



UNIVERSAL POSTAL UNION

E-shopping for Everyone Everywhere

A White Paper

**Directorate of Operations and Technology
International Bureau of the Universal Postal Union
Berne, December 2007**

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INTRODUCTION

This White Paper endeavors to show how the postal sector makes e-commerce happen and how it might contribute to solving some of the obstacles on the way to yet stronger growth in this area. Using various practical examples, the paper starts by mainly describing what role the postal sector plays for e-commerce in terms of pick up and delivery options, payment solutions and Internet-based services. In all these areas, the postal sector provides affordable and reliable solutions that are essential for the development of e-commerce. Next, the paper sketches out possible ways the postal sector contributes to the development of cross-border e-commerce and possibly to increasing the exchanges to and from the South, under the aegis of the Universal Postal Union (UPU), the UN specialized agency in charge of postal affairs.

Global e-shopping to increase 54% by 2010

According to a recent study by Crédit Suisse¹, the amount spent on e-shopping throughout the world is expected to rise from 170 billion dollars in 2006 to 263 billion dollars by 2010 – an increase of 54%. At the crossroads of the physical, electronic and financial networks, the postal sector is already enjoying the benefits of e-commerce, but much untapped potential remains. By improving accessibility to high value-added integrated services, operators are not only able to support their core activities, but also to diversify their product range in order to generate new sources of revenue.

Online retail spending up 22 percent in USA this year

This optimistic viewpoint seems to be confirmed by the latest figures on e-commerce sales that show a steady increase in many markets. Whether you speak about Cyber Monday (the first Monday after the American Thanksgiving)² or Black Friday (the Friday after Thanksgiving)³, all the previous records in terms of online retail spending for these days have been broken this year, with online retail spending up 22% to \$531 million for Black Friday and up 21% to \$733 million for Cyber Monday.

Royal Mail UK will hire around 20,000 temporary staff for December 2007 peak ... busiest month of the year

These impressive numbers could not have been reached without a whole range of actors forming a logistical chain that connects buyers and sellers and allows for the exchanges between them to take place. One of the most valuable (but perhaps also one of the most undervalued) is certainly the postal sector. Indeed, the rapid integration of new technologies in the sector's processes as well as their combination with key traditional assets of the sector has made it a natural facilitator for domestic and global e-commerce. Moreover, it is certainly not by chance that the peaks of activities for the majority of postal operators are being reached even as e-commerce figures break all records. Thus, in December, Royal Mail, a provider of postal services in the UK, will hire around 20,000 extra staff to tackle additional volumes of mail and parcels.⁴ At the same time, in the United States, both FedEx and UPS expect their busiest day of the year in December, with 11.3 and 22 million packages to be handled on December 17 and 18 respectively. To give an idea of the meaning of these numbers, it

¹ <http://emagazine.credit-suisse.com/app/article/index.cfm?fuseaction=OpenArticle&aoid=186700&coid=162&lang=EN>

² <http://www.reuters.com/article/rbssTechMediaTelecomNews/idUSL2854348820071128>

³ Comscore, a global Internet information provider has more information on Black Friday at: <http://www.comscore.com/press/release.asp?press=1914>

⁴ <http://www.royalmail.com/portal/rm/product1?catId=16000165&mediaId=58400695>

can be said that the figure given by UPS represents more than 250 packages to be handled every second.⁵

What can the Posts do for e-commerce?

The surge in e-commerce has pushed postal operators throughout the world to develop new services to meet their customers' changing needs. Thus, regarding the physical dimension of the e-commerce transactions, the postal sector somehow plays the critical role of an "invisible hand", transforming the users' clicks into parcels and packages in the hands of the buyer. Moreover, not only does the postal sector provide flexible solutions so that e-commerce buyers can receive the items they ordered in reliable time and in many different places (what is commonly called the last mile), but it also gives buyers many opportunities to ship their goods, including dropping them at one of its 660,000 access points throughout the world or even by scheduling home pickup with the postal operator (first mile of the transaction).

Where would Harry Potter be without the Post?

Never in the history of the Post had postmen delivered so many identical books on the same day as on 21 July 2007, the day of the latest book's release. At least 2.5 million copies were delivered by postmen. In the United States, for example, USPS delivered 1.8 million books, while in the United Kingdom, Royal Mail delivered 600,000 copies; in other words, by the British operator's reckoning, one UK household in 43 received the book by post. To be even more complete, it can be added that Canada Post distributed 80 000 copies of the book.

If the delivery side is the best known way the postal sector helps e-commerce, it is far from being the only one. For example, postal operators can also play a role in the financial transaction linked to the online exchange of goods and services. Thus, if most of the time, online buyers use a credit card to pay for their transactions, this means of payment may sometimes be unavailable to buyers for administrative, personal or technical reasons. Moreover, people may be reluctant to give their personal credit card details online. In this area, postal operators offer substitution solutions in the form of "reloadable" pre-paid cards or by providing electronic payment services.

Finally, the innovative use of new technologies by the postal sector has allowed it to be in a position to propose a whole range of services related to the hosting of e-commerce websites and the creation of e-marketplaces. These solutions usually bring the values linked to the postal sector (such as trust) online and associate postal e-services with the key assets of the postal sector. These kinds of services are especially aimed at small and medium enterprises (SMEs). Indeed, these might not always have the technological capabilities to put such websites in place nor the necessary

⁵ Mary Beth Faller, "Shippers prepare for holiday rush" in The Arizona Republic, 27 November 2007 and <http://www.timesargus.com/apps/pbcs.dll/article?AID=/20071209/BUSINESS/712090351/1006/BUSINESS/December>.

visibility and notoriety required to make customers feel enough at ease to engage in online transactions with them. In addition to these Internet-based solutions, most postal operators now provide track and trace solutions, an important feature for the reliability of e-commerce transactions.

As these examples demonstrate, the postal can provide complete logistics solutions to contribute to the growth of e-commerce. The following examples show how this is done practically.

*The shopper's side:
Pick Post⁶*

The Pick Post service, developed by Swiss Post, was triggered by the fact that many people were absent during the usual delivery times for parcels and because it is often impossible to just leave these parcels in the mailbox or in front of the customer's entry door. As a response to this situation, Swiss Post now offers its customers the possibility to collect their parcels where it suits them best, be it at another post office, at a railway or filling station. These represent more than 300 collection points throughout Switzerland. The advantage is that these locations usually have long opening hours and may even be open on the weekends, which makes it easier for customers to get their goods. It should also be mentioned that this service is free of charge (except for the cost of the SMS to send to Swiss Post in order to subscribe, obviously) and offers an electronic notification system that informs customers via e-mail or SMS when they have a parcel waiting for them.

*Delivering perishable
goods via the postal
sector*

In Switzerland, Swiss Post, thanks to a customer solution of its logistics division, allows customers of the online supermarket leshop.ch/migros-shop.ch to receive fresh products and goods directly at their front door. Next-day delivery to the recipient is assured by Swiss Post's courier service to cities and conurbations throughout Switzerland. A supply chain proposed and managed by Swiss Post has many benefits for LeShop.ch: it can have its goods delivered in large quantities everywhere in Switzerland; it can offer delivery in large cities and conurbations at fixed times; and it also benefits from Swiss Post Logistics acknowledged delivery quality. As for Swiss Post, LeShop.ch represents a growing source of revenue and a way to start reorienting its core activities.

*The seller's side:
Click N Ship*

Click N Ship is a service provided by the United States Postal Services (USPS) that allows senders of goods to create and easily print pre-paid shipping labels that meet the standards requested for the shipment of parcels.

This product is particularly adapted to e-commerce transactions, as the strong partnership between USPS and the online auction company eBay shows. Sellers on eBay can access the Click N Ship options from the auction website without having to surf over to the postal service's website. They can simply print shipping labels and pay for the postage from their PayPal accounts. In addition to this service, many other options are provided by USPS to eBay sellers, such as:

⁶ http://www.post.ch/en/index_log/log_log_pk/log_pak_pickpost.htm

- the possibility to request next-day pickup of their Priority Mail and Express Mail parcels at no extra cost, thus avoiding a trip to the post office;
- online checking of the delivery status of an item;
- finding a ZIP Code Value;
- buying insurance through eBay.

The service offered by USPS shows what postal operators can provide to accommodate and foster the steady growth of C2C e-commerce as epitomized by the eBay business model.

*PostePay Card
(Italy)*⁷

With its PostePay Card, Poste Italiane offers a prepaid “reloadable” card that allow its customers to pay and buy anywhere (including online) in Italy in complete security. It is not necessary to have a current post or bank account in order to become a Postepay card holder, but simply to provide a valid identification document at any post office in Italy.

The appeal of this card was demonstrated no later than last month, when PayPal, eBay’s Internet payment subsidiary, announced it had agreed to accept Postepay as payment for Internet transactions. According to Giulio Montemagno, head of PayPal in Italy, “Prepaid cards such as Postepay cards have a fundamental role in the development of e-commerce because they allow those that mistrust payment online to pay for e-commerce goods. So the agreement with Poste Italiane represents a big step for PayPal, eBay and electronic commerce in general.”⁸

*Tunisia and e-
DINAR: a real virtual
money*

With e-DINAR, the Tunisian Post offers a prepaid card specially designed to make payments on the Internet. More generally, e-DINAR can be considered as a virtual account that is debited by the sum of digital transactions and credited by the value of recharge cards (available at post offices in various values), by transfer from another virtual account or by deduction from a postal account or another e-DINAR account. The figures for 2006 shows that there were 305,000 users of the e-DINAR service with 240 online sellers accepting e-DINAR as a means of payment.⁹

*An online e-
commerce platform:
CorreiosNet
Shopping (Brazil)*¹⁰

CorreiosNet Shopping, a solution developed by the Brazilian Post, is a complete e-shopping solution for online merchants in Brazil. It covers all the needs of its clients: the web platform for running an online store, payment solutions and delivery/returns service. The merchants can use the CorreiosNet platform or may run their own shop. As a result of successful operations a trust mark was developed—“delivered by Correios”— assuring the quality of the merchant and the delivery. The platform hosts around 500 shops and another 500 are currently being added.

⁷ For more information on PostePay, see <http://www.poste.it/en/bancoposta/carte/postepay.shtml>

⁸ http://www.philweb.it/filatelia_cronache_di_posta/accordo_poste_italiane_paypal_la_postepay_utilizzabile_su_ebay-st968.html

⁹ More information on the e-DINAR is available at: <http://www.e-dinar.poste.tn/new/index.htm>

¹⁰ CorreiosNet website is available at : <http://www.shopping.correios.com.br/>

**One step further:
the postal sector
and cross-border
e-commerce**

The recent strength of the Canadian currency against the US dollar has prompted Canadians to go on an online shopping spree south of the border. Such has been their enthusiasm, in fact, that the end of October saw an 18% rise in the volume of letters and parcels handled by Canada Post compared with the previous year. This was unprecedented, especially as the holiday season had not yet begun! Yet, this situation still represents an exceptional case, as e-commerce has remained so far mostly nationally bound. Thus, even in a single market such as the European Union, a 2006 survey on consumer attitudes to cross-border shopping showed that although more than 25% of citizens had made an online purchase, only 6% had taken part in cross-border e-shopping.¹¹ A big explanatory reason for this low figure was a relative lack of trust in online transactions and some worries about how to get reimbursed should anything go wrong. As for businesses, the costs of cross-border delivery, uncertainty over the validity of the transaction, and the application of different legal rules were among the most important obstacles they encounter.

Customs and the postal sector

The rules governing the relationship between Customs and postal operators are set out in various documents. The World Customs Organization (WCO) is the UPU's main reference point. The cooperation is based on the Kyoto Convention, an international agreement on the simplification and harmonization of customs procedures, adopted in 1974. Recognizing the specific nature of postal traffic and taking into account the significant numbers of postal items, this document defines simplified customs clearance procedures for the postal sector, aimed at minimizing clearance times and costs. Posts and Customs cooperate within this framework, both at national and international level. Various cooperation agreements have also been signed between the WCO and the UPU. The most recent one was signed in September 2007. The latter agreement provides for increased cooperation between the two organizations to facilitate free and secure global trade. The two organizations will also prepare e-learning courses and hold joint regional training workshops with a view to improving the quality of service provided by Posts and Customs. Finally, the UPU and the WCO are to work more closely at modernizing customs and postal procedures, particularly in response to the increased demands with respect to electronic data transfers.

Borderfree (Canada Post): a guaranteed price for online purchases

Canada Post, noticing that it was very difficult for Canadian shoppers to buy online on US firms' websites because of all kinds of hidden costs (taxes, duties and currency exchange variations) adding to the cost displayed online, decided to develop a solution called Borderfree.¹² Its principle is very straightforward: Canada Post provides the US companies that want to be part of Borderfree with a product that allows them to install

¹¹ See http://www.europarl.europa.eu/news/public/story_page/058-8204-169-06-25-909-20070622STO08191-2007-18-06-2007/default_en.htm

¹² The concept of Borderfree is described in detail on the following website: <http://www.borderfree.ca/en/consumers/index.jsp>

a “Canadian check out” on their website. This section, especially devoted to Canadian customers, calculates all the costs linked to the shipping of the product to Canada and therefore allows customers to know exactly what they are going to pay when buying online on a US website. Furthermore, the US retailer only has to ship the ordered goods to a US “hub” from where the goods are taken in charge by Canada Post. This trade-facilitating measure has significantly increased the volume of the parcels traffic between the US and Canada.

*Australia Post –
Korea Post overseas
shopping
partnership*¹³

In September 2006 a partnership was signed between Australia Post and Korea Post with the aim to facilitate cross-border e-commerce of well-known local products from one country to another and vice versa. Concretely, each postal operator created a local e-shopping website¹⁴, where the product descriptions were available in English, Korean and, on the Korean website, in Japanese. In addition, a strong attention was paid to the issues of customer satisfaction and delivery speed with the use of Express Mail Service (EMS). At the end of 2006, there were more than 200 categories of products and more than 1,200 items on the Korean website, including ginseng, seaweed and local handicraft.

*vPOST (Singapore
Post)*¹⁵

With vPOST, Singapore Post offers its customers the opportunity to buy online goods coming not only from Singaporean shops, but also from Japan, China, South Korea, New Zealand and the United States. By using a system of consolidation (i.e. bulk shipment), Singapore Post allows its customers to save on delivery costs on cross-border purchases and also allows for e-shopping on websites that hitherto did not allow for shopping to Singapore.

This service seems to have been successful as Singapore Post has a vPOST Asia website¹⁶ that allows inhabitants from Thailand, Malaysia, India and Australia to order goods in the US that will be delivered by Singapore Post following the same principles as those described for vPOST.

**The biggest
challenge: e-
commerce for and
from the South**

Up until now e-commerce has remained mostly an activity for and by developed countries. However, it is already used in developing countries and represents a huge potential for growth. Small entrepreneurs in the South have realized they could benefit from e-commerce and sell products on the Internet rather than on their local town or village market. For example, Antonio Diaz, a Mexican artisan from the State of Oaxaca¹⁷ (), displays his sculptured wooden animals not on a mat on the ground as he used to, but on the Internet. He goes into town three times a week to post parcels to Mexico City, where an organization puts various artisans' items

¹³ http://www.spireresearch.com/pdf/press/PR-KP-AP_Sep06-22_.pdf

¹⁴ See http://mall.epost.go.kr/index_us.jsp for the Korean side and <http://www.ozmall.or.kr/shop/index.php> for the Australian one.

¹⁵ Singapore Post's vPOST website: <https://www.vpost.com.sg>

¹⁶ See <https://www.vpostasia.com/>

¹⁷ eBay Magazin 1/2007

online on eBay for sale throughout the world. It has been a godsend for the Mexican, who has more than tripled his income. Other models of this kind are currently being developed thanks to organizations helping SMEs to access world trade. Through post offices, artisans have access to a global logistical network and therefore to a wide market. The postal sector gives them a direct access to international markets while helping them avoid having to go through too many intermediaries. In a way, it could be said that the postal sector allows for a kind of “microtrade” to flourish.

With over 660,000 post offices in 191 countries, mostly located in peripheral areas, the postal sector is the world's biggest physical distribution network. By revitalizing the trade infrastructure, it can help SMEs take advantage of the globalization of trade. Furthermore, with post offices used as telecentres, the postal network represents a critical element for bridging major gaps in information and communication technology infrastructure across the developing world and for fostering its economic growth and development.

An example of South-North e-commerce: CatGen

PEOPLink, with its CatGen ("Catalogue Generator") solution, helps 1,400 SMEs in some 40 countries to participate in e-commerce and make ceramics from Viet Nam, masks from Nepal and handicrafts from Rwanda available in countries of the North. CatGen allows SMEs to build up a catalogue accessible via a sales platform such as eBay. CatGen takes payment and the artisan prepares a small parcel containing the item purchased. To make savings, parcels from different SMEs are then combined to be sent together to the country of destination, where they are delivered to individual customers.

In this context, the global postal network could provide tailor-made solutions for small entrepreneurs to help them ship the goods they sold via e-commerce and collect the payments related to these sales.

Exporta Fácil (Brazil)¹⁸

In 2000, the Brazilian Post carried out a market study to assess the state of the Brazilian exporting industries. The results were baffling: Brazil held less than 1% of the total of the world's exports. These exports were highly concentrated: 56% of them went to 7 countries only; 25 products represented 60% of the exports; and 40 companies shared 39% of the exports. Furthermore, less than 15,000 companies exported at all, of which 29% were SMEs (compared with 50% in Mexico and 53% in Italy). Further investigation indicated that the main factors holding back firms from sending goods abroad were high costs of export; high logistics and product distribution costs; and bureaucracy and unfamiliarity with the procedures involved in the import/export processes.

With regards to this situation, the Brazilian Post saw an opportunity to step in and at the end of 2000 launched Exporta Fácil designed to tackle these issues. In order to do so, it had to work closely with the government so that a legislation preventing Posts from exporting goods could be scrapped. It also worked with the Brazilian Central Bank to put into place payment

¹⁸ <http://www.correios.com.br/exporte/default.cfm> (Website in Brazilian Portuguese)

solutions for exports through postal money order and collaborated with the foreign trade agencies. The final result is remarkable. Exporta Fácil allows exports of parcels weighing up to 30 kg and worth up to \$10,000. It is open to companies of any size, as well as to farmers and craftsmen. Thanks to the reach and interconnection of the global postal network, the Brazilian Post's clients can export their products all over the world.

Another key aspect of Exporta Fácil is that it makes the customs process much simpler, thanks to a partnership with the Brazilian Federal Revenue Secretariat. Remarkably, the Brazilian Post is the only logistics operator in Brazil with customs operations within its premises. To quote Brazil Post, Exporta Fácil has "demystified export in order to include and ensure the constant presence of foreign trade in the daily routine of Brazilian companies."

The role of the UPU in a nutshell

The UPU plays a vital role in the development of the postal sector and its relations with other sectors:

- Assure interconnection
- Liaise with customs (WCO), airlines (IATA), standard-setting authorities (ISO)
- Spread knowledge about what the postal sector can bring to development and to global trade (see A4T initiative)
- Share best practices
- Standardization
- Assure quality of service
- Develop policies and regulations for governance

In his speech at the World Trade Organization's "Aid for Trade" Global review conference last month in Geneva, the Director General of the UPU, Mr. Edouard Dayan, brought attention the role of the postal services in stimulating international trade, particularly for SMEs. The postal sector, with its physical, electronic and financial capabilities, is ready to develop partnerships to help provide greater openness to international trade. The UPU's regional approach to development and initiatives such as the integrated postal development plans, developed to gain government commitment to the postal sector, are in line with the necessary initiatives aimed at helping developing countries take advantage of global trade. Postal networks offer local access to the logistics of international trade.

Conclusion

The UPU and its members are working with online traders to develop new standards allowing for improved quality of service, and create new services to facilitate dispatch and delivery of items purchased on the Internet wherever in the world. In this context, the UPU, along with ISO, ITU, UNECE, IEC, OASIS and others, will co-organize a Forum on "Advancing public-private partnerships for e-business standards" scheduled for September 2008.

As regards the shipment of goods through the postal global supply chain, a big challenge for the future will be to constantly renew international postal cost structures to provide South-North postal dispatches at affordable prices.

Finally, it should be noted that the postal sector is also well positioned to coordinate a variety of different services. In some countries postal establishments already provide valuable social services and they are poised to become even more important business centers where a wide range of administrative and social services (Internet access, phones, copy, financial services and other postal services) could be offered. The postal sector also plays a role in interconnecting other public utility, administrative and social networks required to lift developing countries and their populations out of poverty.

Key facts from the 2006 UPU world postal statistics

- With a total of 6.235 billion items in the domestic and international services combined, parcels traffic was up 4.8% compared to 2005.
- The biggest rise in domestic parcels traffic was seen in Africa (+11.7). For the international service, Eastern Europe and the Commonwealth of Independent States (CIS) saw the biggest increase (+21.4%). The delivery of merchandise ordered via the Internet is thought to be one of the growth factors.
- The world's postal services employ over 5.5 million people.
- There are some 660,000 post offices, forming one of the most extensive networks in the world. Just under half of these offices are managed by people from outside the public postal operator.
- The worldwide number of letter-post items posted per inhabitant was 66.7. Industrialized countries had the highest average (403.7), sub-Saharan Africa the lowest (3.0). In around 30 developing countries, the number of items sent per person was less than one.
- For parcels there is even greater variation in these averages: worldwide, an average of 947 parcels were posted per 1,000 inhabitants. Industrialized countries: 6,375; Arab countries: 5.
- Logistics services are offered by the Post in 28% of member countries (26% of developing countries and 36% of industrialized countries).
- Internet-based services are offered by 60% of operators around the world (56% in developing countries and 86% in industrialized countries).
- 69.1% of permanent or mobile post offices offer financial services.

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