Post Office Networks
– Running to stand still

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«Now, here, you see, it takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!»

Lewis Carroll, «Alice’s adventures in wonderland» (1865)
100 years of stability, 20 years of change
Historical development of the post office network in Switzerland

Data: Swiss Post, Federal Statistical Office of Switzerland
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An international phenomenon

Self-owned retail outlets (post offices) of USPs
1997-2016
index, 1997=100

Development of agencies
2007-2016
per 1 mio. inhabitants

Retail outlets 1997-2016
(self-owned post offices and agencies)
per 1 mio. inhabitants

Data: UPU

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What has changed?
The post office in the postal value chain

1960
No bypassing the post office
What has changed?
The post office in the postal value chain

1960
No bypassing the post office

Collection
Post office

Processing
Post office

Delivery
Post office

2019
Often no need for the post office

Collection
Online/business solutions
Post office / agency

Processing
Automated centers

Delivery
Post office/agency/parcel lockers
What has changed?
Post office network lost absolute and relative importance

Volume decline in the post office network
(2000 = 100)

Declining significance of the post office network
Share of the post office network in % of Swiss Post’s total

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3 economic dimensions of the post office network

1. Pure retail business dimension
2. Indirect business value
   (positive internal externalities)
3. General-economic value
   (positive societal externalities)
3 economic dimensions of the post office network

1. Pure retail business dimension
2. Indirect business value (positive internal externalities)
3. General-economic value (positive societal externalities)

“we have not yet found a postal operator with a true, successful retail business, in the sense of selling products to consumers” (UPU/BCG, 2012)
3 economic dimensions of the post office network

1. Pure retail business dimension

![Graph showing costs and revenues over time with a deficit indicated.](image)
3 economic dimensions of the post office network

1. Pure retail business dimension

- Costs with network development
- Costs after the end of network development
- Cost development necessary for constant deficit → «running to stand still»
- Revenues

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3 economic dimensions of the post office network

1. Pure retail business dimension
2. **Indirect business value** (positive internal externalities)
3. General-economic value (positive societal externalities)

- Image effects, consumer advising
- Problem: indirect value is hard to measure!

«Our office network may cost us CHF 100 Mio. per year»
Thomas Baur, Swiss Post
3 economic dimensions of the post office network

1. Pure retail business dimension

2. Indirect internal value

Hypothesis: indirect value is shrinking with time (?)

still «running to stand still»?

revenues
3 economic dimensions of the post office network

1. Pure retail business dimension
2. Indirect business value  
   (positive internal externalities)
3. General-economic value  
   (positive societal externalities)
   
   1. Internalization of network effects  
      «universality»  
   2. Redistribution between regions  
   3. Social value («public good», like a park)  
   4. Protect vulnerable consumers
3 economic dimensions of the post office network

1. Pure retail business dimension

+ 2. indirect internal value

+ 3. general economic value

network not attractive for USP anymore

network not attractive for population anymore

revenues
deficit

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Conclusion

– Traditionally, developments of post office networks were not associated with business developments

– Post office networks have evolved and lost absolute and relative significance; they are now often developed parallel to business developments

– Yet still today, post office networks can be viewed as incorporating three economic dimensions

– But measurement problems occur w.r.t. indirect business value and the general economic value

– Conflicts between USP and society inevitable as long as financing of the general economic value is not clear
Thank you.

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