Commission for
Communications Regulation

Media Release: 29/05/2015

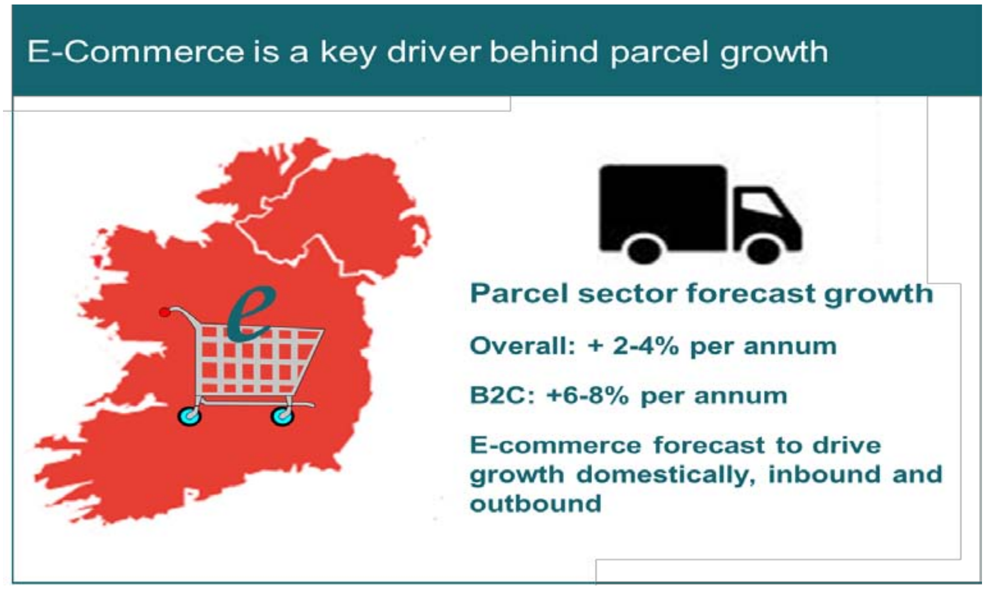
ComReg reports on the growing €400 million+ packets and parcels sector in Ireland

The Commission for Communications Regulation (ComReg) today published the report on the packets and parcels sector in Ireland prepared by the economic consulting firm, Frontier Economics.

The key findings of the study are:

Sector size and growth:

- Frontier Economics estimates that the size of the sector in 2013 was between **€430 million and €520 million**. This has grown by about 5-6% per annum over the three years to the end of 2013. In terms of volume, Frontier Economics finds that there were **between 83 million to 94 million items carried i**n 2013 across the sector.
- E-Commerce is a key driver behind parcel growth:



- Frontier Economics estimates that **volumes in 2016 will be between 90 million and 109 million items per year** and that the **value of the sector in 2016 will be between €470 million and €593 million** reflecting **growth by about 2-4% per annum** over the three years after 2013.

Operators' volume shares of sector:

- In relation to volume shares of this packets and parcels sector in Ireland, eight operators account for about 90%. Frontier Economics' estimates suggest that An Post is the largest operator with between 30-40% of packet and parcel volumes. Nightline, DPD and GLS are the next largest with respective shares between 10-15%, while Fastway and DHL are estimated to have 5-10% of volumes respectively.

Operators' value shares of sector:

- In relation to value shares of this packets and parcels sector in Ireland, Frontier Economics' estimates suggest that An Post is the largest operator with between 20-30% share by value. This is less than An Post's share by volume, primarily due to express operators having higher per item revenues. DHL and UPS are estimated to have between 10-15% respectively by value, reflecting higher average revenue per item as both these operators primarily serve the express and international parts of the sector.

Most pricing is negotiated:

- In respect of pricing, most pricing is negotiated, except for over-the-counter sales to consumers; large volume senders typically receive lower prices.
- The study finds that while the level of services provided has increased, prices have generally remained fairly stable over the last three years, seemingly due to a highly competitive market and the increasing power of senders.

Senders needs:

- Senders place most value on price and reliability when choosing parcel and packet operators.

Challenges for the sector:

- Key challenges identified for the sector include residents not being at home during the working day, returns, fraud, and non-unique addresses. Operators are responding through the increasing use of technology to contact end-users and/ or, delivering at specific addresses chosen by the end users (e.g. workplace or parcel lockers / collection points).
- While volumes continue to grow, some operators are reporting strong competition and are concerned by increasing sender expectations for very low prices but increasing levels of service.

The full report (ComReg Document No. 15/47) can be found on ComReg's website at

http://www.comreg.ie/_fileupload/publications/ComReg1547.pdf

Background

ComReg commissioned Frontier Economics to undertake a study of the Irish packets and parcels sector. Frontier Economics undertook this study with its research partners Amárach Research and Postal Logistics Consulting Worldwide.

The study considers the range of packets and parcel services in Ireland, including all packets and parcels sent from Ireland and sent to Ireland, and standard and express delivery services. To that end, the study takes a relatively broad view on how the packet and parcel sector is defined at the product/service level. Therefore, this expansive view on the packet and parcel sector looks at the wider sector than just the segment regulated by ComReg, which in accordance with its legislative mandate, is limited mainly to the provision of universal postal service packets and parcels.

Frontier Economics' research methods included both primary and secondary research. The primary research included interviews of a cross-section of packet and parcel operators and a postal questionnaire sent to a number of packet and parcel operators. On the sender side, Frontier Economics interviewed in-depth a broad range of business users that are large senders of packets and parcels as large senders comprise a significant proportion of the market. Small and Medium Enterprises (SMEs) are also a significant customer segment and a significant contributor to economic activity in general. Therefore, Frontier Economics also surveyed 166 business decision makers across a sample of SMEs in Ireland in respect of their sending of packets and parcels.

ENDS

Issued By

Tom Butler
Public Affairs Manager, ComReg

Ph: 01 8049639 **Mobile: 087 2536358** **tom.butler@comreg.ie**