

Our performance

Parcel Services

Providing world-class ecommerce-driven logistics, supply chain and parcel delivery solutions for local, international and online businesses.

Highlights

- Bringing our new StarTrack brand to life, by combining Australia Post's national reach and StarTrack's premium service and business focus
- Delivering 97.8 per cent of parcels on time – above our target of 96 per cent

Challenges

- Capitalising on emerging online retail opportunities in an increasingly competitive environment

Outlook

- Identifying new ways to streamline and optimise our combined network to make parcel delivery more convenient for our customers
- Increasing our parcel network capability to support future volume growth and improve customer satisfaction



With a steadfast focus on offering the modern service that Australians want, we're creating a world-class multi-channel parcels and freight business to harness the growth in online shopping and ecommerce.

As the delivery partner of ecommerce businesses around the country, Australia Post has long supported online pioneers like eBay, Catch of the Day and OzSales. Our traditional retail customers such as Myer, David Jones, Woolworths, Target and many wine sellers are also transforming their business models to suit today's digital world. We are supporting them with fast, reliable and competitively priced options for sending product to their customers.

Over the past five years, we have been upgrading our parcel services and capabilities to support the boom in online shopping. In today's digital world, customers expect high levels of service and convenience at every touch point – from a phone call to our customer service centre, to the driver delivering the parcel. We're focused on ensuring we provide our customers with a seamless, reliable and value-for-money delivery service.

We are now embarking on the next part of this transformation, which means aligning our business to our customers' needs. To achieve this, we have organised our business under two core brands, a blue brand – StarTrack, and a red brand – Australia Post.

Introducing the new StarTrack

Over the past 12 months we've been integrating Australia Post and StarTrack to create a logistics provider that services both business and consumer markets with an unrivalled suite of delivery services.

By combining the trust, reach and convenience that Australia Post is famous for, and the premium service standards, express freight capability and business-to-business strength of StarTrack, we've created the largest logistics force in the country.

The integration of these businesses means we can now service both business and consumer markets with an unrivalled range of parcel, freight, express, courier and international logistics solutions developed with customers' needs in mind.

Through Parcel Post, Express Post and StarTrack, we offer a range of choices in small consignment freight and logistics with same-day, next-flight, next-morning, next-day or our regular three-to-five-day delivery service, all under the StarTrack banner.

Bringing our brand to life

This year we made strong progress in bringing our new StarTrack brand to life. The refreshed brand features the familiar Australia Post "P" in dark blue and the StarTrack wordmark. It is now visible on our vehicle fleet and at our office in Sydney, which is called StarTrack House.

We also rebranded Australia Post's Messenger Post Courier business to StarTrack Courier in May 2014 to coincide with the official opening of StarTrack House (see breakout box).



Unveiling STARTRACK House

On 7 May we officially opened StarTrack House in Sydney, our newly refurbished New South Wales head office for Australia Post and StarTrack. The opening coincided with the 40th anniversary of the incorporation of MultiGroup Distribution Services Pty Ltd (renamed exactly 30 years later to StarTrack Express Pty Ltd). On this day we also announced that StarTrack – with the famous Australia Post brand mark in blue (as above) – would form the new name of our parcels division.

The landmark building, which was sold and leased back by Australia Post last year, underwent substantial redevelopment to provide an attractive and modern workplace which fosters greater collaboration between Australia Post and StarTrack team members. The sale, leaseback and refurbishment allowed us to optimise our prime location in Sydney and invest in infrastructure for our future.

Efficient and sustainable, the building features the latest energy-saving amenities such as energy-efficient light fittings, water-saving equipment, and solar panels (see page 40 for details). It is expected to achieve a five-star National Australian Built Environment Rating System (NABERS) energy rating.

The building also houses our 45th retail superstore, offering greater customer choice and convenience through a 24/7 self-service zone.

Powering online shopping

The digital economy continues to create opportunities for our parcels business. The recent boom in Australian ecommerce has been – and continues to be – our most significant growth opportunity. Australians now spend more than \$15.5 billion a year online (NAB Online Retail Sales Index June 2014).

Studies of the Australian ecommerce market consistently predict strong year-on-year growth in Australian online spending through to 2020. Currently, online retail spend in Australia represents around 6.6 per cent of traditional retail spend (as reported in the NAB Online Retail Sales Index June 2014). This lags behind other developed countries, such as the USA and UK, whose online spend is estimated to be more than 10 per cent (Morgan Stanley Research, January 2014).

While online retail continues to evolve and mature, the pace of growth has slowed from the very high rates experienced in 2011 and 2012 to single-digit growth today. This slowdown in the ecommerce market is the result of prevailing sluggish economic conditions, cost of living pressures, low levels of consumer confidence, and the emergence of new retail distribution models, such as Click and Collect.

Despite this challenging market, we have had a year of solid performance with our domestic parcel volumes growing by around 12.8 per cent and overall parcel revenue growth of 16.4 per cent. While volumes are increasing, we are still achieving high service performance levels with 97.8 per cent of parcels delivered on time (above our target of 96 per cent).

Strengthening our network

Our Future Parcels Network program is a \$595 million capital investment in our systems, processes and infrastructure to boost network capability, support future parcel volume growth and improve customer service and satisfaction. The program will deliver major safety, productivity and cost improvements, and double our capacity so that we are equipped to handle more than 320 million parcels per year nationwide by 2019. Throughout 2013–14 we upgraded our major parcel facilities in Sydney and Melbourne (see page 30) and completed extensive design, development and testing of the equipment and systems that support them.

We also relocated our Sydney transport operations from our Sydney Gateway site in Granville to Chullora – adjacent to our Sydney Parcel Facility. The new transport site, which was chosen based on its proximity to major arterial roads, will create operational efficiencies by reducing travel between the two facilities.

StarTrack streamlines deliveries, saves lives

In May 2014, Australia's largest-ever kidney transplant swap – involving 12 operations across four Melbourne hospitals – was front-page news. Behind the scenes, the StarTrack Next Flight team worked closely with the hospitals to track the delivery of each organ minute by minute as five StarTrack Courier drivers worked to life-saving timeframes.

Our people delivered, and everyone involved can say they played a part in helping to save lives. While most of our deliveries don't make the news in this way, we take care with every package because we know how important it is to both the sender and the recipient.

Creating an efficient interoperable network

In addition to new network developments, we are using the collective assets of existing Australia Post and StarTrack services to create efficiencies and deliver better customer experiences.

In April 2014 StarTrack and Australia Post Business Hubs ran a pilot in the Australian Capital Territory (ACT) to simplify customer parcel and freight collections.

During the pilot, if a customer wasn't available to receive their item, StarTrack Express Deliveries were sent to local Business Hubs, which offer extended parcel collection hours. Before the pilot, the ACT experienced around 210 residential redeliveries each week due to unsuccessful first-time deliveries to customers.

Redeliveries in the ACT have since decreased to less than 20 a week and the process was implemented nationally with positive results: more than 27 per cent reduction in redelivery calls to the contact centre, more than 80 per cent reduction in residential redeliveries and estimated yearly savings of \$1.3 million.

Positive customer feedback praised the convenience of collecting from Business Hubs, team members' professionalism and the extended opening hours for parcel pick-ups.



Building our future parcels network

Construction activity was a major focus during 2013–14 as we increased the operational space at our major Sydney and Melbourne-based parcel facilities to install new automated equipment.

By March 2014 we had doubled the footprint of our Sydney and Melbourne parcel facilities – our Sydney site expanded by 65 per cent to 38,000sqm, while our floor space in Melbourne doubled to over 31,000sqm.

These expansions have provided room for seven new parcel sorting machines, as well as a new multi-product sorter at Sydney Gateway, enabling us to sort and handle parcels more safely and efficiently with less manual intervention. The first phase of equipment will be operational in time for the Christmas 2014 peak period.

Image: Employees tour the new Melbourne Parcel Facility extension.

Improving our tracking capability

We improved our tracking capability in 2013–14 by completing the deployment of 26,000 new scanners across our network. This allows us to increase the number of item scans as packages travel through our network, providing greater visibility for both senders and recipients, and increasing their confidence in our service.

To ensure that our network can continue to support growing demand, in March we upgraded our eParcel labels and introduced the “smart barcode”. The two-dimensional data matrix barcode, which was developed to a global standard and provisioned for increased data storage, enables a faster scanner response and is more likely to provide a scan if the barcode is damaged or obscured. The introduction of the new barcode was strengthened by address-validation processes, providing data to automate parcel sorting down to the driver delivering the item to a customer's door. An accurate, validated address means more first-time deliveries and fewer returns for customers.

Expanding our Business Hub network

We are continuing to invest in our unique network of Business Hubs to get closer to local, small and medium business customers. These provide an integrated, customer-focused, one-stop shop that makes it easier for Australian businesses to connect with their customers. We offer products, services and support that are tailored to business customers so they can get things done faster. This includes extended hours, convenient delivery solutions and extended access for parcel collection. At 30 June 2014 we had 56 Business Hubs operating across Australia.

Helping small businesses grow

We're also supporting local businesses to sell online by improving our product and service offering to provide greater convenience, flexibility and value for money.

This year we strengthened our partnership with eBay, Australia's biggest online marketplace, to provide a quick and simple sale and postage process for Australian online sellers. The new service enables eBay sellers to generate and print postage labels, and purchase postage products through the eBay website.

We made improvements to Click and Send in May 2014 by introducing a number of new services including flat-rate satchels and boxes that offer customers 24-hour access to domestic and international delivery solutions, pay-as-you-go convenience and price certainty. Eligible businesses that send 250 parcels or more a year through Click and Send or our Parcel Send app are encouraged to apply for the new Business 250 Membership, which offers savings on selected parcel products. More than 1,500 businesses applied for membership within the first three months.

Creating customer benefits through new partnerships

To help small and medium Australian businesses access new markets in Asia, we signed an agreement with Alibaba, a China-based ecommerce business and operator of Tmall Global, the world's largest online business-to-business trading platform. The joint agreement opens the door for Australian businesses to 500 million registered Chinese customers.

In June the Online Retail Industry Awards (ORIs) announced its new major partnership with StarTrack. In its fifth year, the StarTrack ORIs provides small and large businesses with an opportunity to position themselves as a leader in several ecommerce categories, including Best New Online Retailer and Most Innovative Online Retailer. This sponsorship is part of our commitment to connecting online buyers and celebrating excellence across all online retail channels in Australia.

Supporting ecommerce growth

Australia Post is stimulating ecommerce growth by offering our customers the choice, convenience and control of being able to direct their deliveries to locations other than their homes. We now have 24/7 Parcel Lockers at 181 locations as well as more than 725 post offices, Business Hubs and delivery centres that offer our Parcel Collect service.

Following a successful trial in April 2014 we introduced the Collections Widget, an innovative web application that enables merchants to show a list of Parcel Locker or Parcel Collect locations as part of their online checkout process. This enables the buyer to select their preferred delivery option at the time of purchase.



Farmhouse Direct and The New Joneses

In February 2014 Farmhouse Direct featured on Channel 7's lifestyle breakfast program *Sunrise* as the official food partner for The New Joneses, a feature event of the Sustainable Living Festival held in Melbourne.

Over three days, *Sunrise* presenter Edwina Bartholomew lived like The New Joneses in an eight-star energy-rated house, where she shared tips on how to be more energy efficient and lived a no-waste lifestyle with a national TV audience.

Farmhouse Direct is a great example of how an Australia Post ecommerce innovation is creating fresh business opportunities and opening up new markets for Australia's rural and regional food producers.

Image: Channel 7's *Sunrise* lifestyle presenter Edwina Bartholomew, Viv Astl and Monique Barlow from Farmhouse Direct and Farmhouse Direct producers Kathy Barlow of Wanalta Hill, and Mark Ryan of Eureka Coffee, on the set of The New Joneses. (Source: Les O'Rourke)



Powerful problem solving for The Promotions Factory

The Promotions Factory (TPF) has grown from humble beginnings in Melbourne in 1988, to a global network with offices in China, Vietnam, Hong Kong and New Zealand. As TPF further innovates and expands its ecommerce proposition, we've helped it to grow, transact and deliver.

As well as handling domestic B2B and B2C orders for more than 40 online stores, through StarTrack International we've helped TPF overcome international delivery obstacles to transport over one million small parcels direct from Hong Kong to Australian consumers. These include personalised membership packs and merchandise for more than 40 major clubs across sporting codes such as the AFL and NRL, with full track and trace capability.

Robert Hilton, TPF Joint CEO and Founder said, "With StarTrack and Australia Post's support, we've transformed a complex logistics process into an effective distribution solution that continues to evolve with our needs."

Image: Robert Hilton shares TPF's success story at the company's Melbourne headquarters.