CROSS BORDER
THE DISRUPTIVE FRONTIER

Accenture Post and Parcel Industry Research 2019
Cross-border growth is 2x the rate of domestic eCommerce, but the ability to control market share is declining. New technology-driven start-ups, pricing and innovative supply chains are stealing a march on postal players’ competitive edge.

Customers expect cross-border delivery to match domestic services: fast, free, trackable, and easy returns.

To compete, new business models and capabilities are required. Five actions can help postal organizations win in the cross-border delivery race.
GROWTH GAINS MOMENTUM
CROSS-BORDER ECOMMERCE IS THE NEW NORMAL

Cross border represents 20% of global eCommerce

29% CAGR Cross border is growing at 2X the rate of domestic eCommerce

75% of UK online shoppers buy from overseas retailers and marketplaces
63% of Dutch eCommerce consumers buy from abroad
83% of Nordic eCommerce consumers buy from abroad
62% of German eCommerce consumers buy from abroad
84% of Irish consumers buy from abroad; the highest number of international online shoppers in the world
72% of cross-border purchases weigh 1kg or less

Weight of most recent cross-border purchase
[Kg; % of respondents]

- < 0.2 kg: 20%
- 0.2 - 0.5 kg: 31%
- 0.6 - 1.0 kg: 21%
- 1.1 - 2.0 kg: 12%
- 2.1 - 5.0 kg: 7%
- > 5.0 kg: 4%
- Don't know: 6%

Source: “Cross Border e-Commerce Shopper Survey 2017”, IPC; Accenture analysis

Decline in package weight per shipment between 2015 and 2017, a likely result of the impact of eCommerce growth. This decline contrasts with a rapid increase in air express trends.

Source: Accenture analysis
Postal organizations make
70% of cross-border deliveries*

*Source: "Cross Border e-Commerce Shopper Survey 2017", IPC; Global Express and Small Parcels Report 2017, Transport Intelligence; Accenture analysis
**CHINA DRIVES CROSS-BORDER GROWTH**

**CHINA SENDS TO THE WORLD**

*China is a front runner and is expected to continue to lead cross-border growth*

**US$1,525B**  
China’s anticipated B2C eCommerce transaction value in 2020

41%  
China’s anticipated cross-border share in 2021

*China outbound express is mainly on the rise*

9%-19%  
Range of Increase  
China to United States  
China to Canada  
China to Australia

-2%-6%  
Range of Decline  
China to European Union

Source: Accenture analysis
The fees charged for international post are much lower in transitional countries, like China. Delivery costs from China (up to a certain weight) are cheaper compared with in-country delivery costs.

SUBSIDIZED DELIVERY DISTORTS THE MARKET
LOW CHINA-TO-DEVELOPING COUNTRY RATES
As postal organizations move away from the customer, this creates risk from more middlemen.

As consolidators expand, Posts have a smaller role in the value chain, and no role sometimes.
WHAT’S HAPPENING—AND WHY?
THE STORY SO FAR
PREFERENCES ARE EVOLVING
CUSTOMER EXPECTATIONS FOR CROSS BORDER AND DOMESTIC DELIVERY ARE MORE ALIGNED

Overall Expectations
[% of respondents]

- **70%** Clear information about delivery charges before purchase
- **57%** Simple and reliable returns process
- **57%** Free returns
- **54%** Free delivery on purchases over particular value
- **51%** Landed cost calculator at check-out

Source: "Cross Border e-Commerce Shopper Survey 2017", IPC; eCommerce logistics
In the United States, April 2018, Armstrong & Associates; Accenture analysis
Most problematic **pain points** in cross-border eCommerce\(^\text{1}\)

<table>
<thead>
<tr>
<th>Pain Point</th>
<th>%</th>
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<tbody>
<tr>
<td>Logistics and delivery</td>
<td>43%</td>
</tr>
<tr>
<td>Compliance with local regulations</td>
<td>39%</td>
</tr>
<tr>
<td>Offering exchange and returns</td>
<td>32%</td>
</tr>
<tr>
<td>Cross-border payments/multicurrency</td>
<td>28%</td>
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<tr>
<td>Data protection</td>
<td>25%</td>
</tr>
<tr>
<td>Pricing/costs of products &amp; services</td>
<td>23%</td>
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<tr>
<td>Ease of integration</td>
<td>22%</td>
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<tr>
<td>ROI</td>
<td>16%</td>
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</tbody>
</table>

Biggest **game-changer** for cross-border eCommerce\(^\text{1}\)

<table>
<thead>
<tr>
<th>Game-Changer</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online marketplaces continuing to dominate</td>
<td>23%</td>
</tr>
<tr>
<td>Internet of things</td>
<td>12%</td>
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<tr>
<td>Rise in alternative payment methods</td>
<td>12%</td>
</tr>
<tr>
<td>m-Commerce</td>
<td>9%</td>
</tr>
<tr>
<td>50% of retailers offering international delivery</td>
<td>9%</td>
</tr>
<tr>
<td>Easier entry to emerging markets</td>
<td>7%</td>
</tr>
<tr>
<td>Greater knowledge of how to do business internationally</td>
<td>6%</td>
</tr>
<tr>
<td>China’s &quot;One Belt One Road&quot; scheme</td>
<td>4%</td>
</tr>
</tbody>
</table>

**Profitability is challenging cross-border eCommerce retailers—they must compete with domestic retailers on speed and delivery prices**

ENTRANTS OFFER NEW ECOSYSTEMS OF SERVICE
START-UPS SIMPLIFY WITH TARGETED INNOVATION

New asset-lite entrants are serving customers with what they want, when and how they want it

**B2C EUROPE**
One-stop, full-service cross-border eCommerce logistics handling more than 26M cross-border mail and parcel items per year to more than 220 destinations worldwide.

**EASYSHIP**
Offers a single end-to-end solution for pick-up, packing, labelling, shipping, and tracking. It claims it can cut shipping costs by up to 60%. On average, overall sales have increased by 40%.

**ALLSOME**
Offers cross-border fulfillment and logistics solutions that enable merchants to start selling fast, specifically from China to Malaysia. It reduces returns, enables exchanges and delivers 40% faster and up to 50% cheaper.
COST-EFFECTIVE DELIVERY MODELS
DOMESTIC ADDRESS MEANS NEW DELIVERY OPTIONS

Example: A Singapore-based business orders an item from the United States using a domestic address in a United States warehouse. Local delivery at the start and end of the item’s international journey reduces cost.

**Where is it working?**
Terminal 49 is converting cross-border transactions to domestic delivery in its role as a digital freight forwarding service. It helps small- and medium-sized companies to transport their products globally across borders with less friction, at a lower price point, and with greater control.

- Order placed online in Singapore
- Free domestic shipping to United States warehouse
- Item is repackaged and shipped internationally
- Same day delivery by local carrier to Singapore
Build-your-own supply chain

Investment in JD.com by Google to develop retail solutions in Southeast Asia, the United States and Europe.

$550M

Build-your-own shipping and logistics capabilities

$15B

Alibaba’s committed investment in China logistics over 5 years.

Amazon is investing in building its own network to reduce cost and dependency on postal organizations and integrators. It wants to drive down costs and maximize asset utilization.

Alibaba Group Holding Ltd has signed an agreement with the Belgium government to launch an eCommerce trade hub, which will include investments in logistics infrastructure.

Sources:
- https://ir.jd.com/node/7876/pdf
WHERE NEXT?

DISRUPT TO DELIVER
Increasing volumes—cross border deliveries are growing exponentially and cannot be ignored.

Technology has come of age—technology is now an essential enabler, not a “nice to have.”

Leading in the new—alternatives exist for those post and parcel players that want to reinvent their business models.

How can your postal organization get the most from the cross-border opportunity?
CAPABILITIES NEED UPDATING
PREMIUM SERVICES CAN ONLY BE ACHIEVED THROUGH...

MEETING CONSUMER DEMAND
Customers want end-to-end tracking, fast, low cost/free deliveries and control.

ADAPTING TO THE COMPETITIVE LANDSCAPE
Traditional, democratic practices are slow, inflexible and disassociated from commercial outcomes— inappropriate for a dynamic digital world.

EMBRACING NEW TECHNOLOGIES
Real-time customs risk assessments and fast-track packages need to take advantage of the latest technologies.
FIVE ACTIONS FOR THE FUTURE

NEW PRODUCT PORTFOLIOS + SERVICES = CROSS-BORDER SUCCESS

• Enable new business models outside of the UPU, e.g., Extraterritorial Office of Exchange (ETOEs), third-party delivery agents
• Evaluate a framework to enable delivery duty paid (DDP)
• Improve commercial clearance for high-value goods
• Employ Advanced Electronic Data (AED) to seamlessly, quickly move goods through destination countries
• Introduce smarter, more integrated returns
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