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Will Drones Take Your Most Profitable Postal Customers?

Delivering new revenues in a difficult postal market

"I know this looks like science fiction," Jeff Bezos, the chief executive of Amazon, told the US news channel CBS as he announced that the online retailer is trialling the use of unmanned drones to make deliveries to customers. While Bezos might be right about widespread drone use being science fiction today, drones are just one example of an aggressive strategy by eTailers and retailers to enter into last mile delivery services. Amazon is not the only organization actively working to take over delivery. Postal organizations are at risk of losing significant market share as retailers and eTailers aggressively experiment with last-mile services, using a variety of innovations to deliver direct to consumers.

How should postal organizations respond to this potential risk to parcel revenues?

The answers are to be found in Accenture's 2013 postal research, *Enabling Consumer Control*, a new study based on a survey of 13,000 consumers in Australia, Belgium, Brazil, Canada, France, Germany, Italy, India, Japan, Switzerland, the UK and the US. The research presents a stark warning: postal organizations' most profitable market consists of urban customers and it is this market that is most likely to take advantage of receiving packages direct from retailers.

But the research also reveals a roadmap postal organizations can take to potentially retain these crucial urban clients and monetize them in order to actually raise revenues.

Why posts must fight on the urban battleground

Postal organizations know that urban customers are more profitable: they cost less to service, they are more frequent customers, and, according to survey results, urban customers are more likely to adopt new products:

- Urban consumers tend to be better off. They are 45 percent more likely to have high incomes when compared to suburban and rural customers.
- Urban customers are 43 percent more likely to receive at least 3 packages per week, compared to suburban and rural consumers.
- Urban customers are 41 percent more likely to be heavy users of existing services offered in the market when compared to suburban and rural counterparts.

Offering urban customers the services they want could be the key to repelling competitors for postal organizations. And as urban customers are more willing to pay for new service offerings, they also represent the best hope for monetizing the customer base.

Accenture looked at 18 potential features that stand to give consumers greater control over package services, understanding detail on what they value, how often they might use these features and which ones they would be willing to pay more to receive. These personalized services offer a real opportunity to meet customers' demands (see Figure 1).

But there may be an even more compelling reason to focus on urban customers than their interest in new products and services – they are less happy with current services than their suburban and rural counterparts. Accenture's research shows that these urban customers are 35 percent more likely to find package receipt very difficult. They also tend to be more demanding. They are almost twice as likely (78 percent) as suburban and rural customers to say they regard same-day delivery as absolutely critical.

More than one in five urban customers say the fact that packages not being

delivered at a convenient time is an issue that concerns them. Other common pain points include packages not being delivered on time, the need to sign for packages and pick-up facilities being in inconvenient locations.

Figure 1.

Delivery services features	Urban customers likelihood to pay compared to suburban and rural customers
Package release authorization	60%
Package notification	60%
Package delivery instructions	55%
Delivery tracking	45%
Digital mailbox preview	68%
Online Document Manager	57%
Transactions and Payments platform	57%



How to fight back in the urban market

Postal organizations must ensure they keep their most valuable customers – and begin the process of monetizing them. Accenture’s research suggests four imperatives are especially crucial:

1. Proactive communication

A simple way to enhance the customer relationship is to proactively send information about the delivery process to consumers email or mobile devices. This proactive communication lets consumers know well in advance of a coming shipment and establishes delivery commitments. Keeping consumers informed as the package advances or as those commitments change improves the experience and addresses several of the current pain points. In addition, there is much that can be done with this under used communication channel.

2. Enable control

The new postal customer values control very highly and urban customers are the right place to start. Many of the issues that cause a bad delivery experience for urban consumers can be addressed with consumer control solutions. Offerings like delivery scheduling or secure delivery options are of highest importance to urban consumers and provide eTailers and retailers with a mechanism to improve customer satisfaction.

3. Create new delivery products

Urban customers are particularly focused on speed and service. New products such as same-day delivery are becoming increasingly available and may lead to entirely new retail experiences. These new services can also be monetized creating a dual benefit of improving the customer experience while delivering new sources of revenue.

4. Create new delivery options

Deploying secure, alternative delivery options is an important option for urban consumers. Some postal organizations have turned to lockers in convenient urban locations. Others are creating partnerships with local retail stores that offer the convenience of both location and 24/7 access. Whatever the solution, convenience will be the key. For example, providers that offer lockers have found that small changes in their location have dramatically increased usage.

All four of these imperatives are based on the same premise: postal organizations must find ways to combat the threat posed by disruptive entrants to their market.

Drones are just part of that story – but as Accenture’s recent Technology Vision states, this technology is now a coherent and viable disruptor across many industries. Meanwhile, other threats are even more immediate: as retailers and eTailers invade the territories that postal organizations once owned completely, the battle for market share is on. Only postal organizations that create a new delivery experience for consumers, particularly urban consumers can secure their customer base.

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References

- ⁱ <http://www.bbc.co.uk/news/technology-25180906>
- ⁱⁱ Enabling Consumer Control postal survey was conducted by Market Knowledge Online on behalf of Accenture. It was carried out online from July through November 2013 in multiple languages. The markets covered were Australia, Belgium, Brazil, Canada, France, Germany, Italy, India, Japan, Switzerland, the United Kingdom and the United States. Surveys were conducted with 13,000 consumers. The sample was selected to include only consumers who receive 2 or more packages per month.
- ⁱⁱⁱ Accenture Technology Vision 2014, Accenture

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