



Study on the economics of the cross-border B2B2C delivery market

Presentation by the International Bureau



Study findings and conclusions

Scope and structure of the study

1 Introduction

2 Executive summary

3 Overview of the main market trends in relation to the development and expansion of cross-border B2B2C e-commerce delivery models (B2B combined with B2C)

4 Overview of existing end-to-end operational models and processes of B2B2C shipments

5 Pricing strategies in relation to emerging B2B2C models

6 High-level recommendations specific to the end-to-end operational model, most relevant service features and, possibly, market-competitive remuneration rate ranges (or remuneration strategies/methodology if specific remuneration rate ranges cannot be provided) in support of the potential introduction of a B2B2C service by the UPU



Study findings and conclusions

Market trends – why are Posts losing market share?



This is only part of the picture.

The cross-border e-commerce sector requires high-quality predictable services that:

- are easy to use;
- fully regulatory compliant;
- offer efficient customs clearance with delivery duty paid (DDP) options;
- offer a choice of last-mile delivery solutions (to the home, workplace, via pick-up drop-off (PUDO) and lockers, etc.); and
- allow easy returns.

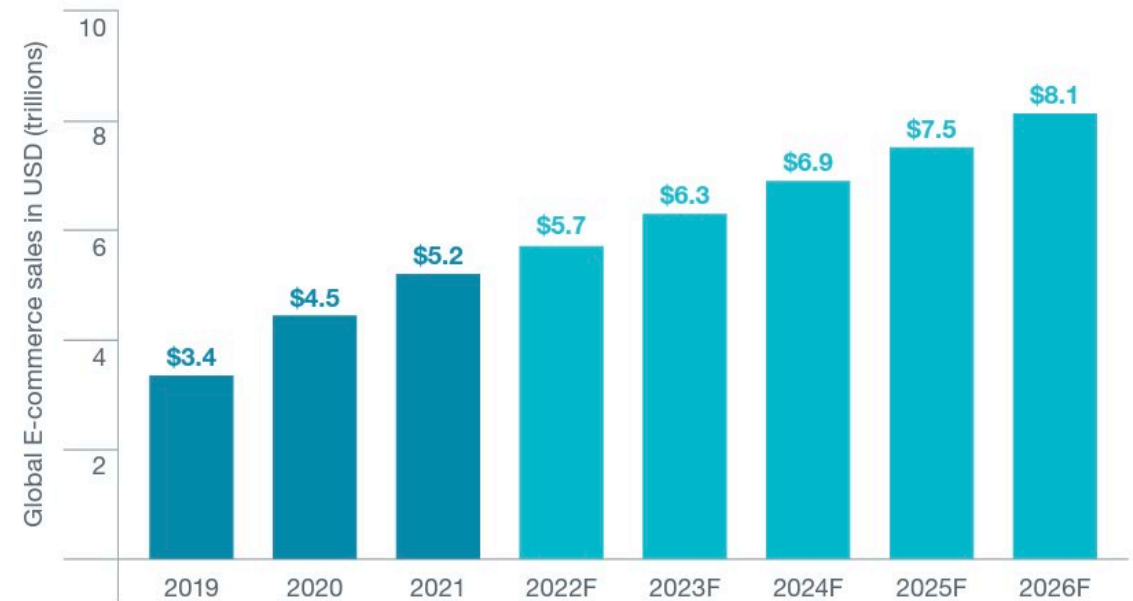


Study findings and conclusions

Market trends

- The global e-commerce B2B2C market is worth 6.5 trillion USD according to Shopify
- Leading e-commerce markets are China (People's Rep.), United States of America, European Union, United Kingdom, Japan, Korea (Rep.) and India
- Global e-commerce continues to grow (>20% year-on-year), particularly in India, Latin America, Asia, the Middle East and Africa
- But cross-border letter post and postal volumes containing goods up to 2 kg are in steep decline
- By 2026, the cross-border market is projected to double from 2020 to reach a value of >8.1 trillion USD

Global E-Commerce Revenues Expected to Be More Than Double Pre-Pandemic by 2024



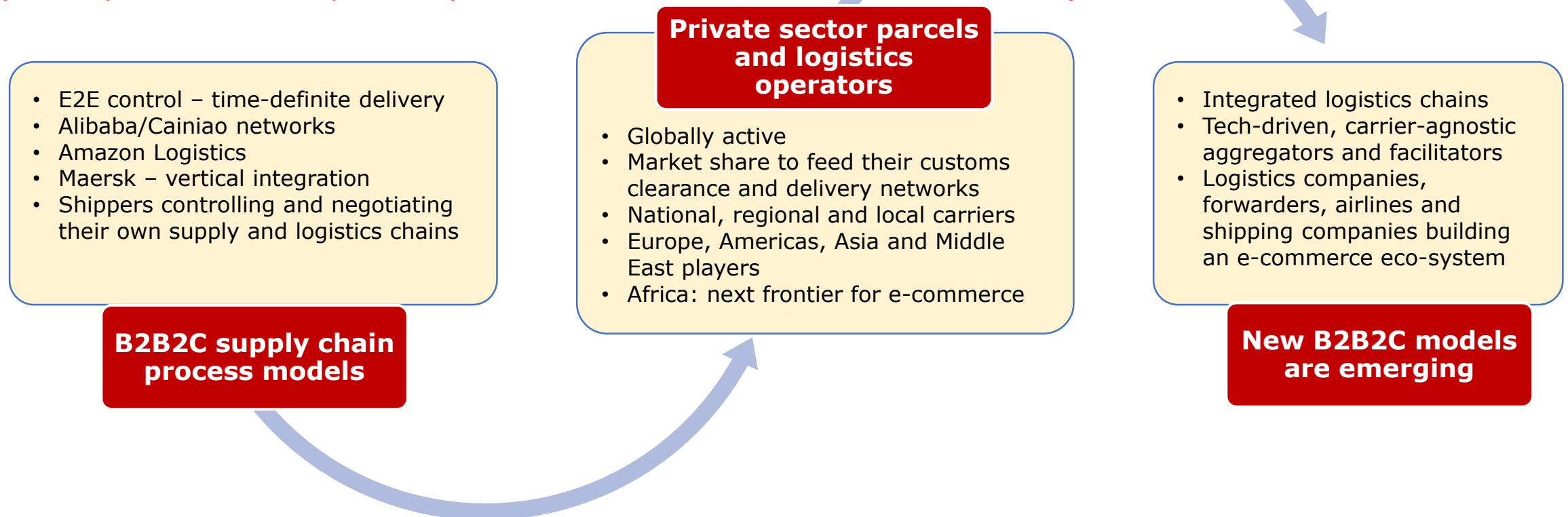
Source: eMarketer June 2022



Study findings and conclusions

Existing end-to-end (E2E) business models

- Most designated operators (DOs) are not involved in the new cross-border business-to-business (B2B) e-commerce segment
- DOs have a unique opportunity to build a postal business-to-business-to-consumer (B2B2C) eco-system and collaborate with commercial players globally. This is consistent with the UPU's "opening-up" agenda (development of interoperability and interconnection DO ↔ WPSP models)

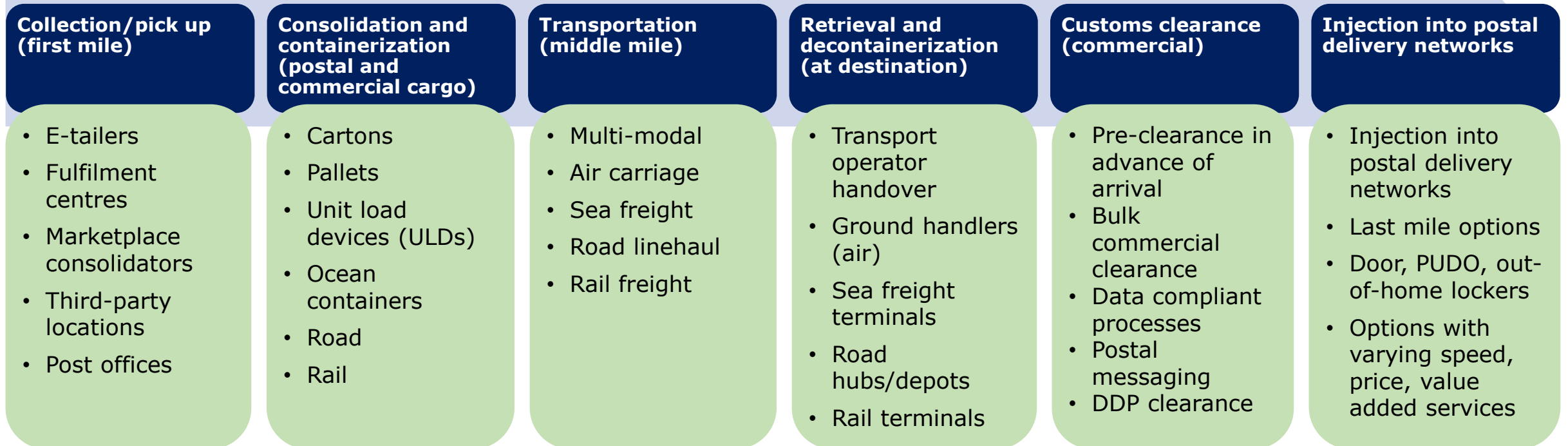




Study findings and conclusions

Existing E2E business models

The standard B2C postal value chain differs from the B2B2C model. Rebuilding cross-border market share will require DOs to implement a new e-commerce business model





Study findings and conclusions

Existing E2E business models

A model matrix reviewed within the POC provides a framework for adapting postal products and solutions to the needs of a new B2B2C model.

Product	Customs regime	UPU support	Benefits	Weaknesses
Commercial, including DDP, DDU	Freight	None	Tax and duty calculated and paid Agent empowered to act on behalf of the sender Broader range of commodities can be moved as freight Bulk or single piece movements	Expensive customs fees and charges High demand for data and paperwork Not accessible to consumer-to-consumer (C2C) market or small and medium enterprises (SMEs)
Direct entry	Freight	Can be used on agreement	Local look to the posting Access to specific domestic prices Can split the entry points to meet domestic quality of service	Destination rates and services need to be known to the sending DO Customer sortation may be required Not universally accepted
Consignment	Postal	Complete Modernize?	Bulk movement under the UPU with UPU forms and standards Can facilitate a larger customer movement with lower demands for customs data/forms	Bulk customs treatment is not defined Some customs authorities do not have bulk clearance – country specific National requirements will differ from country to country
Postal DDP	Postal prepaid	TBD?	VAT prepaid solution Handling fees can be prepaid Utilizing the UPU CN 22 data set	Duties cannot be prepaid Not attractive where the VAT threshold in the destination country is high Customs approval needed
UPU	Postal	Complete	Data requirements to industry standards	Single piece movement VAT and duties applied at point of import Receiver pays the import taxes Handling charges a shock for importer

Areas to be addressed

Shift towards commercial DDP customs process

Consider a postal direct entry access regime

Move to a bulk clearance model for Posts

Partner with our Consultative Committee members to offer a full DDP solution

Shift postal products towards a full solution



Study findings and conclusions

Pricing strategies in the B2B2C cross-border sector

The Certis24 study analyzed the following cross-border e-commerce sector pricing and solutions:

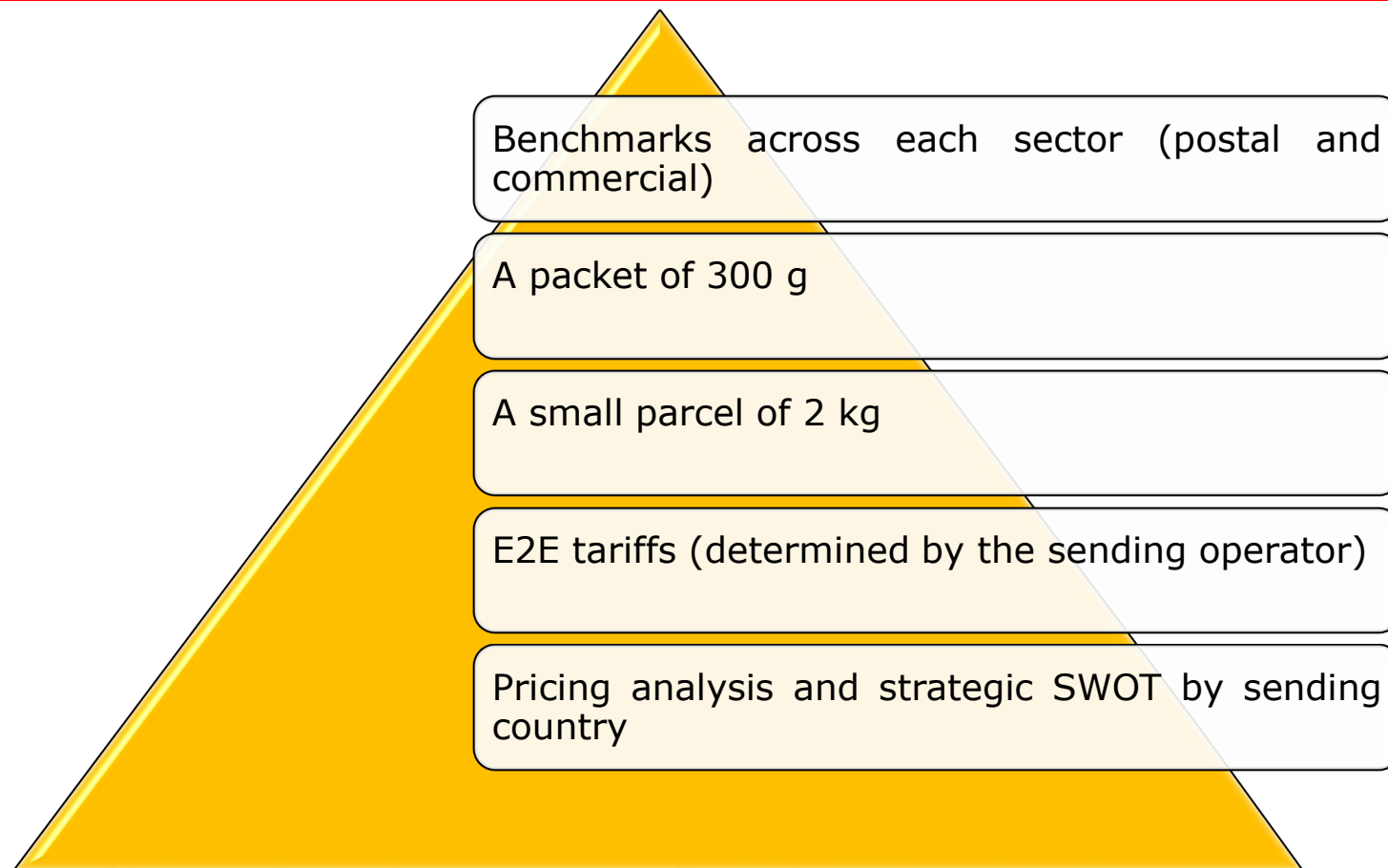
<i>15 countries (outbound)</i>	<i>345 origin/destination country pairs</i>	<i>152 channels and solutions</i>	<i>3,496 rates and solutions</i>
US, CA, AU, NZ, JP, CN, HK, IN, KR, SG, UK, DE, FR, ES, IT	Outbound B2C and B2B2C sending to:	Postal and commercial	A mix of standard tariffs and mystery shopping
<ul style="list-style-type: none">• North America (US, CA, MX)• Latin America (BR, AR)• Oceania (AU, NZ)• North Asia (JP, KR, CN)• Asia (HK, SG, IN)• Africa (ZA, KE, EG, TN)• Middle East (SA, EA)• UK and Europe (DE, FR, ES, IT)	<ul style="list-style-type: none">• North America (US, CA, MX)• Latin America (BR, AR)• Oceania (AU, NZ)• North Asia (JP, KR, CN)• SE Asia (HK, SG)• India• Africa (ZA, KR, EG, TN)• Middle East (SA, AE)• UK• Europe (DE, FR, ES, IT)	<ul style="list-style-type: none">• Postal B2C channels• Postal B2B2C channels• Express integrators• Commercial integrators• E-commerce consolidators	<ul style="list-style-type: none">• B2B2C DDP solutions• B2B2C delivery duty unpaid (DDU) channels• Postal DDU channels• Commercial DDP/DDU• E-commerce consolidators (DDP/DDU)• Rates available on shipping platforms (e.g. Easyship)



Study findings and conclusions

Pricing strategies in the B2B2C cross-border sector

The Certis24 study scoped the following cross-border e-commerce sector pricing (in USD) and solutions:





Study findings and conclusions

Extracts of key pricing and transit time findings from major e-commerce exporting markets

-  Japan – competitive DDU e-packet service from Japan Post; FedEx and UPS offer promotional rates for e-commerce items
-  China – CP is lowest cost operator, but faces strong competition from consolidators and direct shippers (Cainiao, Shein, TEMU, etc.)
-  United States – aggressive cross-border pricing from Asendia, DHL eCommerce and commercial players offering DDP is a challenge to the USPS
-  Australia – strong competition to Australia Post from FedEx, TeamGlobal and Aramex in the DDP cross-border sector
-  United Kingdom – Royal Mail faces major competition for outbound DDP services from postal integrators (Asendia, DHL eCommerce, Landmark Global) and express operators such as FedEx Cross Border
-  France – La Poste is the clear market leader through its Colissimo and Chronopost divisions
-  Germany – DHL eCommerce is the most competitive solution for DDU solutions from Germany in this major e-commerce market

DOs continue to lose market share, even though their outbound pricing (DDU solutions) appears to remain competitive. Major clients are moving volumes into other B2B2C channels and DDP networks, which are competitive but which offer solutions and features that support the growth of cross-border e-commerce.

Crafting a response is the key challenge facing DOs in industrialized and developing countries.



Study findings and conclusions

Recommendations and action plan



The study proposes a set of policy and technical recommendations, supported by an action plan



Study findings and conclusions

Policy recommendations

#1

The global e-commerce market is worth targeting globally owing to its size, scope and customer need for effective postal services in the B2B2C sector

#2

The UPU should take a lead role in stimulating change and the implementation of a new approach to postal cross-border e-commerce

#3

This study, the work of other postal bodies and the market experience of many DOs in cross-border e-commerce should be used as the basis for a new B2B2C product

#4

Build an extended implementation team of experts (postal and private sector) to create a B2B2C core group

#5

Adopt a national and regional approach to facilitate the development of a new product solution

#6

Build a commercial customs clearance capability with partners

#7

A new B2B2C model should be an e-commerce cross-border DDP-enabled solution

#8

A new B2B2C model should be fully digitalized and compliant from the outset



Study findings and conclusions

Technical recommendations

- #1 Finalize pricing strategies and options by country and region – engage with DOs to benchmark locally
- #2 Build an E2E standardized B2B2C product specification
- #3 Appoint lead partners in key sectors – technology, customs clearance, supply chain logistics and operations – by region and country
- #4 Appoint experienced customs brokers to join a B2B2C development pilot programme
- #5 Partner with private sector logistics partners that can support DOs with expertise in building the B2B2C postal logistics chain
- #6 Engage closely with airline carriers to support initiatives with capacity management and technology for operational control
- #7 Price new outbound B2B2C solution(s) for target pilot countries and by region
- #8 Establish a product development working group with major marketplaces and shippers to test the product concept – by selected country/region/postal union



Study findings and conclusions

Recommended action plan and possible timeline (to be aligned with relevant mandates and work programmes)

- June 2024** Aim to develop a full B2B2C product concept, including full specification and customer-facing pricing parameters
- June 2024** Engage with all stakeholders (including major shippers and marketplaces) to build, adapt and refine the product concept by region/country
- June 2024** Select pilot and target countries (origin and destination country pairs)
- Q3-4 2024** Launch pilot with selected countries (soft launch) – refine and adapt, using key learnings from pilot
- Q1-3 2025** Extend pilot programme and adapt product concept using learnings from pilot programme
- 2026** Go-to-market rollout during 2026, in line with market needs



Next steps

Project timeline

- Draft versions of the study were shared with members of the POC C 2 PSDEIG and POC C 2 RIG and comments and suggestions were taken into consideration
- Presentation at CA Committee 2 (today)
- Contractor to take into consideration any comments made at today's meeting
- Finalization of study by mid-November
- Publication of study by end of year



Decisions expected

CA Committee 2 is invited to:

- Note this presentation and provide any comments
- Approve the next steps set out in this presentation