

« Last Mile » Parcel Competition with Real Time Routing by Shippers

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Summary of the article

- **Research question**

- What are the competitive interactions in the parcel market between the Post, End-to-end (E2E) competitors and online retailers ?

- **Theoretical model**

- Four main players : a postal provider / two parcels delivery services (FPS and UX = E2E competitors) / a large retailer with self-delivery (Congo)
- Two options for Congo for delivering parcels :
 - Self-provision (vertical integration)
 - Patronizing (the Post, FPS or UX)
- Two parts :
 1. Congo optimization problem for self-delivery
 2. Competition between the Post and E2E competitors for Congo's business

- **Main results**

- The Post and E2E competitors compete more directly with Congo than with each other. The Post and E2E competitors are complement rather than substitute from Congo's point of view
- Postal pricing behavior is to set price lower than competitors price and low enough to discourage Congo from self-delivery



Contribution of the article

- Contribution to « the last mile delivery » literature
 - Challenging subject in a quickly changing environment
 - Give new insights for the Postal services
- This article takes into account the new situation where online retailers deliver their parcels directly to their customers
- Vertical integration strategy for online retailers
 - Development of their own networks
 - Example of Amazon logistics
 - At the end of 2016 Amazon operated 197 active fulfilment and distribution centers across 14 countries
 - Acquisition of existing operators
 - In France Amazon bought 25% of the company Colis Privé

Discussion of some hypothesis (1)

- Cost for delivering parcels
 - Cost could be adjusted to take into account density (rural vs urban areas)
 - In the Congo optimization problem (part 2) cost for delivering parcel for E2E competitors is never lower than the cost for Congo, why ?
 - Can we imagine a geographical complementarity between the Post and E2E competitors ? For example E2E competitors only operate in urban areas ?
- *« The Post cannot process Congo's parcels in time to meet the service standard for parcels arriving in the afternoon »*
 - The Post delivers only morning Congo's parcels
 - May this hypothesis impact the main result of the article, the complementarity between the Post and E2E competitors ?

Discussion of some hypothesis (2)

- Coordination between FPS and UX on price (part 4.2 and part 5)
 - Is it currently the case ?
 - Risk of collusion
- Competitors in the “last mile” delivery market cooperate to deliver parcels. They offer their services to each others (co-opetition)
 - What would be the reaction of competition authorities ?
 - Is it compatible with competition law ?

Quality differentiation in delivery options

- In « last mile » delivery consumers are increasingly demanding regarding delivery options
 - « Same day » delivery or sunday delivery
 - Consumers have a willingness to pay for the speed of delivery
- Delivery options can be seen as a quality of the product offered by the players in the « last mile » delivery market
 - Players can differentiate on this segment
- Extension of the the model with a demand function taking into account delivery options
 - Quality competition for the players

Thank you for your attention