Freightways

Last Mile **Delivery**

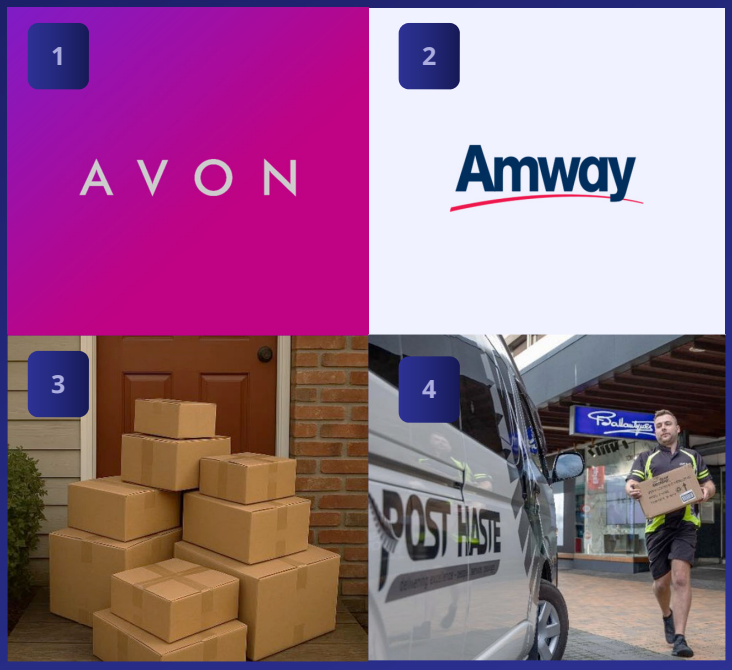
Presenter:
Mark Troughear
Chief Executive Officer

The ***good,*** the ***bad,*** the ***ugly....***

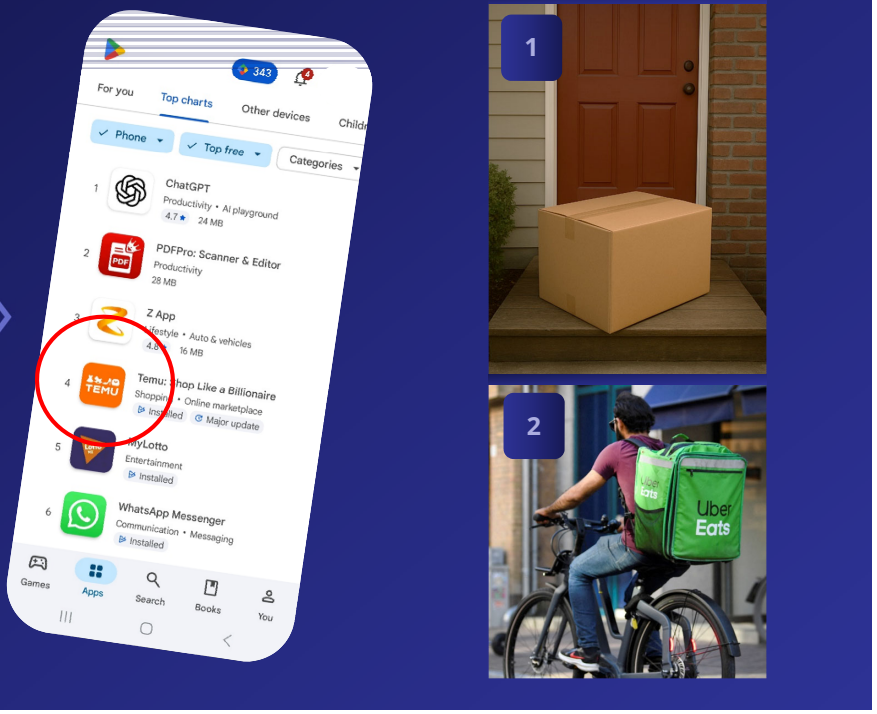
Agenda:

1. Trends over time
2. The challenge of B2C
3. Operating models
4. The Good, the Bad and the Ugly
5. The Future

In the Beginning...



Today's Reality...



Customers

> ...want delivery when they're **at home**

> ...want **returns**

> ...**want it left** behind the pot plant on the upper balcony

> ...want it **cheap or free!**

> ...want it **right now**

> ...want visibility not **re-delivery**

What Is The Difference For the LMD Provider?

Difference Between B2B and B2C

Rural deliveries

Number of drops

Value of product

Individualised data at delivery point

Range of service standards

Returns

Signature required

Systems integration

Drop and leave

Money back guarantees

Scale and power of the e-tailer

Importance of Data

Multi-unit properties

Leave, Don't leave, Re-direct

Extreme peaks - (and troughs)

Number of Items

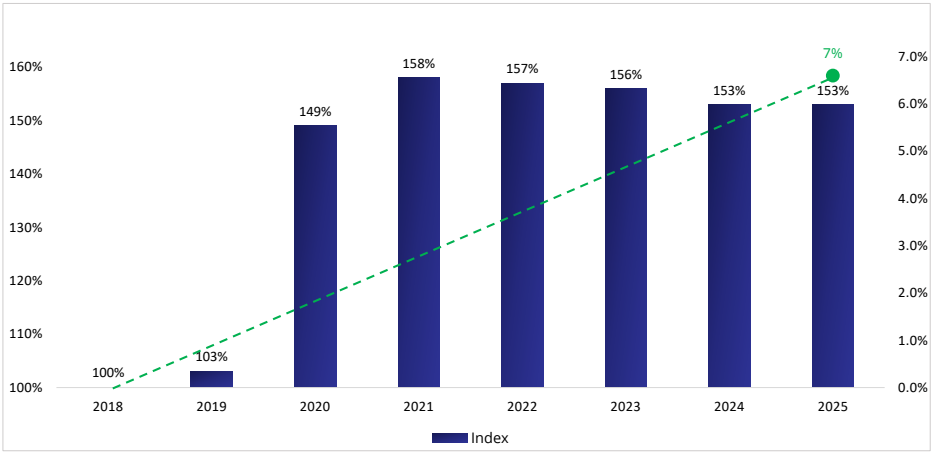
Apartment building access

Freightways B2C Growth Profile

NZ Penetration 10-12% (at peak in 2021)

USA Penetration 15-17%

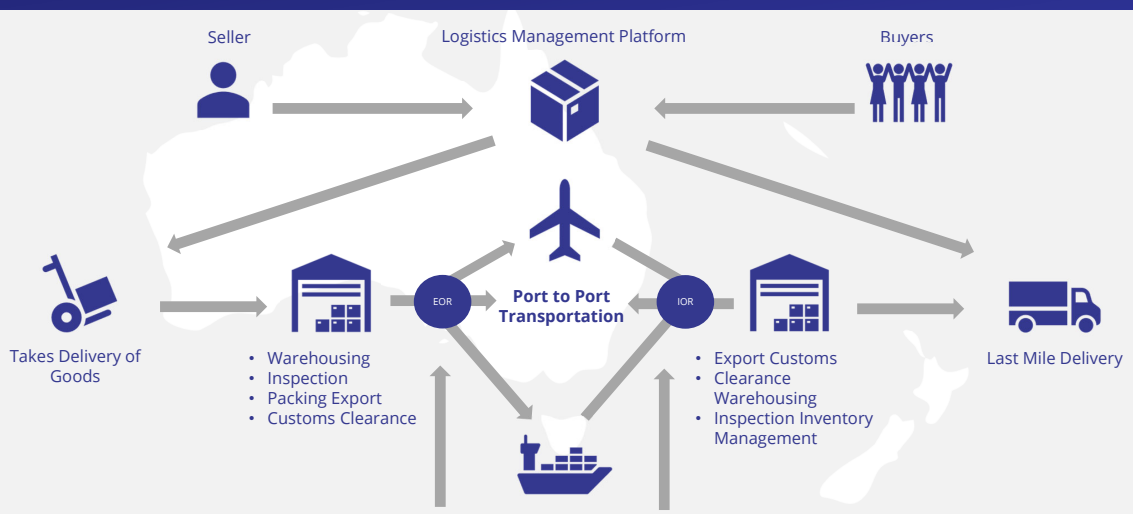
UK Penetration 22-25%

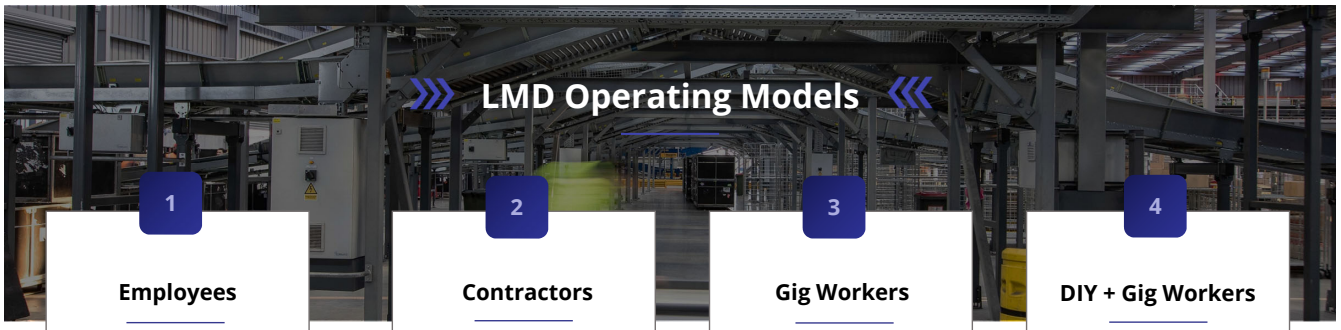


Covid 19 Hits

Location:
Botha Road, Penrose
Auckland, NZ

Typical Supply Chain for Cross-Border eCommerce





LMD Operating Models

1 Employees

- Extensive networks
- Directly employed staff
- Higher control
- Lower productivity
- Reasonable quality

2 Contractors

- Extensive networks
- Paid per item
- Targeted minimum daily rates
- Higher productivity
- Higher quality

3 Gig Workers

- Local networks
- Paid per item
- No minimum daily rates
- Higher productivity
- Lower quality

4 DIY + Gig Workers

- Extensive networks
- Paid per item
- No minimum daily rates
- Higher productivity
- Lower quality

The Good...

For Consumers

- Increased product choice
- Convenience - delivered to the door
- Price comparisons / deals

For e-Tailers

- Almost unlimited growth opportunity - from local to global customer base
- Collection of powerful data on consumer buying behaviour
- Stock management

For The LMD provider

- A significant growth pathway (well above the level of GDP growth),
- Career opportunities driven by growth / variety
- Opportunity to differentiate

The Bad...

For Consumers

- Delivery quality
- Re-deliveries
- Managing returns

For e-Tailers

- Challenge of getting reliable service
- Data quality – accurate addressing

For The LMD provider

- Challenge in providing customer service to receivers
- Improving the rate of successful delivery
- Coping with peaks

...and the UGLY

For Consumers

- Payment fraud
- Data breach / loss
- Consumer protections often non-existent

For e-Tailers / Retailers

- Sustainability (returns / packaging)
- Profitability (in some cases)
- The power of global scale-operators on competition

For The LMD provider

- Profitability is an issue
- Ethical delivery operating models as competitors
- Master – slave relationships with customers

Profitability

	NZPost	Freightways
FY25		
Revenue ($m)	**$1,223**	**$1,289**
Operating Profit/EBITA ($m)	**$17**	**$146,089**
Net Profit ($m)	**($2)**	**$80,108**

The Future...

- Differentiated services
- Tech to improve efficiency
- Increased visibility
- Improved sustainability
- Further consolidation of LMD providers
- Improved and differentiated pricing per item