

The future state of the mails market

The merging of letter and parcel
business

Current state

- With the decline of the traditional letter business the operators have a number of options:
 - Conversion into Parcels delivery completely
 - Targeted growth in letter boxable traffic
 - Develop greater integration and sub contracting within the market
 - Greater customer self service via convenient locations

The Market requirements

- The growth over the years has seen various parcel carrier move into co located markets, but how profitable are they
- Has this approach driven the price of deliveries to un economic levels
- The customer now demands greater surety of service a very low prices (driven by competition between parcels carriers)
- The challenge for Parcel companies is to meet this twin requirement and make a greater return for their shareholders

Traditional mails carrier

- They have to decide what markets they are really going to serve
- Sub 1kg items potentially is the target market to replace lost letter volumes
- They have reach and the ability to cope with traffic spikes better
- Profitability remains an issue
- Would this movement further undermine another price squeeze

Observation

- Movement of mails carrier into targeted parcel volume may drive price lower
- Potentially better meet customer experience due to reach
- Parcel carriers need to finally get the address volume growth or customer experience