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## Swiss Post close to European «best in class» for parcel prices

### Background

An average Swiss household spends around 80 Swiss francs a year or 0.1 percent of its annual expenses on mailing parcels and letters. This amount seems small. Yet Swiss Post's prices are a regular topic of wide-spread debate. Several comparisons have already been carried out between Switzerland's main service providers without revealing any substantial differences in price and quality. Where does Swiss Post stand when compared with other countries in Europe? In 2006, Swiss Post commissioned Professor Hans Wolfgang Brachinger, Head of the Centre for Research in Economic Statistics CESTat.ch at the University of Fribourg Switzerland, to develop the letter post index, allowing for a Europe-

wide comparison of letter prices. Since then, the Letter Post Index has been used by the Federal Department of Environment, Transport, Energy and Communication (DETEC) to measure target attainment and has been published by the Postal Services Regulation Authority in its annual report. In 2008, Swiss Post asked Professor Brachinger to develop an index for parcel prices and published it in early 2009. An updated version is now available. The 2010 Parcel Post Index shows that Swiss Post has the second-lowest prices in Europe.

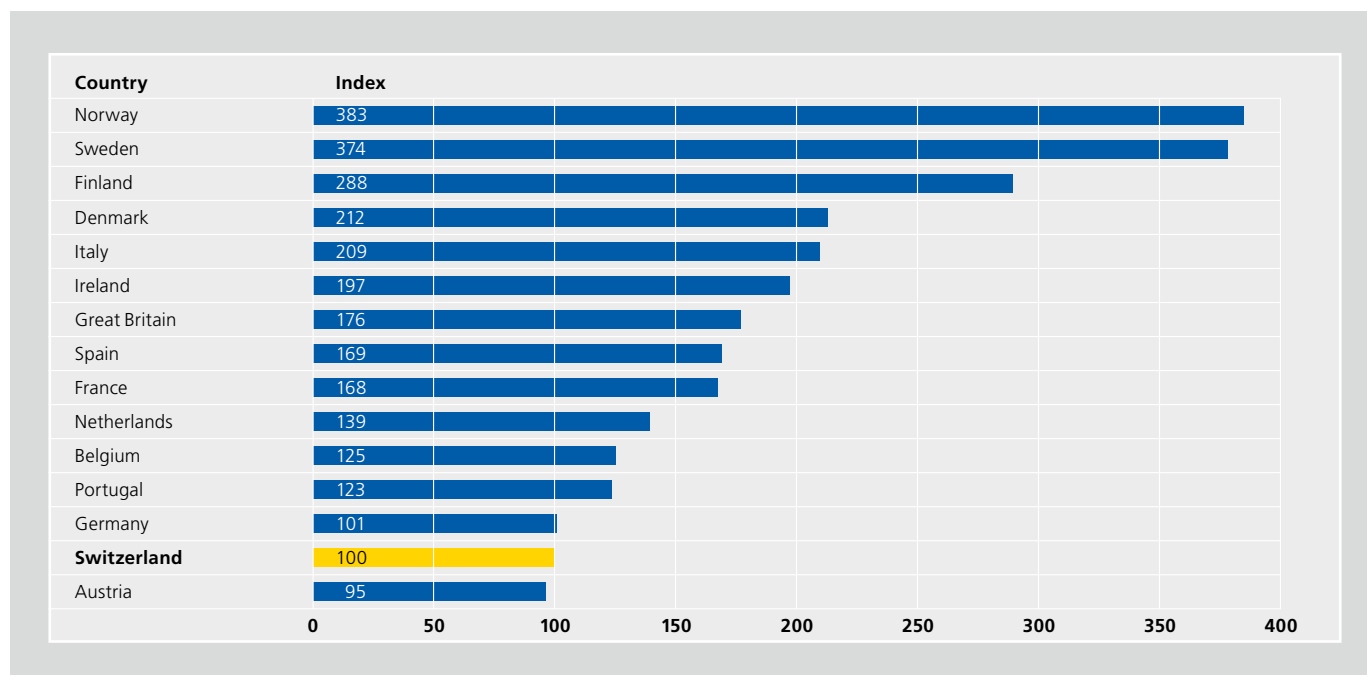
### Facts and figures

In order to gain a meaningful picture of parcel prices, all parcel categories must be included and weighted according to their

relevance. This is precisely what the Parcel Post Index does. The individual parcel categories are weighted according to the frequency with which they are actually mailed by Swiss consumers. Counter prices are taken into account. This method is based on the Laspeyres index concept which has been used throughout the world for many years. The 2010 Parcel Post Index is based on parcels in the «Priority» and «Economy» categories with weight classes of 1 – 20 kg. The values seen in Fig. 1 are the results for the 15 countries compared. A country's index value shows by how many percent its parcel prices are above or below parcel prices in Switzerland (index value = 100).

This chart shows that Swiss Post's parcel services are very reasonably priced overall. Only in Austria are parcels less expensive. In Belgium, Germany and Portugal,

Chart 1: Swiss Parcel Post Index 2010 (as at 15 January 2010)



Parcels taken into account up to 20kg (excluding additional services); list prices for individual items (exchange-rate-adjusted). Index Switzerland = 100.

**Chart 2: Price History Parcels 2001–2010 (in CHF)**



services are more expensive but still within range of Swiss prices. The prices in the other countries in the comparison are much higher. Prices for mailing parcels in Scandinavia are particularly high.

#### Direct price comparison

The strength of the Swiss post price indices is their practical validity. One weakness in the methodology is the fact that the results depend on the exchange rates applied and these can sometimes be extremely volatile. Chart 1 is based on the parcel prices as at 15 January 2010 due to the fact that many postal organisations perform price adjustments at the beginning of the year. Swiss Post adjusts its prices as per 1 April 2010. Heavy parcels weighing over 5 kg will cost one franc less. The price for lighter parcels is one franc more if they have not been prepared with the online WebStamp service and paid in advance. In the extreme case (no customer uses WebStamp) the Post would fall to

the next lower level of the index. As these price adjustments comprise both price decreases as well as price increases, they therefore have very little impact on the Parcel Post Index. Furthermore, the postal services under review are not necessarily provided to the same quality standard in all countries in the comparison. High-quality Swiss postal products are compared with products in other countries that may be of inferior quality. It can therefore be assumed that Switzerland tends to be at a disadvantage in the price comparison presented here. The direct price comparison, which has been adjusted for exchange rates, does not factor in Switzerland's disproportionately high salary costs. Moreover, an adjustment for general differences in purchasing power would improve Swiss Post's ranking as – in the international comparison – people in Switzerland do not need to work as many hours in order to mail a letter or parcel.

### Swiss parcel market

The parcel market has been completely deregulated since 2004. Other service providers have entered the market and have taken around 25% of the market volume away from Swiss Post, which used to hold the monopoly. Swiss Post is continuing to increase its already high customer focus: with the online WebStamp service, customers can prepare their parcels, pay for them in advance and have them collected by the postal carrier at a location of their choice. The PickPost points, with attractive opening hours, enable parcel recipients to collect their consignments at the most convenient location. They provide the sender with the desired PickPost point as the delivery address and are notified by text message or e-mail as soon as the parcel has arrived.

For the first time in more than seven years, Swiss Post is adjusting its domestic parcel prices: heavy parcels weighing over 5 kg will cost one franc less and lighter parcels will cost one franc more as of 1 April 2010. Customers who frank lightweight parcels using WebStamp will receive a CHF 1 discount. Comprehensive adjustments are also being made to prices for international consignments. Swiss Post and the price supervisory body agreed to these measures in early 2009. These adjustments had not yet been factored in on the cut-off date of 15 January.

### Swiss Post's position

- The Parcel Post Index shows that Swiss Post offered the second-lowest prices in Europe for parcels on the cut-off date.
- The Parcel Post Index is based on the scientifically recognized Laspeyres index method for international price comparisons.
- If factors such as quality, salary level and purchasing power were taken into consideration, Swiss Post would fare even better in international comparison.
- Parcel prices have not been increased since 2003, although the costs have risen markedly since then. The first adjustments in seven years will be made on 1 April 2010.