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Exploring new frontiers – Reshaping the postal industry

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Mombasa

Kenya

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1979 – 2002: 23 years in Royal Mail

Since 2002 worked with the postal industry around the world as a business coach to:

Research and design, lead and facilitate workshops, and deliver management training, seminars, forums and master classes on: **Vision and strategy, fostering innovation, building customer centricity, driving operational improvement, human resource development, changing mindsets, developing sustainable business models and leading digital transformation**

THOUGHT
LEADERSHIP BOOKS

to inform, inspire, share ideas and latest industry knowledge, stimulate new thinking and highlight and spread good practice

Exploring new frontiers – Reshaping the postal industry

1. Why is this necessary and what does it mean?

2. Global business environment and postal sector trends

3. Critical strategic drivers and key success factors

4. Reshaping the postal industry

Status quo is not an option

- Declining letter volumes
- Growing irrelevance of traditional postal services to the market
- Recent increase in parcels helps but is not the answer
- Digital disruption is re-writing the rules for all sectors
- Rapidly evolving market with new opportunities
- Pace of change is fast and relentless
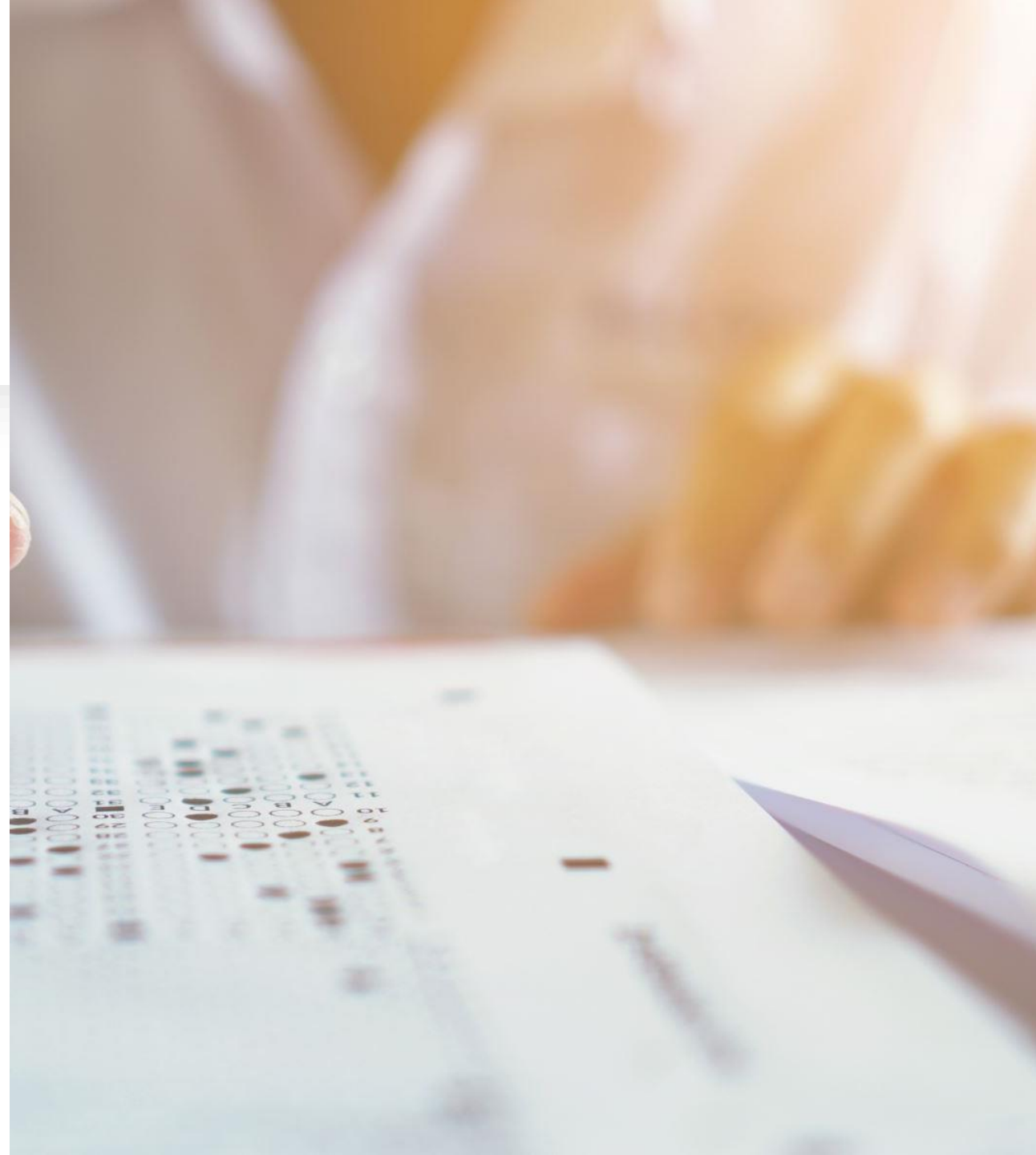
DIFFICULT MACRO-ECONOMIC GEO-POLITICAL GLOBAL ENVIRONMENT

Stormy weather, unpredictable turbulence, headwinds, huge uncertainty in the markets, cost and revenue challenges, labour market issues, supply chain disruption – and changing needs and behaviours of our customers

Emerging industry trend 'Clusters' – effectively 'repositioning' the sector

Parcels, shipments and logistics (Trading goods, B2B, B2C and C2C)

Partnerships (extending range, reach, scope, pace and filling gaps)

Proximity (and market presence, service hubs, Govt and social role)

Platforms (and digital integration, app-ification, one-stop-shop)

Pipeline integration (moving up and down the value chain)

Policy (regulation, USO, customs)

Planet (all sustainability and ESG driven strategies)

People and Profitability (skills, jobs and economic viability)

Critical strategic drivers and key success factors

Riding the waves of digital disruption and transformation

Ensuring business sustainability in an environmentally sustainable way

What is digital transformation?

Not just digitalising what we have always done

Key words are innovation and delivering value

Looking at our business differently

Finding new ways to stay relevant and deliver value

Playing to our strengths
(but not overtly or explicitly "postal")

Expertise in networks and logistics	Understanding addresses and locations	Optimised sorting systems and materials handling	Providing complex face to face services
Collecting and using data	Customer engagement in the first and last mile	Reassuring presence – trust, brand and confidence	Underpinning digital services with physical foundations
Facilitating business and trade – B2B, B2C and C2C	Supporting SMEs	Enabling International connections	Acting for Government departments

Key enablers

Digital transformation

Embracing latest technologies

Innovative and customer-centric mindset

Being customer focused, market led and staying relevant

People and skill resourcing strategy

Focus on quality and profitability

Good leadership and organisational culture

Everything sustainably

Copenhagen Economics – Postal Trends

- Postal sector in Europe is expanding in terms of revenue and headcount

- Growth in total carbon emissions

- Larger, heavier parcels in the delivery stream

- Is e-commerce better for the environment than in-store shopping?

- The irrational behaviour of consumers when shopping online

- How regulations affect CO_2 emissions

- Transition from letters to parcels

- What failure to adapt means for the bottom line

- Competition and market share in parcels

- Parcel pricing and the ability for postal operators to be competitive

- Network design and cost-efficiency of parcel delivery

- Increase in State aid during the pandemic, and complexities of State aid

- Accelerated letter volume decline

- Letter pricing, reducing costs in letter delivery (leading to alternative delivery models), and State aid

- Getting approval for changing letter delivery models

- Emerging trends that will impact the postal sector in coming years

- Green transition of the postal sector

- Role of postal regulators and policy makers in helping posts reduce emissions

Parcels and logistics

- Parcels, packets, goods, food, spare parts, sharing, pre-used & mail
- B2B, B2C and C2C
- Integrating/migrating letters to mix with packets and parcels
- Quality, speed, consumer choice – same day production
- Logistics innovation and sustainable transport
- Automating sorting and handling, robots
- Last mile, autonomous vehicles, urban low emission areas
- Parcels and OOH versus doorstep delivery

Partnerships

- Extending range, reach and scope of services
- Accelerating pace of technology adoption or market entry
- Filling portfolio or skills gaps
- Sharing/spreading risk
- Exploiting synergies
- Covering costs and using assets more intensively
- "Games of networks"
- Complex, multi-level, collaboration and competition (co-opetition)

Proximity

- Expanding networks of customer touchpoints
- Digital access to services
- 24/7 self-service kiosks and/or enhanced parcel lockers
- Visible and physical market presence
- Face to face services for Government
- Digital and financial inclusion
- Social role in rural areas
- Workplaces, digital access and training

Proximity - community services

Poste Italiane's **Polis** project aims to achieve digital inclusion for all … to ensure no one gets left behind," as the country continues to <u>accelerate its digital transformation</u> with 3 pillars:

"Sportello Unico" will give Italian citizens residing in almost 7,000 municipalities, with less than 15,000 inhabitants, the opportunity to be equipped with a multifunctional post office to easily use public and postal services, 24 hours a day. Work on the project began in 2022 and is due to be completed in 2026. This will support the development of a better relationship between citizens and the Public Administration, by providing citizens with a single access point right in the areas where, traditionally, digital services have been less used compared to other areas in Italy. To develop the "access points" Poste Italiane will transform its post offices into hubs for physical and digital services.

"Spazi per l'Italia" will create around 250 new-shared workspaces throughout the country. Around 20 will be established in historical buildings and 230 will be set up in urban centers. Poste Italiane will offer the largest network of capillary, digitized co-working spaces, accessible at reduced rates. Eighty of these spaces will be made available in municipalities with less than 15,000 inhabitants. These spaces will create more than 10,000 workstations overall.

Installation of around 5,000 electric vehicle-charging stations in 2,100 small Italian municipalities.

Platforms

- Digital integration of own services
- Aggregation of other services on digital platforms
- 'App-ification' and 'one-stop-shop' for ease of customer access
- Signposting to other platforms, market places and service providers
- Building on brand recognition
- Omni-channel - integration with social media
- Revenue from 'clicks'
- Highly competitive

Pipeline integration

- Moving up and down the value chain
- Retail marketplaces, warehousing and fulfilment
- Supply chain activity
- Owning the customer
- Vertical and horizontal diversification to neighbouring sectors
- Insourcing

Pipeline Integration

- Own marketplace
- End to end logistics
- Last mile delivery
- Data services
- 3rd Party retail
- Supply chain logistics
- etc

Policy

- Regulation
- USO
- Customs
- Legislation
- Competition
- Security

Planet

- All sustainability and ESG driven strategies
- Emission targets and fleet transformation
- Reduction in energy usage
- Reduce, reuse, recycle
- Circular economy
- Re-usable packaging
- Offsetting and Insetting

People and Profitability

- Skills, jobs and economic viability
- People – labour shortages, unskilled, IT (all), ageing workforce, AI
- Performing – all people and processes performing to full potential
- Persevering – resilience, flexibility, adaptability and strategic agility
- Profitably – containing costs and preserving margins, zero based ..

QUESTIONS AND DISCUSSION

Thank you for your attention

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