



## Presentation Comreg Conference

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Håkan Ohlsson

Deputy Managing Director, CityMail Group

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## Agenda

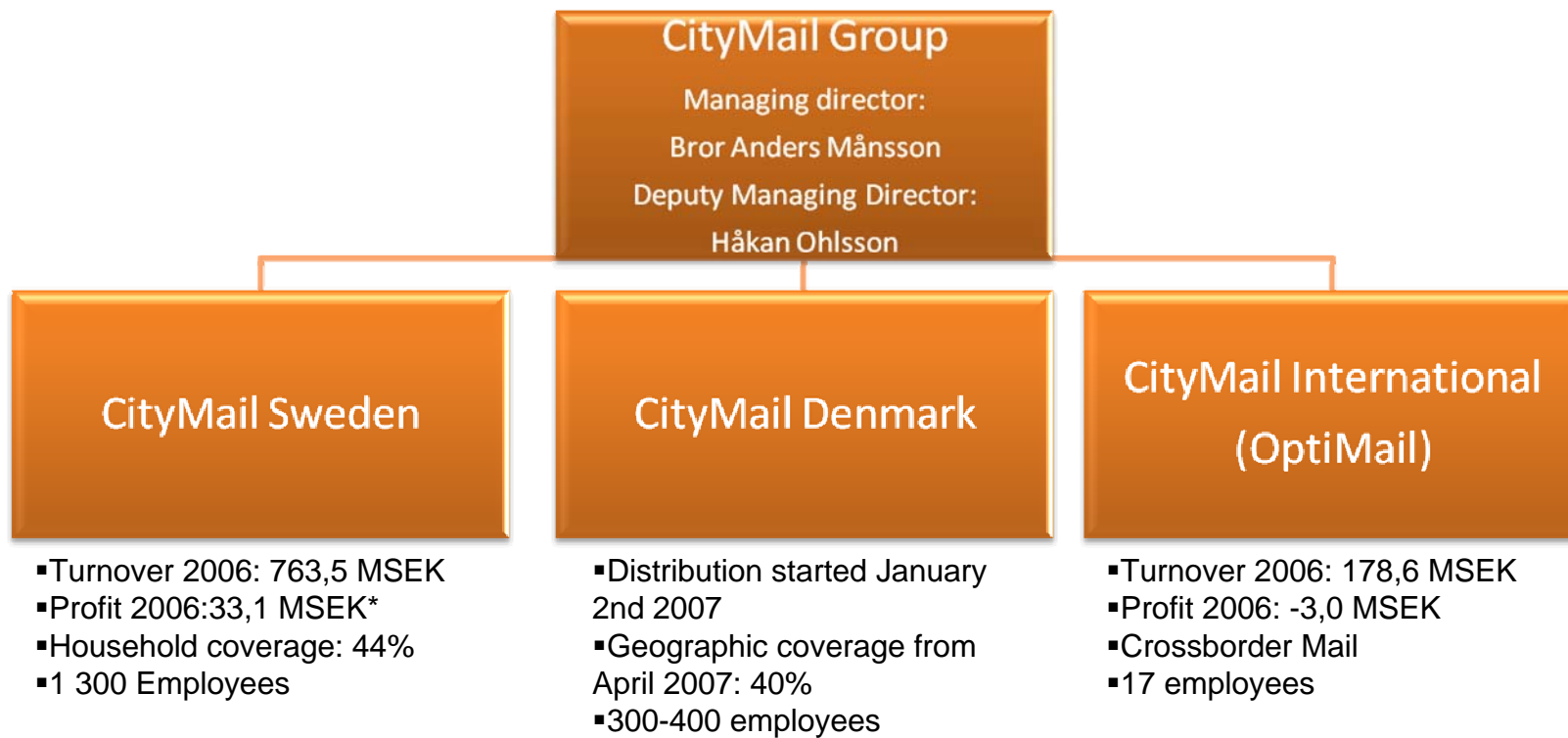
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# 1. CityMail in short

2. Background and the CityMail concept
  3. Effects on the Swedish Market
  4. Thoughts for the near future
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## Facts about CityMail

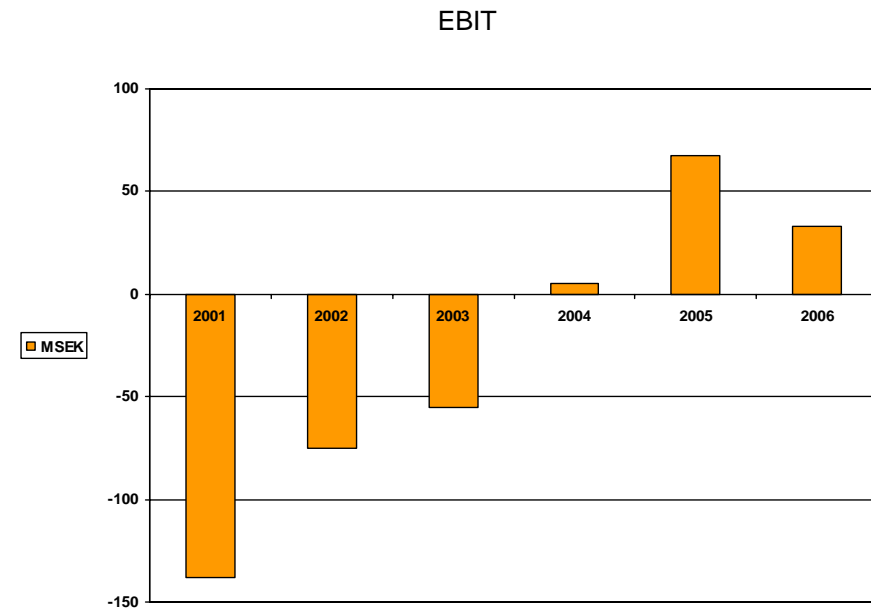
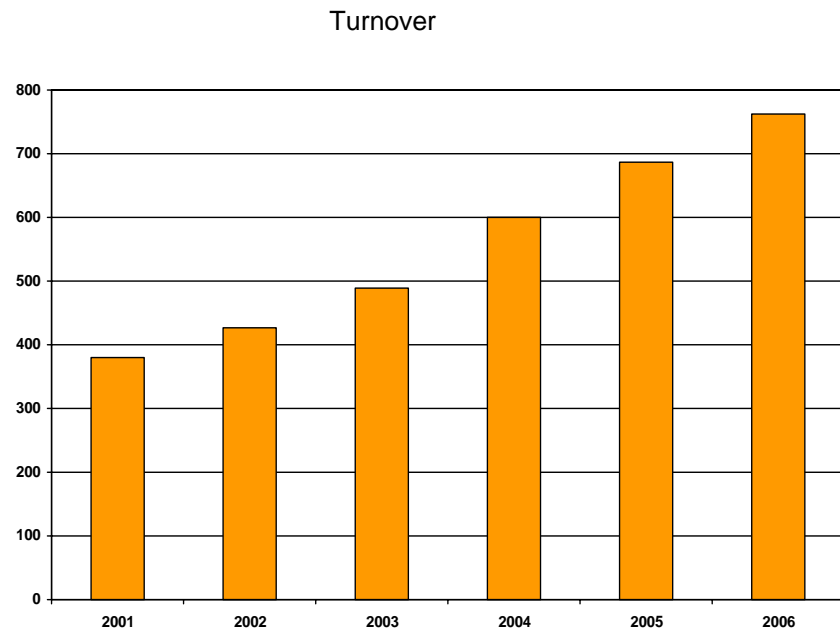
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\* 2006 includes costs of geographical expansion

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## Turnover and EBIT current business CityMail Sweden 2001-2006



\*2006 includes costs of geographical expansion

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## Why did we start CityMail in 1990?

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The letterbox is and will remain an important information- and media channel.

**The Business concept is created:**

*“CityMail helps businesses to communicate with their clients – and to find new ones.  
With the help of our services we turn the letterbox into an even more effective and  
important communication channel”*

## Why did we start CityMail in 1990?

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- The development in IT will lead to fundamental changes in the market-, logistic- and work model



"Industrial mail"  
-Paradigm shift -

**A new customer offer:**

- guaranteed delivery days
- precision instead of speed
- address services
- flexibility for format, colours etc



"No sorting machines"

- **Electronic pre-sorting in computers (by customer or print shop)**

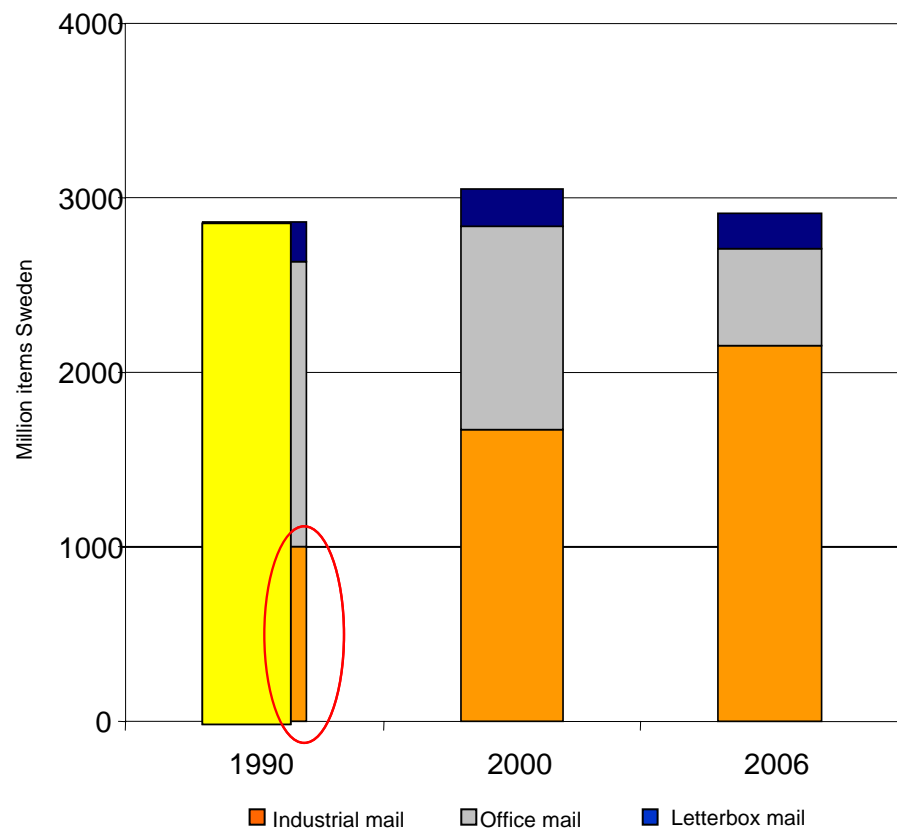


"From service structure to industrial structure"

- **Process thinking**
- **To measure is to know – what's measured, is done**
- **Profit centres**
- **Full time employees**

## New definition – Industrial mail

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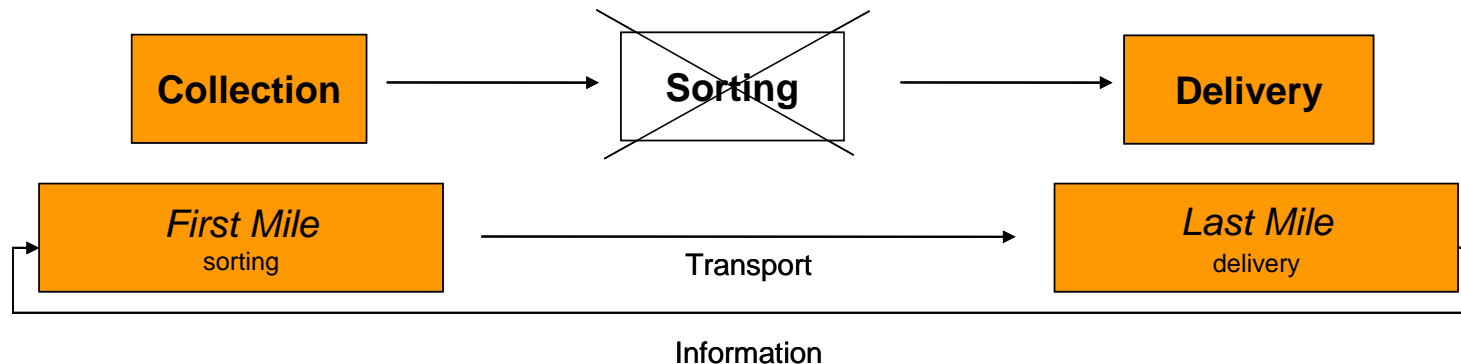




## The logistic model – We believe in electronic pre-sorting instead of mechanical sorting machines

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- Mail that has already been sorted, does not need to be sorted a second time
- Furthermore, the market growth takes place within the direct marketing segment where freedom of choice when it comes to colour, shape and appearance, are very important
- In order to defend/increase volumes , the communicative value of physical letters has to be strengthened



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## Post services in customers perspectives were turned in direction of commodities

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- Competition only through price differentiation on volume
- Price differentiated on geographic coverage

No quality parameters were used to meet competition

## Regulatory lessons learned according to CityMail

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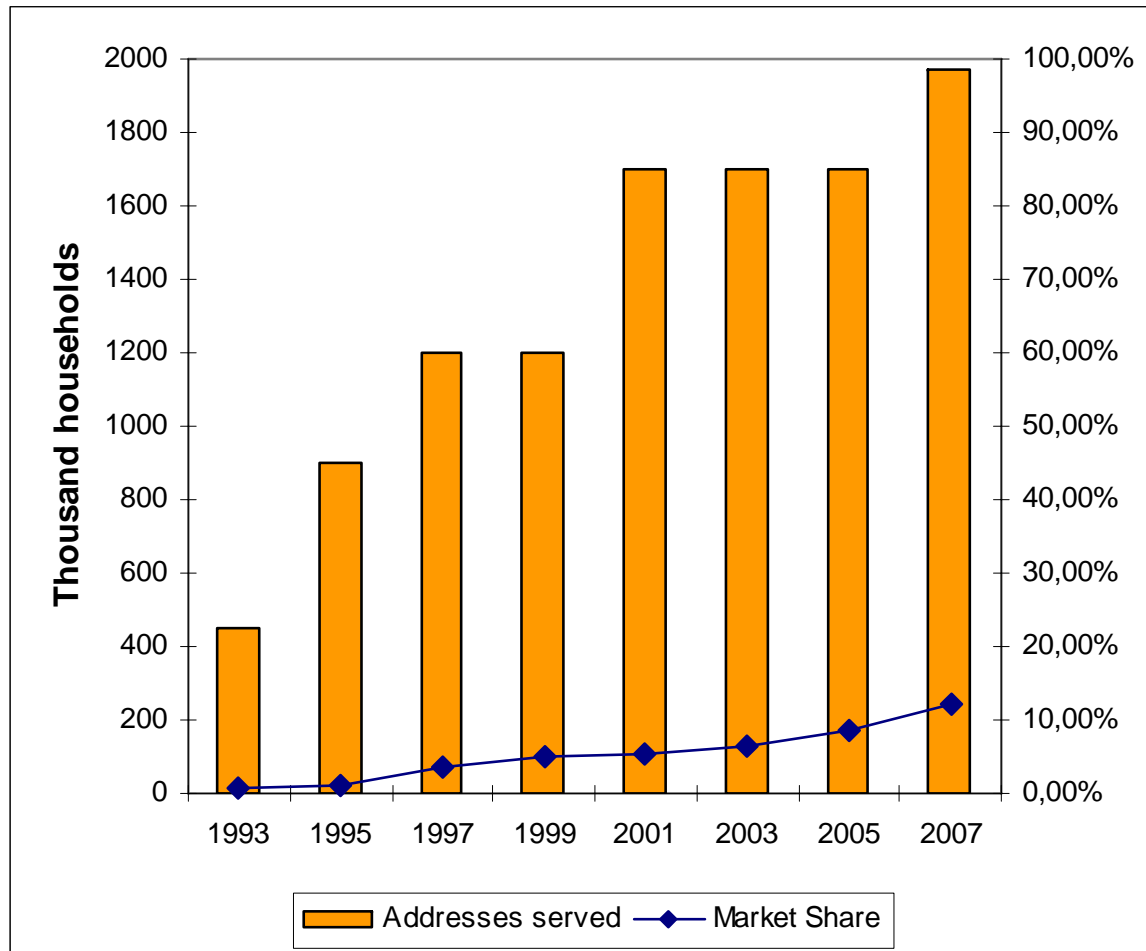
- The Swedish postal market was the first in the world to reach full liberalisation. Thereby there were no other examples to learn from
- CityMail was founded before any new postal legislations were in place
- Sweden did not have a law concerning competition according to EU-standards until 1994
- The Swedish government acted as a weak owner
- Initially, and for too long a time, infrastructural issues were left to be solved by market solutions

## Regulatory lessons learned according to CityMail

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The most interesting thing with the Swedish market example is not what happened until now – **it is the situation today and its future development.**

## Volume, Market share and number of addresses served by CityMail



**CityMail is profitable with 12% of the total market**

## Overall market effects

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- Large price decrease in real terms on large mailings
- Large price increase in real terms on single piece items. However lower price development on single piece items than in neighbouring countries, i.e Norway
- Prices on large mailings 37-40 % less than single piece items. Key customers receive an additional discount of 7-30% on negotiated basis
- Better quality for distribution products
- More customer adapted products and value added services (eg. adress changes)

## Sweden Post is in better shape than ever

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- The best financial result ever. 8,2 percent EBIT –margin. (half year report 2006)
- Income from administrative letters increased by 2 per cent. Half of it from increased volume. (half year report 2006)
- Improved quality compared to 1990

“Liberalization is the best thing that has happened to the Swedish postal market”

- Sture Wallander, Sweden Post from a report by PTS and US Postal Rate Commission



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## Deregulation or not, competition is already here

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- Direct marketing competes with other marketing channels. More of an opportunity than a threat to the postal operators
  
- Competition from electronic media. Largely within administrative mail. However cannibalisation is not a natural law

## In order to be able to compete successfully

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- Cost efficiency/leadership
- Competitive and customer oriented pricing and service offerings
- Develop new and/or value added services, especially with the intention of strengthening the mail box as a media and information channel

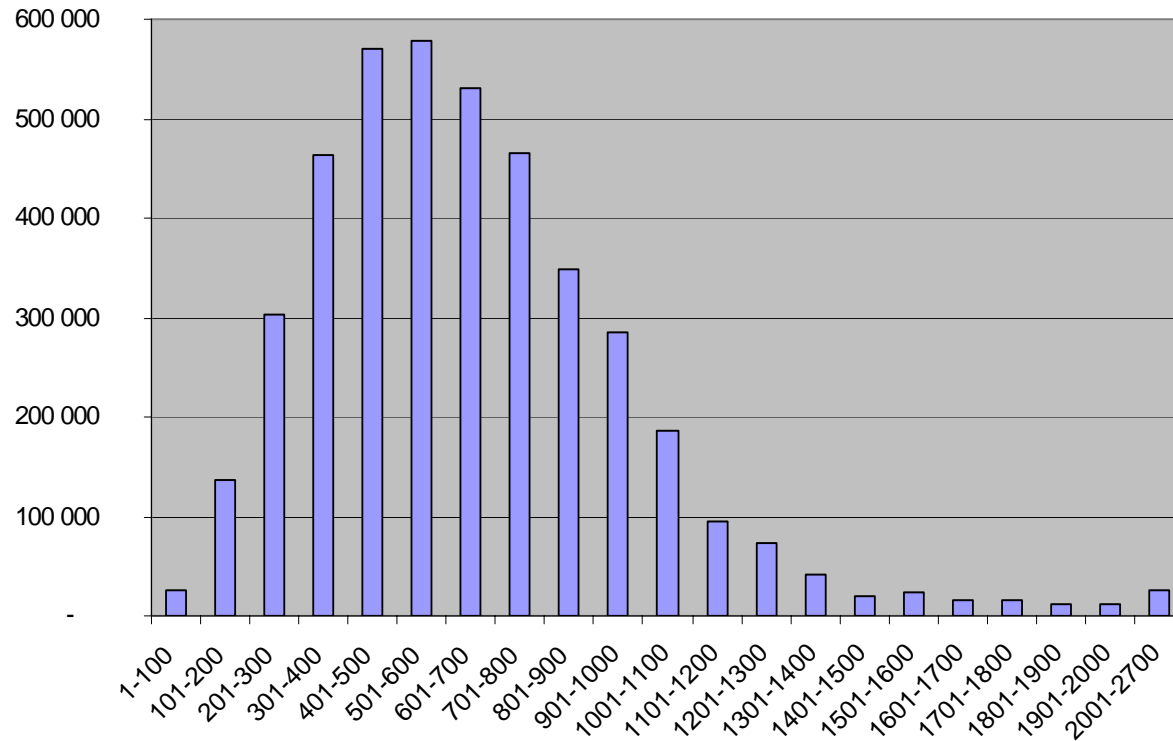
## Cost leadership/efficiency – get the fundamentals right!

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Examples:

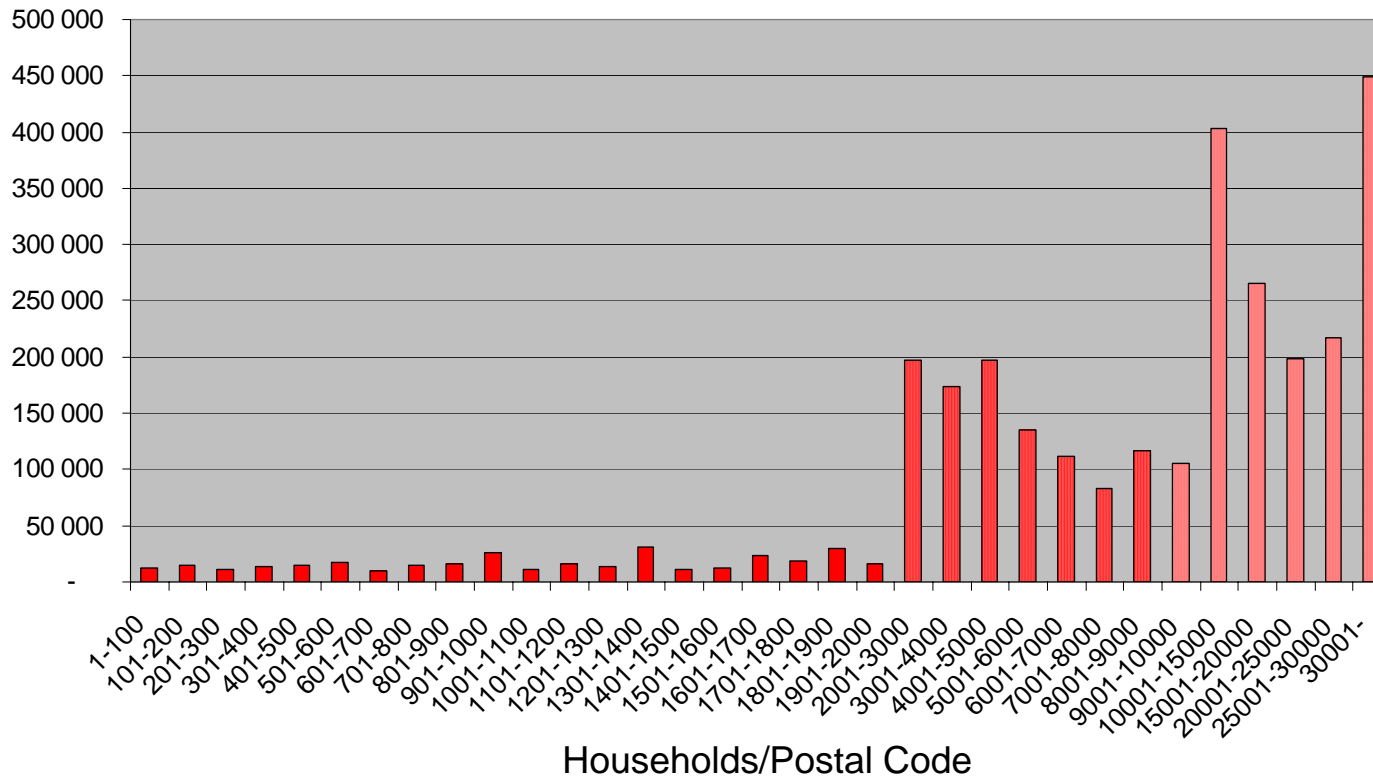
- Postal code system – numeric, logical, small number of households
- Placing of mail boxes, locks
- Standardisation of processes – best practise

## Sweden – Households/Postal Code



- 88% of the households are located in postal codes that cover less than 1000 households
- 61% of the households are located in postal codes that cover in between 101-700 households
- Largest postal code has 2700 households

## Denmark – Households/Postal Code



- 89% of the households are covered by postal code areas that cover more than 2000 households
- 50% of the households are covered by postal codes that cover more than 10 000 households
- 15% of the households are covered by postal code areas that cover more than 30 000 households
- The largest postal code area covers more than 60.000 households

## Competitive and customer oriented pricing and service offerings

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## Develop new and/or value added services, especially with the intention of strengthening the mail box as a media and information channel

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Examples:

- Semi-addressed direct marketing
- Target group selection
- Measuring effects of campaigns

Examples of results from measuring communicative effects of inserts in invoices:

Approximately 75 % of the recipients remembered receiving an insert

75% of those had read it or looked at the insert

Other measurements: time spent, liking etc