by the then DG Internal Market, for this study Copenhagen Economics conducted qualitative and quantitative research covering over 3,000 e-shoppers, 70 e-retailers, 61 delivery operators and 26 NRA to complement existing literature and statistics on the EU parcel market.

The study noted significant differences in the levels of e-commerce between Member States, citing Eurostat data that showed 82% of internet users in the UK bought something online in 2012 compared to 11% of internet users in Romania. On average 90% of e-shoppers engaged in domestic e-commerce compared to 30% for cross border and 85% of e-commerce shipments are domestic. A survey among 3,000 e-shoppers conducted for the survey found that delivery problems were a key reason for not buying online and were responsible for 68% of abandoned shopping carts. The main cause of abandonment was delivery charges that shoppers felt to be too high, the second was delivery times that were considered to be too long. 38% of shoppers were dissatisfied with one or more aspects of the delivery of their most recent online purchase, with 26% dissatisfied with returns, 21% unsatisfied with delivery prices and 16% unsatisfied with the speed or quality of delivery service.

This study estimated that the market share of universal service providers (USPs) was around 35% for the delivery of B2C packets and parcels, rising to 54% in the more mature e-commerce markets. For specifically e-commerce deliveries, international integrators handle slightly more than USPs with 42% compared to 40%, and increasing to a 50% market share for the integrators for cross-border shipments.

The four most important elements of delivery were identified as low prices; delivery to the home address; electronic delivery notifications and track and trace; and convenient return options, with surprisingly few differences between countries. E-retailers preferences were also similar although they had more diverse preferences for delivery points.

In terms of information provision, the study observed that a lack of adequate information and high search costs often caused e-retailers to remain with the same delivery provider and one in five e-retailers responding to their survey was only aware of one delivery operators although

on average there were three to four alternatives. Solutions proposed included a European trustmark for delivery, an extension of the Consumer Rights Directive to include requirements for delivery information on e-retailers websites, and information campaigns.

The quality of service (returns options, notification, track and trace etc) was found to be better for domestic e-commerce than for cross-border, although some services were only available in parts of a country and in some cases there were delivery options on offer by delivery operators that were not offered by e-retailers. The main reasons for the lack of services were found to be low volumes and interoperability problems.

Prices observed for cross-border delivery were often three to five times higher than for domestic delivery. E-retailers sending bulk shipments were able to save at least 18% per parcel compared to smaller e-retailers who paid the 'single piece' price. Low volumes and a lack of interoperability (which reduces competition) were two of the main reasons for higher cross border prices, as well as higher costs (arising from transport) and weaker competition. Solutions suggested included volume consolidation; greater interoperability (especially for tracking and labeling); and strengthening monitoring and regulation of the market .

http://ec.europa.eu/internal_market/post/doc/studies/20130715_ce_e-commerce-and-delivery-final-report_en.pdf

Main developments in the postal sector (2010–2013) – WIK Consult/Jim Campbell (August 2013)

This study examined regulatory and market developments in both the letter and parcel markets across the EU and the EEA between 2010 and 2013 and their impact for future postal policy. Research was based on a survey of NRAs and competition authorities, and USPs; interviews with government officials, NRAs, USPs and other postal operators, and other associations with an interest in the postal sectors; a review of legislation, literature and market statistics; and economic modelling. The study noted that the role of postal services is changing as letters decline as a result of e-substitution yet at the same time e-commerce is driving growth in parcel delivery.

In terms of cross-border services, the study noted the distortions arising from the Universal Postal Union (UPU) system of terminal dues, in particular due to the lack of non-discriminatory access for designated operators, and the REIMS agreements. Most Member States, in response to a WIK survey, did not state that the tariff principles in Article 13 were respected for cross border items.

The 2013 WIK study also noted that there is "no consensus about the size of the European parcel and express market due to different market definitions" and that many regulatory authorities "do not systematically collect data on domestic and cross border parcel and

express services". A "consistent methodology and ... clear responsibilities for data collection" were recommended. The lack of data on employment in operators other than universal service providers was also noted, especially given the reductions in letter mail operations and growth in parcel volumes.

Differences between Member States' parcel and express markets were noted, in particular the difference in market size: the UK, France and Germany accounted for 70% of the EU market in 2012. Growth in the B2C market due to online shopping was also highlighted, as was some convergence between the two markets with operators traditionally focused on the B2B markets taking advantage of e-shoppers' desire for faster and more reliable parcel delivery services, and businesses switching to cheaper services to cut costs. National postal operators were estimated to have a wide range of domestic market shares.

The study recommended that NRAs and Governments should regularly compile market studies and introduce a more systematic observation of the parcel and express markets to ensure that the market can continue to operate without regulatory intervention. In terms of the cross-border market, they should become fully open and competitive, both within the EU and more widely, for example through a new notice on the application of competition rules to the postal sector¹; strengthening Article 13; a (new) process for reviewing multilateral terminal dues arrangements; and improved, standardised data collection, particularly covering employment in the sector.

http://ec.europa.eu/internal_market/post/doc/studies/20130821_wik_md2013-final-report_en.pdf

European Regulators Group for Postal Services Opinion on Cross Border Parcel Delivery 2013

The European Regulators Group for Postal Services (ERGP) was established on 10 August 2010 and brings together the NRAs for the postal sector from the 28 Member States. The Commission, the EFTA Surveillance Authority, EEA countries and EU candidate countries participate as permanent observers. The group serves as a body for reflection, discussion and the provision of advice to the European Commission on postal services. It also aims to facilitate consultation, coordination and cooperation between EU countries and the Commission.²

¹Notice from the Commission on the application of the competition rules to the postal sector and on the assessment of certain State measures relating to postal services (98/C 39/02) *Official Journal C 039*, 06/02/1998 P. 0002 - 0018

² Commission Decision of 10 August 2010 establishing the European Regulators Group for Postal Services (2010/C 217/07)

The 2013 ERGP Opinion on cross-border parcel delivery³ (requested by the European Commission) noted that "cross-border prices for European parcels delivery may be higher than what would be justified by cost differences related to domestic prices" and "collecting information on the market to better understand its functioning and any possible competition problems could be useful." The ERGP did however conclude that there was no indication of a competition problem that could be best dealt with by ex-ante regulation and they believed there was no need for a full formal market analysis.

All ERGP reports can be found here:

http://ec.europa.eu/growth/sectors/postal-services/ergp/index_en.htm

Special Eurobarometer 398 Internal Market Report

Fieldwork for this survey was conducted in April and May 2013 and covered the then 27 Member States plus Croatia. 27,563 respondents were interviewed in their mother tongue for the survey.

The survey found that although almost half of those surveyed had shopped online in the last 12 months, just 11% had bought from another EU country and (6%) from outside the EU, compared to 40% within their own country. Cheaper delivery prices were found to be the main improvement that would encourage more online shopping from other Member States. 41% always check for accreditation with a trustmark label or logo.

The proportion of online shoppers was highest in Sweden (79%), Denmark (76%) and the Netherlands (75%). Frequent online shopping was most common in the UK (31% several times a month). The proportion shopping online was lowest in Portugal (18%), Bulgaria (21%) and Croatia (21%). Online shopping was found to be less common in rural areas than towns (40% compared to 48% for small or mid-size towns and 49% for large towns), though the reason was not given.

The most common problems that shoppers experienced were found to be with delivery, whether for domestic or online purchases. For cross-border purchases 12% had experienced a delay in the delivery; 10% had had problems with the product arriving when the recipient was not at home; 8% mentioned delivery costs that were too high and 5% the lack of tracked services. 16% had tried to purchase from a website that did not deliver to the country of residence and 4% had to buy an additional guarantee or pay additional fees. Problems with payment methods (99%) and being redirected to other websites (6%) were also reported.

The main reasons for buying online were a preference to buy in shops and not needing to buy online. Delivery costs being too high was cited by 3% of respondents who had not bought online in their own country and 7% who had not bought from another Member State. Returns and reimbursement were mentioned by 5% domestic non-shoppers compared to 7% who did not shop from other Member States.

³ ERGP (13)37 ERGP opinion on cross-border parcel delivery

The most popular improvements which would encourage shoppers to buy abroad were cheaper delivery prices (19%), track and trace (11%) an easier returns process (11%); knowing the time and date of delivery (10%) and more convenient delivery options (5%). Nevertheless, 42% respondents said they would never purchase online from abroad. Lack of information about delivery and returns were found to contribute to a lack of trust in online retailers (each mentioned by 14% respondents who had changes their mind about a purchase because they did not trust the e-retailer).

http://ec.europa.eu/public_opinion/archives/ebs/ebs_398_en.pdf

Committee on the Internal Market and Consumer Protection, Report on an integrated parcel delivery market for the growth of E-commerce in the EU, 14 January 2014 (2013/2043 INI)

This Report by the European Parliament's Committee on the Internal Market and Consumer Protection noted that cross-border delivery was considered to be an obstacle by 57% of retailers and that one in two consumers worried about cross-border transactions. It stressed that any action should take into consideration the sustainability of the delivery process and seek to minimise its environmental footprint. It also "deplored" the lack of transparent pricing conditions and performance of services, called for the information on offer to be improved and noted a need to increase consumer confidence in and choice of cross-border services.

The report pointed out that delivery to remote areas or outermost regions was one of the main reasons for consumer dissatisfaction and called for the geographic coverage and accessibility to the universal service to be improved in rural and remote areas. It stressed the importance of a stable and coherent social dimension with the high quality employment with ongoing training contributing to the quality of service. The importance of SMEs being able to grow and expand, but the fact that they often pay higher prices for delivery due to lower volumes was also highlighted.

The Commission were asked to draw up guidelines on price comparison websites; delivery service indicators (jointly with industry; measures to improve interoperability and the creation [by the Commission] of platforms for co-operation and information sharing between delivery operators; and the creation of a pan European trustmark for e-commerce.

The report also states that any legislative measures should be carefully assessed and should seek to avoid hindering the dynamic aspect of the market, but that close market monitoring of all types of delivery service provider is needed to identify where action may be needed. In addition it was recommended that Member States and the Commission should ensure that the existing regulatory framework was properly implemented and enforced.

Opinions provided by other European Parliament Committees highlighted the use of outsourcing in the delivery sector and that this should not be used as a way of evading remuneration requirements or employment legislation; the fragmentation between delivery

providers; the positive impacts of labels and certificates for delivery services that could be used at a European level.

Flash Eurobarometer 396: Retailers' Attitudes Towards Cross Border Trade and Consumer Protection

Fieldwork for this study was carried out in March and April 2014 in the EU28 plus Norway and Iceland. The study was requested by the European Commission. It found that more than a quarter (28%) of retailers sell cross border to consumers. The main obstacles for retailers who sell online were a higher risk of fraud and non-payments in cross border sales (43%) and differences in national tax regulations (42%), whereas those who do not sell online mentioned as main obstacles the nature of business (50%) and a potentially higher risk of fraud and non-payment (45%).

Just above half of European retailers (54 %) were aware of any Alternative Dispute Resolution (ADR) entities, be it in their own sector or in any other sector. This comprises slightly less than a third (30 %) who are willing or mandated by law to use ADR in connection with consumer complaints, 16 % who are aware of such procedures but say that they do not exist in their sector and 8% who are aware but not willing to use them⁴.

The survey showed that there were big variations in retailers' preference of sales via e-commerce/mobile commerce between Member States. For example, retailers in Spain (57%) and France (54%) were the most likely to sell using e-commerce/mobile commerce whereas retailers in Romania (22%) and Slovenia (24%) were the least likely to use this channel. On average (for the EU28), 37% of retailers selling online found the higher costs of cross border delivery to be an important obstacle to the development of cross border sales, rising to over 50% in four Member States. The cost of resolving complaints and disputes cross border was considered to be a barrier by 38% of retailers selling online on average for the EU28, rising to over 50% for six Member States. Higher costs due to geographic distance were considered important by 40% of retailers on average, and by over 50% in seven Member States. By way of comparison, the costs arising from language differences were considered an obstacle by 27% of retailers on average (EU28) not reaching over 50% in any of the Member States.

<http://ec.europa.eu/COMMFrontOffice/PublicOpinion/index.cfm/Survey/getSurveyDetail/instruments/FLASH/surveyKy/2032>

European Regulators Group for Postal Services ERGP Report 2014 on the Quality of Services and End-User Satisfaction

This ERGP report uses data collected from 32 ERGP Members. The Quality of Service and End User satisfaction were measures with respect to transit time; collection and delivery; access points; consumer satisfaction and surveys measuring consumers' needs. Both letter and

⁴ The fieldwork was carried out in 2014, i.e. before the entry into force of the ADR Directive (July 2015), which obliges Member States to establish full ADR coverage for disputes covered by the ADR Directive and which involve a trader established in their territory.

parcel services were covered by the study, though the summary here focusses on the result for parcels where available. The differences between the two also shows the different ways in which the two product groups are regulated.

13 Member states measured transit time for (domestic) parcels, whereas all measures the transit time of priority mail. Six Member States set a D+1 quality of service target for parcels, compared to almost every Member State for D+1 letter post, though a further 11 countries have a slower regulatory target for (parcel) transit time.⁵ Different methodologies are used to calculate the transit time for parcels. A previous ERGP report found that national regulatory authorities are more likely to be able to take action if letter targets rather than parcel ones are missed.⁶

The study found that most national regulatory authorities are responsible for complaints relating to all postal service issues and not only universal service issues. It is however less common for other postal service providers to be required to publish information about procedures to complain, redress schemes, and means of dispute resolution than it is for NRAs to require that the universal service provider publishes such information. The data NRAs collect about complaints also tends to be about universal service products, rather than those falling outside the scope of the universal services, whether provided by other postal operators or the universal service provider.

Mandatory compensation schemes are more common for universal service providers than for other postal operators, as are existing compensation schemes, in particular for the arrival of an item late or damaged.

http://ec.europa.eu/internal_market/ergp/docs/documentation/2014/ergp-14-24-report-on-qos-and-end-user-satisfaction-version-of-27-november-final_en.pdf

Design and development of initiatives to support the growth of e-commerce via better functioning parcel delivery systems in Europe (WIK Consult, August 2014)

This study was commissioned to assess the types of initiatives that could be used to support e-commerce through improved parcel delivery services. Given the diversity of e-commerce and delivery markets, four Member States (Germany, Greece, Ireland and Poland) were chosen as case studies. Desk research on the e-commerce delivery context was used to provide the foundations for interviews with stakeholders (including delivery operators, the e-commerce community and consumers) and workshops in the four case study countries to look at their particular requirements for e-commerce delivery and to gain feedback on the six possible initiatives that were tested.

⁵ Seventeen countries have a regulatory routing time for parcels.

⁶ Source ERGP (13) (31) Report on the Quality of Service.

The research concluded that an information platform on delivery services, with comprehensive and up to date information, would be welcomed by e-retailers as there was no such solution that covered the whole EU and all operators. A platform would support decision making by SME retailers by raising awareness of the different options available and the study suggested that the Commission should consider developing a common agreed terminology for all delivery services. Public authorities could also consider providing funding and/or promotional activities for such a platform.

An e-commerce scoreboard on price and delivery performance that could be compiled and published by the Commission and/or European e-commerce associations was also proposed, potentially combined with other data on the e-commerce market.

This study found that that many Member States had one or more trustmarks. While the inclusion of delivery elements would be welcomed, the report suggested that these could be combined with existing trustmarks or an umbrella certification process be introduced at EU level, instead of creating new, additional trustmarks. Where no trustmarks are present the reasons for this should also be examined.

Problems with the quality of service in rural areas were noted including fewer operators and slower delivery. It was suggested that these could be helped by sharing best practice about rural transport economics and effectiveness and studying the sharing of infrastructure for parcel delivery in low demand areas.

To improve interoperability, the report recommended monitoring the progress made by the postal industry and if improvements did not meet expectations, alternative policies could be considered. Non-discriminatory access to national postal operators' networks should also be enforced. Developments in measuring cross-border transit time for parcels should be monitored, given the need for reliability, yet balanced against the potential costs of investment.

http://ec.europa.eu/internal_market/post/doc/studies/20140828-wik-markt-support-e-commerce_final-report_en.pdf

Effigy Consulting *European Courier Express and Parcel 2013 Market Overview Summary* (November 2014)

This study drew on primary and secondary research in 28 European Countries / EU28 (except Greece), Norway, Switzerland, Russia and Ukraine. The study defined parcels as "individual boxes or packages that can be carried by one man (up to 30kg) , and as well as only covering parcels, for the purposes of the study the CEP market was defined as having tracking

throughout the delivery chain; using a regular transport network and the same corporate group of carriers for the brand.

The study found that volumes in the European CEP market were growing faster than revenues. The three largest markets in terms of both value and volume were Germany, France and the UK.

<http://www.effigy-consulting.com/>

European Regulators Group for Postal Services Opinion on a better understanding of European e-commerce parcel delivery 2014

The 2014 ERGP Opinion on a better understanding of European cross-border e-commerce parcel delivery⁷ raised issues relating to quality; the difference between offers for bulk and individual customers; differences in monitoring and data collection regarding parcels; different national legal provisions; and issues affecting e-commerce more widely (e.g. payments and transparency of information). The lack of evidence for introducing new ex-ante regulation in the cross-border parcel sector was restated.

http://ec.europa.eu/internal_market/ergp/docs/documentation/2014/ergp-14-26-opinion-parcels-delivery-fin_en.pdf

Report from the Commission to the European Parliament and the Council on the Application of the Postal Services Directive, 2015

The Report on the Application of the Postal Services Directive is a requirement of the Postal Services Directive. As well as explaining how the Postal Services Directive has been implemented in Member States, the Report also set out data on the evolution of the European letter and parcel market, drawing on the Commission's statistics. Other sources of information used for the Report include reports but the European Regulators Group for Postal Services and the studies listed in this section, in particular WIK-Consult's Main Developments in the Postal Sector 2010-2013.

The Report concluded that the role of postal services was changing in many Member States, but the ability to send letters and parcels to arrive at a specified time at a definite price to all parts of the European Union remained a fundamental contributor to social, economic and territorial cohesion and the development of the single market. While e-substitution caused letter volumes to decline, on average falling by 4.85% between 2012 and 2013 (though by much more in some Member States such as Denmark and the Netherlands), e-commerce also offered new parcel delivery opportunities. Affordable and reliable parcel delivery services

⁷ ERGP(14)26 ERGP Opinion on a better understanding of European cross-border e-commerce parcels delivery market(s) and the functioning of competition

were therefore more important than ever to help realise the potential of the Digital Single Market - yet there were concerns about the price and quality of cross-border delivery services.

Furthermore, assessments of the size, value and employment impact of the parcel market are less comprehensive than for letters, making changes in the market harder to monitor and instances of market failure harder to ascertain. Despite the growth in e-commerce, NRAs for postal services still focus primarily on the letter market. The staff working document also noted that concerns had been raised about the working conditions in the parcel delivery sector.

http://ec.europa.eu/growth/sectors/postal-services/legislation/index_en.htm

European Regulators Group for Postal services 2015 Report to the European Commission on Legal Regimes Applicable to European domestic or cross-border parcel delivery

In 2015 the ERGP cross border sub group examined the legal regimes applicable to European domestic or cross-border parcel delivery and any specific provisions that may be in conflict with each other. The Report concluded that the boundaries of the market were not clear and included a wide variety of services. Different countries and NRAs do not always have definitions of the different products/services or sections of the market, where there are definitions these may differ between countries. This has an impact on data collection as the statistics on the CEP market might not always be comparable, and compounded by different approaches by NRAs to the collection and publication of data. Furthermore the boundaries of where different legislation applies (for example postal services and transport services) are also not always clear.

<http://ec.europa.eu/DocsRoom/documents/14689/attachments/1/translations/en/renditions/native>

UPS: Pulse of the Online Shopper

UPS research into online shopping, conducted by Comscore, compares the online shopping habits in Europe, North America, Asia and Australia. The surveys were 'blind', i.e. respondents were not aware that the research was being conducted on behalf of UPS. In addition to delivery features, the use of smartphones, the impact of social media and other consumer preferences (for example loyalty programmes) were assessed.

The 2013 Europe study noted that online shoppers were becoming increasingly demanding and retailers were "raising the bar" on customer service. Fieldwork was conducted in the first half of 2013 in Belgian, France, Germany, Italy, the Netherlands and the UK, among individuals who regularly shopped online (at least twice in a typical three month period). Those shopping online more frequently made up a higher percentage of respondents. Delivery features were found to have a strong influence the choice of e-retailer. Free shipping was the main reason for recommending an e-retailer, followed by timely arrival and easy returns: more than half of online shippers had returned an online purchase. On the other hand, the key

reasons for abandoning a shopping cart were shipping costs making the product more than expected, wanting to gain an idea of shipping costs and long delivery times. Over half through tracking was an essential service.

For the 2015 Europe study fieldwork was conducted in 2014 with participants from France, Germany, Italy, the Netherlands, Spain and the UK using the same frequency requirements as the 2013 study. The study found that online shoppers and increasingly switching between devices and channels, with choices driven by convenience, and that information and control are crucial.

The survey found that in terms of delivery options, two in three shoppers prefer to have packages delivered home, fewer than in the previous year's study. 43% said that having a product delivered late decreases their likelihood of shopping with that retailer again. In terms of delivery features, consumers were least satisfied with the possibility of choosing a delivery date or rerouting packages while in transit.

Regarding returns, around half of the shoppers (53%) were satisfied with clear and easy to understand returns policies, and the ease of making online returns. 34% want a returns label in the box when it arrives and 58% say free return shipping is key to a good experience.

Delivery prices are important. 33% of consumers choose a slower transit time to qualify for free shipping, 67% say they will wait another one to three days to qualify for free (domestic) shipping), 47% will wait four days or more for free shipping within Europe, and 46% of loyalty programme participants value free shipping most as a benefit of membership.

Delivery times are also important. 60% of online shoppers choose delivery in two days or less and 58% of shoppers have abandoned a shopping cart due to slow delivery times or no delivery date being given.

The main items purchases were clothing (by 54%); books, music and movies (52%) and shoes (37%).

2013 Study: https://www.ups.com/media/en/gb/UPS_Pulse_of_the_Online_Shopper.pdf

2015 Study: <https://www.ups.com/media/en/gb/OnlineComScoreWhitepaper.pdf>

E-commerce Europe Studies

e-logistics: A need for integrated European solutions (2015) noted that although the work national postal operators were doing to improve the quality of services was welcome, ideally they would be consulting e-retailers and providing clearer communication on timings, and also addressing prices as both consumers and retailers find delivery prices an obstacle to buying and selling online. Other barriers for e-retailers that were noted included lack of

transparency and competition in pricing; lack of information on differences in services and standards; slow delivery times; lack of track and trace services; customs and VAT rules; reverse logistics and lack of standardised labelling.

E-commerce Europe is therefore developing an e-logistics platform to improve transparency and help e-retailers by providing them with an independent source of "delivery intelligence", including listing the different delivery suppliers available for cross-border shipments. The intention is that the platform will also include data on quality of service to help overcome perceptions and problems of poor reliability of cross-border services and provide a service what will enable merchants to combine volumes and thereby hopefully obtain higher discounts. The report also encouraged the use of open standards, particularly in labelling to allow merchants to move between different delivery operators more easily; a better marketing dialogue between e-retailers and delivery operators to help the latter to understand the needs of the former and to develop new services to meet those needs; improved customer services (for the delivery element) and trustmarks indicating this; and free access to address databases.

<http://www.ecommerce-europe.eu/stream/ecommerce-europe-position-paper-e-logistics-final-150507.pdf>

Policy and market solutions to stimulate cross-border e-commerce in Europe set out barriers and possible solutions to cross-border e-commerce. Delivery/logistics issues were one of the main barriers mentioned, alongside legal frameworks and different tax regimes, including VAT. 44% of companies selling abroad that were surveyed said they found logistics and distribution a difficult barrier to tackle and 15% not selling abroad said excessive transport costs were preventing them from doing so. Specific barriers noted were the same as those included in the logistics paper (see above: transparency and competition in pricing; lack of information on differences In services and standards; slow delivery times; lack of track and trace services; customs and VAT rules; reverse logistics and lack of standardised labelling).

<http://www.ecommerce-europe.eu/stream/ecommerce-europe-priority-paper-07052015-may-2015-final.pdf>

The E-commerce Europe survey "Barriers to Growth" received answers from 352 companies in various member states and selling predominantly online and both online and offline, including to other businesses. Some were very small/ micro businesses (less than 10 employees) and over half of the companies surveyed already sold abroad, especially those with larger numbers of employees (77% with 20 or more FTE, 69% between 10 and 20, 53% between 0 and 1 FTE, 63% between 1 and 5%).

The main reason given for not selling cross border was that it was not a strategic priority for the company, followed by a lack of resources. Transport costs were the third most popular reason given. Companies with more that 50% of their activity linked to e-commerce reported

transport costs as being particularly problematic. Logistics and distribution were seen as a difficult barrier by 44% respondents, with only 35% not finding them difficult. Examples of barriers included limited information and lack of choice about delivery services; slow delivery times; lack of track and trace; lack of competition and transparency in pricing; difficulties with returns, especially for smaller companies; and lack of standardised labelling. Different regulations and tax rates, especially concerning VAT and customs and online payments were among the non-delivery related barriers that were also highlighted.

As well as the creation of an online e-logistics web platform, the report also advocated a more connected and integrated delivery system; distance based invoicing; open standards, particularly for labelling and Electronic Data Interchange (EDI) files; and a common dialogue to help solve the gap between the supply of and demand for delivery products.

<http://www.ecommerce-europe.eu/stream/survey-barriers-to-growth-ecommerce-europe-2015.pdf>

Flash Eurobarometer 413: Companies Engaged in Online Activities (2015)

Fieldwork was conducted in January and February 2015. The survey covered 26 Member States and around 8,700 respondents were interviewed. Companies were selected who already sold online to other EU countries; who sold online domestically but has sold to other EU countries in the past; who were trying to sell to other EU countries; and companies that did not sell online. The responding companies were drawn from a range of sectors including accommodation, information and communication and manufacturing as well as retail. Amongst the companies that did not sell online to other EU countries, 21% are considering selling abroad at the moment. On average 85.4% of a company's online sales come from their domestic market.

The survey found that the cost of delivery and returns are two of the top three problems businesses face when selling cross-border. High delivery prices were the main problem for businesses selling online in another EU country (or have tried to) and those considering selling online. High delivery costs are a problem for 51% of businesses already selling online in another EU country, 62% of businesses trying to or considering selling abroad and 57% of companies who do not sell online.

The expense of resolving complaints and disputes cross-border is a problem for 41% businesses already selling cross-border and, 58% of businesses considering it. The cost of guarantees and returns is a problem for 42% of business already selling cross-border and 58% of businesses considering it.

Other problems included uncertainty about the rules that need to be followed (37% already selling/63% trying or considering selling), the cost or complexity of foreign taxation (38%/54%), and a lack of language skills (39%/ 48%).

Apex-Insight, *European Parcels Market Insight Report, 2015*

This report drew on desk research, published information and interviews with senior contacts in the market. It is focussed on Germany, the UK, France, Spain, Italy, the Netherlands a, Belgium and Poland, representing 79% of total parcels revenues (according to the Apex model). Other European countries (but not Russia or Turkey) were also included within the scope of the study, which defined the parcel market as comprising domestic; intra- European and international parcels; all service levels; and a weight of usually up to 31.5kg (depending on the definitions used by individual operators).

The study estimated the size of the European parcel market to be over 50 billion EUR in 2014, with growth in recent years being driven by home shopping. Growth was fastest in Poland and the UK. Trends in delivery features were also highlighted, such as the growth in collection points and parcel lockers. A gradual trend toward consolidation as independent companies are bought out by larger ones was noted, as was acquisition as a way of enhancing the consumer offering.

<http://www.apex-insight.com/product/european-parcels-market-insight-report-2015-2/>

European Commission, *Identifying the main cross-border obstacles to the Digital Single Market and where they matter most*, September 2015

This study was commissioned by the European Commission and included fieldwork carried out in February and March 2015. 23,599 respondents in the EU28 plus Norway and Iceland were surveyed.

The survey found that, on average and across all 12 markets surveyed, approximately just 19% of online respondents report having bought tangible goods or offline services from other EU countries compared to 68% of respondents who report having bought such products online from domestic sellers. For consumers, the three main concerns about purchasing products online cross-border inside the EU are related to delivery and returns: high delivery costs (27%), high return shipping costs (24%), and long delivery times (23%). For domestic purchases consumers are more concerned about personal and payment data and receiving the wrong or a damaged product. In addition, the survey showed that amongst those who experienced problems, the most common problem with tangible goods and offline services purchased online outside one's own country was long delivery time (14% inside the EU and 24% outside the EU).

Reasons that were repeatedly noted for not completing online purchases⁸ included high delivery costs (22% of surveyed consumers who could not complete online purchases -in BE and PL only, during a 2-3 week period in which respondents engaged in online purchasing), long proposed delivery times (17%), inconvenient delivery arrangements (16%), return shipping costs and concerns about fair treatment (10%), as well as other problems.

⁸Clickstream survey covering only BE and PL, not a representative sample.

Clothes, shoes and accessories (21% of online buyers) were found to be the most commonly purchased products (latest online purchase), followed by electronics and computer hardware (13%), books (11%), cosmetics and healthcare products (8%), electrical household appliances (7%) and music and films (tangible media) (5%).

http://ec.europa.eu/consumers/consumer_evidence/market_studies/obstacles_dsm/index_en.htm

Annual Reports of Postal Operators

The Annual Reports of Delivery operators have been used, primarily to inform the Annex providing an overview of the parcel market, and are referenced where used. In addition to providing information about the individual operators, Annual Reports may also include information about the wider market in which companies operate, for example estimates of overall market share, size, growth projections and competition. They will in general also include information about the number of employees a company has – though this is not always stated on a comparable basis.

Postal Statistics Database

Postal Statistics for the European Union are now collected by the Directorate General for Internal Market, Industry, Entrepreneurship and SMEs, following the decision by Eurostat to stop the dedicated collection of statistics for the postal sector.

The statistics for 2014 show a wide variation in the number of standard parcels per capita across the EU. The statistics do however only cover standard parcels sent using universal service providers as many NRAs do not collect statistics on the wider parcel sector.

Prices obtained did however indicate that the prices charged by universal service providers for cross border deliveries are often three to five times the domestic price.

The statistics showed that in 2013 around 1.2 million people were employed by universal service providers, and the number of employees is falling, on average at a rate of 4.2% across the EU28 between 2012 and 2013. NRAs do not collect data on employment by other providers of postal services so we cannot quantify with certainty the impact that the growth in e-commerce is having on employment in the wider parcel delivery sector. Earlier estimates have however indicated that around 272,000 people were directly employed by the European express industry in 2010 and this number was projected to grow to 300,000 by 2020.⁹

http://ec.europa.eu/growth/sectors/postal-services/statistics/index_en.htm

Econometric Study on Parcel Prices 2015

This study was commissioned by the European Commission in summer 2015 from the University of Saint-Louis, Brussels. It covered a number of research questions including the

⁹ Oxford Economics *The Economic Impact of Express Carriers in Europe*, 2011, Oxford, UK.

zoning strategies that are applied, the differences between operators for comparable products/services, a comparison of domestic and cross-border prices and an analysis of the prices differences between products and the discounts offered.

The study concluded that:

- Cross border letter prices are on average about 3.5 times higher than their domestic equivalent and cross border parcel prices are on average about 5 times higher than their domestic equivalent
- Zoning strategies do not affect cross-border price differentials
- Parcels lead to higher cross-border price differentials than letters
- Premium products to lower differentials than standard products
- Weight increases the price differentials
- Cross-border price differentials increase in flows between periphery countries and decrease in flows between the six largest Western European countries, as far as parcels are concerned.
- There is indirect evidence suggesting that vertical integration seems to decrease price differentials.
- Letter differentials and parcel differentials are explained by different factors, highlighting the differences in the market structure and maturity of competition between the two distinct product segments (scale, density of population, liberalization etc.).
- Labor costs in the destination country, although being a large component of the cost structure of the cross border parcel delivery service does not seem to statistically influence cross border differentials, contrary to the domestic leg of the cost structure.

For further details see Annex 5, Market Overview.

<http://ec.europa.eu/DocsRoom/documents/14647>

Cross Border Parcel Logistics (2015)

This study was commissioned by the European Commission in summer 2015 from the University of Antwerp. It covered a number of research questions including elaborating on the cost drivers that influence the cross border delivery. The study simulated costs in given delivery scenarios and highlighted the importance of trade imbalances in cross border parcel delivery.

For further details see Annex 5, Market Overview.

<http://ec.europa.eu/DocsRoom/documents/14647>

[BEREC/ERGP, Price transparency and regulatory oversight of cross-border parcels delivery, taking into account possible regulatory insights from the electronic communications sector, Joint BEREC-ERGP opinion 2015](#)

Following a meeting with Vice-President Andrus Ansip on 15 June 2015, the Body of European Regulators for Electronic Communications (BEREC) and the European Regulators Group for Postal Services (ERGP) agreed to examine whether there were regulatory insights in the electronic communications sector that could be transferred to the postal sector. The report noted differences between the postal and electronic communications sectors, for example their different cost structures. It also found that the remit of many (postal) NRAs

does not extend to all substitutable products and services in the postal sector and examined measures that could improve the transparency of retail prices.

http://ec.europa.eu/growth/sectors/postal-services/ergp/index_en.htm

Duch-Brown, N. and Cardona, M. (2016), Delivery costs and cross-border e-commerce in the EU Digital Single Market, JRC/IPTS Digital Economy Working Paper.

This study examined the potential benefits of reducing concerns related to delivery prices. It found that removing delivery concerns relating to price is highly likely to increase cross border e-commerce by 4.3 percentage points. This alone should impact positively increase household consumption by 2 307 million Euros (0.03%) and the Real National Income by 2 372 million Euros (0.02%). Those effects are mainly driven by the estimated decline in the overall consumer prices by a factor of 0.03% and from the subsequent increase in the overall exports that is able to balance the negative effect in the output of the retail sector. For firms removing delivery cost concerns would increase the number of firms selling online across borders by 6.2 percentage points and the volume of online trade by 5 percentage points. Medium sized firms would be especially benefited by the removal of delivery cost concerns, as this would influence their decision to engage in selling cross border at a rate of 20pp.

<https://ec.europa.eu/jrc/sites/default/files/JRC101030.pdf>

ANNEX 2 - STAKEHOLDER CONSULTATION

Overview

This Annex sets out chronologically the ways in which stakeholders have been consulted during the development of the cross-border parcel delivery proposal. As well as an overview of the responses to the 2012 Green Paper and workshops that have been used to seek the views of stakeholders, it includes a summary of the 2015 open public consultation on parcel delivery.

2012 Green Paper: "An integrated parcel delivery market for the growth of e-commerce in the EU"

The 2012 Commission Communication on E-commerce¹⁰ identified the delivery of goods purchased online as one of the top five priorities for boosting e-commerce by 2015. The 2012 Green Paper on Parcel Delivery therefore sought views on the information needs of consumers and e-retailers; the need for an improved quality of service and the way in which this could be obtained; means of reducing costs and increasing efficiency; delivery prices; competition; regulatory oversight; interoperability and governance.

The two main conclusions of the Green Paper were that e-commerce driven delivery was a key factor in the overall development of e-commerce and that the increasing expectations of consumers and e-retailers regarding parcel delivery services were not being met, especially for cross-border delivery.

89 contributions to the consultation were received, including from e-retailers, delivery operators, public authorities (including postal ministries and regulators), trade unions, consumer representatives and individuals. In their responses, most stakeholders and Member States' authorities expressed a preference for industry driven action and non-legislative measures, rather than new regulation. Most replies also characterised the existing regulatory framework as broadly sufficient and fit for purpose (including the Postal Services Directive, Consumer Rights Directive and Online and Alternative Dispute Resolution Procedures), although numerous replies highlighted challenges such as high prices, low quality of service and lack of information. When asked to identify regulatory gaps, responses included lack of information and traceability, high prices and consumer protection when delivery went wrong. Other issues raised included interoperability and lack of common standards, network access, geographic coverage and more generally the lack of easy cross border sales and returns. Information that respondents suggested could be provided often concerned delivery features (e.g. delivery times and tracking) and around half thought trust labels could be useful. A new

¹⁰ A coherent framework for building trust in the Digital Single Market for e-commerce and online services COM(2011) 942 final

universal service obligation was not thought necessary by around two thirds of respondents and most responses suggested that a price cap would not be the appropriate tool to address the needs of e-retailers and consumers.

The Green Paper, contributions to the consultation and the summary of responses are available here:

http://ec.europa.eu/growth/tools-databases/newsroom/cf/itemdetail.cfm?item_id=6356

Online and Postal Services Workshops 2012/13

Three workshops were held during the course of 2012/13 to present the external studies that had been commissioned to inform postal services policy. On 17 September the studies "Main Developments in the Postal Sector (2010-2013) and EU Parcel Markets with a particular emphasis on e-commerce were discussed.¹¹

Postal User Form 2014

The Postal User Forum¹² held on 21 March 2014 focused exclusively on parcel delivery and discussed the actions set out in the 2013 Roadmap. The 75 attendees included MEPs, e-retailers, delivery operators, regulators, trade unions and third party service providers. Delivery operators highlighted the cost of investment to develop new services. Participants reported that consumer expectations of delivery services were increasing and consumer trust was built mainly on quality of service, fair pricing and clear liability. E-retailers reported that delivery services across the EU were fragmented and they experienced problems with liability and responsibility during delivery. The social dimension and differences in employment conditions between parcel operators were also noted.

Workshop with Regulators on Regulatory Oversight of Parcel Delivery

This workshop, held on 23 April 2015, brought together several regulators from several Member States. The differences in the regulatory oversight of the parcel markets was discussed, along with the need for additional oversight, what it could cover and the different regulatory tools that could be suitable.

Most NRAs had limited oversight of the parcel market outside the scope of the universal service, whether because of the legal mandate of the NRA or prioritisation of resources. Some regulators did however also note that work was underway to understand their parcel markets

¹¹ See Annex 1, Procedural Information, Evidence and Studies for further details of relevant studies.

¹² The Postal Users Forum is an initiative launched by former Commissioner for the Internal Market, Michel Barnier in 2011. The aim of the Forum is to get feedback from stakeholders (consumers and businesses) on postal services in Europe. The third forum in 2014 (the two previous events took place in 2012 and 2011, respectively), focused on the e-commerce driven parcels market, given its increasing importance as alternative source of growth against the declining traditional letter post

better, including other operators, though there was no consensus that such work needed to be formalised. Furthermore, the European Regulators' Group for Postal Service (ERGP) was doing further work on different regulatory regimes which would also need to be taken into consideration.

2015 Public Consultation on Cross-Border Parcel Delivery

About the Consultation

The open public consultation on cross-border parcel delivery ran from 6 May 2015 to 5 August 2015. 361 responses were received. Most responses were received through the online tool (including answers to the questionnaire and uploaded documents), although some responses were also received by email.

The consumer and e-retailer questionnaire was published in six languages (EN, DE, FR, IT, ES, and PL). The questionnaire for delivery operators was subdivided into versions for delivery intermediaries and other logistics providers; predominantly domestic carrier; operator with international coverage; international integrators; and national postal operators. Respondents were able to reply in any official language of the EU. The consultation was publicised on the European Commission's 'your voice in Europe' website, through the online Linked in Parcel Delivery Group and social media channels of DGs GROW, CNECT and JUST, the SME network and at stakeholder meetings.

Responses where confidentiality was not requested (i.e. where respondents were happy for their response to be published, whether with their name or anonymously) have been published with the exception of delivery operators as most requested confidentiality.

The number of responses below reflects the Commission's classification of responses, not necessarily the consultation form that was used. Blank responses, or where no information beyond a name was provided, have not been included in the totals below.

Consumer	211
Retailer	64
Delivery Operator	35
<i>Of which:</i>	
<i>NPO</i>	21
<i>Other delivery operators</i>	14
Representative bodies/organisations, Member States and Regulators	51
TOTAL	361

The consultation sought the views of interested parties; the responses are not statistically representative. Where fractions or percentages have been reported below, these are derived

from the number of responses to a particular question, rather than to that section of the consultation or the consultation as a whole.

About the Respondents

Retailers

The location of the headquarters of retailers who responded were mainly in Germany, the UK and Spain, with over one fifth of the retailer responses from each of these locations. Most were SMEs (51 responses, of which 43 were micro businesses)¹³. Around half sold their goods online only and half sold both online and in a physical store. Micro businesses replying were more likely to sell online only. Aside from the 'other' category, the most common products sold were shoes and accessories followed by clothing. Most (45 responding retailers) sold to both domestic and international customers. Of those who did not sell online cross-border, delivery was more common than other reasons for not selling online to other countries¹⁴.

Nearly half the retailers responding stated that the share of packets and parcels returned to them was less than 1%. Several retailers indicated that there was no significant difference between the rate of returns between domestic and international customers although others stated they received more returns from domestic sales than from international ones. There were few responses to the question about weight categories, and where answers were given they were affected by the type of product sold for example retailers selling electronics had heavier shipments on average than those selling cosmetics.

Consumers

211 responses from consumers in 18 EU and EEA/EFTA countries were received through the online tool. Most of the consumers' replies came from Spain, the United Kingdom, and Belgium. Seven consumer associations also responded. Over half of the consumers who replied were content to have their contributions published, albeit anonymously. Over three quarters of the responses came from consumers aged between 18 and 44, and around two thirds were male. Nearly half shopped online every month, and nearly one third shopped online once a week or more. Travel, accommodation and event tickets was the most common category of online purchase, followed by consumer electronics and clothing. Roughly equal numbers bought from the country in which they lived and from other EU/EEA/EFTA countries.

Delivery Operators

21 national postal operators (NPOs) replied to the consultation. Other operators who responded included express operators/integrators, and operators with predominantly domestic and international coverage. Representative bodies for delivery operators also replied. Most

¹³ Defined according to number of employees.

¹⁴ Question 8 (To which markets do you sell online? Only domestic/ domestic and international/ only international) and Question 9 (What are your reasons for not selling online to other European countries? Delivery related reason/ any other reason (e.g. payments, language, legislation)).

operators requested that their responses remained confidential or anonymous given the commercial nature of some of the questions.

The most common type of cross-border delivery service for national postal operators involved¹⁵ the networks of the national postal operators of the countries involved to arrange cross-border delivery operations and there was agreement with the description representing the "standard delivery model"¹⁶. Other operators stated they use a mix of their own networks (where applicable), other private (non NPO) delivery operators and NPOs.

For the NPOs and other operators the proportion of express parcels (in contrast to standard parcels) varied greatly. Standard parcels were more common than express for NPOs and deliveries handled by NPOs weighed less than those delivered by other operators, as a proportion of packet and parcel shipments. The domestic market was responsible for the majority of NPOs' volumes. NPOs and other operators used a mix of road and air transport.

For NPOs, remuneration costs/ termination rates were reported to be the main determinant of prices. For other operators, competition and transport costs were listed as most important factors when setting prices by larger companies.

Representative Organisations, Member States and Regulators

Representative bodies for consumers, businesses and retailers, delivery operators and trade unions replied to the consultation. In some cases these were domestic representative organisations, in others pan European. National Regulatory Authorities for postal services and government ministries also replied. Most agreed that their responses could be published. In this analysis the views of representative bodies are, where possible, are grouped with individual responses from those they represent, i.e. consumers, retailers and delivery operators.

About Delivery Services

Retailers' experiences

Retailers use a range of delivery services to ship cross-border. Over half always or often use the NPO, but express carriers and other private operators are also used. Track and trace capability and price appeared to be the most important considerations for e-retailers (and their

¹⁵ Q12 - How do you arrange your cross-border delivery operations?

¹⁶ Q15 -For cross-border transactions where more than one delivery operator is involved, the method most often used is the standard delivery model which uses the networks of the two national postal operators involved in cross-border delivery, as follows: Does this text describe your standard delivery model for cross-border delivery? "*After collection and primary sorting in the originating country, cross-border parcels are transported to across-border hub of the sending national postal operator, where they are sorted again according to their country or place of destination. From here, they are transported to a central hub in the receiving country. Once in the destination country, the parcels are "collected" and sorted by the receiving national postal operator, then transported to the appropriate area of the country where they undergo a secondary sorting. From this secondary sorting point, they are transported to the relevant delivery office and from there, they are delivered to recipients.* (FTI, 2013)

Q15b - Do you use alternatives to the standard delivery model?

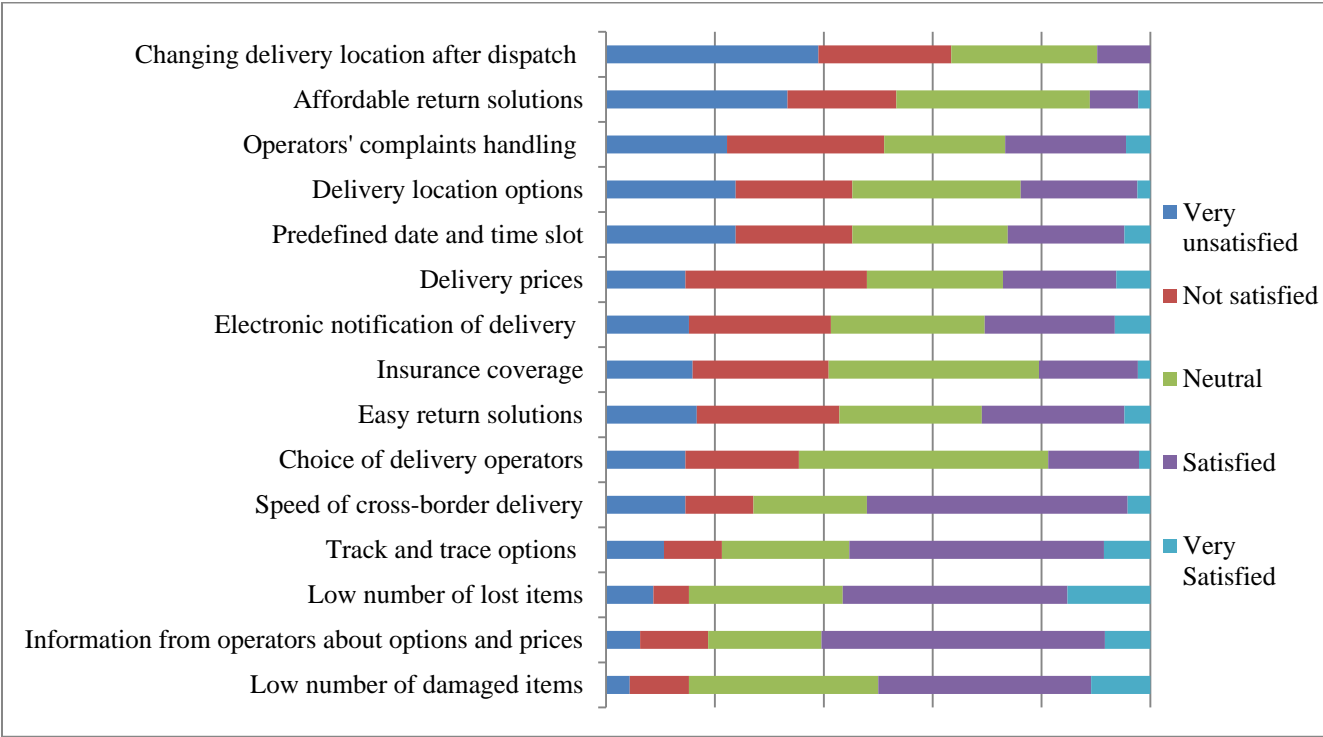
customers)¹⁷: nearly one third always offer a track and trace services and one third often use the cheapest service.

Retailers were most satisfied¹⁸ with the information from delivery operators about delivery options and prices, speed of delivery and (low) number of items lost. These features all had over 40% responses satisfied or very satisfied. Retailers were least satisfied with the possibility of changing the delivery location after dispatch, delivery prices and complaints handling. These features all had over one third of responses very unsatisfied or not satisfied. Smaller companies were particularly likely to be unsatisfied with the price of delivery services.

¹⁷ Q12 (retailers) which type of cross-border delivery services do you usually offer when selling to other EU/EEA countries? Cheapest delivery service/ Delivery service with track and trace option/ Delivery service with insurance option/ Delivery service with return option/ Other. Multiple answers were possible and for each option retailers were asked to state always/ often/ sometimes/ never.

¹⁸ Q13 - How satisfied are you with the following delivery features when selling to other European countries? Please rank each answer that applies to you on a scale from 1 to

Q13 (retailers) - How satisfied are you with the following delivery features when selling to other European countries? Please rank each answer that applies to you on a scale from 1 to 5.¹⁹



When asked about the cost of delivery, over half the responses from e-retailers stated that for domestic online sales, the cost of delivery represented 15% or less of their e-commerce turnover. For cross-border sales, nearly half the responses stated that the cost was 6-25% of turnover, rising to over half for 6-25% or more. Micro-companies in particular estimated that cross-border sales represented a greater share of their e-commerce turnover than domestic sales did.

Responses about free delivery were mixed, with just over half the responding retailers offering some form of free delivery (whether for domestic and international or only domestic purchases) and just under half offering no free delivery option. For those offering free delivery, this was most common for purchases above a certain value or as a temporary promotion. Retailers noted that the cost of 'free delivery' was often passed onto consumers through higher product prices. About a third stated that they could not offer free delivery because of the high cost of cross-border delivery or the weight of the products they sold.

Excluding free delivery options, retailers were asked whether they charged their customers more, less, or the same as the price they paid delivery operators. Of those who responded to this question, nearly half stated that they charged consumers more than they pay delivery operators, with the remainder evenly split between charging the same amount as they pay and charging less.

¹⁹ Base size for the table is 41-48 retailers who responded to each subsection.

More than half of those responding to the question²⁰ stated that they did not receive any price discounts from delivery operators for the packets or parcels they sent to other European countries. Responses differed according to company size with micro businesses less likely to receive discounts (over two thirds responding stated they did not receive discounts) whereas almost all larger companies did receive discounts (though the number of larger companies that replied to the consultation was small). Very few respondents provided information about the discounts they received from delivery operators. Where they did responses indicated the use of annual contracts with the national postal operator and that discounts depended on the weight and volume of shipments.

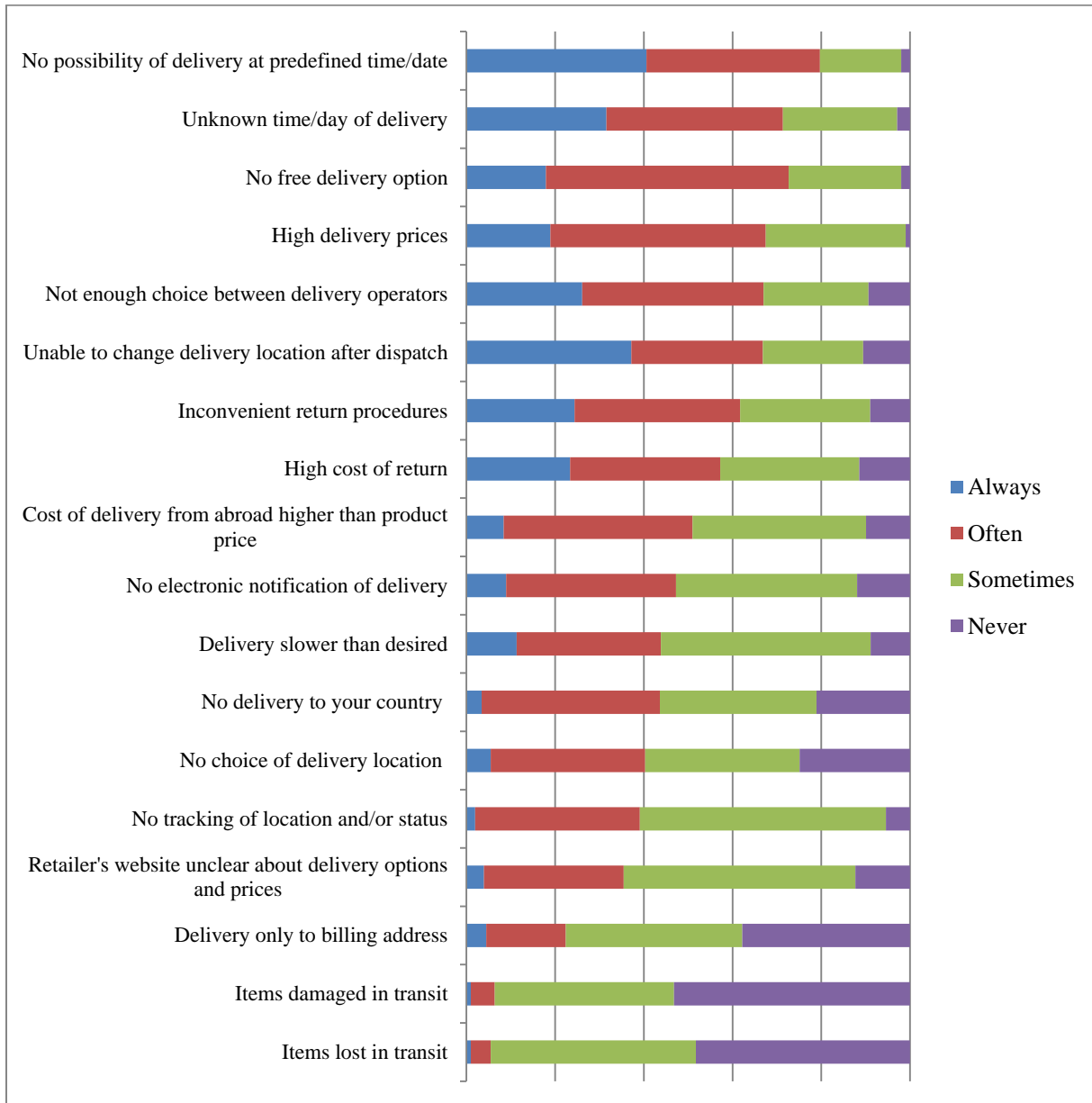
Consumers' Experiences

The two obstacles most commonly mentioned by the consumers who replied to the question²¹ as "always" being a delivery problem when buying online were "Unable to redirect a delivery which is in progress to another delivery location" (more than one third of respondents) and "No possibility of delivery at predefined date and time slot" (more than one quarter of respondents). Problems that were "often" encountered included "no free delivery option" (over half of respondents), 'high delivery prices' (just under half); cost of delivery (over one third); and "high costs of return" (just under one third); as well as other delivery features such as lack of choice of date and time of delivery (over one third respondents) and no delivery location options (one third respondents). "Unable to track the location of a good..." and "unable to find clear information about delivery options and prices" were identified as sometimes being obstacles by around half of the respondents. "Items being lost in transit" was most commonly stated to "never" be a problem. Expensive customs declarations in the Canary Islands were also cited as a problem, as were geographic restrictions on sales and surcharges to remote and peripheral areas, amongst other features.

²⁰ Q21 Do you receive any price discounts for the packets/parcels you send to other European countries from delivery operators?

²¹ Q6- When buying online how often do you face the following delivery problems?

Q6 (consumers) – When buying online how often do you face the following delivery problems?²²



In terms of delivery locations, delivery to a home address (for over half of the consumer responses) and delivery to a work address (over one third of consumer responses) were deemed to be 'very important'²³. Delivery locations ranked as 'important' by over one quarter of respondents included relay points/shops with collection facilities, post offices and neighbours.

²² Base size for the table is 199-206 consumer responses to each subsection. 70 'other' responses not shown.

²³ Q7 – How important are the following delivery location options to you when ordering from a web shop? Delivery to a home address/work address/neighbour/post office/relay point (shop offering parcel collection facilities/parcel locker/collect in store (from retailer).

Over three quarters of consumers who responded stated they had in the last 12 months considered an online purchase, but then abandoned it only because of concerns about delivery. The most commonly highlighted reason, reported by over two thirds of consumers responding to this question was high delivery prices, followed by too slow delivery, reported by one third of responding consumers and no free return option, reported by nearly a quarter of responding consumers.

Delivery Operators' Experiences

The main obstacle faced when delivering abroad that NPOs and other operators reported was customs rules and procedures.²⁴ Security procedures were also a significant problem for NPOs. Difficulties with finding an operator in the destination country, negotiating favourable conditions, interoperability of networks and transport requirements were also reported. Other operators also noted that obstacles differ between destination countries, as well as the effects of the VAT exemption for public postal services and inter-operator pricing arrangements can limit competition and create distortions.

Outside the EU, most answers from other operators about obstacles to delivery focussed on tax and duty/customs and security procedures.²⁵ A lack of ability to clear and release goods for the entire EU in one specific country was also raised, and fragmentation of road transport policies across Europe were also noted. NPOs and other delivery operators also raised insufficient remuneration given delivery costs, transport options and costs and the lack of interoperability as problems. Several NPOs responses noted that the remuneration received from operators outside the EU/EEA did not cover costs, especially if additional services such as a registered service were used. E-commerce flows from Asia in particular posed a financial challenge for European operators, and e-retailers also noted the difficulty in competing with these cheaper delivery costs.

Representative Organisations, Member States and Regulators' Experiences

Several Member States stated that the cross-border parcel delivery market is not functioning properly and indicated a range of reasons (including disproportionate costs; taxation issues; discrimination; regulatory differences; lack of interoperability, transparency, consumer protection, quality measurement, confidentiality and security...). Other Member States indicated there was no issue with affordability and regulatory oversight, because the market for (cross-border) parcel delivery is liberalized, competitive and dynamic.

Trade associations were divided about the need for additional measures to improve the cross-border parcel delivery market. Some agreed that price structures are not transparent, while

²⁴ Q13 - What are the five main obstacles you face when delivering abroad? Please rank only the options you consider as obstacles using a scale from 1-5, where 1 is the most significant obstacle, 2 is the second most significant obstacle, etc.

²⁵ Q35 - What are the additional challenges arising from sending and receiving packets / parcels to / from non-EU/EEA-EFTA countries?

others were concerned that regulation leads to (unnecessary) bureaucracy and can stifle innovation.

Trade unions unanimously signalled shortages in terms of social protection in the (labour-intensive) parcel delivery market and criticised sub-contracting and "false self-employment.

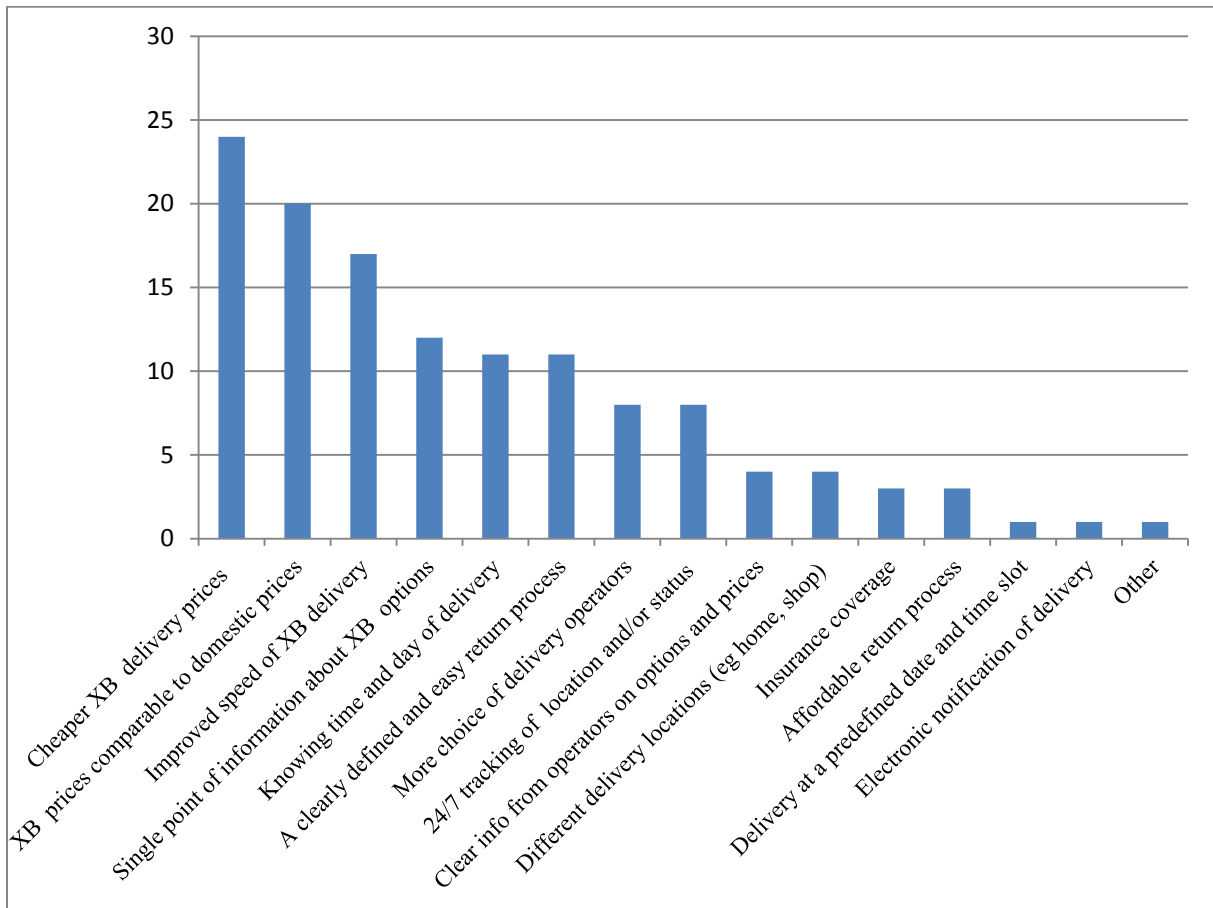
Areas for Improvement

For Retailers

The areas for improvement that retailers said would make them more likely sell online or increase sales to other countries were most commonly related to prices, namely "if prices for cross-border delivery were cheaper than they currently are" and "if prices for cross-border delivery were comparable to domestic prices".²⁶ Some retailers also highlighted "improved speed of cross-border delivery". Other improvements suggested included interoperability (between delivery operators, standardisation of labels, product comparison and transparency and competition (which could be facilitated by the EU regulatory framework).

²⁶ Q22 - Which, if any, of the following improvements to the delivery process would make you more likely to sell online or increase your online sales. Please select the three most important to you. Chart shows the number of responses

Q22 (retailers) - Which, if any, of the following improvements to the delivery process would make you more likely to sell online or increase your online sales to buyers located in another European country? Please select the three most important to you.²⁷



More than half the retailers who answered the relevant question²⁸ stated that a reduction in prices of between 10% and 60% would allow them to substantially increase sales to other countries.

Half the retailers responding (16) found it easy or fairly easy to obtain high quality delivery services to other EU/EEA countries, although this might depend on the countries in question. Half found it difficult or very difficult to obtain such delivery services. Responses also suggested that obtaining quality delivery services could be particularly problematic for small companies who might lack volumes large enough to obtain discounts and for those delivering packages rather than parcels as it was suggested there is less competition for smaller items. Some retailers also pointed out that tracking services tend to be expensive and that retailers often do not see any link between price and distance.

²⁷ Base size for the chart is the 46 retailers who replied to this question

²⁸ Q24 (retailers)- Compared to the prices you currently pay for delivery, what decrease in delivery prices do you think would allow you to substantially increase your sales to other EU/EEA countries?

Other barriers to cross-border delivery raised, especially in documents that were uploaded, included a lack of standardised labelling; complicated customs and VAT administration; reverse logistics posing a problem for small volumes; lack of track-and-trace; long delivery times; lack of transparency and competition in pricing; lack of information; no choice in last-mile providers; and lack of inter-operability. It was noted that these issues arose more in Member States than others, and that smaller retailers would usually find them more problematic than larger and more established ones.

Several respondents argued in favour of enforcement of the existing legal framework on cross-border parcel delivery, especially concerning price transparency and regulatory oversight. Regulatory action was viewed by some only as a last resort, while industry initiatives should be encouraged. Retailers also highlighted the importance of promoting open standards and a European wide delivery system that is reliable and affordable. In addition, it was suggested that VAT privileges of national postal operators could be abolished, as well as addressing differences in parcel delivery prices.

Retailers also stated that they face unfair competition from Asian e-commerce merchants, in particular from China, who are able to benefit from reduced postal delivery tariffs compared to European e-retailers. Delivery operators noted they these tariffs do not cover the costs of their delivery.

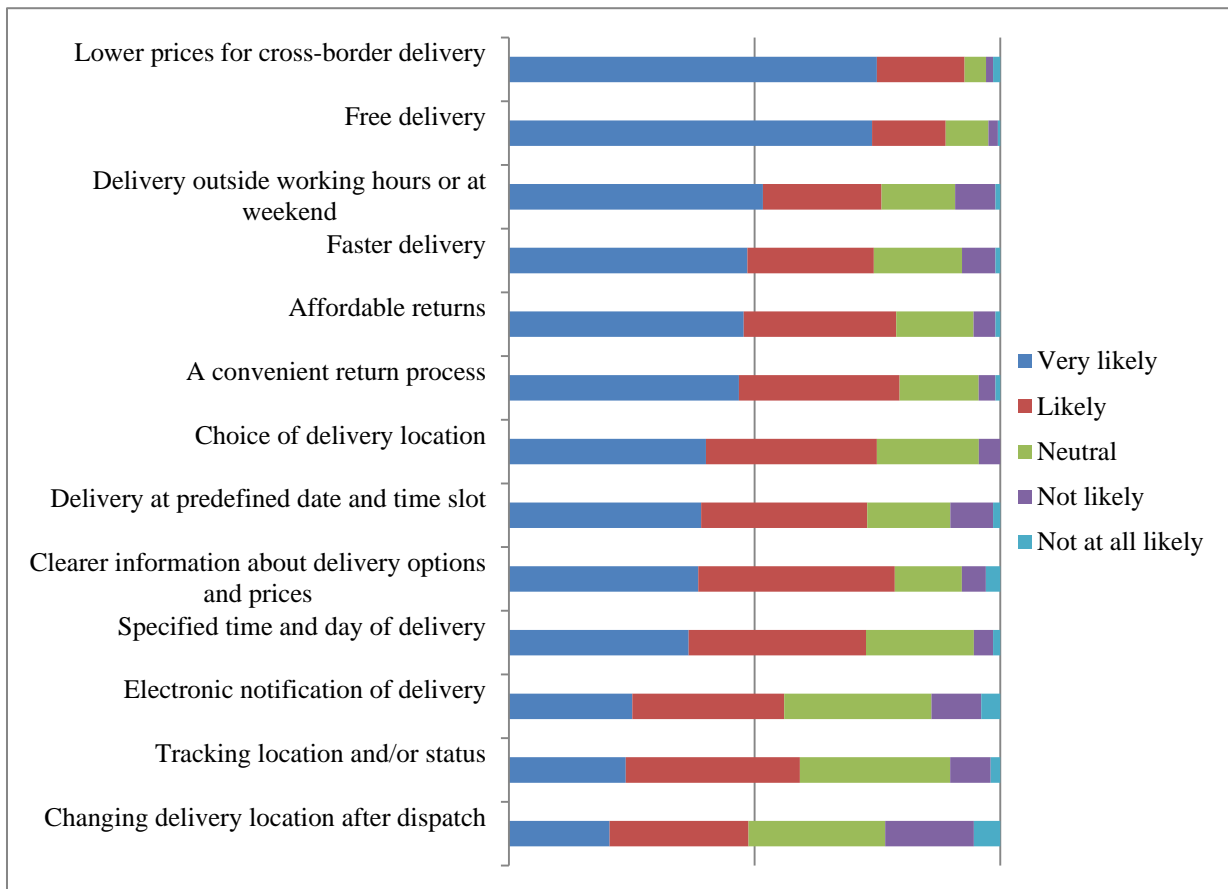
For Consumers

Consumers were asked to rank improvements to the delivery process that would make them more likely to buy online.²⁹ The two main improvements, that nearly two thirds of responding consumers stated were "very likely" to make them buy more online were lower prices for cross-border delivery and free delivery.

Delivery outside working hours or during the weekend was ranked as "very likely" to make the consumers buy more online by over half the respondents. Faster delivery, affordable returns and convenient return process were deemed to be very likely to encourage online purchases by over 40% of respondents.

²⁹ Q10 (consumers) - Which, if any, of the following improvements to the delivery process would make you more likely to buy online? Please rank on a scale from 1-5 Where 1 is not at all likely and 5 is very likely.

Q10 (consumers)- Which, if any, of the following improvements to the delivery process would make you more likely to buy online? Please rank on a scale from 1-5³⁰



Consumers were also asked to indicate the single most important improvement in delivery that would make them buy more online. High prices for cross-border delivery were most commonly cited, with almost a third of the 161 consumers who replied to this open question mentioning it as the most important area requiring improvement. Other specific improvements that consumers considered would make them buy more online included free delivery, faster cross-border delivery, better information about delivery options and prices, more flexibility to choose delivery location and date, unrestricted geographical delivery to the country of online shopper from seller based in a different EU country, free returns, more convenient return procedures, more options to receive delivery at predefined date and time slot, and lower customs fees and other costs (related to buying in the Canary Islands).

In general, consumer associations agreed there was an issue with both affordability and regulatory oversight of the cross-border parcel delivery market. Their key concerns related to high prices for cross-border delivery, lack of price transparency and information on delivery services, ineffective competition in the cross-border e-commerce market, access to appropriate safeguards for consumers, lack of return procedures, and unsatisfactory delivery times. Comments about regulatory oversight included that price transparency and competition

³⁰ Base size for this chart is 203-207 consumer responses to each subsection. 44 'other' responses not shown.

should be improved (under the supervision of regulations), but others suggested that regulation should only be used as a last resort and price caps should not be introduced.

For Delivery Operators

Views on whether regulatory oversight was appropriate, should be increased, or should be reduced, were mixed. System interoperability was considered to be the most important feature that could improve the quality of delivery services by NPOs.³¹ Other operators also raised the need for common standards and system interoperability, as well as more regulatory cooperation.

There were mixed views on the need for more regulatory oversight, and it was suggested that there should be greater emphasis on enforcing the existing regulatory framework under the Postal Services Directive (PSD). Delivery operators (other than NPOs) suggested that regulatory oversight is needed in order to guarantee that NPOs do not take advantage of their dominant market position, for example by allowing access to the rates and conditions resulting from agreements between NPOs, and called for more emphasis to be put on the cost orientation of prices and controlling cost and activities related to the universal service obligation (USO) to prevent compensation for the universal service obligation benefitting other activities carried out by the NPO/ universal service provider. Express operators stated that markets are highly competitive and more regulation would increase costs without benefits, though it was acknowledged that fragmentation in the postal regulatory landscape creates complexity for delivery operators.

Some operators stated that the parcel market is competitive and that additional regulation would have a negative impact on the level of investment and innovation needed to remain competitive and distort the market. Uncertainty over regulation could also hinder investment decisions and regulation is unlikely to be able to keep pace with developments in a rapidly changing market. Responses stated there was no current evidence of market failure and a risk of inefficiencies and regulatory failure if additional regulation was introduced. Negative impacts on profitability could have a negative impact on the sustainability of the universal service obligation.

Other comments included the negotiating power of large e-retailers and it was suggested that if there were additional regulation it should cover the prices e-retailers charge customers for delivery as postal operators cannot set the price the final customer pays for delivery. Other operators suggested that transparency, liberalisation, market entry and cost orientation (i.e. avoiding cross-border subsidisation) are needed, as well as better cooperation and coordination between NRAs.

For Representative Organisations, Member States and Regulators

Some Member States agreed that there is a need to collect more data about the market. Authorities currently may have difficulties in performing regulatory oversight, in particular due to a lack of clarity about definitions in the Postal Services Directive and insufficient

³¹ Q36 (NPOs) –What do you think could improve the quality of intra-EU/EEA-EFTA cross-border parcel delivery services?

monitoring powers. Member States that did not agree that there is an issue with affordability and regulatory oversight would prefer self-regulation in the event that market intervention is considered. The regulation of prices and cost structures was generally rejected.

Trade unions called for better working conditions in particular higher wages and more training; better environmental protection; and price structures that reflected the real cost of delivering a services. Media associations indicated that reducing cross-border delivery prices may lead to an increase of domestic prices which will not benefit the publishing sector that mainly operates nationally. In cases where cross-border delivery is very expensive, they suggested that special tariffs for books and greater transparency could be solutions.

Postal Directive Committee

The Postal Directive Committee brings together representatives from Member States' national administration and independent national regulatory authorities.

On the 11 June 2015 the cross-border parcel delivery element of the Digital Single Market strategy was presented and discussed with attendees from member state governments and National Regulatory Authorities. The discussion focussed on the different approaches taken by National Regulatory Authorities towards the parcel delivery market. Specific attention was paid to the mandate of postal regulators outside the universal service, in particular the legal basis and other constraints affecting data collection.

Previous Postal Directive Committee meetings have also been used to discuss the cross-border parcel delivery market. The 2012 Green Paper and the next steps to that consultation were presented at the 24 April 2013. On 12 December 2013 the meeting was used to discuss the Roadmap on cross-border parcel delivery and industry related activities and initiatives, and the following meeting on 10 June 2014 was used to provide an update on subsequent activities. In December 2014 WIK Consult presented the findings of their study on the "Design and development of initiatives to support the growth of e-commerce via better functioning parcel delivery systems in Europe".³²

European Social Dialogue Committee of the Postal Sector

The Social Dialogue Committee for the Postal Sector was set up to advise the European Commission on initiatives relative to social policy and on the developments in European policy which could have a social impact on the postal and allied services sector; to encourage and promote social dialogue within the postal and allied services sector in order to contribute to the development of jobs and to the improvement of working conditions of those working in this sector; and to discuss appropriate structures to allow negotiations between the partners in the sector. The Commission's work to improve cross-border parcel delivery was presented at the May 2015 meeting.

³² See the 'Evidence and Studies' section of Annex 1, Procedural Information for further details.

Workshop on the Implementation of the Roadmap for Parcel Delivery

This workshop was held by the Commission on 29 June 2015 to mark 18 months since the publication of the 2013 Parcel roadmap and assess the progress that had been made, by bringing together around 50 e-retailers, consumer organisations and a range of delivery operators, as well as trade unions and administrations and postal regulators from Member States.

E-retailers explained that while they felt that the delivery services on offer had improved, there was more to be done. The high price of cross-border deliveries and returns were highlighted as particular concerns, along with interoperability and the ease of using (and switching between) different delivery operators, for example common labels. Although national postal operators are improving their interoperability for cross-border services, some other delivery operators took the view that different systems drove innovation and should not be standardised. E-commerce Europe also set out plans for the creation of an information platform on delivery services, and EMOTA provided an update on a new European trustmark for e-commerce which builds on existing national schemes and will include delivery features.

Consultation of Delivery Operators

The Commission regularly meets delivery operators, including national postal operators, express operators and other letter and parcel delivery operators to discuss postal services. To monitor the development of the industry initiative a number of meetings were held with PostEurop, their member operators and the International Post Corporation. Dedicated meetings were also held with delivery operators during the development of this impact assessment, including with PostEurop and the Express Industry Association, to supplement written contributions to the consultation and other industry contact.

Workshop with European Regulators Group for Postal Services with Body of Regulators for Electronic Communication

On 29 September 2015 the European Regulators Group for Postal Services (ERGP) and the Body of Regulators for Electronic Communication (BEREC) held a joint workshop to on cross-border parcel delivery. BEREC have experience of developing the single market for telecoms and the reduction of roaming charges for mobile phone use abroad. At the workshop the Commission presented some options for improving the price transparency and regulatory oversight in the cross-border delivery market. The wider discussion made it clear that there was a need for greater oversight of the wider postal market.

Discussions with the Council

On the 14 October 2015 the Commission gave a presentation on the Digital Single Market Cross-Border Parcel initiative to the Joint Working Party on Postal Services and

Telecommunications and Information Society. The Commission presented the history of the initiative, and explained that the Digital Single Market initiative to improve price transparency and regulatory oversight was one of a series of measures to improve cross-border parcel delivery, with the quality of service and provision of information also being targeted. Some results from recent surveys and the Commission's consultation were presented and possible options were discussed.

In their interventions several Member States supported the need to develop cross-border e-commerce and improve the quality of delivery services. More detail on the proposed measures was however requested, including on the legal form, evidence base, and the scope of the increase in regulatory oversight.

LinkedIn group on improving parcel delivery in European e-commerce

The LinkedIn group provides an online permanent workshop allowing participants to share practical concerns, learn about solutions that others are developing, and contribute ideas that help achieve a better single market for parcel delivery.

ANNEX 3 – PRACTICAL IMPLICATIONS OF THE INITIATIVE FOR THE AFFECTED PARTIES

Based on the preferred policy options this annex sets out the practical implications of the initiative for national postal operators, national regulatory authorities, and other operators.

Policy options
➤ To enhance transparency of:
▪ public list prices and public discounts to the general public (option 3a)
▪ inter-post wholesale prices to national postal regulators (option 3c)
➤ To enhance the regulatory powers of postal regulators
▪ Powers to collect data from operators (option 4a)
▪ Powers to enforce market access, where appropriate, to existing networks and infrastructures. (option 4c)

A. National Postal Operators

The key obligation for NPOs would result from options 3a, 3 c and 4a, which requires them to transmit annually (1) public list prices and public discounts and (2) annually inter-post wholesale prices and (3) annually a dataset of basic information to the NRA.

To comply with option 3a, 3c and 4a data should be transmitted on (i) public list prices for 15 domestic and cross-border delivery products (selection is based upon 3 service levels and 3 weights: 500g, 1 kg, and 2 kg for packets, and 2 service levels and 3 weights 1, 2 and 5 kg for parcels) (ii) the inter-post whole sale prices paid and charged to other postal regulators for packets and parcels (iii) information on prices, volumes, turnover, and number of employees.

The NPO would have to gather the data from sources and software tools within the firm and compile and transmit this information in the desired format to the NRA. It is expected that the person assigned for the task would be able to directly retrieve the data at the requested level of aggregation from the firm's ERP-software (e.g. Oracle , SAP) or from internal departments (eg sales, accountancy,..) without complex computations to be carried out. We can reasonably expect that the requested data is already available for internal company purposes, if not already public and/ or given to the NRA (for example public prices and discounts, information about turnover, volumes and employment within the universal service area etc). We assume that no specific set-up costs are needed to fulfil the obligation and limited manpower at clerk level is needed. The estimated admin burden are respectively 280€, 570€, 430€ per operator for option 3a, 3c, 4a (see annex on admin burden).

Option 4c requires NPOs to provide information on the access agreements to the NRAs. Information to be provided can easily be transmitted to the NRA, therefore workload is limited. The admin burden is estimated at 140€

B. National Regulatory Authorities

The key obligations for **NRAs** would result from options 3a, 3c and 4a. These options imply NRAs to collect annually:

- (1) 15 public prices and discounts for parcel and packet cross border and domestic products from NPOs and send them to the European Commission (option 3a)
- (2) inbound and outbound inter-post wholesale prices from the national postal operator (option 3 c).
- (3) a dataset of basic information from NPOs and other operators and (option 4 a)

as well as to analyze, and use the collected data to assess the affordability and cost-orientation of prices (option 3a) and option 3c to exchange the terminal dues information to other NPOs upon request.

The data collection for option 3a and 3c results in limited work for the NRAs, as the NPO is requested to transmit the data in a ready-to-use format, easily to disseminate or to be exchanged. Many NRAs will already have this information, at least for USO products. Option 4a may imply more work because the information should be gathered from multiple operators above a certain size (more than 50 employees). The admin burden is estimated respectively at 600 €, 1200 € and 3600€ per NRA.

Options 4 results in more work for NRA's as it may be assumed that this option would require a professional analysis at every NRA amounting to 80 - 160 man hours (2 - 4 weeks) per year, as well as holding analysis meetings equivalent to 40 man hours per NRA and per year. Admin burden is calculated at 21.700 € per NRA.

For options 4c NRAs would need to assess and enforce access on fair terms and conditions. This is an ad-hoc task. Assuming a man-week of professional analysis from a specialist, admin burden is estimated at 2400 €.

C. Other operators

The key obligation for other operators would result from option 4a, which requires them to transmit annually a dataset of basic information to the NRA, comprising data on types of services offered (e.g. express or other), prices, volumes, turnover and employment. Harmonisation of data requirements would however reduce the admin burdens that some operators face from multiple different data requests.

ANNEX 4 – ANALYTICAL MODELS USED IN PREPARING THE IA

Main Methodological Tool

This IA, in an effort to identify which factors explain price differentials between domestic and cross border parcel and parcel prices based its analysis **on a linear regression**.

In general we obtain a linear econometric model of the following form:

$$y_i = b_1 + b_2x_{2i} + b_3x_{3i} + \dots + b_Kx_{Ki} + e_i$$

where b_1, b_2, b_3 to b_K are unknown parameters of the model that we estimate based on collected economic data and using an econometric technique; y_i is the dependent variable that we are trying to explain; x_{2i}, x_{3i} , until x_{Ki} are explanatory variables and e_i is the random variable, which represents the “noise” component.

Based on the econometric model and using a sample of data, we can estimate the economic parameters and test hypotheses, to verify the significance of the estimated coefficients. The coefficient b_1 represents the intercept of the model. Mathematically it represents the value the dependent variable takes when all of the explanatory variables take the value zero. In many cases this parameter, however, does not have a clear economic interpretation. The other parameters in the model, b_2, b_3 to b_K , each represent the changes in the value of the dependent variable, given one unit change in an explanatory variable, when all other variables are held constant.

Assumptions and Limitations

Every econometric analysis starts from an economic model, based on theoretical underpinnings. Of course economic theory does not claim to be able to predict the specific behaviour of any one variable, but describes the *average* behaviour of *many* observations of that variable. In order to analyse data, the economic model is translated into an econometric model, where we decompose the actual observations of the variable in two components, i.e. the systematic part and the random or the unpredictable component, the random error. This random error takes the factors into account that we may have omitted from the model, and reflects the intrinsic uncertainty in economic activity.

Relative Price Differentials

In our analysis of the price differentials of postal services, we rely on economics to identify observable explanatory variables that can explain the dependent variable, the cross-border price differentials. We perform a cross-sectional analysis, where the cross-border price differentials are explained by both quantitative (e.g. labour cost, density, scale) and qualitative variables (eg. product features, liberalisation stage). The qualitative factors will be taken into account by dummy variables, taking just two values 1 or 0 indicating the presence or absence of a certain characteristic. The explanatory variables specify an econometric model that is thought to explain the independent variable, in this case, **relative cross-border price differentials**.

This variable is determined by the domestic price (P_i) and the cross border price (P_{ij}) for a delivery service of a certain good sent from country i to country j .

For instance for product k (e.g. parcel of 2 kg) we have the following price differential between the domestic price of country i and the cross-border price to country j:

$$D_{ij}^k = \frac{P_{ij}^k - P_i^k}{P_i^k}$$

Price Dataset

To create the dataset of the domestic and cross border prices, the European Commission has collected **through its own resources**, a dataset of about 12.000 list prices from domestic and cross border parcel (mainly) products. The focus of this data gathering was the public tariffs offered by 25 National Postal Operators (data form national operators form EU28 countries except for Cyprus, Luxembourg and Estonian Post).

The dataset detailed each product by a list of predefined features (track and trace, insurance, proof of delivery, home delivery, VAT rate, weight, and dimension). In this way the model could control for changes in the product specification, and compare, at all times, likes with likes. The **University of Rotterdam** (faculty of Law and Economics - ELME) was commissioned to validate the dataset and correct it from encoding errors.

The European Commission has commissioned the **University of Saint-Louis**, Bruxelles, to provide an econometric analysis of the above mentioned dataset³³. The contractors have refined the dataset by selecting a set of standard and premium³⁴ parcels and letters in various weights³⁵. This selection³⁶ give a total of 40 products per country (16 letter products and 24 parcel products), or in other words around 500 domestic product references and around 500*24 cross border references³⁷.

The University of Saint Louis has ran two separate regressions; one for the letter mail products and one for parcels.

Explanatory Variables

The **explanatory variables** that were used by the model are:

1. Product characteristics

The model tried to find to what extent the presence of specific product features (add on services, standard vs. premium products, weight, letters vs. parcels) increases/ or decreases ceteris paribus (letter and parcel) price differentials. To do that the model deploys dummy variables that control for differences in features (eg. “dummy_DomesticTracked, “dummy_Cross-borderTracked, dummy_Parcel” and “dummy_Premium”).

³³ NPOs that are not covered are CY, EE, LU

³⁴ For standard products we try to find the cheapest alternative, that is a product for the residential customers and delivered at home. For premium, following additional characteristics were taken into account Time to delivery < 7 days, Track and Trace, Insurance, Proof of delivery

³⁵ For letters : 0,25kg,0,5 kg,5kg,1kg,2kg

For parcels : 0,25kg, 0,5kg, 1kg,2kg, 5kg,10kg

³⁶ When a specific product could not be found in the public list price data of an NPO the dataset considered it as missing.

³⁷ A cross border product has as many prices as many destinations this product is offered. Each country is examined for 24 destinations (all EU countries except CY, EE, LU)

2. Zoning strategies

The explored to what extent the choice of an operator to apply a zoning strategy explains ceteris paribus price differentials. To do that the model deploys dummy variables that control for differences in features (eg. “dummy_DomesticTracked” and “dummy_Cross-borderTracked”).

3. Periphery

The model tested as to what extent periphery leads ceteris paribus to higher (letter and parcel) price differentials (“dummy_Periphery”³⁸, dummy_LargeCountries³⁹ and dummy_PeripheryNeighbor that measures the effect of neighbouring periphery countries in cross border differentials).

4. Market structure

The model was also interested as to what extent differences in market structure (in specific the degree of competition and the degree of vertical integration) explain relatively higher cross border (letter and parcel) prices, others being equal. To measure those effects the model uses 'dummy_Liberalisation2009' variable and dummy_UKGLS', dummy_FranceDPD.

5. Distance and demography

The model tested to what extent higher transportation costs (proxied by distance) and higher density in the country of origin or country of destination explain price differentials (others again being equal). In order to take this into account the model uses a dummy to separate neighbouring countries from other countries ('dummy_Neighbor). It also uses population density data from Eurostat to proxy the demography characteristics in the country of origin and the country of destination.

6. Scale Effect

The model tried to measure as to what extent bilateral e-commerce volume matters in determining (letter and parcel) price differentials. To do this the model uses a bilateral online trade matrix, produced by JRC⁴⁰. To avoid co-linearity problems the model introduces two variables: the relative export share of online trade flows between an outbound and inbound country and the relative import share of online trade between the destination and outbound country. The model verified that the correlation between these two variables is relatively low (21%), and hence including these two variables would not create a multi-collinearity problem.

7. Cost factor

Since costs are expected to drive prices up the model tried to test as to whether labour costs specifically are positively correlated with higher (letter and parcel) cross border prices. The model deploys 2 variables to measure this effect the variable 'sendingLaborCost' and 'ReceivingLabor Cost', using data from Eurostat.

Results

We attach a copy of the model output that indicates the coefficients of each explanatory variable and their significance levels::

The model estimates separate regressions for letters and parcels by splitting our sample of 13035 observations of cross-border price differentials into letters (5385 observations) and parcels (7650 observations). Tables II and III illustrate the regression results for parcels and letters respectively. The null hypotheses tested is whether the parameters b_1, b_2, b_3 to b_K are significantly different from zero.

³⁸ Portugal, Latvia, Lithuania, (Estonia), Greece, Bulgaria, Malta, Romania and Croatia

³⁹ United Kingdom, the Netherlands, Italy, Germany, France and Spain.

⁴⁰ JRC technical Report (2015): Institute for Prospective Technological Studies Digital Economy Working Paper (2015-06)

The null hypothesis is rejected if the calculated test statistic is smaller than the critical value for the chosen significance level. The significance level thus indicates the risk of concluding that the parameter of an explanatory variable is different from zero, when in reality it is not. The analysis uses a significance level of 0,1%, 1% and 5%. Significant coefficients are labelled with ***, ** or *, where *** means a significance level of 0,1%, ** means a significance level of 1% and * means a significance level of 5%.⁴¹

Table XX. Explaining Relative cross-border price differentials – PARCELS

Explanatory Variable	Estimate	Std. Error	z-value	Significance level
Intercept	10,1252	0,4405	22,9839	***
Dummy Domestic Tracked	-5,4906	0,4308	-12,745	***
Dummy International Tracked	1,0577	0,0616	17,1751	***
Single zone pricing	-0,0446	0,0833	-0,5352	
Periphery	1,8653	0,2142	8,7098	***
Large Countries	-0,3343	0,0744	-4,4947	***
Premium	-0,2817	0,0620	-4,5470	***
Dummy 0,5 kg	0,0810	0,0828	0,9772	
Dummy 1 kg	0,2971	0,0830	3,5781	***
Dummy 2 kg	0,7142	0,0877	8,1395	***
Dummy 5 kg	1,0775	0,0917	11,7526	***
Dummy 10 kg	1,7487	0,1036	16,8767	***
Dummy Neighbor	-0,3501	0,0752	-4,6585	***
Dummy Periphery and Neighbor	-3,3580	0,4495	-7,4698	***
Dummy Liberalization Year 2009	-0,7271	0,0436	-16,657	***
Domestic Labor Cost	-0,0917	0,0022	-41,208	***
International Labor Cost	0,0032	0,0021	1,5458	
Domestic Population Density	-0,0023	0,0001	-21,765	***
International Population Density	-0,0002	0,0001	-1,5114	
Online Bilateral Trade Exports	-0,2506	0,3450	-0,7263	
Online Bilateral Trade Imports	0,5444	0,3209	1,6964	
Dummy France	-1,9621	0,0549	-35,729	***
Dummy UK IPP GLS	0,4658	0,1892	2,4626	*
Dummy UK IPP NonGLS	0,5350	0,2526	2,1181	*
Dummy UK ISP	-5,6971	0,4457	-12,782	***
Degrees of Freedom:	7625			
Adjusted R-squared:	0,422			
F-statistic	233,7			

Table XX. Explaining Relative cross-border price differentials – LETTERS

Explanatory Variable	Estimate	Std. Error	z value	Significance Level
Intercept	3,517	0,058	60,436	***
Dummy Domestic Tracked	-0,572	0,071	-8,025	***
Dummy International Tracked	0,703	0,068	10,383	***

⁴¹ The standard errors are corrected for heteroskedasticity (White's heteroskedasticity robust standard errors for large samples) and we therefore report the z-value.

Zoning	0,002	0,054	0,044	
Periphery	-0,115	0,091	-1,263	
Large Countries	-0,222	0,058	-3,864	***
Premium	-0,502	0,053	-9,429	***
Dummy 0,5 kg	0,204	0,035	5,798	***
Dummy 1 kg	0,598	0,044	13,584	***
Dummy 2 kg	1,405	0,053	26,752	***
Dummy Neighbor	0,204	0,052	3,896	***
Dummy Periphery and Neighbor	-0,241	0,227	-1,060	
Dummy Liberalization Year 2009	0,356	0,036	9,921	***
Domestic Labor Cost	-0,087	0,002	-52,950	***
International Labor Cost	0,000	0,001	-0,290	
Domestic Population Density	0,001	0,000	10,045	***
International Population Density	0,000	0,000	0,483	
Online Bilateral Trade Exports	0,062	0,250	0,248	
Online Bilateral Trade Imports	-0,755	0,218	-3,466	***
Dummy France	-0,086	0,043	-2,011	*
Dummy UK	-0,729	0,084	-8,708	***
Degrees of Freedom:	5364			
Adjusted R-squared:	0,4851			
F-statistic	254,6			

Robustness of the model

Given that the data are cross-sectional, we first note that, with an adjusted R-squared for parcels of 42% and an adjusted R-squared for letter of 49%, both regressions give a reasonably good fit of the data. Also, we obtain a better fit for observed cross-border price differentials for letters compared to parcels⁴². The model controls for multicollinearity. The model also tries to control for letters and parcels separately since it accepts that many explanatory variables could affect letters and prices differently. Nonetheless many actors affect letters and parcels in the same direction. The results of the analysis were discussed in the context of various meetings with the National Postal Operators. The model results are discussed against the economic theory underpinning its assumptions extensively, in chapter 5 of Annex 5). The results have been examined and found to be consistent with the results of similar studies in the filed i.e.

- Civic Consulting for the European Commission, Consumer market study on the functioning of e-commerce and Internet marketing and selling techniques in the retail of goods, 2011
- Haller Andreas, Jaag Christian, Trinkner Urs (2013). Termination charges in the international parcel market. In *Reforming the Postal Sector in the Face of Electronic Competition*. Edited by M. Crew and P.R. Kleindorfer, Edward Elgar, pp. 277-293.
- Meschi, M., Irving, T. and Gillespie, M., Intra-Community cross-border parcel delivery, FTI Consulting for the European Commission, 2011
- Okholm, H. B., Thelle, M. H., Möller, A., Basalisco, B. and Rølmer, S., e-Commerce and delivery - A study of the state of play of EU parcel markets with particular emphasis on ecommerce, Copenhagen Economics for the European Commission, 2013

⁴²Both regressions explain better cross-border price differentials for letters and parcels separately compared to a regression in which we estimate the regression for letters and parcels jointly but use interaction terms to account for possible differences.

ANNEX 5 – CROSS BORDER DELIVERY MARKET OVERVIEW

INTRODUCTION

This Annex aims to provide a description of the European **Courier Express and Parcels markets** [hereafter CEP] in general, and the European **cross border Courier Express and Parcels markets** in particular. In order to do this, we choose to present data from the most recent European studies in this sector, commissioned by the European Commission [hereafter EC], by National Regulatory Authorities [hereafter NRAs], by Postal Operators and associations or research institutions active in this field as well as recent Annual Reports from the largest postal operators.

The market survey also includes data from the annual postal data collection survey⁴³ launched by the European Commission. The data cover predominantly national postal operators [hereafter NPOs] but also –and to some extent- delivery operators other than the NPOs. We also use raw data from other postal statistical databases [namely UPU⁴⁴, Eurostat⁴⁵ and others].

We will summarise the results of two market studies that were commissioned in the course of this Impact Assessment with an aim of analysing the pricing scheme of the cross border CEP products as well as the operational characteristics of the cross border parcel delivery.

We finally present, when appropriate, a summary of the results from the public consultation that was conducted in the course of this Impact Assessment to better inform the analysis with empirical evidence coming from all relevant stakeholders of the CEP environment.

Structure of this Annex

This Annex presents the structure of the E-commerce markets in Europe and provides its links with the delivery markets, which one the focus of this Impact Assessment.

It also describes the economic environment of the European Courier Express and Parcel market. This is followed by a more detailed presentation of the largest CEP markets in Europe [in terms of country territorial coverage], namely Germany, UK, France, Spain, Italy, Netherlands, Poland, and Belgium. It also presents recent developments that have changed the competitive landscape in this market.

This Annex particularly analyses the basic structure of the cross border segment that is the ultimate focus of this Impact Assessment. It provides an overview of the pricing developments in the CEP markets, as well as of the operational specificities that relate to the various segments of the CEP market.

It touches upon the social and environmental aspects of the CEP market and finally it provides a market outlook, with reference to recent evidence and studies.

Before we begin

In this Annex we will use the term **EU CEP market**. This refers to delivery services for any collection and delivery of documents and goods provided by any operator (national or private) active in the European Union (EU28) to national and international destinations. It excludes freight and logistics

⁴³ expected to be published at http://ec.europa.eu/growth/sectors/postal-services/index_en.htm in October 2015

⁴⁴ <http://www.upu.int/en/resources/postal-statistics/query-the-database.html>

⁴⁵ <http://ec.europa.eu/eurostat>

services⁴⁶. However, the definitions related to the CEP markets as well as all estimated figures on important indicators related to this market vary greatly. This is mainly driven by the complexity of the sector, by the different nature of services offered in this market, by the absence of common definitions and by the difficulty in collecting comparable information. To the extent possible, we will provide explanations on the applied definitions that relate to estimates that we will refer to in the course of this presentation. We will present the assumptions taken for the production of the global and EU wide sector figures and we will try to explain the reasons for any conflicting information between studies.

THE EUROPEAN E-COMMERCE MARKETS

It is clear that the boosting e-commerce activity has been one of the most influential factors that brought about changes in the structure of the CEP markets in Europe as well as globally, and has created new growth potential⁴⁷ for the sector

E-Commerce Europe⁴⁸ believes that the European e-commerce market amounted to € 420 billion in 2015 in value, and grew by 14% compared to 2014. Apex Insight (2015) using compound data from Ecommerce Europe, Eurostat, IMRG, as well as corporate information, estimates that the overall value of internet retailing in 2015 has doubled its size compared to 2009 and is over €370billion. Europe is the second largest region in the world in terms of e-commerce value right after the Asia Pacific region which is worth more than 580bn Euros in 2015. E Commerce Europe estimate that there are more than 715.000 businesses active online in Europe, which are responsible for the circulation of more than **4 billion parcels** annually. IPC⁴⁹ (2014) estimates that global e-commerce growth will lead to a 16, 6% annual global increase in revenue at least until 2018, a trend that in Europe will be reaching levels over 12%.

Three European countries account for nearly 60% of the e-commerce total value. As we see from the graph below the distribution of e-commerce activity is quite uneven in Europe. WIK(2014) confirm that the levels of buying and selling online varies considerably between Member States. This demonstrates different levels of development of the e-commerce markets across Europe.

Figure 1 – E-commerce Activity in Europe

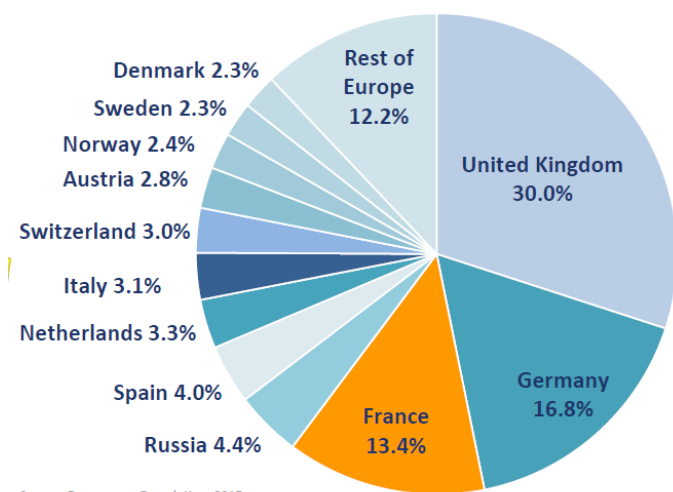
⁴⁶ WIK (2013) Main developments in the Postal Sector 2010-2013

Note that freight services naturally involve heavier shipment the handling of which typically requires specific equipment. 31.5 kg is the weight that appears to be an appropriate threshold to distinguish the CEP market from freight as it is the weight that can be handled by one single carrier.

⁴⁷ WIK(2014) Design and development of initiatives to support the growth of e-commerce via better functioning delivery systems in Europe.

⁴⁸ Ecommerce B2C report, 2015 available at: <https://www.ecommerce-europe.eu/facts-figures/free-downloads>

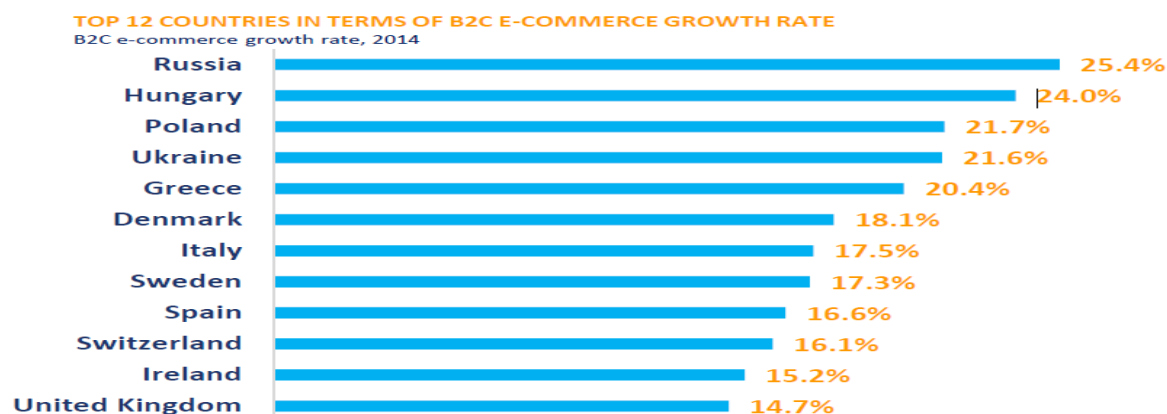
⁴⁹ IPC (2014) Global postal industry Report, p. 93



Source: Ecommerce Foundation, 2015

Although some countries reportedly show low absolute e-commerce turnover, we do see that e-commerce activity overall is rising at impressive annual rates, not only in the developing ecommerce markets but also in the mature ecommerce markets (like the UK for example). The latter demonstrates that there is a hidden growth potential that still remains to be explored.

Figure 2 – E-commerce growth Rates per country



Source: Ecommerce Foundation, 2015

Although at its inception, e-commerce activity was predominantly a domestic business, WIK(2014) report that there is recent evidence that cross border e-commerce is gaining importance in Europe as well as globally. 15% of all European e consumers bought cross border in 2014, which is a significant increase (+25%) compared to 2013. However cross border online purchases still remain small if one compares it with 44% which is the equivalent figure for the online domestic purchases. IPC⁵⁰ (2014) estimates that e-commerce activity still remains immature since it accounted to less than 5% of global retail sales in value, in 2013.

Table 1 – cross border share in EU 28

⁵⁰IPC(2014) Global Postal Industry Report, p. 93

Country	2012	2013	2014
EU28	11%	12%	15%
Austria	35%	39%	40%
Belgium	25%	28%	34%
Bulgaria	4%	6%	7%
Croatia	6%	7%	8%
Cyprus	19%	21%	24%
Czech Republic	5%	7%	7%
Denmark	29%	32%	36%
Estonia	11%	13%	22%
Finland	30%	32%	36%
France	17%	18%	21%
Germany	9%	11%	12%
Greece	8%	9%	10%
Hungary	5%	6%	8%
Iceland	24%	24%	31%
Ireland	28%	24%	28%
Italy	5%	7%	9%
Latvia	13%	15%	16%
Lithuania	6%	10%	11%
Luxembourg	60%	64%	65%
Malta	38%	39%	39%
Netherlands	13%	15%	21%
Norway	30%	27%	33%
Poland	2%	3%	4%
Portugal	10%	11%	12%
Romania	1%	1%	1%
Slovakia	17%	17%	20%
Slovenia	13%	15%	17%
Spain	10%	11%	15%
Sweden	19%	23%	22%
United Kingdom	13%	14%	18%

Source: Eurostat, Ecommerce Foundation, 2015

E-commerce Europe concludes that those trends are sufficient to demonstrate that cross border ecommerce could alone be a sufficient driver to influence the development for the ecommerce business around the world. The European Commission estimates that the completion of the Digital Single Market could generate up to €340bn worth of additional growth over ten years and create hundreds of thousands of new jobs. It is estimated that EU consumers could save €11.7bn each year through e-commerce in goods thanks to lower prices and wider choice offered by online shopping⁵¹.

The links of e-commerce with the CEP delivery markets

Eurostat defines E-commerce as: *The sale or purchase of goods or services between businesses whether between businesses, households or private organisations, through electronic transactions conducted via the Internet or other computer mediated networks*⁵².

E-commerce Europe⁵³ defines e-commerce B2C activity as “Any B2C contract regarding the sale of goods and/or services, fully or partly concluded by a technique for distance communication.”

E-commerce markets are highly dependent on the delivery markets when the purchase requires physical delivery to the buyer and/ or allows physical return of the good purchased.

It is also clear that not all e-commerce purchases involving physical goods will lead to actual deliveries. Examples are groceries (supermarkets have naturally their own delivery operations to handle the demand) and two-man delivery (that involves heavy items that are naturally delivered through the freight and logistics sector). Click and Collect type of services bypass parcel statistics as

⁵¹ Civic Consulting for the European Commission, *Consumer market study on the functioning of e-commerce and Internet marketing and selling techniques in the retail of goods*, 2011 – the consumer welfare gains from an integrated EU market for e-commerce in goods assuming 15% share of internet retailing was estimated at EUR 204.5 billion per year (EUR 70.4 billion from lower online prices and EUR 134.1 billion from increased choice)

⁵² <http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:E-commerce>

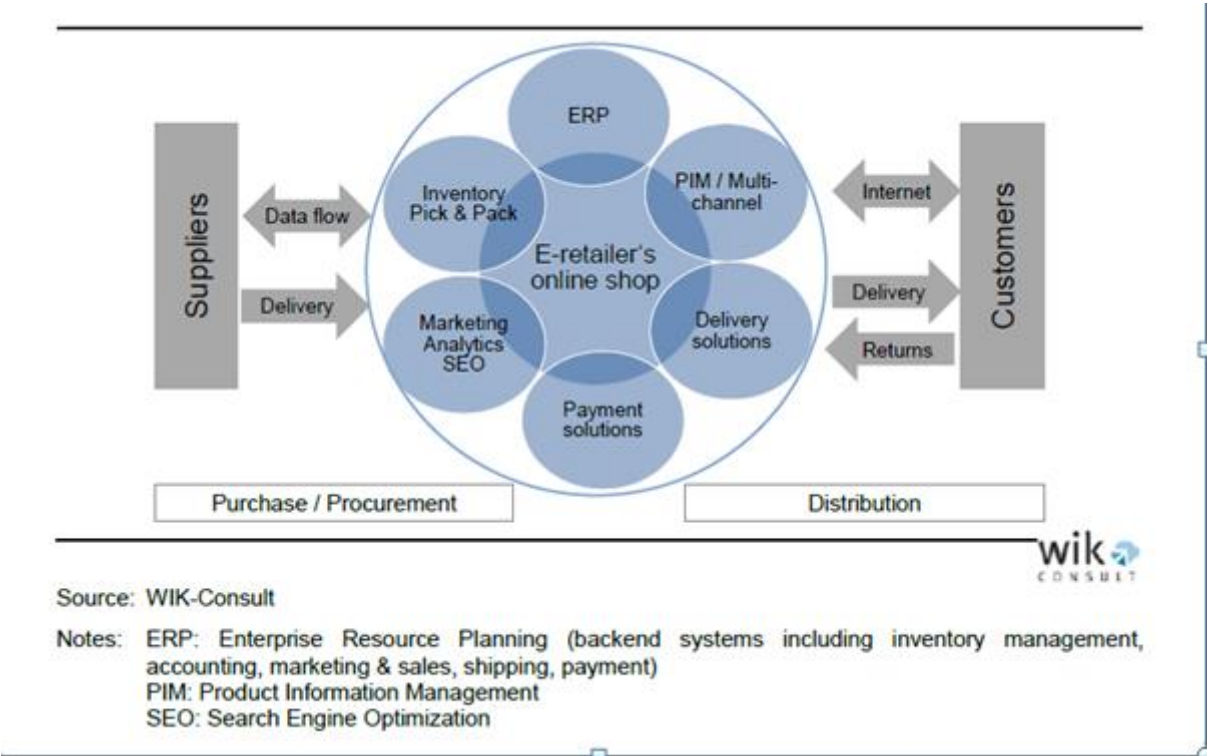
⁵³ Ecommerce B2C report, 2015

parcels are normally delivered to the retailers distribution network for a direct pick up from the customer⁵⁴.

However, in the cross border ecommerce delivery of physical goods tends to be even more important as overall, consumers seem to be more likely to buy products cross-border goods than services. In a survey among 4,135 European consumers⁵⁵ 95.5% of experienced cross-border shoppers reported that they had bought a product compared to only 55.8% who reported that they had bought a service.

The figure below according to WIK (2014) provides a simplified illustration of the e-retailer's supply chain and indicates the points where delivery requirements are involved in the ecommerce value chain.

Figure 3 – e-retailer's stylised supply chain



The World Bank highlights that the **importance of good logistics performance for economic growth is now established**⁵⁶. E-commerce activity affects predominantly the B2C segment of the CEP sector, as it will be defined in the sections below. Pure B2B e-commerce also exists, but it is highly automated in nature, following perhaps the patterns of traditional B2B logistics operations and certainly without facing the challenges met in B2C e-commerce⁵⁷, described in the section that follows⁵⁸.

⁵⁴ Apex Insight 2015, p. 25

⁵⁵ ANEC (2015) "Cross border online shopping within the EU"

⁵⁶ World Bank (2014) "Connecting to Compete 2014: Trade logistics in the global economy"

⁵⁷ Copenhagen Economics (2013), p.35

⁵⁸ However, there is another element that needs to be taken into account; IPC (2014) points out that in the traditional segmentation one element is missing. In many cases a B2C transaction might be considered by delivery providers as purely domestic from an operational viewpoint, but it might have a hidden international component that is not always clear and obvious to the logistic partner and the external analyst. A domestic e-retailer might be importing goods from a third country, and sell them in his country. In that sense there are severe

The IPC in their global postal industry report of 2014, believe that in the baseline of e-commerce developments postal operators are expected to benefit from the positive ecommerce trends. E-commerce flows in and around Europe should account for 25% of postal revenues in 2025.

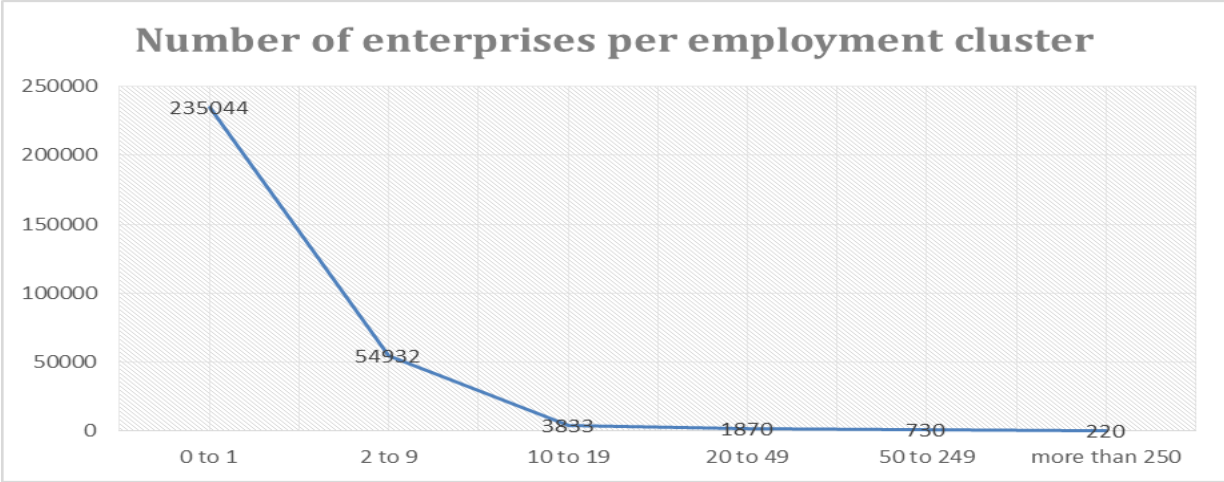
The barriers to cross border e-commerce

Delivery related barriers are considered, amongst many others, an obstacle for both e-retailers and consumers, hindering their participation in e-commerce growth, particularly cross-border.

Retailers often complain about a lack of transparency in information about cross border delivery, the lack of inter-operability between the different operators typically involved and the excessive costs of low volume shipments. These problems make it difficult for e-retailers to offer to their final consumers a satisfying e-commerce experience. On cross-border prices, studies show that listed tariffs for cross-border parcel delivery charged by national postal operators are estimated to be two to five times higher than domestic prices⁵⁹. University of St Louis, in a recent study commissioned for the European Commission also confirmed that cross border parcel list prices tend to be almost 5 times as high as their domestic equivalent⁶⁰ (for details see chapter 8). A recent Eurobarometer on obstacles to cross border e-commerce, found that out of all companies interviewed who currently do not sell online but are currently trying to do so, 62% find delivery costs an obstacle⁶¹.

To better interpret those results, one has to take into account that according to Eurostat data it is estimated that although over 296.631⁶² enterprises are active in e-commerce and distance selling business in EU28 in 2012 **only** 220 of those companies are **not** SMEs.

Figure 4: Number of e-commerce and distance selling business per employment segment: SBS Statistics



Source: Eurostat: Distributive trades by employment size class (NACE Rev. 2, G) [sbs_sc_dt_r2]

Figure 5: Average turnover of e-commerce and distance selling business per employment segment: SBS Statistics

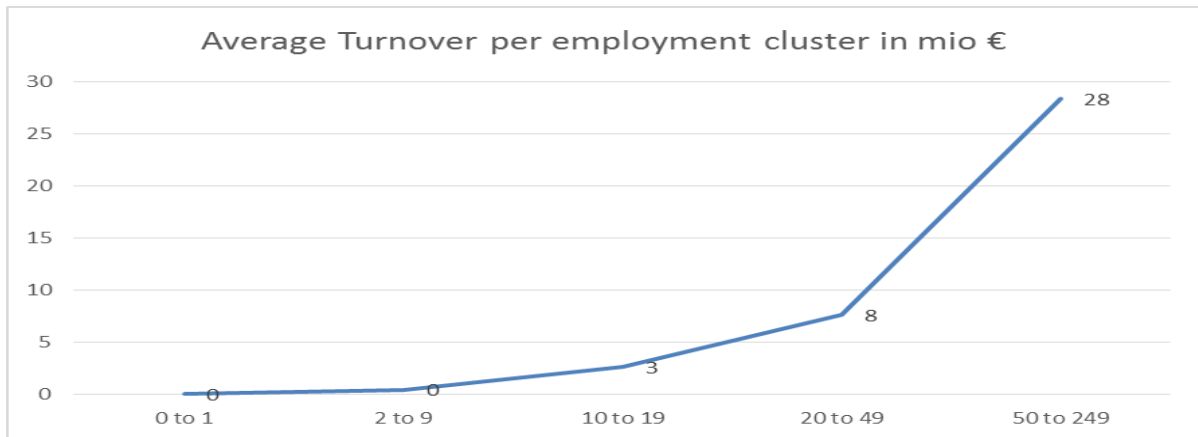
implications in the upstream and reverse logistics (from this B2B2C service) affecting the e-commerce value chain and that render the traditional segmentation not fit-for-purpose.

⁵⁹ FTI (2011) Study on intra-community cross-border parcel delivery http://ec.europa.eu/internal_market/post/doc/studies/2011-parcel-delivery-study_en.pdf
⁶⁰ Copenhagen Economics (2012) Study on the pricing behavior of postal operators and its effect on postal markets

⁶¹ University of St Louis (2015) "Econometric Study of parcel list prices."

⁶² Eurobarometer (413), 2015 http://ec.europa.eu/public_opinion/flash/fl_413_en.pdf

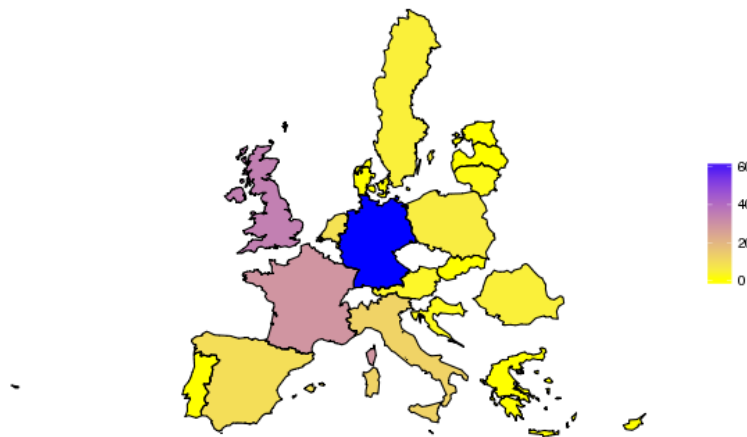
⁶² Data of 2012, EU28, NACE G47.9 Retail trade not in stores, stalls or markets



Source: Eurostat: Distributive trades by employment size class (NACE Rev. 2, G) [sbs_sc_dt_r2], own calculations

Non SMES retailers are often established in well-connected central European countries as illustrated in the map below.

Figure 5a: Where are the 220 non SME online and distance selling e-retailers established?



Source: Eurostat: Distributive trades by employment size class (NACE Rev. 2, G) (sbs_sc_dt_r2)

NACE_R2 Retail trade not in stores, stalls or markets
 INDIC_SB Number of enterprises
 SIZE_EMP 250 persons employed or more

The recent survey of online consumers on DSM obstacles⁶³ indicates that indeed concerns with respect to various delivery aspects were amongst the top consumer concerns in relation to purchasing online cross-border (27% high delivery costs, 24% high return shipping costs, 23% long delivery times, 15% non-delivery). Amongst online buyers who reported their most recent problem(s) when purchasing a tangible good/offline service in the last 12 months cross border within the EU, long delivery times (the highest ranked consumer problem overall) was reported by 14% of respondents (by 24% of those

⁶³ GfK for the European Commission, Consumer survey identifying the main cross-border obstacles to the DSM and where they matter most, September 2015

shopping outside the EU), while non-delivery and delivery of the wrong product were reported by 13% and 12% of respondents respectively (by 25% and 13% of those shopping outside the EU respectively).

Copenhagen Economics.⁶⁴ (2013) found after conducting a survey among 3000 e-shoppers that problems related to delivery are a key reason for not buying online. Delivery related problems are responsible for 68% of the situations where e-shoppers have abandoned their shopping charts before finalizing their order. The primary problem, according to Copenhagen Economics is that e-shoppers face suddenly unexpectedly high delivery costs and that delivery times are considered to be too long. In general e-shoppers have reported dissatisfaction levels at a rate of 38%, fact that could influence their decisions to continue buying online.

ComScore (2014) in a survey conducted on behalf of UPS also highlighted the problems created by the delivery related barriers on the overall e-commerce activity. They also confirmed CE(2013) finding that more than 58% of consumers have abandoned their shopping carts due to high shipping costs and 50% was due to long delivery times. According to ComScore (2014) high shipping costs was the most common reason for abandoning the online purchase⁶⁵.

Copenhagen Economics, in their report on E-commerce and delivery identified three layers of barriers that relate to delivery. A first set of inefficiencies are created by *information gaps*, in the sense that consumers and e-retailers do not have access to adequate information to inform their decisions on the online transactions (15% of the consumer have abandoned their shopping cars because information was not clear enough). *Service gaps* are the second problematic area in relation to delivery. Service gaps occur as the service offer from the delivery operators is not meeting users needs, especially as regards convenience of the delivery experience and returns, as well as the affordability of the delivery service. The last set of gaps related to the delivery are *performance gaps* in the sense that delivery operators and e-retailers do not always manage to fulfil their contractual obligations in terms of quality of service (delivery times, home delivery etc.), problems mainly resulting from operational inefficiencies in the delivery leg.

These barriers have already been highlighted by the European Commission in the *Green Paper on an integrated delivery market to boost e-commerce in the EU*⁶⁶ and in the *Commission's roadmap for completing the single market for parcel delivery*⁶⁷. In these documents, the Commission analyses the delivery related obstacles around five areas of potential inefficiency: lack of information, high costs for low volume cross border shipping, delivery services which do not meet the consumer needs, and lack of interoperability between the different delivery operators involved in cross-border delivery. Cross-border delivery has been also identified as a main priority in the Digital Single Market communication published on 6 May 2015⁶⁸.

In the sections that follow we present the CEP sector in Europe, and give emphasis to the B2C and also the cross border segments of the sector as, according to the analysis above, those segments seem to be **particularly dependent on and affected by the trends and the dynamics we observe in the e-commerce markets**. We nevertheless do not ignore the B2B and the domestic part of the operations, as analysts agree that is still relevant also for both e-commerce operational activities, as well as for today's market reality of delivery operators.

⁶⁴ Copenhagen Economics(2013) "A Study for the State of Play of EU Parcel Markets with a particular emphasis on e-commerce)

⁶⁵ ComScore(2014); UPS: a pulse of the online shopper

⁶⁶ COM(2012) 298 final of 29 November 2012 "An integrated parcel delivery market for the growth of e-commerce in the EU" <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52012DC0698>

⁶⁷ COM(2013)883 final of 16 December 2013 "A roadmap for completing the single market for parcel delivery" <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52013DC0886>

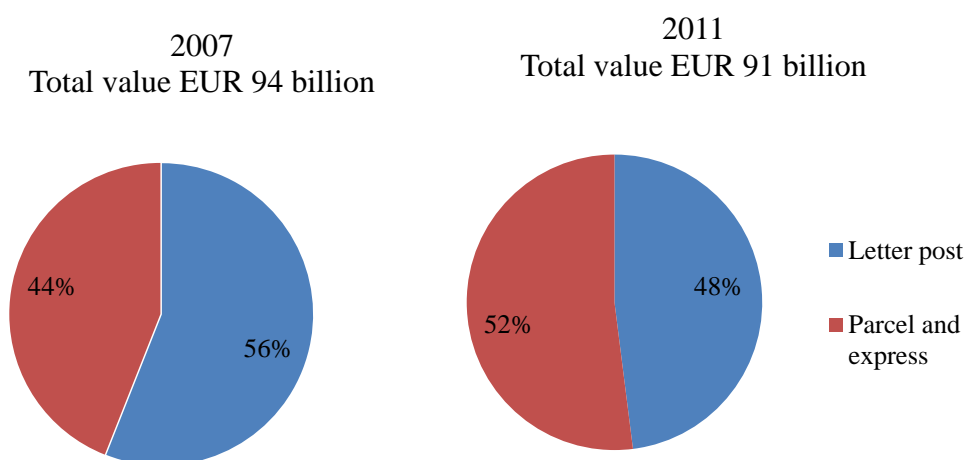
⁶⁸ COM(2015) 192 final of 6 May 2015 "A Digital Single Market Strategy for Europe" http://ec.europa.eu/priorities/digital-single-market/docs/dsm-communication_en.pdf

THE EUROPEAN POSTAL SECTOR

The CEP market is identified as a distinct segment that naturally belongs in the postal and courier activities sector (postal sector for this analysis)⁶⁹. In EU28 in 2011, together with the letter post segment of the market they are responsible for a total of € **94bn of turnover**, and **91 billion of shipments**⁷⁰ and for a total employment that is estimated to reach 1.5m employees⁷¹.

Between 2007 and 2011 the value of the EU postal sector decreased slightly from EUR 94 billion to EUR 91 billion (now accounting for 0.71% of EU27 GDP). However this decline is mainly caused by the decline in the demand for letter post services. Therefore, according to WIK (2013)⁷², in 2011 it was already the turning point where the structure of the sector had changed. **Today the CEP market is responsible for more than half of the postal sector's turnover in Europe.**

Figure 6 - Changes in the Composition of the European postal sector (2007 and 2011)



Source: WIK-Consult, Main Developments in the Postal Sector (2010-2013), p163. Based on WIK survey and WIK-Consult and ITA Consulting, Evolution of the European Postal Market since 1997 and AT Kearney, Europe's CEP Market: Growth on New Terms.

According to data from Eurostat⁷³, in Europe there are over 296.000 companies active in the postal and courier sector, the vast majority of those being SMEs, with less than 450 companies employing more than 250 persons.

Figure 7: Number of postal and courier companies per employment segment: SBS Statistics

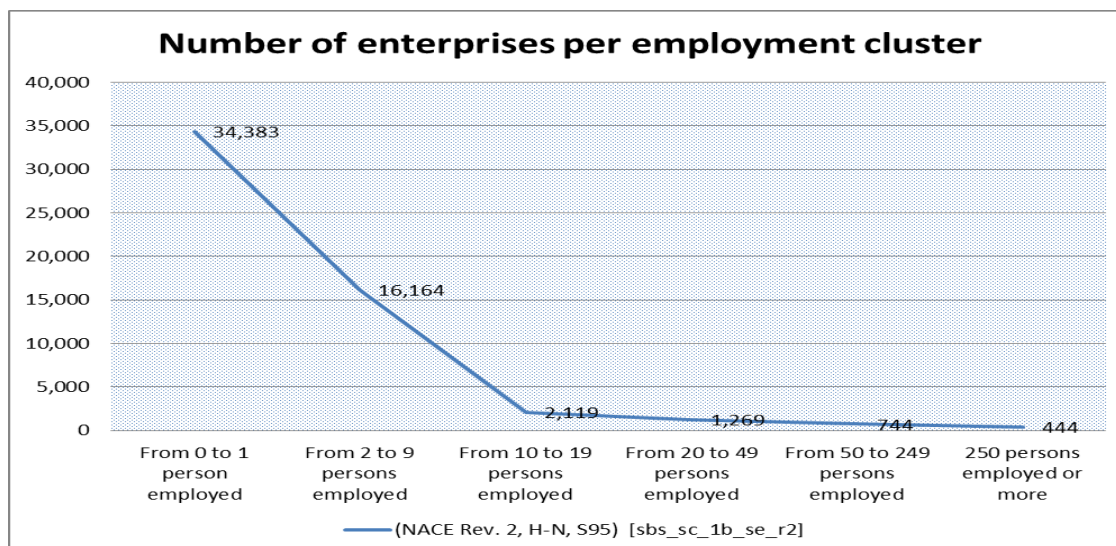
⁶⁹ H53 of NACE Code, for details read: <http://ec.europa.eu/eurostat/documents/3859598/5902521/KS-RA-07-015-EN.PDF/dd5443f5-b886-40e4-920d-9df03590ff91?version=1.0>, page 242

⁷⁰ WIK (2013) Main Developments in the postal Sector 2010-2013

⁷¹ Estimated figure: Postal statistics database, OXFORD Economics(2011): Impact of Express Carriers in Europe

⁷² WIK (2013) Main Developments in the postal Sector 2010-2013

⁷³ Eurostat, Services by employment size class (NACE Rev. 2, H-N, S95) [sbs_sc_1b_se_r2]



Source: Eurostat: (NACE Rev. 2, h53) [sbs_sc_1b_se_r2], own calculation's

The European CEP Market

There is no commonly agreed definition among researchers for the CEP sector nor is there any standard way for measuring the sector's market size. Relevant market size estimates produce total market sizes ranging from 37-53.5 bn Euros.

A.T. Kearney (2015)⁷⁴ estimates the size of the CEP sector to be about 43.1bn Euros. They estimate that the total shipments related to the CEP market in 2011 account to 5.4 bn items⁷⁵. WIK (2013) believes that the sector's market size is considerably less (37bn Euros)⁷⁶ in 2011 and that the sector is responsible for a total of 6.5bn shipments. La Poste (Annual Report, 2013)⁷⁷ estimates the CEP market to be 42.8bn Euros⁷⁸. Apex Insight (2015)⁷⁹ believes that the European parcels market was over €53.5 billion in size in 2014⁸⁰. CE (2013)⁸¹ estimate that the European CEP market in in 2011 was valued at 46bn Euros. BCG⁸²(2012) estimates that the total CEP market (domestic European and cross border combined) is 37bn using however data of 2010, and estimated this total to be responsible for the 20% of the global CEP market⁸³. According to Apex Insight (2015), in most of the European counties, the parcels markets represents between 0, 3% and 0, 5% of GDP.

Effigy⁸⁴ (2013) identifies Germany UK, France, Italy and the Netherlands to be responsible for about 75% of the EU total CEP market (that according to their estimates reaches 42b Euros. The other countries follow with shares below 5%.

Figure 8 – European CEP Market in Value⁸⁵

⁷⁴ AT Kearny (2015) Europe's CEP Markets: Steady growth begins to shift

⁷⁵ The market definition refers to network related traffic in 13 countries (including Russia and Turkey) for shipments up to 2.5 tns (therefore including freight to a certain extend).

⁷⁶ The sector definition is more narrowly defined and limited in the parcel market (up to 31.5 kgr) and also refers to EU28

⁷⁷ La Poste Annual Report (2014)

⁷⁸ Market definition focusing on all CEP products

⁷⁹ Apex Insight (2015) The European CEP market)

⁸⁰ Market definition focuses on European countries, it excludes freight and pallet services and includes domestic and international parcels weighting up to 31,5kgr.

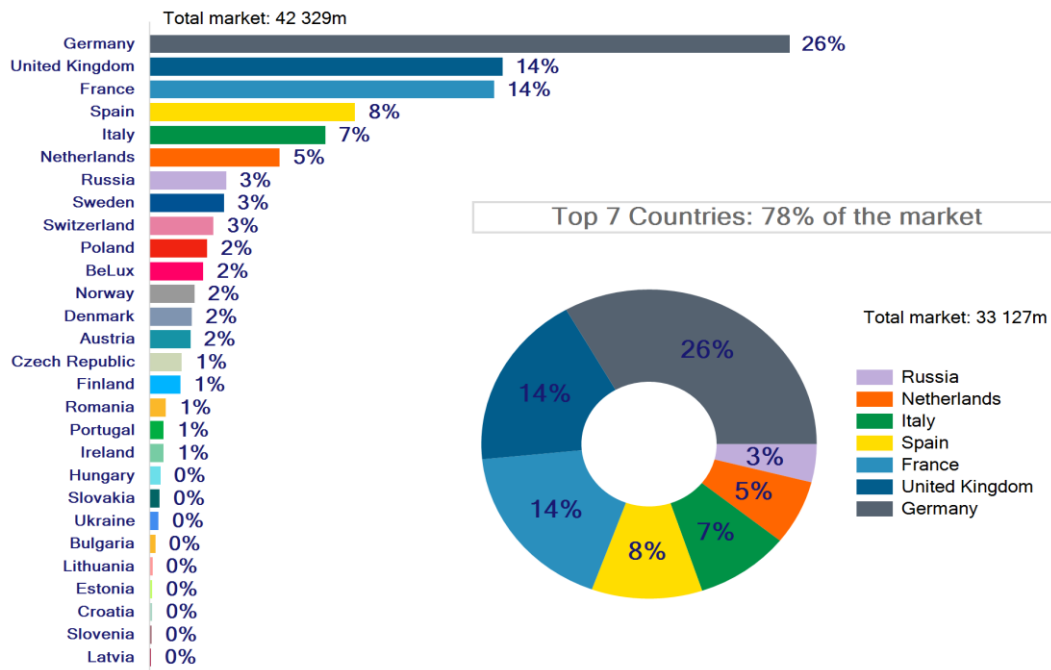
⁸¹ CE(2013) E-commerce and delivery, estimates are based on a questionnaire based survey as well as on desk research, for more info see p.97 of the report

⁸² BCG(2012) Focus on the future

⁸³ Including Express and parcels delivery, weight limit up to 31.5kg/parcel, excluding same-day deliveries

⁸⁴ Effigy (2013) a CEP Market Summary for the European Commission

European CEP Market in Value

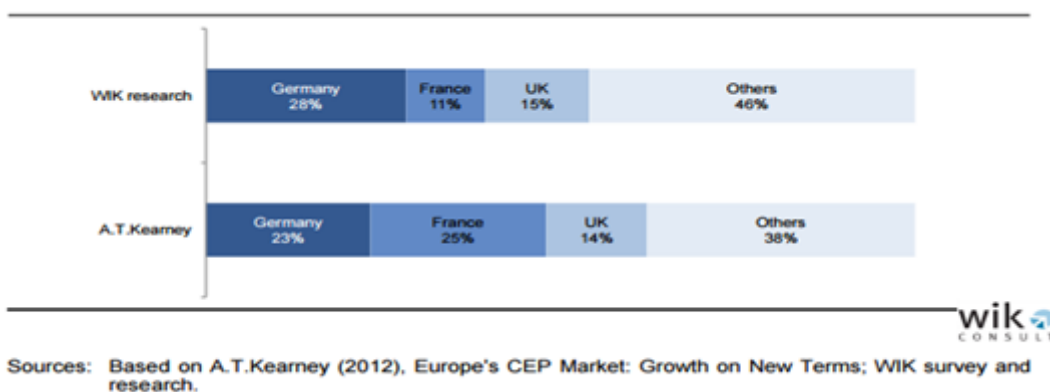


Value	Total Value: € (2013, €m)	Destination	Recipient	Product	Operator type
	42 329.14m	<input checked="" type="checkbox"/> Dom	<input checked="" type="checkbox"/> B2B	<input checked="" type="checkbox"/> TD	<input checked="" type="checkbox"/> Postal
		<input checked="" type="checkbox"/> Intra EU	<input checked="" type="checkbox"/> B2C	<input checked="" type="checkbox"/> DD	<input checked="" type="checkbox"/> Non Postal
		<input checked="" type="checkbox"/> Extra EU			

Source : Effigy Consulting European CEP Market 2013

WIK (2013) building up on AT Kearney (2012) estimations, presents the following distribution in the EU:

Figure 9 – Structure of the European Parcel and Express market by Country

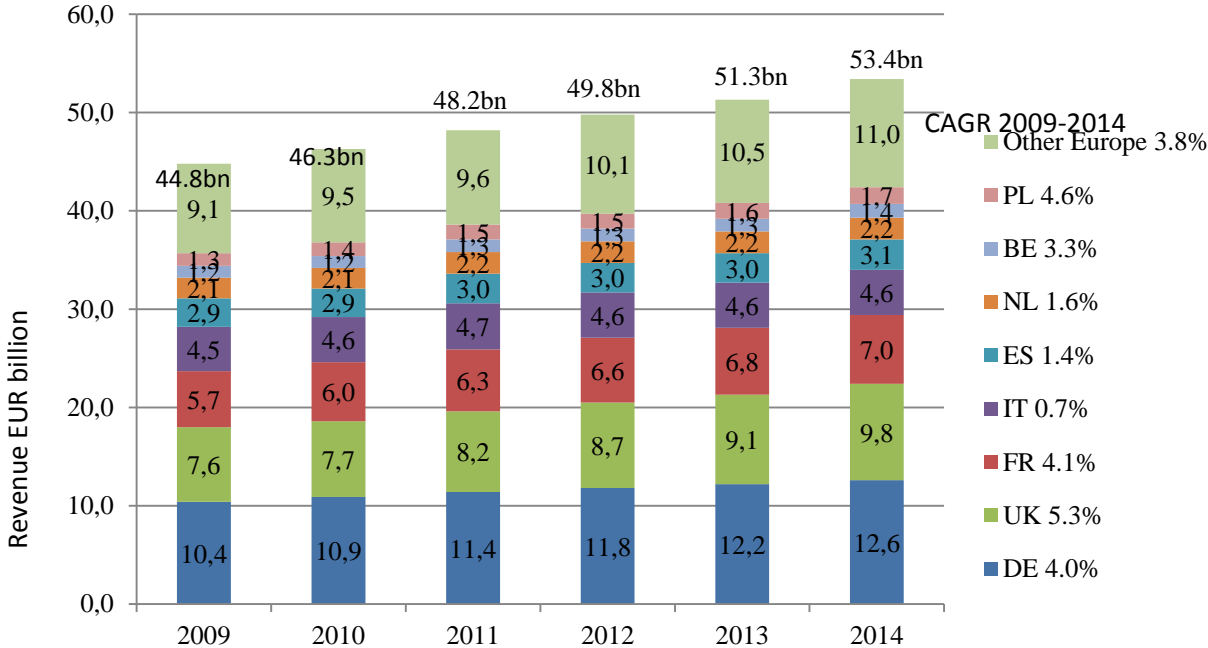


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Independently of the estimation of the absolute CEP market size (that of course it is largely dependent on the countries participating in the market definition and the scope of products each definition includes), all studies confirm that the total CEP market is experiencing a growth in the last years that ranges from 3.2%⁸⁶ - 5.7%⁸⁷ in value and 4.8%⁸⁸ - 6%⁸⁹ in volume. This continuous annual growth helped the market to restore the market size to levels prior to those before economic downturn already in 2010, and as from then, the sector maintains a positive outlook⁹⁰. The three largest countries in terms of CEP turnover remain Germany the UK and France, followed by Spain, Italy and the Netherlands. According to WIK (2013) the Western European countries are responsible for 86% of CEP parcel volumes in the EU. A focused country by country presentation of the largest CEP countries will follow in the next sections.

Apex Insight (2015) reports the following growth rates for the EU28 as well as for the important national markets in the EU.

Figure 10: CAGR for the EU28 between 2009-2014



Source: Apex Insight, European Parcels: Market Insight Report 2015. Key shows CAGR 2009-2014.

The competitive landscape of the European CEP Market

The competitive landscape in the European CEP Market is quite fragmented and largely dependent on the business segment each operator focuses on. More information on which operators serve exactly what segment of the market will follow on the analytical country and operator presentation, in the sections that follow. However, in this introductory chapter, we can already identify the main categories of players (operators) of the European CEP markets:

⁸⁶ Effigy (2013) a CEP Market Summary for the European Commission
⁸⁷ La Poste Annual Report (2014)
⁸⁸ Effigy (2013) a CEP Market Summary for the European Commission
⁸⁹ AT Kearny (2012) Growth on new terms
⁹⁰ Apex Insight (2015) The European CEP market

1) **International Integrators** (DHL Express, TNT Express, UPS and FedEx): This term is meant to describe those delivery operators that are able to provide time/ day definite domestic and cross border end-to-end⁹¹ delivery services mainly either through an owned (integrated) network or a network where the company has full operational control that (predominantly) uses air freight based transportation systems, but also complimentary ground operations.

2) **National Postal operators (NPOs)**: This term describes the national (former incumbent) postal operators, that are offering letter as well as parcel services- (predominantly but not exclusively) in the country where they are operating (Royal Mail in the UK, La Poste in FR, Deutsche Post in DE, Correos in ES, Poste Italiane in IT etc.). Those companies are typically subject to universal service type of obligations (that are meant to ensure the provision of letter as well as parcel services to a certain quality standards at the national and cross border level). On top of this they often offer additional (value-added) services in their territory and/ or outside;

In the table below, we present the list of the 28 National Postal Operators established in the European Member states as well as in the EEA/ EFTA countries.

Table 2 – National Postal Operators in EU28 and EEA/ EFTA

Company	Country	Website
Österreichische Post AG	Austria	https://www.post.at/
bpost	Belgium	https://www.bpost.be/
Bulgarian Posts plc	Bulgaria	http://www.bgpost.bg/
Hrvatska pošta d.d.	Croatia	http://www.posta.hr/
Cyprus Post	Cyprus	http://www.mcw.gov.cy/mcw/postal/dps.nsf/index_en/index_en?OpenDocument
Ceská Pošta	Czech Republic	https://www.ceskaposta.cz/en/index
Eesti Post	Estonia	www.post.ee
Posti Group Corporation	Finland	http://www.posti.com/
La Poste	France	www.laposte.fr
Deutsche Post AG	Germany	https://www.deutschepost.de/de.html
Hellenic Post - ELTA S.A.	Greece	http://www.elta.gr/en-us/home.aspx
Magyar Posta	Hungary	https://www.posta.hu/
Islandspóstur hf	Iceland	http://www.postur.is/en/
An Post - General Post Office	Ireland	http://www.anpost.ie/AnPost/
Poste Italiane S.p.A.	Italy	http://www.posteitaliane.post/english/index.shtml
Latvijas Pasts	Latvia	https://www.pasts.lv/en/
Liechtensteinische Post AG	Liechtenstein	https://www.post.li/
AB Lietuvos paštas	Lithuania	http://www.post.lt/en/
Post Luxembourg	Luxembourg	https://www.post.lu/en/

⁹¹ Meaning, offering the entire value chain, from the point of collection to the point of the delivery

MaltaPost p.l.c.	Malta	http://www.maltapost.com/
PostNL	Netherlands	http://www.postnl.com/
Posten Norge AS	Norway	http://www.posten.no/en/
Poczta Polska	Poland	http://www.poczta-polska.pl/
CTT - Correios de Portugal, S.A.	Portugal	https://www.ctt.pt/home/index.html
Poșta Română	Romania	http://www.posta-romana.ro/posta-romana.html
Slovenská pošta, a. s.	Slovak Republic	http://www.posta.sk/en
Pošta Slovenije, d.o.o.	Slovenia	http://www.posta.si/
Correos y Telégrafos S.A.	Spain	http://www.correos.es/ss/Satellite/site/pagina-inicio/info
PostNord AB	Sweden	http://www.postnord.com/
Swiss Post	Switzerland	https://www.post.ch/en/private
Royal Mail Group Ltd.	United Kingdom	http://www.royalmailgroup.com/

- Some of the biggest national postal operators have developed **pan-European networks** (either predominantly *road based*: Geopost, a subsidiary of La Poste- FR, GLS a subsidiary of Royal Mail -UK DHL Parcel, a business division of Deutsche Post-DHL -DE- or, predominantly air-freight based: DHL Express, a business division of Deutsche Post DHL- DE). Through these networks those operators are able to offer delivery services in Europe (and sometimes outside Europe).
- Other national postal operators have built up **regional networks** that enable them to offer delivery services in this specific region. PostNord AB –SE&DK, through its business division Posten Logistic, offers services in Denmark, Finland, Norway and Sweden. PostNL–NL, offers delivery services directly in Belgium and the Netherlands. CTT Correios –PT, offer services in Portugal and Spain (via its subsidiary Tourline Express) and Eesti Post –EE, offers delivery services in the entire Baltic Region⁹².
- Irrespectively of the direct international coverage they are able to offer, all national postal operators offer cross border delivery services within the framework of international or bilateral agreements with other partner national postal operators⁹³.

Table below summarises the role of the national postal operator in the overall CEP markets in the EU. According to WIK(2013) the national **postal operator accounts on average for about 20% of the corresponding national CEP markets**. However this level is explained by their important role in the B2C segment of the mainly domestic market than by their role in the B2B business segment (and B2B cross border segment in particular) where express operators draw their market power from.

Table 3 - _ Market Share of Universal Service Providers in Domestic Parcel and Express Markets (2011)

<10% market share	10-20% market share	>20% market share
Bulgarian Post (BG)	bpost (BE)	Österreichische Post (AT)

⁹² WIK(2013) Main developments in the Postal Sector, 2010-2013, p. 234-235

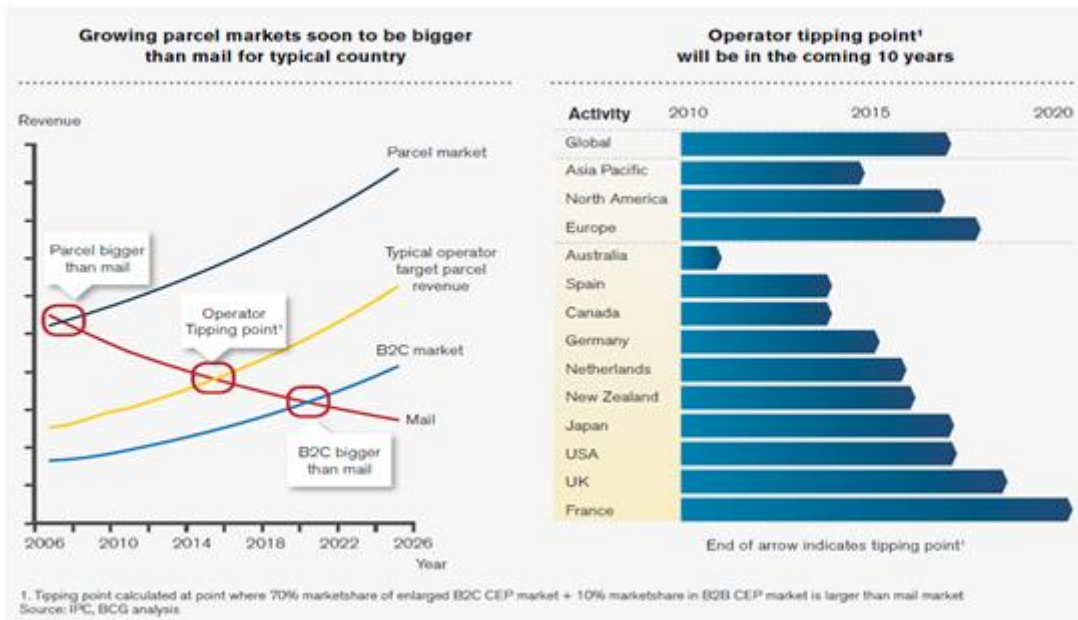
⁹³ Section 10 of this Annex

Cyprus Post (CY)	Croatian Post (HR)	Česká pošta (CZ)
ELTA (EL)	An Post (IE)	Deutsche Post DHL (DE)
Correos (ES)	Poste Italiane (IT)	PostDanmark/PostNord (DK)
Polish Post (PL)	Lithuanian Post (LT)	Eesti Post (EE)
CNPR Compania Nationala Posta Româna (RO)	Latvijas Pasts (LV)	Itella (FI)
	MaltaPost (MT)	La Poste (FR)
		Magyar Posta (HU)
		PostNL (NL)
		CTT Correios (PT)
		Posten/PostNord (SE)
		Slovenian Post (SI)
		Slovenska Posta (SK)
		Royal Mail Group (UK)

Source: WIK-Consult, Main Developments in the Postal Sector (2010-2013), p239

Although the NPOs were traditionally optimising their business operations to serve the letter mail segment, according to a survey conducted from BCG⁹⁴ using IPC data, it is expected that until 2017, the parcel business (after the NPOs having followed a targeted strategy) will outweigh (in terms of value) the letter mail business for most European national operators. From a predominately letter mail delivery business, as from 2107 all national postal operators are highly likely to be transformed into a parcel delivery business⁹⁵.

Figure 11 – Reaching the parcels vs. the mail tipping point



⁹⁴ BCG(2012) Focus on the future

⁹⁵ This point in time is mentioned as *tipping point* and it is considered to be achieved when NPOs will domestically achieve 70% market share in B2C (with as much revenue from additional services as revenue from plain delivery) and 10% in B2B

3) **Express and Courier Operators with predominantly domestic presence:** Apart from the operators above, we identify a number of medium-sized CEP operators (eg. Hermes - DE, Yodel – UK, Nightline –IE, MRW –ES etc.), who focus on the domestic and/ or cross border CEP services (but often not via their privately owned cross border delivery network). In addition to this, it needs to be noted that some alternative letter mail providers, traditionally optimising their networks to offer delivery letter mail services (eg. UniPost- ES, Sandd-NL) they are also expanding their business operations to cover parts of the CEP business⁹⁶, exactly as NPOs do, as we explained in the previous paragraph.

4) **Alternative business models**

Now that e-commerce presents a growing importance, and the need for cheaper B2C Delivery solutions becomes more obvious than ever, alternative business modes have been steadily developing integrating the delivery and e-retailer world, with the aim to offer tailor made delivery solutions at prices that are more affordable for both the e-retailer and the final consumer. *Parcel consolidators* offer an alternative business model to the CEP business. They have wholesale agreements with operators where the parcels originate (often with more than one operator at the time) and offer to their customers (e-retailers in our case) the most appropriate solution what suits their individual needs. Parcel consolidators are present in the large CEP markets. FTI (2011) reports that they are not present in the Czech Republic, Slovenia, Slovakia, Malta and Luxembourg. Examples according to CE(2012) are: courier express, BTB Mailflight, IMX, my-ship.it etc., *Parcel brokers* are offering cheap delivery rates by re-buying slots in bulk and reselling them according to demand. Examples of parcel brokers in the EU are: Interparcel, Parcelmonkey etc⁹⁷. *Fourth Party logistic providers* offer to their customers full integration and logistics fulfilment services. Examples according to CE(2012) are PFS Europe, Katoennatie, CEVA Logistics etc. *Software Solution Providers* provide e-retailers and delivery operators with software solutions that can improve efficiency, which can include EDI, tracing, labelling, push notifications to recipients etc. Examples of those service providers are MetaPack, GFS, EDI – soft etc⁹⁸.

The competitive landscape of the Global CEP market

The global competitive landscape according to BCG(2012) using however 2010 market data, and excluding the growing DHL Parcel division of Deutsche Post and the equivalent one for Post NL, as well as ColiPost for the domestic FR market, when comparing Europe with the other geographical regions in other parts of the world gives a comparable, though not identical environment. In general, in Europe, National Postal Operators are stronger in their national CEP markets than their foreign counterparts (the global estimate is at 14%, yet in Europe, the figure raises to 25⁹⁹%). Another observation is that in Europe, there is more pluralism, with more operators being active in number (and value) in the various CEP segments creating a complicated, therefore more fragmented, competitive landscape, that what we observe outside Europe.

Figure 12 – the global competitive landscape of the CEP market

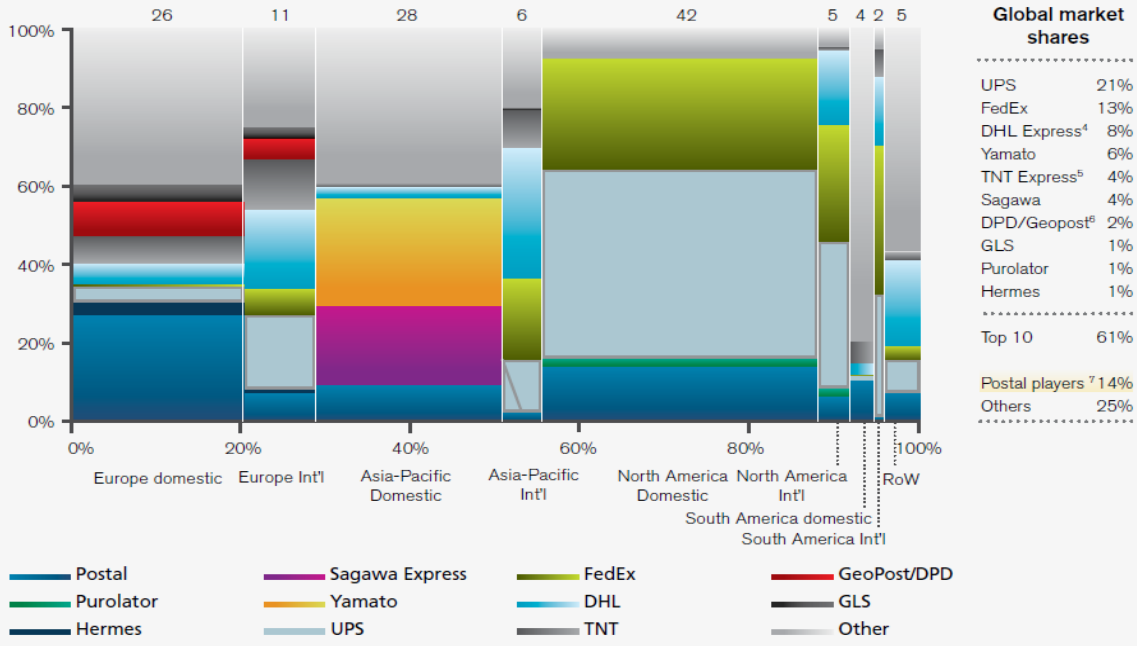
⁹⁶ Asendia (the joint venture of Swiss Post-CH and LaPoste-FR falls under this category (although for the cross border segment, as it offers predominantly international delivery solutions)

⁹⁷ CE(2012) E-commerce and delivery

⁹⁸ More information available at CE(2012) E-commerce and delivery, p.p. 40-42

⁹⁹ WIK gives an estimate at 20% for 2012, CE(2012) states that this figure is 27%

Total parcel and express market^{1,2,3} : €129B



1. Express and parcels delivery, weight limit up to 31.5kg/parcel, excluding same-day deliveries
 2. Use of 2008 values, 2010 market structure.
 3. International revenues are outbound only
 4. Market share excluding DHL Paket
 5. Market share excluding PostNL Pakketen
 6. Market share excluding Coliposte 7. Postal players revenues mainly in B2C shipments. Excluding express subsidiaries.
 Source: FedEx; UPS; DHL; Transport Intelligence; press search, IPC, BCG research, BCG analysis

Source BCG(2012)

MARKET SEGMENTATION

As it is often mentioned in related research¹⁰⁰, it is very difficult (often artificial) to segment the CEP market, given the heterogeneous nature of the sector and the observation that –especially nowadays– customer and product segments are often **blurred** due to the continuous transformation of the CEP competitive environment to meet the changing consumer preferences that in many instances converge.

Nonetheless, for the sake of the analysis we present segmentation that is relevant for our analysis, following the traditional way to study the CEP market.:

By product

A first criterion for segmentation is per product, which can divide the market into the following segments:

Standard- ordinary parcel services¹⁰¹

Ordinary parcels¹⁰² are defined as items normally containing merchandise and sent by a standard/ordinary service, i.e. non-express and non-courier¹⁰³, and are carried by the designated USP or other postal operators. An average delivery time of this service can be 24-72 hours, that can be longer for cross border shipments, however the delivery time is not guaranteed. Those services can be a part of universal service specifications.

Other services

Deferred delivery services: in the boundaries between a typical ordinary parcel and a value added parcel, we can find the deferred parcel product. Usually transferred through a ground based network, a deferred parcel is usually picked up before 6pm for delivery in principle by the next working day before 6 pm for a domestic delivery, however, delivery times are not guaranteed.

Express delivery service:

According to La Poste Annual Report (2013) an express product is picked-up before 6 pm for delivery the next day before noon or 1 pm, in the national territory. This service is subject to various levels of guarantees depending on the operator and on the specific service/ product offered.

According to a report commissioned by the Express Delivery Association for Oxford Economics (2010) the express services include value-added, door-to-door transport and deliveries of next day or time-definite shipments across the globe¹⁰⁴. Time definite shipments normally incur a transit time of less than 1 day within Europe, and between 2 to 5 days for extra-EU shipments, depending on distance.

According to the Glossary for Postal statistics¹⁰⁵ **express services** are services featuring, in addition to greater speed and reliability in the collection, distribution, and delivery of items, *all or some* of the following supplementary facilities: guarantee of delivery by a fixed date; collection from point of origin; personal delivery to addressee; possibility of changing the destination and address in transit; confirmation to sender of receipt of the item dispatched; monitoring and tracking of items dispatched; personalised service for customers and provision of an à la carte service, as and when required. Customers are in principle prepared to pay a higher price for this service. It can contain any postal

¹⁰⁰ WIK (2013) main developments on the postal sector 2010-2013

¹⁰¹ Glossary for postal statistics, 2014 available at <http://bookshop.europa.eu/en/glossary-postal-statistics-pbET0415666/?CatalogCategoryID=e9gKABstGNMAAAEJQ5EY4e5L>

¹⁰² Basic parcel services without added-value service features

¹⁰³ possibly not even tracked nor traced

¹⁰⁴ Oxford Economics (2010) The Economic Impact of Express Carriers in Europe

¹⁰⁵ Glossary 2014, available at <http://bookshop.europa.eu/en/glossary-postal-statistics-pbET0415666/?CatalogCategoryID=e9gKABstGNMAAAEJQ5EY4e5L>

item (the distinction with freight transportation is made in consideration of the upper limits for parcels).

According to CE (2012)¹⁰⁶ the express segment of the market represents roughly a 14% of deliveries in the total CEP market. It usually focuses on B2B shipments (and notably the international ones). According to AT Kearney¹⁰⁷ (2012), the express segment is normally stronger in countries with poor quality of standard services, in remote areas, as well as in areas with high share of volumes originating from non-EU countries.

Courier services:

A specific categorisation of the CEP market is courier services. According to the DHL Logbook¹⁰⁸ "Courier services transport spontaneously sent shipments that are highly valuable - e.g., watches, jewellery, and high-quality replacement parts. Characteristic features are permanent personal supervision of the shipment and the courier's access to the shipment at any time in order to make arrangements. Another feature is that couriers provide seamless transport and delivery documentation. The shipments usually weigh an average of 1.5 kilograms. For national shipments, delivery is usually made on the same day or by 10 a.m. on the following day. The market consists of many small companies. Courier services are available both nationally and internationally". Courier services are not necessarily regarded as postal services in some MS and are often excluded from the legal act¹⁰⁹.

According to ERGP (2015) "Report on the Courier, Express and Parcels Market" most countries in their regulatory framework define weight thresholds to distinguish the postal, the CEP and the freight sector; however these weight steps are not always aligned nor consistent across countries. In addition, the legal definitions of the CEP products -inspired by the regulatory framework of each country- also vary.

By Customer

A second level breakdown for market segmentation is the nature of the sender and recipient. This breaking down the market according to the nature of the parcel flow:

from business to a private individual (B2C);

from business to another business (B2B);

from private individuals to private individuals (C2C);

from private individuals to professionals (C2B).

The segmentation presented above is of course relevant in the sense that *the volumes related to specific customer groups as well as the prices each consumer group is likely to pay is closely dependent on the customer category*. Other categorisations involve additional breakdowns (like C2G, i.e. citizen to governments, and vice versa) which however are not directly relevant to the analysis with which this Annex is engaged.

According to Effigy Consulting (2013)¹¹⁰ the B2B vs.B2C balance per country is mapped as follows:

Figure 13- European CEP Market in Value: B2B and B2C overview¹¹¹

¹⁰⁶ CE(2012) E-commerce and delivery, p. 101

¹⁰⁷ AT Kearny (2012) Growth on new terms

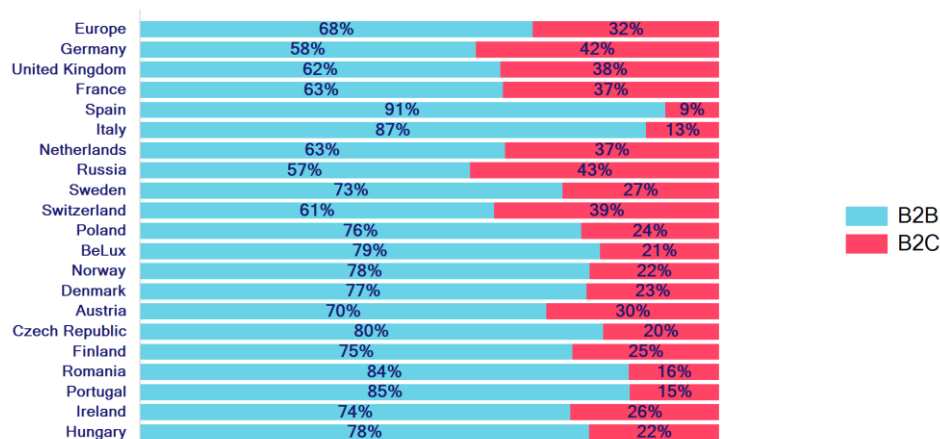
¹⁰⁸ DHL Logbook; Discover logistics, in cooperation with Technical University Darmstadt

¹⁰⁹ ERGP (2015) report on the courier express and parcels segment statistics

http://ec.europa.eu/growth/sectors/postal-services/ergp/index_en.htm

¹¹⁰ Effigy (2013) a CEP Market Summary for the European Commission

European CEP Market in Value: B2B and B2C split view



Source : Effigy Consulting European CEP Market 2013

According to La Poste (2014) B2B continues to account for the major share with 70% in relation to B2C in terms of value. According to CE (2012)¹¹² however, in terms of volumes the picture is reversed: B2B shipments are responsible for nearly 30% of the total shipments in Europe when B2C volumes are about 60% of the total. C2X volumes account for the remainder.

Table 4 - Main alternative operators active in domestic and cross-border B2C delivery

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¹¹² CE(2012) E-commerce and delivery, p. 103

Main alternative operators active in domestic and cross-border B2C delivery

GEO	Number of operators	Main operators active in domestic B2C delivery except for the NPO and multinational operators	Number of operators	Main operators active in cross-border B2C delivery except for the NPO and multinational operators
AT	4	DPD, GLS, Hermes, Asendia	3	DPD, GLS, Hermes
BE	5	DPD, GLS, PostNL, Kiala, Mondial Relay	6	PostNL, GLS, G3 Worldwide, Swiss Post, Hermes, DPD
BG	6	DPD, Econt Express OOD, Tip Top Courier AD, M&BM Express OOD, GLS	2	GLS, DPD
CY	1	ASC Courier	1	ASC Courier
CZ	2	DPD, GLS	2	GLS, DPD
DK	3	DPD, GLS, Bring	4	DPD, GLS, Bring, DB Schenker
EE	2	DPD, Itella	2	DPD, Itella
FI	3	DB Schenker, Matkahuolto Oy AB, Posten Åland	3	DPD, DB Schenker, GLS
FR	6	Colis Privé, Kiala, Mondial Relay, Relais Colis, Exapaq, Hermes	3	Kiala, Exapaq, Hermes
DE	5	DPD, GLS, GO! General Overnight Service, Hermes, Pin Mail AG	5	DPD, GLS, GO! General Overnight Service, Hermes
EL	5	ACS S.A., TACHYMETAFORES ELTA S.A., GENIKI TACHYDROMIKI, Speedex, ACS Courier	3	World Courier, Speed Air, ACS Courier
HU	3	DPD, SPRINTER Kft., GLS	4	DPD, GLS, SPRINTER Kft., GTR
IR	5	DPD, Nightline, GLS, Citypost, DB Schenker	5	DPD, Nightline, GLS, Citypost, DB Schenker
IT	3	GLS, Hermes, BRT Corriere Espresso	3	GLS, BRT Corriere Espresso, Hermes
LV	3	DPD, Itella, GreenCarrier	2	DPD, Itella
LT	2	DPD, Itella	2	DPD, Itella
LU	4	DPD, Kiala, Hermes, Mondial Relay	3	GLS, DPD, Hermes
MT	3	GLS, Arrow Express, Miles Express	1	GLS

NL	4	DPD, Kiala, GLS, Hermes	3	DPD, GLS, Hermes
PL	3	GLS, Siódemka, InPost, DPD	4	DPD, GLS, Siódemka, Hermes
PT	4	GLS, Nacex, Enviália, MRW, Torrestir	6	Enviália, MRW, Nacex, Chronopost International, Torrestir
RO	7	DPD, Cargus International, GLS, Fan Courier Express, Sprint Curier Expres, Urgent Curier	7	DPD, Cargus International, GLS, Fan Courier Express, Sprint Curier Expres, Urgent Curier S.R.L.
SK	3	DPD, GLS, ReMax	2	DPD, GLS
SL	3	DPD, GLS, Doortodoor	2	DPD, GLS, Doortodoor
ES	5	Kiala, GLS, Enviália, Tourline Express, Mondial Relay	4	GLS, Enviália, Chronopost International, Tourline Express
SE	3	DB Schenker, Bussgods, Bring	2	DB Schenker, Bring
UK	12	DPD, Hermes, HDNL/Yodel, City Link, UK Mail, Interlink, Nightfreight, APC, DX, City Sprint, XDP	9	DPD, HDNL/Yodel, City Link, UK Mail, Nightfreight, DX, City Sprint, XDP, Hermes (to Austria and Germany)

Note: Only a subset of operators is included in the table. Number of operators in each are potentially larger and/or with limited scope. Multinational operators UPS, DHL, TNT Express, FedEx (Integrators) serve most countries, also for domestic deliveries.

Source: Copenhagen Economics, NRA questionnaire and desk research

Although within the B2C segment external competition has developed throughout the years, the national postal operator (especially in the largest European CEP markets) continues to play a very important role in this segment. Exploiting the domestic national coverage and the combined delivery networks for letter and parcels in the rural areas (co-production), the former incumbents reach market shares in the B2C segment **which exceed 50% in many European countries**. Characteristic examples of this observation are Austrian Post, Post NL holds over 70% of the domestic B2C market, Deutsche Post-DE over 50% and French La Poste about 60%. Of course this dominance is not global, and the geographical location plays a role. WIK(2013) observes that although in the western part of Europe, former incumbents are strong in the national B2C market, in the southern and eastern EU countries, not only is the presence of the NPO in the B2C segment small but also that the B2C segment itself is small in relative and absolute terms. CE (2012) estimates that on average the market share of NPOs in the B2C segment is 35% (compared to a total of 27% in the total CEP market). An analytical presentation of the national postal operators' competitive position in the countries' competitive landscape will be presented in the sections that follow. In any event Copenhagen Economics reveal that out of all those shipments, roughly 35% fall under the Universal Service Area where certain requirements apply¹¹³.

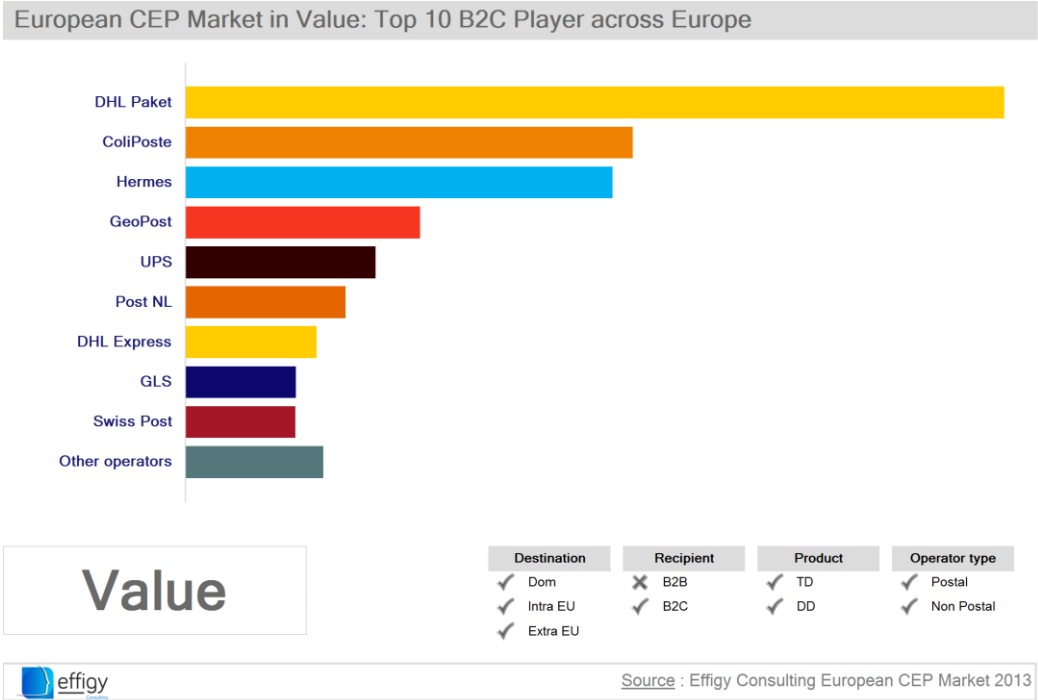
Regarding the type of products the B2C segment covers, it is generally acknowledged that B2C types of deliveries involve the standard (deferred) type of shipments at levels that reach about 90% in total, when the express related deliveries (in the meaning of time definite) in the B2C segment are confined to only 10% of the total¹¹⁴.

¹¹³ CE(2012), E-commerce and delivery p. 103

¹¹⁴ CE(2012) E-commerce and delivery p. 125

According to Effigy (2013) the top 10 European operators covering the B2C segment are the following, in terms of value and volume respectively. They either draw their power from the domestic segment and/ or the international segment.

Figure –14 European CEP Market in Value: Top 10 B2C Players across Europe – Relative Size¹¹⁵



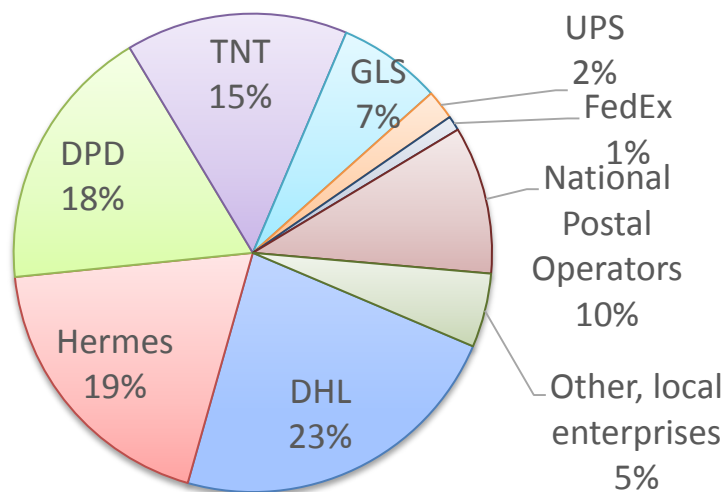
Apex insight (2015) reports that the CEP market leaders are the postal operators of the largest three countries (i.e. Germany France and the UK), including their express subsidiaries. The integrators follow with FedEx being the weakest of all. The total market owned by this leading group accounts for two thirds of the total CEP market in Europe leaving a non-negligible 1/3 to the smaller national operators and the independent carriers.

Statista (2012) reports that the share of the NPOs in the total B2C market reaches a maximum of 10% of the total segment in terms of volumes.

Figure 15: B2C market share of parcel services in Europe (by number of packages delivered in 2011)¹¹⁶

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¹¹⁶ <http://www.statista.com/statistics/235412/b2c-market-share-of-parcel-services-in-europe/>



Source: Statista (2012)

By Geographic Area

On that basis, the geographical segmentation can divide the market into the following areas:

Domestic CEP service

This describes the situation when both the sending operator and the receiving customer (individual or business) are based in the same country (individual or business).

Cross border CEP Service

In this segment one could envisage a further breakdown – relevant for an EU type of analysis – into intra and extra EU. It describes a situation when the sending operator and the final recipient customer (individual or business) are not residing in the same country.

According to CE (2012)¹¹⁷ cross border deliveries account for 15% of total volumes, 80% of which are shipments within the EU.

The international market is concentrated. According to AT Kearney (2012)¹¹⁸ the integrators alone (DHL Express, TNT Express, FedEx, and UPS account for 87% of the international express markets), a trend that is likely to continue in view of the announcement of the potential merger between TNT and FedEx¹¹⁹. The share of network players in international standard is estimated at 52% in 2012¹²⁰.

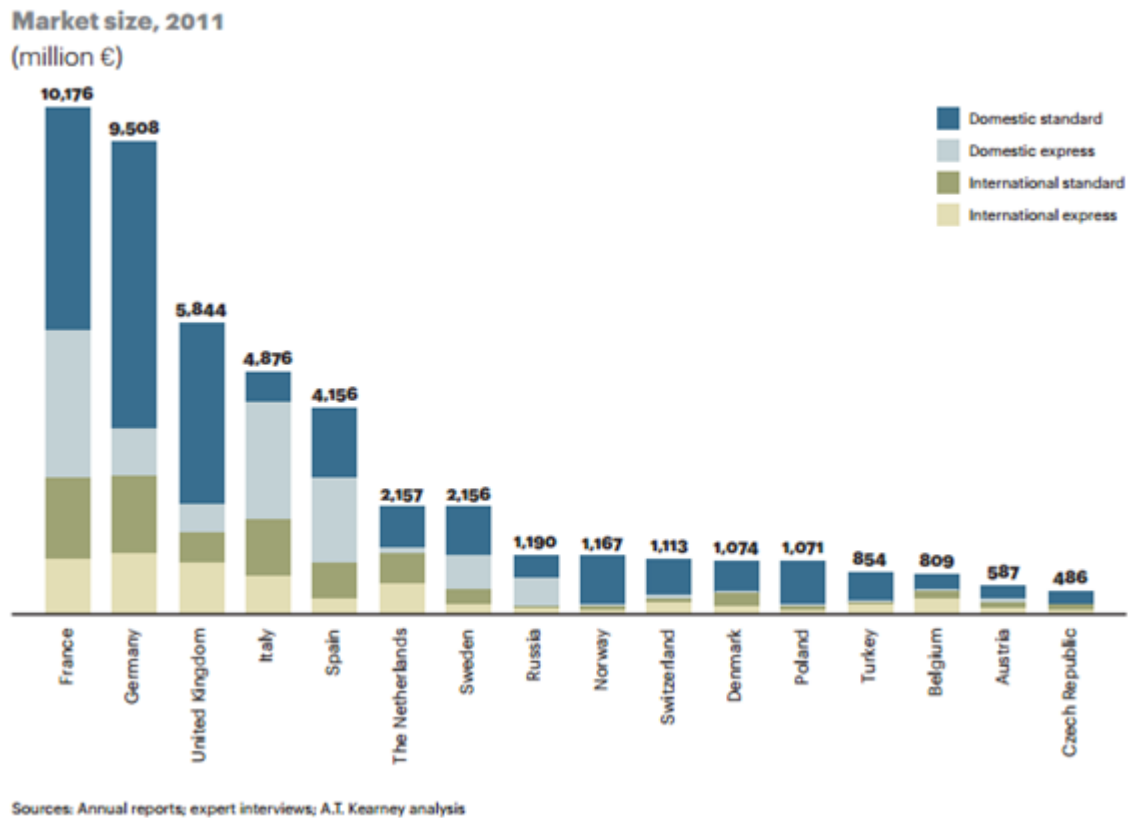
Figure 16 – Breakdown of Europe's CEP market by country

¹¹⁷ CE Ecommerce (2012) E-commerce and delivery, p. 104

¹¹⁸ Effigy (2013) a CEP Market Summary for the European Commission

¹¹⁹ <http://postandparcel.info/66800/news/update-tnt-takes-note-of-ecs-phase-ii-review/>

¹²⁰ AT Kearney (2012) Europe's CEP market: Growth on new terms



WIK(2013)¹²¹ also stipulate that although express services only account for one quarter of domestic shipments in **cross-border market segments, express accounts for more than half of the shipments.**

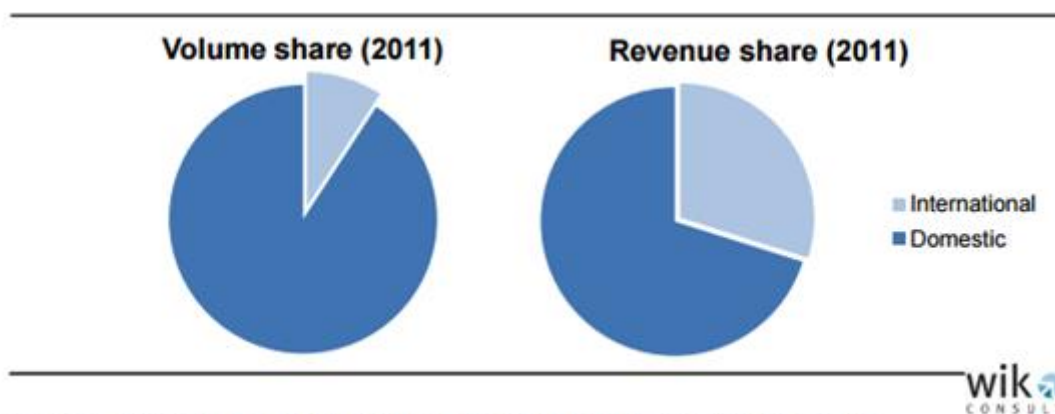
In small countries cross border parcel & express services are more important than in large countries (e.g. in the Netherlands and Belgium compared to Germany and U.K.).

In terms of volumes, international express shipments, according to WIK(2013) outperformed domestic parcel & express business¹²², although regarding **the total CEP market**, domestic shipments still account for approximately 70 % of total revenues and approximately 90 % of volume in the total European parcel & express market.

Figure 17 – Domestic vs. cross border parcel and express services (2011)

¹²¹ WIK (2013) Main developments Study (2010-2013)

¹²² AT Kearney (2012) Europe's CEP market: Growth on new terms



Source: Based on A.T.Kearney (2012), Europe's CEP Market: Growth on New Terms.

Cross-border parcel & express services are still dominated by B2B shipments. A.T. Kearney estimated that B2C accounted for more than 90 % of domestic volumes but only 10 % of cross-border volumes in 2010. The B2C segment however is experiencing a tangible and steady growth overall which we will further explore in the sections that follow. **However, this relatively low share of cross-border B2C volume reflects the comparatively lower importance of cross-border distance selling (ecommerce + catalogue) compared to its role in national markets¹²³**, a trend however that it is expected to change if one takes into account the developments in ecommerce activity presented briefly in the introductory chapter of this Annex and explained in the section that follows¹²⁴.

¹²³ WIK (2013) Main developments in the postal Sector (2010-2013)

¹²⁴ AT Kearney (2015) : Europe's CEP Markets: Steady Growth begins to shift: Market Outlook p. 6

TRENDS

There is nothing more constant than change and this particularly true for the global CEP markets. In the last years European delivery operators have experienced a constant pressure to transform their operations, to meet the changing consumer needs, to better respond to the pressure for efficiency and technological improvements, and of course to adapt in the global economic and commercial context. In this environment a key role has been playing **the take up of ecommerce** which created in turn a need for efficient, better, cheaper and more accessible B2C delivery services, both domestically and cross border. The B2C high-cost low-margin cross border parcel, from an unattractive business segment became the **focus in the operational transformations** of national postal operators and network operators alike.

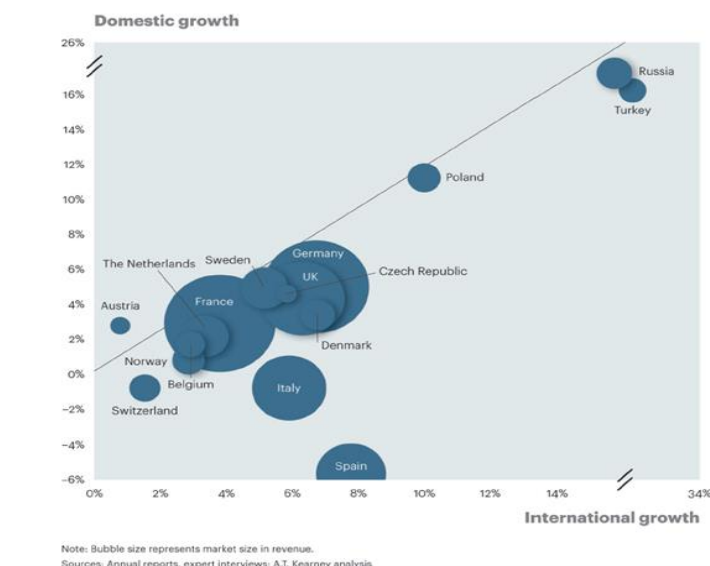
There are three main observable trends that most analysts highlight in their recent studies on the European CEP (as well as global) markets:

- A trend towards transforming business operations to **target the B2C segment**
- An increase in the demand for **cross border** CEP delivery services (both B2B and B2C)
- An increase in the demand for **lower value (standard and/ or deferred)** and an equivalent shift of the focus from the express segment of the market equally for the B2B and for the B2C segment.

According to CE (2012)¹²⁵ 60% of all B2C volumes (and about 2bn items in 2011¹²⁶) are related to Ecommerce, a percentage that increases to 68% when we zoom in on the best ecommerce performing countries, i.e. Denmark, Finland, France, Sweden, UK, Germany, and the Netherlands.

According to AT Kearney¹²⁷ the *cross border* segment showed growth figures higher than the domestic CEP one (8% in volume and 6% in revenue vs. 6% in volume and 3% in revenue) between 2009 and 2011. In addition, emerging markets (like the Polish market) show bigger growth rates and growth potentials compared to the more mature CEP ones (UK/ DE/ FR) both domestically as well as internationally.

Figure 18 – Domestic versus International revenue growth by country



Source: AT Kearney (2013)

¹²⁵ P. 121

¹²⁶ FTI(2011) provided that distance selling in general is responsible for 2.3 bn shipments in total

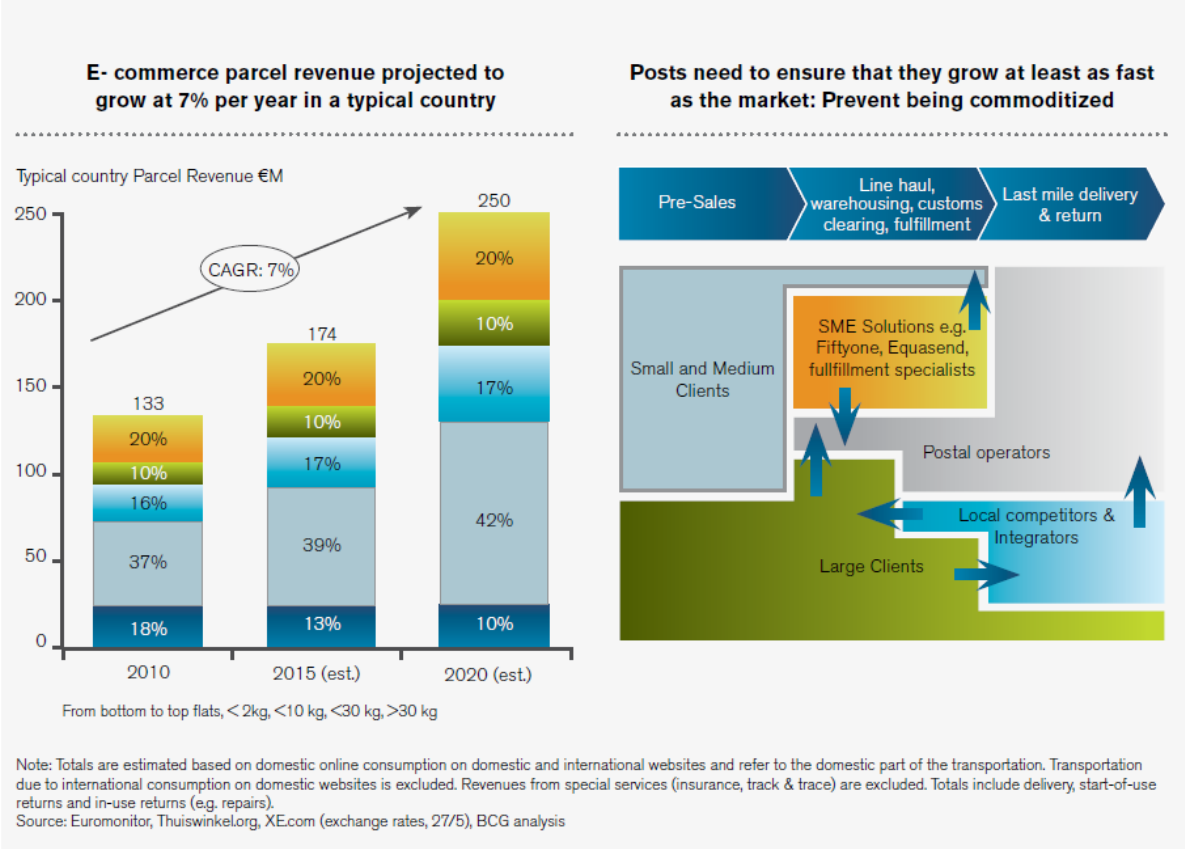
¹²⁷ we note that those estimations include freight operations to some extent

In addition, according to the same study, most European countries are experiencing stronger growth in the *non-express segment* of the market than in the express one (in particular in the domestic segment but also cross border). *Cross border* B2C shipments are expected to grow by an average of 12% per year (although in 2011 they accounted for only about 10% of the total CEP market in terms of volumes). Network players (FedEx, TNT Express, DHL, UPS) have managed in view of this evolution to rise their combined market share in the international standard (deferred) segment to 52%.

BCG (2012)¹²⁸ in their study confirm that the cross border, B2C standard (low cost) part of the market is increasing, being the focus of the strategy of many national postal operators and also alternative delivery operators. As a result, the projected growth in the total value of parcel delivery business attributed to ecommerce only is 7% at a compound average rate, and is estimated to grow until 2020, with the same pace. It is also highlighted that the revenue from relatively higher weight parcels (above 2 kg) is expected to grow in the expense of the revenue generated form parcels below 2kg. WIK (2013) quoting GeoPost related research¹²⁹ also states that the B2C segment is expected to grow at higher rates than the B2B segments (6-8% vs. 2% respectively) estimating that by 2020 30% of total B2C parcel trips will be across the borders.

Figure 19 – e-commerce reacted parcel revenue per weight category

Figure 15: E-commerce: outgrow the market and take key positions



Source: BCG (2012)

According to the same analysis, the B2C segment of the market is 25% of the total CEP value [but 56% in terms of volume according to CE (2012)], leaving the remaining 75% of total value to the (still

¹²⁸ BCG(2012) Focus on the future
¹²⁹ WIK(2013) Main Developments in the Postal Sector (2010-2013) p.223

growing) B2B segment (which is less than 30% of the total in terms of volume according to CE (2012¹³⁰) a segment that still shows growth however at a slower pace (of 4% of annual growth).

The same study shows that the low value B2B segment holds a share of 55% within the total B2B segment. That means that part of the B2B market, traditionally served by the high-value express operations, could instead be served by a slower and lower value but equally reliable delivery service. Network operators (integrators) have developed their offer of international low(er) value services to reach a combined market share of 52%, as previously stated. BCG (2012) considers that a traditional postal operator business might be better placed to service this "new" low-value B2B segment of the market, due to its network structure and existing product offer.

Effigy (2013) reports that the domestic CEP market has been growing faster in volume (+4.5%) than in value (+3.1%). This is mostly due to the B2C development with a lower profit margin. This effect is even stronger on the International Intra EU segment with a volume growth of +7.2% versus a value growth of 4.6% due to expanding cross-border e-commerce activities (that produce standard/ deferred type of shipments).

MARKET RESPONSE TO CHANGING CONSUMER NEEDS

Against this background of continuous ecommerce growth, operators are trying to respond to the changes in the market conditions and in consumer preferences. Total internet retailing has now reached 400bn in value, showing growth rates of 15%¹³¹, which create in turn a growing demand for delivery services. According to Ecommerce Europe's statistics, the value of e-commerce in Europe in 2015 accounts for 430bn Euros in Europe and is translated to over 4 billion parcel items annually¹³².

Operators are designing new delivery services and creating innovative strategies to cover the B2C market segment with an aim to improve the delivery experience for the final individual consumers. Two general trends illustrate this trend:

- The creation of innovative services and targeted marketing strategies to meet the needs of the B2C segment, especially with respect to the delivery (and return) experience.
- A trend towards optimising network operations (through mergers and strategic alliances) on the cross border deferred segment in particular, with an aim to cut down costs.

In the paragraphs below we will be presenting very briefly some illustrative examples of the trends mentioned above:

Innovative Products

UPS launches MyChoice¹³³

In 2013 UPS launched the innovative service "My choice" enabling users to stay up to date with proactive **Delivery Alerts** (text, email, and voice) and to know when parcels will arrive, and in most instances, providing an **estimated delivery time**. "MyChoice" offers apart from delivery real time information the possibility to reroute the shipment to a new destination or to a UPS delivery point.

DPD launches "Follow My Parcel"¹³⁴

With this service DPD is able to provide parcel recipients with a one hour delivery window, notified by SMS and email. It also includes a re-routing option en-route. if the customer prefers to receive the

¹³⁰ p. 103

¹³¹ Apex(2015)

¹³² about 60% of the total parcel volume in Europe, if one calculate it as a share of the maximum estimated total of the CEP Market (which is 6,5bn, according to WIK (2013))

¹³³ <https://www.pressroom.ups.com/pressroom/ContentDetailsViewer.page?ConceptType=FactSheets&id=1426321556103-109>

¹³⁴ http://www.dpd.co.uk/content/products_services/followmyparcel.jsp

consignment in an alternative delivery date, if they opt for delivery to a nominated neighbour, if they prefer to have the parcel left in a specified place or even collect the parcel from a local DPD Pick up Shop.

Royal Mail & text messaging¹³⁵

Royal Mail has launched a free-of-charge mail and SMS delivery notification services to help online retailers keep their shoppers updated on the delivery of their goods to contract customers or on items delivered via tracked services¹³⁶.

Industry Initiative taken by the National Postal Operators

In response to the requirements of the EC Green paper “An integrated parcel delivery market for the growth of e-commerce in the EU”, and also in an attempt to accelerate the development of new services and solutions for cross-border delivery in the context of e-commerce, NPOs (within the collaborative platform of IPC and with Post Europe¹³⁷), have developed a set of lightweight parcel products and improved delivery services addressing the cross border segment of the market. This project is currently work-in-progress and will be covered separately in this Impact Assessment.

Alternative delivery streams

In an effort to improve delivery experience and provide more convenient solutions to consumer and reduce the instances of unsuccessful delivery, operators elaborated on the concept of alternative delivery streams. In most of the cases operators invest in building delivery networks in their domestic territory although several of them have been expanding in other countries.

DHL’s Packstation network:

This network established by Deutsche post/ DHL provides automated booths for self-service collection of parcels and oversize letters as well as self-service dispatch of parcels 24 hours a day, seven days a week. Packstation started as a pilot project in 2001 and was quickly expanded. By November 2011 there were 2500 Packstation machines in Germany¹³⁸.

Austrian Post's Post24-Station¹³⁹

The Austrian Postal Service introduced a virtually identical service called Post.24-Station in November 2006. In Vienna, Stations have been installed in supermarkets, petrol stations, and post offices that can easily be reached by public transport. WIK (2013) report that in 2010 there were 24 parcel stations in Vienna.

Smartpost’s self-service parcel terminals in Finland¹⁴⁰

A company called SmartPOST runs a network of self-service parcel terminals in Finland and Estonia. The terminals are located in shopping centres and other public premises. They enable clients to send and receive parcels and pay for them at the collection point.

Network Rail’s Duddle service in the UK

¹³⁵ <http://www.royalmailgroup.com/royal-mail-helps-online-retailers-keep-shoppers-updated-their-deliveries>

¹³⁶ <http://www.royalmailgroup.com/royal-mail-helps-online-retailers-keep-shoppers-updated-their-deliveries>

¹³⁷ <http://www.ipc.be/>

¹³⁸ <http://newsletter.dhl.de/11651/letterView.php?id=111689#124134>

¹³⁹ https://www.post.at/privat_empfangen_paket_ems_post24.php

¹⁴⁰ <http://uus.smartpost.ee/en/why-smartpost>

Doddle is a new parcel service with stores based in railway stations and major hubs across Britain. Currently there are 32 train station locations and the number is still growing¹⁴¹.

In Post Network of Lockers (Poland)

InPost parcel lockers are currently the biggest network in the world enabling its clients to send and collect parcels 24/7. So far, over 3 500 parcel lockers have been launched in Poland and on global markets¹⁴².

Homepaq' and 'Citypaq' (Spain)

'Homepaq' is a new service rolled out by Correos Group in Spain that aims to provide more convenient parcel delivery services by providing free installation of an automated terminal in resident communities, for sending and receiving packages 24 hours a day, seven days a week. In 2015, Correos intends to install the first 'Citypaq' boxes (similar to 'Homepaq' boxes but with a greater capacity) in underground and train stations, transport interchanges and other highly frequented public places facilitating the collection of packages.

According to WIK (2013) apart from delivery operators parcel lockers are also being rolled out by several retailers (the most prominent of which being Amazon).

Table 5 - Number of Parcel stations per operator

Amazon: Undisclosed number of parcel locker stations in the UK (2013).

BPM-Luxembourg: 5 parcel locker stations in Luxembourg.

Bpost: Plans to install 150 to 200 parcel locker stations in Belgium (2010).

ByBox: 1,500 parcel locker stations in the UK (2012). Operation of parcel locker stations in the Republic of Ireland, France and the Benelux.

Deutsche Post / DHL: 2,500 parcel locker stations in Germany (2013). 3 parcel lockers as pilot project in Switzerland.

Estonia Post: 22 parcel locker stations in Latvia (29 planned) and 114 in the Baltic states.

Itella: 38 parcel locker stations in Finland (2010).

Kouzelná Almara: 15 parcel locker stations (100 planned by end of 2013) in the Czech Republic.

La Poste: 31 parcel locker stations in France (2010). 3 pilot projects for returns in France (2012)

InPost: 650 parcel locker stations in Poland. 400 parcel locker stations in Russia. 200 parcel locker stations in the Ukraine. 100 parcel locker stations in in the Czech Republic and Slovakia. 170 parcel locker stations in Ireland (in cooperation with Nightline). Plan to install 2,000 parcel locker stations in the UK by the end of 2013.

Norway Post: 42 parcel locker stations in Norway (2010).

P&T Luxembourg: 12 parcel locker stations in Luxembourg.

Post Danmark: 102 parcel locker stations in Denmark (2010). 300 new parcel locker stations planned by end of 2013.

¹⁴¹ <https://www.doddle.it/?v=1>

¹⁴² <http://www.inpost24.com/en/inpost-lockers/global-reach>

Österreichische Post: 24 parcel locker stations in Vienna (2010).

PostNL: 3 parcel locker stations as test project started in 2012.

Swiss Post: Plan to install 40 parcel locker stations by the end of 2014.

Source: WIK desk research, 2013.

Consigned delivery of GeoPost (France)

According to the Annual Report of LaPost (2014) in January 2014, GeoPost signed an agreement with Neopost ID to set up and operate an automatic and secure consigned delivery network for delivering and returning parcels in France. An initial rollout of 1,500 consignment points has been scheduled up for 2016, followed by the installation of 3,000 consignment points over the longer term. The agreement provides for setting up a joint venture, Packcity France, which will be jointly owned by GeoPost and Neopost, while the consignment points will be operated under the Packcity brand.
DPD Parcel Network in UK

According to IPC Flash Report, DPD will launch a UK parcel shop network with up to 2,500 locations under the PickUp brand in June 2015 to step up its expansion in the fast-growing B2C market, highlighting the company's corporate strategy to expand in the Pick Up and drop-off business model that already includes 7,000 outlets in France, 5,000 in Germany and nearly 2,000 in other countries.

PiggyBee 143

An interesting marketing development is the newly established business model that promises to deliver cross border shipments who travellers willing to transport something to the country of their destination. Collaborative shipping is a newly developed concept that follows the logic of crowdsourcing the impact of which in the structure of the market needs to be further analysed in the future¹⁴⁴.

Mergers, Acquisitions and Strategic Alliances

The B2C segment of the market, and especially the cross border one, is difficult and costly to serve as it usually demands big network investments that handle low volume shipments (per delivery) in the final mile. Operators respond to the need for network optimisation for capacity on parcel business (and notably in the cross border sector) either by concluding with strategic alliances with affiliate operators, by announcing mergers and acquisitions, or by creating new delivery networks in Europe. Examples of these are provided below.

UPS's acquisition of Kiala

In an effort to transform operations to meet the needs of the B2C consumer segment, an reposition it brand image from a primarily B2B express logistics provider to a parcel (cross border) business, UPS has acquired Kiala in 2012 – a technological platform that allows customers to choose a convenient retail store as delivery location. The Kiala network is comprised of more than 7,000 “Kiala Points” that handle up to 145,000 parcels per day, with more than 300 retail companies, including H&M, Esprit, and BrandAlley, among others, using its services¹⁴⁵. Kiala was active in 5 European countries (BE, FR, ES, LU, NL). UPS is now combining Kiala points with its own network and rebranding all outlets as UPS access points.

Cross Border Growth Strategy for DPD and GLS

¹⁴³ <http://www.piggybee.com/en/>

¹⁴⁴ <http://siliconvalley.blog.lemonde.fr/2015/06/17/pour-limiter-ses-couts-amazon-testerait-un-uber-de-la-livraison/>

¹⁴⁵ http://www.logisticsmgmt.com/article/ups_expands_b2c_presence_with_kiala_acquisition

According to WIK(2013) DPD and GLS, the subsidiaries of La Poste and Royal Mail respectively, offering cross border services through a ground based logistics network, implement a strategy of establishing partnerships with companies already organised at the local level, to be able to utilize a delivery network in the countries wishing to operate in.

GLS partnering with Mondial Relay

Following a similar strategy with UPS, GLS collaborated with Mondial Relay in order to improve their delivery quotes and the delivery experience for the final consumers. Mondial Relay points are on average a 12 minute drive away of all households in France; therefore they offer a wide and valuable B2C network coverage, facilitating the expansion of GLS in their domestic market¹⁴⁶. Mondial relay offers an easy delivery alternative in case of failure of first delivery attempt, reducing delivery costs and increasing efficiency for GLS offering a network of 4300 points collect in 2013. Mondial Relay has collection points also in Belgium. DHL, in order to facilitate their expansion strategy in France, has also concluded in a partnership agreement with Mondial Relay in the end of 2013¹⁴⁷.

DPD – implementing an organic growth strategy

DPD pursues a growth strategy, according to WIK (2013), by planning a gradual expansion of access points with a focus on emerging parcel markets. DPD Poland took over courier company Siódemka and this acquisition brought DPD to be the leading provider in the country. DPD UK started building Europe's largest parcel hub in Leicestershire. GeoPost took control of the British logistics provider WinDirect, which allows it to develop its position in the international market with dedicated solutions for e-retailers¹⁴⁸.

Failed merger of UPS and TNT

In March 2012 UPS and TNT announced their intention to establish a global express and logistics company¹⁴⁹. The Commission expressed serious doubts as to its compatibility with the internal market. The European Commission finally decided to block the 5.4bn merger on the grounds that it would seriously affect competition in the express small package segment of the markets within the EEA and 15 MS¹⁵⁰.

FedEx to acquire TNT

Following the failed merger of TNT with UPS, FedEx has requested EU's approval for its 4,4bn € bid for TNT¹⁵¹. FedEx has made strategic investments to strengthen their position in the European market. WIK (2013) report that FedEx has acquired in Tatex-FR and Opek -PL, to build up its own facilities and slightly repositioned its brand image to cover the deferred B2B segment of the market (in response to the changing market needs).

International Strategy of NPOs

In order for national postal operators to organise their international strategies they have the opportunity to conclude (apart from the bilateral agreements briefly described above) international agreements. One opportunity is the e-Parcel Group (EPG), a cooperation of 29 European NPOs plus

¹⁴⁶ <https://gls-group.eu/EU/en/news-overview/strategic-alliance-in-france>

¹⁴⁷ <http://postandparcel.info/59384/news/markets/dhl-express-teams-with-mondial-relay-for-french-e-commerce-delivery/>

¹⁴⁸ http://www.dpd.com/portal_de/home/news/latest_news/geo-post-launches-its-new-brand-identity-c

¹⁴⁹ http://www.tnt.com/corporate/en/data/press/2012/03/UPS_and_TNT_to_create_a_global_leader_in_the_logistics_industry.html

¹⁵⁰ http://europa.eu/rapid/press-release_IP-13-68_en.htm

¹⁵¹ <http://postandparcel.info/65949/news/fedex-requests-eu-approval-for-tnt-bid/>

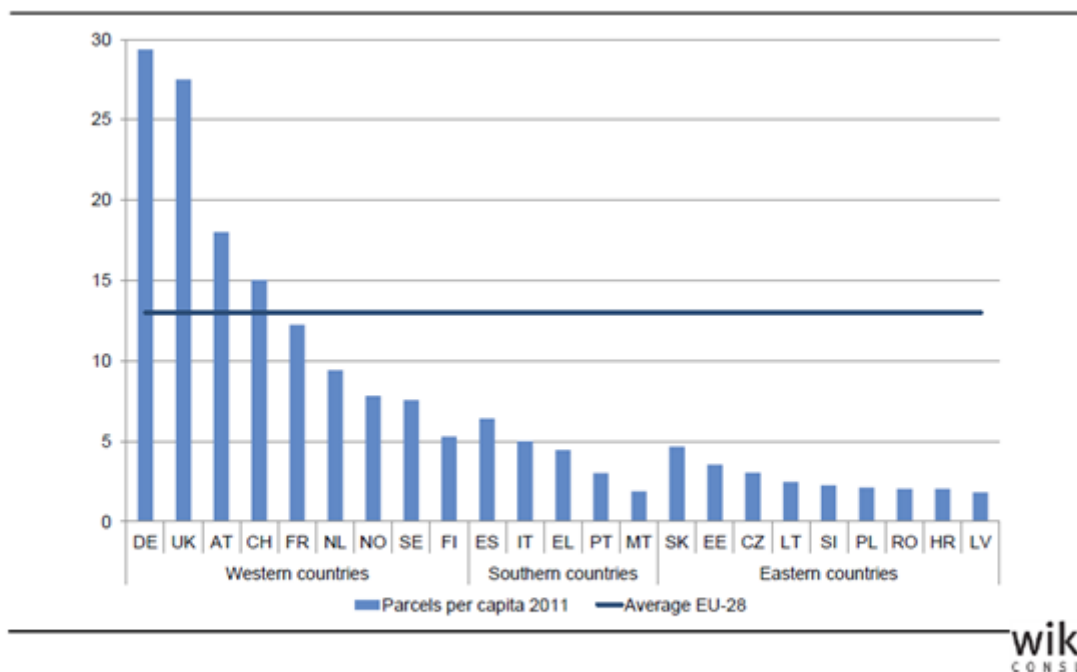
USPS (the USA counterpart). Another possibility is to directly use the framework of the UPU agreement (which is particularly the case for the cross border services outside the territory of the EU).

COUNTRY-SPECIFIC CEP MARKETS

In this section we will present the 8 largest CEP markets in Europe. According to E-Commerce Europe¹⁵² the UK, Germany and France, account for 61% of the total ecommerce sales in Europe. At the same time the Netherlands, Austria, Spain Italy and Poland are also identified as big (or emerging) e-commerce markets. According to Effigy (2013) Germany, the UK, France, Italy and the Netherlands are responsible for about 75% of the EU total CEP market.

WIK(2013) gives the following estimations on the per capita volume distribution in Europe in 2011:

Figure 20 – Parcels per capita in EU28



The international integrators (namely DHL, UPS, TNT Express, FedEx) as well as the main pan-European operators (namely GLS, DPD and Hermes) have been established in nearly all 8 countries of reference. For the purposes of this analysis, however, and since those operators base their business model in offering CEP and logistics services across European and non-European countries, we will analytically present them in section 8 below.

Germany

Market Size

Germany is the largest CEP market in Europe. The volumes generated in the country account for 28% of the European total according to WIK (2013). AT Kearney estimates the figure to be 23% and Effigy (2013) calculates the total at 26% in volume and at 36% in value. According to the same study the

¹⁵² <http://www.ecommerce-europe.eu/home>

market is still growing in value at a rate of around 5% internationally and 4% domestically. According to Deutsche Post Annual Report (2013) the German parcel market increased by nearly 5,1 % compared to the prior year and was estimated to be more than 8 billion Euros. According to Apex insight (2015) the size of the DE market is reflecting its extensive manufacturing base and advanced logistics infrastructure. As in most of the large CEP markets, also for Germany, e-commerce was an important driver of growth, although the size of the market is also linked to the characteristics of the country's economy in general. The volume in the German parcel business rose sharply in 2014, according to the 2014 Annual Report of Deutsche post surpassing the prior-year figure by 7.0%. According to Apex Insight (2015) the German market has a positive outlook with a compound annual growth rate of 2.9% from 2015 to 2019.

Competitive Environment

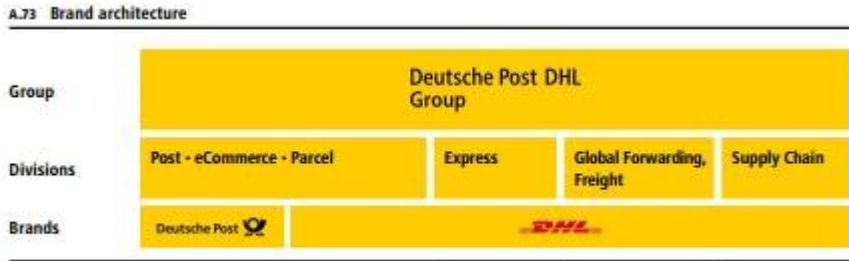
Deutsche post

Deutsche Post AG is a listed corporation headquartered in Bonn. The company is the provider of the Universal Service Obligation in Germany. In the CEP Market they operate through their **Post – eCommerce - Parcel** division inside and outside Germany. Outside the country, in particular, the company offers domestic parcel services in other markets and is constantly expanding their portfolio of cross-border parcel and goods shipping services. The main offer with respect to the ecommerce - Parcel segment, as described in Deutsche Post Annual Report, is concentrated on the following product categories: domestic parcel services, cross-border shipment of goods, fulfilment services and special services.

Through their **Express** division the company offers time-definite courier and express services to business and private customers in more than 220 countries. In the domestic parcel market, Deutsche Post/ DHL holds around 43% of market share in the domestic market (in terms of value). In the European International Express Market DHL Express holds a 41% of market share. The Cross border Markets will be covered in the next sections.

The Group uses two main brands to communicate their products Deutsche post and DHL:

Figure 21 – Brand architecture of Deutsche Post/ DHL



Source: Deutsche Post DHL annual report (2014)

Worldwide online retailing continues to have a positive impact on the company's parcel business. In 2013 revenue in the ecommerce - parcel business unit was €5,6 billion, presenting an increase of 6.5 % compared to the previous year. The volume in the German parcel business rose in 2014, by 7.0 %. Revenue exceeded the 2013 figure by an even wider margin due to changes in the product mix.

Table 6 – Parcel Volumes

A.48 Parcel Germany: volumes

Parcels (millions)	2013 adjusted	2014	+/- %	Q4 2013 adjusted	Q4 2014	+/- %
Parcel Germany	965	1,033	7.0	285	309	8.4

Source: Deutsche Post DHL annual report (2014)

The other domestic parcel business in Europe performed equally well, according to the 2014 Annual Report of Deutsche post. The worldwide e-commerce activities continue to expand. Revenue increased in 2013 year, mainly due to the growth identified outside Europe.

Hermes Logistik Gruppe¹⁵³

Hermes Logistik Gruppe (HLG) specializes in the B2C segment of the market offering CEP services in Germany and outside. Due to the fact that the company offers cross national delivery services, we will present it in the section that follows. On the domestic German market however, Hermes Germany has very recently bought a 28.5% stake in start-up Liefer Factory GmbH, which offers same-day and time definite delivery through its Liefery service. The objective was, to expand its portfolio with a same-day delivery option for e-retailers and other shippers. The company's network comprises around 50 metropolitan areas in Germany where more than 2,500 couriers deliver shipments to recipients. Hermes intention is to focus on offering the "Same Day Service powered by Liefery" increasingly to business shippers and online retailers. By the end of 2015, Liefery aims to cover 100 German towns and cities.¹⁵⁴

Other Operators

All operators with pan European presence are established in the German Market (namely UPS, GLS, DPD, FedEx and TNT). However we will present their business model and their basic business information in a separate section that follows.

UK

Market Size

According to PWC¹⁵⁵, in 2012 the UK total (inland) parcel market amounted to about **1.7 billion items**. Effigy (2013) estimates that the UK market is about 14% in terms of turnover of the total EU market. According to Effigy (2013) UK's international parcel growth reaches a growth rate of 10% compared to a 5% of domestic growth. B2C and C2C segments represent two thirds of the total CEP market in the UK and these segments are expected to grow at approximately 4.5-5.5% in the medium run¹⁵⁶. All large European parcel operators have a presence in the UK market in order to profit from its size and growth potential. In this market we also observe a series of interesting developments in relation to delivery (notably the decision of Amazon to pilot its own delivery network).

The UK's e-retail market is one of the largest in the world. It is said to account for 13% of all retail sales fulfilled online and is expected to grow by a further 16% by 2019¹⁵⁷. Although the UK's e-commerce market is thriving, resulting in tangible growth rates in volumes, we observe a competitive pressure that is transforming the landscape of the delivery business in the country. As we will explain

¹⁵³ <https://www.hermesworld.com/int/about-us/hermes-group/hermes-logistik-gruppe-deutschland/>

¹⁵⁴ <http://www.ipc.be/?/media/documents/public/market-flash/501-600/mf514.pdf>

¹⁵⁵ PWC(2012) "Outlook for UK mail volumes to 2023"

¹⁵⁶ Royal Mail Annual Report (2014)

¹⁵⁷ RM Annual Report (2014)

below, some companies have had to transform their operations to meet consumer needs in view of the increasing competition. This pressure is also reflected in some recent e-retailers decisions with respect to the administration of their online retail streams¹⁵⁸. According to Apex Insight (2015) the UK parcel delivery market is expected to continue to grow in the next 5 years, to exceed 13bn by 2019.

Competitive Environment

Royal Mail plc¹⁵⁹

Royal Mail plc is UK's national postal operator. Royal Mail, when handling parcels, utilises a composite business model: Royal Mail's core network (UKPIL), ParcelForce Worldwide (a dedicated parcel division) and GLS (RM's subsidiary, which we will cover separately). According to Royal Mail's Annual Report, in 2014, the parcels handled by Royal Mail's network exceed in number **1 billion items** (991m handled by the core network and 77m through Parcelforce). This is equal to a **14% share of the total CEP market in Europe**, in terms of volumes. In the domestic market, Royal Mail (together with Parcelforce) holds a 52% share (in terms of volume) and 38 % in terms of value¹⁶⁰. Although total volumes continue to experience a steady growth, revenues from parcels are flat (grew by only 1%) reflecting, according to Royal Mail analysis, a change of mix (towards B2C vs. B2B) and pricing (volumetric based pricing vs. weight based pricing). Out of the 77m parcels handled by ParcelForce, almost 7m (a rough 10%) cover the international segment. In Europe Royal Mail is present using the brand name GLS. GLS will be covered separately in the sections that follow.

Table 7- Summary trading results, Royal Mail 2014

Summary trading results			
(£m)	Adjusted¹ 52 weeks 2015	Adjusted 52 weeks 2014	Underlying change²
Letters & other mail	3,400	3,514	(3%)
Marketing mail	1,167	1,111	5%
Total letters	4,567	4,625	(1%)
Parcels	3,190	3,162	1%
Revenue ³	7,757	7,787	Flat
Operating costs before transformation costs	(7,142)	(7,179)	(1%)
Operating profit before transformation costs	615	608	
Operating profit margin before transformation costs	7.9%	7.8%	40 bps
Transformation costs	(145)	(241)	
Operating profit after transformation costs	470	367	
Operating profit margin after transformation costs	6.1%	4.7%	20 bps
Volumes (m)			
Letters			
Addressed letters	13,009	13,342	(4%)
Unaddressed letters	3,157	3,143	1%
Parcels			
Royal Mail core network	1,015	991	3%
Parcelforce Worldwide	86	77	12%
Total	1,101	1,068	3%

Source: Royal Mail Annual Report (2014)

¹⁵⁸ <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/11711534/John-Lewis-to-charge-2-for-click-and-collect.html>

¹⁵⁹ http://www.royalmailgroup.com/sites/default/files/Annual%20Report%20and%20Accounts%202014-15_0.pdf

¹⁶⁰ Annual report (a presentation)

Yodel

Yodel is a delivery operator targeting businesses and individuals sending parcels to the UK, Ireland or internationally (Europe and abroad) that weigh up to 25 kg. Similar to GLS, it also operates in the deferred (standard) parcel segment, i.e. international delivery times 3-5 days, times not being guaranteed, and with optional insurance coverage. Yodel was launched in 2010, following the merger of Home Delivery Network Ltd and the domestic B2B and B2C businesses of DHL UK. However, Yodel has been focusing their efforts to integrate the two networks formerly distinct networks. Its £535m annual revenue is split currently into 30% B2B and 70% B2C¹⁶¹. It currently cooperates with some of the UK's large retailers (including Amazon, Argos, Boots and Tesco Direct).

Yodel's recent joint venture with Paypoint, Collect+ is a parcel collection, delivery and returns service which is available from 5,800 stores in the UK. The number of Collect+ parcel transactions has risen from 7.7 million in 2012/13 to 13.6 million in 2013/14 to 18.8 million in 2014/15.¹⁶²

CityLink

City Link, a private equity parcel company that has been in the competitive landscape of the UK market since 1969, with the parcels contributing about 60% of its profits and 40% of its revenues was declared bankruptcy on Christmas Day, 2014. The company was at the time going through a period of change, trying to overcome administrative problems initially motivated by the IT incompatibility following the merger with Target Express in 2007. Although the sector and the company experienced a volume growth¹⁶³, they could not cope with the extra costs of dealing with the Christmas deliveries, so the equity holders decided to put the company into administration. A part of their market share was absorbed by Royal Mail Group¹⁶⁴.

Hermes UK

Hermes as explained above, owned by a DE-based distance selling company (Otto Group), operates in the UK primarily in the B2C segment (e-commerce focused). In 2012 it reportedly handled **165m parcels**¹⁶⁵. As from 2012 the company improved their network capacity (expanding its network of Parcel Shops from 2000 to 3000, including additional hubs) in order to accommodate the increase in volumes and facilitate the consumer needs. Hermes secured a four-year contract extension with the fashion retailer Next in one of the biggest ever home delivery deals in the UK.

UK Mail

UK Mail, one of the competitors of Royal Mail in the traditional letter mail segment, is currently active in four segments: Mail, Parcel, Courier and freight. On the parcel segment, they focus equally on the B2B, B2C segment¹⁶⁶. The company, originally called Business Post, was founded during a postal strike in 1971.

¹⁶¹ <http://postandparcel.info/57885/in-depth/yodel-strategies-to-restore-a-reputation/>

¹⁶² PayPoint, Annual Report for the Year Ending 31 March 2014 and Annual Report for the Year Ending 31 March 2015.

¹⁶³ <http://www.ft.com/intl/cms/s/0/392e7cd2-90e6-11e4-914a-00144feabdc0.html#axzz3edOMIAW1>

¹⁶⁴ Royal Mail Annual Report (2014)

¹⁶⁵ <http://postandparcel.info/56588/news/companies/hermes-uk-expects-15-growth-in-parcel-volumes-this-year/>

¹⁶⁶ <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/11711534/John-Lewis-to-charge-2-for-click-and-collect.html>

Whistl

Whistl, is former TNT post UK, is a fully owned subsidiary of PostNL, former TNT Group. In 2011, the group split to form TNT Express and PostNL. TNT Post UK became a subsidiary of PostNL, and was rebranded as Whistl in September 2014. They reportedly handle **60m parcels each year**¹⁶⁷¹⁶⁸¹⁶⁹.

Amazon Logistics¹⁷⁰

Amazon, the online retailer, currently delivering their parcels in the UK through the networks of Royal Mail, Yodel and Whistl has recently implemented an own-delivery strategy. According to the Financial Times¹⁷¹ Amazon is believed to have already absorbed 3 % of the UK parcel delivery market, accounting for about **70m parcels annually**. According to the 2014 Annual Report of Royal Mail, the growth of e-commerce related delivery market will largely depend on the extent of Amazon's rolling-out of the own-delivery network and its commercial success. The company recently announced a Same day Delivery service (under the brand "Pass my Parcel")¹⁷² utilising a network of delivery locations, using Connect Group (a newspaper distributor). It has recently announced an innovative one-hour delivery service, however available for free only for customers under subscription, and only in a specific postal codes in London Metropolitan area¹⁷³ for the moment. Financial Press, published information of the company's intention to take stake in Yodel's capital through an option which offered a considerable discount form Yodel's market value¹⁷⁴.

Other Operators

All main operators with pan European presence are established in the UK Market (namely UPS, DHL, DPD, Fedex, Hermes and TNT). However we will present the different operator's business model and their basic business information in a separate section that follows.

France

Market Size

According to Effigy (2013) the delivery market in France accounts for 14% in terms of value and 12% in terms of volumes in the European total. According to the same study the CEP market in France grows more internationally than domestically in terms of revenue, however, as in most of the Western Member States, the market has grown in volume in both segments. As in all large CEP markets, all integrators (DHL, FedEx, TNT, UPS) as well as GLS are established in the country and compete with domestic couriers to deliver parcel and express services from, to and within the country in order to profit from its size and growth potentials. The French¹⁷⁵ ecommerce market is the second largest market in Europe, and was expected to grow to 54bn Euros, according to the forecasts of ecommerce Europe of 2013. More recent data show that E-Commerce in France grew by 11% to spending of €57bn in 2014 and is predicted to break through the €60bn barrier in 2015, according to new figures from the country's e-Commerce association Fevad¹⁷⁶.

¹⁶⁷ <http://www.whistl.co.uk/>

¹⁶⁸ <https://en.wikipedia.org/wiki/Whistl>

¹⁶⁹ in May 2015 Whistl announced that it would suspend door-to-door letter mail deliveries in London, Liverpool, and Manchester, and use Royal Mail's final mile delivery service rather than their own

¹⁷⁰ <http://www.amazon.co.uk/gp/help/customer/display.html?nodeId=201382160>

¹⁷¹ <http://www.ft.com/intl/cms/s/0/43878128-5433-11e4-84c6-00144feab7de.html#axzz3edOMIAW1>

¹⁷² <http://www.amazon.co.uk/b?ie=UTF8&node=6544826031>

¹⁷³ <http://postandparcel.info/65961/news/amazon-introduces-prime-now-in-london/>

¹⁷⁴ <http://www.theguardian.com/technology/2014/mar/24/amazon-yodel-barclay-brothers-deal>

¹⁷⁵ <http://www.ecommerce-europe.eu/press/western-european-e-commerce-expected-to-reach-173.8-billion-in-2013-10-growth>

¹⁷⁶ <http://www.ipc.be/~media/documents/public/market-flash/501-600/mf502.pdf>

1.1.1. Competitive Environment

La Poste (Coliposte, Chronopost, Geopost, Exapaq)

La Poste is a public limited company responsible for the provision of the Universal Service Obligation in France. Operating since 1984 it was the first (incumbent) postal operator to enter the express market¹⁷⁷. Currently it operates in the Parcels and Express Markets through the following divisions: ColiPoste, (its Parcels division) and through GeoPost's Exapaq, Chronopost and Pickup subsidiaries (in the express and pick-up point markets respectively). In the international market the company is present through GeoPost (branded as DPD in most of the cases), a fully-owned subsidiary that operates all parcel and express subsidiaries in Europe and worldwide. Geopost/ DPD division will be covered separately in the sections that follow. The parcels and express segment accounts for about 26% of the groups' revenue and according to the Group's annual Report, the group has collectively handled about **1 billion items** in 2014¹⁷⁸. The results that were published in 2015 claim that the increased revenue generated by the activities in the CEP market offset partially the decline in the Group's profits that were mainly caused by the decline in the letter mail volumes.

Coliposte specialises in delivering parcels within 48 hours to private individuals (BtoC and CtoC segments) in France (domestic), with home delivery services six days a week. It reportedly delivered over **277 million parcels** in 2013.

GeoPost implements a combined model: it is primarily positioned on the BtoB express market, but is also expanding on the BtoC segment, to profit from its rapid growth. GeoPost generated revenue of €4.5 billion in 2013; 26% of its revenue is generated in France and 74% outside France. International (incoming or outgoing) parcels account for roughly 20% of GeoPost's revenue. GeoPost delivered **814 million parcels in 2013**, an increase of 12% compared to 2012.

GeoPost operates in the French market via three subsidiaries:

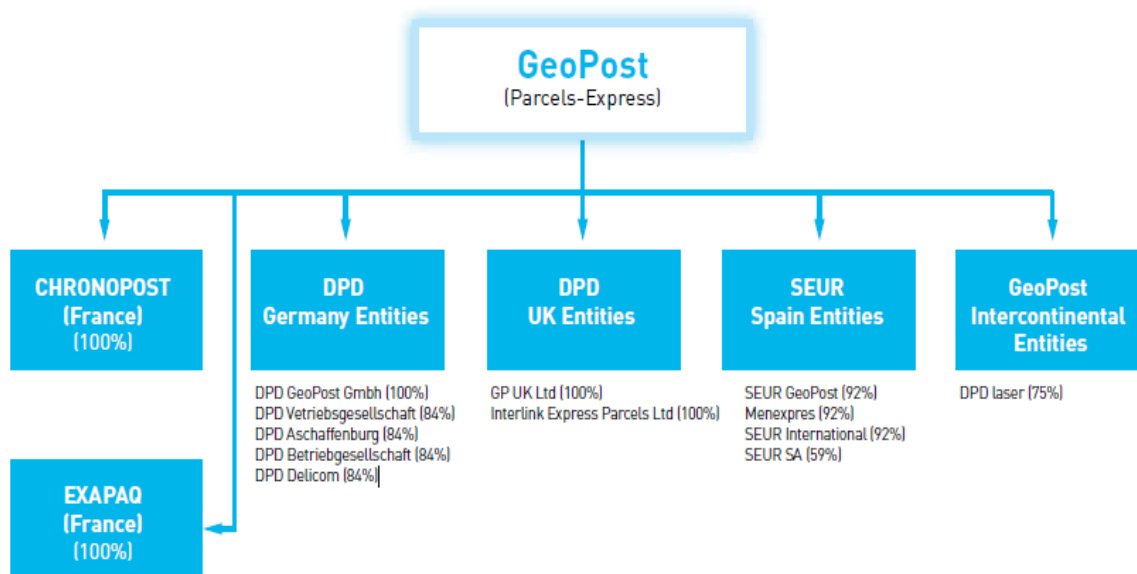
- Chronopost International, focuses on premium express services, for parcels both in the BtoB and BtoC segments. Chronopost is the only express service provider offering coverage throughout metropolitan France for next day home delivery before 1:00 p.m. Chronopost delivered **102 million parcels** in 2013. International express delivery accounted for 25% of its revenue. The share of BtoC deliveries represented 33% of its flows. It includes the Chrono Relais service.
- Exapaq, focuses on express service. Exapaq was founded by 19 independent French freight and express delivery companies in 1995 and was acquired by GeoPost in 2006; the company delivers parcels primarily to the BtoB segment. Exapaq delivered **55 million parcels** on behalf of over 100,000 business and private individuals in 2013.
- Pickup, experts in PickUp and DropOff delivery: The PickUp and DropOff network in France expanded significantly in 2013, with parcel traffic up between 80 and 100% compared with 2012, and new e-commerce players, who wanted to enable their customers to benefit from this service

La Poste (GeoPost) is structured as follows as regards their parcels operations:

Figure 22 – La Poste's CEP brand architecture and operating division

¹⁷⁷ Annual Report (2014)

¹⁷⁸ <http://postandparcel.info/64098/news/companies/la-poste-profits-down-17-7-geopost-and-banking-limits-decline/>



Percentage: of ownership interests (%).

Source: La Poste Annual report (2014)

Geopost Operations as regards the international segment of the market will be covered analytically in the sections that follow

SNCF Geodis

SNCF Geodis is a French logistics operator, owned by SNCF rail operator delivering parcels in the CEP Market, with a focus on the B2B segment. According to Apex Insight (2015) it holds third place among the parcel delivery companies present in the country. It is an important logistics provider in France and it is ranked among the 4 most important ones in the rest of Europe¹⁷⁹. It has a direct presence in 67 countries and covers indirectly 160 countries¹⁸⁰.

Mory Global

Mory Global is an independent company providing a range of transport, logistics and CEP services through a network of 49 branches in France. In 2015 the company published the following information¹⁸¹:

- 49 sites
- 11 international hubs
- 1 national hub
- 11 regional platforms
- **35,000 daily shipments**

¹⁷⁹ <http://www.geodis.com/about-us-@/en/view-1866-category.html/1864>

¹⁸⁰ <http://postandparcel.info/21363/news/geodis-supports-sncf-takeover-bid/>

¹⁸¹ <http://moryglobal.com/en/group/>

According to Apex Insight (2015) the company ceased trading on 30 April 2015 and is currently on liquidation process.

Heppner Transport and Logistics Group¹⁸²

Heppner Transport, a company specialised in logistics, operates as well in the CEP market targeting mainly the B2B segment, in France and internationally, by offering transit times 24-48h throughout France and 24-72 hr internationally. According to Apex insight (2015) the company has one of the biggest networks in France.

Colis Privé

A CEP operator targeting the B2C (ecommerce driven) segment, has reportedly delivered in 2015 over **35 million parcels** offering flexible delivery solutions and innovative product offer. Established in 1993, the company now comprises of 2 independent national platforms and 18 regional agencies covering the territory of France¹⁸³. It offers express 24 h and 48 h delivery services using, according to Apex Insight, 1700 subcontracted couriers and a network of lockers. According to Apex Insight and to recent publications in the economic press¹⁸⁴ in 2014 Amazon acquired 25% of Colis Prive.

Other Operators

All main operators with pan European presence are established in the French Market (namely UPS, DHL, GLS, FedEx and TNT). However we will present their business model and their basic business information in a separate section that follows.

1.1. Spain

Market Size

According to Effigy (2013) the Spanish CEP market represents about 5% of the total European total in volume and 8% in value, after France. Although the country presents a non-negligible decline in its domestic CEP market (of about 3%), the Spanish market still grows internationally (about 2%). According to the same study the B2B segment is exceptionally big compared to the B2C segment (91% vs. 9% respectively). As in all big markets, we also observe most of the important delivery providers present in the market, offering domestic and cross border delivery services. E-commerce Europe identifies Spain as one of the main emerging ecommerce markets (with a total turnover attributed to ecommerce of 15 bn Euros in 2014). According to Correos Grupo Annual Report (2014) e-commerce market in Spain represents an 18% annual increase in 2015.

Competitive Environment

Grupo Correos

The Group comprised of four companies: Correos, Chronoexpres (the express division), Nexea and Correos Telecom.

According to the group's Annual Report (2014) the economic recovery in 2014, the growth of international activity and the growth in e-commerce reversed the declining trend in the parcel market at least in terms of volumes. The development of new business models such as private

¹⁸² <http://www.heppner.fr/en/>

Colis Prive (2014): ¹⁸³ Dossier de Presse

¹⁸⁴ <http://techcrunch.com/2014/05/01/amazon-takes-a-25-stake-in-colis-prive-to-ramp-up-its-delivery-network-in-france/>

shopping clubs, the launching of online shops by major Spanish companies or public support for the development of the sector, have all contributed to this recent growth. The response of Correos Group in this growth came in 2014, when it branded its parcel service under the name Paq, with five products aimed at responding to customers' needs in terms of speed and flexibility: 'Paq 48' and 'Paq 72' provided by Correos, and 'Paq 10', 'Paq 14' and 'Paq 24', supplied by Correos Express. Chronoexpress offers international services, mainly through agreements with other express operators¹⁸⁵.

(a) Correos Express

Correos Express is the subsidiary of Correos dedicated to advanced express delivery mainly in the Iberian Peninsula, offering time and day definite delivery services. It is responsible for the delivery of the 'Paq 14' and 'Paq 24' products described above.

MRW¹⁸⁶

MRW is a parcel delivery network that works through franchising. Apart from Spain it maintains operations in Portugal and Andorra and Gibraltar. Apex Insight (2015) reports that it delivers around 50 m parcels per year, and it estimates that it produces revenues of about 140m.

Transporte Integral De Paquetería, S.A. (TIPSA)¹⁸⁷

TIPSA uses a franchised network to transport and deliver parcels across all regions of Spain, including destinations in Portugal and Andorra. Apex insight reports that it generated revenues of 215million Euros in 2013.

Tourline Express¹⁸⁸

The Portuguese NPO CTT, which owns Tourline Express which has headquarters in Spain and is specialised in courier services.

REDUR¹⁸⁹

REDUR is an operator specialised in e-commerce B2C, B2B, and C2C with headquarters in Spain and deliveries in Portugal and Andorra with its own logistics network.

Unipost¹⁹⁰

Unipost is the private mail operator providing mainly direct letter mail services within Spain and across Spanish borders. However, according to WIK¹⁹¹ (2013), due to the growing importance of the CEP parcels market in Spain and given the network that the company had already established in the country, the Unipost has lately invested in the parcels segment as well, mainly in the small package segment.

¹⁸⁵ Apex Insight (2015) European Percels, Market Insight Report

¹⁸⁶ <http://www.mrw.es/?id=01>

¹⁸⁷ <http://www.tip-sa.com/>

¹⁸⁸ <http://www.tourlineexpress.com/>

¹⁸⁹ <http://www.redur.es/>

¹⁹⁰ <https://www.unipost.es/en/unipost>

¹⁹¹ p. 236

Other Operators

All main operators with pan European presence are established in the Spanish Market (namely UPS, DHL, GLS, FedEx, SEUR (DPD) and TNT). However we will present their business model and their basic business information in a separate section that follows.

Italy

Market Size

According to Effigy (2013) the Italian CEP market accounts for 7% in terms of value and 5% in terms of volume of the European Total. The Italian market, always according to the same study, presents a marginal growth in both the domestic and international segment, of a level of below 2%. The B2B segment is considerably bigger in absolute and relative terms (in relation to other European countries) compared to the B2C segment with the first representing nearly 90% of the market.

Competitive Environment

Poste Italiane

Poste Italiane is the country's national postal operator that holds a non-negligible position in the express delivery and parcels segment of the national market. The business relating to express delivery products to retail and SME customers is offered by Poste Italiane SpA and the segment targeting business customers is offered by its subsidiary SDA Express Courier SpA. The provision of standard parcel services falls under the Universal Service obligation (USO).

Table 8- Universal Service volumes of Poste Italiane

Parcels - Universal Service for the year ended 31 December	Volumes ('000)			Revenue (€m)		
	2013	2014	% inc./[dec.]	2013	2014	% inc./[dec.]
Domestic Parcels	986	1,129	14.5	10.0	11.2	12.0
Parcels - international outbound	566	581	2.7	22.8	25.2	10.5
Parcels - international inbound	165	163	(1.2)	2.0	2.0	n/s
Total	1,717	1,873	9.1	34.8	38.4	10.3

n/s: not significant

Source: Poste Italiane Group Annual Report (2014)

Poste Italiane, in fact, only uses SDA Express Courier (through Consorzio Logistica Pacchi ScpA) for the distribution of all domestic and international Paccocelere, and Paccocelere J+3 products.

The Italian government has recently announced that about a stake of about 38% would be offered for sale which could raise up to €3.8bn euros, excluding fees and other costs¹⁹².

Table 9 – CEP Volumes for 2014 for Poste Italiane

¹⁹² <http://postandparcel.info/68553/news/poste-italiane-ipo-begins/>

OPERATING RESULTS FOR EXPRESS DELIVERY AND PARCELS

Poste Italiane SpA's Express Delivery for the year ended 31 December	Volumes ('000)			Revenue (€m)		
	2013	2014	% inc./[dec.]	2013	2014	% inc./[dec.]
Domestic	5,854	9,093	55.3	54.5	62.9	15.4
International	1,728	1,992	15.3	33.3	38.2	14.7
Total	7,582	11,085	46.2	87.8	101.1	15.1

To ensure the comparability of amounts for the two years, certain amounts for 2013 have been reclassified.

(b) SDA Express Courier

Posta Italiane's Subsidiary, SDA Express Courier SpA, contributed positively in the group's results as it grew (according to the Annual Report of 2014) both in revenues and in volumes by 12.8% and 6.1%, respectively, compared with 2013 (deliveries increased by 6.9 million, and revenue by €22.8 million). Those improvements reflect the positive developments in the B2C segment and e-commerce. The international Express Delivery segment also performed well (volumes increased by 2.4 million, and revenue by €7.9 million), benefitting from the partnership agreements with UPS and Network Eurodis.

Table 10 – CEP volumes for SDA Express Courier

SDA Express Courier SpA for the year ended 31 December	Volumes ('000)			Revenue (€m)		
	2013	2014	% inc./[dec.]	2013	2014	% inc./[dec.]
Domestic Express Delivery	43,000	47,545	10.6	275.1	294.7	7.1
International Express Delivery	11,027	13,424	21.7	43.9	51.8	18.0
<i>Espresso Internazionale Export</i>	<i>203</i>	<i>218</i>	<i>7.4</i>	<i>8.1</i>	<i>8.9</i>	<i>9.9</i>
<i>Espresso Internazionale Import</i>	<i>10,824</i>	<i>13,206</i>	<i>22.0</i>	<i>35.8</i>	<i>42.9</i>	<i>19.8</i>
Tailor-made services	n/r	n/r	n/a	39.1	37.0	(5.4)
Other revenue	n/r	n/r	n/a	14.2	11.6	(18.3)
Total SDA Express Courier SpA - External revenue	54,027	60,969	12.8	372.3	395.1	6.1

n/r: not recordable as such data relates to tailor-made services supplied to banks and insurance companies that cannot be calculated in volume terms.
n/a: not applicable

Source: Poste Italiane Group Annual Report (2014)

Nexive¹⁹³.

Nexive, the Italian private delivery operator, owned by Post NL, covering 80% of households in the country, is also active in the CEP e-commerce delivery market. According to the company figures Nexive distributed in 2014 more than **750.000 parcels** in the country¹⁹⁴.

BRT SpA¹⁹⁵

Bartolini, or BRT SpA, is the Italian express provider, offering CEP services within and outside the country. After its initial expansion that included several European markets it currently serves 25

¹⁹³ <http://www.nexive.it/>

¹⁹⁴ <http://postandparcel.info/64051/news/markets/nexive-launches-e-commerce-delivery-service-in-italy/>

¹⁹⁵ <http://www.brt.it/en/index.do>

countries, and implements a strategic partnership together with DPD and EuroExpress Courier services¹⁹⁶. According to corporate information, it delivers more than **80 million parcels** per year, domestically and internationally.

Other Operators

All main operators with pan European presence are established in the Italian Market (namely UPS, DHL, GLS, FedEx, TNT and Hermes). In particular TNT has a strong presence in Italy as, according to Apex Insight (2015) it is one of the company's largest markets for express parcels. However we will present the operator's business model and their basic business information in a separate section that follows.

Netherlands

Market Size

According to Effigy (2013) the Dutch delivery market, independently or the relatively small size of the country's population, is among the 6 biggest in Europe both in volume and in value, accounting for 4% and 5% of the European total respectively. Both segments of the market (domestic and international) are experiencing a moderate growth, although the increase in the international CEP market is more intense, reaching levels of 5% in 2013. Contrary to the situation of Italy and Spain, the B2C segment in the country is more developed (accounting for a total of 37% vs. 63% compared to the B2B segment) illustrating the impact that the developed e-commerce activity exercises in the structure of the sector in the country. According to E-Commerce Europe the Netherlands is the 5th more mature market in Europe, even in absolute terms, with an estimated total market for 10, 5 billion Euros. According to Apex insight (2015) the Dutch market is expected to experience a moderate growth of 2.5% in the coming years.

Competitive Environment

PostNL

Post NL is the National Postal Operator in the Netherlands. The PostNL Group operates mail and parcel networks also in other countries namely in the UK (Whistl), Germany (PostCon), Italy (Nexive) and also cross border (Spring Global Mail). According to corporate information published in the Annual Report of 2014, the PostNL delivered in the Netherlands only over **142 million parcels** fact that contributed with over 854 million Euros turnover to the company's bottom line. The company invested in early morning pick-up points, in evening and Sunday delivery, and in launching 'before 10am' and 'before noon' delivery options for their business customers. As explained in the county's assessment, also for PostNL E-commerce volumes continued to grow strongly in 2014, expanding by around 10 percent. According to the Annual Report fo 2014, B2C parcels volume growth was slightly lower, at between 6 percent and 8 percent, due to a decline in non-e-commerce volumes, digitisation and bundling of shipments. In this changing market environment, PostNL managed to maintain its market share in the B2C market, and grew its B2B market share. In recent press release the company announced a 7,1% increase in their parcels volumes, confirming the positive outlook for year 2015¹⁹⁷.

TNT Express Netherland B.V.

TNT Express N.V., the Dutch express operator, formerly owned by the national operator (formerly known as TNT Post) is the third largest express delivery operator across Europe, operating in about

¹⁹⁶ <http://postandparcel.info/17704/news/italian-express-company-bartolini-launches-balkan-service/>

¹⁹⁷ <http://www.postnl.nl/en/about-postnl/press-news/press-releases/2015/august/solid-q2-results-outlook-full-year-2015-confirmed.html>

200 countries around the world. The split-up of TNT N.V. which was announced in December 2010, took place in May 2011 when TNT Express and PostNL were separately listed on the Amsterdam Stock Exchange. Due to the international nature of TNT Express operations, it will be analysed in the next section of this presentation.

Other Operators

All main operators with pan European presence are established in the Dutch Market (namely UPS, DHL, GLS, FedEx DPD and TNT). However we will present their business model and their basic business information in a separate section that follows.

Belgium

Market Size

According to Apex (2015) the Belgian CEP market completes the list of the most important European country segments since it concentrates that altogether are responsible for 75% of the European total parcel volumes and 79% of the total European parcel revenues. According to ecommerce Europe **Belgian e-commerce** has been rising steadily these past few years. In 2014, there were **6.0 million e-shoppers** in Belgium. On average they each spent about **€722** online that year, which amounts to a total B2C e-commerce turnover of **€4.3bn**. This represents an increase of **14.3%** in comparison with 2013. Apex Insoght (2015) forecasts a compound average annual growth rate of 3,5% for the Belgian Parcels market until 2019.

Competitive Environment

Bpost

BPost, the Belgian national postal operator is a strong player in the national CEP market. Regarding its share in the CEP market and according to the annual report of 2014, parcels grew by EUR 57.6 million in 2014, to EUR 307.2 million, changes mainly driven by the performance of its international parcels, due to the increase in parcels volumes generated from the universal and the parcels activities from exporting ecommerce activity. In terms of volumes BPost reported that there is an identifiable and solid domestic parcels volumes growth of 7.0%, which was mainly attributable to increased volumes in B2C as a consequence of the further development of e-retailing activities.

To accommodate the needs of ecommerce users, since November 2014 Bpost launched Saturday parcels' delivery, delivery to parcels lockers, online parcel preparation (labelling, payment) and direct drop-off and pick-up in one of its 1,250 parcel points, hoping to improve the delivery experience for its users. As regards the international activities Bpost has integrated its different operations into one combined structure hoping to better serve the parcels' distribution needs of the global e-commerce marketplace. The new organisation operates under the brand name "Landmark Global, a Bpost company".

Landmark Global¹⁹⁸

Bpost owns a subsidiary named Landmark Global, which is the European and international network for its cross-border operations.

¹⁹⁸ <http://landmarkglobal.com/>

PostNL

As explained in the previous section, PostNL through its section PostNL Benelux provides directly parcel delivery services in the Belgium territory using its own private distribution network.

Other Operators

All main operators with pan European presence are established in the Belgian Market (namely UPS, DHL, GLS, FedEx and TNT). However we will present their business model and their basic business information in a separate section that follows.

Poland

Market Size

Poland perhaps is the most interesting country example of the Eastern European countries. Given the size of the country and its nature of economy has managed to be considered among the top seven in size among the European total. Effigy (2013) estimates it to be about 4% in volume (but 2% in value) of the European total. However, the country shows impressive growth rates and growth potentials. The rates presented in Effigy (2013) show a domestic increase of about 8% and an international increase of more than 12%. Those growth potentials are reflected in the report of Ecommerce Europe which indicates Poland as one of the top five emerging ecommerce countries with a total e-commerce related turnover of 5.2 billion Euros in 2013., showing (according to Posta Polczta Annual Report) growth rates of more than 20%. According to a local delivery operator (Inpost), the e-commerce industry in Poland generates about **155m shipments a year**, for around PLN 4.4bn (€ 1.06bn) a year in revenue for shipping firms¹⁹⁹.

Apex Insight (2015) forecasts that the market is expected to experience growth rates above 3% in the coming years.

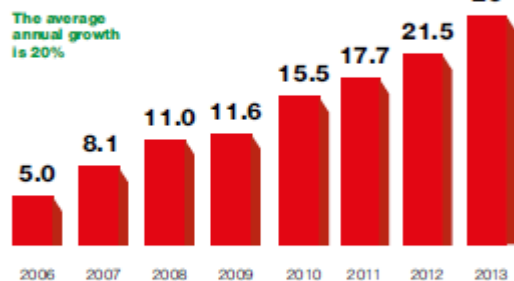
Figure 23- Poland's e-commerce growth

¹⁹⁹ <http://postandparcel.info/65414/news/companies/polands-inpost-enters-courier-business/>

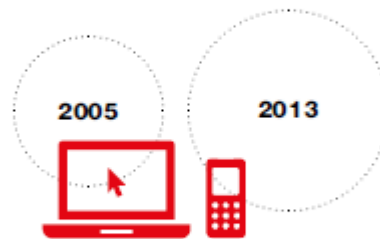
The development of e-commerce in Poland

A chance to develop parcel services, as well as other areas of activity of the Poczta Polska Group, is e-commerce.

The value of e-commerce market in Poland (bn PLN)



The increasing mobility of consumers.



The possibility of reaching both buyers and sellers.

14.8 million of Poles do their shopping on the Internet
Over 40 thousand operators run sale on the Internet

Source: Poczta Polska Group, Annual Report (2014)

Competitive Environment

Poczta Polska S.A.

Poczta Polska S.A. is the National Postal Operator in the country. Its primary concern is the provision of postal (letter and parcel) services as well as the provision of domestic courier and EMS international courier services through Pocztex. According to the corporate information published in the Annual Report there has been a 12% increase in sales of parcels and courier shipments serviced by the Poczta Polska S.A., despite slower than expected market growth and greater price pressure from competitors which lowered profit margins. The highest increases were achieved in the case of Pocztex courier shipments (volume growth of 60%). According to the latest annual report the company delivered over **44 million parcels** and courier shipments in 2014.

InPost Nowoczesna Poczta sp. z.o.o.²⁰⁰

As previously described, the company, part of Integer.pl Group, had predominately provided parcel collections via its self-service locker terminals. On the 1/6/2015 it announced that the launching of courier services to deliver parcels either to the door or to parcel lockers across Poland. Services include guaranteed next day delivery before 12pm and 5pm, tracking and a free returns option. InPost claims that its new offerings are particularly suitable for e-commerce retailers, with major Polish e-commerce platform Allegro already on board. InPost said it will be making use of its 8,300 customer service points throughout the country, including 1,300 parcel locker terminals, and 10,000 couriers in providing nationwide courier services. According to corporate information the company's parcel lockers handled in 2014 90% more volume than the year before.²⁰¹

²⁰⁰ <http://www.inpostpocztowokurierski.pocztowokurierski.pl/>

²⁰¹ <http://postandparcel.info/65414/news/companies/polands-inpost-enters-courier-business/>

K Ex Sp z.o.o²⁰².

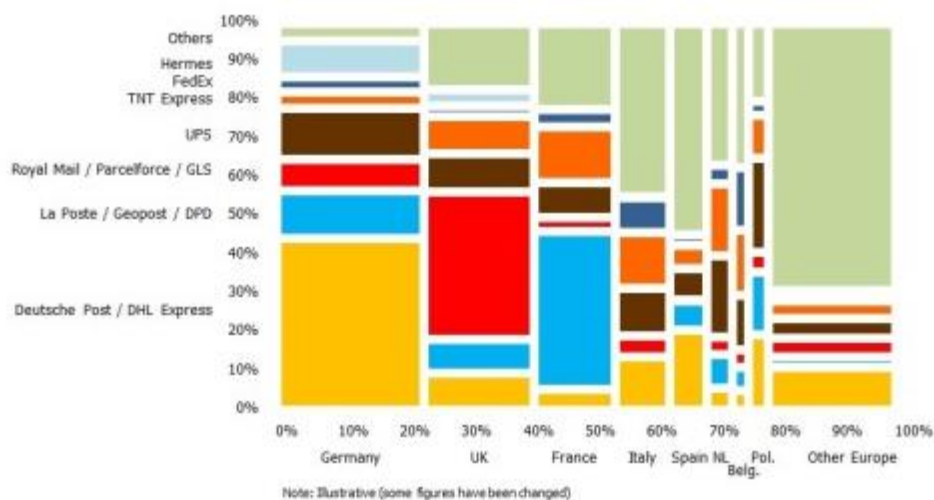
WIK(2014) report that K-EX is an independent delivery operator providing national mainly delivery services mainly targeting in the express and day definite segment of the market.

Conclusion²⁰³

According to Apex Inside, the Competitive landscape of the EU CEP parcels market can be summarized to the following:

Figure 24- Europe's Competitive Landscape

European parcels market map



Source: Apex insight (2015)

Of course, not all operators are equally competing with each other in all segments of the market (as identified in section 3 of this Annex). The higher the degree of segmentation the more different the mapping and the market shares one can identify in each country. However the level of analysis of this Annex does not require additional level of detail on the competitive landscape that has been developing during the recent years.

THE CROSS BORDER SEGMENT

Market Size

According to CE (2012)²⁰⁴ cross border deliveries account for up to 15% of total volumes, 80% of which refer to shipments within the EU. WIK(2013)²⁰⁵ stipulate cross border shipments account for 30% of total revenues and approximately 10 % of volumes in Europe.

²⁰² <http://www.k-ex.pl/>

²⁰³ <http://www.apex-insight.com/european-parcels-market-growth-continues-with-fedex-and-amazon-making-key-moves/>

²⁰⁴ CE Ecommerce (2012) E-commerce and delivery, p. 104

²⁰⁵ WIK (2013) Main developments Study (2010-2013)

Within this sub-segment we can also identify the standard product/ customer segmentation that applies to the overall CEP market i.e. B2B, B2C, C2X, and standard vs. deferred and express product categories (for definitions see section 4 above).

In this section, we will present the most important operators that we identify in the cross border CEP market and we will briefly present some basic figures on their relative importance in the European CEP total market.

In the express segment of the cross border market there are 4 main players in a combined market share of more than 90%²⁰⁶. Other operators who can be considered to offer services in this segment according to a report of Research and Markets (2015)²⁰⁷ are: Aramex, BTA Transport, Burns Express, Cargo Express Delivery, DPEX Europe, Express Transport, GeoPost (DPD), GLS, Hermes Group, Interlink Express, Manston Express, Transport SDA Express, Simpex Express and Tuffnells Parcels Express. According to AT Kearney, network players (FedEx, TNT Express, UPS and DHL Express) appear to have a combined market share of 52% in the international standard (deferred) segment.

Finally all national postal operators are active in the cross border segment of the market, most of them by establishing a collaborative model of cooperation for the fulfilment of the cross border delivery.

Competitive Landscape of the Cross Border Segment

World Wide Integrators

As we described earlier, this term is meant to describe those delivery operators that are committed to provide time/ day definite (express) domestic and cross border end-to-end delivery services mainly through an owned (integrated) network (or a network where they maintain 100% of operational control) that use air freight based transportation systems as well as ground/ sea networks to fulfil international shipping.

1.1.1.2.DHL Express

DHL Express brand is a division of Deutsche Post AG. The Group progressively acquired DHL as global air express service provider from 1998 to 2002 and expanded its presence in the express segment by purchasing other leading logistics companies, e.g. 1999 acquisition of Danzas, 2004/2005 acquisition of a majority stake of Indian express company Blue Dart (75% stake currently held), end of 2005 acquisition of Exel²⁰⁸. DHL's family of divisions offers an portfolio of logistics services ranging from **national and international parcel delivery, international express, road, air and ocean transport to industrial supply chain management**. With a presence in over 220 countries and territories worldwide, it provides solutions for markets and industries including ecommerce, technology, life sciences and healthcare, energy, automotive and retail. The main product offered by this stream in the CEP segment is International Time definite, Day Definite and Same Day delivery services (targeting mainly business customers). The company is also targeting SMEs by providing custom support and personal services. In 2015 the company published the following statistics:

- 220 countries and territories
- 500 airports
- 3 main global hubs

²⁰⁶ Deutsche PostDHL Group annual report, 2014

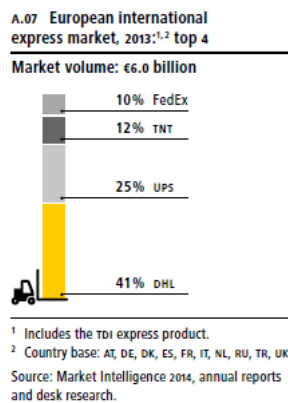
²⁰⁷ http://www.researchandmarkets.com/research/mw7qrz/express_delivery

²⁰⁸ http://www.dpdhl.com/content/dam/dpdhl/presse/mediathek/fact_sheet_dhl_en.pdf

- 45,000 Service Points
- 250 dedicated airplanes
- 32,800 vehicles
- 2.5 million customers

In the European Express Market DHL is the most strong express alternative representing **40-50% of the market in value**²⁰⁹.

Figure 25-International Express Market Share in Europe



Source: Deutsche Post, DHL annual Report (2014)

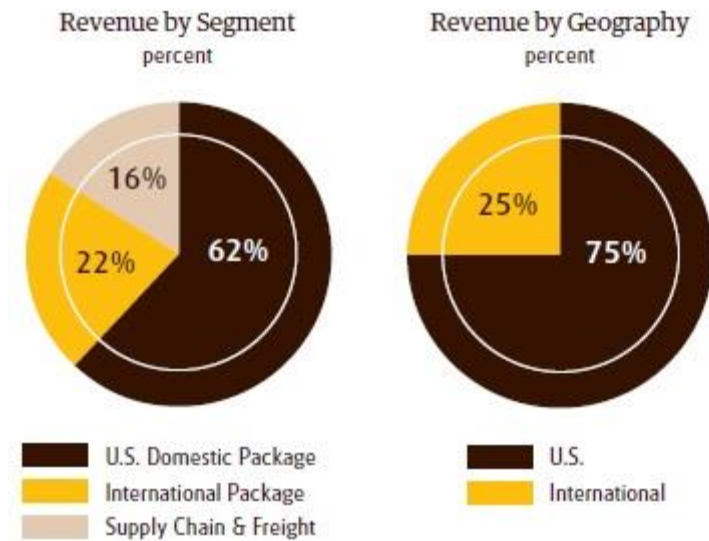
1.1.1.3. UPS

UPS, the American based provider, which links with its operations around 220 countries in the world, is, according to all estimates, the second largest express provider in the Time Definite Express segment in Europe, following DHL Express. According to Effigy (2013) it holds between 30-40% of the market share in value in 2013, according to Deutsche Post/ DHL Group annual report (2014) it holds 30% of market share.

According to its own annual report (2014) its international package segment represents 22% of the company's total revenue globally. Europe, the second largest region globally is responsible for roughly half of the international revenues in the package (CEP) segment and it's the main driver for growth.

Figure – 26: UPS Revenue Shares by Segment

²⁰⁹ Effigy(2013), Deutsche Post Annual report (2014) .



Source: UPS annual Report (2014)

In the International package (CEP) segment the company offers both express (time definite) and deferred delivery services (day definite). According to UPS Annual Report (2014), several factors provide significant additional opportunities in Europe, including the highly fragmented nature of the market and the fact that exports make up a significant part of Europe’s GDP. The company believes that there is a strong potential for growth in small package exports in Germany, the U.K., France, Italy, Spain and the Netherlands. To accommodate this strong growth, the company will continue investing in its air hub in Cologne (to develop the capacity to to process 190,000 packages per hour).

Traditionally, as all international integrators, the company was serving the B2B segment of the market. As we already discussed, the company refocused their operations to better serve the B2C e-commerce driven segment of the market. According to Apex Insight (2015) in 2005 when it had established operations in most major markets, it extended its focus to include the larger domestic markets, through acquisitions (for example Lynx in the UK and Stolica in Poland). According to its annual report, UPS is expected to have more than 20,000 locations worldwide to facilitate their customers, who can opt to pick up or drop off their parcels at convenient retail locations. In Europe, the acquisition of Kiala S.A. (rebranded later as UPS Access Point) was intended to serve as a platform to enable e-commerce retailers to offer consumers the option of having goods delivered to a convenient retail location.

(a) Yamato Holdings

Yamato Holdings is the main Japanese operator and a new global player. Its cross-border flows are mainly deferred services and operational between Asian countries, yet it already has presence in the EU. Their express deliveries are performed in agreement with UPS210. According to the Statistica database it reaches a global market share of 4% in the total express and courier market in 2014.

²¹⁰ http://www.kuronekoyamato.co.jp/en/business/international/ups_wwe/

TNT Express

TNT Express N.V., the Dutch express operator, formerly owned by the national postal provider (formerly known as TNT Post) is the third largest express delivery operator across Europe, operating in about 200 countries around the world. The split-up of TNT N.V. which was announced in December 2010, took place in May 2011 when TNT Express and PostNL were separately listed on the Amsterdam Stock Exchange.

TNT operates in B2B segment of the market offering services addressed also to the B2C sub segment as well offering day definite and time definite services.

The International Europe segment comprises of all TNT operations in Europe with the exception of the domestic businesses in France, Italy and the United Kingdom. These operations provide TNT with a strong position in the European international express market. According to the Annual report of Deutsche Post/ DHL (2014) the market share in value attributed to TNT Express amounts to 12%.

According to WIK(2013) the failure of UPS and TNT Express merger in 2011 has seriously affected the market position of TNT express, who has been trying to recover ever since. The uncertainty caused about the future of the business environment, has led many customers to switch to DHL Express who say its revenues increased by 9.3% in 2013.

Table 11 – TNT's Express International Performance in 2014

2014 PERFORMANCE

International Europe			
Year ended at 31 December	2014	variance %	2013
Revenues	2,743	0.8	2,722
Adjusted operating income	118	(1.7)	120
Average consignments per day ('000)	239	(1.6)	243
Revenue per consignment (€) ¹	45.4	3.7	43.8
Average kilogrammes per day ('000)	8,184	1.9	8,034
Revenue per kilogramme (€) ¹	1.32	(0.8)	1.33

¹Based on reported revenues @avg13 rates.
(in € millions, except percentages)

Source: TNT annual Report (2014)

For the time being TNT is implementing a multiannual business strategy (initially called "Deliver!" And later "Outlook") focusing mainly on improving profitability. According to this strategy TNT Express, the company should focus on the areas where it has a strong position and can demonstrate tangible growth, improve efficiency and optimise its administrative structure. Recently TNT and FedEx announced their intention to combine forces. With an announcement on 30/6/2015, FedEx has reportedly requested EU's approval for its 4,4bn Euro bid for TNT²¹¹. The case is currently under examination from the European Commission and the Merger Procedure Regulation.

²¹¹ <http://postandparcel.info/65949/news/fedex-requests-eu-approval-for-tnt-bid/>

FedEx

FedEx, a global logistics provider, offers an air, ground and sea network to link more than 220 countries and territories around the world. The company provides a broad portfolio of transportation, e-commerce and business services through companies operating independently under the FedEx brand. According to Effigy (2013), FedEx is strong in the B2B segment of the market. As all international integrators, FedEx provides three main product lines: Freight, Ground and Express services. Although FedEx presence is very important worldwide, in Europe its relative market share in the international express category is 10% according to the annual report of Deutsche Post/ DHL 2014. However, the company is determined to increase its presence in the European Market. According to the Annual Report 2014 FedEx Express has opened 100 stations across 11 European countries since 2011.

As we already discussed, FedEx plans to acquire TNT Express, offering a 4,4 bn€ bid in order to profit from the latter's developed European ground delivery network and strong knowledge of the European market²¹². This strategy is aligned with FedEx intention to strengthen its presence in the European market.

Operators with Pan-European Presence

GLS

GLS is the Royal Mail's Group European parcels business. GLS, founded in 1999, is established as a pan-European parcel network service, offering delivery services in 37 countries. Through acquisitions and partnerships and as well as direct investments the GLS network was created which currently covers directly 18 countries²¹³ and indirectly (through partners)²¹⁴ the rest of the Europe. It covers equally the B2B and the B2C segment, both domestically (within each country where it operates) and internationally (across Europe). It fulfils its deliveries through a road based network, offering deferred (less time sensitive) delivery services.

In 2014 the company reported the following figures:

Table 12 – GLS Facts and Figures

Revenue	1.96 bn. €
Parcel volumes	404 m.
Customers	over 220 000
Employees	about 14 000
Countries covered	37
Hubs	39
Depots	662
Vehicles	about 18 000

Source: <https://gls-group.eu/EU/en/facts-figures>

According to the Royal Mail Annual Report (2014) GLS experienced a growth in revenues and in volume (8%), and value (of 7%) balancing the Groups bottom-line in 2015 (estimated figures). According to Apex insight the total parcel volume circulated through the network of GLS was **404 million** parcels in 2014.

²¹² <http://postandparcel.info/64456/news/fedex-is-gearing-up-for-the-e-commerce-boom/>

²¹³ Austria, Belgium, Croatia, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain

²¹⁴ Bulgaria, Cyprus, Estonia, Greece, Latvia, Lithuania, Malta, Norway, Serbia, Sweden, Switzerland, Turkey, United Kingdom

GeoPost (DPD)

DPD, the international "brand" for Geopost, offers deferred and express services internationally covering Europe and 220 countries around the world. In the deferred segment they offer services with delivery times 1-4 days in Europe, and within 7 days in the rest of the world.

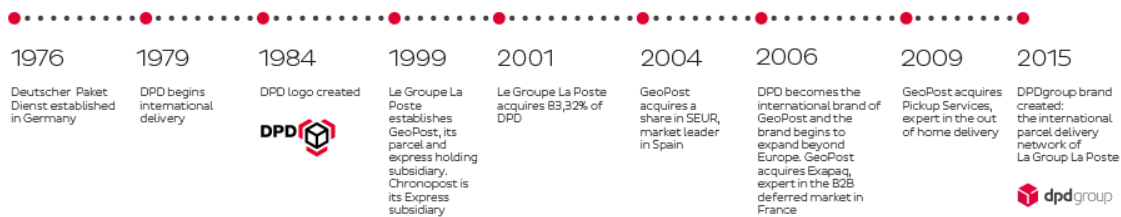
In the Express segment they offer next day delivery in Europe, and express services in the rest of the world. Both segments are served through a range of different products each of which including different characteristics.

GeoPost is operating under the brands "Chronopost" in France and Portugal, "Exapaq" in France, "SEUR" in Spain, "Interlink" and "DPD" in UK and "DPD" in the rest of Europe

According to La Poste Annual Report (2014), GeoPost's broader international strategy aims at copying the company's national strategy, internationally; therefore, it strengthens a road network in Eastern Europe and Asia and develops a network in South-East Asia and in Africa.

DPD reportedly delivers ²¹⁵ 3 million parcels a day which gives a rough estimation of **700m parcels per annum**.

Figure 28 – DPD strategic Development



Source: DPD website

DHL Parcel

As we explained above Deutsche Post/ DHL Group provides through their Post - eCommerce - Parcel division, cross border parcel services²¹⁶. Apex Insight (2015) report that in November 2013 Deutsche Post announced their plans to expand their German division beginning with its takeover of its parcel delivery operations in other European Countries. Deutsche Post transferred its existing parcel delivery operations in Belgium, Netherlands, Luxembourg the Czech Republic and Poland and lately, Austria²¹⁷, from DHL to the Mail and Parcels division. The Mail division which in the past was focusing only to Germany is committed to focus on B2C delivery. Pursuing a 4 year strategy to target growth in the world's emerging markets and by tapping the global e-commerce boom the company focuses to become the "number one provider" of cross-border logistics for the e-commerce sector on key international trade lanes, and gradually export its German e-commerce parcel "success model" to other countries in Europe, (including Asia and the American continent).

²¹⁵ <http://www.dpd.com/>

²¹⁶ <http://postandparcel.info/60745/news/companies/deutsche-post-dhl-targets-growth-in-emerging-markets-and-e-commerce/>

²¹⁷ <http://postandparcel.info/67172/news/dhl-to-establish-parcel-network-in-austria/>

Hermes Logistik Gruppe (HLG)

Hermes Logistik Gruppe (HLG) specializes in the B2C segment of the market offering CEP services in Germany and outside. It operates 14,000 ParcelShops in Germany offers alternative B2C solutions nationwide by relying in convenient opening hours and delivery times. According to the information published on the corporate website one in three B2C parcels in Germany are delivered by the Hermes Logistik Gruppe while the company offers a range of customer-oriented services such as three-hour delivery time slot, text messages for direct deliveries to a ParcelShop, Saturday deliveries, deliveries left with neighbours, holiday storage etc, through an owned information system "Shipping history". The company's network relies on a system of self-employed (life style) local couriers but has also approximately 11.000 employees, including the Hermes OTTO staff²¹⁸.

The company has published in 2015 the following information in their website:

- Daily customer contacts > 1 million
- **Shipments per year > 500 million**
- Revenue EUR 840 million (net for the fiscal year 2009/10)
- 6 HUBs
- 57 subsidiaries
- 500 depots and local branches
- Over 14000 ParcelShops across Germany

Through its subsidiary BorderGuru it helps SMEs and e-retailers to ship their parcels across borders.

Hermes is present in the UK²¹⁹, Austria²²⁰, France, Italia²²¹, Great Britain, and Russia and a partner in Switzerland and Benelux. According to the corporate website, In Hermes UK delivers more than 200 million parcels per year through a network of 5.000 parcel shops and 10.000 self-employed couriers. In Austria the company offers 1.600 packet shops and a nationwide pick up drop off possibility. In Italy it owns a network of more than 1.000 drivers.

National Postal Operators

As we explained National Postal operators are also active in the CEP segment of the market, offering a quite diverse product portfolio, which ranges from a pure ordinary parcel to a more sophisticated service that depending on the Operator could be positioned either on the deferred or the pure express segment of the market.

The volumes and the market shares that each operator possesses depend on the relative strength of the Operator and on its penetration in each segment of the market. National Postal operators of the bigger markets often have stronger market position also in the cross border market segment than smaller ones do.

We now present the data from the Postal Statistics Data base (reference year 2013)²²² and refer to total inbound volumes of parcels circulated by the NPOs as well as the total amount of inbound ordinary (standard) parcels circulated by the NPOs, broken down by country, for year 2013, expressed in 000s.

Table 14 – National Postal Operators, International courier express and parcel by USP under direct or indirect designation - ordinary parcels up to 10/20 kg. in thousands of parcels

²¹⁸ Apex Insight (2015)

²¹⁹ <https://www.myhermes.co.uk/>

²²⁰ https://www.myhermes.at/wps/portal/PRIPS_AUT/

²²¹ <https://www.hermesworld.com/int/about-us/hermes-group/hermes-italia/>

²²² published at http://ec.europa.eu/growth/sectors/postal-services/statistics/index_en.htm

geo\time	2012	2013
EU (28 countries)	:	:
Belgium	: (c)	: (c)
Bulgaria	83	116
Czech Republic	:	125.2
Denmark	:	:
Germany	:	:
Estonia	91.3	112
Ireland	633	586
Greece	441	441
Spain	: (c)	: (c)
France	: (z)	: (z)
Croatia	84.6	121.6
Italy	:	:
Cyprus	98.3	95
Latvia	:	:
Lithuania	: (c)	: (c)
Luxembourg	:	:
Hungary	71	63.3
Malta	34.6	40
Netherlands	: (c)	: (c)
Austria	: (c)	: (c)
Poland	1443	1369
Portugal	114.6	33.2
Romania	: (c)	: (c)
Slovenia	:	:
Slovakia	: (c)	: (c)
Finland	: (z)	: (z)
Sweden	: (c)	: (c)
United Kingdom	: (z)	: (z)
Iceland	:	:
Switzerland	1400	1500
Former Yugoslav Republic of Macedonia, the	:	2.3
Serbia	23	23

:=not available c=confidential z=not applicable

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Source of Data: EU Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW)

Last update: 05.11.2015

Date of extraction: 06 Nov 2015 14:23:35 CET

Hyperlink to the table: http://ec.europa.eu/eurostat/tgm_grow/table.do?tab=table&init=1&plugin=1&language=en&pcode=post_itr_1

General http://ec.europa.eu/geninfo/legal_notices_en.htm

Disclaimer
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website:

Code: post_itr_1

Source: Postal Statistics Database (2015)

The Universal Postal Union (hereafter UPU)²²³ headquartered in Switzerland, part of the United Nations, representing 192 member countries, with its national postal administrations worldwide, publishes a similar database that gives the following information for equally value-added parcels, standard parcels as well as insured parcels (this time broken down by inbound cross border and outbound cross border (expressed in Units):

Table 15 – National Postal Operators, cross border volume performance in 2013, data from UPU's Statistics Database

Administrations	Years	Items	Value
Austria	2013	9.2 Number of express items, international service - dispatch	
Bulgaria (Rep.)	2013	9.2 Number of express items, international service - dispatch	16,685.00
Croatia	2013	9.2 Number of express items, international service - dispatch	10,612.00
Cyprus	2013	9.2 Number of express items, international service - dispatch	73,734.00
Czech Rep.	2013	9.2 Number of express items, international service - dispatch	60,898.00
Denmark	2013	9.2 Number of express items, international service - dispatch	
Estonia	2013	9.2 Number of express items, international service - dispatch	22,670.00
Finland	2013	9.2 Number of express items, international service - dispatch	
France	2013	9.2 Number of express items, international service - dispatch	
Germany	2013	9.2 Number of express items, international service - dispatch	
Great Britain	2013	9.2 Number of express items, international service - dispatch	
Greece	2013	9.2 Number of express items, international service - dispatch	
Hungary	2013	9.2 Number of express items, international service - dispatch	
Ireland	2013	9.2 Number of express items, international service - dispatch	
Italy	2013	9.2 Number of express items, international service - dispatch	511,078.00
Latvia	2013	9.2 Number of express items, international service - dispatch	62,292.00
Lithuania	2013	9.2 Number of express items, international service - dispatch	10,585.00
Malta	2013	9.2 Number of express items, international service - dispatch	1,550.00
Netherlands	2013	9.2 Number of express items, international service - dispatch	
Poland	2013	9.2 Number of express items, international service - dispatch	158,854.00
Portugal	2013	9.2 Number of express items, international service - dispatch	
Romania	2013	9.2 Number of express items, international service - dispatch	49,742.00
Slovakia	2013	9.2 Number of express items, international service - dispatch	39,929.00
Slovenia	2013	9.2 Number of express items, international service - dispatch	52,936.00
Spain	2013	9.2 Number of express items, international service - dispatch	
Sweden	2013	9.2 Number of express items, international service - dispatch	
Austria	2013	9.3 Number of express items, international service - receipt	
Bulgaria (Rep.)	2013	9.3 Number of express items, international service - receipt	37,530.00
Croatia	2013	9.3 Number of express items, international service - receipt	68,942.00

²²³ <http://www.upu.int/en/the-upu/the-upu.html>

Cyprus	2013	9.3 Number of express items, international service - receipt	59,396.00
Czech Rep.	2013	9.3 Number of express items, international service - receipt	68,141.00
Denmark	2013	9.3 Number of express items, international service - receipt	
Estonia	2013	9.3 Number of express items, international service - receipt	28,291.00
Finland	2013	9.3 Number of express items, international service - receipt	
France	2013	9.3 Number of express items, international service - receipt	
Germany	2013	9.3 Number of express items, international service - receipt	
Great Britain	2013	9.3 Number of express items, international service - receipt	
Greece	2013	9.3 Number of express items, international service - receipt	
Hungary	2013	9.3 Number of express items, international service - receipt	
Ireland	2013	9.3 Number of express items, international service - receipt	
Italy	2013	9.3 Number of express items, international service - receipt	1,216,803.00
Latvia	2013	9.3 Number of express items, international service - receipt	56,655.00
Lithuania	2013	9.3 Number of express items, international service - receipt	76,403.00
Malta	2013	9.3 Number of express items, international service - receipt	15,415.00
Netherlands	2013	9.3 Number of express items, international service - receipt	
Poland	2013	9.3 Number of express items, international service - receipt	120,954.00
Portugal	2013	9.3 Number of express items, international service - receipt	
Romania	2013	9.3 Number of express items, international service - receipt	58,324.00
Slovakia	2013	9.3 Number of express items, international service - receipt	193,535.00
Slovenia	2013	9.3 Number of express items, international service - receipt	200,847.00
Spain	2013	9.3 Number of express items, international service - receipt	
Sweden	2013	9.3 Number of express items, international service - receipt	
Austria	2013	9.5 Number of ordinary parcels, international service - dispatch	
Bulgaria (Rep.)	2013	9.5 Number of ordinary parcels, international service - dispatch	43,993.00
Croatia	2013	9.5 Number of ordinary parcels, international service - dispatch	18,661.00
Cyprus	2013	9.5 Number of ordinary parcels, international service - dispatch	18,488.00
Czech Rep.	2013	9.5 Number of ordinary parcels, international service - dispatch	218,703.00
Denmark	2013	9.5 Number of ordinary parcels, international service - dispatch	
Estonia	2013	9.5 Number of ordinary parcels, international service - dispatch	169,831.00
Finland	2013	9.5 Number of ordinary parcels, international service - dispatch	
France	2013	9.5 Number of ordinary parcels, international service - dispatch	
Germany	2013	9.5 Number of ordinary parcels, international service - dispatch	
Great Britain	2013	9.5 Number of ordinary parcels, international service - dispatch	166,212.00
Greece	2013	9.5 Number of ordinary parcels, international service - dispatch	
Hungary	2013	9.5 Number of ordinary parcels, international service - dispatch	
Ireland	2013	9.5 Number of ordinary parcels, international service - dispatch	
Italy	2013	9.5 Number of ordinary parcels, international service - dispatch	565,690.00
Latvia	2013	9.5 Number of ordinary parcels, international service - dispatch	38,632.00

Lithuania	2013	9.5 Number of ordinary parcels, international service - dispatch	144,689.00
Malta	2013	9.5 Number of ordinary parcels, international service - dispatch	21,264.00
Netherlands	2013	9.5 Number of ordinary parcels, international service - dispatch	
Poland	2013	9.5 Number of ordinary parcels, international service - dispatch	691,065.00
Portugal	2013	9.5 Number of ordinary parcels, international service - dispatch	
Romania	2013	9.5 Number of ordinary parcels, international service - dispatch	130,815.00
Slovakia	2013	9.5 Number of ordinary parcels, international service - dispatch	115,913.00
Slovenia	2013	9.5 Number of ordinary parcels, international service - dispatch	
Spain	2013	9.5 Number of ordinary parcels, international service - dispatch	
Sweden	2013	9.5 Number of ordinary parcels, international service - dispatch	
EU 27 estimate	2013	9.5 Number of ordinary parcels, international service - dispatch	23,997,392
Austria	2013	9.6 Number of ordinary parcels, international service - receipt	
Bulgaria (Rep.)	2013	9.6 Number of ordinary parcels, international service - receipt	105,868.00
Croatia	2013	9.6 Number of ordinary parcels, international service - receipt	120,315.00
Cyprus	2013	9.6 Number of ordinary parcels, international service - receipt	94,970.00
Czech Rep.	2013	9.6 Number of ordinary parcels, international service - receipt	125,236.00
Denmark	2013	9.6 Number of ordinary parcels, international service - receipt	
Estonia	2013	9.6 Number of ordinary parcels, international service - receipt	110,778.00
Finland	2013	9.6 Number of ordinary parcels, international service - receipt	
France	2013	9.6 Number of ordinary parcels, international service - receipt	
Germany	2013	9.6 Number of ordinary parcels, international service - receipt	
Great Britain	2013	9.6 Number of ordinary parcels, international service - receipt	1,355,356.00
Greece	2013	9.6 Number of ordinary parcels, international service - receipt	
Hungary	2013	9.6 Number of ordinary parcels, international service - receipt	
Ireland	2013	9.6 Number of ordinary parcels, international service - receipt	
Italy	2013	9.6 Number of ordinary parcels, international service - receipt	165,328.00
Latvia	2013	9.6 Number of ordinary parcels, international service - receipt	34,553.00
Lithuania	2013	9.6 Number of ordinary parcels, international service - receipt	63,581.00
Malta	2013	9.6 Number of ordinary parcels, international service - receipt	39,133.00
Netherlands	2013	9.6 Number of ordinary parcels, international service - receipt	
Poland	2013	9.6 Number of ordinary parcels, international service - receipt	628,091.00
Portugal	2013	9.6 Number of ordinary parcels, international service - receipt	
Romania	2013	9.6 Number of ordinary parcels, international service - receipt	185,268.00
Slovakia	2013	9.6 Number of ordinary parcels, international service - receipt	142,366.00
Slovenia	2013	9.6 Number of ordinary parcels, international service - receipt	
Spain	2013	9.6 Number of ordinary parcels, international service - receipt	
Sweden	2013	9.6 Number of ordinary parcels, international service - receipt	
Austria	2013	9.8 Number of insured parcels, international service - dispatch	
Bulgaria (Rep.)	2013	9.8 Number of insured parcels, international service - dispatch	731.00
Croatia	2013	9.8 Number of insured parcels, international service - dispatch	6,335.00

Cyprus	2013	9.8 Number of insured parcels, international service - dispatch	5.00
Czech Rep.	2013	9.8 Number of insured parcels, international service - dispatch	143,059.00
Denmark	2013	9.8 Number of insured parcels, international service - dispatch	
Estonia	2013	9.8 Number of insured parcels, international service - dispatch	746.00
Finland	2013	9.8 Number of insured parcels, international service - dispatch	
France	2013	9.8 Number of insured parcels, international service - dispatch	
Germany	2013	9.8 Number of insured parcels, international service - dispatch	
Great Britain	2013	9.8 Number of insured parcels, international service - dispatch	
Greece	2013	9.8 Number of insured parcels, international service - dispatch	
Hungary	2013	9.8 Number of insured parcels, international service - dispatch	
Ireland	2013	9.8 Number of insured parcels, international service - dispatch	
Italy	2013	9.8 Number of insured parcels, international service - dispatch	
Latvia	2013	9.8 Number of insured parcels, international service - dispatch	
Lithuania	2013	9.8 Number of insured parcels, international service - dispatch	2,254.00
Malta	2013	9.8 Number of insured parcels, international service - dispatch	
Netherlands	2013	9.8 Number of insured parcels, international service - dispatch	
Poland	2013	9.8 Number of insured parcels, international service - dispatch	35,688.00
Portugal	2013	9.8 Number of insured parcels, international service - dispatch	
Romania	2013	9.8 Number of insured parcels, international service - dispatch	6,811.00
Slovakia	2013	9.8 Number of insured parcels, international service - dispatch	46,837.00
Slovenia	2013	9.8 Number of insured parcels, international service - dispatch	73,687.00
Spain	2013	9.8 Number of insured parcels, international service - dispatch	
Sweden	2013	9.8 Number of insured parcels, international service - dispatch	
Austria	2013	9.9 Number of insured parcels, international service - receipt	
Bulgaria (Rep.)	2013	9.9 Number of insured parcels, international service - receipt	10,283.00
Croatia	2013	9.9 Number of insured parcels, international service - receipt	3,575.00
Cyprus	2013	9.9 Number of insured parcels, international service - receipt	45.00
Czech Rep.	2013	9.9 Number of insured parcels, international service - receipt	36,489.00
Denmark	2013	9.9 Number of insured parcels, international service - receipt	
Estonia	2013	9.9 Number of insured parcels, international service - receipt	1,180.00
Finland	2013	9.9 Number of insured parcels, international service - receipt	
France	2013	9.9 Number of insured parcels, international service - receipt	
Germany	2013	9.9 Number of insured parcels, international service - receipt	
Great Britain	2013	9.9 Number of insured parcels, international service - receipt	
Greece	2013	9.9 Number of insured parcels, international service - receipt	
Hungary	2013	9.9 Number of insured parcels, international service - receipt	

Ireland	2013	9.9 Number of insured parcels, international service - receipt	
Italy	2013	9.9 Number of insured parcels, international service - receipt	
Latvia	2013	9.9 Number of insured parcels, international service - receipt	
Lithuania	2013	9.9 Number of insured parcels, international service - receipt	1,633.00
Malta	2013	9.9 Number of insured parcels, international service - receipt	
Netherlands	2013	9.9 Number of insured parcels, international service - receipt	
Poland	2013	9.9 Number of insured parcels, international service - receipt	13,954.00
Portugal	2013	9.9 Number of insured parcels, international service - receipt	
Romania	2013	9.9 Number of insured parcels, international service - receipt	5,730.00
Slovakia	2013	9.9 Number of insured parcels, international service - receipt	60,215.00
Slovenia	2013	9.9 Number of insured parcels, international service - receipt	182,853.00
Spain	2013	9.9 Number of insured parcels, international service - receipt	
Sweden	2013	9.9 Number of insured parcels, international service - receipt	

Source: UPU statistical database (2015)

OPERATIONS

Operationally, the cross border B2C parcel delivery largely depends **on the choice of the operator** initiating the cross border fulfilment and its level of operational control and ownership over the cross border transaction.

With the possible exception of the 4 main network integrators (DHL Express, UPS, TNT Express, FedEx), who they either have a 100% ownership or full operational control over their cross border network, most of the other cross border delivery providers identified in the previous sections cooperate with other operators to be able to fulfil all legs of the cross border delivery. CE (2012) has identified the following cooperation models for the B2C e-commerce driven cross border delivery:

Table 16- Co-operation models for cross border delivery

Co-operation model	Description	Examples
NPO→NPO	National postal operators co-operate with respect to cross-border delivery and returns based on multi-lateral and bilateral agreements.	IPC parcel network (European Parcel Group + European Return Solution) Members, e.g. Itella, Poste Italiane; Kahala Posts Group
NPO→foreign subsidiary	National postal operator with foreign subsidiary use own delivery network cross-border. Full integration of computer system allows for end-to-end tracking	Deutsche Post-->DHL, La Poste-->DPD, Royal Mail-->GLS,
NPO→private operator/courier	National postal operators co-operate with private operators abroad due to cost, quality and efficiency reasons. Have to provide computer system for integration of tracking systems and reach agreements on data sharing with co-operation partners	PostNL (drop-off for senders via CollectPlus in the UK)
Private operator→NPO/private operator partner	Private operator without full geographical coverage of last-mile delivery	EURODIS network, UPS (last mile delivery with Bring in parts on Denmark), Hermes, InPost
Private operator A→private operator B	Private operator co-operate with other private operator to enhance the variety of delivery services on offer	Kiala (home delivery via DPD), DPD (returns via DHL)

Source: Copenhagen Economics 2013

According to CE (2012) the choice of cross-border co-operation model designed by delivery operators to facilitate their cross border deliveries is driven by four main factors: *price and quality of delivery, reciprocity, and the presence of own delivery networks*. Information on prices and quality of physical delivery and associated data (e.g. information used for cross-border tracking of parcels) are of course decisive for delivery operators' choice of co-operation partner. Although NPOs often co-operate with each other, they do not always do so if they get better quality and price offers from other operators. According to CE(2012) reciprocity is another factor that to some extent affects the choice of cross-border delivery partners, in the cases that a potential agreement involved the mutual cooperation for the cross border delivery in both directions (operator A distributes the parcels of operator B and vice versa). Finally, the choice of delivery partner is influenced by the presence of the delivery operator in the country of destination of the parcels. One has to note that the cooperation model and its characteristics are dependent **on the type of parcel to be sent** (packet, parcel, or express product) as in most of the cases there are separate streams to organise each specific delivery. Finally the operational characteristics are dependent on **the urgency of the consignment**. Time definite (express) and day definite (deferred) or standard parcels are generally handled by different operational streams.

In the sections that follow we will try to shed some light on the operational characteristics of the cross border parcel operations. For this purpose we base our presentation on desk research, on the replies of the public consultation that was conducted in view of this Impact Assessment and on the results of a Study that was commissioned with the aim to explore the cost structure of the cross border delivery and its implication on the price setting and the overall profitability of the cross border products²²⁴.

Cooperative models for cross border parcel delivery

Integrators value chain model

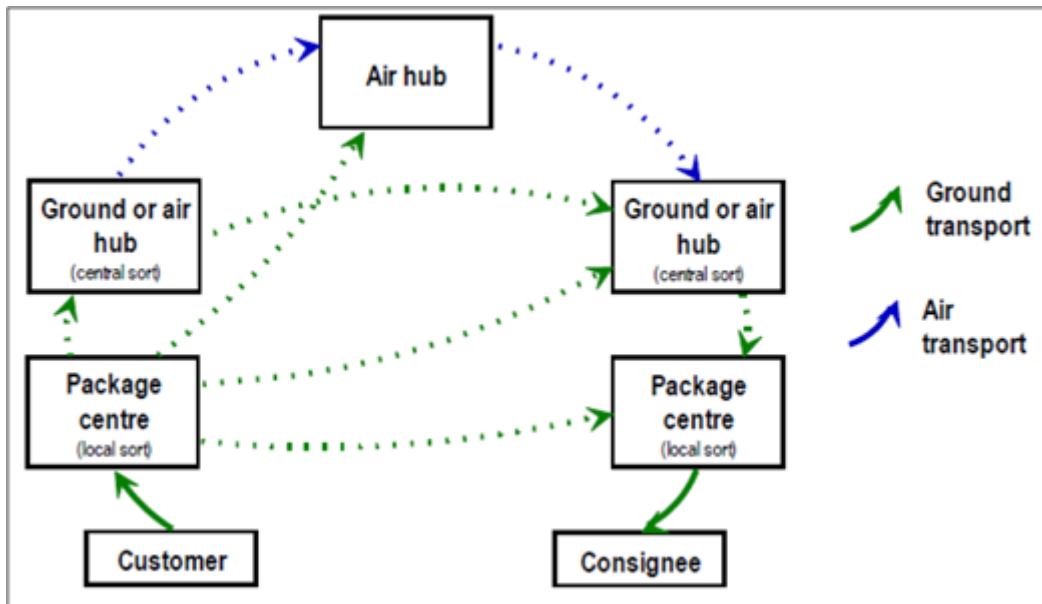
As all four integrators either own or exercise full control over the infrastructure and the IT systems facilitating the cross border delivery, in this case there is no cooperation model in place, but a single-operator model that is managing the cross border delivery.

In the COMP/M. 6570 merger case of UPS and TNT, the integrator's business model is very briefly described²²⁵. The operational and information management infrastructure of the integrators is largely developed around the concept of hub and spoke system. It normally involves pick up from the premises of the customer, processing and sorting in the sorting centres and hubs, line haul or air transport (depending on the distance and the time sensitivity of the shipment) to the main hub, transport by trucks and vans in the local hubs sorting and final dispatching (by vans) to the final recipients. The network supporting this operational sequence is single and sophisticated, allowing visibility or even real time traceability. That allows the express segment to offer cross border delivery services of added value to their customers, although at a higher price.

Figure 30- Overview of steps in small package delivery

²²⁴ University of Antwerp (2015) Cross Border Parcel Logistics

²²⁵ http://ec.europa.eu/competition/mergers/cases/decisions/m6570_20130130_20610_4241141_EN.pdf



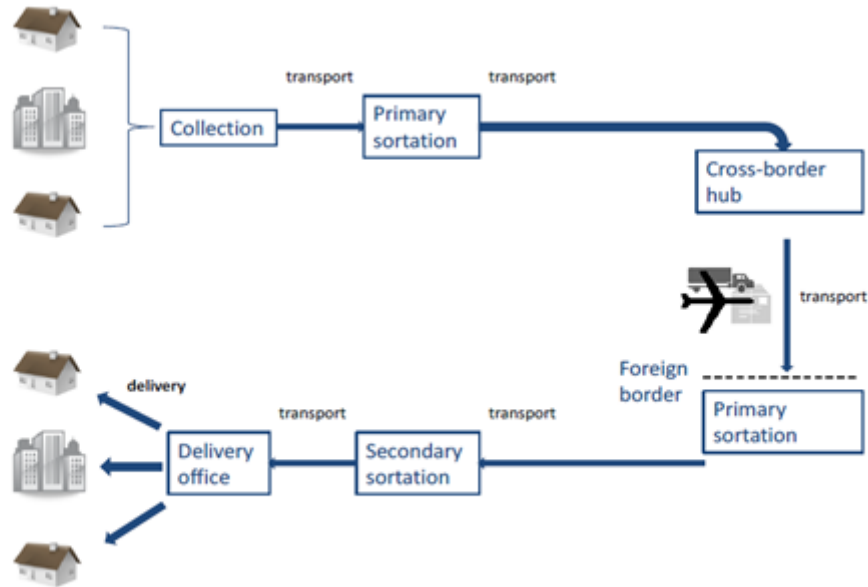
Source: Further Synergies Submission, p.3, 4-9-2012

NPOs+ NPOs value chain model

The traditional cross border parcel delivery route involves cooperation between 2 domestic national postal operations. FTI(2011) confirms that typically after collection and primary sortation in the originating country the cross border parcels are transported to a hub where they are sorted again according to their place of final destination. From there they are shipped to foreign countries either by air or land. Once in the destination country parcels are collected and again sorted then transported to the appropriate area of the country where they undergo a secondary sortation. They are then transported to the relevant delivery office and from there they are delivered to recipients.

National postal operators that maintain separate operations for parcels and letter markets include Royal Mail, La Poste, TNT and Deutsche Post, Where a National Postal operator does not maintain separate operators for letters and parcels, those products are collected together, but they are sorted separately. Priority products will of course follow the priority stream. Generally speaking parcels and express products are distributed separately from packets.

Figure 31- Cross-border postal pipeline



Source: FTI (2011)

The consultation has confirmed that, at least in the NPO's cross border deliveries, the standard delivery model, as described by FTI (2011) is the most usual way for NPOs to fulfil the cross border delivery. The University of Antwerp (2015) in a study conducted on behalf of the European Commission²²⁶ show that in the case of European Postal Operators, even for cross border destinations as short as 10km away, such as from the Netherlands to Belgium, parcels still need to be loaded from the regional depot to the national sort hubs to be sent later for cross border delivery. However, on the basis of quality and pricing considerations, alternatives or exceptions to the standard delivery model, at least in a subset of countries, do apply.

Most of the cross border transportation itself is outsourced. The motivation for that is not only to reduce the (higher) transportation cost by means of finding cheap(er) providers, but also by means of correcting costs occurred due to trade and network imbalances.

NPOs and foreign subsidiaries or private operators

As previously explained there are exceptions to the standard delivery model, at least for some operators who choose to differentiate their logistical operations either in their entire cross border value chain or at least in some country destinations. For example, some NPOs who operate a parallel international network often use this broader cross border network to facilitate their international operations. Another example of differentiation to the standard model is when instead of contracting the NPO of the destination country, to contract private (alternative) operators in order to perform the cross border delivery. Reasons for this strategy are mainly pricing or QoS considerations of the NPOs of the sending country.

²²⁶ University of Antwerp (2015) "Cross Border Parcel Logistics"