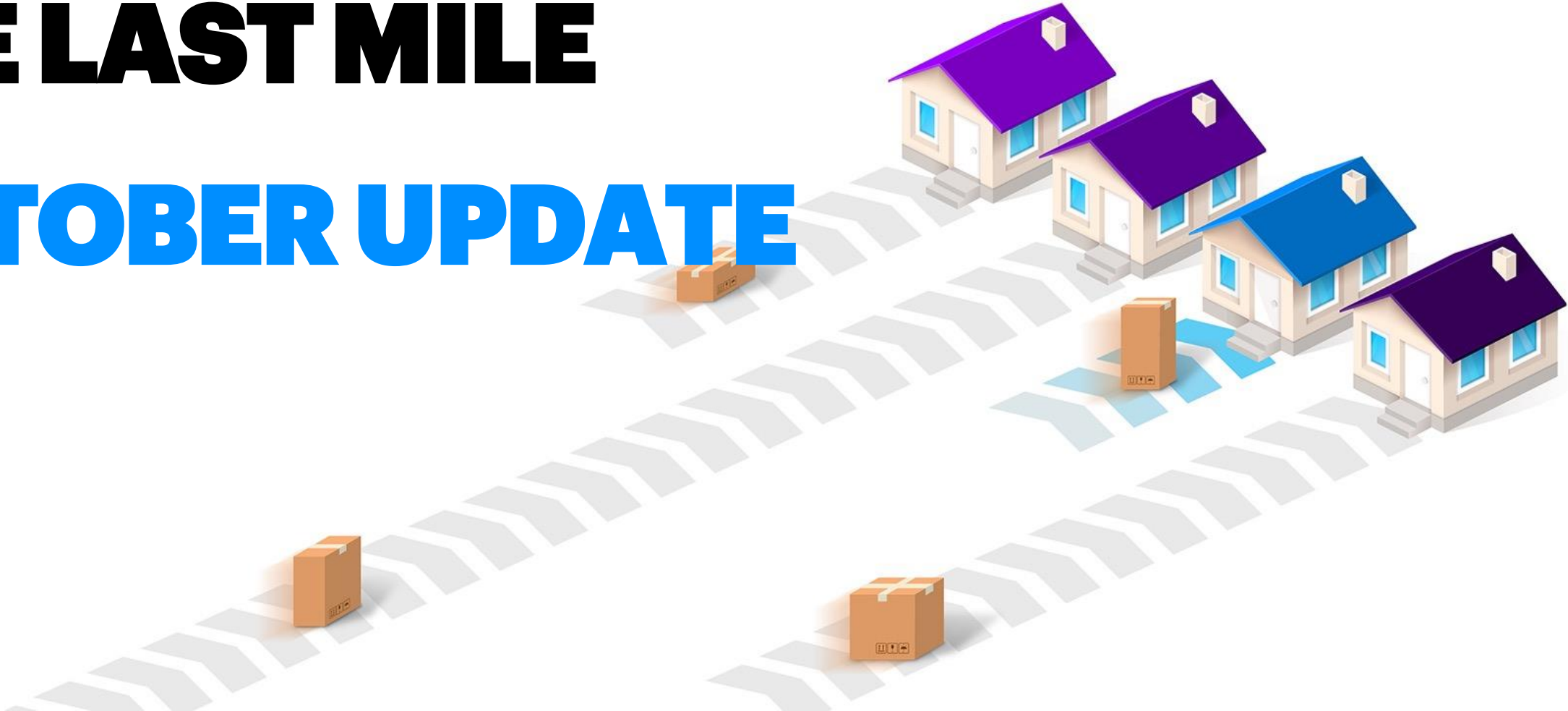




COVID IMPACT ON THE LAST MILE

OCTOBER UPDATE





DESPITE INCREASING NORMALCY, GLOBAL MAIL AND PARCEL VOLUME FLUCTUATION CONTINUE

Operator	Mail		Parcels	
bPost ⁽¹⁾	-17.0%	↓	78.0%	↑
USPS	-24.5%	↓	49.9%	↑
Austrian Post ⁽¹⁾	-17.0%	↓	39.0%	↑
Royal Mail	-39.0%	↓	37.0%	↑
Canada Post	-39.4%	↓	35.1%	↑
PostNL ⁽¹⁾	-16.0%	↓	22.0%	↑
Post Italiane	-24.2%	↓	21.4%	↑
La Poste	TBC	↓	17.6%	↑
DP DHL (DE)	-17.2%	↓	12.3%	↑
Median	-20.7%		35.1%	

- Across the board, mail volumes are down between 16-40%. This is driven by a steep decline in ad-mail, single items and bulk mailers reducing service
- Parcel volumes on the whole have increased between 12-80% YoY
- La Poste and Correos operations were significantly impacted by COVID-19 and as a result were unable to capture market share

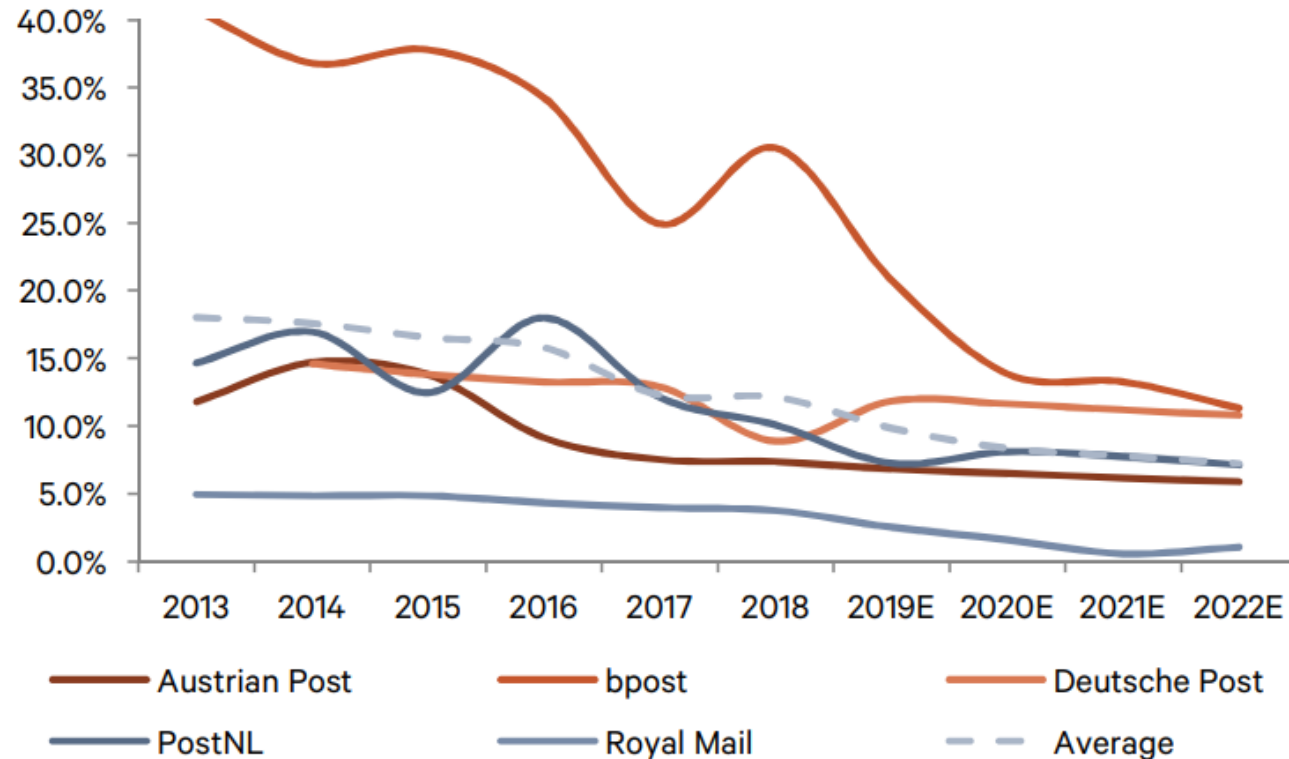


PRE COVID-19: AS MAIL VOLUMES DECLINE, THEIR ROIC IS ALSO FALLING

As e-substitution gains traction, Mail ROIC continues to fall, driving down the overall profitability for Postal players

Select EU players – Mail division gross cash ROIC⁽¹⁾

[2013 – 2022, %]



- Cash returns on capital have fallen across the sector, from an average of ~18% in 2013 to ~8% in 2018. The decline is largely driven by falling letter volumes and profits.
- The decline is likely to continue to ~7% in the next few years, as the volume and cost pressures persist

Insight:

As volumes fall, mail becomes less attractive. Thus, there is a need for Postal players to seek profitability in other services

DISRUPTIONS COVID-19 IS CAUSING NOW

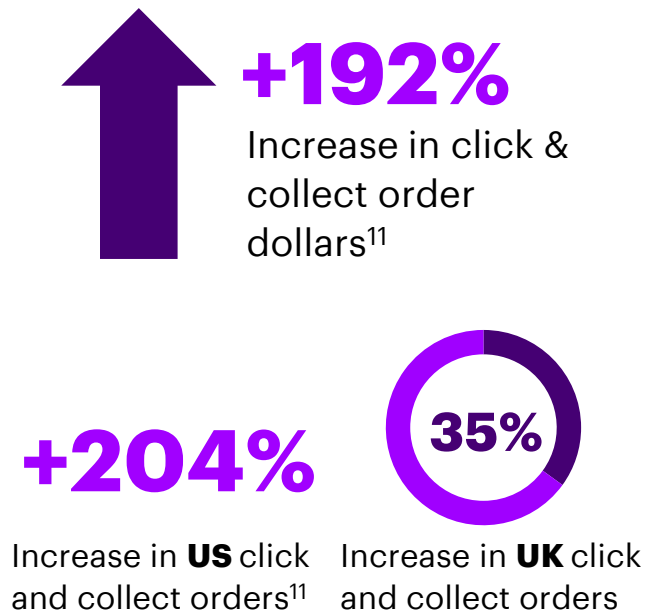
Dramatic statistics illustrate the shift in consumer adoption of new shopping behaviors

eCommerce

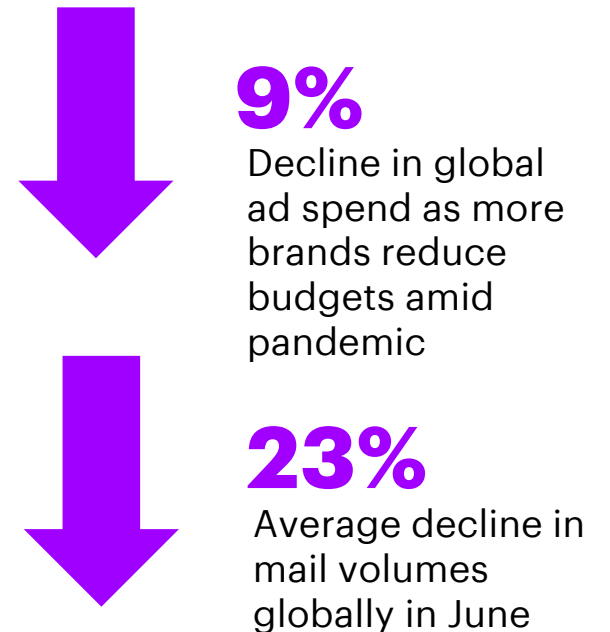
Globally, store-based retailers experience exponential YoY growth in eCommerce*

	Increase in revenue from eCommerce ¹⁰	Increase in online orders ¹⁰
US and Canada	↑92%	↑88%
Europe	↑31%	↑71%
APAC	↑22%	↑82%

Click & Collect (BOPIS: Buy Online Pickup Up In-Store)

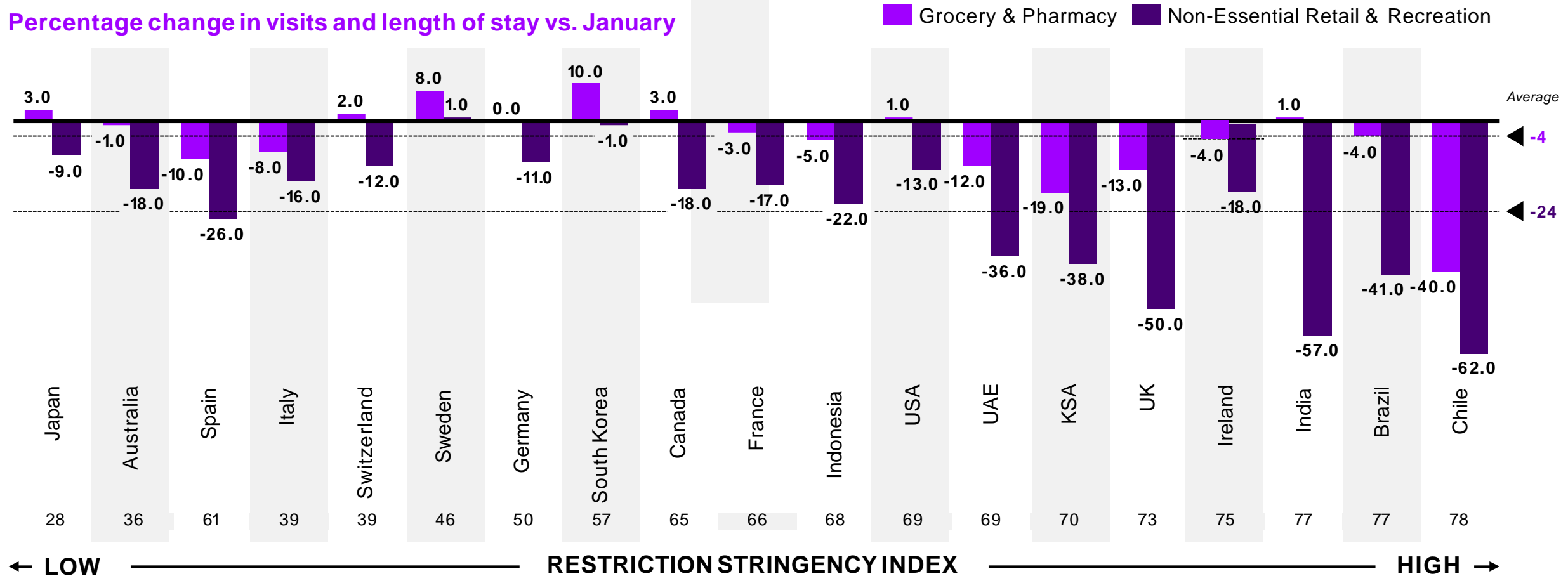


Mail Impacts Transaction and Advertising



Retail footfall remains below January levels across most markets, despite lifting restrictions

Percentage change in visits and length of stay vs. January

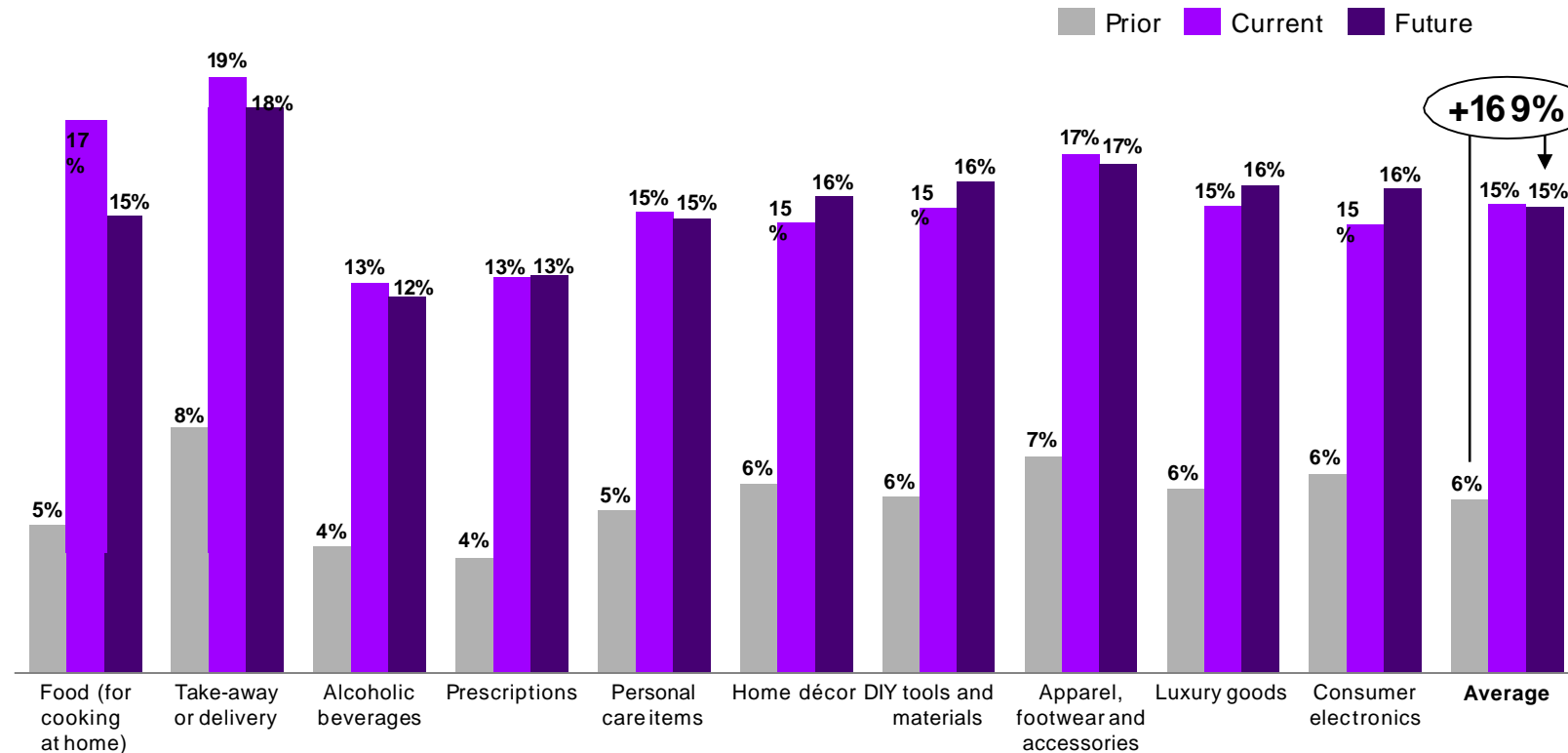


Source: Google LLC "Google COVID-19 Community Mobility Reports". <https://www.google.com/covid19/mobility/>. Accessed: 26/06/20. Non-essential retail and recreation includes places like restaurants, cafes, shopping centers, theme parks, museums, libraries, and movie theaters. The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3rd-Feb 6th, 2020. The Government Response Stringency Index is a composite measure based on nine response indicators including retail / workplace closures, travel bans, and restrictions on movement rescaled to a value from 0 to 100 (100 = strictest response). Hale, Thomas, Sam Webster, Anna Petherick, Toby Phillips, and Beatriz Kira (2020). Oxford COVID-19 Government Response Tracker, Blavatnik School of Government. Data use policy: Creative Commons Attribution CC BY standard. Restriction as of 16th June

The shift to ecommerce will remain once the outbreak subsides

Proportion of purchases made online by infrequent ecommerce users

Frequency of online purchases for consumers who used online channels for less than 25% of purchases prior to the outbreak



Source: Accenture COVID-19 Consumer Pulse Research, conducted 16th-22nd June.

The huge shift to ecommerce is likely to continue.

169%
is the expected future increase in ecommerce purchases from new or low frequency users.

Source: Accenture COVID-19 Consumer Pulse Research, conducted 16th-22nd June.

HOLIDAY 2020 FINDS CONSUMERS IN A STATE OF UNCERTAINTY



Two Thirds of shoppers are less inclined to shop on Thanksgiving Day compared to last year



70% of consumers are unsure / unlikely to be going out with family & friends to festive events

61% of consumers plan to minimize in-store shopping this holiday season to reduce risks to essential / retail workers



Less than a 1/4 are planning to take a trip or go on vacation this holiday season



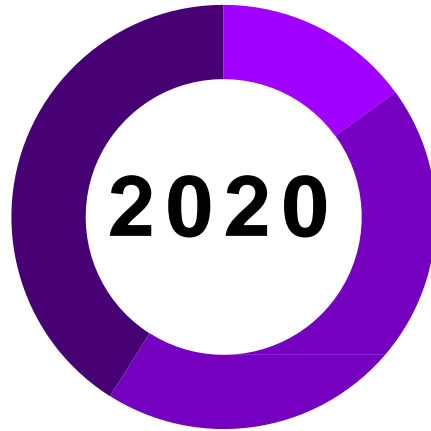
26 Retail bankruptcies filed in the US to date in 2020 leading to store closures



38% of shoppers say they will be re-evaluating what they need and adjusting spend accordingly in the next 6 months

Times have changed...shoppers will moderate their holiday spending this year

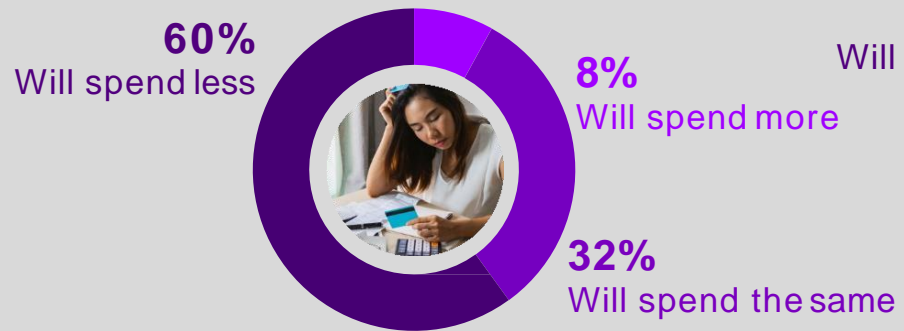
Do you plan to spend more / same / less on festive purchases in 2020 compared to 2019?



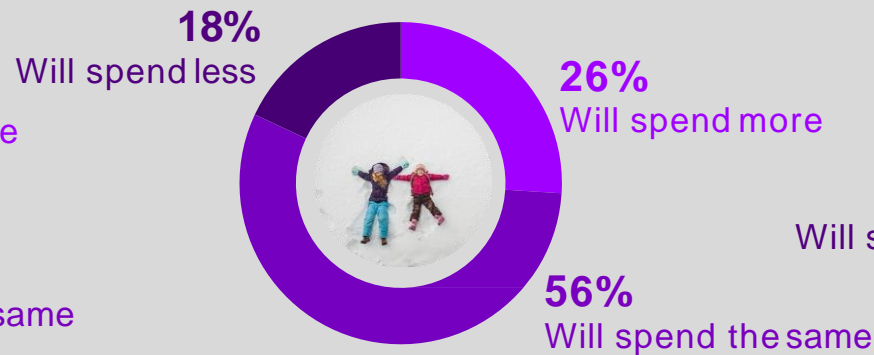
15% of consumers plan to spend more this year compared to last year

44% of consumers plan to spend the same this year compared to last year

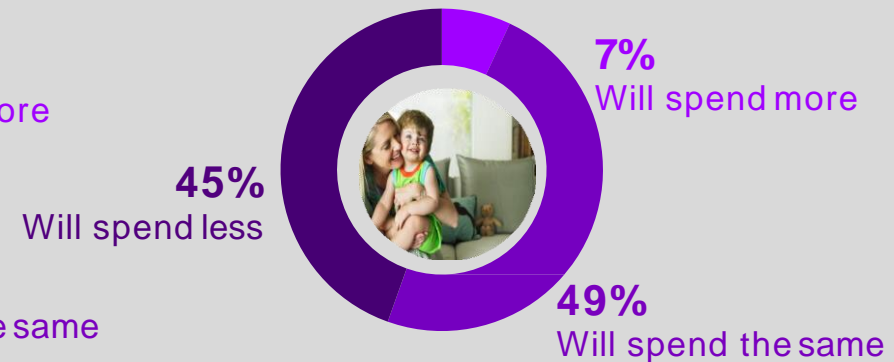
41% of consumers plan to spend less this year compared to last year



The Holiday Fearful



The Holiday Cheerful



The HAUs

Covid concern and convenience lead consumers to chose online and they have high expectations

43% WILL SHOP EXCLUSIVELY ONLINE THIS YEAR. RISING TO 63% FOR OLDER MILLENNIALS!

65%

of consumers say Covid has changed their online buying behaviours



22%

now buy significantly more online



12%

now buy everything they can online and actively avoid going into stores



76%

When shopping online home delivery is the preferred fulfilment method for over three-quarters of consumers

When shopping online

40%

consumers expect fast AND free delivery. Only 8% expect to have to wait for their items!

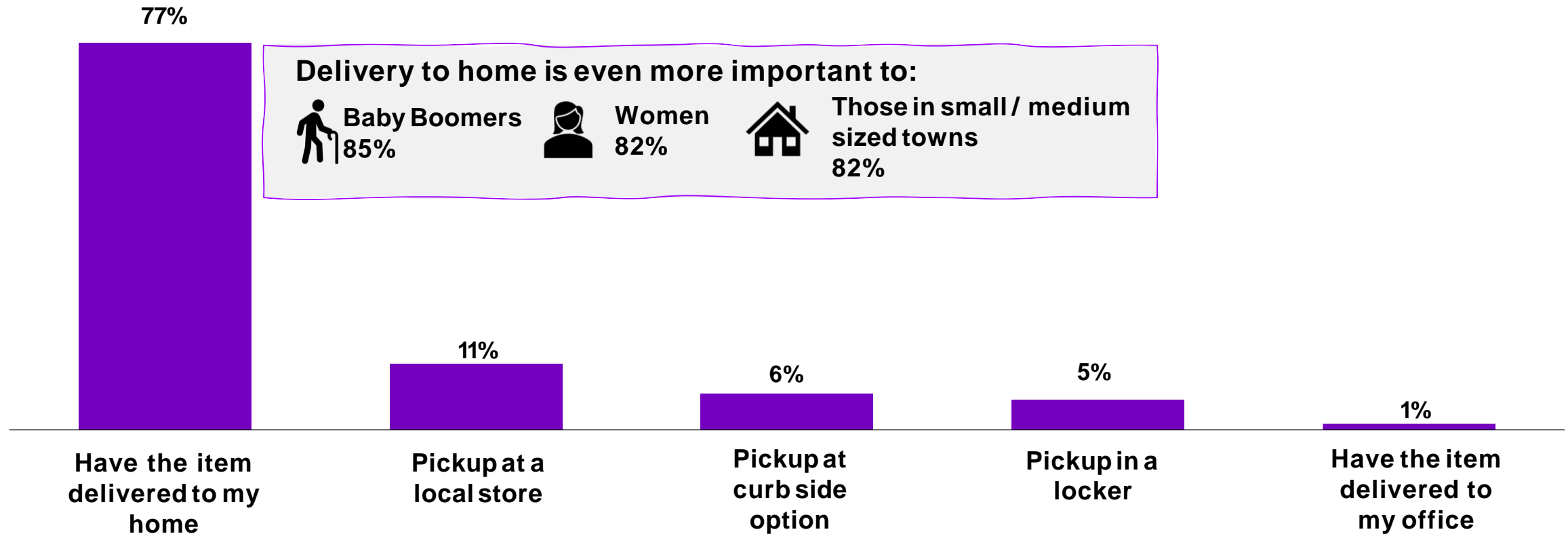


Even in a pandemic consumers are unforgiving. **56%**

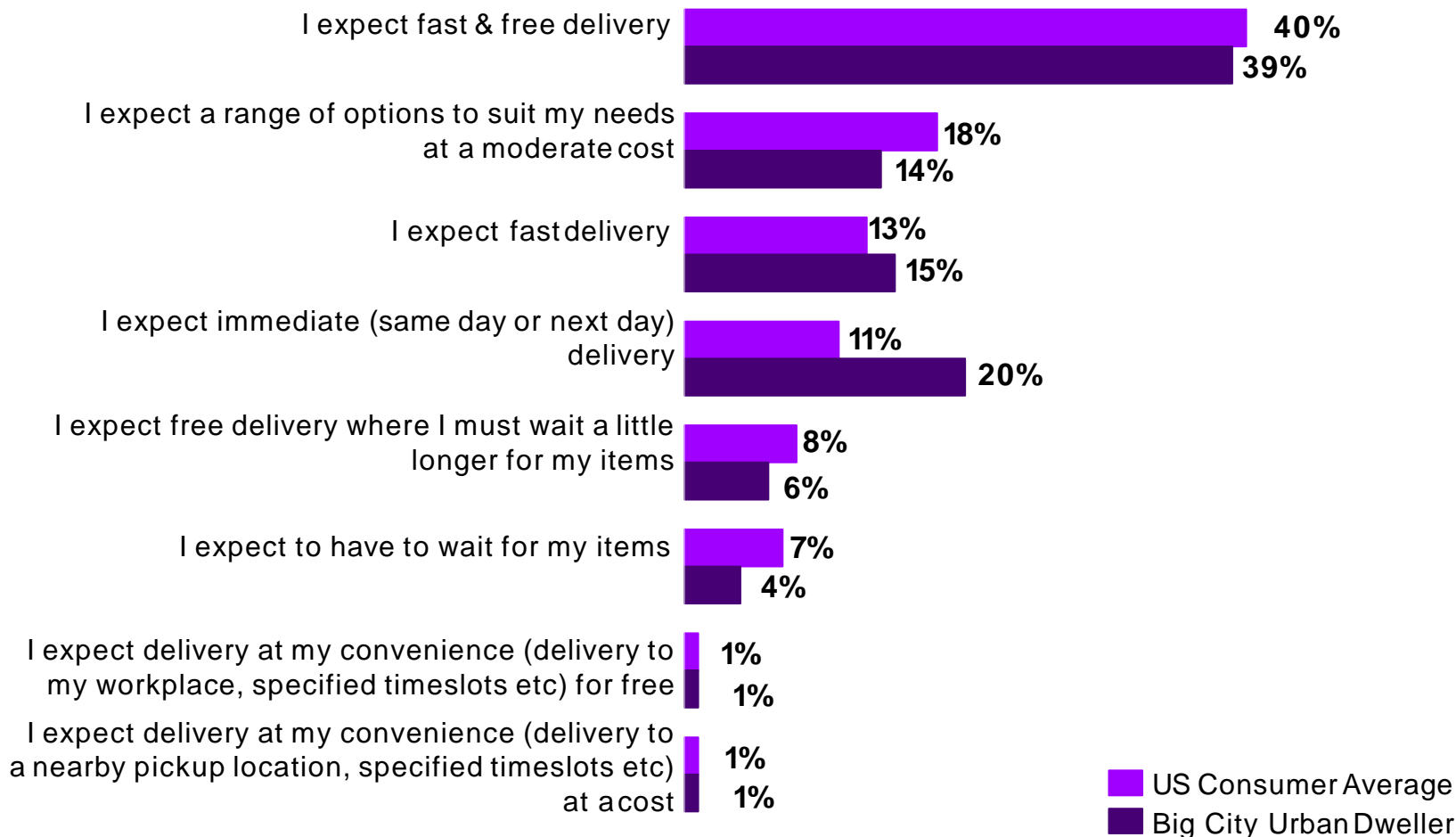
will not shop with a retailer again following an unsatisfactory delivery

When buying online, delivery to home is, by far, the favoured fulfilment method

When buying online what is the preferred method to receive the item?



Despite the pandemic consumers have high expectations of fast delivery, especially city dwellers



Source: Accenture 2020 US Holiday Shopping Survey, 17 – 24 Aug 2020

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THE HOME DELIVERY DICHOTOMY

UPS, FedEx and the US Postal Service have all announced price changes for peak holiday season.

With eCommerce volumes soaring during the pandemic and the expected surge in demand for the holiday season, logistics capacity has been stressed. Parcel carriers are applying **price hikes and surcharges for shippers** sending parcels through their networks in order to cover increased operating costs whilst maintaining a high-quality service.

The challenge for retailers is whether to **pass these increased charges onto customers** and risk their wrath or **absorb into already stretched margins**.



FOR MORE INFORMATION

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Read our new report to get started:
www.accenture.com/lastmiledelivery