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Postal Report

# How to Reignite Postal Competitiveness and Profitable Revenue Growth

# Foreword

The postal industry stands at a crucial juncture. For decades, we built our networks to deliver traditional mails and for a long time, that was enough. E-commerce has changed consumers' expectations who now demand speed and transparency, and testing the economics of our legacy models. The question is no longer whether we transform, but how fast we can adapt without losing the essence of who we are.

At Pos Malaysia, we faced these same challenges. Declining mail volumes, fierce competition, rising costs and the responsibility of delivering to millions of addresses every single day. That prodded us to chart our transformation path. We focused on rebuilding trust in our core service, investing in intelligent systems, and reimagining what a postal network can be.

**Our journey has taught me three things:**

- There is no shortcut to operational excellence. Fix the basics before you innovate.
- Digital transformation is not about technology alone; it's about empowering people to deliver better, every day.
- Sustainability is not a box to tick but it's a lens through which every decision must be made, because customers and communities expect nothing less.

We leveraged our strengths to create market differentiators. Pos Malaysia has evolved from a traditional postal service into a dynamic provider of mail and parcel services, financial services, and supply chain solutions, supported by the largest delivery and touchpoint network in Malaysia. For example, we converted postal depots into fulfillment centers (Pos Fulfil) and introduced hybrid retail models (Pos Shop), maximizing the value of our infrastructure.

And, we did not do this alone. Partners who understand the complexity of postal operations and who bring real solutions to the table have been essential in turning ambition into results.

This piece of content captures the urgency and opportunity facing our industry. It challenges postal leaders to think differently, to orchestrate their networks intelligently, and to embrace transformation not as a project, but as a way of life. Because in the world we operate in, standing still is not an option.

\- **Charles Brewer,** Group Chief Executive Officer, Pos Malaysia

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# Current Context and Challenges

Postal organizations are facing some significant challenges. If we look at results over the last decade, it is possible to conclude that very few postal companies are on a path to profitable growth. According to an Accenture report, considering inflation, most postal operators are smaller revenue wise than they were a decade ago.

One of the main observations from industry reports is that postal players have lost parcel delivery market share despite having a perceived advantage in delivery density from mail volumes.

How can postal operators improve their competitiveness and revenue growth? We believe that there is an opportunity for postal operators to leverage the ongoing disruption and available technology to better meet customer needs, drive new revenues and lower operational costs, all at the same time. In this perspective, we would like to share with you how we believe the industry will evolve, what opportunities this represents, and the capabilities required to enable this.


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# Disruptions
# Impacting Delivery

Arguably the most important disruption is the **decline in mail volumes.** Royal Mail, for example, used to deliver 20 Billion mail pieces in 2005; today that volume is down to 7 Billion and is expected to decline further to 4 Billion in 4 years. Inevitably, this means less letters per address on average and many more homes and offices that are skipped with daily delivery of mail.

All this while the number of delivery addresses keeps growing, yet **Universal Service Obligations (USO)** mandates force operators to maintain unprofitable delivery networks. Australia Post's letter volumes are at their lowest since the 1950s, yet Community Service Obligation costs surged to AU$442 million in 2024.

Meanwhile, new models have disrupted the eCommerce B2C delivery space. In the past, it was common to use one carrier for national or regional door-to-door delivery. **Postal players were strong players in this model.** Today, inventory is placed closer to urban centers and sortation, linehaul and delivery are often done by separate players in a fragmented supply chain. This has led to VC-backed startups, platform-led carriers and marketplaces such as to enter last mile delivery directly, capturing e-commerce's explosive growth. These players have led to the proliferation of low-cost regional players, franchise models for rapid geographic expansion and delivery service providers (DSPs) that focus primarily on urban deliveries.

However, while these innovative players rapidly evolve with technology-driven operations, traditional postal operators

continue to struggle with outdated systems and processes. Legacy processes, manual tracking methods and siloed IT systems result in limited focus on delivery experience and leads to higher operating costs. This puts postal operators at a disadvantage in meeting **customer expectations** despite having unmatched network and coverage. Tracking updates remain batch-oriented, leading to up to 24 to 48 hour delays in status visibility. Claims and return flows still depend on manual processes, increasing labor costs and eroding service reliability compared to real-time digital competitors.

Amid these operational challenges, new delivery solutions like parcel lockers and PUDOs are gaining traction, further transforming how last-mile logistics are managed. **Parcel lockers and PUDOS (pick-up and drop-off locations)** have also seen a gain in popularity. Though adoption of parcel lockers varies widely by country, parcel lockers and PUDOs are growing in numbers and will represent a growing percentage of delivery stops. Whether open or closed, these networks do change the way deliveries are made because of the high drop density.

In response to these changes and challenges in delivery logistics, many postal operators are pivoting towards revenue diversification by expanding their service offerings both at home and through their outlets. Many postal operators have sought revenue diversification opportunities and what comes up is the need to offer more services to the home and at postal outlets. Trends such as the need to cater to an **older and less mobile segment** and the need to be better prepared for the next pandemic lead to a disruption to the **last mile delivery model.** Delivering a letter or parcel versus having to check on a resident have different time values when calculating letter carrier workload. Footfall in postal outlets is declining as digital alternatives surge, leading to a high fixed cost burdens on revenue margins amidst this uncertainty. Operators are exploringhybrid models (e.g., Pos Shop: postal plus micro-retail services) to drive incremental foot traffic and revenue per outlet.

As postal operators evolve their business models to adapt to shifting customer needs and economic pressures, they simultaneously face growing sustainability mandates and regulatory frameworks that are reshaping delivery operations. **Sustainability requirements** are directly impacting the bottom line through corporate procurement policies and consumer choices. Regulations at the national and municipal levels are also disrupting delivery in two ways. At the national level, there is a push towards Electric Vehicles – from large vans to assisted cargo bikes - to reduce carbon emissions. At the municipal levels, we are seeing urban choices such as in Paris and London to **limit car traffic** in general and to manage the number of delivery vans.

Together, these dynamic disruptions and adaptations signal a period of profound transformation for postal delivery, requiring operators to innovate continuously to remain resilient and meet future customer and regulatory demands.

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# That Can Reignite Competitiveness & Profitable Growth

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The aforementioned disruptions represent opportunities for postal operators to lower costs, drive increased revenues and improvecustomer experience. Below are some ways to achieve this – and let's be clear – not all of these ideas make sense for every postal operator.

**Merge Mail and Parcel Delivery:**

As mail volumes & frequencies are shrinking, merging them with parcel networks makes sense to lower per unit costs and maximize revenue per stop. An increasing number of posts, such as Posti, Posten Norge, and Australia Post, are moving to mail delivery every other day[5]. The concept is to treat mail as a parcel operationally and deliver it once to each address. This is common on rural routes but should be extended to urban and suburban deliveries. Last mile delivery will be made daily, with mail being part of a route every other day or, eventually, once a week.

**New Urban Parcel Products:**

To address the fragmentation of the supply chain, postal operators could propose new urban last mile products. The postal operator would become a last mile consolidator for B2C deliveries, with items pre-sorted and inducted in the last mile depot by 3PLs, merchants, and marketplaces. Postal operators could command even higher route densities, thus lowering the overall unit cost and price, making it affordable for all. The best comparable example is USPS' Parcel Select product[6]. This could also position a postal operator as the preferred vendor should a city decide to restrict local deliveries to a single provider.




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## Introducing New Mail Products:

By going beyond the current IMB (Intelligent Mail Barcode) technology used at USPS and offering unique tracking for each piece, postal operators will be able to innovate with mail. They will be able to launch a faster time-definite tracked mail product with greater visibility and control that will command a higher price and be delivered as a parcel. A recent study entitled Strategies and ways for developing the traditional letter-post market highlights the need to merge mail and parcel deliveries together. Postal operators will also be able to maintain a slower eco-friendlier traditional mail service as well.


## Proposing Alternative Delivery Models:

We anticipate that postal operators will expand their use of Community Mail Boxes (CMB), Parcel Lockers and a network of PUDO locations (typically independent shops). While consumers still prefer home delivery, this is not always possible and secondly, CMBs and PUDOs will help increase the drop density substantially and help unit economics. From a delivery perspective, it is plausible and likely that some routes will cater exclusively to PUDOs and would require a fleet of larger vans with very few high volume stops.

## OfferingValue-added Services:

A delivery stop is a terrible thing to waste. Building on the trend of an aging population and of home services, postal operators could drive additional revenues through home services such as the collection and delivery of prescription drugs, meal services, wellness visits and equipment installation. La Poste already offers some of these services. Since these services typically take much longer than a typical parcel delivery, postal organizations will need to pivot to more dynamic models to optimize letter carrier/driver utilization throughout the day.


# The Capabilities To Help Drive Profitable Growth

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There is now doubt that looking to the future, delivery will require greater flexibility, may require alternative delivery models and will be dominated by parcels over mail. We believe there are four enablers for postal operators to seize the opportunities.

## The Importance of Data:

A consideration for postal operators is the need to leverage already captured information to better run operations. Assuming that, eventually, all products are barcoded, it will be possible to know as soon as a label is created (capturing origin, destination, speed, item size and weight), the recommended trajectory through the network and the density of the last mile by route. This can be a powerful tool to help determine, from several days in advance to as little as hours prior, how many parcels and mail items will be delivered on a given day from all depots.

## Cultural Change:

Aversion to risk, organized labor conditions, making bold moves and changes to regulations – all topics that will need to be managed and mitigated. For instance, making changes to routes could face significant resistance from letter carriers. The regulator will also need to rethink USO (Universal Service Obligations) for postal services. All challenges that need to be managed to enable this necessary change. Nevertheless, change may come faster if postal operators suddenly face financial challenges that force a change, and perhaps the path forward will consist of a series of step changes.


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### Changes in Operations:

Currently, mail and parcels run in parallel across the network. Postal operators will need to better align sortation and processing between mail and parcels. For those posts with low mail volumes, that may already be a reality. For others that use delivery route sequencing for mail, merging of mail and parcel networks will also come in steps when mail starts to be sorted as parcels and commingled together with parcels as upstream as possible. The use of AGVs (automated guided vehicles) can enable some of these changes in sorting, for instance.

### New Dynamic Capabilities:

Postal operators will need to move from static to dynamic routing to enable almost all of the revenue growth opportunities. As mail becomes treated as parcels, as new delivery models are contemplated and as new products and services are launched, dynamic routing is critical to make the new last mile a reality. This may come in phases with some parcel only routes moving to dynamic routing first.


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# Asia Pacific Summary

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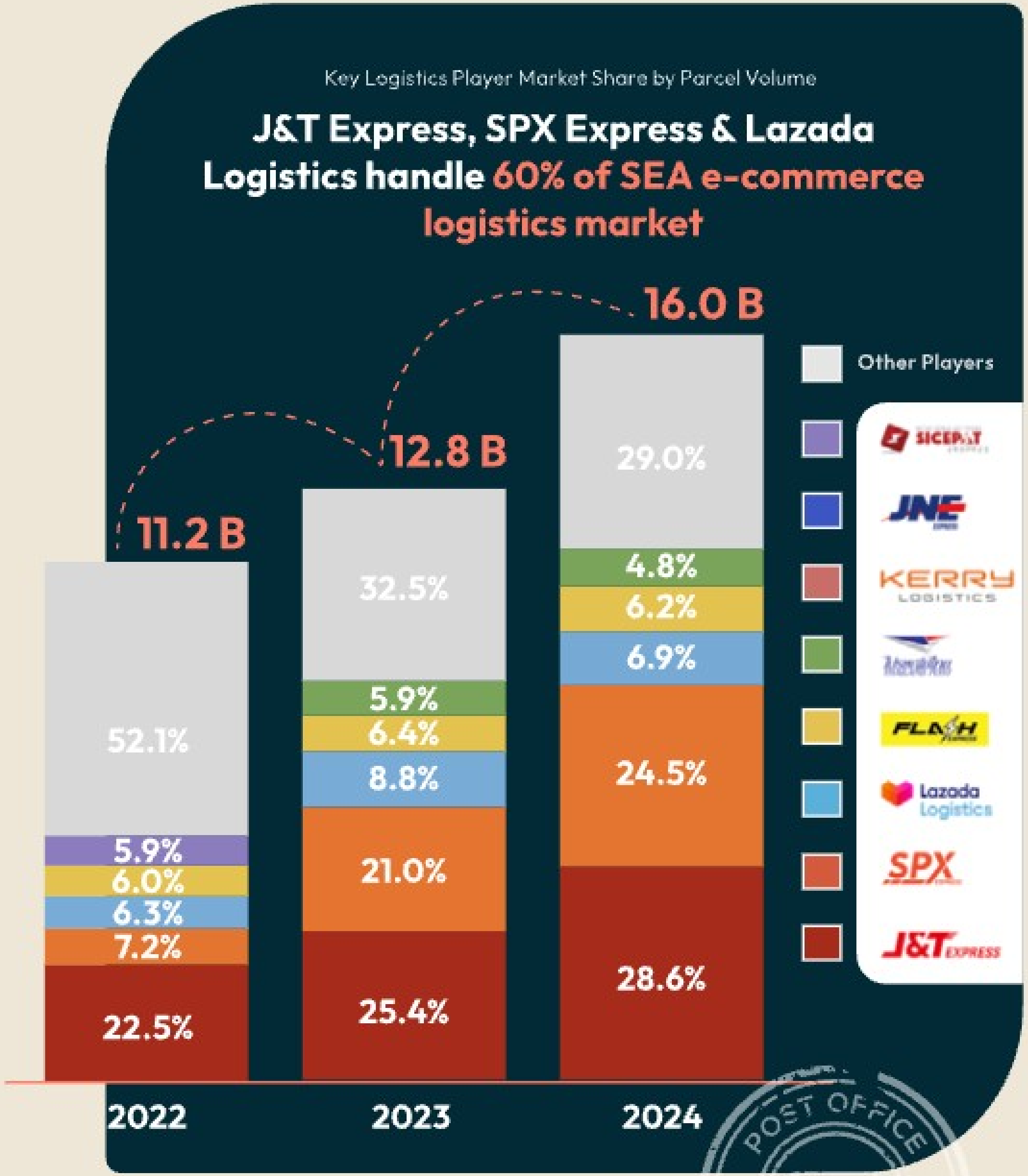
## Local Context & Summary:

The **Asia-Pacific postal services market**, valued at approximately **USD 187 billion** and projected to grow at a CAGR of 3.2%, represents one of the world's most competitive logistics landscapes. Yet it stands at an inflection point with structural challenges that threaten the viability of traditional postal operators.

While at **6-8% CAGR**, letter-mail volumes drop 5-10% annually, creating a fundamental business model crisis. Private carriers like **J&T, Shopee's SPX, and Lazada Logistics** now handle a majority of e-commerce parcels, intensifying price and speed pressure on national posts. Margins remain thin but the obligation to serve all delivery addresses remain with the latter.

Compound this with digital-native consumers' expectations for fast, reliable, transparent delivery, and the result is a battleground no legacy operator can win with ancient methods.

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The core challenge lies not in market size but in flipping the margins as highlighted earlier in this document. Higher parcel volumes generate lower per-unit revenues while Universal Service Obligations force operators to maintain comprehensive yet costly networks. Legacy technology systems, risk-averse cultures, and declining retail footfall compound these pressures, creating operational inefficiencies.

## Success Stories that show a Viable Path:

The very forces disrupting the postal market also unlocks unprecedented growth opportunities. The fundamentals already exist: Vast physical networks with unmatched coverage, established brand equity, and deep consumer relationships.

Different postal operators have identified unique initiatives in line with their strengths and strategic alignment but common moves include network consolidation, last-mile digitization, fulfillment adjacency, retail reinvention, strategic partnerships, and expansion to value-added services. The convergence of these transformation initiatives is highly dependent on strong leadership commitment, substantial technology investment and customer centricity.

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**Operating Model Reset:**

Mail and parcel consolidation to achieve optimized networks. This essentially means treating mails as parcels operationally while transitioning letters to alternate-day or weekly schedules where regulations permit.

- **Pos Malaysia has integrated** approximately 80% of their separate mail and parcel networks.
- **NZ Post is making the structural move** from dual to one integrated network. Similarly, Australia post is focusing on parcel growth strategies while managing structural decline in letter volumes.

**Fulfillment Adjacency:**

Smart operators are leveraging existing physical assets to maximize delivery networks while optimizing for speed, cost and consumer experience.

- **Pos Malaysia's strategic launch of Pos Fulfil** (fully integrated fulfilment) where three central and eight regional fulfillment hubs equipped with over 200,000 square feet of warehouse space are strategically co-located with last-mile delivery services. This ensures products are stored securely, organized efficiently, and shipped promptly to meet the most demanding market requirements, transforming postal operators from traditional delivery services into comprehensive logistics partners.


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### Partnerships with Capacity Sharing, Ecosystem Orchestration and Open Infra:

Few operators are diversifying revenue streams through strategic alliances and by participating in broader logistics ecosystems rather than competing solely on proprietary networks.

- **Japan Post's partnership with major logistics players** like Yamato and Rakuten includes accepting Kuroneko Yu-Packet and Yu-Mail services to optimize delivery capacity and address labor constraints. This is integral to Japan Post's digital transformation program to expand service capabilities.

- **Singapore's government-supported PICK network** operates approximately 1,000 carrier-agnostic lockers throughout the city-state, providing delivery density benefits that individual operators could never achieve independently. SingPost strategically routes packages to these shared lockers for improved delivery efficiency and failed-delivery reduction, exhibiting how ecosystem participation can enhance service quality while reducing operational costs.

### Value-Added Services Expansion:

Postal companies nowadays see value-added services such as a strategic lever in this ecosystem.

- Vietnam Post has partnered with Hitachi and **VietCredit** to deploy new financial services nationwide.


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- Thailand Post is also exploring **virtual banking opportunities** through its 1,600 physical branches and established community relationships.

- Traditional branches can serve as multi-purpose service and commerce nodes rather than just post offices. **POS Shop's hybrid convenience retail model** had successfully served over 630,000 customers since launch.

- Japan Post's financial services success with **10+ million Bankbook App** users demonstrating platform adoption

**Digitize the last-mile:**

The future belongs to data-driven delivery orchestration that leverages intelligent and rate-based routing across delivery networks. This is driven through real-time visibility, proactive exception management, and empowers frontline staff resulting in speedy, transparent, and cost-effective deliveries.

- AI based routing algorithms can **reduce delivery times** by 15-25% while cutting fuel costs and improving consumer experience.

- Japan Post's ¥430 billion **strategic investment** representing one of the industry's largest digital transformation commitments.

- **Pos Malaysia's next-day delivery rate** for parcels improved to over 90% by late 2024 while on-time mail delivery also climbed to 93%, and customer satisfaction reached 91%, exceeding the industry average.


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## Sustainability

Sustainability is no longer an ESG branding but seen as a needle mover for P&L imperative. They now directly impact the bottom line through regulation, corporate procurement policies, and consumer choices.

- Pos Malaysia who has committed to a **30% reduction in Scope 1 & 2** emissions by 2025;
- Singapore Post and Japan Post are introducing **carbon-neutral parcel** options with surcharges that must balance sustainability goals against customer price sensitivity.

Fast and early movers have the opportunity to capture unprecedented growth opportunities in this digital economy. The question is no longer whether to transform, but how quickly postal leaders can orchestrate their networks intelligently and embrace transformation as a continuous capability rather than a one-time project.

"We believe that the above strategies will help postal operators strengthen all 4 Rs (Reliability, Reach, Relevance, Resilience) of the UPU's 2IPD[10] (Integrated Index for Postal Development) score as well as drive revenues, competitiveness, and profitability."

**Kushal Nahata,**
CEO & Co-founder, FarEye

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# Want To Know More?

Reach out to FarEye to set up a workshop to define together how to design your future of last mile delivery.

Reignite postal competitiveness and profitable revenue growth.

**www.fareye.com**


**Unlock Postal Transformation**