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## **Is Diversification the Answer to Mail Woes?** The Experience of International Posts

Final Report  
February 2010

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# About this document

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- This document was prepared by Accenture at the request of the U.S. Postal Service
- This report is based on a review of the experience of international posts with diversification outside of mail<sup>1</sup>, complemented by Accenture's postal industry experience and research. It was prepared with the intent to help inform discussions on the U.S. Postal Service future growth opportunities
- While looking at how other posts are responding to the growing decline in mail volumes provides valuable insights, this report does not intend to provide recommendations on the U.S. Postal Service specific situation
- In particular, the reasons for success or failures as experienced by others posts can be rooted in a wide range of factors, among which are: market conditions, the specific situation of a given post, or the effectiveness in executing their respective diversification strategies
- Therefore, while this report provides a collective overview of what other posts have done to grow their revenue outside of mail, it does not intend to provide an analysis of the U.S. market as it relates to the possible diversification opportunities accessible to the U.S. Postal Service

<sup>1</sup> See page 5 for a definition of mail versus non-mail

# Agenda

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- **Executive Summary**
- International Postal Context
- Postal Diversification:
  - Lay of the Land
  - Modality
  - Challenges
- Implications for the U.S. Postal Service
- Appendix

# Our assignment was to review the experience of international posts with diversification to help inform discussions on the USPS business model

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## Scope

### Non-mail revenue diversification of foreign posts:

- Lay of the land (current state of postal diversification outside of the U.S.)
- Impact of diversification on foreign posts' businesses (top-line growth, profitability, overall performance)
- Modality of diversification (targeted areas and services offered within those areas, preferred mode of entry and parallel supporting changes made to launch those new businesses)
- Relative position and directional implications for the USPS based on those experiences

## Approach

### Macro-review of international Postal Operators

- Degree of diversification
- Areas of diversification
- Impact of diversification on revenues and profits

### Deeper dive into select operator experiences using publicly available information augmented with Accenture's industry experience and research on High Performance Posts

- Modality of entry
- Success factors

# For the purpose of this review, mail and non-mail were defined as follows

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## Mail

### Services and products accounted as mail include:

#### Postage

- First Class
- Standard
- Periodicals
- Media mail
- Library mail
- Bound Printed Matter

#### Additional mail services

- Registered mail
- Insured mail
- Certified mail
- Delivery confirmation

#### Post office boxes

## Non-mail

### Non-mail is defined as all activities outside the scope of mail

#### This includes, in the case of the USPS:

- Priority Mail
- Express Mail
- Parcel post
- Money orders
- Sale of packaging products
- Passport processing services

Note: Some international posts would categorize Parcel post-like products as a mail product, considering only those express, time- or day-definite parcels as part of non-mail

# Our assessment is based on the review of a sample group of international posts that account for ~2/3 of the non-U.S. mail volumes

Operator		Country	Operator		Country
	An Post	Ireland (IE)		Magyar Posta	Hungary (HU)
	Australia Post	Australia (AU)		New Zealand Post	New Zealand (NZ)
	Canada Post	Canada (CA)		Osterreichische Post	Austria (AT)
	Correos y Telegrafos	Spain (ES)		P&T Luxembourg	Luxemburg (LU)
	CTT - Correios de Portugal	Portugal (PT)		Post Danmark	Denmark (DK)
	Ceska Posta	Czech Republic (CZ)		Posten AB	Sweden (SE)
	De Post / La Poste	Belgium (BE)		Posten Norge	Norway (NO)
	Deutsche Post DHL	Germany (DE)		Royal Mail	United Kingdom (UK)
	Groupe La Poste	France (FR)		Singapore Post	Singapore (SI)
	Gruppo Poste Italiane	Italy (IT)		South African Post Office	South Africa (SA)
	Elta	Greece (GR)		Swiss Post	Switzerland (SW)
	Itella	Finland (FI)		TNT	Netherlands (NL)
	Japan Post	Japan (JP)			

# Key conclusions

## Perspective from international posts

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- **International posts are already well-diversified** and began that process early (as government-backed organizations) to address the structural challenges facing their mail businesses
- Diversification has a measurable impact on the performance of international posts and ultimately **distinguishes high from low performers**
- International posts take a **broad-based approach** to diversification, but **five areas** ultimately stand out as the most sizeable diversification opportunities: **parcel services, logistics, retail with banking, integrated marketing, document management**
  - Additional areas warrant consideration given their role in supporting other platforms (e.g., hybrid mail) or their relative potential (e.g., E-Commerce, telecommunications)
- Building sizeable businesses in any of these areas requires **resources**, the development of new **capabilities** (often with the support of acquisitions or partnerships), **time**, and **profound alterations** to the postal business model in order to reduce and variabilize the legacy postal cost model (e.g., labor mix)
  - As international posts are still building these businesses and implementing those changes, they tend to generate **below average profitability** compared to industry benchmarks

# Key conclusions

## Implications for the United States Postal Service

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- Limited diversification and high exposure to declining mail volumes put the U.S. Postal Service in a **very unfavorable position relative to other posts**
- While diversification alone cannot resolve an **immediate** profit shortfall of the magnitude faced by the U.S. Postal Service, it will likely need to play **a greater role for the sustainable future of the post and the postal Universal Service Obligation**
- Diversifying the U.S. Postal Service will be **challenging**; in particular due to the lack of mail profitability, high labor costs and limited cash or access to cash in support of an acquisition and/or an investment strategy
- Based on the review of the experience of international posts, the following conditions will need to be met for the U.S. Postal Service to pursue diversification and **structurally address the challenges of the mail business**:
  - Rebuild a profitable mail business in order to support the funding of the new platforms
  - Expand the product portfolio beyond mail and improve the value proposition to meet evolving customer needs
  - Make profound alterations to the business model to effectively position the USPS to compete (cost model, development of new capabilities via acquisitions and partnerships)
  - Receive support from various stakeholders to allow for the necessary time, resources, and changes required

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# International posts are facing major challenges with their mail business

## Loss of relevance

- Slow but steady mail volume decline since 2002
- Accelerating in 2008 and 2009
- Expected to continue as mail volume growth is increasingly disconnected from GDP growth

## Loss of monopoly

- Finland, Germany, Japan, New Zealand, and the United Kingdom already liberalized
- Remaining European countries scheduled to fully liberalize by 2013 (elimination of remaining reserved areas)
- Lower cost competitors taking share in liberalized markets (and targeting the more resilient ad mail segment)

## Rising cost of the USO

- All operators adopting a range of tactics to mitigate the structural decline of mail volumes:
  - Conduct select price increases
  - Reduce and variabilize costs (e.g., close post offices)
  - Stimulate demand through targeted price adjustments, expansion of worksharing schemes
- However, struggling to contain growing mail costs relative to revenue

They pursue diversification as a means to structurally address these challenges

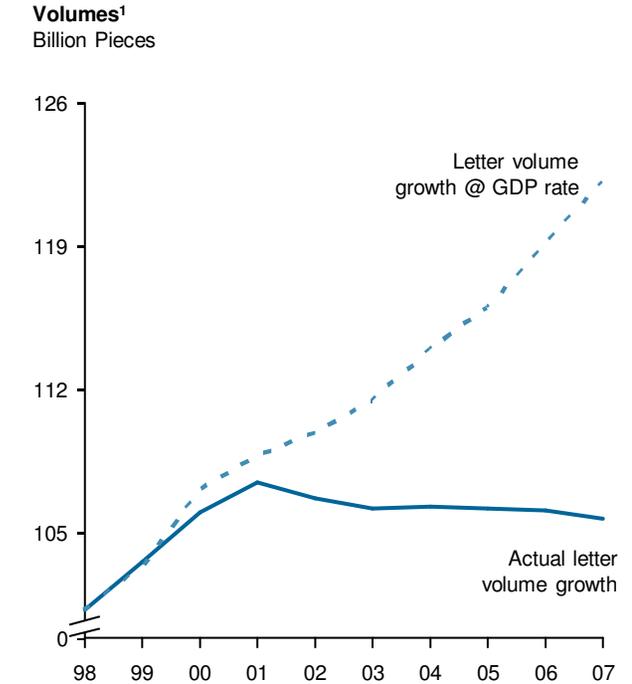
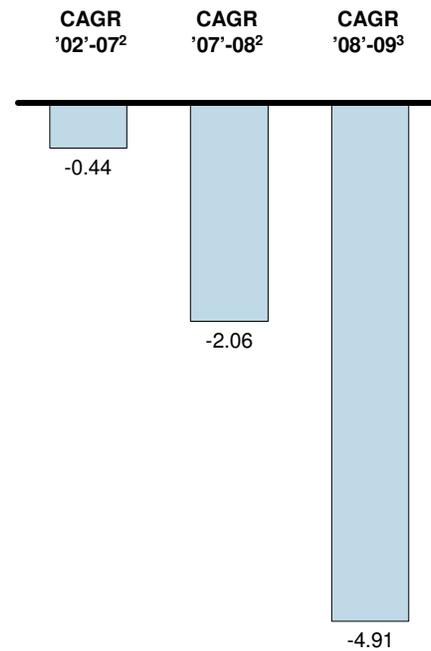
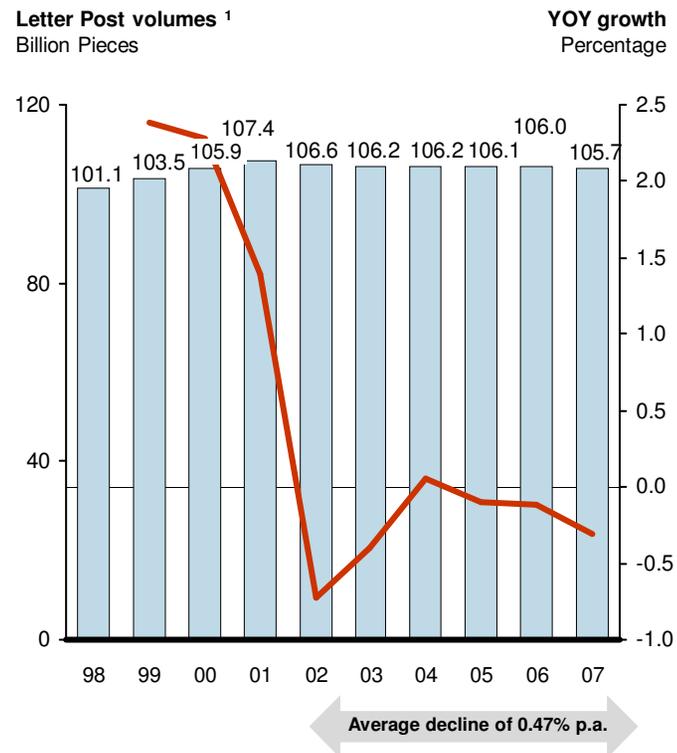
Note: See following pages for details

# The decline of mail volumes is accelerating and increasingly disconnected from economic growth

International posts have experienced steady decline in mail volumes since 2002...

... accelerating in 2008 and 2009

Growing disconnect between mail volumes and GDP indicates loss of relevance



YOY = Year Over Year; CAGR = Compound Annual Growth Rate

1 Based on Australia, Czech Republic, Denmark, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Portugal, Spain, Sweden, and United Kingdom

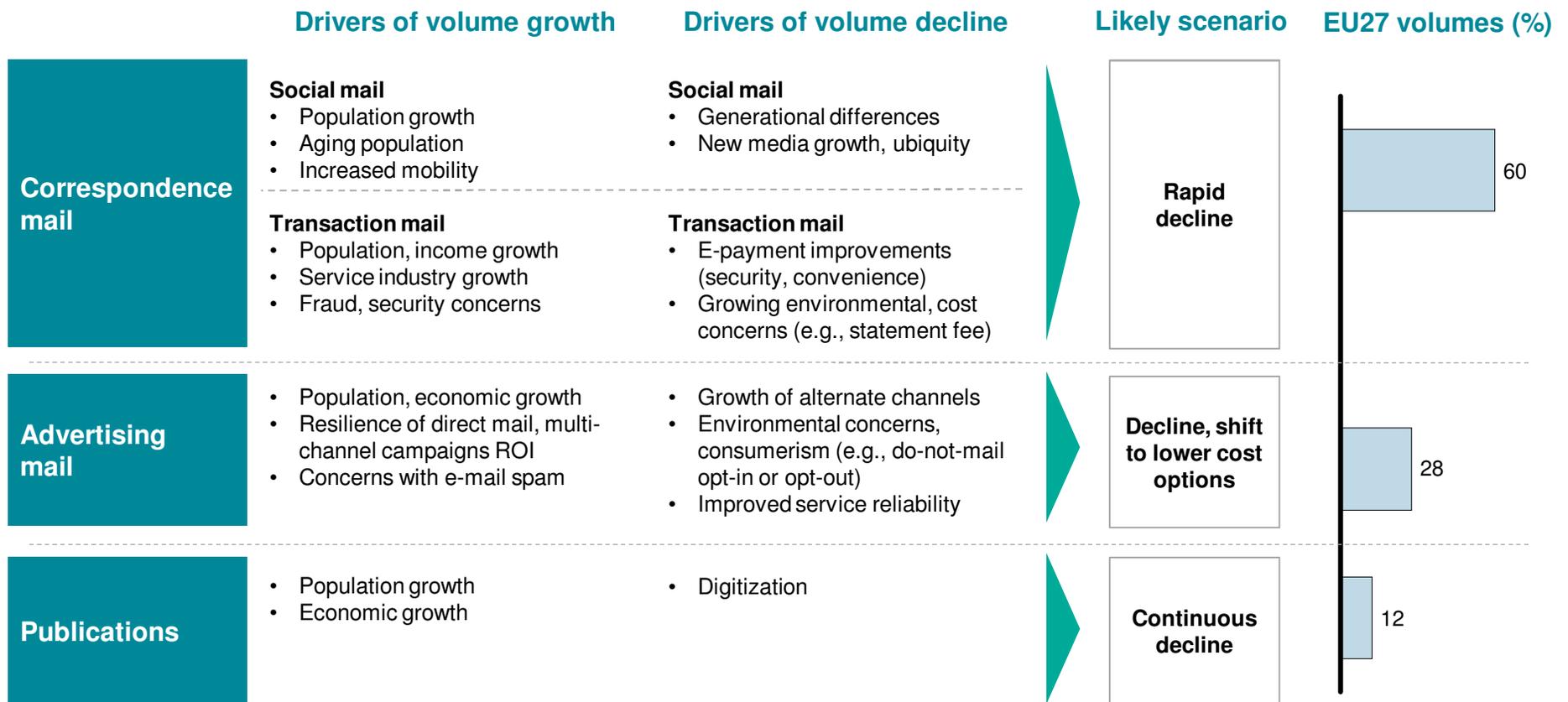
2 Based on the following countries: France, Germany, Italy, Japan, Netherlands, Sweden, and United Kingdom as only these operators' 2008 mail volume data was available

3 Based on Australia, Singapore, New Zealand, and United Kingdom as only these operators' 2009 mail volume data was available

Note: The USPS' mail volume increased 4.64% from 2002 to 2007 (but decreased 4.2% from 2007 to 2008 and 13% from 2008 to 2009)

Sources: Country Fiches of the EC study on 'The evolution of the European Postal Market since 1997,' DG Internal Market and Services, August 2009; operators' website; USPS 2002 and 2007 annual reports for U.S mail volumes; USPS Household Diary; Accenture analysis

# Technological advances and shifting customer behaviors are anticipated to further accelerate the decline of mail volumes



**Compounded, for European posts, by their relative dependence on correspondence mail**

Sources: 'The evolution of the European Postal Market since 1997,' DG Internal Market and Services, August 2009; Accenture industry experience

# The elimination of the postal monopoly is likely to exacerbate the structural decline of mail volumes ...

Reserved area of various international posts (2009 and projected)

	Single Piece and in-bound cross border <sup>1</sup>	Outbound cross-border <sup>1</sup>	Bulk transaction mail	Bulk addressed AdMail	
Australia	< 250 g		< 250 g	< 250 g	Reserved area remaining
Canada	< 500 g	< 500 g	< 500 g	< 500 g	
Austria	< 50 g, 2.5 x BT		< 50 g, 2.5 x BT	< 50 g, 2.5 x BT	
Belgium	< 50 g, 2.5 x BT		< 50 g, 2.5 x BT	< 50 g, 2.5 x BT	Reserved area scheduled for elimination by 2013
France	< 50 g, 2.5 x BT		< 50 g, 2.5 x BT	< 50 g, 2.5 x BT	
Italy	< 50 g, 2.5 x BT	< 50 g, 2.5 x BT	< 50 g, 2.5 x BT		
Netherlands	< 50 g, 2.5 x BT		< 50 g, 2.5 x BT		
Poland	< 50 g, 2.5 x BT	< 50 g, 2.5 x BT	< 50 g, 2.5 x BT		
Spain <sup>2</sup>	< 50 g, 2.5 x BT	< 50 g, 2.5 x BT	< 50 g, 2.5 x BT		Fully liberalized
Switzerland	< 100 g, 3 x PRI		< 100 g, 3 x PRI	< 100 g, 3 x PRI	
Sweden					
Finland					
Germany					
Japan					
New Zealand					
UK					

Reserved area
  Reserved area, scheduled elimination by 2011-2013
  Competitive<sup>3</sup>
BT = Basic tariff, PRI = Priority tariff, 50 g =1.76 oz

<sup>1</sup> Single Piece assumed to refer to IPC definition of Standard Letter; Inbound cross-border data limited and assumed to have same properties as Standard Letter for EU countries  
<sup>2</sup> Spain's Reserved Areas exclude intra-city mail postal service  
<sup>3</sup> Competitive - no Reserved Area  
 Source: Development of competition in the European postal sector, ECORYS, July 2005 - September 2008; Accenture analysis

## ... as lower cost competitors are gaining share from legacy postal operators in liberalizing markets

Country	Liberalization	New entrants share (%)	Comments
<b>Spain</b>	<ul style="list-style-type: none"> <li>Intra-city (historically)</li> </ul>	<ul style="list-style-type: none"> <li>Not available</li> </ul>	<ul style="list-style-type: none"> <li>Unipost focused on delivery services within cities; planning on establishing a nationwide network of local delivery partners to compete inter-city</li> </ul>
<b>Netherlands</b>	<ul style="list-style-type: none"> <li>AdMail (historically)</li> </ul>	<ul style="list-style-type: none"> <li>12% (addressed)</li> </ul>	<ul style="list-style-type: none"> <li>~11 operators ranging from distribution of addressed direct mail to upstream activities for addressed printed matter</li> <li>Within four years, Sandd established a nationwide network in relatively small and densely populated country</li> </ul>
<b>Italy</b>	<ul style="list-style-type: none"> <li>AdMail (historically)</li> </ul>	<ul style="list-style-type: none"> <li>1-2% (bulk mail)</li> </ul>	<ul style="list-style-type: none"> <li>Number of localized operators and business mailers delivering addressed AdMail in major urban centers for many years</li> </ul>
<b>Sweden</b>	<ul style="list-style-type: none"> <li>1993</li> </ul>	<ul style="list-style-type: none"> <li>9% (single letter)</li> <li>13% (bulk)</li> </ul>	<ul style="list-style-type: none"> <li>One sizeable competitor, Bring CityMail (subsidiary of Norway Post) and ~30 smaller scale operators</li> <li>Bring CityMail focuses on the more densely populated southern part of Sweden with a network covering ~54% of the Swedish population</li> </ul>
<b>New Zealand</b>	<ul style="list-style-type: none"> <li>1998</li> </ul>	<ul style="list-style-type: none"> <li>5% (total market)</li> </ul>	<ul style="list-style-type: none"> <li>~25 small scale operators, focused primarily on urban areas</li> </ul>
<b>United Kingdom</b>	<ul style="list-style-type: none"> <li>2006</li> </ul>	<ul style="list-style-type: none"> <li>3% (in licensed area)</li> <li>&lt;1% (last mile)</li> </ul>	<ul style="list-style-type: none"> <li>~20 operators – primarily specialized in bulk mail and downstream access</li> <li>Limited growth in end-to-end mail services.</li> </ul>
<b>Germany</b>	<ul style="list-style-type: none"> <li>2008</li> </ul>	<ul style="list-style-type: none"> <li>10%</li> </ul>	<ul style="list-style-type: none"> <li>Large number of AdMail/bulk distributors mostly focused on niche markets (e.g., geography)</li> <li>TNT Post with various partners covers ~90% of Germany (including JV with the publisher Holtzbrinck)</li> </ul>

New entrants operate at lower cost by:

- Targeting densely populated areas
- Focusing on business customers (reduce need of extensive collection network)
- Focusing on non time-critical items (lower delivery frequencies resulting in optimized density)
- Benefiting from relatively lower labor costs

Sources: The impact of Universal Service of the Full Market Accomplishment of the Postal Internal Market in 2009, PWC; Liberalization, privatization and regulation of postal services in Europe, Pique; Development of competition in the European postal sector, ECORYS; The liberalized Swedish postal market, PTS; Impact of competitive entry into the Swedish postal market, Robert Cohen; First Submission by Postcomm, Postcomm; The future of mail, Pitney Bowes; Competitive market review – UK postal market, Postcomm; The challenges and opportunities facing UK postal services, Richard Hopper CBE, Dame Deirdre Hutton, Ian R. Smith; Consumer Postal Council country profiles; Accenture analysis

# Most international posts struggle to maintain mail profitability as USO costs rise

While international posts are adopting a range of mitigation tactics to offset the decline in mail volumes...

... they are struggling to keep up with rising costs and maintain mail profitability

### Increase prices

- Discontinuation of low margin services (e.g., second class letter services<sup>1</sup>)
- Increase of first class rates (although price cap mechanisms tend to result in price increases lower than inflation<sup>2</sup>)

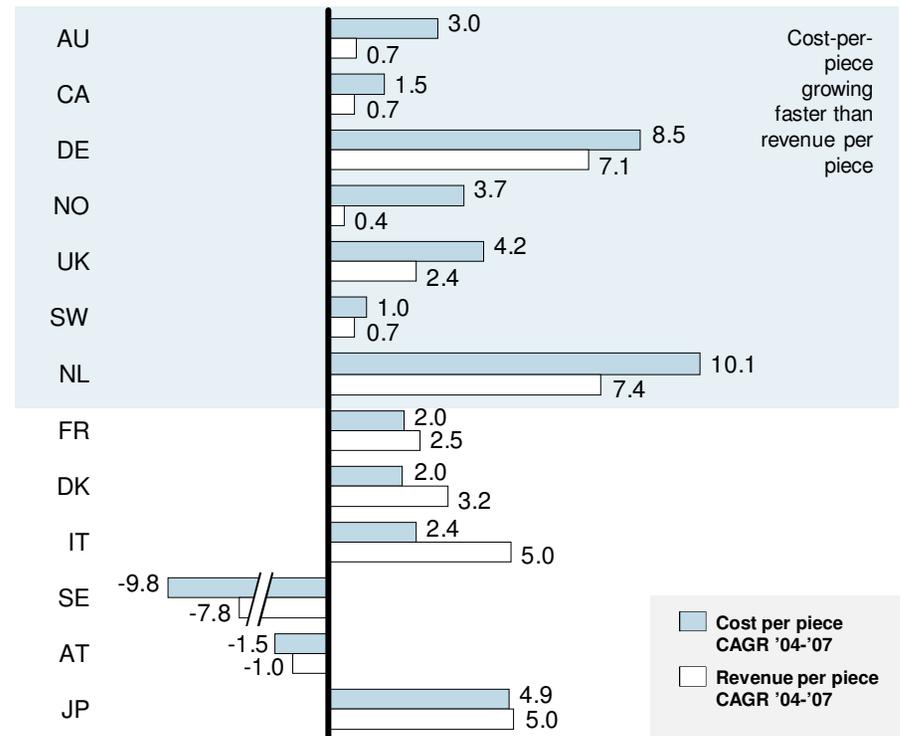
### Stimulate demand

- Expansion of mail service options (e.g., transit time, delivery zones)
- Expansion of worksharing and downstream access options (similar to the USPS)
- Roll-out of targeted pricing schemes (e.g., volume discounts, earned discounts, peak/off-peak tariffs)

### Reduce and variabilize costs

- Operations automation and modernization (e.g., sorting, mail visibility & planning)
- Post office closures (e.g., 30% reduction post office network by Groupe La Poste between 2004 and 2007)
- Use of third parties (e.g., Post Office limited 16,000 franchised post offices, Netherlands announcement to proceed to elimination of all postal operated post offices)

Change in revenue and cost per piece (%)



CAGR = Compound Annual Growth Rate

<sup>1</sup> Itella, Gruppo Poste Italiane, DePoste/LaPoste

<sup>2</sup> Out of the 85% of posts that have increased the rate of first class mail between 1998 and 2007, only 1/3 have exceeded the rate of inflation; higher rate increases tend to be in the eastern and southern European countries, supported by parallel service improvements

Sources: Country Fiches of the EC study on 'The evolution of the European Postal Market since 1997', August 2009; operators' website; Accenture's comparative study of FC mail rate increases and CPI index across the following countries: Australia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, UK; Accenture analysis

# Agenda

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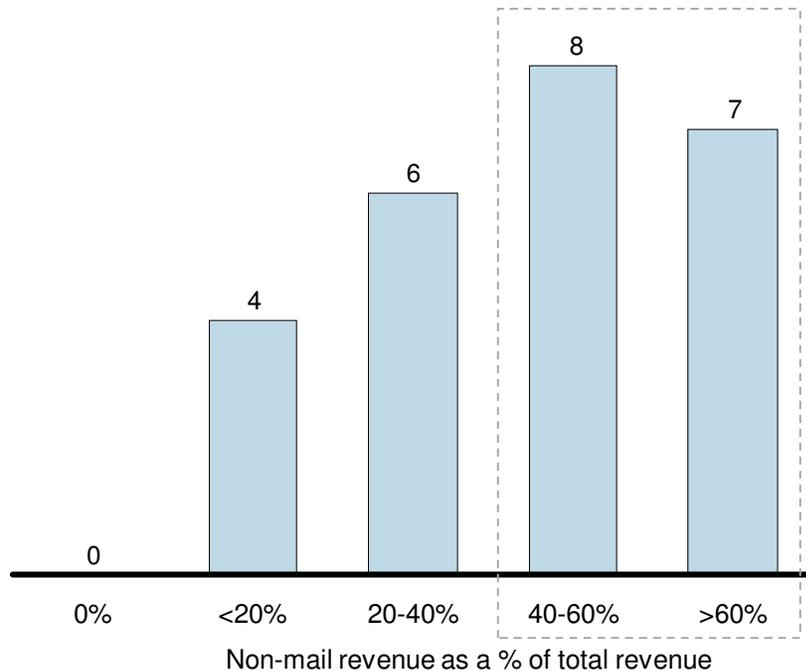
- Executive Summary
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# International posts are already well-diversified (I)

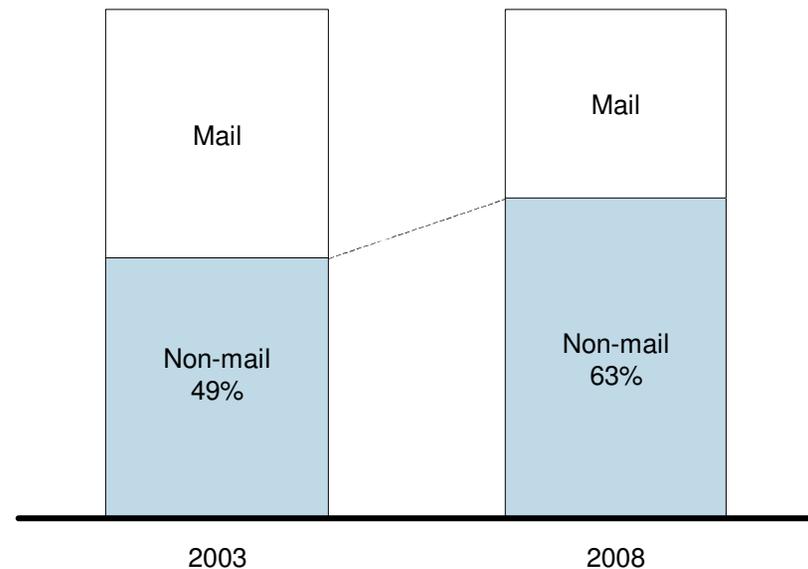
The majority of international posts already derive 40% or more of their revenue outside of mail

Non-mail represents 63% of the collective revenue of international posts in 2008, up from 49% in 2003

**Diversification of international posts (2008)**  
Number of operators



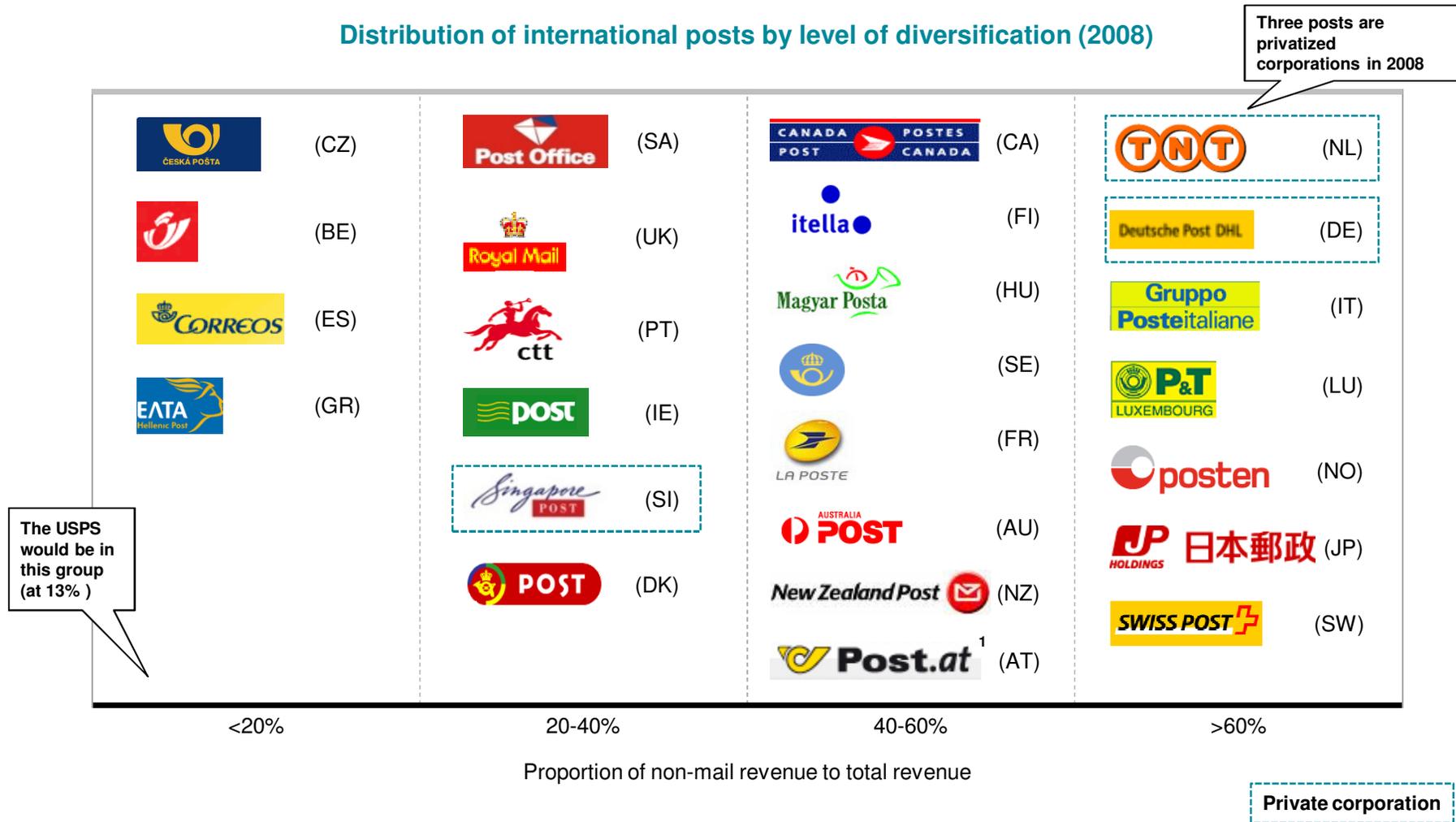
**Revenue of international posts <sup>1,2</sup>**  
Percentage



1 Excludes USPS, Japan (size and degree of diversification would skew the analysis) and Greece (2003 non-mail revenue data not available)  
 2 2003 data with the exception of Gruppo Poste Italiane and TNT (2004), Osterreichische Post, CTT – Correios de Portugal and Magyar Posta (2005)  
 Note: Impact of currency fluctuations eliminated  
 Sources: Accenture High Performance Post research database; Operators' annual reports; Accenture analysis

# International posts are already well-diversified (II)

Distribution of international posts by level of diversification (2008)



Sources: Accenture High Performance Post research database, Operators' annual reports; IPC website; Accenture analysis

# Diversification has a material impact on the performance of international posts

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## Diversification...

### ... fuels top-line growth

- International posts have added \$36B to their top-line between 2003 and 2008
- Over 100% of this growth was derived from non-mail (as mail revenue experienced a slight decline)
- The most diversified posts are outpacing their peers and generating revenue growth above the size of their 2003 mail business from non-mail operations

### ... disproportionately supports profit growth

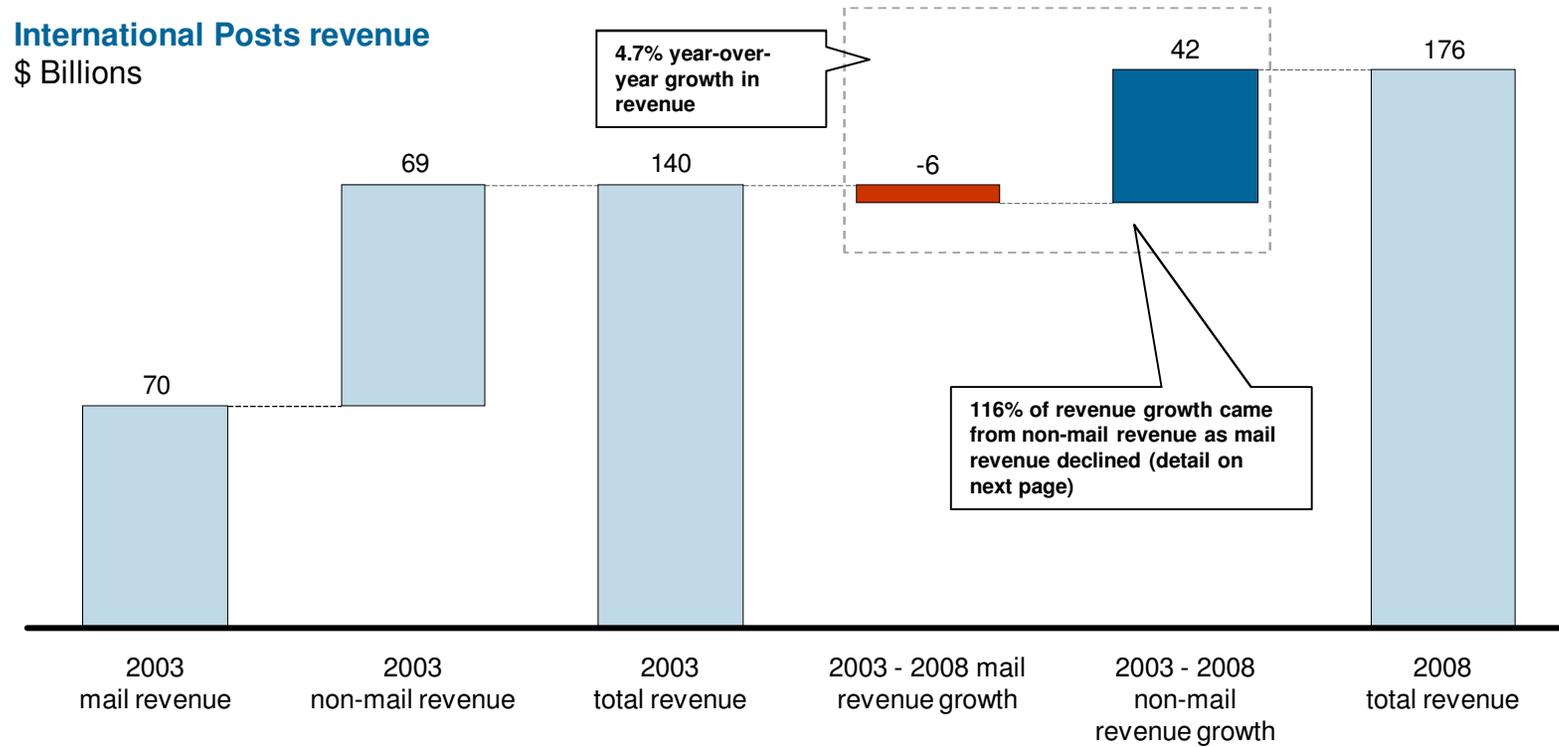
- While non-mail businesses are approximately half as profitable as mail...
- ... they accounted for about 3/4 of the profit growth delivered by international posts between 2003 and 2008

### ... distinguishes high from low performers

- Considering a broad range of accepted performance criteria, the most diversified posts systematically outperform their peers on all dimensions
- By contrast, the least diversified posts systematically underperform their peers on all dimensions

Note: See following pages for details

# Non-mail accounted for 100%+ of the growth of international posts between 2003 and 2008



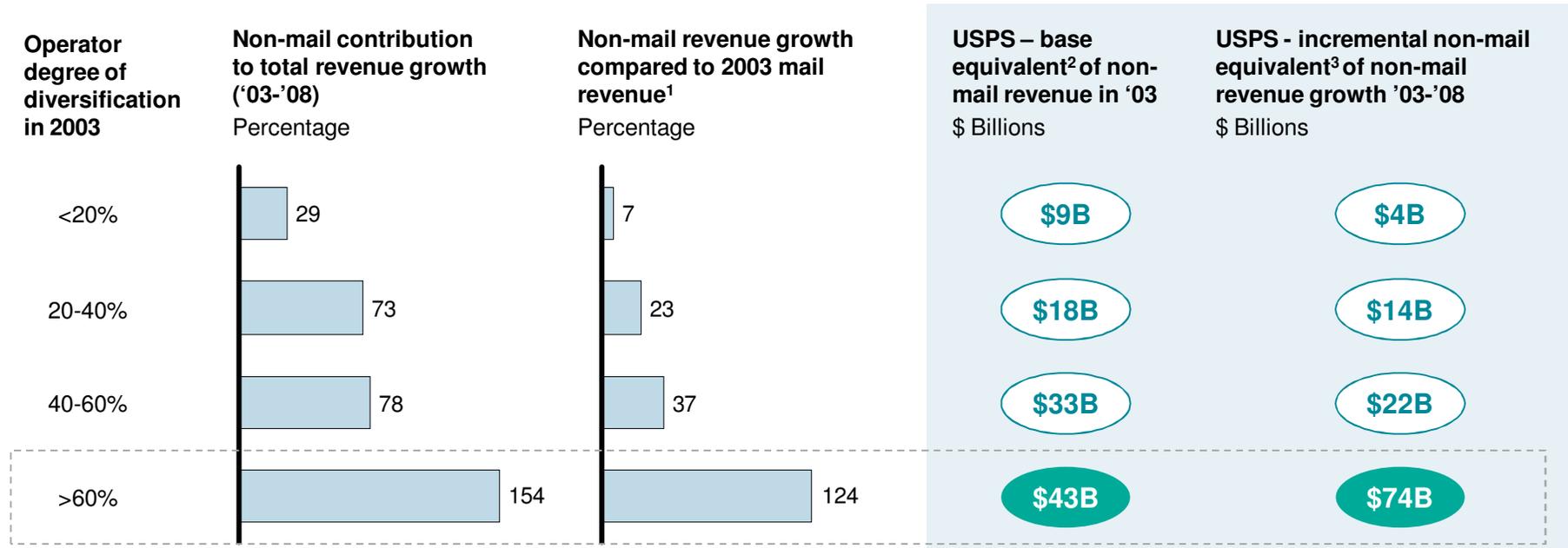
**Non-mail revenue grew by 60%+ while mail revenue declined**

Note: During the same time, the USPS mail revenue has grown 7.0% and non-mail revenue 20%; Analysis excludes Greece as 2003 non-mail data was not available, Japan as an outlier, and the USPS.; Impact of currency fluctuations eliminated  
 Sources: Accenture High Performance Post research; Operators' annual reports; IPC website; Accenture analysis

# The more diversified the post, the more sustained is its top-line growth, fueled by non-mail operations

For highly diversified posts, non-mail revenue growth between 2003 and 2008 represents 150% of total revenue growth and over 100% of the mail revenue base in 2003

Had the USPS been a similarly highly diversified post since 2003, it could have added \$74B non-mail revenue to an existing \$43B base



**Highly diversified posts have added more to their top line in non-mail revenue between 2003 and 2008 than their total mail revenue base in 2003**

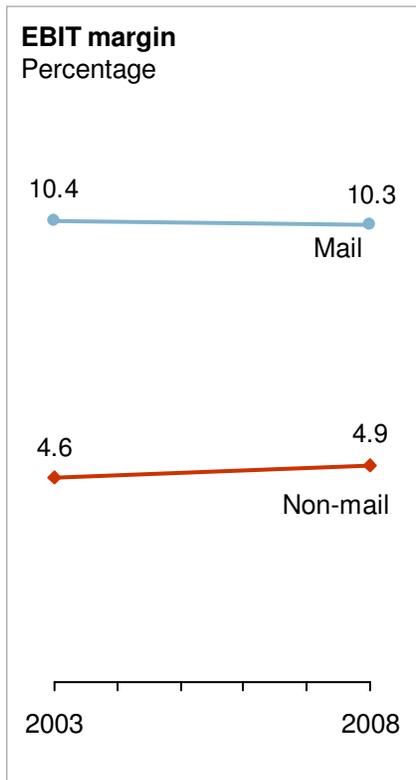
1 2003 mail revenue replacement is calculated as (2008 non-mail revenue – 2003 non-mail revenue) divided by 2003 mail revenue  
 2 The USPS equivalent in relation to non-mail revenue is calculated as weighted average diversification rate per category multiplied by the USPS 2003 total revenue  
 3 The USPS equivalent in relation to mail revenue replacement is calculated as the USPS 2003 mail revenue multiplied by weighted 2003 mail revenue replacement percentage for each respective diversification category

Note: Analysis excludes Greece as 2003 non-mail data was not available, Japan as an outlier, and the USPS. See page 5 for mail and non-mail definitions

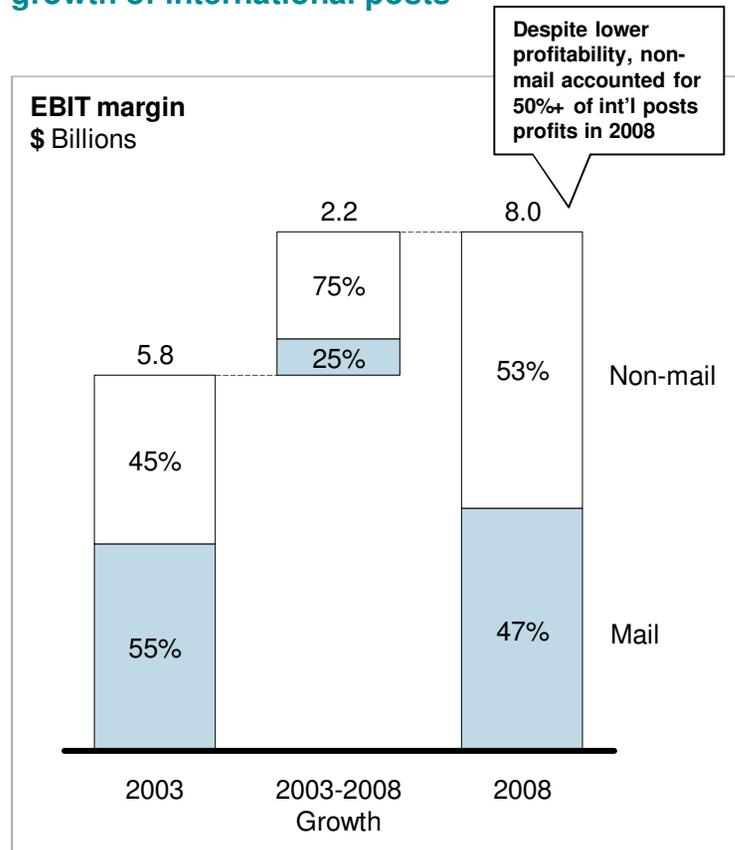
Sources: Accenture High Performance Post research; Operators' annual reports; IPC website; USPS 2003 RPW report; Accenture analysis

# While non-mail revenue remains relatively less profitable than mail, it nevertheless disproportionately supports profit growth

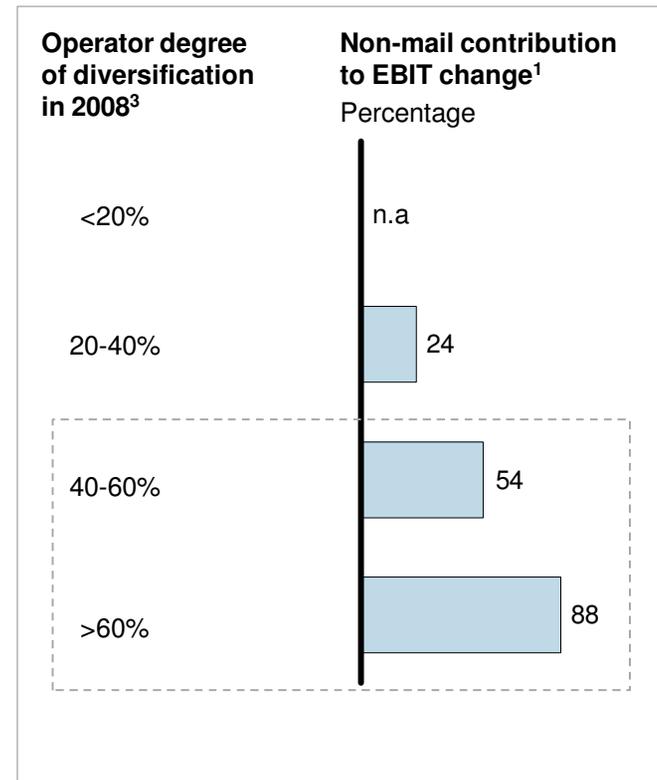
Non-mail is about half of the mail profitability (however improving)...



... but accounted for the bulk of the profit growth of international posts



The more diversified the post, the more sustained is its profit growth, fueled by non-mail operations

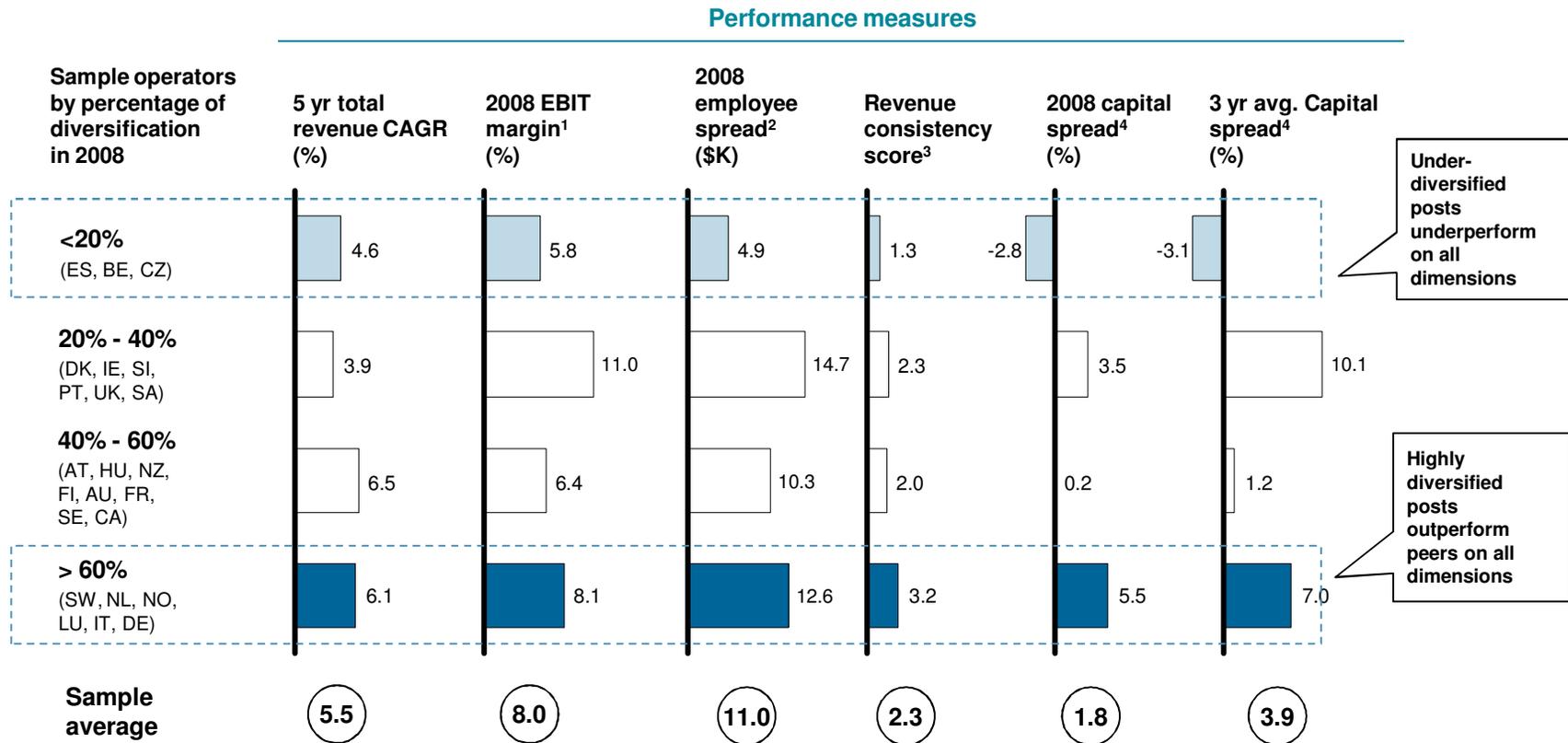


n.a. = not available

<sup>1</sup> Weighted average calculated for each category based on total revenue in USD  
 Note: Countries included in this analysis – Singapore, Austria, Netherlands, Germany, Finland, Switzerland, Sweden, Australia and Italy  
 Impact of currency fluctuations eliminated  
 By using EBIT, impact of debt linked to acquisitions is understated

Sources: Operators' annual reports; Accenture analysis

# The degree of non-mail diversification ultimately distinguishes high from low performers



CAGR = Compound Annual Growth Rate

1 2007 profitability data was used for DE and AT, as 2008 included material restructuring costs, some of which are linked to the diversification strategies (e.g., \$3.08B restructuring costs for the US Express business of Deutsche Post – DHL, p135 of 2008 annual report)

2 Employee spread is defined as (revenue/employee – cost/employee)

3 Revenue consistency score is measured based on the operators' ability to generate revenue growth between 2004 and 2008 over the sample's median revenue growth

4 Capital spread is defined as (ROIC – WACC); WACC values are based on cost of equity calculated using the industry beta and each operator's cost of debt

Note: Employee spread, revenue consistency, and capital spread analysis excludes HU, PT, IE, and LU –as they are not part of Accenture High Performance Post research. The USPS excluded.

Sources: Accenture High Performance Post; IPC website; Operators' annual reports; Accenture analysis

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# International posts pursue a broad range of diversification opportunities across five platforms (I)

Platforms	Areas	Description	Sample of non-postal players
Transportation	Parcel services	<ul style="list-style-type: none"> <li>Express and deferred parcel delivery</li> </ul>	
	Logistics	<ul style="list-style-type: none"> <li>Warehousing, freight forwarding, and other specialty services (e.g., contract logistics, customs brokerage)</li> </ul>	
Retail services	Retail	<ul style="list-style-type: none"> <li>Sale of mail and non-mail-related convenience products and/or specialized services</li> </ul>	
	Banking <sup>1</sup>	<ul style="list-style-type: none"> <li>Money transfer and bill payment, retail and commercial banking, resale of financial services (primarily) through the retail network</li> </ul>	
Mail-related services	Integrated marketing	<ul style="list-style-type: none"> <li>Data, media, print and production services, customer response management</li> </ul>	
	Document management	<ul style="list-style-type: none"> <li>Document digitization, physical and digital mail room management, data processing (e.g., order management), and archiving services</li> </ul>	
	Hybrid mail	<ul style="list-style-type: none"> <li>Electronic postage, multi-channel mail distribution (E2P, P2E, E2E)<sup>2</sup>, email certification, and digital mailbox management</li> </ul>	
Emerging services	Telecommunications	<ul style="list-style-type: none"> <li>Provision of internet and/or telephony services</li> </ul>	
	E-Commerce	<ul style="list-style-type: none"> <li>Online shopping and associated trade-facilitation services (e.g., e-payment)</li> </ul>	
	Business services	<ul style="list-style-type: none"> <li>Consulting and outsourcing services (e.g., Information Systems) not associated to other areas (i.e., logistics or mail-related services)</li> </ul>	
Government services	Basic services	<ul style="list-style-type: none"> <li>Identification, enrollment, and other basic services conducted on behalf of other agencies (e.g., tax and fines payment, benefits distribution, certification and license processing)</li> </ul>	
	Other services	<ul style="list-style-type: none"> <li>Other non-mail-related outsourced public services (e.g., environmental services)</li> </ul>	

<sup>1</sup> Includes insurance

<sup>2</sup> E2P = Electronic-to-Print; E2E = Electronic-to-Electronic; P2E = Print-to-Electronic

Sources: Accenture review of international posts

# International posts pursue a broad range of diversification opportunities across five platforms (II)

Operator	Transportation		Retail services		Mail-related services			Emerging services			Government services
	Parcel services	Logistics	Retail	Banking	Integrated marketing	Document mgt	Hybrid mail	Telecommu- -nications	E- Commerce	Business services	
Japan Post											
Deutsche Post DHL				(1)							
Groupe La Poste											
Gruppo Poste Italiane											
Royal Mail (U.K)											
TNT				(2)							
Swiss Post											
Canada Post											
Posten Norge (NO)											
Posten AB (SE)											
Australia Post											
Oster. Post (AT)											
Correos y Teleg. (ES)											
De Post (BE)											
Itella (FI)											
Post Danmark (DK)											
An Post (Ireland)								(3)			
CTT (PT)											
Czech Post											
Magyar Posta (HU)								(3)			
New Zealand Post											
P&T Post (LU)											
South African Post											
Singapore Post											

1 Sold part of its interest in PostBank to Deutsche Bank in February 2009 and currently retains 35% interest (reported as discontinued operations)

2 Discontinued partnership with ING in 2008

3 Announced partnership with Vodafone in November 2009

4 Business segment is deemed a sizeable contribution when its revenue makes up more than 15% of operator's total revenue or is over \$1 billion USD in 2008.

Note: Greece was not included due to lack of data availability

Sources: Operators' annual reports; IPC website; Accenture industry experience

	Sizeable contribution <sup>(4)</sup> to total revenue
	Some presence
	Limited/no presence

# From the experience of international posts, five areas stand out as representing the most potential for sizeable revenue diversification

Platforms	Transportation		Retail services		Mail-related services			Emerging Services			Gov. services
Areas	Parcel services	Logistics	Retail	Banking	Integrated marketing	Document mgt	Hybrid mail	Telecommu- -nications	E- Commerce	Business services	
<b>Attractiveness</b>											
Scale/mail <sup>1</sup>	x1	x10	x10+	x10+	x0.5+	x0.5+	n.a.	x5	x2	x1+	variable
Growth/GDP	Medium	High	High	High	Very high	High	High	Very high	Very high	High	Low
Profitability	~6%	~0-10%	~5%	>10%	~3%	~8%	n.a.	>10%	>10%	~4%	n.a.
Other factors	<ul style="list-style-type: none"> <li>Industry fragmentation</li> <li>Share of B2C, deferred growth</li> </ul>		<ul style="list-style-type: none"> <li>Scale of retail network</li> <li>Company trust</li> <li>Legacy banking or deposit presence (most)</li> </ul>		<ul style="list-style-type: none"> <li>Industry fragmentation, opportunity for disruption</li> <li>Follow demand (mitigate cannibalization)</li> </ul>			<ul style="list-style-type: none"> <li>Fast growth</li> <li>Opportunity for disruption</li> </ul>			<ul style="list-style-type: none"> <li>Legacy</li> </ul>
<b>Int'l posts pursuing</b>	100%	100%	100%	100%	100%	>75%	100%	26%	30%	13%	100%
<b>Demonstrated sizeable areas of diversification</b>	1 Yes	2 Yes	3 -	Yes	4 Yes	5 Yes	No but supports other 2	Yes legacy	-	Yes only one	-
<b>Share of diversified revenue</b>	69%		20%		>4%						
	<p><b>International posts have demonstrated the ability to develop sizeable non-mail businesses in these areas</b></p>						<p><b>Must have</b></p>			<p><b>Could be considered</b></p>	
	<p><b>Others warrant consideration given their potential</b></p>										

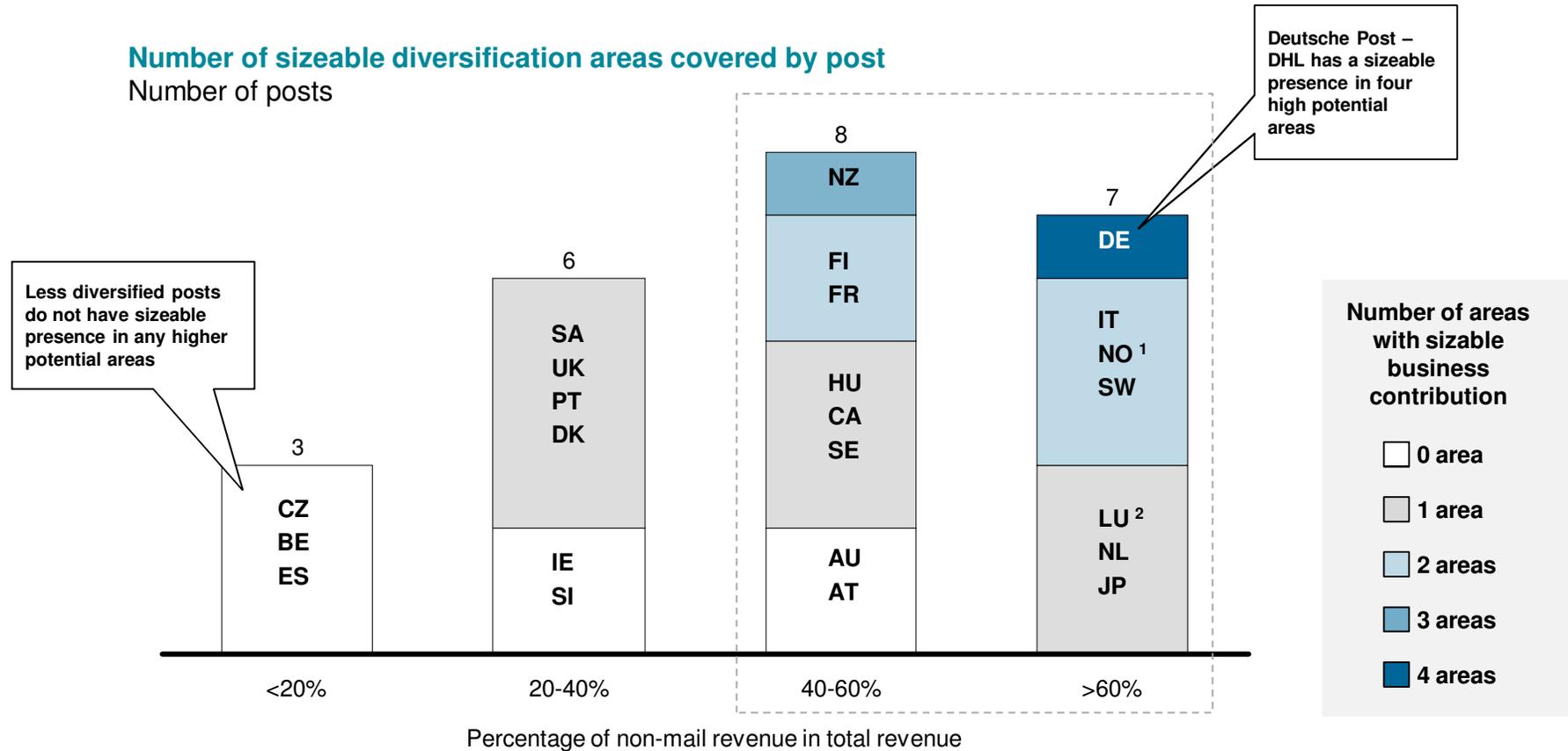
n.a. = not available

<sup>1</sup> Scale/mail is calculated as respective industry size divided by mail market size either on a global basis or U.S basis based on data availability

Note: 2007 U.S. Census data was used, as 2008 has not been issued

Sources: Accenture industry experience and review of the experience of international posts

# Becoming a highly diversified post requires establishing sizeable presence in at least one sizeable diversification area



1 Posten Norge has a sizeable line of business in the Business Services area  
 2 P&T Luxembourg has a sizeable line of business in the telecommunications area  
 Sources: Operators' annual reports; IPC website; Accenture analysis

# Specific requirements must be met for a post to establish robust presence in any of the sizeable diversification areas

	Parcel Services	Logistics	Mail-Related Services	Retail & Banking	
<b>Most posts do...</b>	<ul style="list-style-type: none"> <li>Continue improving core value proposition (coverage, reliability, shipment visibility)</li> <li>Introduce innovations to better serve the B2C/Home Delivery segment (improve customer convenience/value while reducing costs)</li> <li>Expand international/cross-border services (deferred reliable service)</li> </ul>	<ul style="list-style-type: none"> <li>Add specialized services supporting their parcel business (e.g., returns, customs brokerage)</li> <li>Assemble portfolio of complimentary services to better serve specific market segments (e.g., SME international B2C services)</li> </ul>	<ul style="list-style-type: none"> <li>Expand packaged offerings to improve service accessibility and convenience (e.g., SME direct mail advertising)</li> <li>Expand into hybrid mail services (E2P, P2E)</li> </ul>	<ul style="list-style-type: none"> <li>Optimize post office network and increase service accessibility</li> <li>Diversify store assortment (stationery, office supplies, convenience products and services)</li> </ul>	<p><b>Leading only to marginal incremental revenue growth</b></p>
<b>Highly diversified posts do...</b>	<ul style="list-style-type: none"> <li>Build all or parts (pick-up, sortation, delivery) of a dedicated network</li> <li>Build regional or global <u>scale</u></li> </ul>	<ul style="list-style-type: none"> <li>Build regional or global <u>scale</u></li> </ul>	<ul style="list-style-type: none"> <li>Expand into upstream (listing, data, media, production) and/or downstream services (digitization, data processing, mailroom management, archiving)</li> </ul>	<ul style="list-style-type: none"> <li>Transform post office network into a targeted retail network catering to specific customer segments (e.g., households, SMEs)</li> <li>Expand into retail and commercial banking services</li> </ul>	<p><b>Building strong presence (alternate growth platform)</b></p>

B2C = Business-to-Consumer; SME = Small / Mid-size Enterprise; E2P = Electronic-to-Paper; P2E = Paper-to-Electronic

Note: See appendix for details

Sources: Accenture review of the experience of international posts

# The experience of international posts provides additional insights into other emerging diversification opportunities

	E-Commerce	Telecommunications	Business Services	Government services	
<b>Most posts do...</b>	<ul style="list-style-type: none"> <li>Sell stationery and office products online</li> </ul>	<ul style="list-style-type: none"> <li>Provide phone cards or top-up services in post office/store</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Expand existing enrollment services</li> </ul>	<div style="border: 1px solid black; padding: 10px; text-align: center;"> <p><b>Explore new opportunities</b></p> </div>
<b>Some posts are exploring with...</b>	<ul style="list-style-type: none"> <li>Launch full-fledged merchandise and service web-based store fronts</li> <li>Launch on-line bill payment services and explore new offerings targeting the broader trade facilitation market (e.g., online transfers, bill consolidation)</li> </ul>	<ul style="list-style-type: none"> <li>Launch branded mobile phone services as virtual mobile carriers</li> <li>Provide or resell internet service access</li> </ul>	<ul style="list-style-type: none"> <li>Provide IT services to other government agencies or private companies</li> </ul>	<ul style="list-style-type: none"> <li>Expand into payment and collection services</li> <li>Leverage government identification services into the private sector</li> <li>Build new services leveraging retail network (e.g., recycling) or rural reach (e.g., metering)</li> </ul>	

**No international post has demonstrated the ability to build a sizeable alternate revenue base from any of these options**

N/A = Not Applicable  
 Note: See appendix for details  
 Sources: Accenture review of the experience of international posts

# Agenda

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- Executive Summary
- International Postal Context
- Postal Diversification:
  - Lay of the Land
  - Modality
  - **Challenges**
- Implications for the U.S. Postal Service
- Appendix

# Diversification requires resources, time, and profound alterations to the postal business model

## Diversification requires...

### Resources to develop (or acquire) missing capabilities

- Despite existing synergies with the mail, new capabilities or assets are required to effectively compete in these new business areas
- Absent an historical presence, acquisition is the preferred mode of entry to establish a strong presence in any high potential diversification areas

### Time to sizably and profitably grow these new businesses

- International posts have grown sizeable businesses in these new areas over long periods of time (including acquisitions)
- The profitability of the diversified businesses tends to be lower than industry averages as posts are still building them

### Deep alterations to the postal business model

- Parallel changes to the postal business model are needed to cost effectively compete in these new areas (in particular labor cost and mix)

## International posts have benefited from the parallel support of their respective government and stakeholders

- Most posts have diversified as government-backed organizations (and for the most part remain government corporations or state enterprises)
- While government-backed, international posts have benefited from increased freedom to adapt their business model (e.g., freedom to conduct business development activities, access to capital, changes to labor model/cost and mix)...
- ... as well as support to mitigate the rising costs of the Universal Service Obligation

Note: See following pages for details

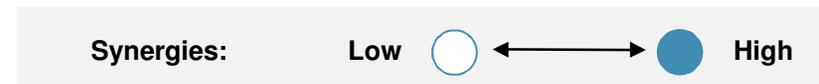
# Despite synergies with the mail business, new business areas require new capabilities and assets for posts to compete effectively

## Sizable diversification areas

Areas	Synergies	Common gaps
<b>Parcel services</b>		<ul style="list-style-type: none"> <li>• Equipment, capacity constraints</li> <li>• Customer service</li> <li>• International expertise</li> </ul>
<b>Logistics</b>		<ul style="list-style-type: none"> <li>• Equipment, capacity constraints</li> <li>• Specialized service expertise</li> <li>• International expertise</li> </ul>
<b>Retail and banking</b>		<ul style="list-style-type: none"> <li>• Post office fit (location, foot traffic, format)</li> <li>• Incremental processing time</li> <li>• Relative labor cost</li> <li>• Banking expertise</li> </ul>
<b>Integrated marketing</b>		<ul style="list-style-type: none"> <li>• Specialized service expertise</li> </ul>
<b>Document management</b>		<ul style="list-style-type: none"> <li>• Specialized service expertise</li> </ul>

## Emerging diversification areas

Areas	Synergies	Common gaps
<b>E-Commerce</b>		<ul style="list-style-type: none"> <li>• Industry expertise</li> <li>• Brand recognition</li> </ul>
<b>Telecommunications</b>		<ul style="list-style-type: none"> <li>• Industry expertise</li> <li>• Brand recognition</li> <li>• Customer service</li> </ul>
<b>Business services</b>		<ul style="list-style-type: none"> <li>• Specialized expertise</li> <li>• Brand recognition</li> </ul>
<b>Government services</b>		<ul style="list-style-type: none"> <li>• Incremental processing (enrollment services, rural access services)</li> <li>• Information systems</li> </ul>



**Synergies should not be over-estimated**

Sources: Accenture industry experience

# Absent an historical presence, acquisition is the preferred mode of entry for posts establishing sizeable presence in high potential area

Mode of entry by operator and by diversification area

Operators <sup>1</sup>	Parcel Services	Logistics	Retail and banking	Integrated marketing	Document management
DP – DHL (DE)	A	A		A	A
Groupe La Poste (FR)	A		H, P <sup>2</sup>		
TNT (NL)	A				
Canada Post (CA)	A				
Post Danmark (DK)	A				
CTT (PT)	A				
Royal Mail (UK)		A			
Swiss Post (SW)		A	H, P		
Posten Norge (NO)		A			
Posten AB (SE)		A			
Itella (FI)		A			A
Japan Post (JP)			H		
Magyar Post (HU)			H, P		
New Zealand Post (NZ)			O	A	A
Gruppo Poste Italiane (IT)			H, P <sup>2</sup>	P	
South Africa Post (SA)			H		

Posts that have a strong position in banking were generally historically present in that area

A = Acquisitions, P = Partnership, H = Historically present, O = Organic growth

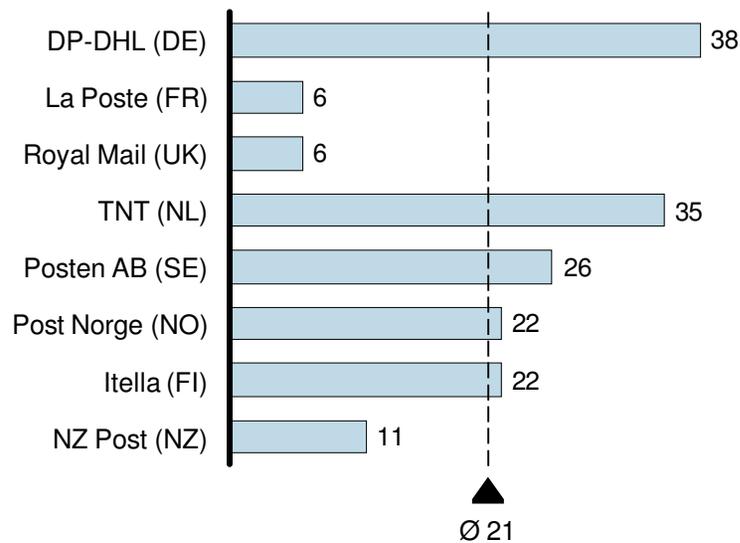
<sup>1</sup> Operators with a sizeable presence in each diversification area  
<sup>2</sup> Launched insurance with partners  
 Sources: Operators' website; Dow Jones Factiva; Accenture analysis

# It took international posts a number of acquisitions to build the needed capabilities and scale required to effectively compete

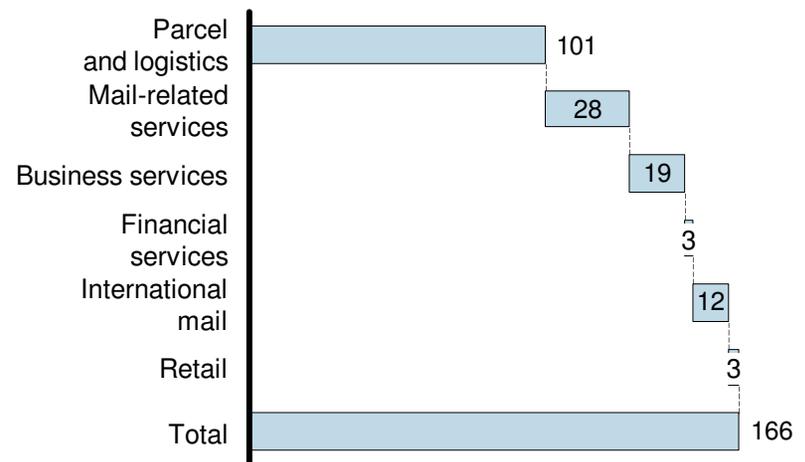
Based on a sample, International posts made an average of 21 acquisitions between 2000 and 2008 (or 2+ per year)

The bulk of those were conducted in the parcel and logistics space

**Reported number of acquisitions (2000 - 2008)**  
Number of acquired companies



**Breakdown of acquisitions by area (2000 - 2008)**  
Number of acquired companies



Sources: Bloomberg Center; Dow Jones Factiva; Operators' website; Accenture analysis

## Sample acquisitions conducted by postal operators

								
Year	Industry	Name of acquisition	Year	Industry	Name of acquisition	Year	Industry	Name of acquisition
1999	Transp.	Danzas Logistics, Nedlloyds Logistics Group, Van Gend & Loos	1999	Transp.	Financiere Jet Services SA	2006	Mail-related	Talk2Me AS, Optimail AB
2000	Transp.	Ducros Service rapide, ASG AB, Air Express Int'l	2000	Transp.	Mendy Developpement SA, Schrader Group, Barlatier		Transp.	Grenland Transport og Industryservice AS, Scanex B.V., Blomquist Trasnport, og Spedisjon AS, Holmskau Transport AS, Johs Lunde-Gruppens Termo –Selskaber, FSD HoldCo AB
	Finance	DSL Bank	2001	Mail-related	Lason UK Group, CD Marketing Services Group		IT	ADDIQ AB, Alliance ASA, Fujitsu Services Norge SA
2001	Finance	PB Capital		Transport	T.E.I., Bleckmann Group, CAT, Advance Logistics Services, Cargotech			
2002	Mail-related	Global Mail Ltd	2002	Mail-related	Global Mail Ltd, Cerilly, Dimar Group,	2007	Mail-related	CostumerView AB
	Transp.	DHL (USA)		Transp.	Transports Nicolas		Transp.	Transflex AB
2003	Transp.	Securior Omega Holding, DHL (CA), DHL Sinotrans Int'l Air, Airborne	2003	Mail-related	Werbeagentur Fischer, Blitzpunkt, DocVision, Full Service, Prime Vision		IT	Cantalope AB, Logsys AB, NPC Systems AB, Modulera AB, ConCentric AB, Bekk Consulting AS, SysTteam AB
2004	Mail-related	Interladen, SmartMail, Unipost		Transp.	Arvil	2008	Mail-related	CDG Sandberg
	Transp.	Narrando Desarrollo SL	2004	Transp.	Wilson		Transp.	Lahettiryhma OY, Bring Logistics UK, Emdal Transport og Spedisjon, Pan Nordic Logistics AB, Cetei AB
2005	Mail-related	Mail Merge, Koba	2005	Mail-related	Euro Mail			
	Transp.	Blue Dart Express, Exel PLC		Transp.	Door-To-Door, TG+. HOAU			
2006	Mail-related	Williams Lea	2006	Transp.	Speedage Express		IT	Lindorff AB, DTS Solutions AB
	Transp.	PPL	2007	Mail-related	EcoFlashBriefservice GmbH, Nordwest-Mail GmbH			
	Finance	Deutsche Post Bank, BHW		Transp.	Expresso Mercirio SA			
2007	Mail-related	The Stationery Office	2009	Express	LIT Cargo, Expresso Aracatuba			
	Transp.	ASTAR Air Cargo Holding LLC, Polar Air Cargo Worldwide, AeroLogic GmbH, Flying Cargo Int'l						
	Finance	Postbank Versicherungsvermittlung						

Sources: Operators' website; IPC Carrier Intelligence

## Establishing sizeable market presence in those new business areas takes time (including with the benefit of acquisitions)

Areas	Sizeable diversification areas				
	Parcel services	Logistics	Retail / banking	Mail-related services	Business services
<b>Operator example</b>					
<b>Began activity</b>	<ul style="list-style-type: none"> <li>Historically delivering packages as part of USO</li> <li>Began ramping up global parcel presence in 1999 with the acquisition of Van Gend and Loos</li> <li>Acquired DHL in 2002</li> </ul>	<ul style="list-style-type: none"> <li>Launched service with acquisition of OSC/Wajens in 2000 to focus on heavier goods and cargo</li> </ul>	<ul style="list-style-type: none"> <li>Deposit bank for state guaranteed savings account since 1881</li> <li>Launched La Banque Postale in 2006</li> </ul>	<ul style="list-style-type: none"> <li>Launched epost service before 1996 (printing, post marking and delivery of letters)</li> </ul>	<ul style="list-style-type: none"> <li>Launched service in 1995 with acquisition of Statens Datasentral AS</li> </ul>
<b>2008 reported revenue</b>	• \$20.07 Billion *	• \$2.38 Billion *	• \$7.02 Billion *	• \$4.02 Billion * (dialog marketing)	• \$0.85 Billion *
<b>Estimated market position</b>	<ul style="list-style-type: none"> <li>25% of European CEP in 2007 from 16% in 2001</li> </ul>	• NA	<ul style="list-style-type: none"> <li>11% of deposit market share in 2008, up from 9.1% in 2004</li> </ul>	<ul style="list-style-type: none"> <li>13.4% of 2008 German dialogue marketing market</li> </ul>	<ul style="list-style-type: none"> <li>Estimated as 2<sup>nd</sup> largest information communication technology company in Norway</li> </ul>
<b>Comments</b>	<ul style="list-style-type: none"> <li>10+ smaller acquisitions conducted between 2000 and 2007</li> </ul>	<ul style="list-style-type: none"> <li>Acquired Nor-Cargo (2004), Frigoscandia (2006), and Transflex (2007)</li> </ul>	<ul style="list-style-type: none"> <li>50% of French households had an account in 1960</li> <li>Established joint venture with CNP to resell insurance products in 1998</li> </ul>	<ul style="list-style-type: none"> <li>Acquired Williams Lea between 2006 and 2008 for \$3 Billion</li> <li>Acquired Stationery Office (UK) in 2007</li> </ul>	<ul style="list-style-type: none"> <li>Created ErgoGroup in 2001</li> <li>Seven additional companies acquired between 2005 and 2007</li> </ul>

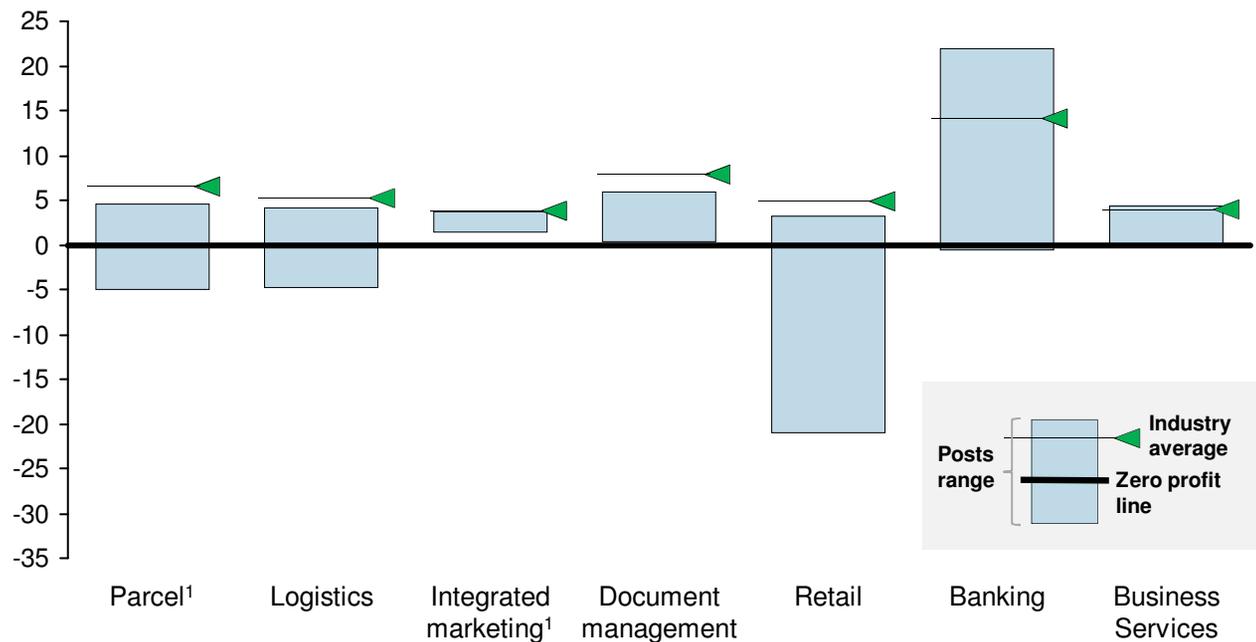
\* Converted using 1 EURO = 1.47 USD  
Sources: Operators' annual reports; Accenture analysis

Time

# Although non-mail businesses are currently less profitable than industry benchmarks, some international posts are generating profits as they build these businesses

## Net profit margin (2008)

Percentage



Industry benchmark	5.8%	5.6%	3.5%	8.0%	5.4%	13.1%	4.0%
Int'l posts range	4.6%	4.0%	3.6%	5.8%	3.2%	21.9%	4.4%
	-5.1%	-4.7%	1.5%	0.4%	-21.0%	-0.6%	

Potential drivers of differences across operators (beyond accounting methods):

- **Impact of experience/learning curve** (e.g., Gruppo Poste Italiane operating Banco Posta since 1930)
- **Delayed returns associated with building networks and scale** (e.g., DP-DHL or Itella international expansion)
- **Choice of/differences in business mix** (e.g., spread of profitability of various segments within logistics or document management)
- **Differences in business models** (e.g., Gruppo Poste Italiane operating Banco Posta whereas Ost. Post conducts transactions on behalf of Bawag)

<sup>1</sup> Only two operators

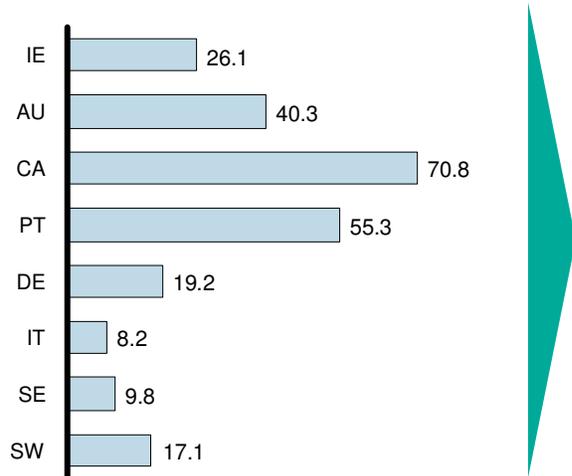
Sources: 2007 and 2008 USPS annual report; IPC website; Dow Jones Company & Executive database; S&P Industry Surveys; Accenture analysis

# Parallel alteration to the postal business model is needed for posts to effectively compete in those new areas – starting with labor costs

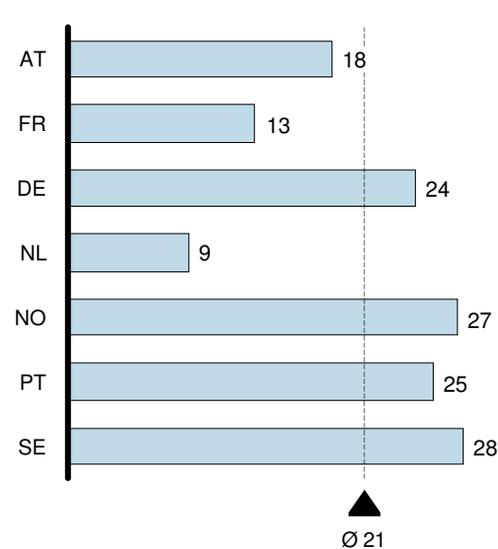
Faced with relatively higher cost compared to their local markets...

... International posts have proceeded with significant staff reduction and shift in labor mix

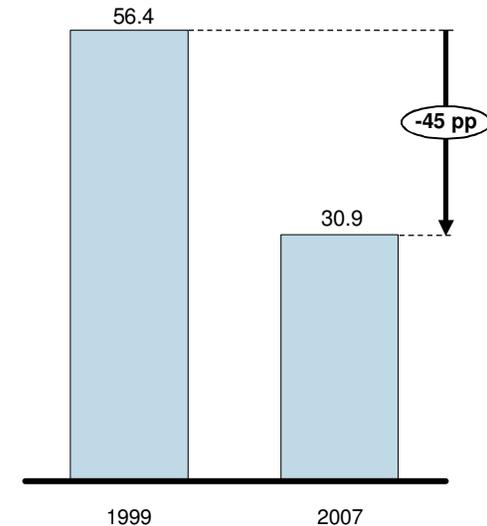
Δ Staff labor cost over National Labor cost, ppp<sup>1</sup> adjusted 2008 Percentage



Net domestic headcount reduction ('01-'08) Percentage



Share of civil servants Headcount percentage



**Pursuing overall reduction of cost differential and variabilization of the cost structure**

Note: TNT plans to reduce current postal domestic headcount, currently 23,000 by 11,000 in the next 3 years  
 1 Purchasing power parity

Sources: The evolution of the European Postal Market since 1997, DG Internal Market and Services, August 2009; The role of the regulator in a more competitive Postal Market, WIK, September 2009; Main development of the postal sector (2006-2008), Ecorys, September 2008; IPC website; Accenture analysis

## Most posts have diversified as government-backed organizations (and for the most part remain government corporations or state enterprises)

Operators	Government control	Status	Non-mail revenue (% , 2008)
Japan Post	100%	State Enterprise <sup>1</sup>	91
Canada Post	100%	State Enterprise	58
Groupe La Poste (FR)	100%	State Enterprise <sup>2</sup>	46
New Zealand Post	100%	State Enterprise	44
P&T Luxembourg	100%	State Enterprise	78
Elta (GR)	100%	State Enterprise	1
Australia Post	100%	State Enterprise	44
The South Africa Post Office	100%	State Enterprise	32
Swiss Post	100%	State Enterprise	60
Gruppo Poste Italiane (IT)	100%	Government Corporation	78
Royal Mail (UK)	100%	Government Corporation	30
Ceska Posta (CZ)	100%	Government Department	18

Operators	Government control	Status	Non-mail revenue (% , 2008)
Correos y Telegrafos (ES)	100%	Government Corporation	2
Itella (FI)	100%	Government Corporation	54
Magyar Posta (HU)	100%	Government Corporation	49
An Post (IE)	100%	Government Corporation	26
Correios de Portugal	100%	Government Corporation	27
Posten Norge (NO)	100%	Government Corporation	63
De Post/La Poste (BE)	51%	Government Corporation	17
Osterreichische Post * (AT)	53%	Government Corporation	40
Deutsche Post – DHL (DE) *	31% <sup>3</sup>	Privatized corporation	87
Singapore Post *	0%	Privatized corporation	26
TNT * (NL)	0% <sup>4</sup>	Privatized corporation	62

<sup>1</sup> Japan Post may return to government department status

<sup>2</sup> Groupe La Poste to become a Government Corporation in 2010

<sup>3</sup> 31.3% owned via a public bank, in 2002 when DHL was purchased 50% owned by federal government, 22% by public bank

<sup>4</sup> TNT Protection Foundation owns 50% of TNT shares

Note: Government Department – administered by a political appointee, part of a ministry; State Enterprise – commercial flexibility, independent from direct administrative authority; Government-Controlled Corporation – organized under private corporate laws, but government as sole or majority shareholder; Privatized Corporation – private corporation with minority government shareholders

Sources: Operators' website; Country Fiches on the EC study on 'The evolution of the European Postal Market since 1997'; Accenture analysis

\* Publicly traded

Majority government control

# While government-backed, international posts have benefited from increased freedom to adapt their business models...

## Business development

Levers	Examples
<b>Access to capital<sup>1</sup></b>	 <ul style="list-style-type: none"> <li>Issued \$1.36 billions<sup>2</sup> bond in 2003</li> </ul>  <ul style="list-style-type: none"> <li>Raised \$ 143 millions<sup>3</sup> through note offering in 2009</li> </ul>  <ul style="list-style-type: none"> <li>To receive \$ 3.68 billions<sup>2</sup> from government once converted into government corporation</li> </ul>
<b>Conduct mergers and acquisitions</b>	  <ul style="list-style-type: none"> <li>Announced merger in 2008</li> </ul>   <ul style="list-style-type: none"> <li>Post Danmark and CVC Capital acquired 50% of De Post/La Poste</li> </ul>
<b>Engage in joint ventures</b>	 <ul style="list-style-type: none"> <li>Launch of joint global courier service TNT Swiss Post</li> </ul> 
<b>Create subsidiaries</b>	 <ul style="list-style-type: none"> <li>BRING for non-domestic mail delivery</li> </ul>  <ul style="list-style-type: none"> <li>Chronopost for express operations</li> </ul>

## Labor cost effectiveness

Levers	Examples
<b>Contain wage increases</b>	 <ul style="list-style-type: none"> <li>Negotiating wage reductions (e.g., extension of working hours without additional compensation)</li> </ul> 
<b>New, more favorable labor agreement</b>	 <ul style="list-style-type: none"> <li>New employees to receive lower wages than those hired before 2001</li> </ul>  <ul style="list-style-type: none"> <li>New employees to be hired under private law contracts</li> </ul>
<b>Flexible workforce</b>	 <ul style="list-style-type: none"> <li>Share of flexible employment in 2006: 60%</li> </ul>  <ul style="list-style-type: none"> <li>Share of flexible employment in 2006: 40%</li> </ul>
<b>Lower cost resources</b>	 <ul style="list-style-type: none"> <li>Created new positions for Saturday delivery staffed primarily with lower-cost resources (e.g., students)</li> </ul>

1 In addition to reinvesting profits from mail operations  
 2 Converted using 1 EUR = 1.47 USD  
 3 Converted using 1 EUR = 0.71 USD  
 Sources: Operators' website; Main Development in Postal Sector (2004-2006), WIK, May 2006

# ... as well as support to mitigate the rising costs of the Universal Service Obligation

Sample actions taken to mitigate rising costs of the USO for postal operators

Mail collection, delivery frequencies	Mail delivery commitments	Postal office network	Service subsidies
 <ul style="list-style-type: none"> <li>Ended multiple daily deliveries</li> </ul>	 <ul style="list-style-type: none"> <li>Relaxed D+1 delivery targets *</li> </ul>	 <ul style="list-style-type: none"> <li>Rationalization enabled within specified targets</li> </ul>	 <ul style="list-style-type: none"> <li>Tax on private providers to co-finance USO</li> </ul>
 <ul style="list-style-type: none"> <li>Ended multiple daily deliveries</li> </ul>	 <ul style="list-style-type: none"> <li>Relaxed D+1 delivery targets *</li> </ul>	 <ul style="list-style-type: none"> <li>Rationalization enabled within specified targets</li> </ul>	
 <ul style="list-style-type: none"> <li>Ended multiple daily and Sunday collection</li> </ul>			 <ul style="list-style-type: none"> <li>Regional funding for post office network</li> </ul>
 <ul style="list-style-type: none"> <li>Reduced delivery frequency from 5 to 3.5 (alternating) days in rural areas</li> </ul>		 <ul style="list-style-type: none"> <li>Intention to close stand-alone post offices by 2012, in favor of access through 3<sup>rd</sup> party retailers</li> </ul>	 <ul style="list-style-type: none"> <li>Pay for play mechanism under consideration</li> </ul>
 <ul style="list-style-type: none"> <li>Reduced delivery frequency from 6 to 5 days</li> </ul>			 <ul style="list-style-type: none"> <li>Regional funding for USO (including post office network)</li> </ul>

\* Percentage of letters that must be delivered next day

Sources: Mail developments in the Postal Sector (2006-2008) Country sheet Summaries, Ecorys, September 2008; Main developments in the Postal Sector (2004 – 2006), WIK Consult, May 2006; Funding universal service obligations in the postal sector, Oxera, January 2007; The liberalized Swedish postal market, PTS, March 2007; Operators' press releases

# Agenda

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- Executive Summary
- International Postal Context
- Postal Diversification:
  - Lay of the Land
  - Modality
  - Challenges
- **Implications for the U.S. Postal Service**
- Appendix

# High exposure to declining mail volumes and limited diversification put the USPS in a very unfavorable position relative to other posts

The USPS is more exposed than the average international post to declining mail volumes...

... and yet remains significantly more dependent on mail than any other post in the developed world

	 USPS	Other Posts	Assessment
Year Over Year mail volume growth '07-'08 (%)	-4.2% <sup>1</sup>	-2.1% <sup>4</sup>	Unfavorable
Number of mail items/capita	667 <sup>2</sup>	120 - 425	Unfavorable (limited upside relative to other posts)
Admail in total mail volume (%)	61% <sup>1</sup>	49% - 72% <sup>5</sup>	Unfavorable (same)
Workshare volume (%)	80%	20% - 34% <sup>3</sup>	Unfavorable (same)
Internet broadband penetration (% households)	78% <sup>1</sup>	68.2% <sup>7</sup>	Unfavorable (higher risk)

	 USPS	Other Posts	Assessment
Non mail revenue '08 (%)	13% <sup>6</sup>	63% <sup>8</sup>	Unfavorable
Non-mail revenue CAGR '03-'08 (%)	4.8% <sup>6</sup>	10.0% <sup>8,9</sup>	Unfavorable
'03-'08 non-mail revenue growth compared to '03 mail revenue (%)	3.4% <sup>6</sup>	60% <sup>8,9</sup>	Unfavorable

At the current pace, and unlike other posts, non-mail revenue has only a marginal impact on the USPS growth and ability to offset the decline in mail volumes



**An exception in the postal landscape**

CAGR = Compound Annual Growth Rate

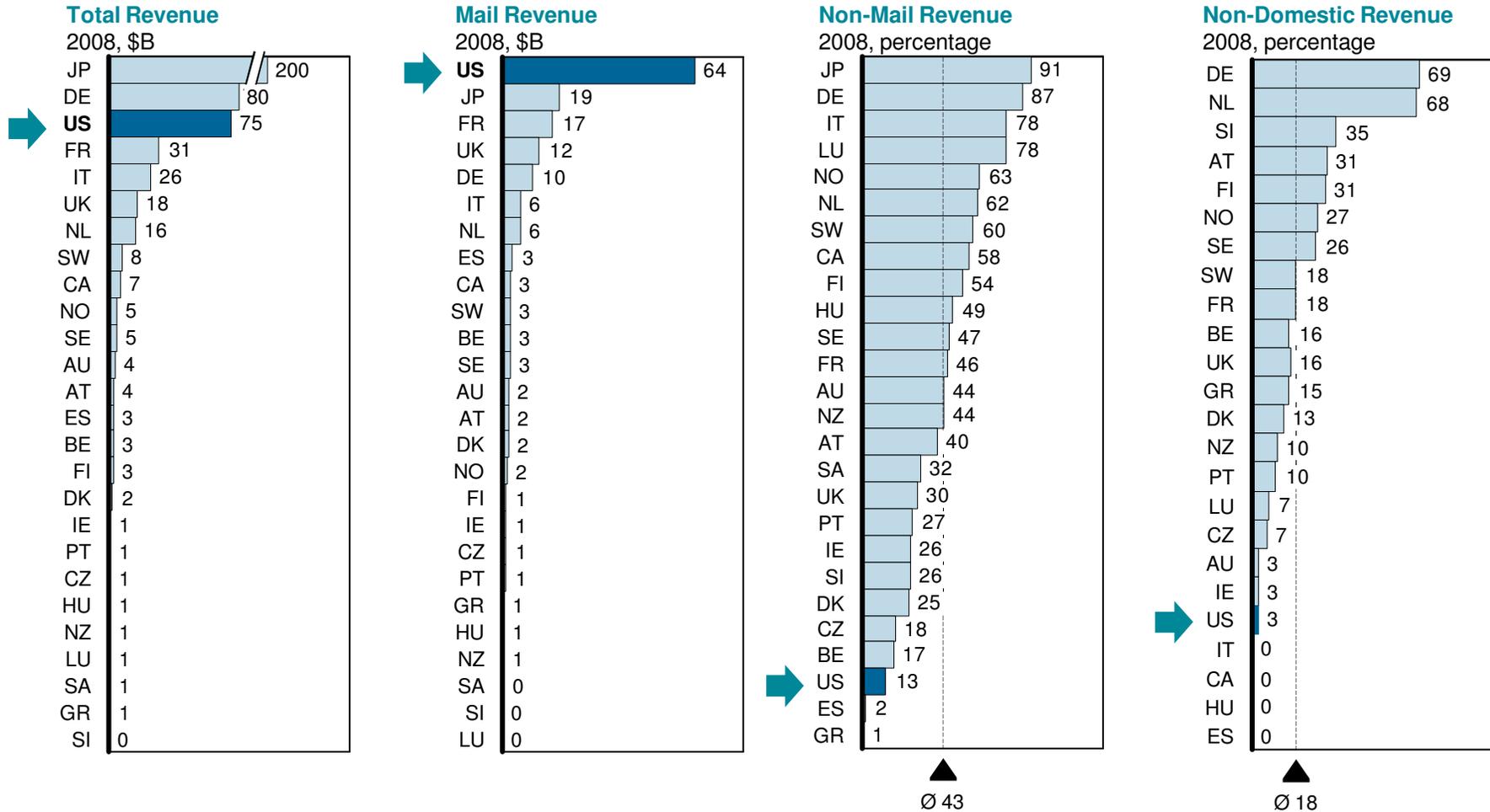
1) USPS 2008 Household Diary Study; 2) USPS 2008 annual report; 3) PostComm March 2008; 4) Average calculated based on WIK data; 5) The Future of Mail, Pitney Bowes, February 2008; 6) USPS 2003 and 2008 RPW Reports; 7) Average calculated with IPC data; 8) JP excluded as its large size skews the analysis; 9) Weighted average based on 2003 total revenue USD

\* 2009 USPS = 582 mail items per capita

Sources: See notes above

A

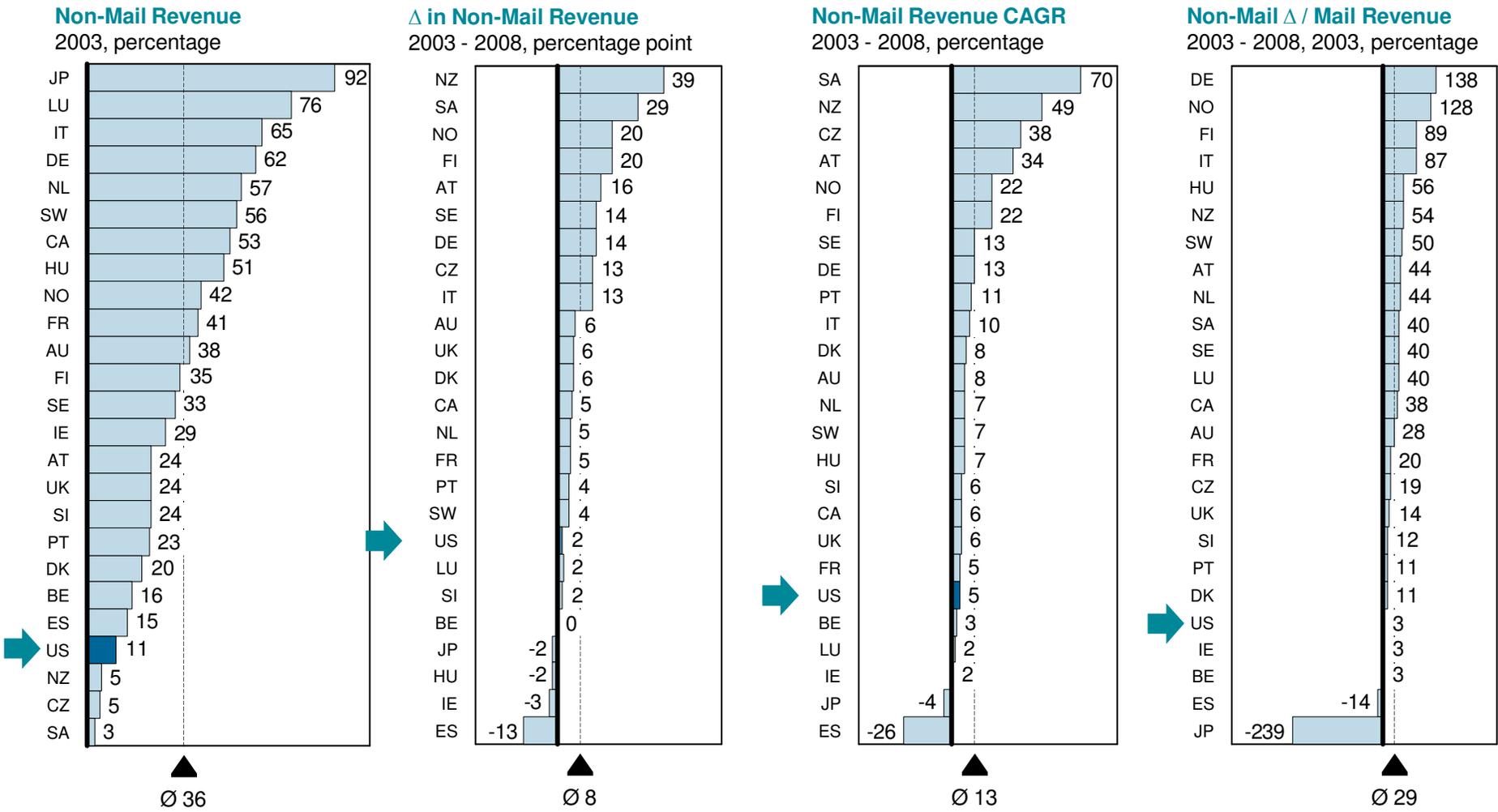
The USPS is the among the largest, yet close to the least diversified posts in the world



Note: South Africa and Japan non-domestic revenue data was not available for 2008 and thus excluded from non-domestic revenue analysis  
 Sources: 2003 & 2008 Accenture High Performance Post; Operators' 2003 & 2008 annual reports (where available); IPC website; USPS FY2008 RPW

**B**

# Low degree of diversification places the USPS at a distinct disadvantage compared to other posts in replacing mail volumes

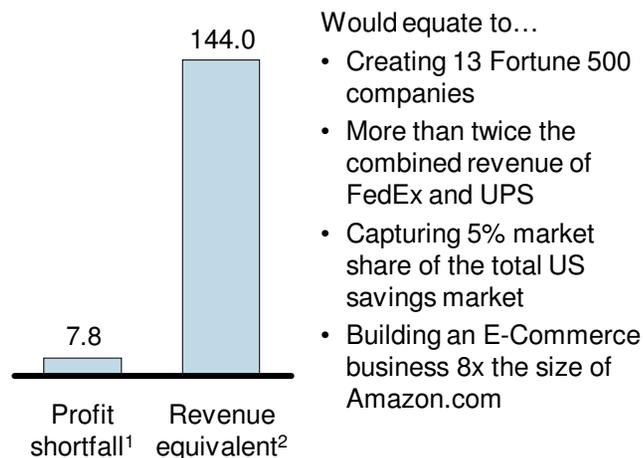


CAGR = Compound Annual Growth Rate  
 Note: a) Greece was not included in the above analysis as 2003 data was not available; b) Operators' respective countries were used for abbreviation purposes  
 Sources: 2003 & 2008 Accenture High Performance Post; Operators' 2003 & 2008 annual reports; IPC website; USPS 2003 and 2008 RPW Reports

# Diversification will likely need to play a greater role for the sustainable, self-funding future of the USPS

Diversification alone cannot resolve an **immediate profit gap of the magnitude faced by the USPS**

**Amount of diversified revenue needed to offset immediate profit short-fall**  
\$ Billions



It is however needed to **structurally** address the decline of mail volumes the same way other industries are responding to the decline of their core businesses, due to substitution

Industry	Market decline <sup>3</sup>	Industry response	Non-diversification example
<b>Music publishing</b>	9.4% p.a.	Vivendi SA, Warner Music Group, Sony BMG partnering with MySpace to challenge iTunes	Tower Records closed its 2,700 stores (2.5% of US music sales)
<b>Wired phone lines</b>	16.9% p.a.	Verizon, AT&T entered wireless in 2000-2001	Fairpoint Communications acquired Verizon New England landlines in '08 and filed for bankruptcy in '09
<b>Newspaper publishing</b>	10.5% p.a.	Gannett and NY Times investing online; Washington Post acquiring Kaplan Learning center	15,000 newspaper employees laid off in 2009
<b>Video rental</b>	19.1% p.a.	Blockbuster followed market leader Netflix to offer home delivery and expanding into downloadable movies	Hollywood video filed for bankruptcy in 2009

**Other posts have begun this process early, as it takes time to build alternate growth platforms to the scale of a legacy mail business**

1 Stated net loss in 2009 of \$3.8B including \$4B reduction of expenses from P.L.111-68 legislation  
 2 Assuming 5.4% average net profit from diversification as per international posts average in 2008  
 3 Forecasted from 2009 to 2012  
 Sources: USPS 2009 annual report; Zumbrun, Joshua and Brian Wingfield. "America's fastest-dying industries," *Forbes* 09.2009; Hiatt, Brian and Serpick, Evan "The Record Industry's Decline," [www.rollingstone.com](http://www.rollingstone.com) 06.28.2009; [www.att.com](http://www.att.com); [www.fairpointcommunications.com](http://www.fairpointcommunications.com); [www.verizonwireless.com](http://www.verizonwireless.com); Pijanowski, Jeff. "A look at the news, politics and journalism in today's 24-hour media," [www.huffingtonpost.com](http://www.huffingtonpost.com) 12.16.2009.

# Based on the experience of international posts, the following conditions would need to be met for the USPS to successfully diversify

## Conditions for successful diversification as identified from the review of international posts

- 1 Rebuild a profitable mail business in order to support the funding of the new platforms**
- 2 Expand the product portfolio beyond mail and improve the value proposition to meet evolving customer needs**
  - Two or more focus areas are required with the potential to generate sizeable alternate revenue
  - Least likely areas are Parcel Services (because of the maturity and concentration of the US market) and Banking (no historical presence)
  - More likely areas include areas linked to mail (Document Management and Integrated Marketing) or fragmented areas (Logistics)
  - Regardless, the value proposition of the retail network must be modernized, in conjunction with partners
- 3 Make profound alterations to the business model to effectively position the USPS to compete**
  - Influx of capital and resources supporting the development of new capabilities, including through acquisitions and partnerships
  - Restructuring the cost/labor model given higher labor costs
  - International expansion (parcel and logistics, in particular)
- 4 Receive support from the various stakeholders to allow for the necessary time, resources, and changes required (e.g. USO requirements, offer non-postal products, access to capital, pricing regime)**

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# Appendix

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Platform	Area
Transportation	Parcel services
	Logistics
Retail services	Retail
	Banking
Mail-related services	Integrated marketing
	Document management
	Hybrid mail
Government services	Enrollment and collect/payment services
	Other emerging services
Emerging services	Telecommunications
	E-Commerce
	Business Services

# Parcel services is a sizeable \$185B global market, growing at above GDP rates and still fragmented outside the US

The global courier and express parcel market is estimated to be ~\$185B, growing at a healthy rate of 5-11% dependant on geography

It remains relatively fragmented outside the US, with top competitors not exceeding 40-50% market share for domestic or international services

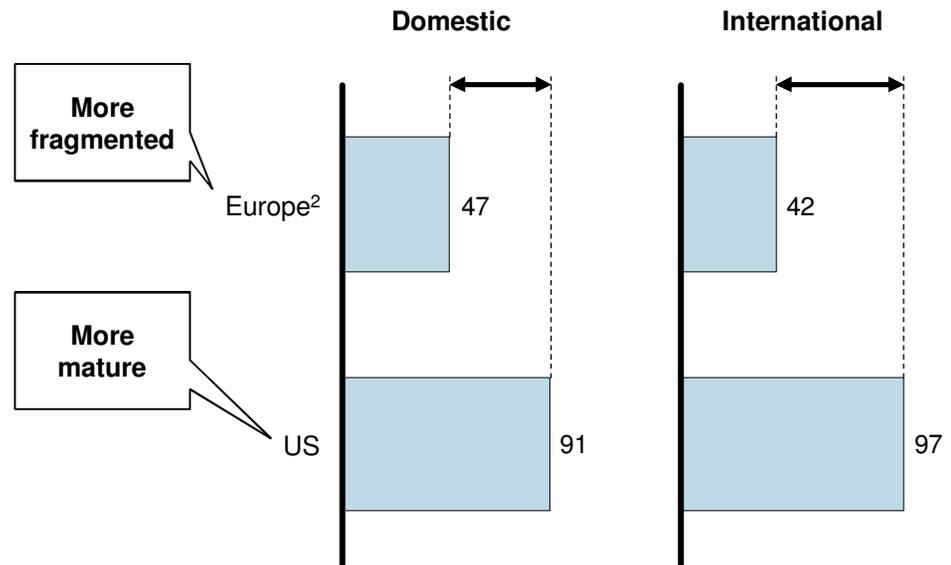
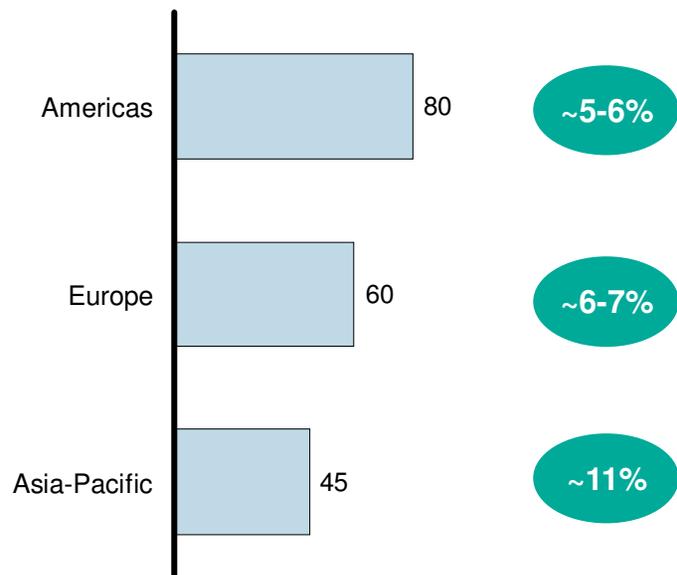
## Global Courier and Express Parcel market<sup>1</sup>

## Market compared concentration

Market size  
\$ Billions

Projected CAGR  
Percentage

Market share of top competitors<sup>3</sup>  
Percentage



CAGR = Compound Annual Growth Rate

1 Excludes logistics and other non-parcel-related integrator activities

2 Weighted average share in top 15 European CEP markets: Germany, UK, France, Italy, Netherlands, Spain, Switzerland, Sweden, Ireland, Belgium, Denmark, Austria, Portugal, Norway

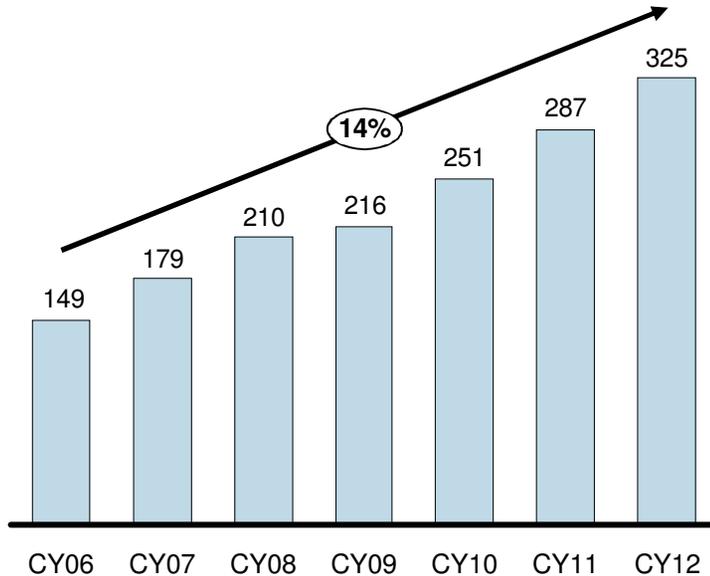
3 Top five competitors in Europe, top three in the US

Sources: Accenture industry reports; IPC website; Accenture analysis

# The rapidly expanding business-to-consumer segment, fueled by the expansion of E-Commerce, creates opportunities for international posts

The rapid growth of E-Commerce fuels the growth of the Business-to-Consumer parcel segment

**E-Commerce spend**  
\$ Billions



**E-Commerce share of retail spend (%)**

6%	7%	8%	8%	9%	10%	11%
----	----	----	----	----	-----	-----

The growth represented by the Business-to-Consumer segment is favorable to posts

Shifts	Advantage	Rationale
Cost-conscious consumers de-emphasize the importance of 'speed' for slower, yet reliable services	Posts	Posts cannot match the faster transit time of integrated carriers
Growing home delivery	Posts	Posts are already visiting all addresses every day, while home delivery represents a density challenge for integrated carriers compared to B2B
Importance of returns and recycles	Posts	Expansive retail network is an asset in supporting the logistics of returns

Sources: Forrester Research, Inc. "The Web's Impact On In-Store Sales: US Cross-Channel Sales Forecast, 2006 To 2012" (June 2007); Accenture analysis

# International posts have introduced innovations focusing on convenience to better serve the B2C/Home Delivery segment

## Pick-up and delivery



- Installing keyed parcel delivery boxes in new construction neighborhoods



- Providing secure parcel delivery stations upon request (SafeBox - pharmaceuticals, SafePlace - E-commerce)



- Installing keyed parcel delivery stations outside multi-family residences (Chronopost eBoxes)



- Providing customers with the ability to select their preferred delivery location from multiple addresses



- Providing parcel notification via SMS
- Enabling scheduled online delivery

## Retail



- Extending post office evening hours for parcel pick-up
- Creating and expanding dedicated parcel shop retail network (from 300-6700 outlets over the past few years)



- Rolling out PackStations (automated parcel retrieval kiosks accessible 24/7) for parcel mailing and pick-up



- Providing a network of 24/7 dedicated parcel shops for package pick-up (Cityssimo)

## Specialty Services



- Providing installation, return and repair services for electronics and other goods



- Providing keyed parcel lock-boxes in local shopping centers, largely for use by medical providers and technicians

Sources: Operators' website; Operators' press releases

# Appendix

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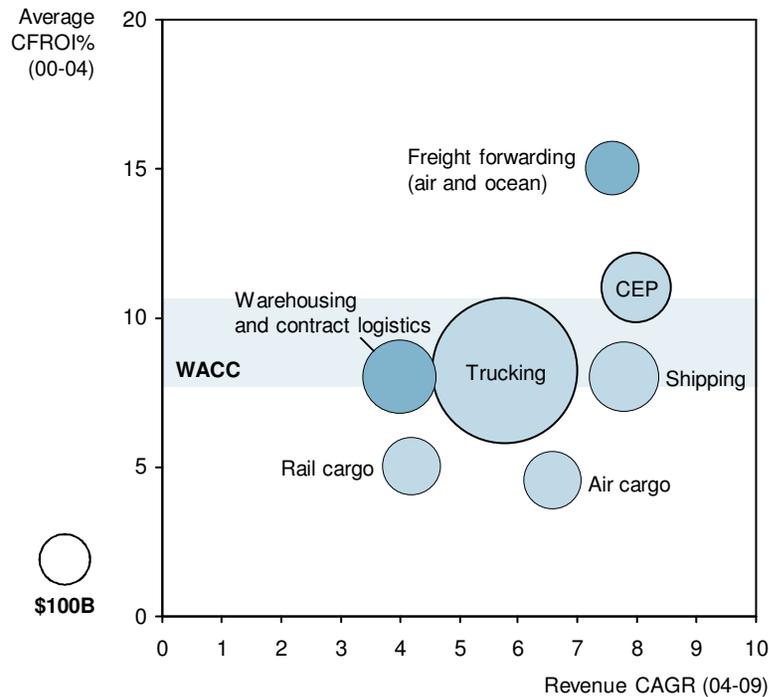
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# Logistics is a large, growing, and still very fragmented market

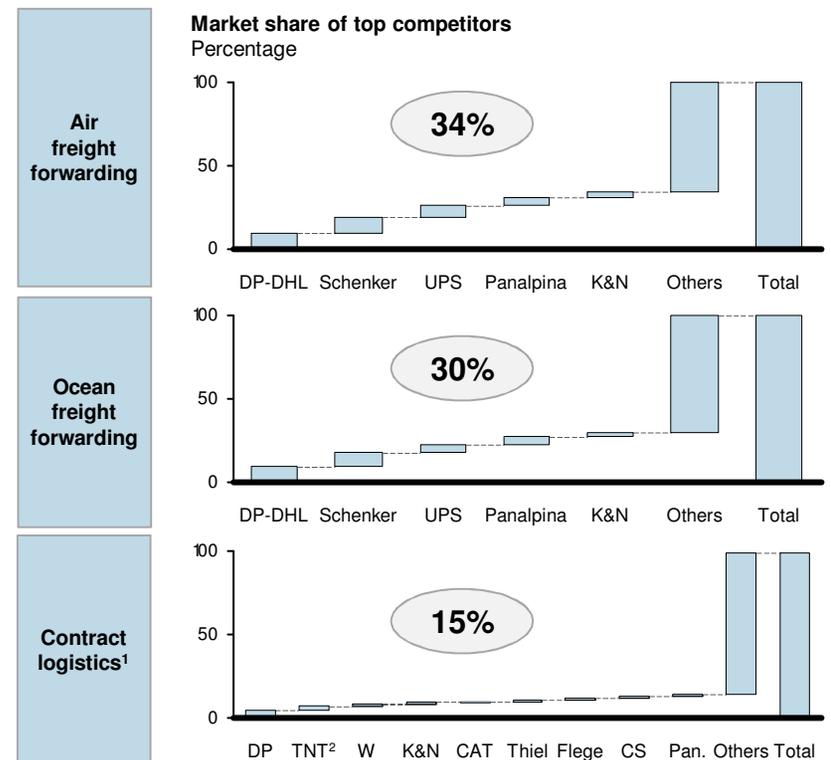
Logistics is a large and growing market – freight forwarding is among the fastest growing and most profitable segments

Most logistic segments remain highly fragmented with top competitors controlling ~15-30% of the market

Transportation and logistics market



Market fragmentation



CAGR = Compound Annual Growth Rate; CFROI = Cash Flow Return On Investment; WACC = Weighed Average Cost of Capital

<sup>1</sup> Includes warehouse management, transportation management, and other value added services

<sup>2</sup> TNT exited the market

Note: Trucking not at scale

Sources: Datamonitor; Operators' annual reports; Transport Intelligence, "Global Freight Forwarding 2007"; Accenture's freight and logistics database; Accenture analysis

# Air Cargo service improvements provide posts with the opportunity to build more competitive international deferred services

## Key changes in the air cargo services industry

**Airlines**

- Cargo-focused airlines are increasingly introducing priority services offering superior reliability
- Air cargo alliances allow forwarders access to more efficient global networks and capacity
- Partner programs between large forwarders and airlines increase sharing of demand / capacity information and reduce unexpected bumping

**Freight forwarders**

- Large forwarders are ramping up investments in information technology in order to offer track and trace-like capabilities
- Improved shipment visibility allows forwarders better event management and helps reduce variances in delivery time
- Forwarders are increasingly offering door-to-door service – particularly in proximity of gateway ports

## Service feature impact

**Transit speed**



**Track-and-trace**



**Time-definite**

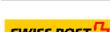


**Door-to-door**



Source: Accenture industry experience

# Posts operating in the logistics space tend to cover a wide range of logistics services, but target specialized industry solutions

		Sourcing		Warehouse Management			Transport			Specialized services				
Posts (scope)		Sourcing	Finishing	Consign-ment	Inventory Mgmt	Pick-and-pack	Ocean freight forwarding	Air freight forwarding	Trucking	Customs	Cold-chain/ Dangerous goods	Spare parts mgmt	Environ-mental compliance	Returns
	Global	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓
	Global	✓		✓	✓	✓			✓	✓	✓			✓
	Regional		✓	✓	✓	✓	✓	✓	✓	✓	✓			✓
	Regional			✓	✓	✓			✓	✓	✓			✓
	Global			✓	✓	✓	✓	✓	✓	✓	✓			✓
	Regional			✓	✓	✓	✓	✓	✓	✓	✓			✓
	Regional		✓	✓	✓	✓	✓	✓	✓	✓	✓			✓
	Regional				✓	✓			✓		✓			✓
	Regional			✓	✓	✓	✓	✓	✓	✓	✓			✓

Logistics revenue > \$2B

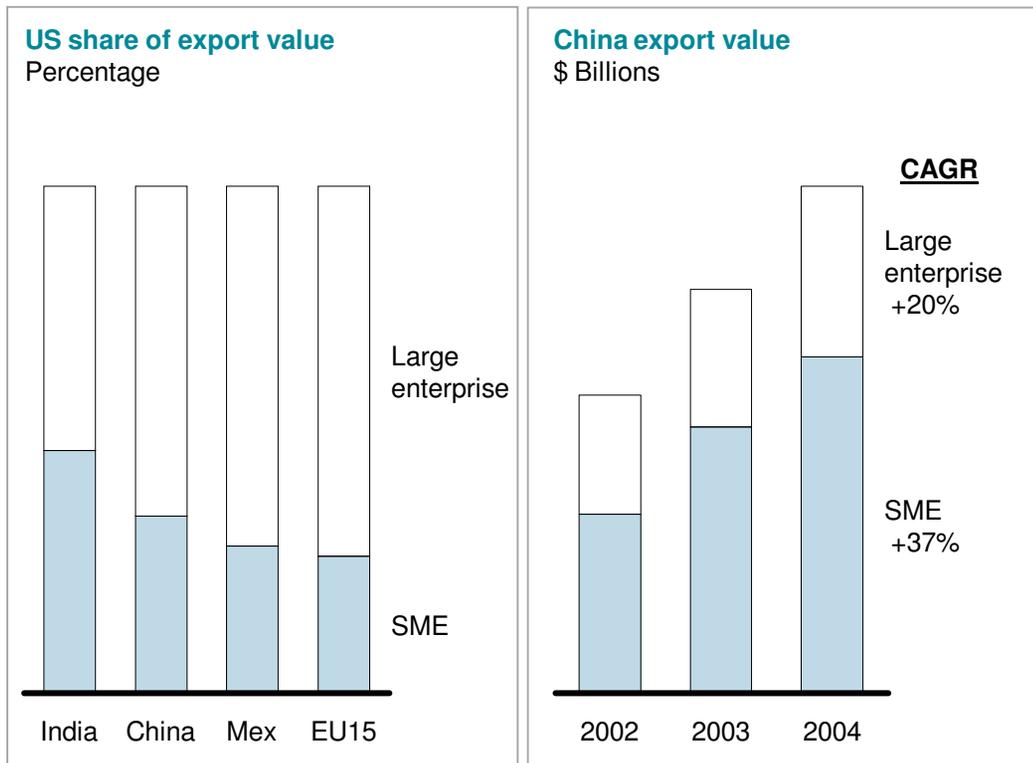
<p><b>Examples of industry solutions</b></p>	<ul style="list-style-type: none"> <li>• <b>Australia Post:</b> Electronics/Home Entertainment – Specialty through subsidiary, Australasia</li> <li>• <b>TNT:</b> Automotive – Shared-industry, single-user network, storage of parts and delivery in 2-5 hours</li> <li>• <b>SwissPost:</b> Dental services – Dedicated solution for dental laboratories through DentalExpress</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Oster. Post:</b> Pharmaceuticals – Transport and storage of temperature-sensitive pharmaceutical products</li> <li>• <b>Posten Norge:</b> Grocery – Import and distribution of perishable goods including, fruits, vegetables, and fish</li> <li>• <b>Royal Mail:</b> Manufacturing –Overnight parts distribution for field service engineers within 8 hours</li> <li>• <b>DeutschePost DHL:</b> customized Logistics Centers for Life Science (Singapore, Mumbai, Hyderabad), Consumer Goods (Unna), Oil &amp; Energy (Singapore)</li> </ul>
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Sources: Operators' website; Operators' press releases

# International posts tend to develop logistics offerings targeting small-medium sized companies, given their relative weight in international trade

As small and medium size enterprises account for a large and growing proportion of international trade...

... international posts develop customized logistics solutions to support the international expansion of SMEs



Support of small/medium size retailers through Sai Cheng JV in China



IDEA tool assisting SMEs calculate cost savings through TNT's 'build-to-supply' network



Integrated SME logistics and IT solutions

CAGR = Compound Annual Growth Rate; SME = Small / Mid-size Enterprise  
Sources: World bank; China: Ministry of Commerce; Accenture analysis

# Appendix

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<b>Platform</b>	<b>Area</b>
<b>Transportation</b>	Parcel services
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	Other emerging services
<b>Emerging services</b>	Telecommunications
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# International posts are restructuring their retail network following a two-pronged strategy

## 1 Optimize the post office network

### Rationalize the network

- Shed low traffic post offices (e.g., Deutsche Post-DHL closed 40% of its post-offices between 1992 and 2005)
- Leverage 3<sup>rd</sup> party providers as access points for basic services (e.g., Posten AB franchised 82% of its retail network)
- Implement mobile post offices for low density areas (e.g., Groupe La Poste, Österreichische Post)

### Increase productivity

- Divert low value tasks to online channels and in-store automated kiosks (adding convenience and accessibility)
- Adapt store hours to maximize traffic potential

### Capture incremental revenue from existing foot-traffic

- Stationery, office supplies, and convenience products

Optimize economics within the constraints of the post office network as designed (i.e., low foot traffic, declining base volumes)

## 2 Transform into a retail network

### Design differentiated retail value proposition targeted at specific market segments (e.g., households, SMEs)

- Service bundle
- Format
- Experience

### Restructure and segment the network to align with value proposition

- Location
- Service mix

Change the paradigm: redesign the network around a new value proposition also supporting E-Commerce and parcel businesses (importance of reach)

SME = Small / Mid-size Enterprise

Sources: Accenture review of the experience of international posts

1

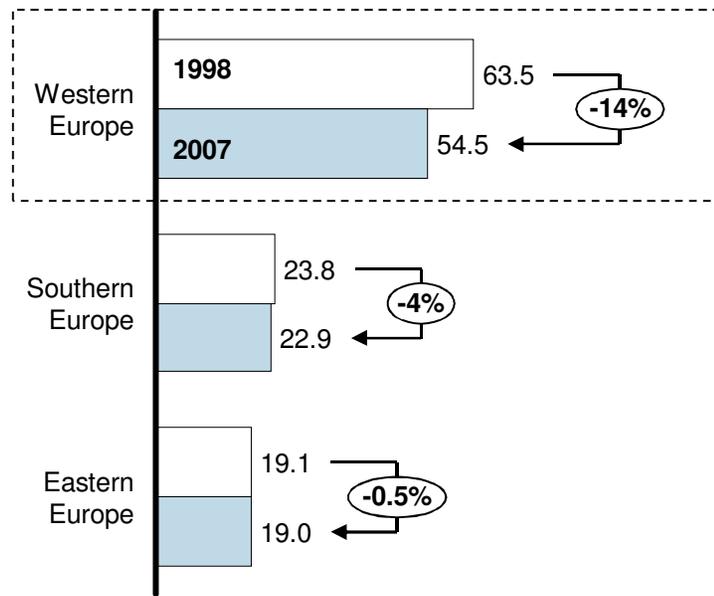
# International posts have taken aggressive steps to reduce the number of post-operated post offices (I)

International posts have significantly reduced their number of post offices over the past ten years...

...and aggressively pursued, for the most part, third-party options in parallel

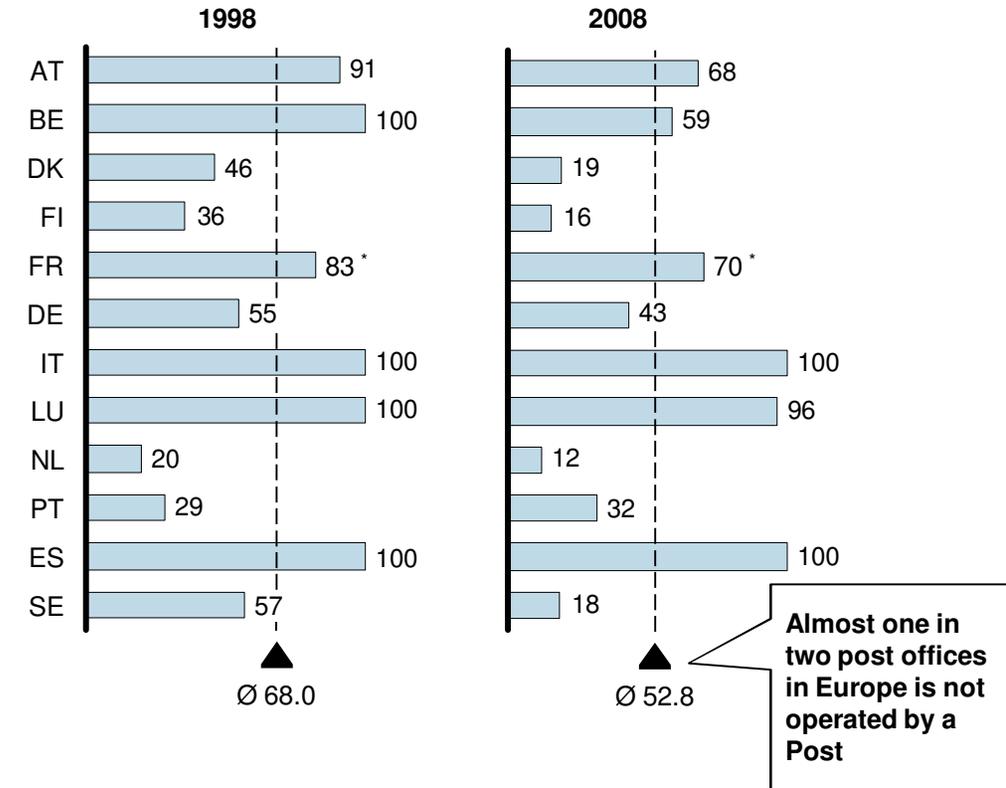
**Number of post offices**

Thousands



**Post-operated postal outlets**

Percentage



\* 2007 data for France

Note: Sample countries include: Austria, Belgium, Germany, Denmark, Finland, Ireland, Luxembourg, Netherlands, Sweden and UK

Sources: Country Fiches on the EC study on 'The evolution of the European Postal Market since 1997'; operators' website

1

## International posts have taken aggressive steps to reduce the number of post-operated post offices (II)

### International post examples



- Closed 2,500 rural post offices
- Franchised the majority of the network
- Created 'Outreach' post offices in rural churches and community centers and launched mobile post offices



- Converted 1,850 rural postal offices into rural stores
- Announced in 2008, its intention to close all stand-alone post offices



- Reviewing 400 post offices for closure
- Launched a virtual post office counter



- 66% of post offices independently licensed



- Reduced the number of post offices by 30% between 2004 and 2007
- Introduced mobile post offices



- Rolled out Ost. Post.24 to modernize/automate the majority of post offices
- Launched mobile post offices

Sources: Operators' website; Operators' press releases; Universal Postal Union; Country Fiches on the EC study on 'The evolution of the European Postal Market since 1997;' and La Poste POSTCOMM "Post Office Debate Your chance to have your say," Birmingham, 5 July 2006.

1

# International posts are capitalizing on existing foot-traffic with the addition of new products and services

International posts are expanding the assortment of products sold in their post offices...

All posts offer the following items in their post offices

- Stationery
- Envelopes/boxes
- Office supplies
- Greeting cards
- Philatelics

Most posts<sup>1</sup> have expanded into additional convenience products:

- Phone cards
- Lottery products
- Snacks
- Magazines
- Gift cards

... and adding other specialized services

Posts	Ticketing	Travel Booking	Media Rental	Photo Services	Printing	Household Services
	✓					
			✓			✓
	✓					
		✓				
		✓				
			✓		✓	
			✓	✓	✓	✓
				✓	✓	
	✓					

1 17 of 25 posts sell at least one type of convenience product.

Sources: Operators' website

2

## International posts building strong retail diversification to design a new differentiated retail value proposition

### International post examples



<b>Segmentation</b>	<ul style="list-style-type: none"> <li>• 3 store types</li> <li>• Based on geographic demand</li> </ul>	<ul style="list-style-type: none"> <li>• 15 store types</li> <li>• Based on geography and population factors</li> </ul>
<b>Experience</b>	Shop-in-a-shop to create more of a “retail feel”	Customer friendly environment, including: <ul style="list-style-type: none"> <li>• Help desks/ offices/ kiosks</li> <li>• WiFi access and music downloads</li> </ul>
<b>Offerings</b>	<ul style="list-style-type: none"> <li>• Mailing supplies and stationery</li> <li>• Banking services</li> <li>• Mobile phone service</li> <li>• Gifts, electronics, appliances, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Mailing supplies and stationery</li> <li>• Banking services</li> <li>• Photo services</li> <li>• ‘Tout Compris Service’ Marketplace, including: gardening, cleaning, tutoring, etc.</li> </ul>
<b>SME Services</b>	Small Office/Home Office centers in post offices <ul style="list-style-type: none"> <li>• Printing</li> <li>• Conference Space</li> </ul>	In-Post Business Centers <ul style="list-style-type: none"> <li>• Printing</li> <li>• Video-conferencing</li> <li>• Small Business Corner consultation/advice</li> <li>• Meeting rooms</li> </ul>

Sources: Operators’ website; Operators’ press releases; La Poste POSTCOMM “Post Office Debate Your chance to have your say,” Birmingham, 5 July 2006

## 2 Full-scale banking services are systematically part of the retail value proposition mix and support overall foot traffic

		Money orders	Deposit	Bill Pay	Savings	Credit	Invest & trading	Insurance	Entry Year	Banking partner
1	<b>Japan Post Bank</b>	✓	✓	✓	✓	✓	✓	✓	1875	-
2	<b>Gruppo Poste Italiane</b> Banco Posta	✓	✓	✓	✓	✓	✓	✓	prior to 1930	-
3	<b>Magyar Posta</b> OTP Postabank	✓	✓	✓	✓	✓	✓	✓	1980s	Erste Bank
4	<b>Swiss PostBank</b>	✓	✓	✓	✓	✓	✓	-	1989	GhB
5	<b>New Zealand Post</b> Kiwi Bank	✓	✓	✓	✓	✓	✓	✓	1999	-
6	<b>Groupe La Poste</b> La Banque Postale	✓	✓	✓	✓	✓	✓	✓	1881	-
7	<b>South Africa Post</b> Postbank	✓	✓	✓	✓	✓	✓	✓	1974	-
8	<b>Australia Post</b> Bank@Post	✓	✓	✓	✓	-	-	✓	n.r.	Many
9	<b>Posten Norge</b> PostBanken	✓	✓	✓	✓	-	✓	-	1950	DNB Nor Bank
10	<b>Royal Mail</b> Post Office Bank	✓	✓	✓	✓	✓	✓	✓	2003	Bank of Ireland <sup>1</sup>
11	<b>An Post</b> Postbank Ireland	✓	✓	✓	✓	✓	✓	✓	2006	Fortis (now BNP) <sup>1</sup>
12	<b>Singapore Post</b>	✓	-	-	✓	✓	-	-	n.r.	Prudential (savings)
13	<b>Ost. Post (AT)</b> Postbank	✓	✓	✓	✓	✓	✓	-	1882	Bawag

All posts with sizeable banking businesses are operating a postal bank (and most have operated as a bank historically)

The majority of international posts have expanded their banking offerings beyond money orders

✓	Offered via postal bank
✓	Offered with partner
-	Not offered

n.r. = not reported

Sources: Operators' website; IPC website; Dow Jones Factiva

Note	Bank	Comment
1	Japan Post Bank	<ul style="list-style-type: none"> <li>• May divest Japan Post Bank and Japan Post Insurance between 2010-2017</li> </ul>
2	Gruppo Poste Italiane Banco Posta	<ul style="list-style-type: none"> <li>• Includes mobile payment offering through PosteMobile (&gt;1 Million customers)</li> </ul>
3	Magyar Posta OTP Postabank	<ul style="list-style-type: none"> <li>• 50/50 profit sharing over 8 year contract</li> </ul>
4	Swiss PostBank	<ul style="list-style-type: none"> <li>• Swiss Post restricted from credit and savings</li> </ul>
5	New Zealand Post Kiwi Bank	<ul style="list-style-type: none"> <li>• First New Zealand national bank</li> <li>• Only greenfield launch without partner</li> </ul>
6	Groupe La Poste La Banque Postale	<ul style="list-style-type: none"> <li>• Assets transferred in 2005</li> <li>• Services provided in post offices and stand-alone financial centers</li> </ul>
7	South Africa Post Postbank	<ul style="list-style-type: none"> <li>• Launched as a savings bank</li> </ul>
8	Australia Post Bank@Post	<ul style="list-style-type: none"> <li>• Post employees conduct transactions on behalf of 70+ institutions</li> <li>• Only consortium model</li> </ul>
9	Posten Norge PostBanken	<ul style="list-style-type: none"> <li>• Bank employees conduct transactions</li> </ul>
10	Royal Mail Post Office Bank	<ul style="list-style-type: none"> <li>• Previously in banking –exited in 1990, re-entered with Bank of Ireland joint venture</li> </ul>
11	An Post Postbank Ireland	<ul style="list-style-type: none"> <li>• 50/50 joint venture</li> </ul>
12	Singapore Post	<ul style="list-style-type: none"> <li>• Savings offering introduced in 2009 with Prudential Asset Mgt</li> </ul>
13	Ost. Post (AT) Postbank	<ul style="list-style-type: none"> <li>• Postbank sold to Bawag in 2004</li> <li>• Bank employees conduct transactions</li> </ul>

Sources: Operators' website; Dow Jones Factiva

# Appendix

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<b>Platform</b>	<b>Area</b>
<b>Transportation</b>	Parcel services
	Logistics
<b>Retail services</b>	Retail
	Banking
<b>Mail-related services</b>	Integrated marketing
	Document management
	Hybrid mail
<b>Government services</b>	Enrollment and collect/payment services
	Other emerging services
<b>Emerging services</b>	Telecommunications
	E-Commerce
	Business Services

## Most international posts are expanding into mail-related services (I)

Posts	Integrated Marketing		Hybrid Mail							Document Management		
	Customer Targeting/ Mailing Lists	Campaign/ Ad Design & Strategy	E2P electronic to print			E2E electronic to electronic			P2E print to electronic		Document Digitization/ Filing/ Archiving	Hard Copy Document Mgmt
			Greeting Cards/ Consumer	Direct Mail	Invoices/ Transactions	Invoices/ Transactions	Post/Gov sponsored email IDs	SMS	Digital Mailroom	Digital Mailbox		
 FI						(1)	(1)	(1)			(1)	
 SW							(2)		(2)	(2)		
 SE						(3)	(3)					
 DE				(4)	(4)							
 NO					(5)	(5)					(5)	(5)
 PT												
 NL						(6)			(6)			
 NZ												
 AU			(7)	(7)	(7)							

- 1 Itella NetPosti delivers invoices electronically to subscription based accounts. Customers are notified via email or SMS when a bill has arrived and again when it is due. Itella document management and information logistics provides outsourced invoicing, accounts payable/receivable, debt collection, payroll, and other accounting transactions. Claims 30-50% cost reduction benefits for customers.
- 2 Swiss Post offers Digital Mailroom and Mailbox services through a partnership with Earth Class Mail; unlike other posts with e-delivery, Swiss Post digital inboxes receive communications that were originally in print or electronic formats. In addition, Swiss Post document digitization is providing electronic medical records services to the Swiss healthcare system.
- 3 The Swedish government has instituted mandatory e-invoicing for government agencies, investing millions in distributing electronic IDs to private individuals. Post Danmark (now merged with Posten AB) also provides Eboks—a service through which individuals can receive electronic communications from governments and businesses.
- 4 DP-DHL claims that hybrid Print and Mail services produce 80% less CO<sub>2</sub> than physical mail and reduce print and delivery costs by 25% due to bulk printing and mail insertion closer to delivery point. DP-DHL offers targeted services for large businesses and SMEs, and is launching consumer offerings.
- 5 Posten Norge's ErgoGroup information logistics provides targeted solutions for SMEs, businesses and governments.
- 6 TNT Notabox provides digital consumer statement delivery in partnership with Dutch retail banks. ScanPost provides digitization of inbound business mail.
- 7 Based on legacy capabilities of Print Soft, acquired by Australia Post in 2002.

Sources: IPC website; Operators' website; Accenture High Performance Post; [www.earthtimes.org](http://www.earthtimes.org)

Reported offerings

## Most international posts are expanding into mail-related services (II)

Posts	Integrated Marketing		Hybrid Mail							Document Management		
	Customer Targeting/ Mailing Lists	Campaign/ Ad Design & Strategy	E2P electronic to print			E2E electronic to electronic			P2E print to electronic		Document Digitization/ Filing/ Archiving	Hard Copy Document Mgmt
			Greeting Cards/ Consumer	Direct Mail	Invoices/ Transactions	Invoices/ Transactions	Post/Gov sponsored email IDs	SMS	Digital Mailroom	Digital Mailbox		
 ES												
 FR				(1)	(1)							
 IT					(2)						(2)	
 UK		(3)										
 GR												
 IE			(4)									
 BE												
 HU												
 CA						(5)						

Reported offerings

- 1 Groupe La Poste Maileva targets SMEs with reduced mailing and printing costs through batch printing and optimal mail-stream insertion. LaPoste also offers self-digitization for documents in post offices.
  - 2 Gruppo Poste Italiane targets B2C companies and Gov2C agencies. As part of its document digitization services, Gruppo Poste Italiane has a service for creation of electronic medical records. Gruppo Poste Italiane is also blurring the line between communication and connectivity, currently developing a PostKey USB that will provide digital signature, hybrid mail and internet connectivity capabilities. Royal Mail offers multi-channel marketing support (e.g. Direct mail + SMS or email). Adoption by retailers is 40%, claiming a 10% boost in sales through combined mediums.
  - 3 Royal Mail offers multi-channel marketing support (e.g. Direct mail + SMS or email). Adoption by retailers is 40%, claiming a 10% boost in sales through combined mediums.
  - 4 An Post e-greeting cards cost 4.45 € per card, including postage anywhere internationally. Consumer may choose design, upload photo and/or message. In regards to other offerings, in its 2008 annual report, An Post notes that consumers aren't always willing to pay for hybrid mail services.
  - 5 Canada Post offers ePost electronic bill presentment: secure delivery of 250 types of document and financial statements to 5Mil registered users –recently adopted by Iceland Post.
- Sources: IPC website; Operators' website; Accenture High Performance Post



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# Most posts execute some various degree of government-related enrollment services – a few exploring further opportunities

While most posts are conducting basic enrollment and collection/payment services, these services are increasingly at risk with the rise of eGovernment

A few posts are expanding their government services beyond enrollment/collection/payment services

Service	ID Services	Registration	Collection	Payment
<b>Example</b>	<ul style="list-style-type: none"> <li>Passport applications</li> <li>Passport interviews</li> <li>Drivers licenses</li> </ul>	<ul style="list-style-type: none"> <li>Vehicle registration</li> <li>Professional licenses (e.g., plumbing)</li> <li>Hunting/ fishing licenses</li> </ul>	<ul style="list-style-type: none"> <li>Tax forms</li> <li>Tax payments</li> <li>Fines</li> </ul>	<ul style="list-style-type: none"> <li>Social security benefits</li> <li>Refunds</li> </ul>
	1			

### Examples

#### Leveraging retail network

- Recycling of electronics
- Healthcare clinics

### Posts



#### Territorial coverage (rural reach)

- Rural utility meter readings



#### Employee base

- Services for the disabled (e.g., installation of handicapped equipment)



#### Existing government services

- Expanding government identity services to financial institutions and large employers



1 Australia Post conducts identity document checks and background interviews in person  
Sources: Operators' website

No activity reported
  Conducted in-store and online
  Must be conducted in-person

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	Business Services

## A few international posts are launching telecommunications services primarily in partnership with telecom operators

Posts <sup>1</sup>	Land lines	Internet service	Mobile phones	TV	Year	Partner	Comments
 <sup>2</sup>	✓	✓	✓		1911	-	<ul style="list-style-type: none"> <li>Launched mobile phone offering under the Phone-IX brand in 2007</li> </ul>
 <sup>2</sup>	✓	✓	✓	✓	1880	-	<ul style="list-style-type: none"> <li>Telecom segment accounted for 63% of revenue in 2008</li> </ul>
	✓	✓			1912	British Telecomm	<ul style="list-style-type: none"> <li>BT service sold under Royal Mail brand via Post Office Ltd</li> </ul>
			✓		2007	Vodafone	<ul style="list-style-type: none"> <li>Gruppo Poste Italiane purchases capabilities and capacity on Vodafone's network</li> </ul>
			✓		2010 (plan)	Vodafone	<ul style="list-style-type: none"> <li>An Post purchases capabilities and capacity on Vodafone's network</li> </ul>
			✓		2010 (plan)	Vodafone	<ul style="list-style-type: none"> <li>An Post purchases capabilities and capacity on Vodafone's network</li> </ul>



- Mobile phone service linking SIM cards to Banco Posta accounts and pre-paid credit cards (PostPay), creates 'electronic purse' features
- Posta Italiane projected to generate \$700M + in revenue by 2012 and to break-even in 2009 (two years after launch)
- Claims to have become the leading mobile virtual network operator in Italy within two months

**Aiming at taking position in fast growing micro-payment/credit market**

<sup>1</sup> De Post also offers mobile phone services; partnership model is not known.

<sup>2</sup> Historical telecom operators

Sources: Operators' website; Operators' press releases; Accenture industry experience

# Several international posts have launched full-scale E-Commerce offerings

## Type of Platform

## Post Examples

### Virtual Shopping Mall

Online sale of general merchandise (e.g., gifts, toys, clothing, electronics, appliances)  
AnPost and Groupe La Poste expanding into household services (e.g., maintenance, babysitting, tutoring)



### Weblet

Providing SME<sup>2</sup> retailers with the ability to create their own stores online



### e-Marketplace

Facilitating transactions for single-seller merchants (partnership with buycentral.com, comparable service to eBay)



SME = Small / Mid Size Enterprise

\* Gruppo Poste Italiane integrates in-store and online shopping experience through virtual kiosks for E-Commerce sales of items not available in post office stock.

Sources: Operators' website; IPC website



## About Accenture

Accenture is a global management consulting, technology services and outsourcing company.

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