

# COPENHAGEN ECONOMICS POSTAL & DELIVERY CONFERENCE 2021



For the seventh year in a row, Copenhagen Economics invited representatives from industry, regulators and other policy makers to discuss trending topics in the postal and delivery sector. This year's Postal and Delivery Conference saw more than 350 people come together from 40 countries around the world.

This year we focused on two main themes: environmental sustainability and the long-term outlook for the sector. On the following pages, you will find the main take-aways from the panel discussions.

If you would like to know more, have questions, comments or ideas, **feel free to reach out** to any [member of our team](#) or get in touch directly with the head of our Postal & Delivery practice, Anna Möller Boivie (contact details below).

**We wish to thank all of you**, speakers and participants, for an insightful and stimulating conference! We are already looking forward to next year's event when we can hopefully invite everyone to join us in person in beautiful Copenhagen. Until then, we will continue to engage on the most pressing topics in Postal and Delivery and look forward to hearing from you.

*The CE Postal & Delivery Team*

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## Programme

### SESSION 1

Environmental sustainability – challenges and opportunities for the postal and delivery industry

- **Herna Verhagen**  
CEO, PostNL
- **Volker Ratzman**  
EVP Corporate Public Affairs, Deutsche Post DHL Group
- **Annemarie Gardshol**  
CEO, PostNord Group
- **João Bento**  
CEO, CTT
- **Szymon Oscislowski**  
Programme manager in the Directorate General for Mobility and Transport (DG MOVE) of the European Commission
- **Sigurd Næss-Schmidt**  
Partner, Head of Climate & Sustainability and Head of Energy Economics & Policy, Copenhagen Economics

### SESSION 2

Long-term view on the postal sector and relevant public policies: global perspectives

- **Dr Annegret Groebel**  
Director of International Relations, BNetzA
- **Kristin Bergum**  
Senior Vice President International and Regulatory Affairs, Norway post
- **Michael Kubayanda**  
Chairman of the U.S. Postal Regulatory Commission
- **Peter Somers**  
CEO, Emirates Post



# Environmental sustainability – challenges and opportunities for the postal and delivery industry

In our first panel session, we heard about the challenges and opportunities that the green transition poses for the postal and delivery sector. It is safe to say that the sector has an important contribution to make to the greening of our economies. But what can operators, their partners and policy makers do to make the green transition a success? Here are the take-aways from our panel.

## **The business case for sustainability is clear, but the challenge ahead is big**

Sustainability is high on the agenda for all postal stakeholders, whether they are shareholders, investors, policy makers and regulators, customers or business partners. For some postal and delivery operators, green solutions are already a **license to operate** today, for others, they will be in the future. Those who strongly invest in becoming sustainable now will gain a long-term competitive advantage. It is therefore no surprise that sustainability goals have become an **integral part of operators' business strategies**.

With booming e-commerce and rising parcel volumes, reducing the total CO<sub>2</sub> footprint of delivery activities poses a daunting challenge that requires a systematic approach with clear goals and actions backed up by strong investments. According to our panel, the main opportunities and challenges for achieving sustainability are **clean kilometres**, i.e. lowering the CO<sub>2</sub> footprint of each kilometre driven in the network, and **network efficiency**, i.e. lowering the number of kilometres driven per delivery.

While fleet electrification in the last mile is well underway, the main challenge for achieving clean kilometres lies in greening long-distance transport which is mostly done by trucks and through subcontractors.

Better network efficiency can be achieved through smarter route planning, the use of parcel lockers and, importantly, a reduction of air transported in parcels, which currently makes up between 30-50 percent of parcel contents.

Next to those factors, the use of sustainable buildings and the development of green products and services are also important parts in operators' sustainability strategies.

## **Partnerships are a key ingredient for success**

Our panellists agreed that, when it comes to sustainability, postal and delivery operators must, and do, start with themselves: they should lead by example and act as trend-setters in their sector. Yet the success of the green transition ultimately depends on postal and delivery operators' ability to **team up with other actors along the value chain**.

For instance, e-retailers play an important role as partners paying for sustainable delivery solutions and helping delivery operators reduce air in parcels. In addition, they play a fundamental role in nudging consumers to adopt green delivery solutions through the prices they charge for different delivery options. Our panellists highlighted that, when striving to reduce the air in parcel delivery, it is important:

1. To understand which business and technical needs drive the current packaging practices
2. To find solutions together with customers for optimised packaging.

Another example of important partners are delivery operators' subcontractors, whose involvement is crucial to any effort to reduce the CO<sub>2</sub> footprint in delivery. Delivery operators need to both collaborate with their subcontractors and set correct incentives through sustainable procurement policies.

The fact that several actors need to work together means that sustainability initiatives cannot be implemented from one day to the next. Instead, they require a long journey of awareness building, engaging in dialogue, and the fostering of a mutual understanding of the challenges faced.

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*How fast this sustainable transition happens depends on the whole package between operators, market participants and policy support.*

## Policy frameworks should support green investments

The green transition also puts new demands on policy frameworks. The role of policy makers is not only to spotlight the importance of green investments, but to ensure a policy framework that creates transparency in measurement, safeguards a competitive level playing field and systematically rewards sustainable behaviours of market players.

First, an important task for policy makers is to **create a harmonised measurement and reporting framework** for greenhouse gas emissions that creates transparency and allows comparability across sectors. Without such a framework, a competitive level playing field across different transport modes and business models cannot be guaranteed.

The European Commission's Greenhouse gas emission accounting framework, to be proposed in 2022, is an important initiative in this respect and its success will depend on the reliability and trustworthiness of the chosen methodology. The initiative is part of the Sustainable and Smart Mobility Strategy and will also be coupled with an obligation for e-retailers to report the CO<sub>2</sub> emissions of different delivery options on their websites.

Second, some panellists asked for **the postal regulatory framework** to better account for the challenges and costs of the green transition for postal and delivery operators, specifically in regards to quality and prices, and to reward those that make investments in the area. Third, the panel highlighted the importance of a **clear taxonomy and predictability** for business planning purposes.

We also asked our panellists what their one wish for the green transition in Europe would be. Here is what they said:

- Large, emission free, electric trucks.
- More awareness among policy makers that logistics is the backbone of the global economy.

- Clarity on taxonomy and predictability for investments.
- Strong collaboration with all stakeholders along the value chain.

Ultimately, we learned that the speed of the green transition in the postal and delivery sector depends on the sum of the actions taken by operators, other market participants and policy makers in close collaboration with each other.

Only a value chain approach based on partnerships, realistic goals and clear actions will take us incrementally in the right direction. Economic analysis has an important role to play in this transition, from quantifying footprints to setting the right incentives in pricing and policy. We therefore look forward to contributing to the greening of the postal and delivery sector by working with different stakeholders.

## Key questions for your green transition:

- How can you measure and lower your carbon footprint along the value chain?
- How can you design your products and prices in a way that incentivises green choices in customers and business partners?
- What are best practices in sustainable procurement?
- Where is the willingness to pay for green investments in the value chain?
- How can postal and price regulation reward sustainable behaviours?
- How should economic players best interact to drive the green transition?
- What are the positive impacts of your company's sustainability strategy on the green transition?

**Want to know more? [Get in touch with us!](#)**

# Long-term view on the postal sector and relevant public policies: global perspectives

There is no doubt that the postal sector is transforming: letter mail is in decline, parcel delivery is booming, consumer behaviours are changing, and new players are entering the market at different levels of the value chain. This transformation places new demands on postal and delivery operators, regulators and policy makers alike. How should operators and policy makers adapt? Here is what we learned from our panel.

## **The operator perspective: a big change for postal and delivery operators is often a small change for the customer**

The trend of digitalisation is putting pressure on letter mail volumes and the financial sustainability of postal and delivery operators under the current Universal Service Obligation. One way to reduce this pressure is to increase flexibility and reduce frequency in letter mail delivery, such as through alternate day delivery models. The examples from highly-digitalised Norway show that while such transitions mean a big change for the operator, customers tend to feel little impact and accept changes positively.

In addition to affecting letter mail volumes, digitalisation also drives a differentiation in users' needs with a preference for flexibility and freedom of choice, particularly for e-commerce deliveries. Today, users want to be able to choose between different delivery times, speeds and collection/receiving points. postal and delivery operators need to be agile in responding to these demands and deal with the resulting challenges, such as an increasingly crowded last mile.

From the postal and delivery operators' standpoint, these perspectives on modernisation and innovation, originating from customers' behaviours and needs, should also be at the heart of any **revision of the regulatory framework**.

For letters, the postal Universal Service should allow for flexible service standards in terms of collection, delivery times and speed, to provide financially sustainable and innovative solutions that respond to customer needs. At the same time, public money should be directed to finance value-added services for the most vulnerable users and communities, such as specific services for the

blind or for remote areas. A **one-size fits all Universal Service** should be a thing of the past.

For parcel markets, operators strongly questioned the need for regulation given the dynamic and competitive market environment in e-commerce delivery. They see no justification for sector regulation in a highly competitive market and a risk that regulation may distort the competitive level playing field amongst the many players active in, for instance, last mile delivery. Instead, competition authorities should continue to play an important role in safeguarding competition.

” *Perspectives on modernisation and innovation should also be at the heart of the revision of the regulatory framework.*

## **The regulator perspective: competitive level playing field is in focus**

The transformation of postal and delivery markets also puts new demands on regulators. The regulators in our panel reflected on the necessity for change, both with regards to the modernisation of the regulatory framework and their own possibilities to capture and understand new market developments.

In Europe, the prime challenge for policy makers and regulators is to devise a **future-proof regulation** at EU and national level that can adequately deal with the rapidly changing postal sector.

Today, the boundaries between postal, delivery, transport and platforms/digital services sector have become increasingly blurred and we see an increasing number of players entering at different parts of the delivery value chain. This raises the challenge for regulators to redefine the boundaries of postal regulation and to focus only where sector-specific regulation is still needed.

**Firstly**, regulators may need to move away from a static, Universal Service-focused regulation towards **more competition-oriented regulatory frameworks** that can flexibly address the need for a level playing field between the many new actors. According to the regulators on the panel, a telecoms-inspired SMP-regulation, combining competition law principles with targeted remedies and obligations, may be a way to flexibly safeguard competition.

**Secondly**, as the blurring of market boundaries leads to an increased interaction of different regulatory frameworks (postal, DMA/DSA, P2B platform regulation etc.), it is important for policy makers to consider how these different regulations interact with each other and to ensure that they leave neither gaps (affecting consumers) nor create overlaps (burdening operators).

**Thirdly**, to be able to react to a rapidly changing environment, regulators also find that they need to be empowered and equipped to monitor market developments. This includes the necessary data collection powers as well as better analytical capabilities.

Therefore, one important principle for data collection is that regulators need to have a specific question in mind before they start collecting data, rather than collecting the data and using it to identify problems. Greater accessibility to, and understanding of, market players and their business models is thus an important condition for effective regulatory oversight.

### **The debate on regulatory frameworks will continue**

As the transformation of the postal and delivery sector intensifies across Europe and the globe, so, too, will the debate on what is the best regulatory and policy framework. The views expressed by our panel gave a taste of the different perspectives surrounding the policy debate. We believe that economic analysis is crucial for creating sound policies in the future and look forward to staying closely involved in the debate.

## **Key questions for the postal sector transformation:**

- How should you adjust your business model to react to new market developments?
- Which regulatory framework (USO scope, price regulation) is a win-win for operators and consumers alike?
- What are the new competitive boundaries of your market and what do they mean for your market position?
- What is the cost of the USO and how can it be reduced?
- How are user needs evolving and what do they mean for the postal universal service?
- How strongly will mail volumes decline and when?

**Want to know more? [Get in touch with us!](#)**

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Copenhagen Economics is one of the leading economics firms in Europe. Founded in 2000, we currently employ more than 90 staff operating from our offices in Copenhagen, Stockholm, Helsinki, and Brussels. The Global Competition Review (GCR) has listed Copenhagen Economics among the Top-20 economic consultancies in the world since 2006.

For over 15 years, our Postal and Delivery team has helped clients understand, predict and solve problems that occur in postal and delivery markets across the world. Our in-depth postal sector expertise and vast experience in the latest trends affecting the sector (digitalisation, changing competitive dynamics, green transition) make us a reliable partner for both public and private sector clients in supporting the transformation of the business models, policies and regulatory frameworks that are needed along the value chain to make the sector future-proof.

