

The future direction of the mail industry

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Back in 2007, we
applied our technology
methodology to
develop a
Futureworlds™ model
for the postal industry



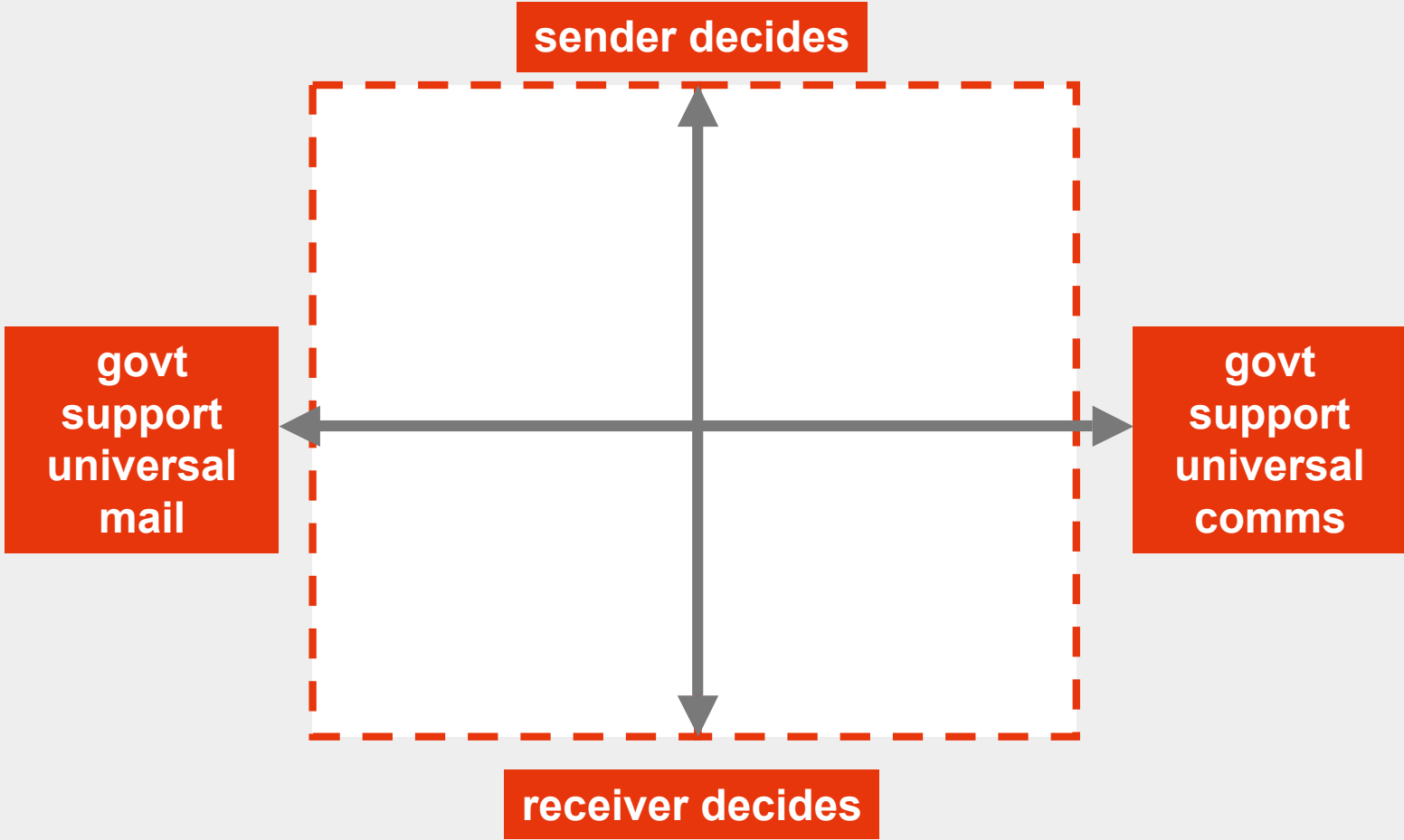
To set the framework for our worlds, we asked the question - what does the future hold for receiving post? Out of the 100+ factors we identified, we selected two key axes

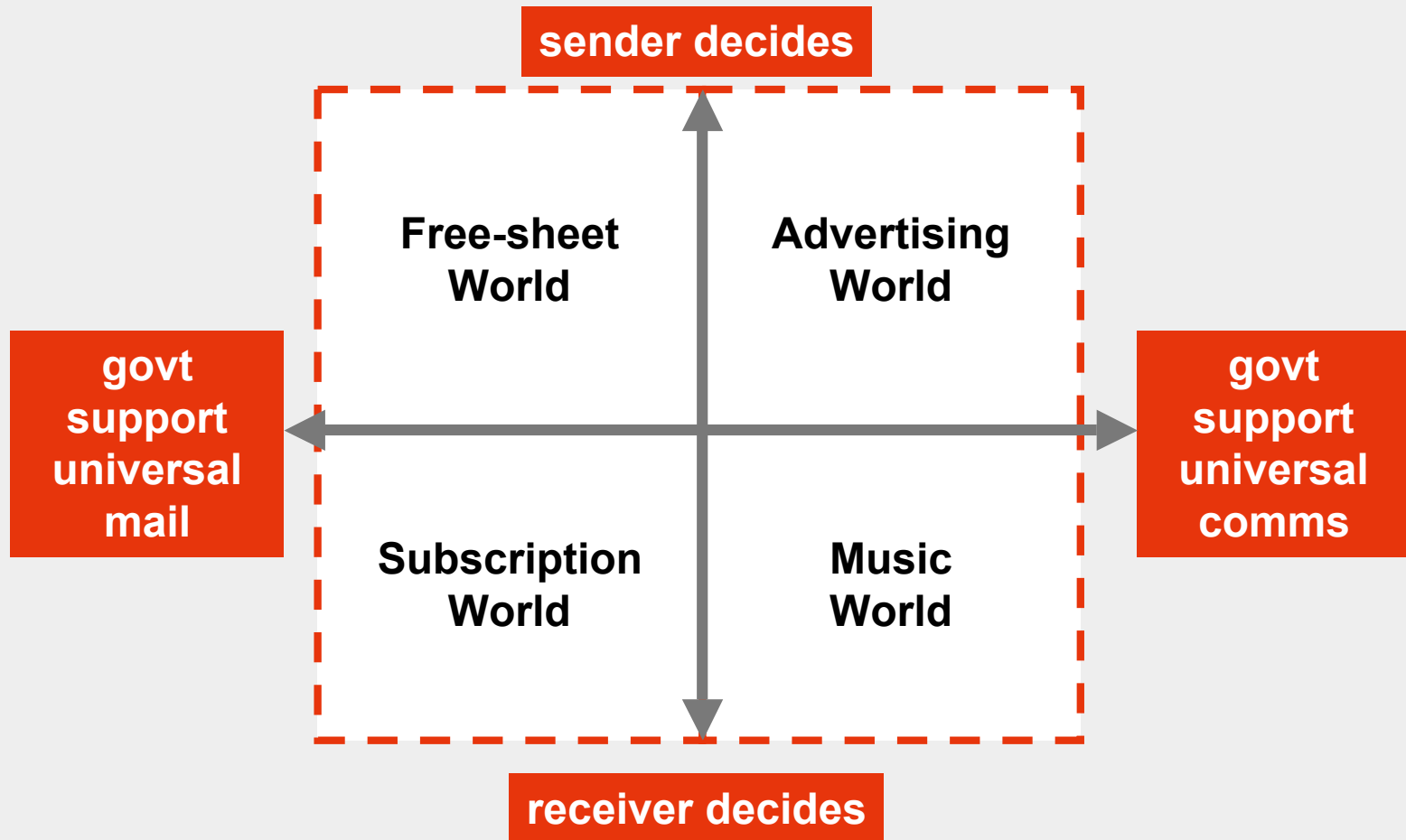


Axis 1: to what extent will government protect the universal mail?

Axis 2: in the future will the sender or receiver be in control?







☰ universal postal service is protected

☰ sender decides on content, audience, and delivery frequency and time

☰ volume is key and the market is very price driven

sender decides

govt support universal mail

Free-sheet World

☰ sender is in control
but now has a real
choice of channel

☰ infrastructure to
support universal
communications/ e-
channel is in place

☰ impact/ return on
investment is key
channel decider

sender decides

**Advertising
World**

govt
suppo
univers
mail

☰ still a largely physical world

☰ receiver does have choices – preferences, delivery flexibility, and drop boxes are all features of this world

☰ services to individual rather than address open up

govt
support
universal
mail

**Subscription
World**

receiver decides

☰ receiver has full choice over what, how, when and where they receive items

☰ volumes may be lower but market value is higher

☰ mail is a choice not a default



sender decides

govt
suppo
univers
mail

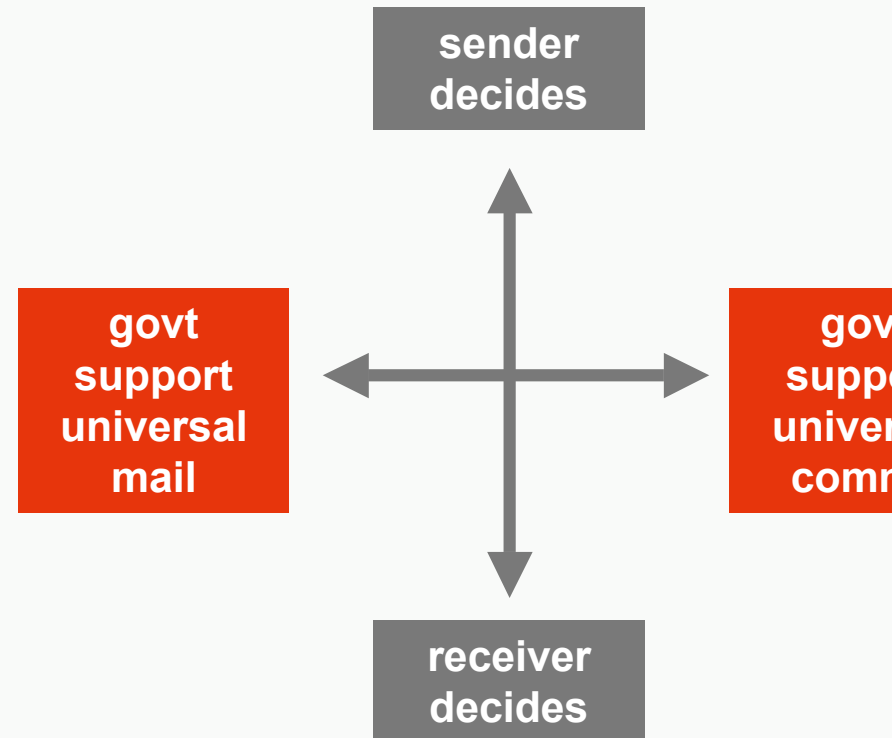
The impact of Hooper



The impact of the Hooper report

☰ the Hooper report and postal services bill could provide the platform for a shift towards universal comms

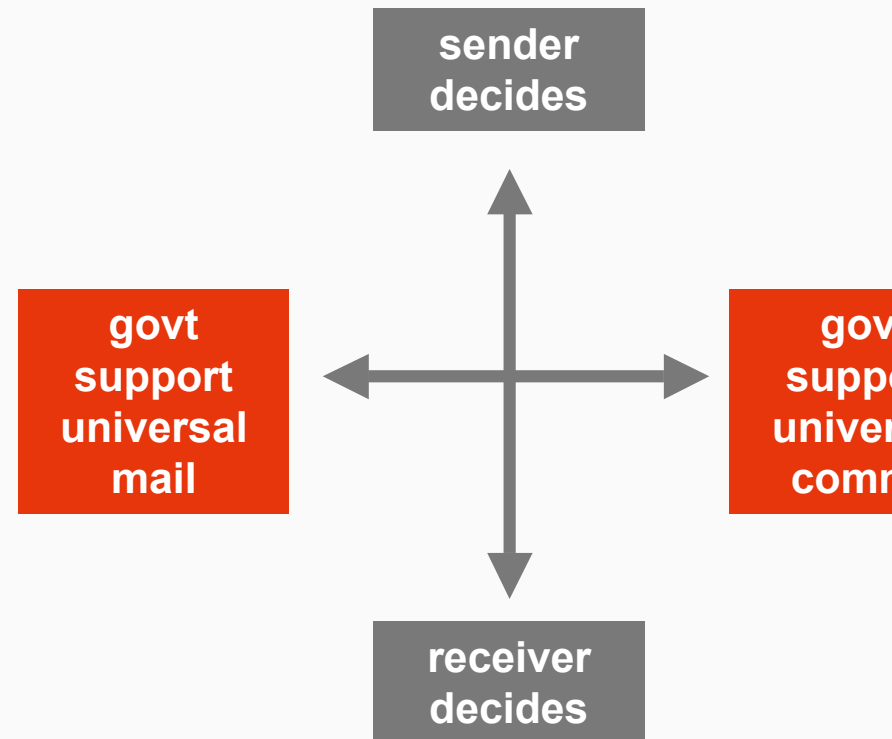
☰ while the mail USO is protected in the bill – this may be more about getting the bill approved than it is a commitment to protect universal mail



The impact of the Hooper report contd.

☰ the impact of the economy on mail volumes may further encourage government to move in this direction

☰ the sustainability of the universal service could become questionable which will require a move to either change or subsidise – neither are attractive options



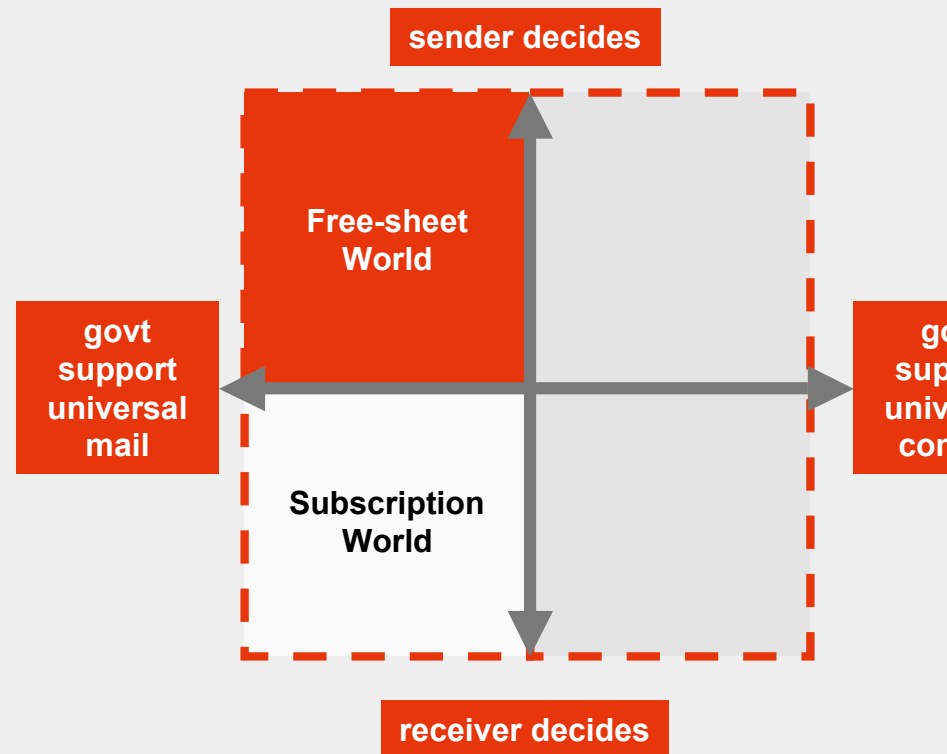
The impact of the economy



The impact of the economy

☰ the economic crisis will have an impact on all worlds but it is perhaps most notable in the universal mail worlds

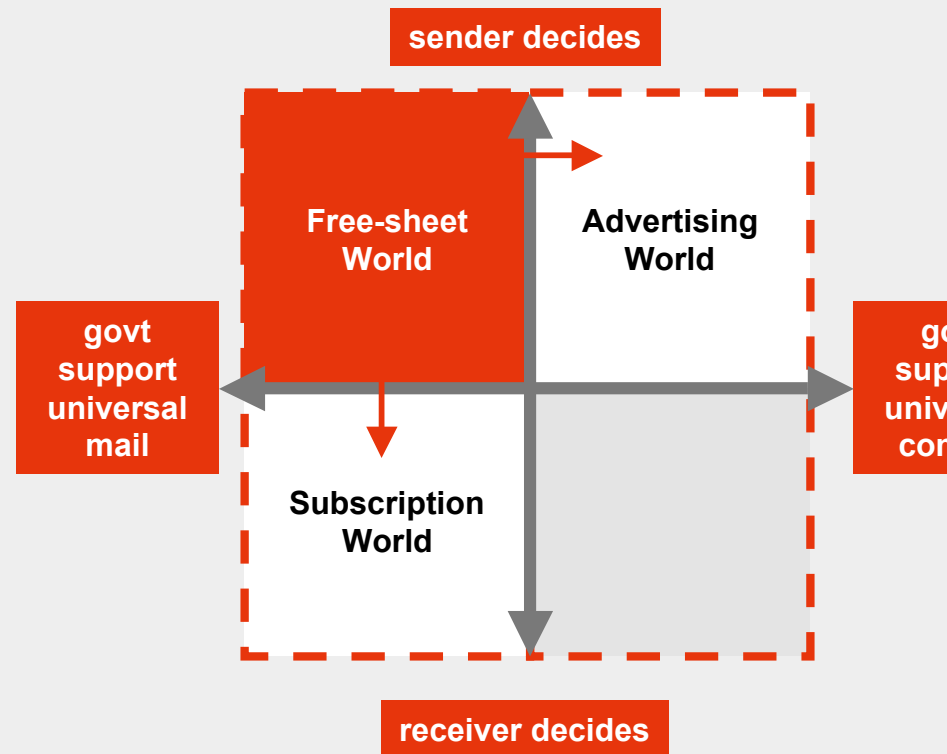
☰ those operating purely in free-sheet world have typically built their business model around economies of scale that may now not be available



The impact of the economy contd.

☰ universal service providers must look for opportunities to unlock efficiencies and get flexibility in their cost base

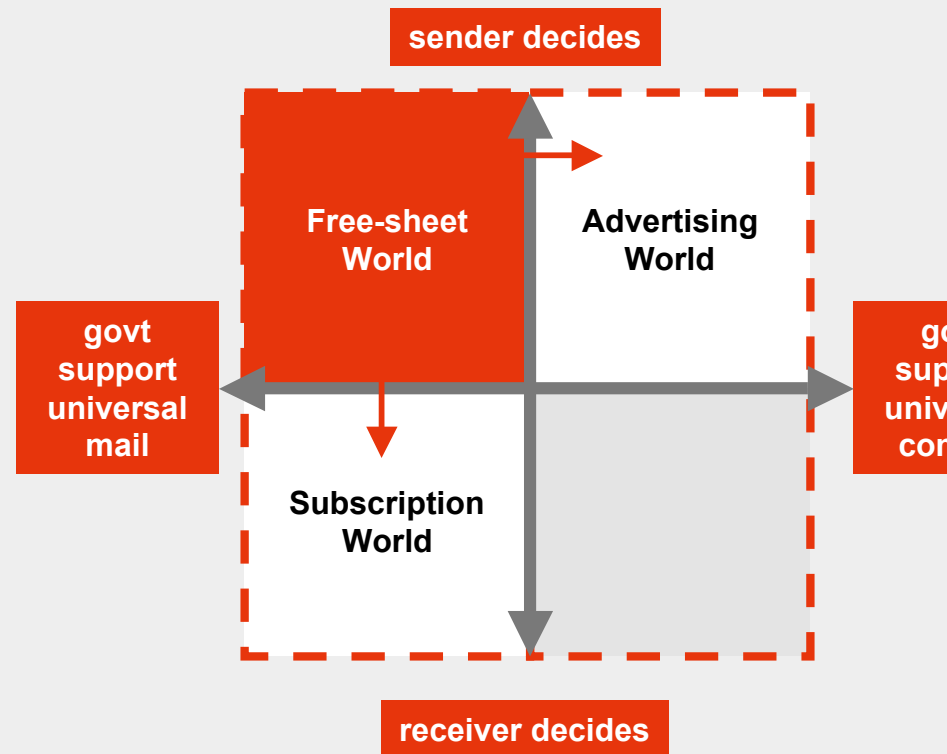
☰ if this is not an option then they must identify new revenue streams or business models moving either into advertising or subscription world



The impact of the economy contd.

☰ new entrants/ non-USO providers may be less affected if they have variability in their cost base and have the opportunity to steal market share from the USO provider

☰ however the risk in a DSA model is that this cost variability may be short-lived

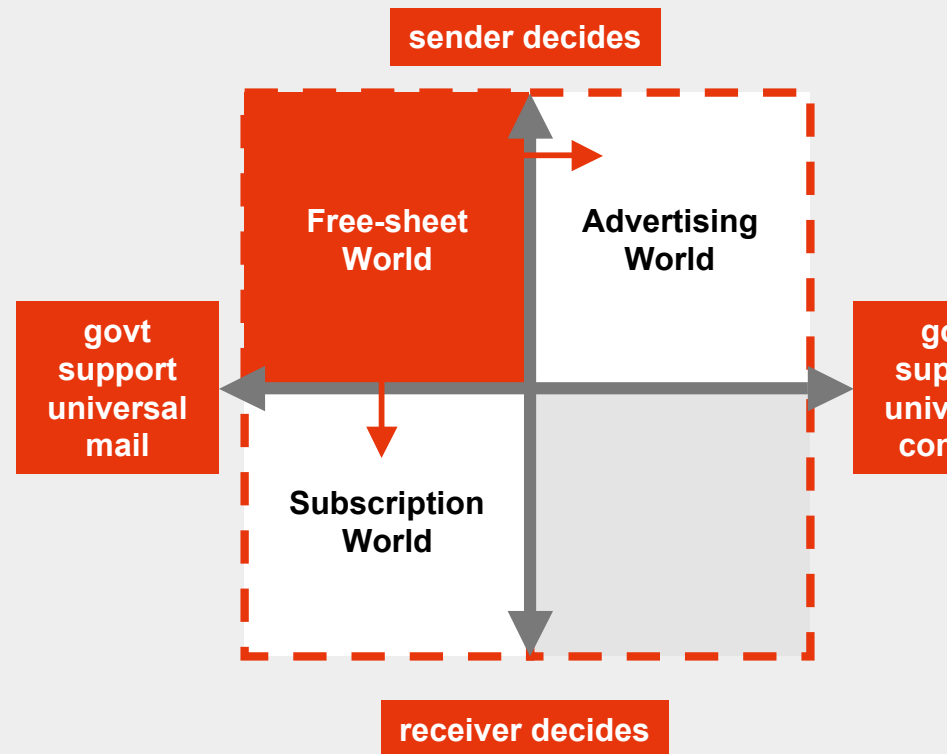


The impact of the economy contd.

☰ moving from free-sheet to music world is likely to be a step too far for operators

☰ the issue of credible brand extension and operating synergies would be great

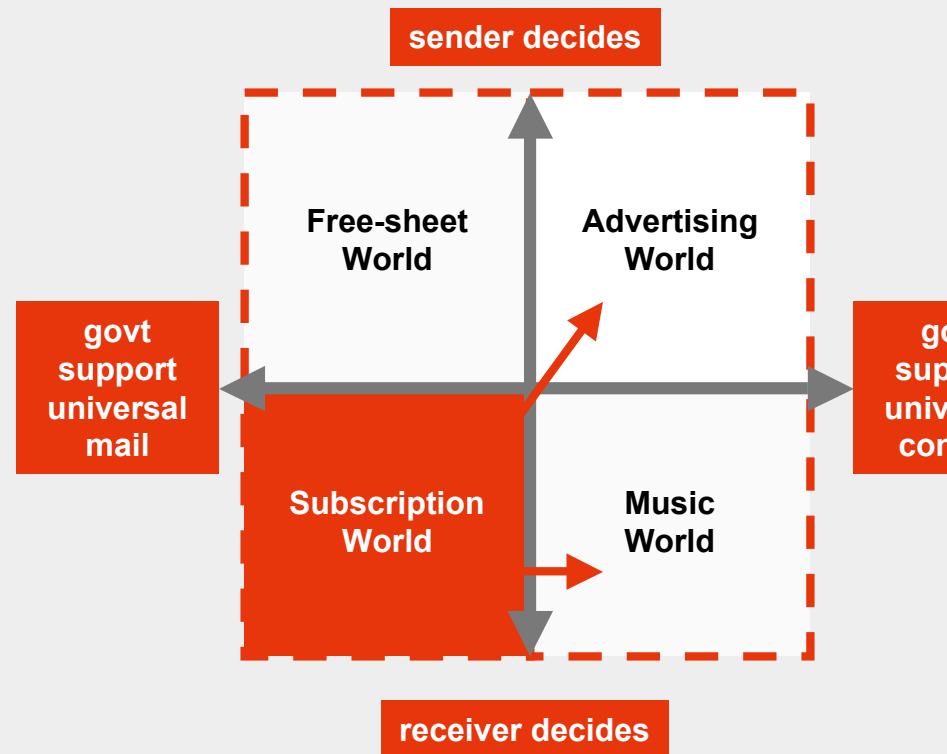
☰ acquisition would be the only real option for making this move



The impact of the economy contd.

☰ for those in subscription world – the impact of the economic crisis may be less

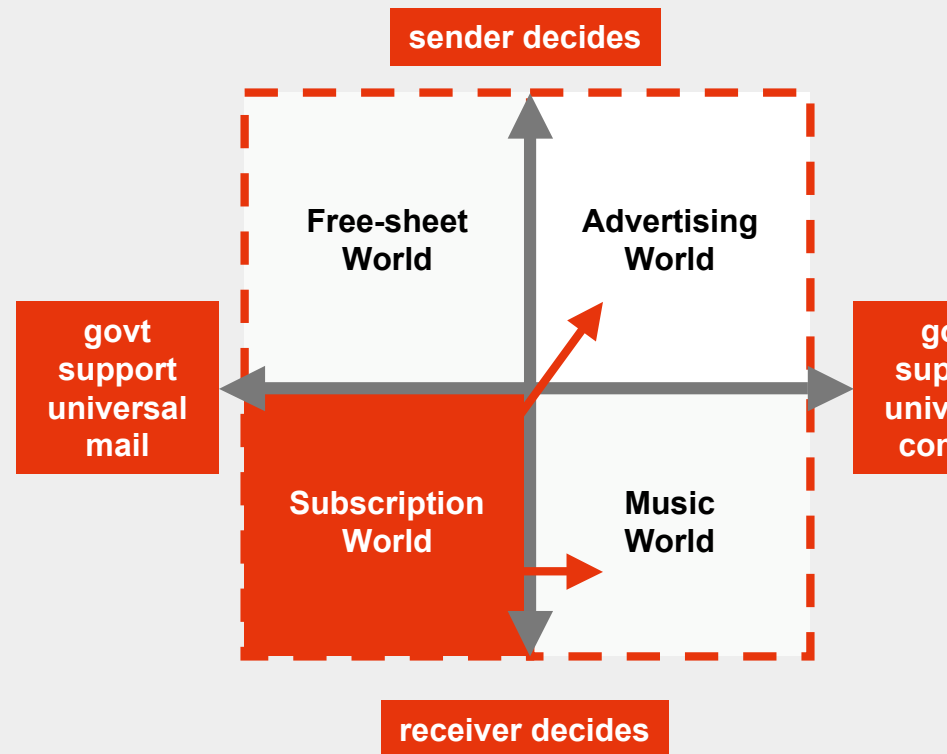
☰ the receiver preference type model is based largely on convenience and depending on the cost of this – it may be less vulnerable



The impact of the economy contd.

☰ the opportunity for these operators is to move up the value chain and into the management of content with a focus on receivers, i.e. into music world

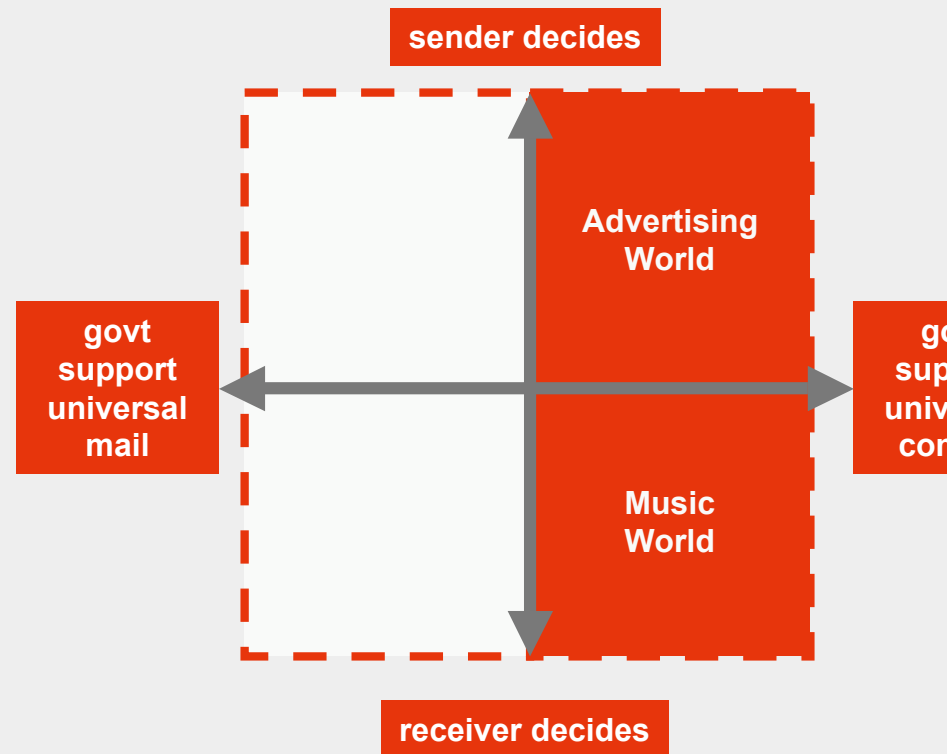
☰ longer term they may also then decide to move into advertising world



The impact of the economy contd.

☰ the multi-channel world will also be affected by the economic downturn – but channel flexibility provides better portfolio management

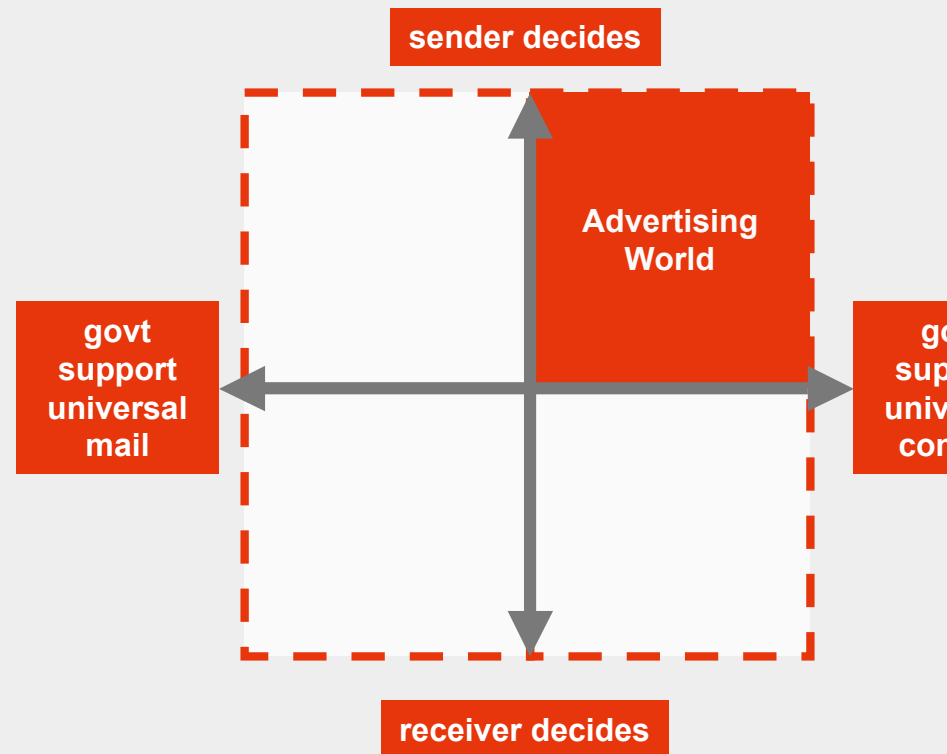
☰ migration to lower cost physical services and switching to electronic channels can be offered to customers



The impact of the economy contd.

☰ the focus in advertising world is on managing the cost base across the channels – balancing supply with demand and using pricing levers to manage capacity

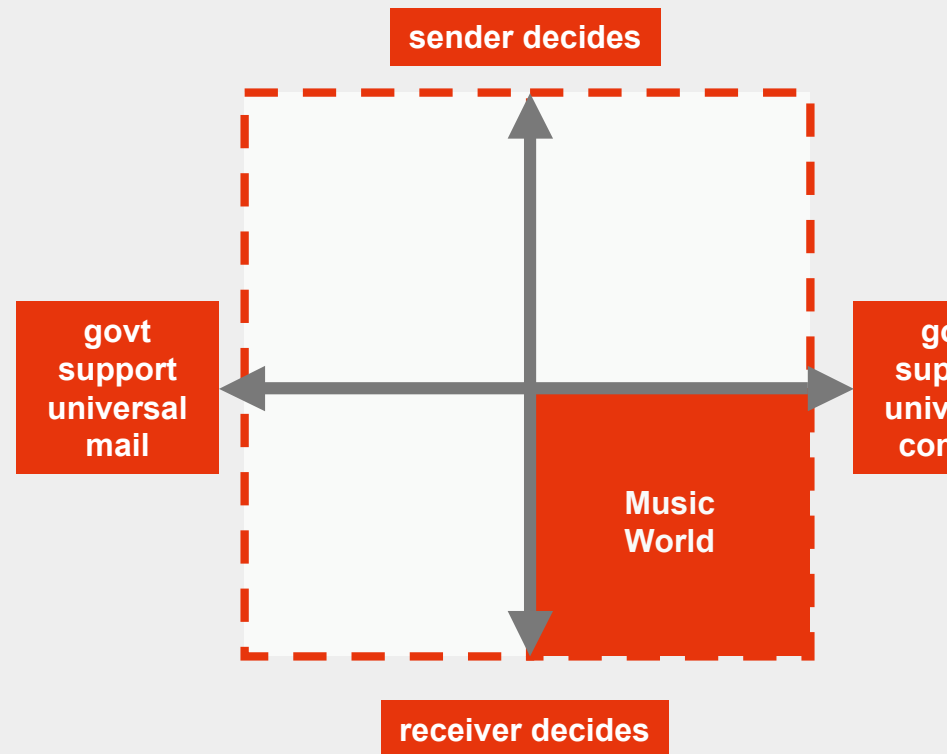
☰ assessing long term and short term changes is vital to building a long term strategy



The impact of the economy contd.

☰ operators in the music world may suffer the least as their proposition is value based and focused on the receiver market

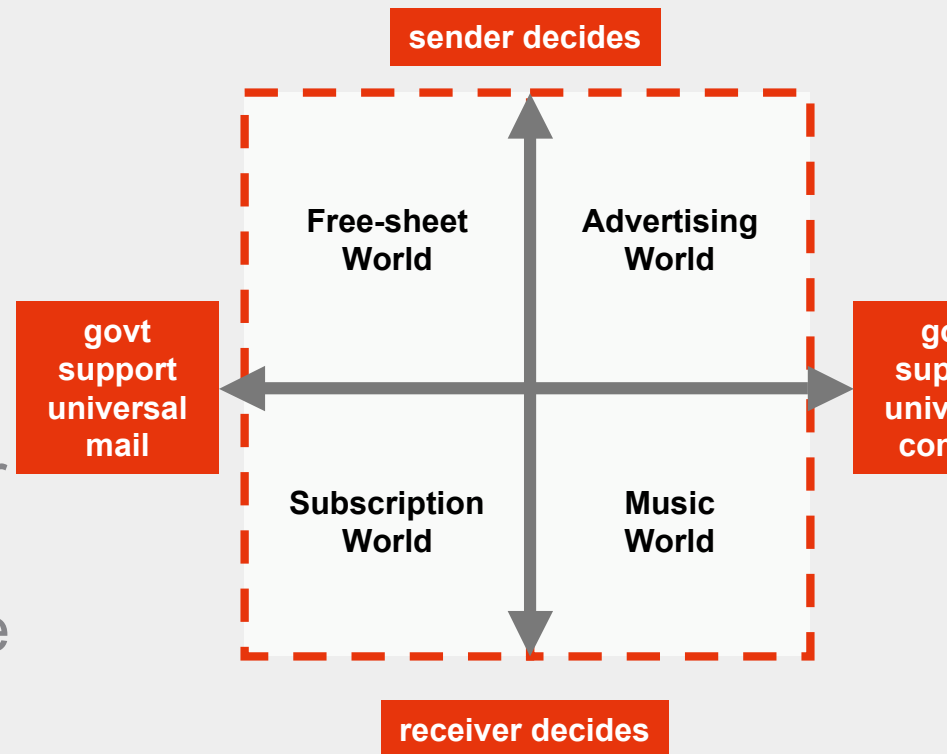
☰ the key issues will be the potential stalling of growth and the availability of funding for niche/ start-up ventures



The macro perspective.....

☰ where the majority of a national postal market and the USO is in the free-sheet space, government and regulators should worry

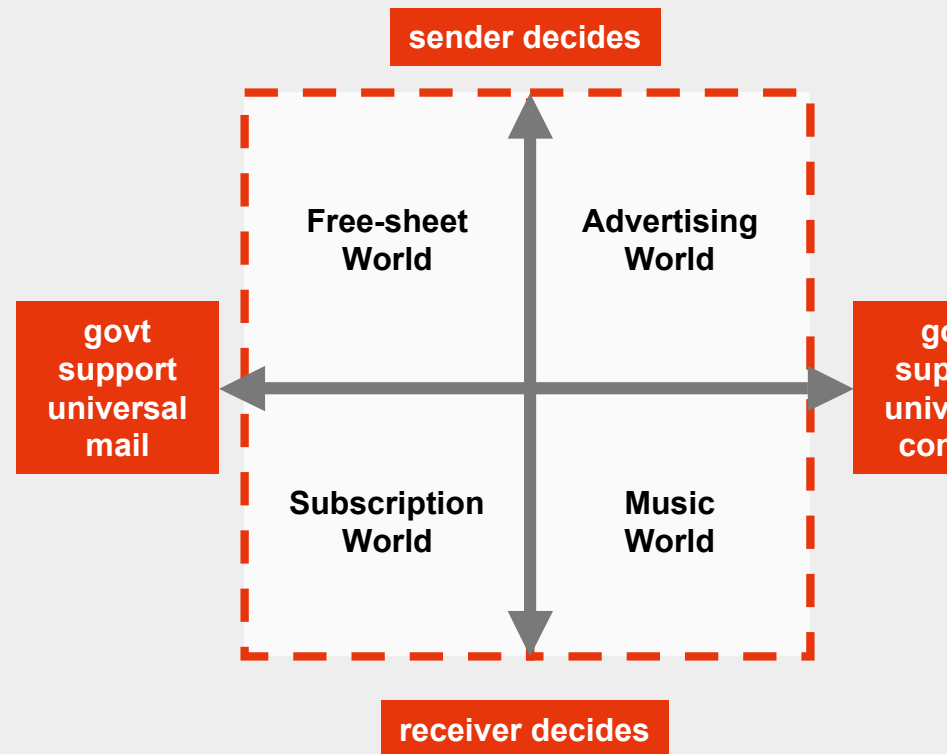
☰ if the operator cannot unlock efficiencies and/ or does not have cash – the USO will either have to be reviewed or subsidised – both unpopular options



The macro perspective contd.....

☰ the third option for government is to move the market towards universal comms – deciding to invest any subsidy in creating a long term solution rather than fixing a short term problem

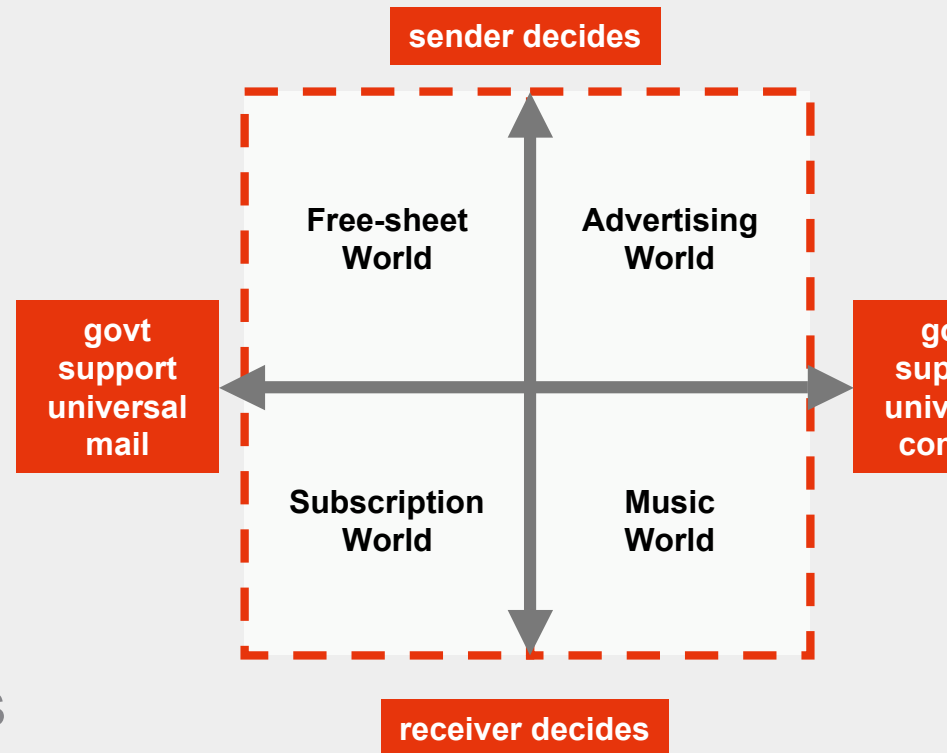
☰ good for government but not for “traditional” postal operators



The macro perspective contd.....

☰ moving early before the full scale of the USO problem materialises is vital to this strategy

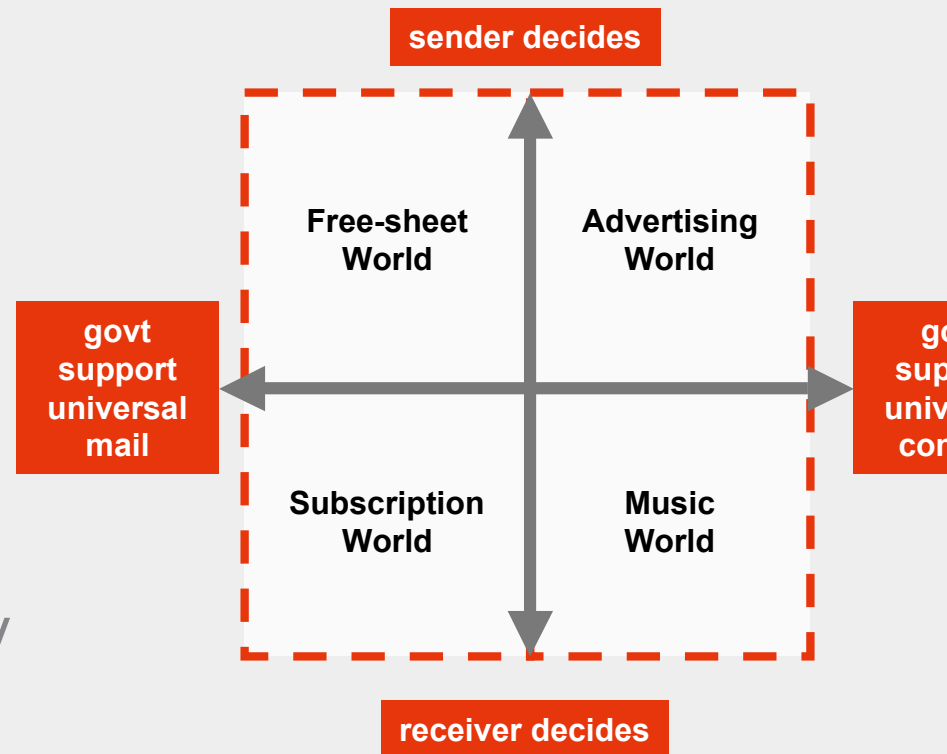
☰ faced with this scenario, free-sheet operators have two choices – anticipate and fight to protect the traditional position or diversify into new markets



The macro perspective contd.....

☰ protecting is a short term strategy – but it may give enough time to develop a new strategy and proposition

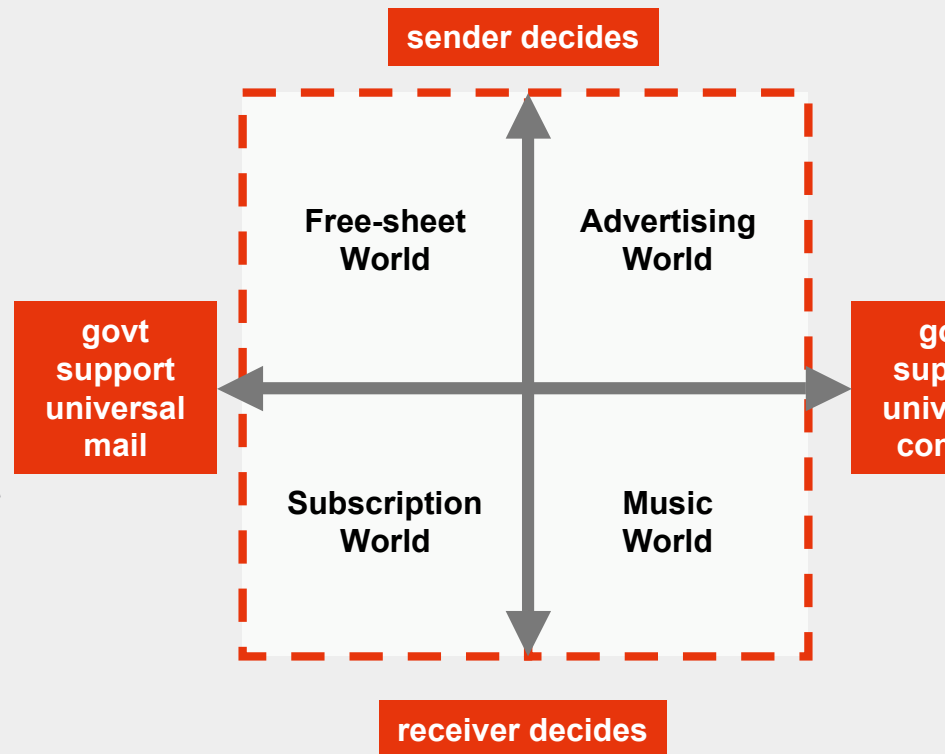
☰ diversification is the longer term option – looking for markets that will rebalance your portfolio – acquisition may be the only credible way to make this move



The macro perspective contd.....

☰ where a balanced postal market exists with operators across the worlds – sustainability of the future of postal services is more realistic

☰ some organisations will go out of business but the supply of services should be secure



So what is your
strategy – do you
have a **game plan**
that will see you
through the **difficult**
times ahead – which
is your preferred
futureworld?



Thank-you