

# STATE OF THE POSTAL SECTOR 2023

A Hyper-Collaborative Path to Postal Development



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# EXECUTIVE SUMMARY

The postal sector remains a critical element in the global ecosystem, transcending borders to connect people, businesses and governments. It not only facilitates communication, but also serves as the backbone of digital trade, logistics, and even economic resilience. However, the sector is grappling with a multitude of challenges, from the lasting disruptions induced by global crises, such as the COVID-19 pandemic, to the transformative shifts in consumer behaviour ushered in by the digital age. This report provides an exhaustive examination of the postal sector's existing landscape, challenges, innovations, and the potential avenues for future growth and resilience.

## INTEGRATED INDEX FOR POSTAL DEVELOPMENT (2IPD): KEY FINDINGS AND INSIGHTS

Our study begins with an in-depth analysis using the 2IPD, which serves as an indispensable tool for understanding the intricacies of global postal development. In 2023, we find that the world median postal development score has increased, highlighting significant postal development progress in 49 countries out of the 172 covered in our research.

We find a significant positive correlation between higher postal development scores and stronger economic resilience. Countries with robust postal services demonstrated greater capacity to absorb the shocks of recent disruptive events like the COVID-19 pandemic, and showed signs of quicker economic recovery. This highlights the compelling case for governments to not only continue investing in the postal sector, but also create an enabling environment that can amplify its benefits, given its demonstrated role in enhancing economic resilience during turbulent times.

We also find that – in the hypothetical case of the complete absence of postal infrastructure – there would be a median reduction of 6.96% in a country's annual GDP. This figure dramatically eclipses the traditionally cited direct contributions of postal services to GDP, which range from 0.5% to 1.0%.

Given their network effects, postal services amplify their direct economic impact by a factor of at least seven. This significantly underscores the vital role played by Posts in their respective economies.

This is a ground-breaking revelation which highlights the potential for targeted investments in the postal sector to catalyze economic growth and recovery. It elevates the discussion from one of mere association to one of direct influence, thereby emphasizing the critical role the postal system plays in the socio-economic landscape of a nation.

The 2IPD analysis, however, reveals worrisome postal development disparities between nations. These are not merely service gaps; they manifest as concrete economic disadvantages and overlooked chances for inclusive growth. Such disparities hinder many developing nations from elevating the living standards of their most vulnerable citizens, emphasizing the immediate necessity for global policy interventions.

## POSTAL ECONOMIC SUSTAINABILITY OUTLOOK

### Letter post income – a waning source

Our research points to a significant drop in the percentage of Posts' revenue generated from letter-post services – from over 50% in 2005 to 34% in 2021. Forecasts suggest a further decline, reaching approximately 29% by 2025. With the acceleration of digitalization and shifts in communication methods, the declining trend of letter-post volumes is undeniable, albeit showing signs of stabilization in the near future.

### Parcels and logistics – the new frontier

In stark contrast, income from parcels and logistics has been on the rise, surging from 11% in 2005 to over 32% in 2021. Predictions indicate an even higher ascent, nearing 36% by 2025, potentially overtaking letter-post revenues. The catalysts for this shift appear to be the increasing reliance on e-commerce and



online shopping, although this sector also faces stiff competition from alternative delivery services.

## Postal financial services – a steady contributor

Income from postal financial services has remained fairly stable, hovering around the 17% mark over the years. In countries with integrated postal financial networks, this share is even higher. The stability of this income source suggests that postal financial services continue to be a revenue-generating stronghold for the industry.

## Other products – declining yet promising

Revenue from other miscellaneous products and services has declined, and is expected to reach about 17% by 2025. However, this dip could be offset if the industry manages to focus on innovative digital postal services, which are currently emerging as a lucrative market.

## Global postal real operating revenues – a challenging dynamic

We have observed a fluctuating trend in the annual growth rates of real operating revenues, peaking in 2020 due to the COVID-19 pandemic. Although projections suggest a slight decline, the rate is expected to stabilize at around 2.94% by 2025.

Given these dynamics, the postal industry faces an unprecedented challenge in ensuring economic sustainability amid varying revenue streams, heightened competition, and inflationary pressures. The diversification of revenue alone may not suffice; rather, a systemic integration of services is essential. E-commerce presents an exciting avenue, but it requires the postal sector to innovate, potentially through strategic collaborations with digital platforms, and enhancing logistics capabilities.

While traditional revenue streams like letter posts are dwindling, new avenues such as parcel deliveries and digital services offer a promising future. Amidst these shifts, economic and environmental sustainability hinges on the postal sector's ability to adapt, innovate and collaborate. Despite uncertainties, the overarching trajectory appears promising, especially if the industry capitalizes on emerging trends and adopts a multifaceted approach to service delivery.

## INTERNATIONAL POSTAL EXCHANGES: VOLUME EVOLUTION, PRICING DYNAMICS, REGULATORY CHANGES AND SERVICE PREDICTABILITY

### No significant rebound in international postal volumes after the pandemic

Data up to mid-June 2023 shows that international postal tonnage remains 44.5% lower compared to pre-pandemic levels, with no signs of strong recovery.

### New terminal dues and other policy regimes have far-reaching implications

Our analysis dives deep into the complex world of terminal dues and postal pricing. For instance, changes in terminal dues regimes, as seen in July 2021, have far-reaching implications for international postage rates, affecting both consumers and international digital trade dynamics. Altering terminal dues for a specific destination can influence other destinations through elevated international postal rates, even if those flows were not the target in the initial terminal dues changes. Terminal dues and international postal rates must be seen as an ecosystem.

Furthermore, the combined impact of new U.S. and European regulations on electronic advance data (EAD) and tax regimes has had significant effects on various international mail classes. It is clear that regulations now have a global impact which needs to be managed coherently.

## Service times have improved; reliability has not

While the end-to-end delivery times for international postal services have returned to pre-pandemic levels, the predictability of these services has not, showing increased variances in delivery times. This unpredictability in service delivery times has the potential to erode consumer trust, emphasizing the need for improving reliability through better international postal logistics and data analytics.

These disruptions and policy regime changes underscore the necessity of a resilient supply chain capable of adapting to unforeseen challenges.

# TECHNOLOGICAL INNOVATIONS AND HYPER-COLLABORATION: A NEW PATH FOR THE UPU

## Role of AI and collaborative intelligence

Artificial intelligence (AI) offers transformative capabilities for the postal sector. The potential is even greater when AI systems are integrated in a hyper-collaborative framework involving multiple, ecosystemic stakeholders. This kind of partnership could facilitate optimized routeing, real-time tracking, and personalized services, significantly enhancing operational efficiency and boosting the decarbonization of postal exchanges.

## Data analytics and shared insights

Advanced data analytics provide the postal sector with the tools for price optimization, route planning, and consumer behaviour prediction. Through hyper-collaboration, these data analytics capabilities can be extended to cross-industry partners, thus amplifying their impact and leading to more effective strategies, particularly for delivering green international postal growth.

## Hyper-collaborative global policy alignment

More than ever, there is a need for global cooperation to standardize regulations and operational interfaces. We recommend adopting a hyper-collaborative approach which involves not just governments and designated operators but also wider postal sector stakeholders, to create a more equitable postal ecosystem grounded on freer data exchanges.

## Investment in collaborative technologies

Alongside the adoption of AI and data analytics, a focus on technologies that enable better collaboration will make the postal sector more adaptive to future challenges. Our analysis shows that enhancing service quality is not just a technical issue, but also a collaborative one. Investments should be channelled into creating hyper-collaborative networks which can provide more reliable, higher-quality postal services.

## Bridging the development gap through collaboration

Targeted efforts should include forming partnerships to uplift the postal infrastructures of countries lagging in the sector, thus providing them with the tools to catch up with their global peers rapidly and sustainably.

# CONCLUSION AND FORWARD-LOOK

In the face of numerous challenges, the postal sector stands at a pivotal juncture teeming with opportunities for transformation and growth.

Emerging from a series of unprecedented global challenges, the postal sector demonstrates both vulnerability and resilience. Hyper-collaboration will likely emerge as a critical factor in navigating these complexities and global uncertainties. By embracing technological advances within a framework of enhanced collaboration and global unity, the sector has the potential to weave a postal tapestry that is stronger, more equitable, and future-ready.

However, the overarching sentiment from our findings is one of hope and opportunity.

In a spirit of global unity and hyper-collaboration, the postal system can remain a vital, resilient force for good, paving the way for a brighter, more connected future for us all.

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