“Greek Courier Market - Elements and Tendencies of the Market 2006”

EXECUTIVE SUMMARY

DEMAND

The total turnover of Greek postal market in 2006 amounted to 732 million euros compared to 631 million euros in 2005. The **revenues** of courier services market reached **263 million euros,** presenting an 8.2% increase. The postal items **volume** rose to **45 million postal items** presenting a 15.1% increase compared to the 39,2 million in 2005.

The revenue from the **domestic** postal items amounted to 178 million euros or 68% of the total revenue of courier services market. Respectively, the volume of the domestic postal items rose from 35,5 million in 2005 to 40,6 million in 2006. This figure corresponds to 90% of the total postal items in the courier services market. On the other hand, the turnover and the volume of **cross border postal items** are considerably smaller corresponding to 11,9% and 20,03% (incoming and outgoing respectively) in terms of value and 6% and 3,5% in terms of volume.

As far as the delivery time of postal items is concerned, **80,5% of domestic postal items** is delivered **within one day** (next day delivery) (32,6 million postal items of 139,6 million euros). Instead, 15% of items (6,1 million postal items of 25,6 million euros) need more than one day to reach their destination. Same day delivery occurs for the 4,5% of items (1,8 million items of 12,4 million euros). On the other hand, as far as the **incoming cross border** postal items are concerned, 65,3% (1,8 million items) is handled in 1 day and 34,7% (0,9 million items) needs more days to be delivered. The respective percentages for the **outgoing cross border items** do not differ considerably since 71,6% (1,1 million items) is delivered within 1 day and 28,4% (0,4 million items) needs a longer period to be delivered.

In regard to the weight classification, **51,2%** of postal items ranges **between 1-500 gr. (except parcels), 31,6%** of postal items **is between 500 gr. - 2 kilos (except parcels)** while **the parcels up to 20 kilos** constitute the rest **17,2%** of total postal volume. It is worth noted that the aforementioned classification does not vary considerably compared to 2005.

From the correlation of the domestic postal items (except incoming postal items) by region, we conclude that the largest quantity of the postal items during **2006 came from Attica (64%)** followed by **Central Macedonia (13%)** and **Crete (4%).** In relation to the cross border postal items, it is clear that the most important region of origin/destination is the **European Union** with shares of **63%** and **65%** respectively. The rest of the classification for the regions of origin and destination is differentiated. As far as the incoming postal items is concerned, Asia is in the second place (16%) followed by the USA - Canada (12%). However, in relation to the outgoing postal items, the rest of Europe (European countries except EU) comes second (12%) followed by Asia (10%) and the USA - Canada (9%).

The most important factors determinative of postal services demand are the **customers' service, the reliability of the enterprise and the product price** while **the customers' income** does not affect significantly the demand.

The most important corporate customers of courier services providers are the sectors of **trade** (39%) and **services** (31%) followed by the manufacturing sector (18%) and the Public Sector (13%).

SUPPLY

According to EETT database the registered postal operators almost doubled during the period 2000-2006. The number of licensed enterprises in 31/12/2006 amounted to **341 postal undertakings.**

The courier market is mainly characterized by the important degree of concentration yield upon a small number of enterprises. Thus, over **76%** of the market **in terms of volume** is occupied by the five biggest sector companies (compared to 80% in 2005), while the total revenues of the same enterprises represent the **69% of total market turnover** (compared to 71% in 2005). It is noted that the leader enterprise handles over 29% of total postal items and its revenues exceeds the 23% of total market turnover.

From the association of the geographic distribution of the licensed postal undertakings operating in the courier services to the respective one of the postal items, we conclude that the majority of enterprises reside in the regions where the largest part of production takes place, namely **Attica and Central Macedonia**. Specifically, 44% of courier enterprises is located in Attica and handles 64% of the total volume of domestic and cross border items, while the percentages for Central Macedonia are 16% and 13% respectively.

According to postal operators, the most important factors determinative of courier services supply are firstly the current economic environment, the price reductions, and the Legislation/Regulation and secondarily, the audits and the sanctions.

According to the majority of market's representatives, the prices of postal services are are expected to change in a positive or negative way. During 2006, the largest price reduction was observed in the transportation of documents while the biggest price increase took place in the transportation of parcels. It is pointed out that the factors that mainly influence postal services' prices are the delivery time, the item's weight and the destination while the delivery time is considered to be from market's representatives the most important one.

The analysis of the various cost categories of the courier services, appoints **the personnel salaries** as the most important one (33%) followed by the **operational expenses** (23%), the **transportation expenses** (22%) and **other expenses** (13%). The latter mainly concern the **commissions** of courier services providers to other pay to other collaborative courier operators.

During 2006, it is calculated that the licensed postal undertakings (including the Hellenic Post - ELTA) together with the enterprises - members of their network, employed **about 21.000 employees**. The courier services providers employed over 10.700 workers, 81% of which was full-time and 19% was part-time. Generally, the employment in the sector doesn't require any special skills, a fact that explains on the one hand the high percentage of part-time employees and on the other hand, that the overwhelming majority (92,5%) of the personnel has received either secondary (83%) or compulsory education (9%). In any case, the contribution of the postal sector to employment is significant, taking into consideration the 5.8% jobs' increase from 2004 to 2006 and the gradual shift from part-time to full-time personnel.

According to the research's results, the majority of courier operators face difficulties in hiring and keeping its personnel. More specifically, the couriers and the motorbike owning drivers are the most difficult to find and keep.

As far as the infrastructure of operators is concerned, in 2006 the total number of operators' (including their network) courier services offices, sorting centers and warehouses was 2.482 occupying a surface of 136.731 m^2. The courier services providers along with their network have at their disposal more than 7.100 transportation means in order to meet their operational needs. With regard to the classification of the transportation means, 67% are motorbikes, 25% vehicles and the rest 8% refers to other type of vehicles.

In relation to the technological infrastructure of courier services providers, only a small percentage uses advanced technologies, such as scanners and automatic sorting systems. This conclusion seems fairly logical since the majority of the operators are small size enterprises and the investment for the acquisition of those technologies is feasible only for enterprises handling an important volume of postal items.

COMPETITION

The market of courier operators is characterized by **intense competition due to the high degree of concentration** of market shares. During 2006, the five (5) biggest enterprises handled 76,6% of total postal items compared to 80,2% in 2005 and realised 69% of total revenue compared to 71,3% in 2005.

The bargaining power of the market's suppliers is low, as opposed to that of the market's customers and particularly of the corporate enterprises, which have high bargaining power and can achieve important price discounts at the provided services.

Finally, the threat from substitution products and other services seems small for the courier services market in the immediate future. In the long run, however, the market will be influenced from the use of e-mail, e-signature and electronic document interchange (EDI).

CURRENT ISSUES – FUTURE PERSPECTIVES

The most important issue, mainly stressed out by the biggest sector enterprises, is the significant increase of transportation expenses. This problem in combination with the continuous "pressure" for the reduction of the provided services' prices that prevails the past few years has considerably damaged the courier services providers.

Another important issue is the operation of unlicensed family-size postal undertakings in the above mentioned sector.

According to market's representatives regarding the future development of the courier market for the period 2007-2010, an increase in the demand in all categories of postal services is expected to take place. Particularly, an increase of 4,78% on average is forecasted for mail correspondence, a 7,40% for postal parcels, and a 3.81% for direct mail without recipient’s address 3,81%. The preparation of postal items and the exchange of documents are following with 1,83% and 6,66% respectively.

The most important barriers to entry in the courier market under Individual License are the development of a wide postal network in order to support the services provided, the necessary investment, as well as the low profit margin of the provided services which presupposes the existence of an economically vigorous enterprise so that it can survive but also be motivated to enter a market with small profit margins.

The development of trade transactions within the Balkans will help to promote the international courier services providers as well as the local operators who don’t have a local network in order to realize the transport of cross border postal items in cooperation with the international providers. Consequently, the cooperation of Greek providers with the neighboring countries can constitute an important factor regarding the growth of courier services market.

In conclusion, the suitable regulatory framework and economic environment as well as the appropriate conditions of healthy competitive environment can create further prospects of courier market’s growth as it is shown by the 15,1% increase of postal items per resident for 2006. The future of the sector will be determined by the capability of postal undertakings to function in an efficient way and particularly to deal with the increasing tendency of reducing their cost and their prices.