



Edition: October 2008

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Logistics strategy Efficiency from collection to delivery

Background

Swiss Post is a modern logistics company. Every day, it delivers half a million parcels and 15 million letters and other consignments. It provides its business customers with comprehensive solutions, ranging from storage to transports of all types. Swiss Post's internal procedures and processes are improved continuously and the company invests heavily in new technologies. Swiss Post thus strives to both remain an efficient company and meet shifting customer requirements.

In this context, some noteworthy challenges are the substitution of letters by electronic means of communication, evolutions in technology, and customers' increasing price sensitivity, coupled with cost pressure. Swiss Post is thus called upon to process lower volumes more cost-effectively through the use of the latest technologies and ongoing process optimisations, while also being able to react promptly and flexibly to new customer requirements. Indeed, private and

business customers are displaying increasingly diverging patterns of customer behaviour. The latter expect ever greater flexibility and individuality as regards mailing or delivery times. At the same time, Swiss Post needs every minute it can get to ensure optimal logistic service provision.

Important challenges

Swiss Post closely monitors these developments and has analysed the partly diverging tendencies of customer requirements and logistical imperatives. This gives rise to major challenges in logistical core processes, starting with the collection of mail (consignment process), through processing (sorting process), up to the detailed delivery of consignments (delivery process). The analysis also dealt with support processes and addressed further core issues in network structure, transport, IT and HR. In the past, Swiss Post has already proven that it is able to evolve successfully while giving consideration to the needs of all stakeholders. Swiss Post's logistics strategy forms the basis for future developments in the field of logistics.

Efficiency and improved services

Over the coming years, through projects rooted in its logistics strategy, Swiss Post aims to ensure a more efficient collaboration across the entire process chain, taking into account all products. This should also allow for new services to be developed in accordance with customer requirements. As a corollary, existing procedures and processes will be critically assessed and newly structured with a view to overall optimisation.

Defining strategic approaches

Swiss Post's logistics strategy provides a common basis for development for the company's different logistics areas and defines the thrust of individual projects in which identified themes are refined further. This applies to all fields of the process chain (see fig. 1). As individual processes are strongly entwined, there exists great mutual dependency. In many cases, the successful implementation of a project depends on upstream or downstream processing stages.

Adapting network structure

The consolidation of mail delivery sites, where postmen prepare the mail for their delivery rounds, is already well-advanced. The number of mail delivery sites will be reduced from 1,800 to around 1,200 by early 2009. In a next phase, this provides the basis for consolidating and jointly operating sites across departments (i.e. letters, parcels, small consignments, express etc.). This makes it possible to save on infrastructure costs. Delivery becomes more efficient and the total number of transports can be greatly reduced. A positive impact may be expected on Swiss Post's energy efficiency and consumption of resources.

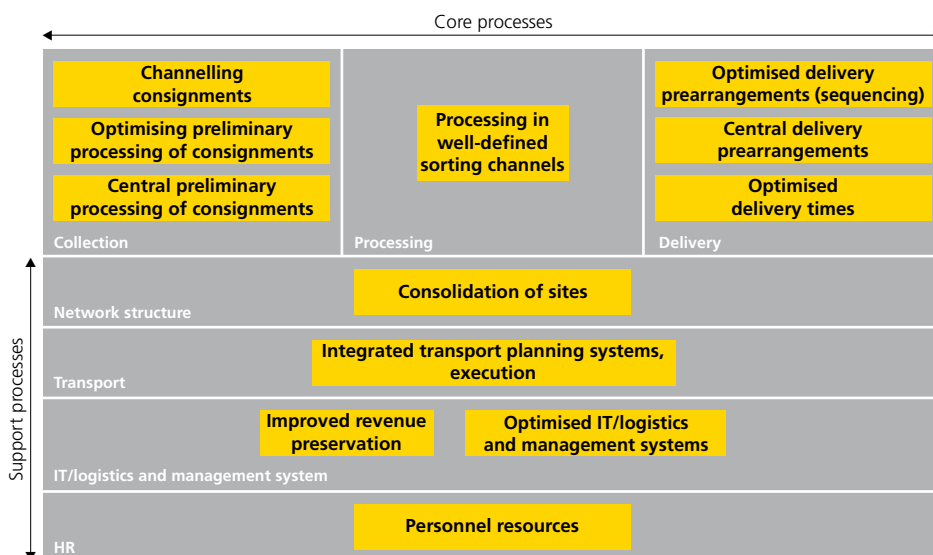


Fig. 1: Main axes of Swiss Post's logistics strategy

A glimpse of the future

By extending the delivery window for private customers into the afternoon, Swiss Post aims to achieve greater flexibility in upstream processes. It allows it to better service business customers in the morning, while also creating the necessary conditions for optimising upstream sorting processes. Thanks to the automatic presorting of consignments according to delivery round sequence down to the individual letterbox (sequencing), the delivery process can be further streamlined (see box).

At the moment however, such procedures are but a glimpse of the future: schemes are being tested or still only being planned. Yet these tests will show how, where and under which conditions sequencing can be implemented. In this context, it is important to take into account the concerns and requirements of private customers.

Ongoing and already planned pilot schemes

Swiss Post is testing an alternative delivery concept at three sites in Western Switzerland. In business districts, delivery for all customers will occur by early morning at the latest. In residential districts, daily newspapers delivered by Swiss Post will reach customers in the early morning. Delivery of other letter mail in residential districts is extended into later afternoon.

Starting in the spring of 2009, the options and feasibility of automatic sequence sorting will be tested in the St. Gallen region. This means postmen would be handed consignments already sorted into correct order by house number and

Tapping savings potentials

Starting in 2012, Swiss Post expects projects initiated on the basis of its logistics strategy to generate an annual savings potential in the low triple-digit-million range. This should make it possible to absorb at least part of cost inflation, which within logistics amounts to roughly 80 million Swiss Francs a year.

Further development in collaboration with employees

Once pilot schemes have been concluded, Swiss Post will carefully assess all repercussions on staff when developing concrete projects. Personnel cutbacks are likely. However, cutbacks should to a large extent be absorbed by ordinary staff turnover.

letterbox. The tests will show how the efficiency of delivery can be improved by more advanced presorting.

Tests are being carried out in the Landquart region as regards the collection of consignments. Preliminary processing of consignments in view of sorting is being concentrated at one site, where consignments are prepared for subsequent sorting in a semi-automated procedure. This should yield dependable insights into processes, procedures and timeframes for processing, actual sorting and transport.

The position of Swiss Post

With its REMA project, Swiss Post has established state-of-the-art mail processing. Important alignments have been operated as regards delivery, with the creation of distribution groups and the ongoing optimisation of mail delivery sites. As regards mail collection, the network of drop-in letter boxes will be renewed by 2010. Swiss Post's logistics strategy now targets the entire process chain, from the collection to the delivery of consignments.

- Swiss Post views the schemes already being implemented and those still being tested as pointing the way towards the successful further development of its core activities. As a modern logistics company, it must imperatively avail itself of technological advances and resulting new processing options, taking into consideration customer requirements.
- Thus doing, Swiss Post plans to retain its step-by-step approach, seeking dialogue with the people, regions and customers affected by changes. Communes, cantons, trade unions and the sphere of politics will be informed of further developments in a transparent manner. Swiss Post seeks to effect understanding for necessary developments.
- The number of improvements for customers and savings for Swiss Post which can finally be realised will not only depend on commercial and technical possibilities, but also on legal provisions and political commitment. In the context of the revision of postal legislation, Swiss Post pleads for a sense of proportion as regards the regulation of its infrastructure and delivery mandate, and hopes for coherent political decision-making, giving it the necessary entrepreneurial freedom to remain the backbone of basic postal service while operating successfully on the open market.
- Swiss Post aims to keep providing outstanding public service in future; for this purpose, it requires the necessary room for manoeuvre.