

UNITED STATES
POSTAL SERVICE

The Postal Role in Global eCommerce

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What is eCommerce?

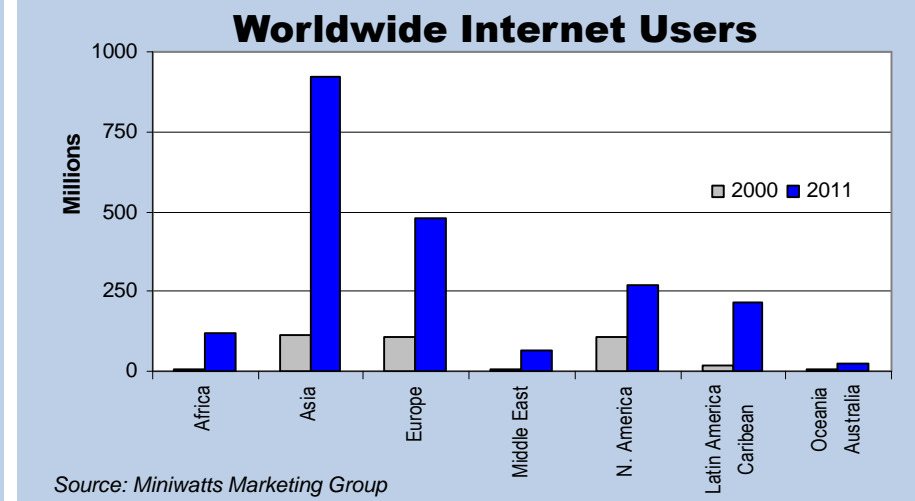
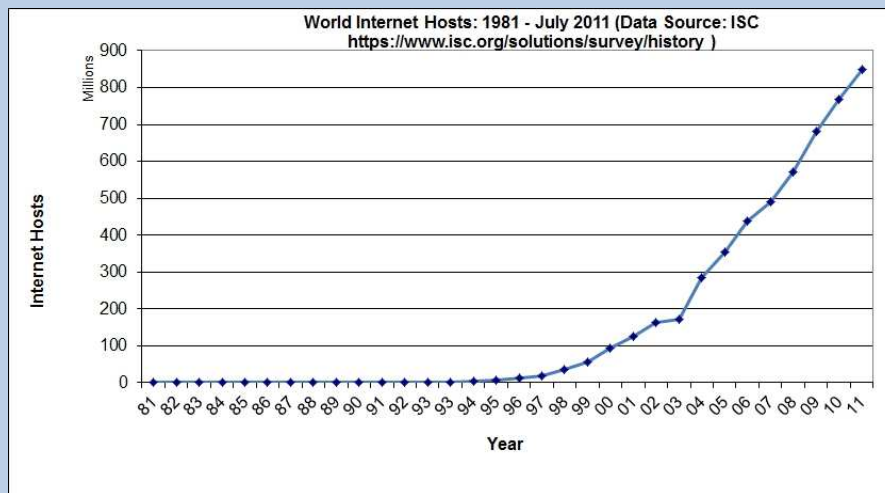
“...the buying and selling of [products](#) or [services](#) over electronic systems such as the [Internet](#) and other [computer networks](#) .” *Wikipedia*

- ❑ **Draws on innovations in:**
 - **Electronic funds transfer**
 - **Supply chain management**
 - **Internet marketing**
 - **Online transaction processing**
 - **Electronic Data Interchange (EDI)**
 - **Inventory management systems**
 - **Automated data collection systems**
- ❑ **May include technologies such as e-mail, mobile devices and telephones**
- ❑ **Generally involves the transportation of physical items**
- ❑ **Not just about sales, but also about customer engagement**
- ❑ **Transactions differ than the brick-and-mortar retail experience; re-think the products and customer service platform**
- ❑ **Growth of online shopping¹:**
 - **Affects structure of industry; larger firms grew at the expense of smaller ones**
 - **Leads to intensified price competition and thus lower variations in prices**



Global business models are changing drastically

- ❑ UK has the biggest eCommerce market (amount spent per capita); with estimates of growth of 10% between 2010 to 2015¹
- ❑ In Asia-Pacific region, 41% of all online users (or 253 M) live in China
Online sales predicted to grow to \$US159.4 B by 2015²
- ❑ In Latin America, 41% of all online users (or 91M) live in Brazil
Online sales predicted to grow 18%, worth \$US22 B by 2016²
- ❑ Middle East is a new opportunity, recording the world's fastest growth in internet usage (2000 to 2009); the region is now home to more than 60 million internet users³



1 UK's internet industry worth £100bn; James Robinson, The Guardian, Wednesday 27 October 2010; <http://www.guardian.co.uk/technology/2010/oct/28/net-worth-100bn-uk>

2 E-Commerce World Tour: Focus on E-tail Powerhouses; January 30, 2012; <http://www.powerretail.com.au/insights/e-commerce-world-tour-focus-on-e-tail-powerhouses/>

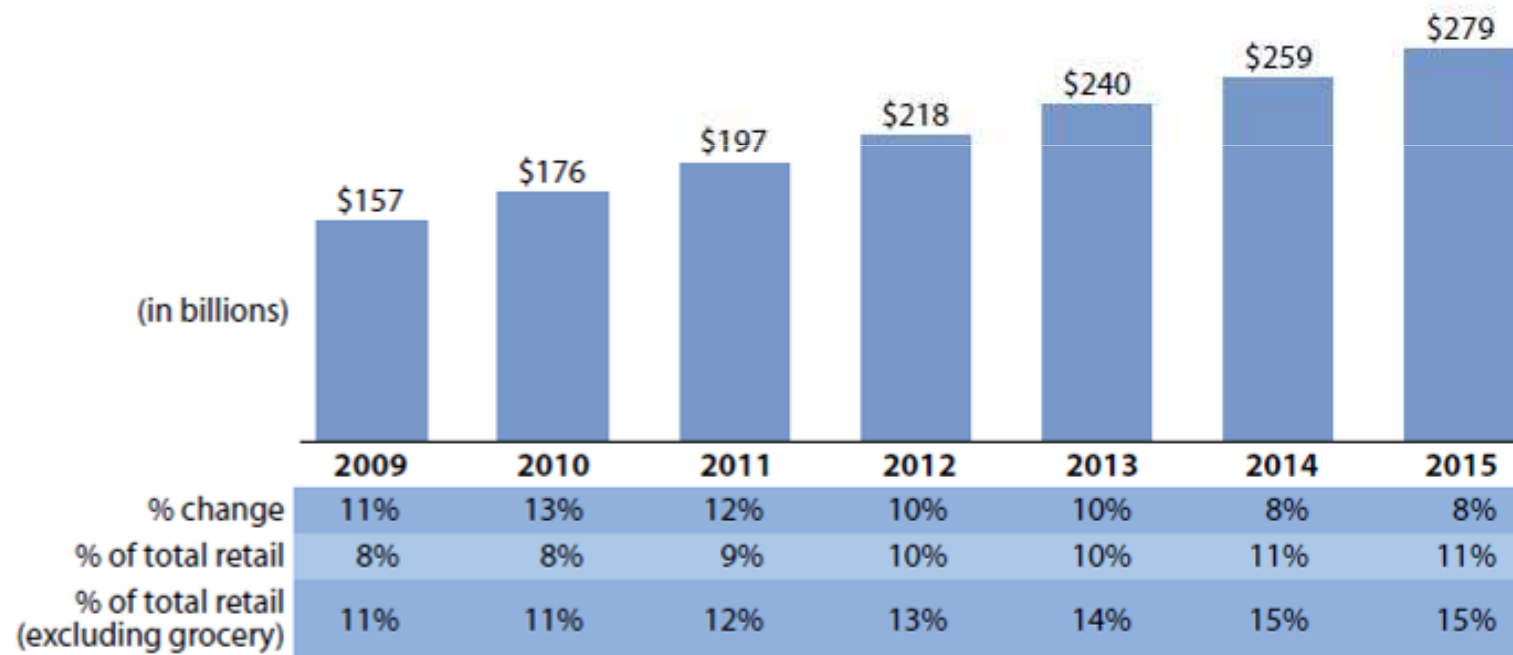
3 A Postcard from the Middle East & Africa, Now a digital mall boom in the Middle East; Thomas White Global Investing, January 06, 2012; <http://www.thomaswhite.com/explore-the-world/postcard/2012/middle-east-online-retail.aspx>



US eCommerce activity remains healthy

In the United States, eCommerce sales are growing at 10% Compound Annual Growth Rate (CAGR); traditional retail is growing at 3%.

Figure 1 Forecast: US Online Retail Forecast, 2010 To 2015



Source: Forrester Research Online Retail Forecast, 2010 To 2015 (US)

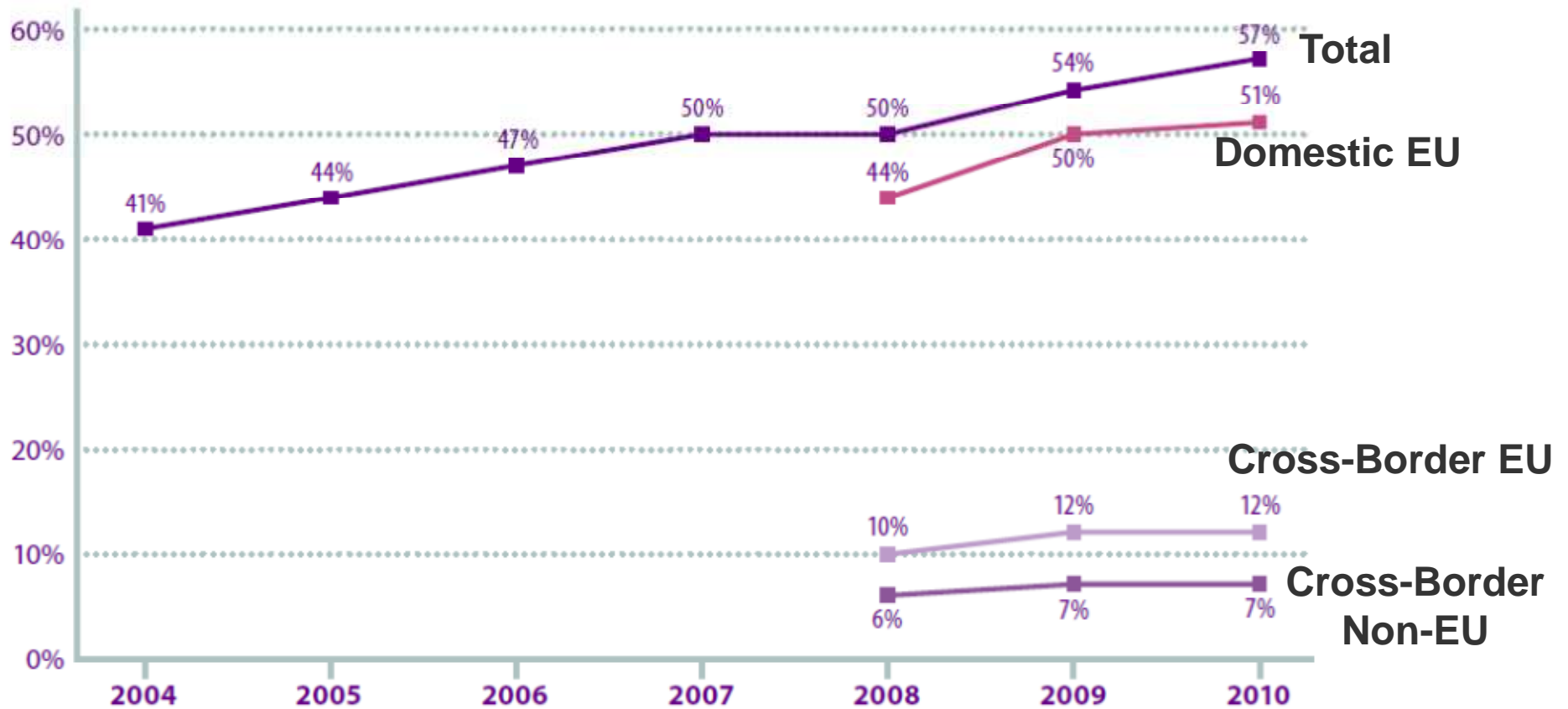
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Source: Forrester Research, Inc.



The cross border market is growing at a slower pace

Figure 4: Internet users who ordered goods or services, over the internet, for private use, in the last year, in the EU27 (as % of individuals who used the internet within the last year)



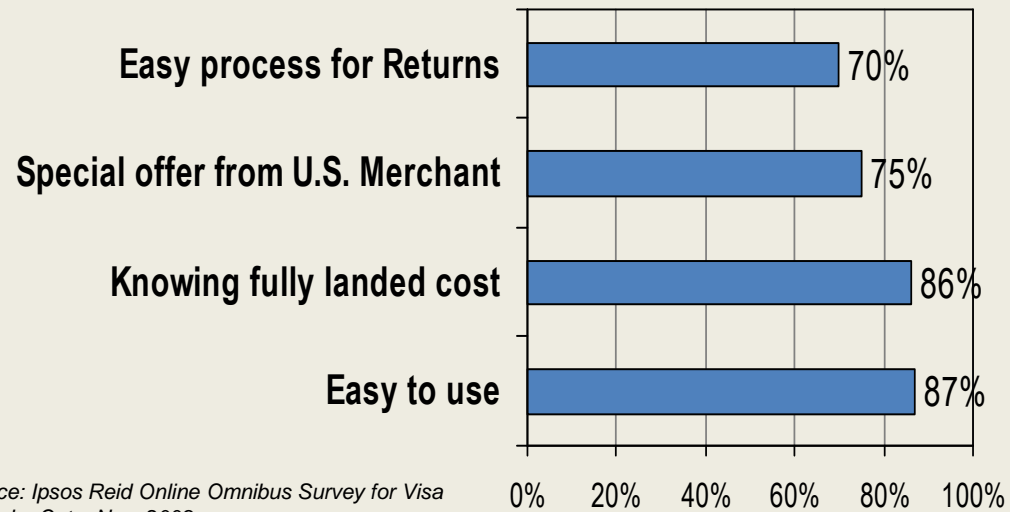


The global challenge for shippers

Shipping customers value:

- **Reliability**
- **Convenience**
- **Service Features**
- **Customs Clearance**
- **Price**

Top Factors that Encourage Increased Purchases





The global challenge for shippers

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Main barriers for cross-border online shopping

1. No need
Can find everything I need in my own country

2. Lack of trust
Quality of goods, not confident in receiving goods, warranty

3. Expect very high delivery costs

4. Complicated & long return process

Source: IPC Cross-Border eCommerce Report 2010

Base: Individuals with internet access at home who do NOT shop CROSS-BORDER and will NOT CONSIDER it in the future



The global challenge for shippers

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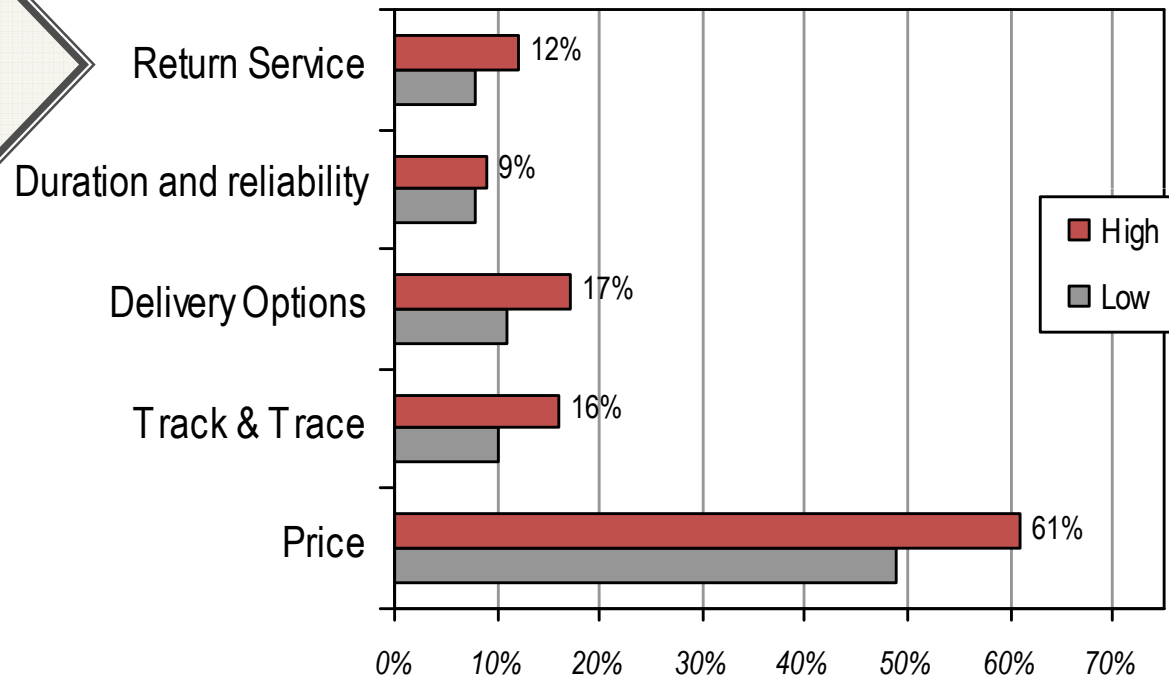
- **Convenience**

- **Service Features**

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Basic Delivery Aspects



% Respondents Selected Feature as a Preference

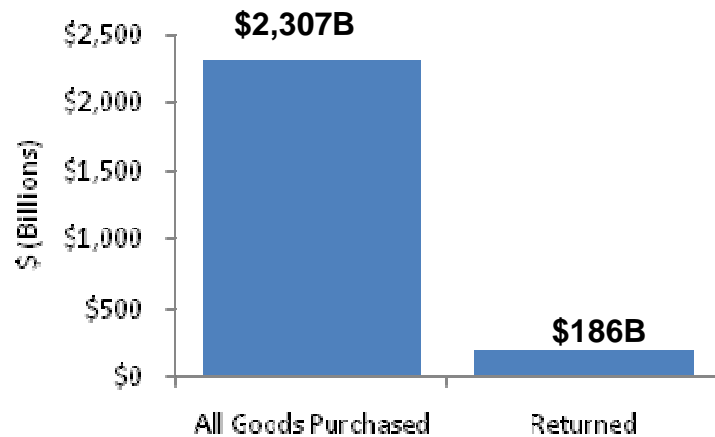
Source: IPC Cross-Border eCommerce Report 2010
Based: Individuals at home who purchased goods for physical delivery in the past 12 months (UK, DE, FR, DK, NL, BE).



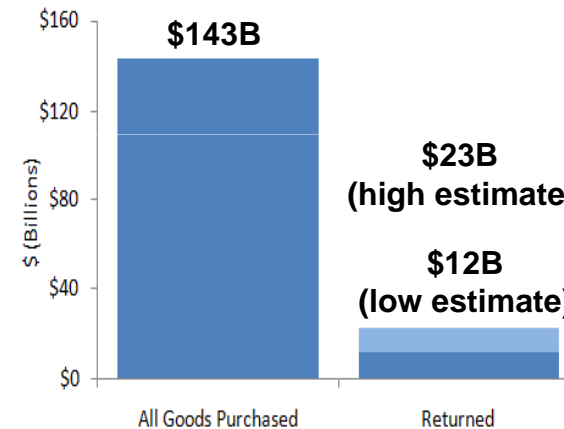
Flexible Returns Strategy required, online purchases differ significantly from in-store

Returns account for approximately **8%** of retail spending but over **11%** of eCommerce spending

All Retail Spending
(2009 in-store, online, catalog, etc.)¹



E-Commerce Spending
(2009 online only)²



Overall, return rates for retail are **8%** while eCommerce return rates are estimated at **12%**

2009 U.S. Returns shipping revenue was \$2.4B

1. "2009 Customer Returns in the Retail Industry," The Retail Equation, National Retail Federation; 2. Value of e-commerce purchases from US Census Bureau "E-Stats"; low return rate is 8%, as seen in retail industry as a whole, high return rate is double the retail average at 16%;



Merchant Challenges

- ❑ Mobile and tablet applications will play a more important role
- ❑ International customers require multi-language websites and payment options that they can use; 27% of online customers globally speak English
- ❑ Merchants encounter higher costs for returns and increased risk with credit card fraud¹
- ❑ To build buyer trust, present all charges upfront (not just shipping fees); to include duties, taxes, disbursement charges, and eFX conversions¹
- ❑ Customers want choice, when given the choice to pay landed costs up front or at a later point, everyone choose the latter¹

"Merchants must ensure they are positioned to manage the multiple issues surrounding international shipping or risk jeopardizing their brand in international markets."¹

¹ Keeping It Real for Cross-Border Online Shoppers, E-Commerce Times, By Denise J. Deveau, 01/14/10 5:00 AM PT; <http://www.ecommercetimes.com/story/69105.html>



In Summary....