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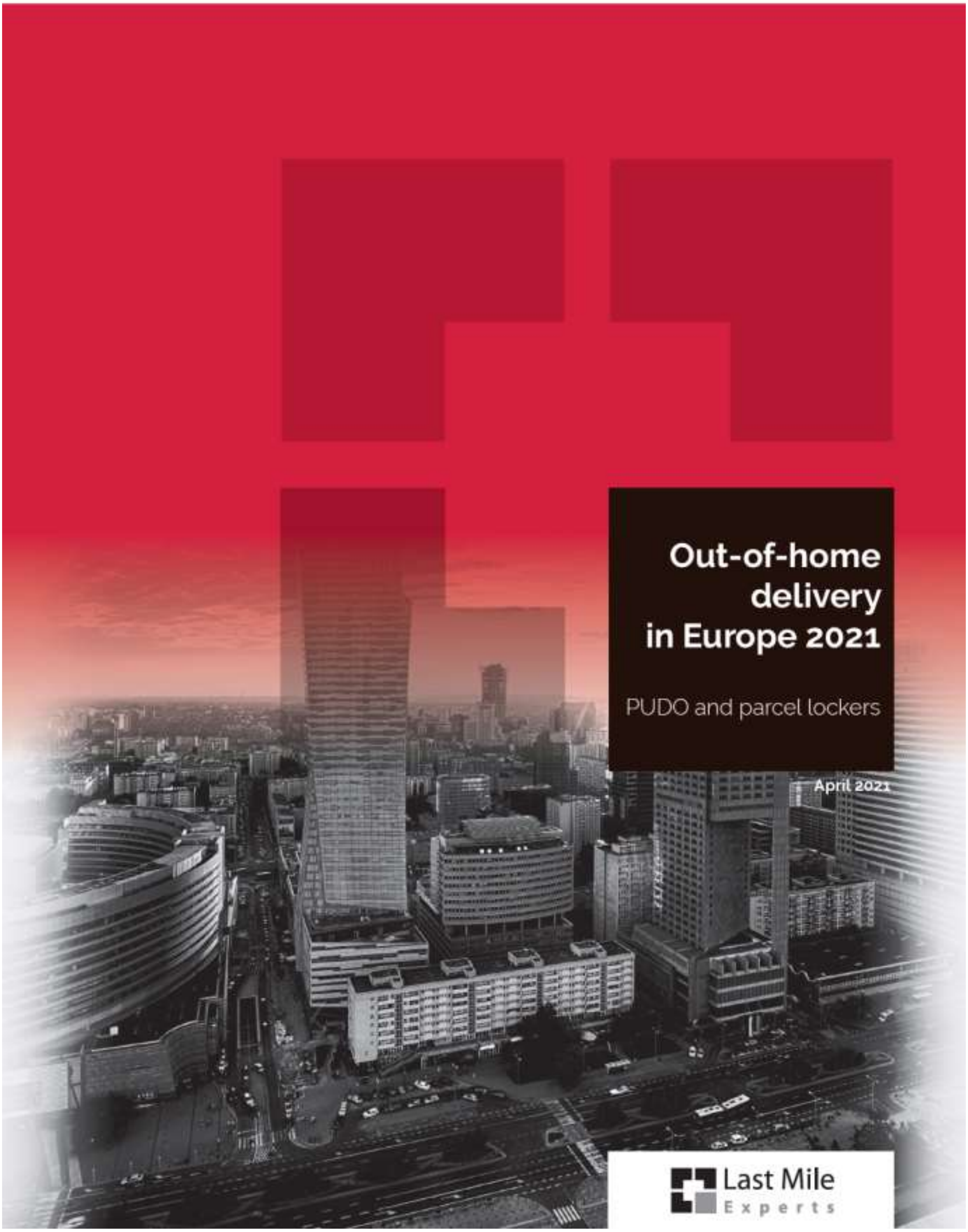

Out-of-home delivery in Europe 2021

PUDO and parcel lockers

April 2021

Last Mile Experts

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WHAT WE DO AT LAST MILE EXPERTS

Last Mile Experts

At Last Mile Experts, we support our clients to develop, deliver and sustain competitive advantage across a number of critical business areas but focusing on Courier Express Parcel and e-commerce last mile:

- Business operating models including cross-border
- General or specific operations solutions
- Hardware and software selection and contract negotiation
- People and organisational development
- Research and benchmarking
- Support in negotiating the best SLA's and commercial terms
- Strategic as well as operational pricing and product portfolio management

Mergers&acquisitions
including market reviews, pre-deal due diligence and post-deal advisory

E-commerce/ Amazon
and the last mile

Out of Home delivery
options including APM's and HUB's (lockers) and PUDO's (access points).

Strategic planning and commercial proposition

Interim/ turnaround management

UPIDO A.G.

UPIDO (Unlimited Predictive Intelligence Delivered Online) applies proprietary machine learning methods to produce key postal and parcel markets insights for more than 100 countries and 300 postal and logistics companies worldwide in almost real time. Its parcel and postal intelligence system (ShipinRoom) results from three years of intensive fundamental research leveraging the most recent developments in big data and artificial intelligence.

During the Covid-19 pandemic, it has developed innovative ways of monitoring and predicting online consumers' behaviour in order to assess the impacts of the greatest shopping channel shift ever, from offline to online, on B2C parcel volumes and delivery predictability worldwide. It has collaborated with the Asian Development Bank as well as with the Information and Communications Technologies Secretariat of the Argentinian government and three leading parcel companies.

UPIDO provides its customers with unique global benchmarking tools allowing brands and retailers worldwide to assess the strength and weaknesses of each logistics firm as well as the risk and opportunities in any given market.

ABOUT THIS REPORT

Background to the report

In 2019, the European CEP market reached ca. 12.3 bln parcels and 62.4 billion Euros. The expectations for 2020 are even higher.

The CEP industry is driven by very dynamic growth in e-commerce, which in turn is now further strengthened by restrictions in retail caused by Covid-19.

Over the last few years, there have been significant changes in market shares, parcel types B2C (Business 2 Consumer) vs. B2B (Business 2 Business) and first or last mile channels P2P (Point 2 Point) vs D2D (Door 2 Door).

Out-of-home (OOH) delivery, including pick-up and drop-off points (PUDO) and automatic parcel machines (APM), is playing an increasingly important role.

Our report covers the market structure, countries, players, growth and key trends.

In this report we seek to understand what is behind the out-of-home delivery trend and to assess what future impact this will have on the various stakeholders.

The market is served by a combination of carriers ranging form the national postal operators to parcel lockers operators and indeed CEP players. The report covers new types of OOH delivery providers, too.

There are a number of new OOH factors and players which have become more relevant in recent years such as convenience store networks or newspaper distribution networks.

LME has in depth knowledge of this market and theand has made various studies on OOH delivery in Europe and elsewhere. Our managing partner has a strong entrepreneurial background including the creation of DPD Polska (formerly Masterlink Express) a leading player on the Polish CEP market. Our consulting work in Europe has included advising many companies regarding completing nationwide PUDO/locker implementation plan in CEE, launching of PUDO's throughout 16 countries, IDM capability at DPD CSEE, first stage of Kiala B2C business merging with UPS network, and prioritising the scaling of PUDO across EMEA for a leading sports fashion company.

What can you find in this report?

- The report covers all key players in the European market for OOH delivery.
- We define the OOH market to include PUDO and APM parcels. They mainly include B2C and C2X parcels and P2D, D2P, P2P channels. OOH can be used for the first and last mile.
- We analyze the evolution of B2C parcel volumes before, during and after the pandemic so as to bring the right market insights on 27 EU countries and Great Britain.

Who will benefit from our report?

The report is intended for:

- Owners and operators of OOH networks
- CEP companies
- Online retailers
- Investors in these businesses
- Market regulators and policymakers
- Journalists and editors of newspapers and magazines
- Analysts, consultants and other stakeholders

What are the sources and methodology?

The main sources for the report are:

- Extensive desk research on the OOH market and its operators covering company press releases, websites and other sources.
- UPIDO internet search algorithm outcomes to estimate B2C parcel volumes growth in 27 EU countries and Great Britain.
- Published information on key market drivers such as economic data and estimates of home shopping levels and practices.
- Interviews with senior-level contacts in the market.
- LME's own, in depth, expert knowledge.
- The key input to our market size estimates is a bottom-up analysis of the OOH points of the firms operating in Europe in 28 countries (EU + GB).
- Verification with experts from local markets have been made to confirm the players, the numbers of OOH points, trends, etc.
- Where actual or published date is not available, we have made estimations based upon our market knowledge.

METHODOLOGY

OOH (out of home) is relatively new and is developing fast. To have the most up to date information, we have conducted:

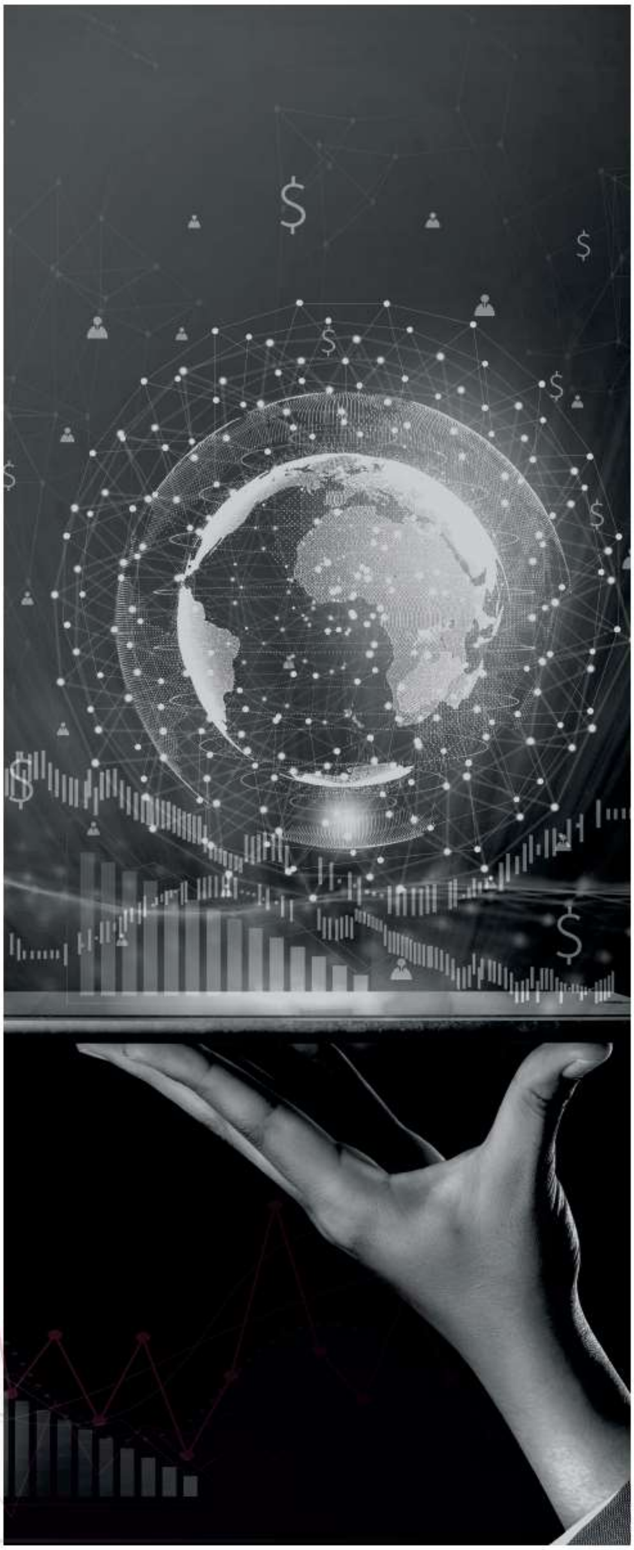
Extensive desk research on PUDOs (pick up drop off) and APMs (automated parcel machines, named as „lockers") networks in Europe covering company accounts, websites, press reports and other sources.

Almost **50 interviews** (CEO, senior-level of CEP, PUDO, APM operators, experts, retailers).

Analysis of **28 countries** (EU countries + GB).

Analysis of **213 networks** (network by network in each country in scope).

Moreover, we have partnered with UPIDO, a Swiss logtech company providing delivery intelligence as a service, which has created several proprietary algorithms enabling to exploit Internet search data in order to monitor and predict the evolution of e-commerce and B2C parcel volumes.



EXECUTIVE SUMMARY

Customers are increasingly demanding when it comes to the delivery experience. They want visibility, flexibility and control. In fact, a recent studies shows that consumers will abandon a basket if the delivery option they want is not available.

Given massive volume growth, **out of home (OOH) is a „must have" to be able to achieve capacity and is also critical to offer Customer choice.** A good returns process is an important element of CX and can determine whether customers come back…or not.

While each user group (Customers, Merchants and Carriers) benefit from a different value proposition, lockers and PUDO's are central to each of them and can be expected to become more important over time.

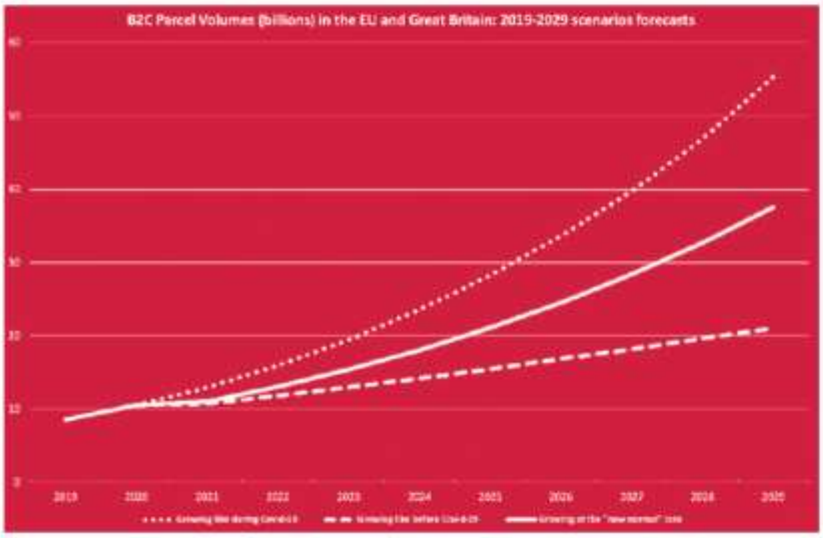
Much of the Covid-19 acceleration in e-commerce is most likely to last and B2C parcel volumes in the EU and Great Britain will reach more than 20 billion pieces in 2025 in our base-case scenario. However, parcel growth performances are unequal across the EU as a result of the pandemic, and OOH delivery networks do not seem to be optimised at this stage yet.

TOWARDS THE NEW NORMAL IN PARCEL VOLUMES

For the first time, the **10 billion** B2C parcel volume threshold was reached in the EU during the Covid-19 health crisis in 2020.

The new normal volume growth path could lead to more than **20 billion** B2C parcels in the EU and Great Britain in 2025, and close to **40 billion** in 2029.

At the pre-Covid-19 EU growth rate, the 2025 new normal parcel traffic volumes would be achieved only in 2029. Should the Covid-19 growth rate continue to apply, it would be almost already obtained in 2023 as Covid-19 accelerates growth by 4 to 6 years.



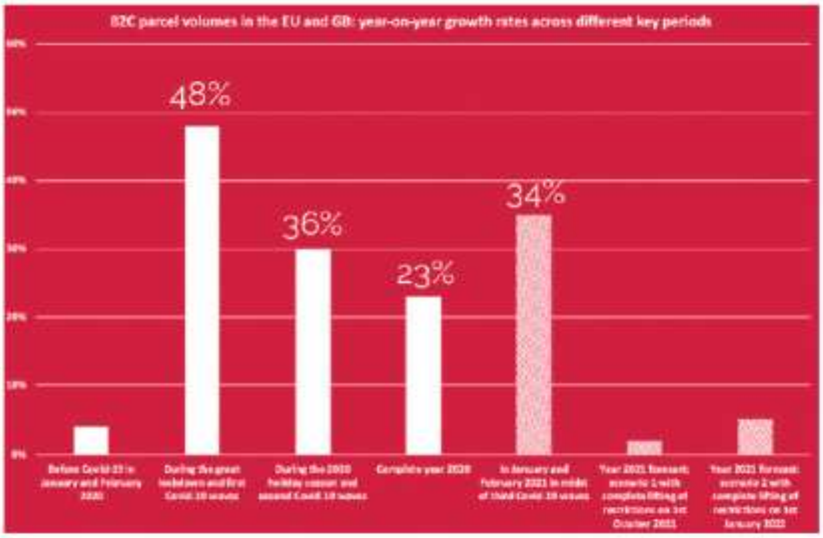
Source: UPIDO

EU B2C PARCELS VOLUME REACH RECORD GROWTH

The pandemic has led to various explosive growth processes of B2C parcel volumes, testing the capacity of delivery networks like never before.

2021 has started with very high year-on-year growth which is expected to slow down over the course of the year, depending on the progress of vaccination which will, in turn, drive the pace of removal of Covid-19 restrictions.

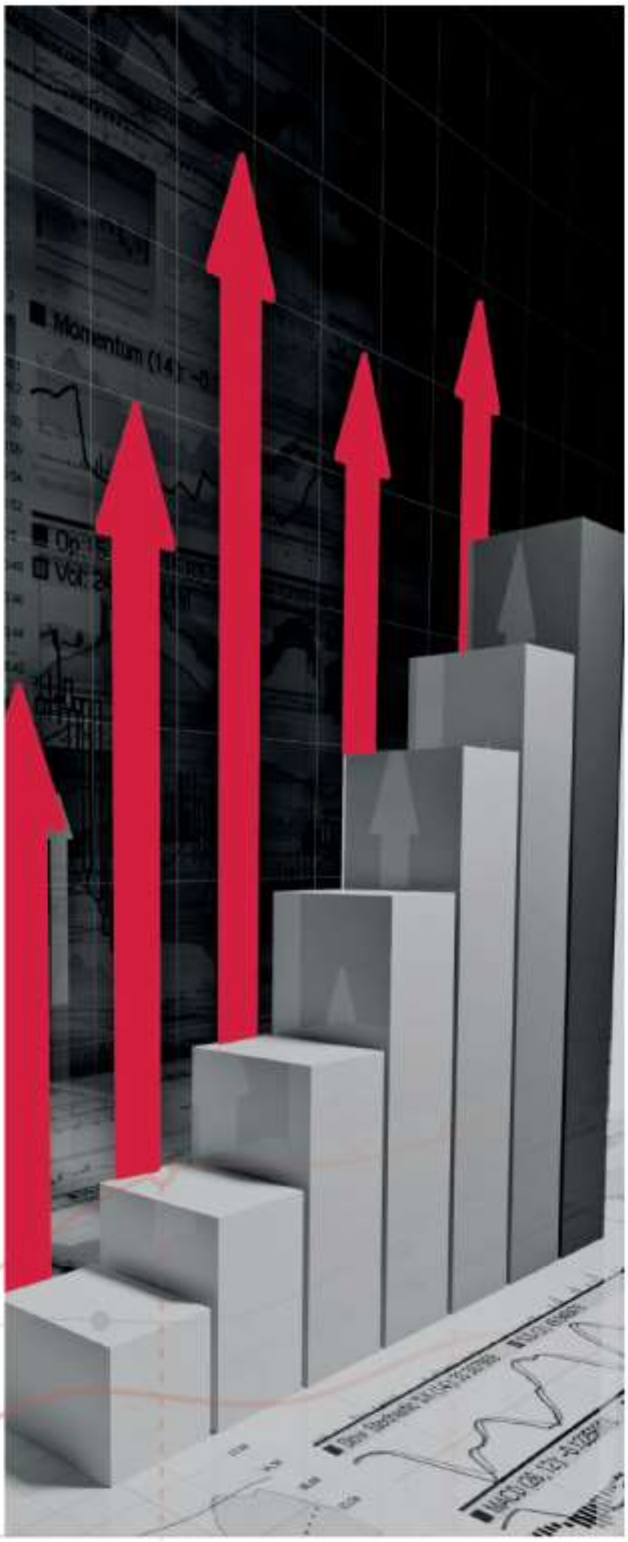
The impact of improving health conditions on online shoppers' behavior is expected to mitigate B2C parcel volume growth during the second semester of 2021, albeit gains made in 2020 are being further built upon.



Source: UPIDO

ADVANTAGES OF OOH

- OOH offers ever more **consumer centric** and flexible last mile services
- Almost **100% first time delivery**
- **Proximate** to customers (best in class urban networks are <350m away) - we can pick up the package "on the way", e.g. when shopping or coming back from work.
- **Convenient - 24/7** (outside APMs) or extended opening times PUDOs
- **Contactless** (APMs)
- Cheap and **easy returns**
- More flexibility; **long period of storage** (some 5 days in most PUDOs)
- **Operationally and financially efficient**
- **Ecologically superior where the PUDO or locker is proximate to home**
- Fast and relatively cheap **means of increasing capacity**



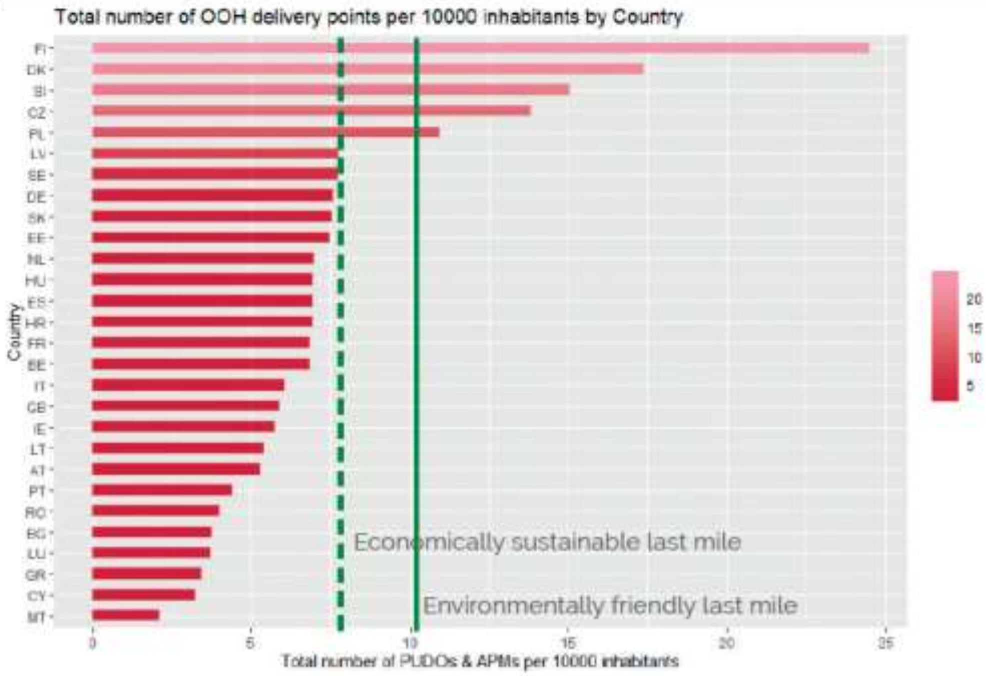
UNEQUAL OOH DELIVERY POINT DENSITY IN THE EU

Only 5 out of 28 countries are reaching the optimal threshold* of 10 delivery points per 10,000 inhabitants. **Finland is the only EU country that reaches more 20 OOH delivery points per 10,000** inhabitants thereby maximizing convenience for online shoppers.

The EU and GB are suffering from a clear delivery infrastructure gap that could jeopardize the post-Covid-19 economic and environmental sustainability of B2C parcel delivery in the context of steady, if not explosive, growth of online purchases.

An economically sustainable last mile is achieved before an environmentally friendly last mile since greater OOH density is required to minimize consignees' carbon footprint at the time of picking up parcels.

*LME rule for a reliable network is to have a minimum of 1 point per 10,000 habitants. Below this density level, the network is inefficient.



Remark: the number of OOH delivery capacity for Spain could be overestimated since Spanish parcel lockers banks are typically much smaller than in the rest of the European Union.

Source: UPIDO

NOTES TO THE REPORT

- It is not possible to state the exact numbers of PUDOs or APMs for all companies. Many companies do not provide figures at all or provide outdated figures.
- Wherever possible, authors have estimated OOH points.
- Data has been obtained from publicly available sources and from commercially available sources. The data published represents the latest information available from these sources at the time we carried out our research.
- Authors have reviewed company websites and publications or news on PUDOs or APMs. Moreover, we have conducted over 50 interviews (CEO, senior-level of CEP, e-commerce, experts, retailers) to develop our core, database. We have used Last Mile Experts and UPIDO own market „know how" and expectations for future developments.
- Most data was collected at the end of 2020 but, where possible, it has been updated just prior to publishing.

TERMS AND CONDITIONS

The authors take no responsibility for any incorrect information supplied to us by external parties. Quantitative market information is based on a range of sources and assumptions and is made on a reasonable efforts basis .

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