

The Future of Posts

DELIVERING

• CHANGE IN

THE WORLD

OF POSTS 2019

escher



THANK YOU TO THOSE WHO PARTICIPATED IN THE FUTURE OF POSTS SURVEY. THE INSIGHTS WE RECEIVED COULDN'T HAVE BEEN MADE POSSIBLE WITHOUT THE PARTICIPATION OF THE POSTAL COMMUNITY AND IT SERVES AS A REMINDER TO HOW COLLABORATIVE THE INDUSTRY IS, WHEREVER IN THE WORLD THEY MAY BE LOCATED

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Welcome to THE FUTURE OF POSTS

It's an exciting time for Posts across the world as our fiercely competitive industry continues to evolve. This report aims to consolidate the views of industry leaders and those on the ground to help Posts understand how to achieve their mission to reinvent the customer experience and engage with their consumers on a one-to-one level.

This year marks our second annual Future of Posts report. With a global response counting over 32 countries, we've gained unparalleled insights into the Postal industry.

It's clear from the results that the Postal industry as we know it is changing. The market is more competitive than ever, with the 'always-on' consumer ushering in a tidal wave of change. They're redefining customer engagement, and Postal Operators around the world are working to keep up.

Our Future of Posts report aims to help our clients and the Postal community at large stay informed as we navigate the changing landscape. Inside you'll find critical insights on the key trends that are fueling growth at the most successful Posts, as well as the initiatives that are taking top priority in 2019.

I'd like to thank all our participants, our clients and the entire team at Escher for another successful year. I hope you're able to take advantage of all the opportunities the Postal industry has to offer long into the future.



Nick Manolis

Chief Executive Officer of Escher

EXECUTIVE SUMMARY

For the second year in a row, we reached out to our network of Postal Operators and industry colleagues to get an insight into how the industry is changing.

Our standout finding cropped up time and time again: that the consumer is at the heart of change in Posts across the world.

To meet demand, Posts are leveraging a blend of technology and forward-thinking strategy to build an immersive customer experience that places the consumer above all else.

Key highlights in the Future of Posts 2019 report include:

- ✓ An overwhelming 94 percent are either using or planning to use data analytics for better customer awareness.
- ✓ Technology is key: 92 percent of Posts believe digital solutions will play an important role in improving branch productivity.
- ✓ 91 percent of Posts either already have Self-Service Kiosks or are planning on adding them to their POS infrastructure.
- ✓ 90 percent of Posts feel that parcels will be most important to success over the next five years.
- ✓ Deutsche Post DHL is the most admired Postal Operator in the world for the second year in a row, while the Swiss Post and SingPost are second and third, respectively.

REINVENTING THE CUSTOMER EXPERIENCE

Postal innovation is being driven by a renewed dedication to go above and beyond to meet consumer needs. Point-Of-Service (POS) technology is helping Postal Operators create more agile services that empower the customer and enhance their experience.

How Posts are shaping the customer experience

One of the most evident findings of the survey is eCommerce's place within Post – and the wider impact the consumer has had on the industry.

A key example is in the significance of last-mile parcel delivery in eCommerce, where 58 percent of Posts chose last-mile parcel delivery as being of utmost importance to their business.

It's clear that Posts need to cater to the consumer, making delivery as easy as possible. Likewise, consumer engagement and ease-of-use is pivotal. That's why 91 percent of Posts either already have or are planning to implement Self-Service Kiosks in the future.

Operators' strategies are becoming hyper-focused on engagement at every point in the customer journey. **Maintaining a consistent, high quality experience throughout the buyer's journey is no longer seen**

as a competitive advantage; it's a fundamental component of modern Postal success.

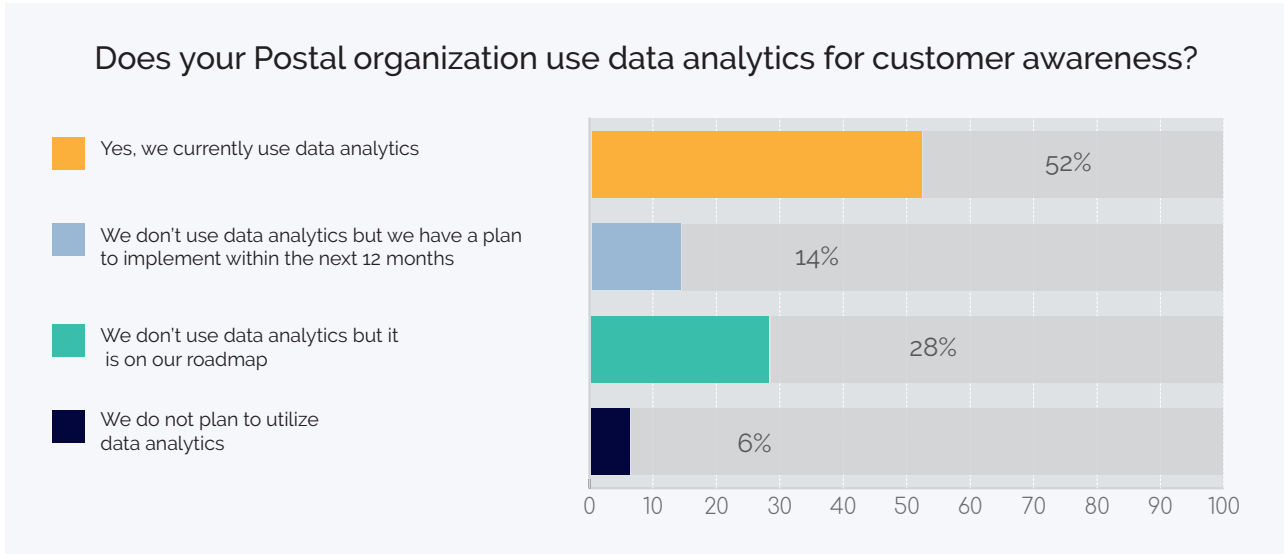
In a bid to better understand the market, Posts are leveraging the consumer information they collect. 52 percent of respondents currently use data analytics and 28 percent have it on their roadmap – a 1 percent and 6 percent increase over our findings last year, respectively.

14 percent of respondents plan to implement analytics within the next 12 months and only six percent don't plan to utilize it at all.

These analytical insights will be used to optimize channels to improve the customer experience. They'll ultimately lead to a better understanding of which investments will lead to the greatest returns for Posts across the world.

94%

OF POSTS EITHER ALREADY USE OR ARE PLANNING TO USE DATA ANALYTICS FOR CUSTOMER AWARENESS.





Posts are using third-party businesses to outsource services to maintain the flux in parcel volume while still delivering a consistent customer experience. Doing so gives Operators greater coverage in their local areas and builds agility into locations where Post Offices previously struggled due to a lack of coverage and selective operating hours.

68 percent of Posts use third-party businesses to sell their services, suggesting that it's becoming a fundamental component of Posts' operational strategies. Another 16 percent plan on introducing the scheme at some point, while 16 percent have no plans to introduce it at all.

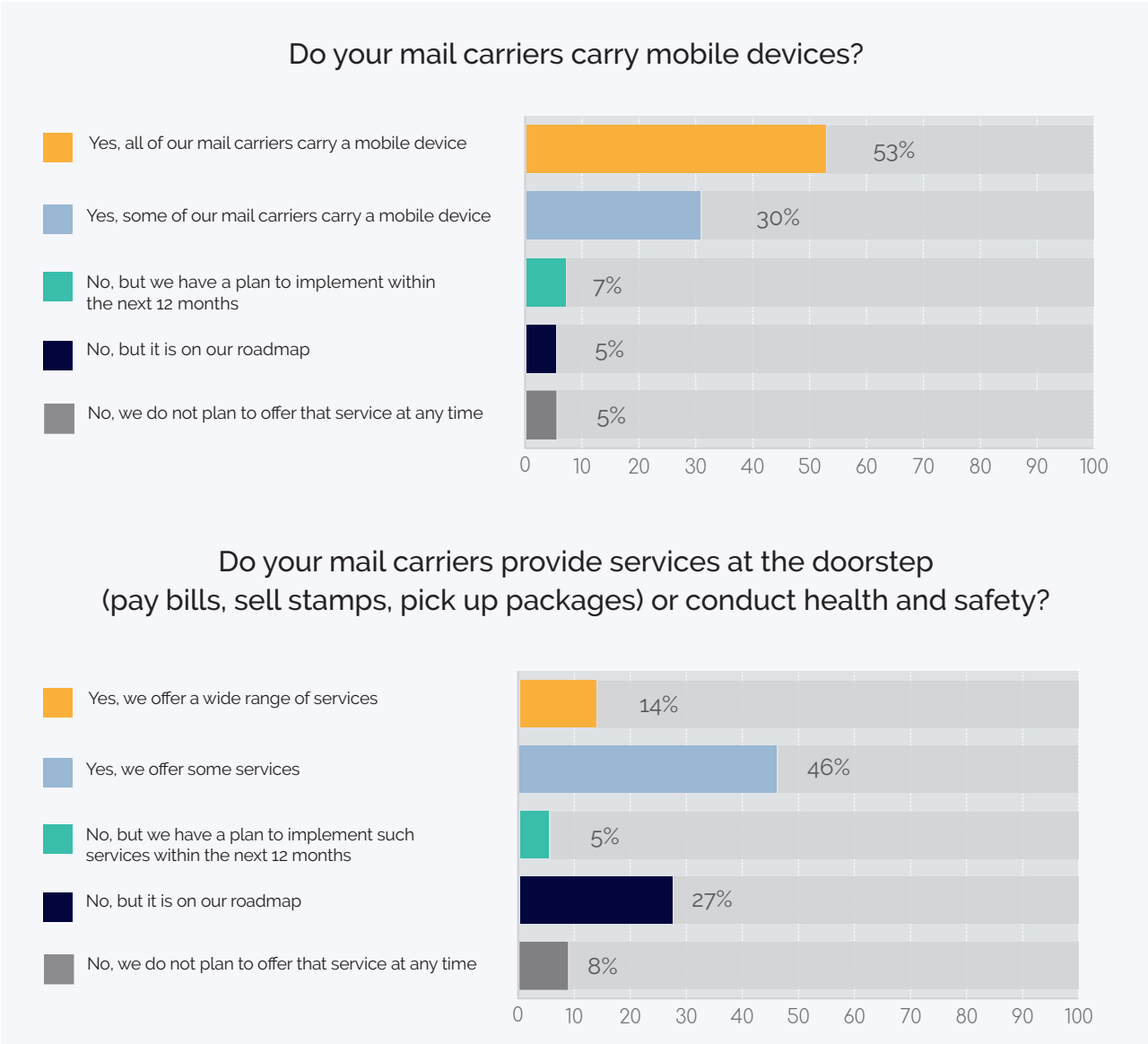
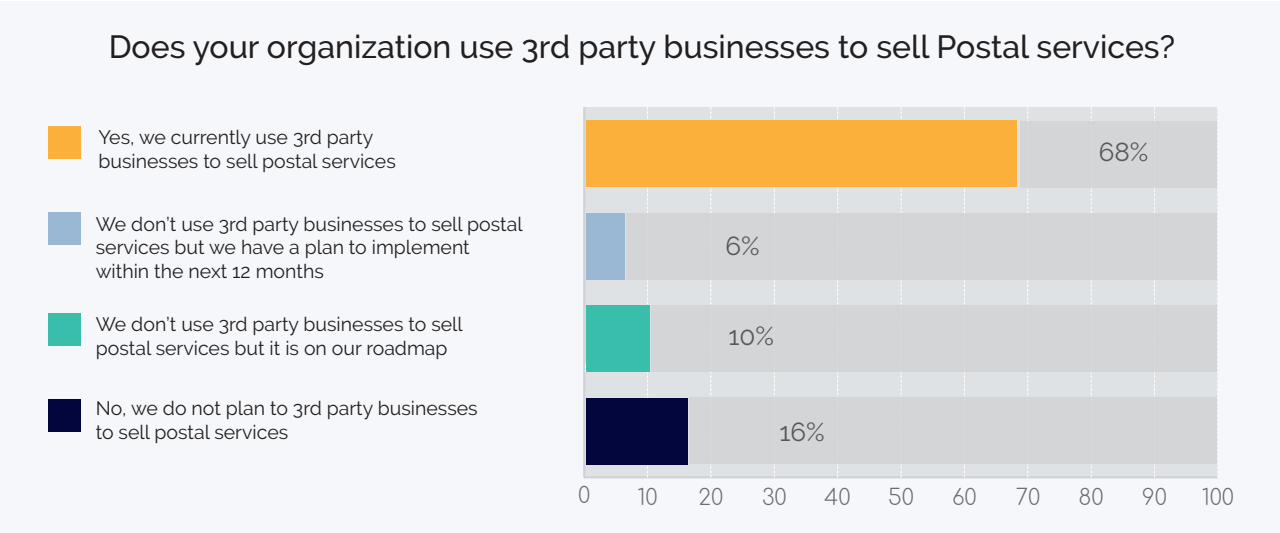
POSTS MEETING THE GREATER DEMAND FOR SERVICE

The popularity of eCommerce is pushing Posts to make it easier for customers to receive their parcels – which in turn is encouraging them to shop even more.

Overall, 60 percent of Posts offer at least some services at the doorstep and another 32 percent plan to at some point in the future.

83 percent of Posts equip either some or all of their mail carriers with mobile devices to facilitate transactions on-the-go and optimize their routes. This is a 7 percent increase over last year's findings. Another 12 percent are planning to implement mobile devices, while just 5 percent have no plans to do so.

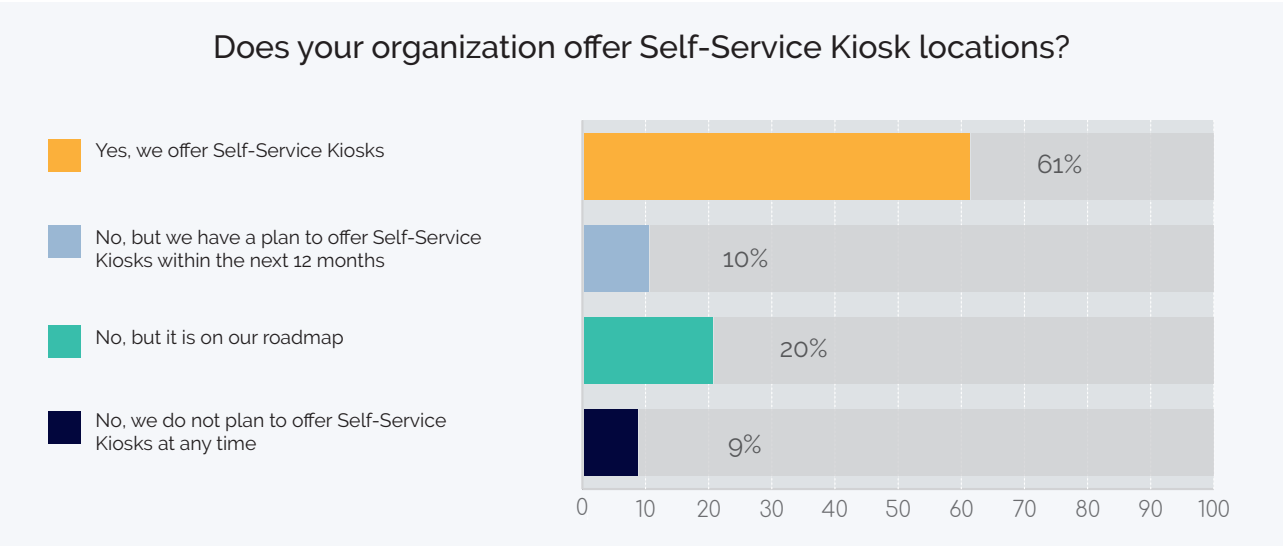
Interestingly, there's a 17 percent year-over-year increase in Postal Operators adding mobile services to their roadmap. We estimate that we'll continue to see an uptick in adoption rates moving forward.





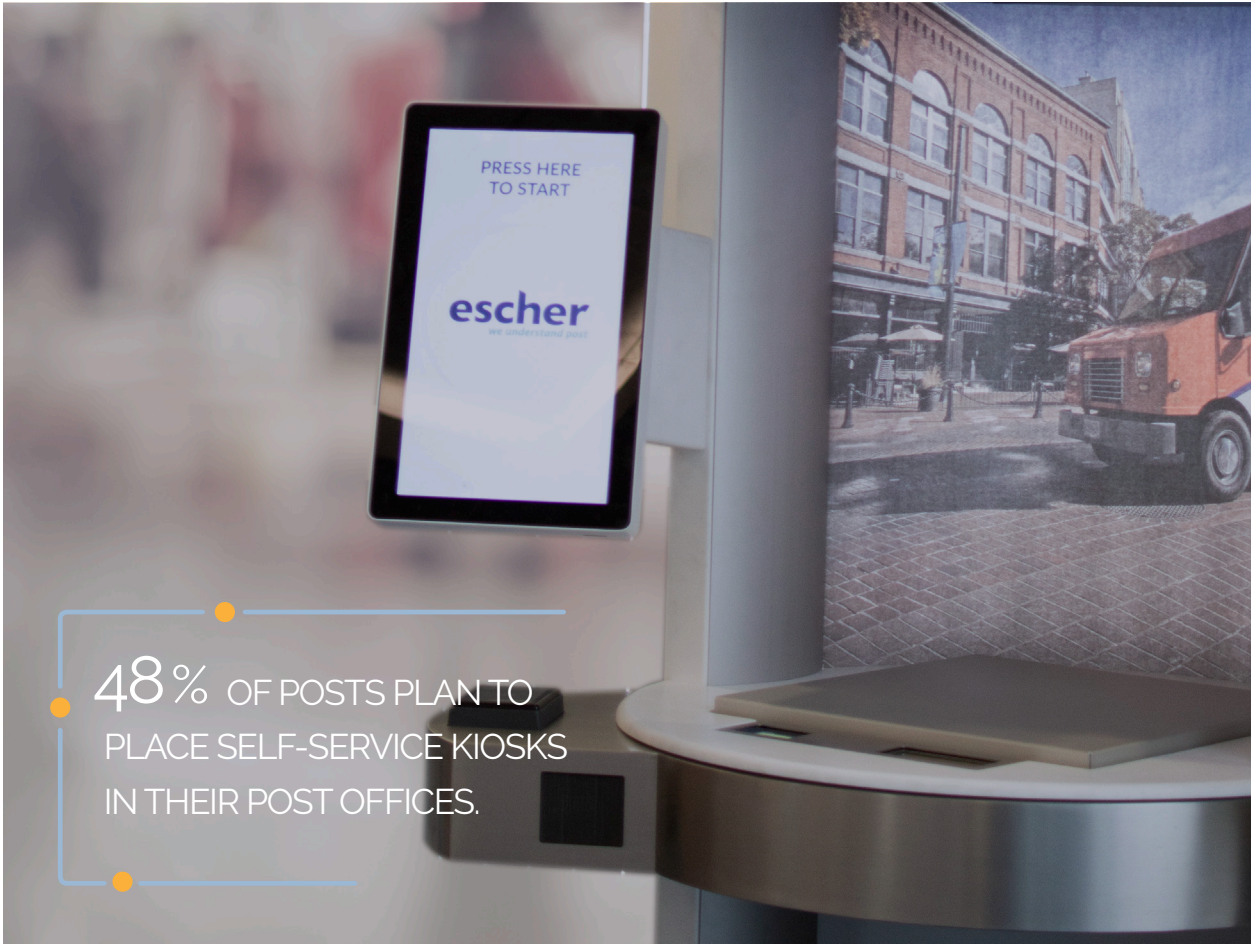
Customer time is scarce – and it shouldn't be spent waiting around in queues. Posts are overcoming budgetary restraints to provide more access points for consumers to interact with their services.

71 percent of Posts either currently have Self-Service Kiosks in place, or plan to within the next 12 months. Another 20 percent plan on incorporating the technology at some point, while only 9 percent have no plans for Self-Service Kiosks.



Self-Service Kiosks are a versatile technology, allowing Posts to place them across their market demographics at a low cost.

In terms of location, 48 percent of Posts plan to place Kiosks in the Post Office. 38 percent plan to place them at both the Post Office and third-party businesses and 19 percent plan to outsource them solely to third-party businesses.



LOGISTICS – A KEY PRIORITY

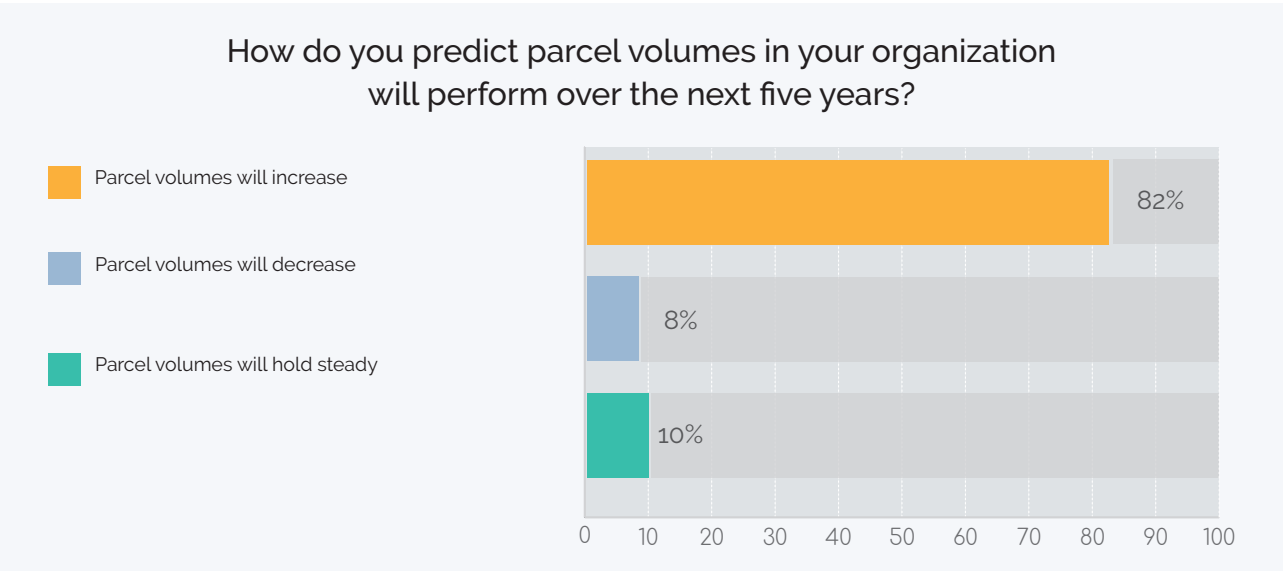
Revenue opportunities are emerging at a frenzied pace in the eCommerce era, and Posts are leveraging technology to capitalize on them.

74 percent of Posts say that large-scale eCommerce companies like Amazon, eBay and Alibaba represent an opportunity for Posts with a 6.79 weighted average on a scale of one to 10.

Given that 82 percent of Posts believe that parcel volumes will increase over the next five years, this isn't surprising – parcels, reverse logistics, delivery and eCommerce go hand-in-hand.

However, increasing parcel volumes can stress resources that are already tight. Package processing and reverse logistics strategies are seeing an influx in spending to keep up with innovation. Furthermore, technological and physical solutions are in place to improve productivity and overall capacity.

The findings correlate with the fact that 81 percent of Posts believe first-mile parcel processing plays an important role in Postal Operators success. Similarly, reverse logistics is important to sustaining success, garnering a 6.77 weighted average.



82% OF POSTS BELIEVE THAT PARCEL VOLUMES WILL INCREASE OVER THE NEXT FIVE YEARS.

POSTS STRIVE TO SUSTAIN PRODUCTIVITY

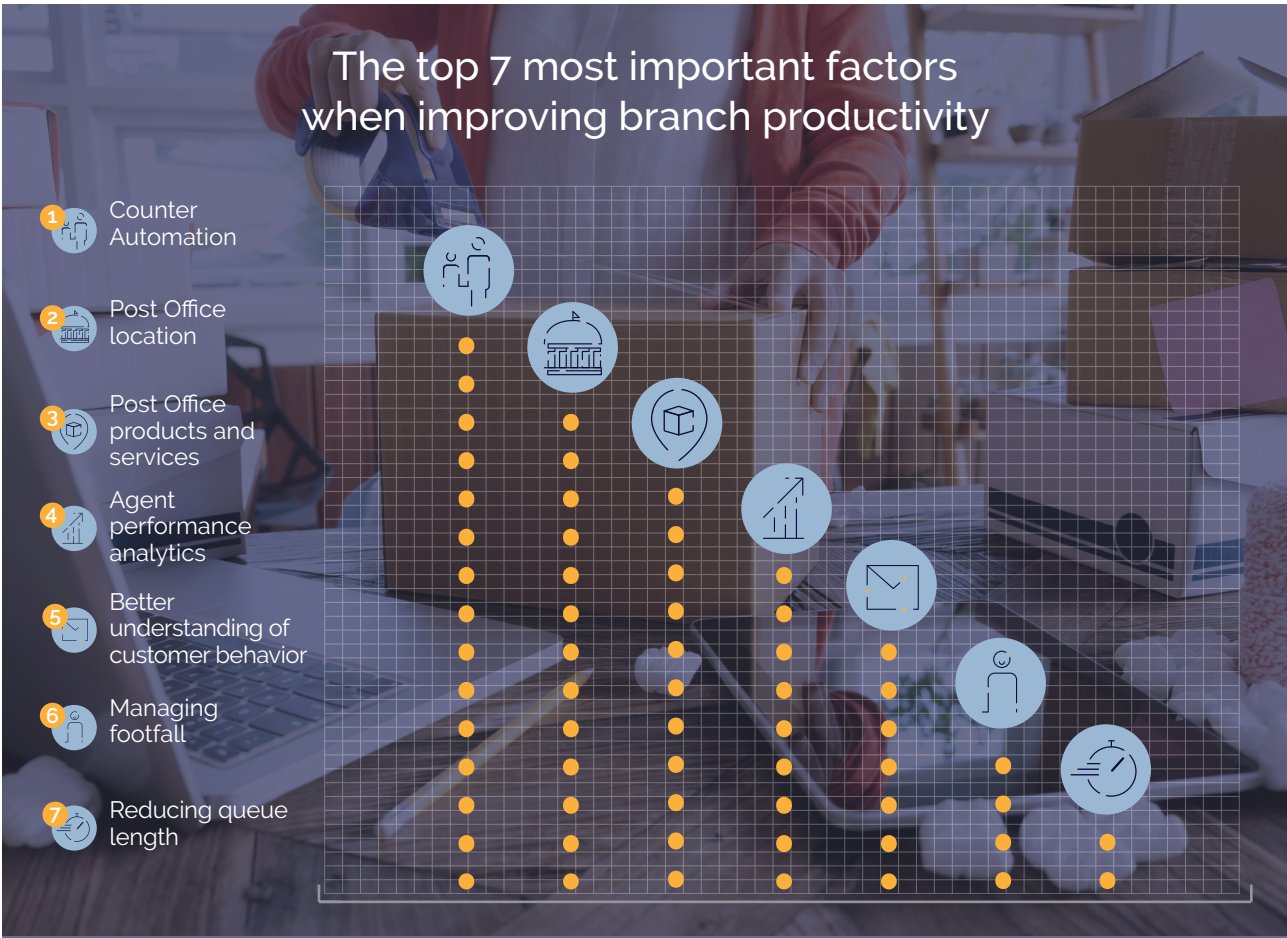
Keeping up with the steady influx of parcels has proved challenging for even the largest Postal Operators. The industry is turning to a host of digital solutions to maintain workforce productivity.

Overall, Posts agree that digital solutions are integral to improving productivity with 92 percent saying that they will play an important role. Just 8 percent believe they won't play any part in improving branch productivity.

At the outset, Posts say that automation is the most important factor for businesses looking to improve branch productivity. The location of the Post Office and the services it offers are also significant. Agent

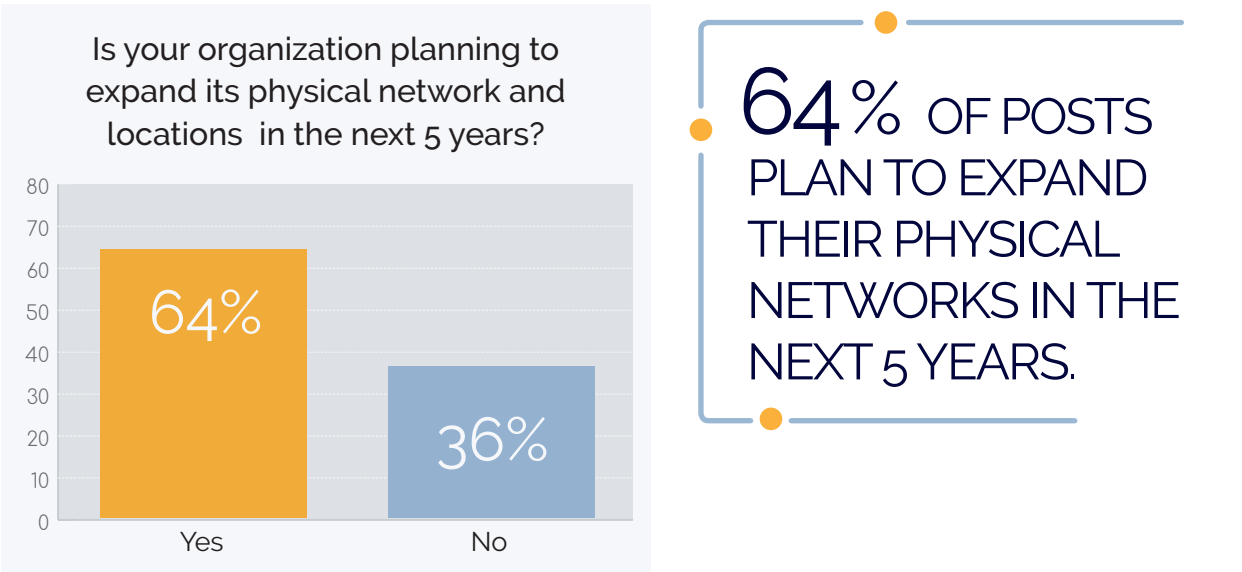
performance analytics, a better understanding of consumer behavior, managing footfall and reducing queue length round out the final four.

92% OF POSTS BELIEVE DIGITAL SOLUTIONS WILL PLAY AN IMPORTANT ROLE IN IMPROVING BRANCH PRODUCTIVITY.

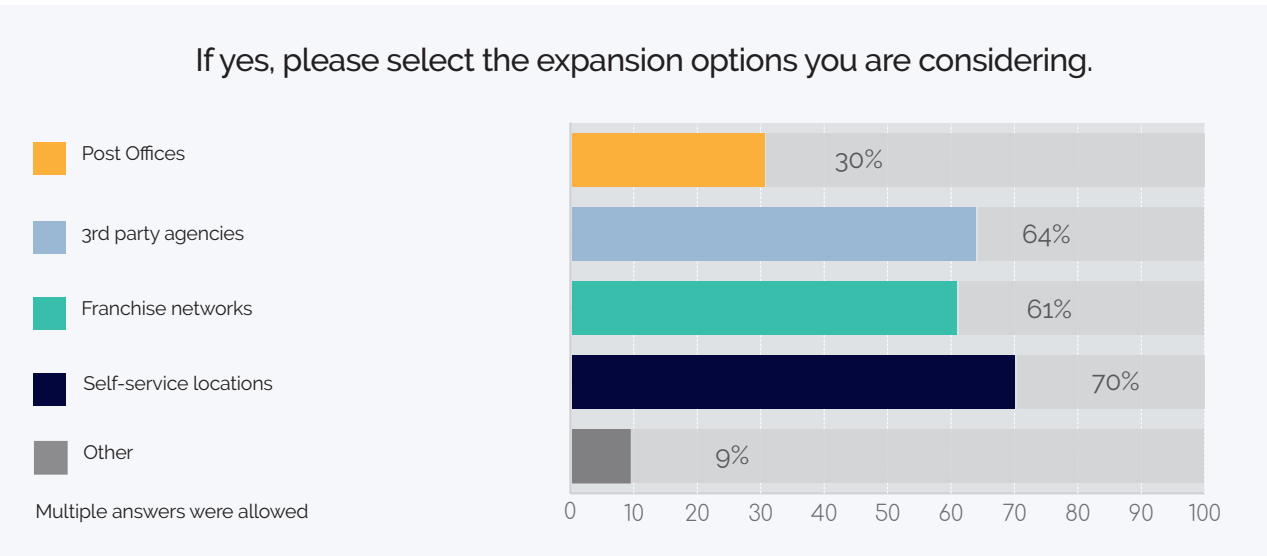


PHYSICAL EXPANSION OF POSTS CONTINUES

While digital solutions are playing a big part in meeting customer demand for more service opportunities, Postal Operators are still looking toward expansion as a way to provide more channels for consumers. 64 percent of Posts believe their physical networks will grow over the next five years, while 36 percent say they won't.



Expansion isn't restricted to traditional bricks-and-mortar. Self-service locations are expected to be adopted by 70 percent of Posts who say their physical network will grow over the next five years. Third-party agencies, franchise networks and Post Offices saw adoption rates of 64 percent, 61 percent and 30 percent, respectively.

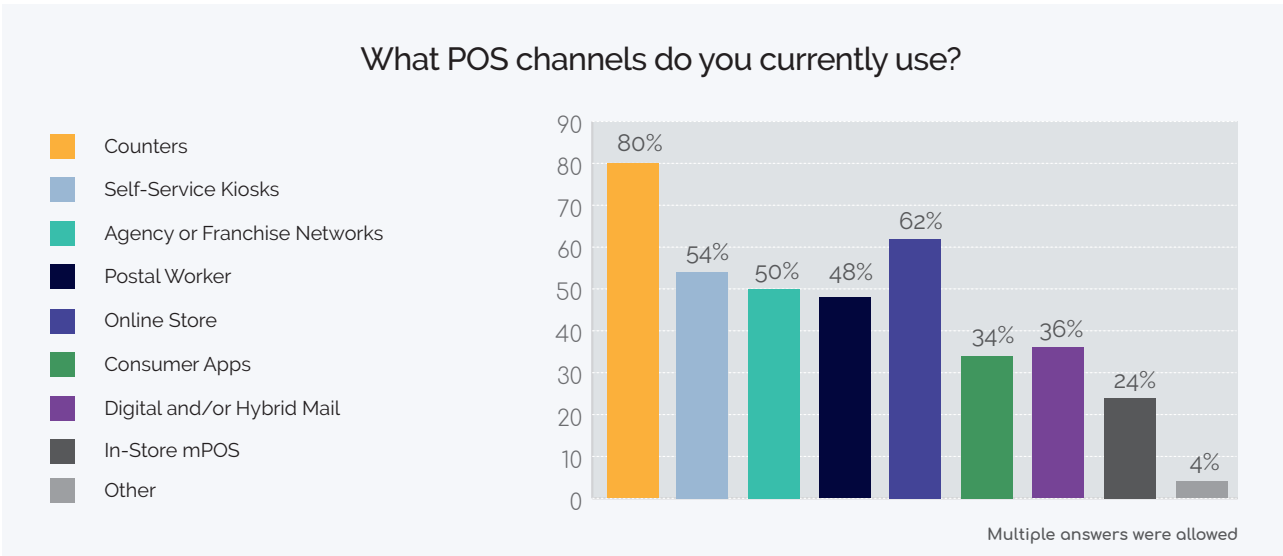


POSTS CONTINUING TECHNOLOGICAL REVOLUTION

Rising parcel volumes and a greater emphasis on the customer experience is leading to the creation of innovative POS strategies. By optimizing the channels that consumers use to interact with Posts, Operators are connecting and staying relevant with their target audiences.

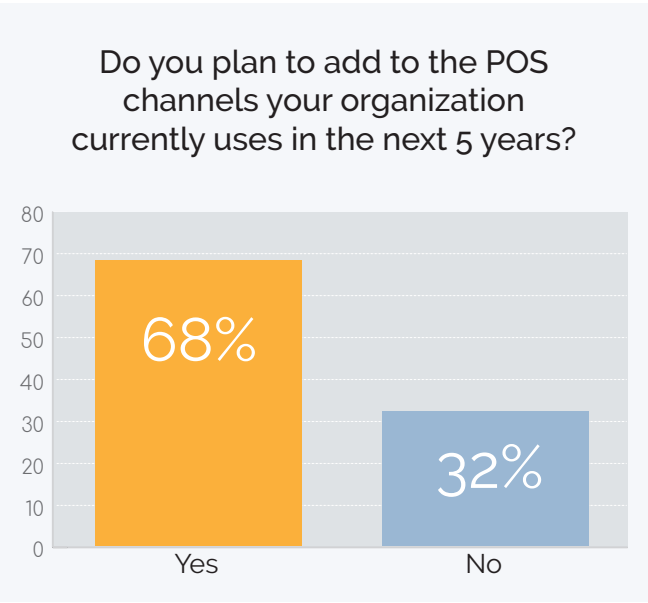
An overwhelming 80 percent of Posts utilize Counter Automation technology. Online stores and Self-Service Kiosks are in use by 62 percent and 54 percent, respectively.

50 percent of Posts are using Agency Networks, which leverage mobile devices to expand Post Office operating hours off-site. Digital and Hybrid Mail (36 percent), Consumer Apps (34 percent) and In-Store Mobile POS (24 percent) round out the bottom three.



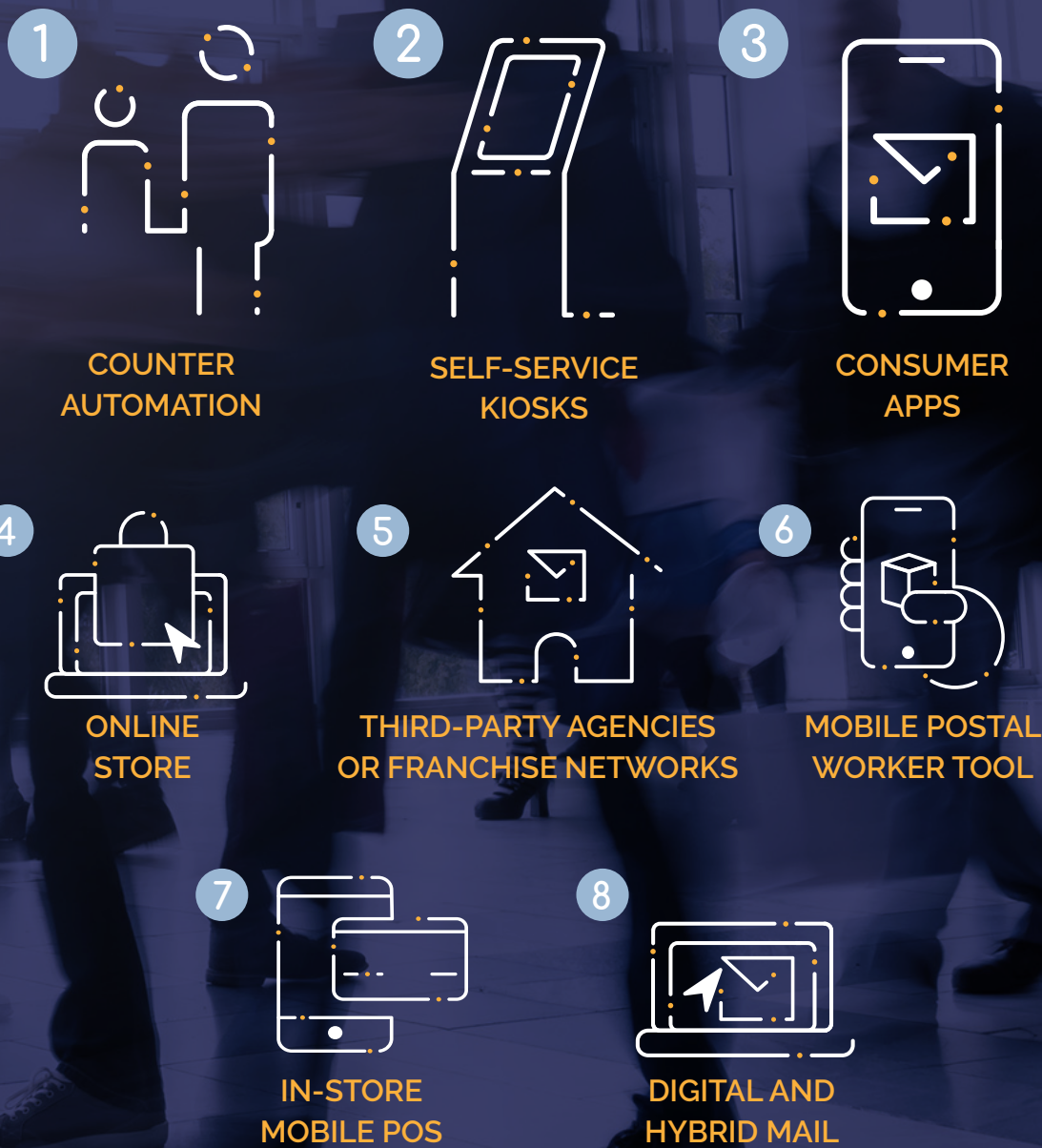
Although adoption rates are already high for a number of technologies, 68 percent of respondents plan to continue to add to their POS channel strategies over the next five years.

POS channel technologies give businesses increased speed and flexibility without compromising the customer experience. Counter Automation, online stores and Self-Service Kiosks are the top three technologies, which serves as proof that the industry is gravitating toward tools that are easy to introduce and scale.



Expanding POS Channel Strategy

We asked Posts which channels they intend to invest in over the next five years. Given that improving the customer experience is a priority, it's no surprise that Counter Automation, Self-Service Kiosks, and Consumer Apps are the top three.



FUTURE TRENDS

The sky is the limit for Posts as the industry expects eCommerce to boost parcel volumes over the coming years. Operators intend to stay competitive by allowing greater access to Posts in more locations, as well as shifting their strategies to accommodate the increased demand on specific services.

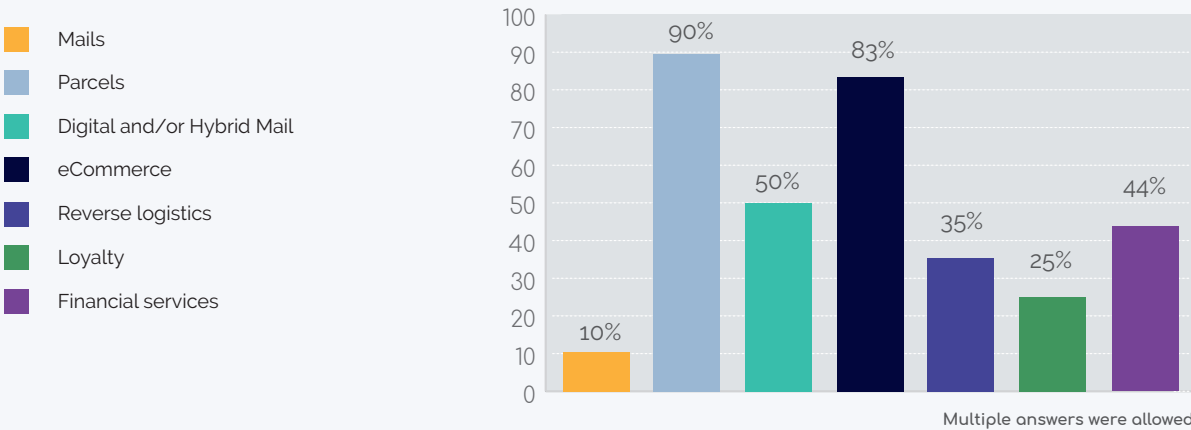
90 percent of respondents believe parcels will be pivotal to Postal success over the next five years. 83 percent expect eCommerce to be the trend that will have the most significant impact on Postal Operators while Digital and Hybrid mail (50 percent) and financial services (44 percent) are next.

35 percent of Posts say that reverse logistics will be important in maintaining revenue for Postal services,

while 25 percent expect loyalty programs to play a role. Just 10 percent feel mail will have a significant impact.

90% OF RESPONDENTS BELIEVE PARCELS WILL BE MOST IMPORTANT TO SUCCESS OVER THE NEXT FIVE YEARS.

What are the services you see being the most important to success over the next five years?



With over two-thirds of respondents expecting to add more POS channels over the next few years, the question is: what's the big driver?

The most important factor behind the trend is the need to reduce queues, with an increase in physical locations and the need to create a better customer experience slotting in second and third. A demand for more online services, acknowledging customer feedback and insights from data analytics round out the bottom three.

It's clear that Posts understand they need to create better customer engagement through speed, flexibility

and agility – and POS channels are a large part of the puzzle.

The Top Reasons Behind POS Channel Expansion

1. Reduce queues
2. Increase in physical locations
3. Creating a better customer experience
4. Demand for more online services
5. Acknowledging customer feedback
6. Insights from data analytics

What's Most Important to Future Success?

We asked Posts to rank the technologies and services that will be critical to future success. Posts say that ease and accessibility for consumers will be key, alongside making transactions as user-friendly as possible.



Adapt and conquer

Technological innovation has revolutionized Posts, and the quick pace of change will continue with the growth of eCommerce and the move toward an effortless customer experience.

The majority of Posts are well positioned to flourish in a transformative era, with new technology either on the roadmap or in place already. Last year, Posts were primed to become partners to eCommerce; this year Posts will become partners to consumers.

METHODOLOGY

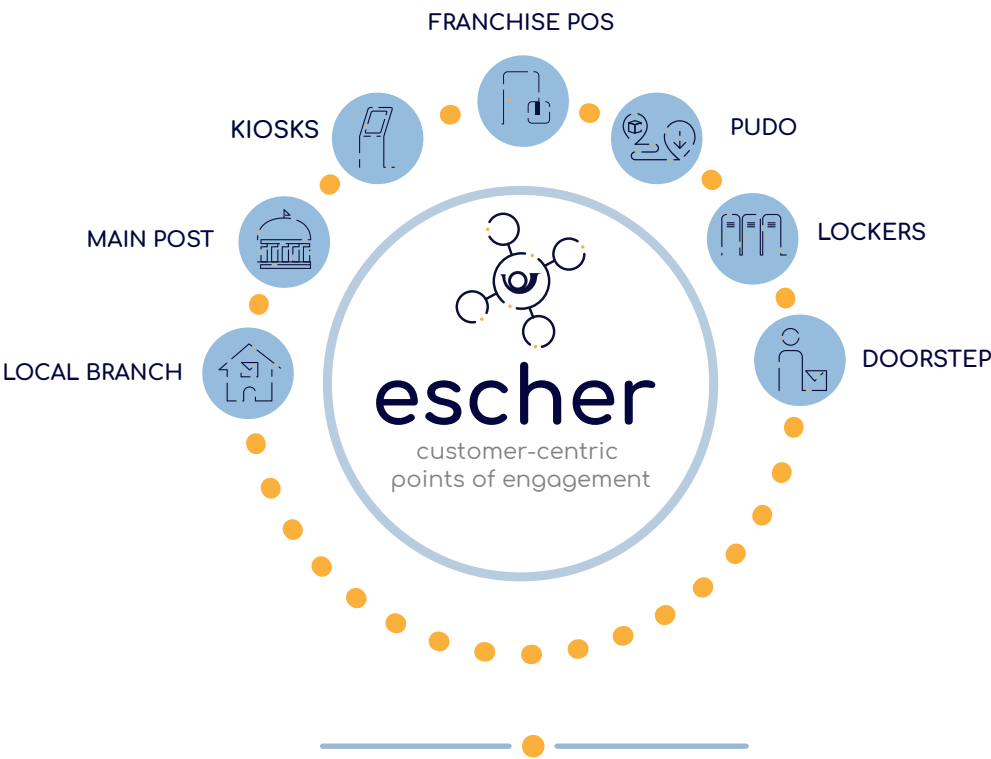
Escher Group is an international leader in providing solutions for the Postal industry. As a partner to Posts, we are uniquely positioned to assess the current state of the Postal industry and predict future trends.

Between July and September 2018, we conducted an online survey of Postal leaders worldwide. Results were collected across two months, from 16/07/2018 to 19/09/2018, with 76 total responses from 32 countries giving us key insights into the current and future landscape of the global Postal industry.

Notes:

- ✓ **On rounding:** In all instances, we rounded up percentiles above .5 and down for less than .5.
- ✓ **On weighted averages:** This applies to questions with ranking answers from 1-10 wherein the points are on an incremental scale and, therefore, are not considered equal. The more significant/important an answer, the higher the rating. The more insignificant or non-relevant an option, the closer it is to 1. Points for 1-5 are considered non-impactful to somewhat impactful, while 6-10 represents options considered impactful, to significantly impactful/important.

Escher – Transforming Customer Engagement for Posts



The Future of Posts 2019

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