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GLS Parcels to People

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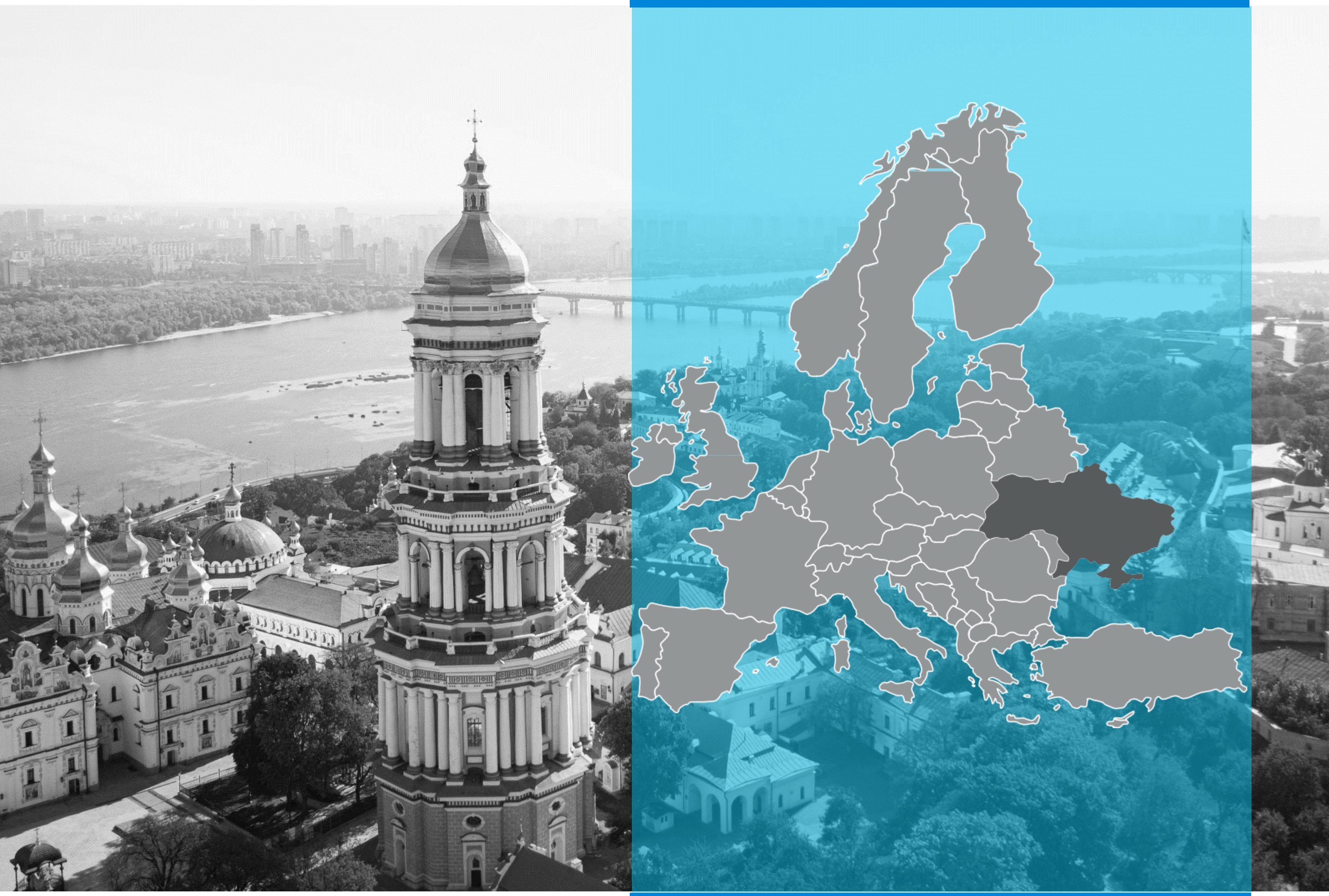
LAST MILE EXPERTS and EFFIGY CONSULTING UKRAINIAN CEP REPORT 2023



July 2023

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GLS – GLS delivery vans
Source: GLS

Executive Summary

EXECUTIVE SUMMARY

Ukraine, despite being a part of Europe, had not been top of mind of other Europeans until the tragic war initiated and escalated last year by Russia. Recognising the anticipated significance of this market and the positive experiences we have had while collaborating with our clients, Last Mile Experts and Effigy Consulting have made the decision to develop the first comprehensive CEP report focused on Ukraine.

The report is intended for all key stakeholders and interested parties in and around the last mile in Ukraine.

The Ukrainian CEP market has experienced a 17.4% decline in volume and an 8.0% decline in revenue in 2022 when compared to 2021. The CEP sector, like most of Ukraine's economy, suffered significant losses and operational disruptions as a result of the hostilities instigated by Russia. This has had a significant impact on both the number of operators providing services in the country and the way they operate.

The long-term reconstruction of Ukraine's postal system is projected to cost approximately 260 million USD between 2023 and 2033. The majority of this amount, 95.3%, will be allocated for short-term needs between 2023 and 2026. The restoration of postal service delivery requirements is estimated to be around 1.89 billion USD over the same ten-year period

Ukraine's pre-war commitment to the digital transformation of its postal sector could help alleviate some of the pressures caused by the war. External donors could also assist in this digitisation. In 2021, this process was already underway.

One should note some market specifics. Express parcels overlap with other segments such as mail, pallet distribution, groupage, freight forwarding, same day courier and contract logistics so some of the boundaries are blurred here. Also, it is important to note that for historic reasons, CEP and postal services are often named interchangeably in Ukraine.

As a result of the hostilities, most small companies have suspended operations or disappeared from the market altogether. At the end of 2022, Nova Post, Ukrposhta and Meest remained active.

After the outbreak of war, most companies from the CEP sector joined humanitarian or military transport operations. We anticipate that as soon as the war ends, building on an already robust trend, C2C will also become a significant factor in terms of volume growth.

While E-commerce was a booming market in pre-war Ukraine, cross-border E-commerce flows present future expected opportunities for service providers in the post-war world.

In 2027 average revenue per online shopper is predicted to amount to 186.2 USD, 5.6 USD less than in 2021. Rozetka.com.ua was the leading online store in the country in 2022, with online net sales revenue over twice those recorded by Apple which ranked second in the country.

EXECUTIVE SUMMARY

In 2022 major CEP networks such as Ukrposhta, Meest, Delivery, and CAT have experienced significant declines in their networks. Only Nova Post has managed to restore its network to pre-war levels, with approximately 24,000 service points across the country and an incredible 14,000 parcel lockers, putting them ahead of Deutsche post in Germany and making them the second national APM player in Europe. However, approximately 1,175 service points still remain in the occupied territories, and their current status is uncertain.

Nova Post, for example, has responded to these challenges by introducing innovative solutions such as postal lockers powered by special batteries.

These lockers allow customers to receive shipments 24/7, independent of power outages, internet connectivity, or mobile network availability. Nova Post's branches have also been equipped with generators and "STARLINK's", internet connections via satellite, to ensure uninterrupted delivery, providing a reliable service to customers.

The migration crisis resulting from the war, which led to the largest wave of the 21st century and compelled over 5 million refugees to seek refuge in EU countries and had a significant influence on the development of the E-commerce market in Ukraine. The C2X segment, encompassing both C2C and C2B transactions, exhibited remarkable volume growth (+53.6%) and constitutes 36.6% of the total Ukrainian CEP.

Currently, a growing trend of mobile shopping has been observed, with more consumers making purchases using their smartphones and tablets.

Demand for delivery from online stores based in the EU, the US, and China is growing, arguably as a result of easier cross border access and restricted domestic production.

Military restrictions on real-time tracking of parcel routes on the map or mobile apps are evident. However, innovations such as the implementation of mobile branches or battery backup for lockers or operational facilities are alleviating the issues faced. It is estimated that approximately 80% of carriers' branches in the liberated territories have been destroyed or severely damaged so the post war re-build is expected to be huge.

The speed of delivering medical equipment and supplies became critically important for patients and medical facilities. Accordingly, same-day delivery and premium delivery services play a significant role in ensuring that these essential healthcare items reach their destinations quickly and efficiently.

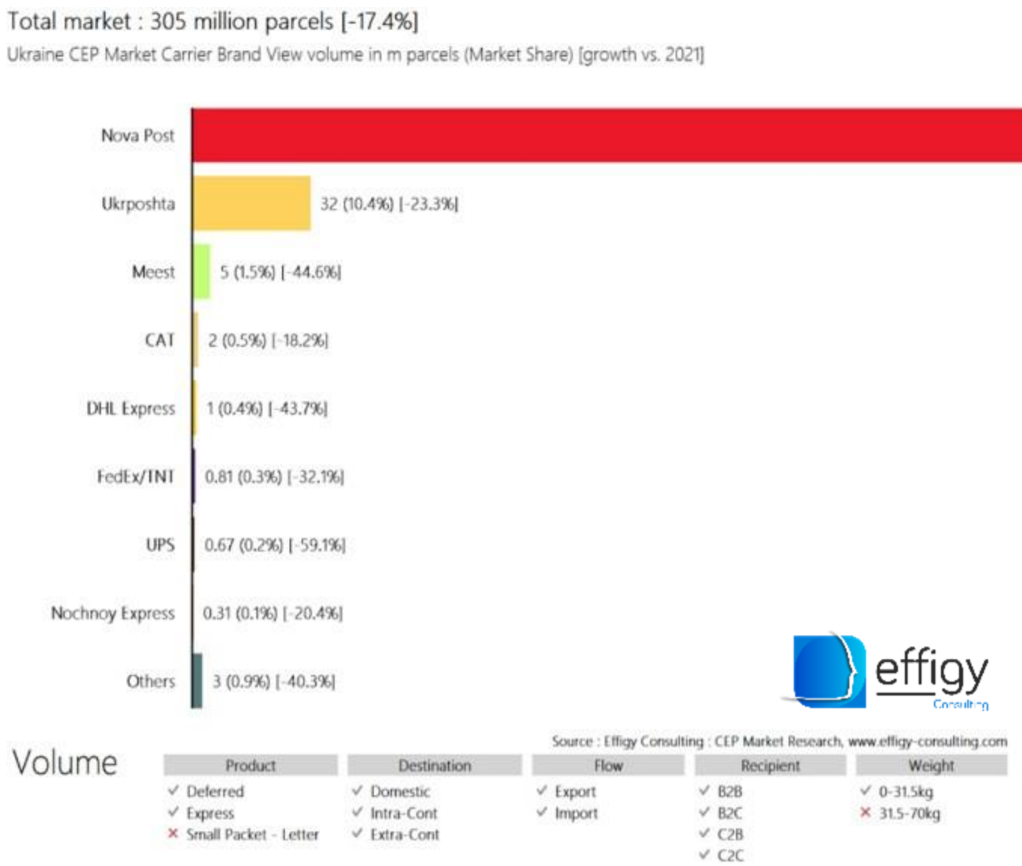
Nova Post, is the leading Ukrainian CEP company, with an over 85% parcel volume market share. It has been adapting to the changing situation and demonstrating resilience despite the challenges posed by the war. With 22 years of experience, Nova Post has established itself as a trusted provider of global document, parcel, and cargo delivery services.

EXECUTIVE SUMMARY

In war torn 2022, Nova Post achieved impressive milestones, delivering 261 million parcels. Despite the war's impact, the company remained committed to expansion, opening 1,000 new branches and 1,330 new parcel lockers, resulting in a total of approximately 24,000 service points service points.

The estimated volume of the Ukrainian CEP market in 2022 is 305 million parcels. The top five players in terms of volume are Nova Post, Ukrposhta, Meest, CAT, and DHL Express, collectively holding 98.5% of the market share.

2022 UKRAINIAN CEP MARKET in volume, split by Carrier brand view.



In 2022, the B2B and B2C segments suffered from severe drops due to Russia's invasion of Ukraine. The B2B segment dropped by -49.4% in revenue, and its share of the total CEP market revenue stood at 11.5% (vs. 20.9% in 2021).

The C2X segment (C2C and C2B combined) experienced strong growth in 2022 (+91.4% revenue growth) due to the high growth in the C2C segment as parcels between individuals were the main parcels that were sent during the year. C2X now represents a larger share than B2B on the Ukrainian CEP market, at 36,9% in terms of revenue.

EXECUTIVE SUMMARY

In terms of volume, the Domestic market is the largest segment in Ukraine, comprising 77.8% of the total. However, the Domestic market experienced a lower growth rate compared to the International market, with a decrease of 21.4% in 2022, while the International market saw a slight increase of 0.2%.

Exports represent a smaller share of international parcels than Imports in the Ukrainian CEP market. Exports decreased by -15.2% in 2022 vs. a +19.8% growth in 2021, whereas Imports grew by 10.2% in 2022 and by 37.5% in 2021.

The Ukrainian CEP market is predominantly a Deferred market, with the revenue of Deferred parcels representing 67.8% of the total market's revenue.

The Ukrainian International CEP market for 2022 is estimated to have generated 67 million parcels which represents a small growth of 0.2% compared to 2021. The market leaders of the Ukrainian International market in terms of volume in 2022 are Nova Post with 59 million parcels, a market share of 87.0%, and a growth of 4.9%, Meest with 3 million parcels, a market share of 4.9%, and a decrease of -41.4%, and Ukrposhta with 3 million parcels, a market share of 3.9%, and a growth of 101.2%.

Ukrposhta benefitted from strong growth in the international market in 2022 and probably had most non-commercial international aid delivered via its network.

However, when the war finally ends this is clearly a market that should be observed as it is very likely to be one of the most innovative and fastest growing markets in Europe.

Introduction and glossary

ABOUT THIS REPORT

Background to the report

Ukraine, despite being part of Europe has not been top of mind until the tragic war initiated by Russia. In particular, little was known about Ukraine's last mile and the key players in this space. Because of the expected future relevance of this market and due to the many positive surprises we encountered when working with our clients here, Last Mile Experts and Effigy Consulting have decided to prepare the first and only holistic Ukrainian CEP report.

The Ukrainian CEP market, much like every other sector, was profoundly affected by the full-scale Russian invasion of Ukraine in February 2022. The war disrupted various aspects of business and daily life in Ukraine, resulting in significant losses in operational potential, infrastructure, and the overall economy. This has had a significant impact on both the number of operators providing services in the country and the way they operate. Amidst this crisis, the CEP market assumed a critical role for Ukrainians, serving as a vital lifeline for accessing essential goods.

This report delves into the impact of the war on the Ukrainian CEP industry, highlighting the challenges faced, adaptations made, and the market's crucial significance during these trying times.

Based on data from Effigy Consulting, the Ukrainian CEP market has experienced a 17.4% decline in volume and an 8.0% decline in revenue in 2022 when compared to 2021.

The rapid growth of the CEP industry, driven by the increased e-commerce activities during the Covid-19 pandemic, has come to a sudden halt due to the Russian aggression on Ukraine.

Moreover, in recent years, significant changes have taken place in market shares, particularly concerning parcel types B2C versus B2B and first- or last-mile channels P2P versus D2D.

Our first Ukrainian CEP report covers the market structure, players, development and key trends.

What can you find in this report?

- The report covers all key players in the Ukrainian CEP market.
- Statista's Ukrainian E-commerce market overview.
- Ukrainian CEP market trends.
- Effigy Consulting analysis about Ukrainian CEP market by carrier, volume and revenue.

Who will benefit from our report?

The report is intended for:

- Owners and operators of OOH networks.
- CEP companies.
- Online retailers.
- Investors in these businesses.
- Market regulators and policymakers.
- Journalists and editors of newspapers and magazines.
- Analysts, consultants and other stakeholders.

ABOUT THIS REPORT

LME, Effigy Consulting and the partners involved in preparing this report possess extensive knowledge of this market and have conducted various studies on OOH delivery in Europe and elsewhere.

The LME team has a strong entrepreneurial background including the creation of DPD Polska (formerly Masterlink Express) a leading player in the Polish CEP market and the integration of companies as was the case with UPS Poland (formerly Stolica). Our consulting work includes advising a variety of companies and industries, with emphasis on E-commerce and carriers. Our expertise lies in the setup or improvement of nationwide CEP networks, PUDO/locker models and supporting IDM (interactive delivery management) tools.

What are the sources?

The main sources for the report are:

- Extensive desk research on the Ukrainian CEP market and its operators covering company press releases, websites and other sources.
- Market size estimates are based on a methodology that utilises a number of data inputs and assumptions. The first and most important input is the company revenues, which serve as the best indicator of market size. The authors have reviewed the company accounts' results, including revenues and profits where available.
- Effigy Consulting internal research and data.
- Statista internal research and analysis.
- Published information on key market drivers such as economic data and estimates of home shopping levels and practices.
- Interviews with CEOs, senior-level CEP and E-commerce executives, experts, retailers) to develop our core, database.
- LME's own in depth knowledge and unique access to first hand data from key players in the market.
- **Despite our best efforts, even first hand data is sometimes erratic, due to ongoing war in Ukraine. However, we have taken the utmost care to provide as accurate a picture of the market in 2022 as possible, based on confirmed historical data (pre-2022) and data obtained from our partners.**
- **It is not possible to identify exact 2022 revenues for all companies' CEP activities. Some of the companies involved in CEP also have other logistics activities, as humanitarian or military support and do not clearly delineate data.**
- **Wherever required, LME has estimated parcel revenues or volumes.**
- **We can produce tailor-made, more detailed country reports if needed. If this is of interest, please contact info@lmexpert.com or info@effigy-consulting.com to get more information.**

ABOUT THIS REPORT

- Data has been obtained from publicly and commercially available sources. The data published represents the latest information available from these sources at the time we carried out our research.

Nova Post in Ukraine- Kyiv Innovation Terminal (KIT)
Source: Nova Post

GLOSSARY

Definitions and abbreviations used in the report.

AGV	Automated Guided Vehicle
AI	Artificial Intelligence
API	Application Programming Interface
APM	Automated Parcel Machine (parcel locker)
B2C	Business to Consumer
B2B	Business to Business
CEE	Central Eastern European Countries
CEP	Courier & Express Parcels
CO^2	Carbon Dioxide
C2B	Customer to Business
C2C	Consumer to Consumer
C2X	Consumer to Anybody
DIY	Do It Yourself
D2D	Door to Door (pickup or delivery)
D2P	Delivery to Point
EBRD	European Bank for Reconstruction and Development
EN	European Norm
FEM	European Materials Handling Federation
GDP	Gross Domestic Product
HUB	Central Sorting Facility
IDM	Interactive Delivery Management
LAST MILE	Leg of a journey comprising the movement of goods from a distribution centre to a final destination
LME	Last Mile Experts
NPS	Net Promoter Score
OOH	Out of Home
POSTAL SERVICE	Often used interchangeably between traditional post and CEP services
PUDO	Pick Up and Drop Off (point)
P2P	Point to Point
RPP	Revenue per Piece
SLA	Service Level Agreement
SP	Small Packets
TCO	Total Cost of Ownership
ToF	Time of Flight
UAV	Unmanned Aerial Vehicle
UNHCR	United Nations High Commissioner for Refugees
UPU	Universal Postal Union

COMMENT

"Since February 24, 2022, we have been witnessing events that we perceive as the greatest crisis in the history of Europe of the 21st century. The war in Ukraine is primarily a drama and a tragedy for millions of Ukrainians. The invasion has also triggered extraordinary economic phenomena that have a far-reaching impact on supply chains and E-commerce.
It is also worth mentioning the enormous burden on Ukraine's logistics industry: seaports are closed, railways are overloaded, there is no air connection, bridges and roads are destroyed, etc. However, even despite the daily challenges, Ukrainian postal and logistics companies are showing great adaptability and resilience: they continue to work under fire, create new routes to replace the destroyed ones, enter new European markets, and support each other, e.g. logistics companies helped to restore the E-commerce industry in the country.

Of course, the government of the country helps in every possible way to solve the existing problems of the industry. Currently, the Verkhovna Rada of Ukraine is focusing its efforts on removing "bottlenecks" with the European Union by increasing the number of checkpoints along the western borders: this includes expanding existing checkpoints, building new ones, and modernising border crossing procedures.

Nova Post – is an example of a successful private business case. The company managed to maintain its leading position during the war by providing delivery services to any part of the country and even to the front line. Nova Post continues to deliver the essentials both to the de-occupied areas of Ukraine and abroad, where more than 6 million Ukrainians are currently living. The company has entered the Polish, Lithuanian and Czech markets and plans to open departments in Germany and Romania this year. Nova Post cooperates with many marketplaces, and every month 35 million parcels from online stores are delivered to Nova Post departments and post lockers where customers pick them up."

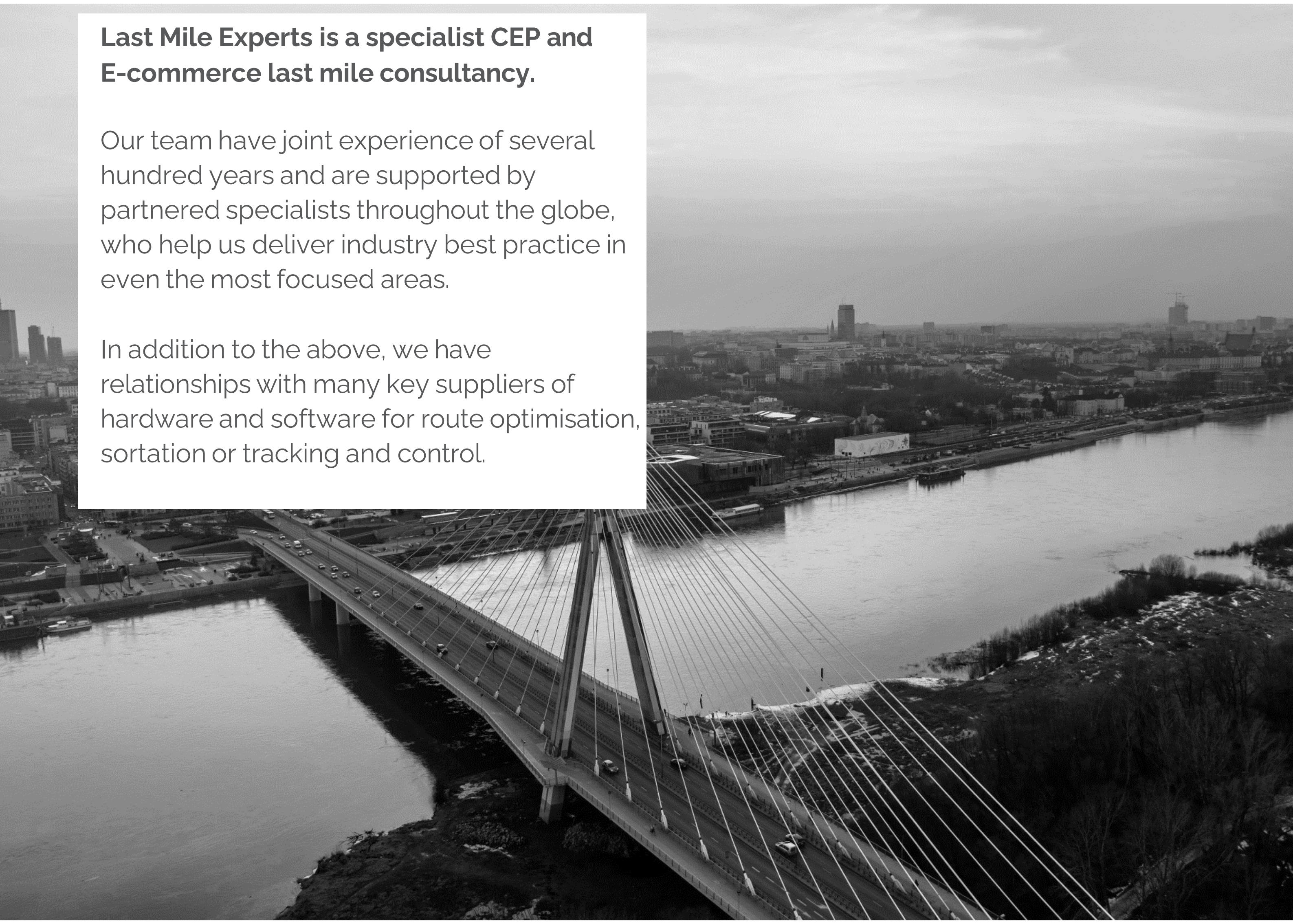
Kateryna Glazkova,
Executive Director of the Union
of Ukrainian Entrepreneurs

Authors, Partners and Contributors

LAST MILE EXPERTS

Our focus drives Your SUCCESS!

Very few consultancies are so specialised and hence our motto



Last Mile Experts is a specialist CEP and E-commerce last mile consultancy.

Our team have joint experience of several hundred years and are supported by partnered specialists throughout the globe, who help us deliver industry best practice in even the most focused areas.

In addition to the above, we have relationships with many key suppliers of hardware and software for route optimisation, sortation or tracking and control.

WHAT WE DO AT LAST MILE EXPERTS

At Last Mile Experts, we support our clients to develop, deliver and sustain competitive advantage across a number of critical business areas but focusing on Courier Express Parcel and E-commerce last mile:

- Business operating models including cross-border.
- General or specific operations solutions.
- Hardware and software selection and contract negotiation.
- People and organisational development
- Research and benchmarking.
- Support in negotiating the best SLAs and commercial terms.
- Strategic as well as operational pricing and product portfolio management.

Mergers & acquisitions including market reviews, pre-deal due diligence and post-deal advisory.

E-commerce/ Amazon and the last mile.

Out of Home delivery options including APM's and HUB's (lockers) and PUDO's (access points).

Strategic planning and commercial proposition.

Interim / turnaround management.

CO-AUTHOR - LAST MILE EXPERTS MANAGING PARTNER

MAREK RÓŻYCKI

Experience in courier industry

- Financial Controller - DHL Express Poland
- Financial Controller - DHL Express Poland 1990
- Founder, Masterlink Express (now DPDB Polska) 1991
- Turnaround CEO Masterlink Express 1999-2004
- CEO CEE, DPD 2004-2006
- CEO CSEE DPD 2006-2013
- VP Amazon Logistics Europe 2014-2015
- Deal Advisor SB Member Pekaes SA 2015-2017
- Deal Advisor SB Member Advent InPost S.A 2016-2017
- Deal Advisor SB Advisor Urgent Cargus S.A. 2017-2019
- Board Advisor Trendyol Turkey 2020 2022
- Board Advisor eMAG/Sameday Romania 2020-
- Board Advisor Nova Post Ukraine 2022-

Selected Projects

- Complete nationwide PUDO/locker implementation plan in CEE
- Restructuring of some 10 CEP businesses
- Launch of fuel surcharge throughout DPD CSEE
- Launch of PUDOs throughout CSEE
- IT4EM/IDM capability at DPD CSEE
- Helped acquire or sell over 10 CEP businesses

Achievements

- Created leading domestic CEP carrier in Poland (DPD Polska)
- Successful turnaround of 10+ BU's
- Developed the most homogenous road based parcel network in CSEE
- Tripled DPD CSEE revenue from 2006-2013, with industry beating ROS
- Conceived and implemented IT4EM (ERP for several DPD markets)
- Part of start up team for Amazon Flex,
- Fresh and Prime Now
- Participated in creating the successful post acquisition restructuring plan for InPost
- Supported implementation of OOH strategy for Trendyol (TR) and eMAG/Sameday (RO,HU,BG), PostNord (SE,DK) and Nova Post (UA)

Summary

Entrepreneurial ex-regional CEO with multicultural experience; a courier express parcel, restructuring and last mile E-commerce background.

A team builder with a strong industry network who has operated in various CEP markets, especially Poland, with a proven track record of success even in very challenging circumstances.

CO-AUTHOR LAST MILE EXPERTS VP

MIREK GRAL

Experience in courier industry

- Operations Supervisor, Oversea Courier Services 1992-1996
- International Operations
- Manager, M.S. Stolica 1996-2003 (GSA for Airborne Express, FedEx, Aramex/ GDA, Net Express)
- Founder, COO of MACS brokerage & freight forv. 1998-2004
- Key Account Manager, Frans Maas Polska 2004
- International Operations Manager, M.S. Stolica 2004-2005
- Industrial Engineering Manager, UPS Polska 2005-2010
- PM, UPS NE District 2010-2011
- Industrial Engineering Manager, UPS EMEA Region 2011-2013
- Outside Service Providers Manager, UPS Polska 2013-2014
- PM, Central Hub construction, UPS Polska 2014-2015
- COO, UPS Polska 2015-2019
- PRO Partner Last Mile Experts, CEP consultant 2020-2021
- Partner, Vice President Last Mile Experts 2021-
- Operational advisor (external) for Nova Post Polska 2022-

Achievements

- OCS, Airborne Express, FedEx and Aramex (GDA) next day international services implementation across the Poland
- Full operational and IT integration of UPS and acquired M.S. Stolica
- UPS Nordics HQ and Stockholm package centre relocation
- UPS stage one integration with acquired Kiala B2C company
- UPS Poland central hub construction and distribution network redesign
- UPS Poland best operational performance worldwide

Selected Projects

- Co–founder of Polish Express Carriers Forum
- GSE contracts with Airborne Express, FedEx and Aramex
- UPS Polska integration with M.S. Stolica and complete distribution network redesign
- Launching UPS intercontinental flights via Warsaw airport
- First stage of Kiala B2C/PUDO business merge with UPS network
- Renegotiations of Polish UPS Outside
- Service Providers service agreements with new SLA implementation
- UPS Poland feeder & hub's network redesign
- BREXIT operational set up redesign for UPS Poland
- Subject matter expert during few DD's in CEE CEP market

Summary

More than 30 years of experience in CEP industry supported by co-operation with the largest players in the international market.

Leader and team player with organisational and planning skills as well as experience of work abroad on multinational/multicultural environment and time-critical projects.

CO-AUTHOR LAST MILE EXPERTS PARTNER

GREG KRUPA

Experience in courier industry

- KN Air (Subsidary of Kuhne ubd Nagel)– Customer service supervisor 1992 - 1994
- FedEx Country Manager – Masterlink Express 1994-1997
- Regional Operations Director – Masterlink Express 1997-1998
- International Operations Department Director – Masterlink Express (Owner Posten AB/ GeoPost) 1998-2005
- International Department Director DPD Polska and VP in Air Cargo Poland 2005-2014
- Administrative Director DPD Polska 2005 – 2014
- PPM, Central Hub construction, DPD Polska 2010 - 2012
- Partner Last Mile Experts, CEP consultant 2016 –

Achievements

- Together with my operational team granted Circle of Excellence – FedEx award for best operational performance in the world .
- As ACP Vice President/Operations Manager, first restructured and then developed the company from a mid size, loss making, customs agency into one of the largest Freight Forwarders in Poland (c. 100 MPLN turnover, 8 % ROS)
- Member of Masterlink Express restructuring team (after two years, the company showing a loss at the level of 50% of its turnover, started to yield profit). The success achieved thanks attention to costs, quality and sales processes
- Over 20 % reduction of international service costs per parcel within two years from takeover
- Creating a network of over 1000 Pickup/ Drop off facilities in Poland

Selected Projects

- Introduction of international courier services in Poland for Chronopost and DPD
- GSE contracts with Pony Express, New Silk Road and others.
- Board member of Polish Express Carriers Forum
- Purchase, integration and development of Air Cargo Poland (one of the largest Polish air freight forwarders and custom agencies)
- Building or adaptation of over 60 operational depots and Hubs
- Creation of several International delivery networks including Baltic Logistic System (Posten AB) and Road to Russia (DPD Polska)

Summary

Has over 30 years of experience in the CEP industry and has a proven track record of success, even in challenging circumstances. Collaborated with the largest players in the international market, demonstrating strong leadership skills and the ability to work effectively as part of a team. With exceptional organisational and planning skills, they have overseen a variety of time-critical projects. In addition to technical expertise, has extensive experience working in a multinational/ multicultural environment, adapting seamlessly to diverse cultures and customs.

CO-AUTHOR EFFIGY CONSULTING CEO

PHILIPPE MASQUELIER

General Manager of Effigy Consulting

Philippe Masquelier, general manager, has more than 20 years of expertise in logistics, market research and sales optimisation, including corporate global positions at major carriers. Customers rely on Effigy data to measure their competitive performance and to plan strategies, commercial activities and operational investments.

- Effigy Consulting is the leading Courier, Express & Parcel (CEP) research company. Their activities include market data, providing extensive datasets and reports with breakdowns for more than 40 country markets, multiple product segments and market shares of over 300 companies.
- Developed over more than 10 years, the database includes historical trends and forecasting. Effigy Consulting has developed internally a proven methodology that is continuously refined over the years and ensures data consistency across all regions and countries.
- The market data and reports are available for all countries in Europe and North America as well as a growing number of countries in Asia-Pacific and South America.
- With detailed information by product segment, Effigy Consulting's clients rely on its data when measuring their performance, developing their business plans and deciding on commercial, operational as well as strategic initiatives. In addition to logistics service providers, Effigy Consulting also works with e-tailers and start-ups that have a growing interest in the logistics market, as well as consulting firms and investment funds that need detailed insights on the CEP market structures and trends to further their projects and ventures.
- Effigy Consulting has world class customers and operates with a team of around 20 Senior Consultants that provides business, marketing & management consultancy services.

GLS

Discover three reasons why you should get to know us better - **G**reat convenience, **L**ocality & **S**ustainability!

We are one of the leading providers in the Polish logistics market because, for us, parcels carry more than just items-they hold unique stories.

Great convenience. Our customers are always our top priority. That's why we continuously strive to enhance our service offerings, ensuring faster and more convenient shipping and receiving options for you. We provide the flexibility of setting a new delivery date, redirecting your shipment to a different address, or utilising our Szybka Paczka points for collection.

Quality is a fundamental aspect of our work. We prioritise the use of cutting-edge IT technologies to streamline our operations and provide efficient services. In recognition of our efforts, we were awarded the title of Logistics Leader 2022 in the Digital Communication Tools category.

Furthermore, we are committed to actively expanding our network by investing in infrastructure. This enables us to consistently improve our capabilities and deliver an exceptional customer experience.

Locality. In Poland, we are actively expanding our network to better serve our customers. Currently, we operate 50 branches across the country, with plans to open new ones in the future. Our network is further strengthened by the presence of over 5,000 Szybka Paczka points, strategically located in local shops, service points, supermarkets, and petrol stations. Additionally, as part of the larger GLS Group, we have access to a European network of more than 44,000 PUDO points.

Being part of the GLS Group allows us to have a local presence in nearly 40 European countries, as well as in Canada and the United States. This extensive reach enables us to think globally and deliver parcels swiftly and reliably to any destination. Our well-developed road network plays a vital role in achieving timely deliveries.

We take pride in our exceptional on-time delivery performance and strive to provide additional services to meet our customers' needs. This includes options such as delivery at a specific hour, ensuring maximum convenience and flexibility for our valued customers.

GLS

Parcels to People

Sustainability. As a socially responsible company, we at GLS are deeply committed to environmental protection. The entire GLS Group shares the ambition of achieving zero CO2 emissions by 2045. We have a clear plan in place to make this vision a reality.

To start, we have taken significant steps to offset our CO2 emissions. In fact, last year we offset 100% of our emissions. By 2025, we aim to make substantial reductions in CO2 emissions for each parcel we handle.

We actively contribute to environmental conservation efforts within our own operations. This includes waste separation and energy-saving practices at our sites. We prioritise the use of renewable energy sources, with 80% of our energy coming from such sources.

In terms of transportation, we employ a range of eco-friendly vehicles. Our parcels are delivered using electric vans, low-emission trucks, and since 2020, courier bikes. We are proud to be pioneers in the field of sustainable delivery in Poland, and our courier bikes with the GLS logo can already be seen in over a dozen cities across the country.

Every single day, GLS Group successfully delivers millions of parcels worldwide. With over two decades of operation in the Polish market, we have garnered the trust of more than 13,000 customers. Our approach to work is driven by passion and transparency, with an unwavering focus on customer satisfaction. We understand that each package carries a unique story, and that's why we strive to provide fast, efficient, and flexible delivery services using modern and sustainable solutions.

Our commitment to operational excellence and professionalism is exemplified by our exceptional NPS in the Logistics Operator of the Year survey. Additionally, we take pride in being recognised as a "Great Place To Work", highlighting our dedication to creating a positive and fulfilling work environment for our employees.

GLS – GLS electric van
Source: GLS

NOVA POST

Nova Post is a group of companies that provides logistics and distribution services, delivering documents, parcels, and large cargo worldwide. The flagship company, Nova Post in Ukraine, has been operating in Ukraine for 22 years and is known as the country's fastest delivery service. Their primary objective is to offer convenient delivery solutions for individuals and businesses, whether it's to a branch, post office, or specific address. With an annual delivery volume of over 300 million parcels, both domestically and internationally, Nova Post enables thousands of entrepreneurs to establish and expand their businesses. To expedite the transportation of goods from overseas, Nova Post has recently launched its own airline called Supernova Airlines.

The Nova Post network is the largest in Ukraine, encompassing 23,400 service points, including 9,400 branches and 14,000 parcel lockers. Nova Post branches operate seven days a week, as do the parcel lockers, allowing customers to pick up their parcels 24/7 at their convenience, without any queues. Additionally, the branches offer various services such as cash withdrawals, domestic and international money transfers, mobile phone top-ups, bill payments, and even the option to obtain a loan for a parcel with goods.

Nova Post has established a robust logistics infrastructure in Ukraine, comprising 110 sorting terminals and depots spread across every region of the country. Among these, the six largest terminals, located in Kyiv, Lviv, Kharkiv, Khmelnytskyi, Dnipro, and Zaporizhzhia, are innovative and automated. These terminals have the capability to process an impressive range of 20,000 to 50,000 parcels per hour.

Nova Post Ukraine – Kiev Innovation Terminal (KIT)
Source: Nova Post

NOVA POST

Nova Post follows its own development strategy called "Fast, Easy, Safe," which guides its operations on a daily basis. The company is committed to streamlining the customer experience by continuously enhancing its digital tools, including the website, mobile application, and business account features.

With a workforce of 32,000 employees, Nova Post operates with a shared set of values. Furthermore, the company ranks among the largest taxpayers in Ukraine. In 2022 alone, Nova Post contributed 7.1 billion hryvnias (approximately 180 million EUR) to budgets at all levels throughout the country.

Nova Post not only offers logistics services but also demonstrates its commitment as a socially responsible corporate citizen in its country. The company has made a substantial investment of 10 million EUR towards various initiatives aimed at advancing the nation's progress. This includes purchasing ammunition, generators, and other essential equipment for the Ukrainian army, making donations to foundations, and acquiring equipment for hospitals and rehabilitation centers. Nova Post has also facilitated humanitarian aid delivery by allocating resources to 1,250 charitable foundations.

In addition to its domestic operations, Nova Post expanded its business internationally by entering the Moldovan market in 2014. Nova Post has established itself as the fastest postal operator in Moldova, boasting a well-developed network comprising 19 branches and 200 parcel lockers throughout the country.

Nova Post in Ukraine – Kyiv Innovation Terminal (KIT)
Source: Nova Post

NOVA POST

In 2022, amid a full-scale war, Nova Post made history as the first Ukrainian company to venture into the Polish market. Within a span of six months, the company successfully opened 30 branches in the largest Polish cities, including Warsaw, Kraków, Wrocław, Lublin, Gdańsk, Rzeszów, Poznań, Lódż, and Katowice. By June 2023, Nova Post plans to have branches established in every major region of Poland.

Between October 2022 and April 2023, Nova Post in Poland managed to deliver over 190,000 parcels for approximately 132,000 customers. As part of its operations, the company inaugurated two sorting terminals in Poland, located in Rzeszów and Warsaw. Notably, Nova Post ensures swift international parcel delivery, allowing parcels to be sent from any branch in Poland to any destination in Ukraine within a remarkable three-day time-frame.

On March 20, Nova Post made its entry into Lithuania by inaugurating its first branch in Vilnius. Subsequently, in May, Nova Post will expand its presence by opening branches in Romania, followed by Germany and the Czech Republic. As part of its ambitious growth plans, Nova Post aims to establish 200 branches across 30 EU countries by the year 2025.

On June 5, Nova Post entered the Czech market with two branches in Prague and more than 1,000 parcels delivered in a week. On June 26, the company started operations in Romania, where it opened its first branch in Bucharest.

The core mission of Nova Post is to facilitate convenient and customer centric delivery services for both personal and business purposes. To accomplish this, the dedicated team at Nova Post continually introduces new products and services that align with international standards and industry best practices. By staying innovative and adaptive, Nova Post strives to provide customers with an exceptional delivery experience.

Nova Post branch in Lithuania, Vilnus
Source: Nova Post

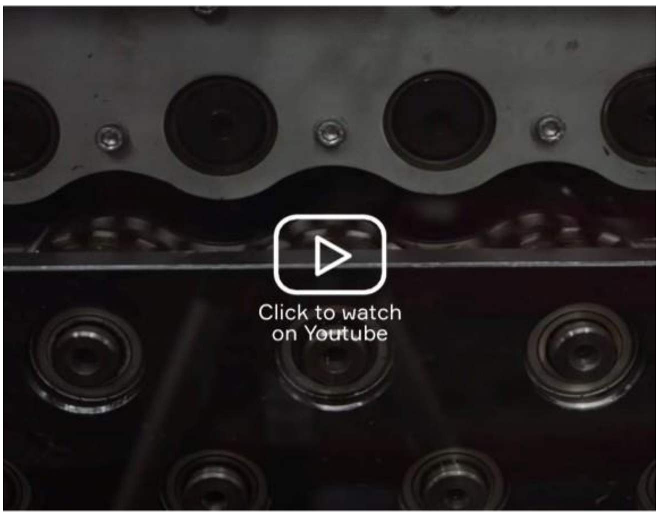
MODERN EXPO

MODERN EXPO has been a top company in the creation of modern retail for more than 20 years. Today, it's not just the physical store space, but also the **solutions for E-commerce, warehouses, logistics and integrated supply chain**. Therefore, one of the leading directions of Modern Expo's work is developing products and services for the last mile, with a focus on parcel lockers solutions.

MODERN EXPO– Various types of parcel lockers
Source: Modern Expo

Modern Expo's team strongly believe that **delivery is an invisible powerful force that brings things together**. Modern Expo's product portfolio meets the requirements of all segments of the market. Modern Expo provide an **integral solutions' system** with screen-operated lockers, screenless autonomous solutions, refrigerated lockers, DIY lockers, and even personal parcel lockers, **all powered by in-house developed software**.

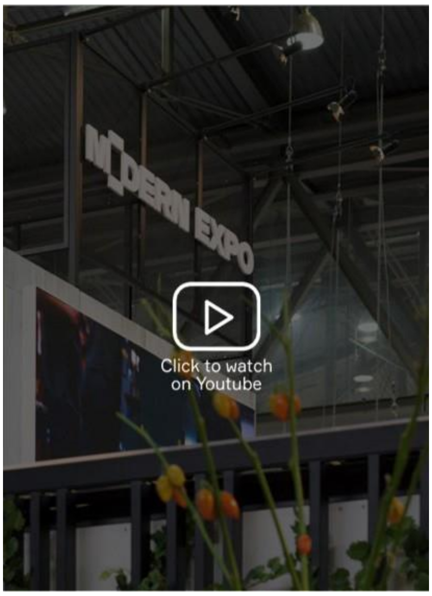
Modern Expo's **83,500 m² production facilities** operate in accordance with the LEAN philosophy. With a capacity to produce **over 1,000,000 parcel locker cells per year**, Modern Expo ensures mass replication in roll-outs and guarantees that each product meets European safety and quality standards (EN and FEM). **All their products undergo testing in Modern Expo's certified laboratory**, which complies with ISO/IEC 17025:2017 international standards.



MODERN EXPO

MODERN EXPO– Various types of parcel lockers
Source: Modern Expo

During the last few years, Modern Expo has implemented various projects with **market leaders all around Europe**. They've successfully supplied 3,000 parcel lockers to Allegro, the leading E-commerce platform in Poland, while providing service according to strict SLA requirements. Modern Expo has produced over 1,500 lockers for Sameday, the largest carrier in the Balkans region. Additionally, Modern Expo supplied more than 10,000 indoor and outdoor autonomous lockers for Nova Post, the market leader in Ukraine. They are also proud to serve esteemed clients such as **Hungarian Post**, **Fox Post**, and **GLS**. Modern Expo's R&D team developed the unique solution for Castorama (Kingfisher group) — a parcel locker with oversized cells which can fit a trolley, a must-have solution for **DIY retail**. Furthermore, Modern Expo's software team developed the APM interface and backend logic, ensuring the **entire Castomat chain operates on Modern Expo software**. These remarkable accomplishments establish Modern Expo as one of the **leaders in the European Parcel Lockers market**.



Participating in exhibitions plays a crucial role in Modern Expo's international expansion strategy. The company actively participates in major postal exhibitions in Europe, including the highly regarded Parcel + Post Expo. Their booths are renowned for being the largest, most impressive, and most captivating. This trend will continue in 2023 as Modern Expo strives to maintain its presence and engage with industry professionals. Stay connected with Modern Expo on social media to ensure you don't miss out on the most interesting details!
With Modern Expo's mission, "**We Create Retail New**," the team's ultimate goal is to become the **industry's leading supplier**. Modern Expo possesses the necessary tools, capabilities, and dedication to achieve this level of success in the coming years.

ZEBRA TECHNOLOGIES

Zebra Technologies is a well-established global company that has been providing innovative solutions for over 54 years.
Zebra's mission is to empower organisations to monitor, anticipate and accelerate workflows, ensuring that everything is visible, connected, and optimised. Our diverse portfolio of award-winning products and ranges from software to robotics, machine vision, automation, and digital decision-making, and is backed by a legacy in scanning, track-and-trace and mobile computing solutions. With a commitment to innovation and strong ecosystem of 10,000 partners across 100 countries, Zebra serves more than 80% of the Fortune 500 companies.

In Ukraine, Zebra has established itself as a trusted and reliable leader in the industry, having served the country's market for over a decade. Zebra's presence in Ukraine is supported by a network of professionally trained partners that provide exceptional customer service. Additionally, the company's service center in Kyiv offers fast and efficient repair services for Zebra devices, including troubleshooting, diagnostics, and replacement of faulty parts. The center is authorised to offer free repairs for Zebra devices covered by Zebra OneCare contracts, ensuring that customers receive prompt and efficient repairs to minimise downtime and maximise productivity, protecting their assets and helping decrease TCO over time. Zebra's postal and courier solutions provide enterprise visibility throughout the delivery process, including proof of pick-up or delivery, sortation, loading, and fleet management. Zebra's broad portfolio offers technologies for couriers, parcel shops, and HUBs, enabling them to deliver packages on time, every time.

Zebra has recently introduced an updated portfolio for front line workers, including game-changing technologies for courier companies. The TC53/TC58 mobile computer series, for example, features Zebra Dimensioning™ Certified Mobile Parcel — an industry-first solution that uses an integrated ToF depth sensor to capture parcel dimensions and calculate shipping charges on Zebra mobile computers with the press of a button, helping save time that would otherwise be spent on researching prices or manually measuring packages.

ZEBRA TECHNOLOGIES

Zebra's offer also addresses the needs of parcel shops, leveraging their growing interest in tablets to offer a tailored product. Our purpose-built tablets, such as ET4X series, ET5X series, ET8X series, provide rugged reliability, exceptional customisation and management control, the ability to maintain peak performance levels all day long, and exceptionally long lifecycles — all packed in an environmentally sustainable design. Consumer-grade tablets may appear to be a cost-effective option, but when lacking the appropriate features or accessories, they can quickly turn into substantial hidden costs.

Lastly, sorting centres run by courier company can benefit from Zebra's acquisition of Matrox™ Imaging, which resulted in an expansion of their industrial automation portfolio. Zebra's family of fixed industrial scanners is ideal for high-volume industrial scanning environments. These stationary devices follow items through production, storage, and fulfillment operations, delivering speed and accuracy. Zebra's smart sensors and machine vision cameras enable a broad range of tasks, from simple track-and-trace to complex quality inspection. Moreover, smart vision sensor and smart camera solutions offer real-time data and actionable insights on critical operations.

Find out more by visiting **www.zebra.com**

ZEBRA TECHNOLOGIES – Fixed industrial scanner
Source: Zebra Technologies

CONTRIBUTOR

statista

Mathilde Carlier is a research expert at Statista, specialising in vehicles and road traffic worldwide as well as sustainable transport and logistics. Having authored various Statista reports on topics such as the postal service market and electric vehicles worldwide, Mathilde mainly focuses on new energy vehicles, green trucking, and startup brands, and has a particular interest in how these will reshape the transport and logistics sector. Her research pairs industry insights with in-depth contextual analysis and structure.

Mathilde Carlier, Transportation and Logistics research expert, Statista

The transportation and logistics research team is a part of Statista's Editorial Research Intelligence department. As a team, their focus is on providing insights on dynamic market changes and developments in the transport industry, including maritime shipping, vehicles and road traffic, active mobility, metal manufacturing, and sustainable transportation.

With more than 1 million statistics, Statista is one of the world's leading data platforms for strategic market analysis, statistics, editorial research and data storytelling. Statista.com is a hub for data, insights and trends on 80,000 topics and 170 industries, composed of proprietary surveys, exclusive secondary sources and aggregated data from over 22,500 sources. Since 2007, Statista has grown to more than 1,200 employees at 14 locations worldwide and provides more than 2.5 million registered users from business, science, and the public sector with access to high-quality and reliable data and statistics.

Statista also supports other companies with this expertise: Statista Q carries out analyses and studies for clients, while the Content and Information Design team conceives, realises and, graphically edits topics for specific target groups.

Ukrainian CEP market background

SUMMARY

Market context and trends

Some 3,194 postal and courier businesses were registered in Ukraine in 2021 (source: State Statistics Service of Ukraine), contributing to the growing economy at the time. The macroeconomic repercussions of Russia's invasion of Ukraine in February 2022 can be felt across all sectors and have greatly impacted Ukraine's growth. Between 2020 and 2021, the country's real GDP increased to around 101.45 billion in constant 2015 USD, equaling around 2,451.9 in constant 2015 USD per capita (source: World Bank). The World Bank estimates Ukraine's real GDP growth slowed to a rate of -35% in 2022.

The World Bank's January 2023 forecast expects the Ukrainian economy to slowly recover from the impact of the war, with a projected real GDP year-over-year growth rate of 3.3% in 2023 and 4.1% in 2024.

At the height of the COVID-19 pandemic, E-commerce represented some 2.6% of Ukraine's GDP (source: US Department of Commerce). The Ukrainian E-commerce sector recorded a similar boom to the global and European sectors throughout 2020 and 2021. In March 2021, 62% of internet users paid for goods and services online in the country, compared to 51% a year earlier (source: Kantar Ukraine). Russia's invasion of Ukraine halted this dynamic market expansion, but E-commerce revenue is forecast to rebound in 2023 up to nearly 2.76 billion USD.

Nova Post branch in Poland, Warsaw
Source: Nova Post

In 2022, the Ukrainian E-commerce revenue shrank by 91.79% year-over-year, down to 298.24 million USD (source: Statista). This decrease placed Ukraine as the 119th largest E-commerce market worldwide, a ranking it is expected to outgrow in 2023, moving up to 58th.

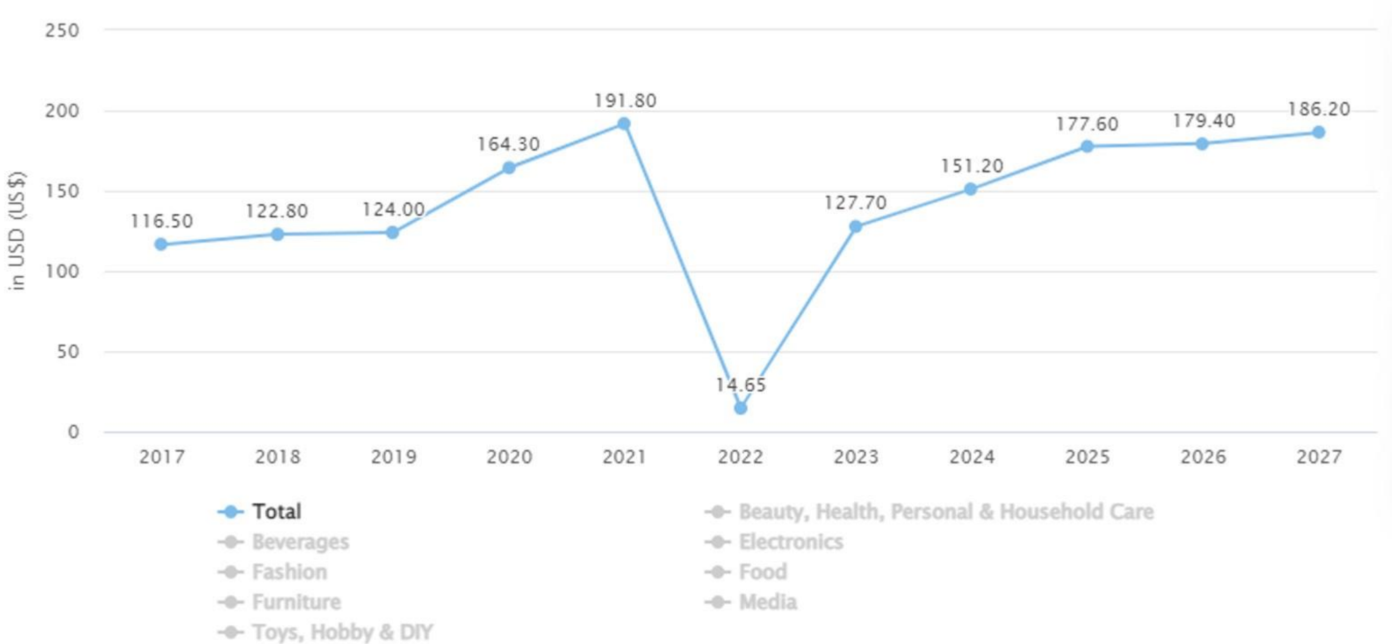
Pre-war forecasts projected a steady increase in Ukraine's E-commerce user base, which amounted to an estimated 18.94 million users in 2021 (source: Statista). However, the war led to many internally displaced people and refugees fleeing the country. As of the 4th of April 2023, the UNHCR recorded around 8.16 million individual Ukrainian refugees across Europe. This ongoing refugee crisis impacts Ukraine's E-commerce user base and internet usage. The average revenue per user plummeted in 2022 and is forecast to struggle to beat its 2021 value in the next years. Statista projects the 2027 average revenue per online shopper to amount to 186.2 USD, 5.6 dollars less than in 2021.

Electronics and fashion were the top sellers, amounting to around 1.12 billion and 947.8 million USD in 2021 (source: Statista). Revenue from these segments dropped dramatically in 2022 but still represented roughly 53.78% of the Ukrainian E-commerce market.

Rozetka.com.ua was the leading online store in the country in 2022, with online net sales revenue over twice that recorded by Apple which ranked second in the country. Makeup.com.ua made the top three that year, based on eCommerceDB data. On a segment level, Apple was the market leader for consumer electronics online sales, while Rozetka.com.ua topped the fashion rankings, followed by Zara.com.

While E-commerce was a booming market mainly within Ukraine, cross-border E-commerce also presents opportunities for service providers. A EU4Digital report highlighted the challenges the sector faced as of 2020, including the limited use of global marketplaces in Ukraine. It is also uncommon for local marketplaces to sell within the EU.

Average E-commerce revenue forecast per user in Ukraine



Notes: Data shown is using current exchange rates and reflects market impacts of the Russia-Ukraine war.
Source: Statista, Feb 2023

One of the main challenges faced by E-commerce in Ukraine comes from the logistics sector. Estimates as of the end of February 2023 by the Kyiv School of Economics report around 143.8 billion USD in direct damage caused by the Russian invasion, including 36.2 billion USD in damages to general infrastructure.

Based on data from February 2022 to February 2023, the World Bank assesses Ukraine's long-term postal reconstruction costs to reach 260 million USD between 2023 and 2033, 95.3% of which would cover short-term needs between 2023 and 2026. Postal service delivery restoration needs should amount to just under 1.89 billion USD across the same ten years. This evaluation is based on an estimated 0.2 billion USD in accumulated damage and 1.1 billion USD in accumulated loss to the Ukrainian postal sector since the beginning of the war.

These pressures placed on Ukraine's logistics sector must have an impact on E-commerce, particularly regarding goods delivery. National and international private postal services have committed to maintaining postal routes despite massive disruptions, with, for example, DHL sending more than 60,000 care packages between April 2022 and 2023 to a parcel point in Poland for redistribution by Ukrposhta in Ukraine. Additionally, Ukraine's pre-war commitment to the digital transformation of its postal sector could help alleviate some of these pressures. External donors could also assist in this digitisation. In 2021, this process was already underway: the EBRD issued a 13 million EUR loan to Nova Post—Ukraine's leading private postal service provider—to digitise their parcel logistics. A year earlier, the EBRD issued a 63 million EUR loan to Ukrposhta—the national postal operator—to increase their coverage of rural areas.

As traditional postal routes within and connecting to Ukraine have been disrupted by Russia's war on Ukraine and as Ukraine pushes towards increased digitalisation, the E-commerce and postal services sectors are facing rapid changes and new challenges. These emerging developments will considerably shape recovery.

Nova Post parcel locker produced by Modern Expo
Source: Nova Post

UKRAINIAN PARCEL MARKET BACKGROUND

Market definition

This report covers the market for parcel services in Ukraine.

- Items are typically small parcels, larger than a letter (for which parcel service is generally considered not to be cost-effective) but can be handled by one person. The precise upper weight limits vary between operators but are typically in the region of 25-35kg. The market's largest operator Nova Post has set its upper limit for courier shipments at 30kg.
- Delivery may be next day or several days later, but not usually the same day the item was picked up on.
- Due to the size of the country and the long distances to be covered typically involve many hub's and spoke network. This usually consists of a network of local depots, which handle collections and customer deliveries and a central hub, acting as a clearing house to sort parcels sent between different local areas.

Express parcels overlap with other segments such as mail, pallet distribution, groupage, freight forwarding, same day courier and contract logistics.

Characteristics of the market

CEP is a network type business where the overwhelming majority of costs relate to the provision of the service platform and are fixed in nature. Hence, the marginal cost of an additional customer or parcel is usually small; this is especially the case with OOH.

As a service business, the largest cost item for a typical parcel operator is labour cost. Capital intensity is relatively low (except with lockers); hence returns on capital are generally high.

Scale economies are important in certain areas but particularly in density of pickup and delivery routes. Reducing the time spent travelling between stops (both for collection and delivery) should lead directly to lower cost and increased profitability.

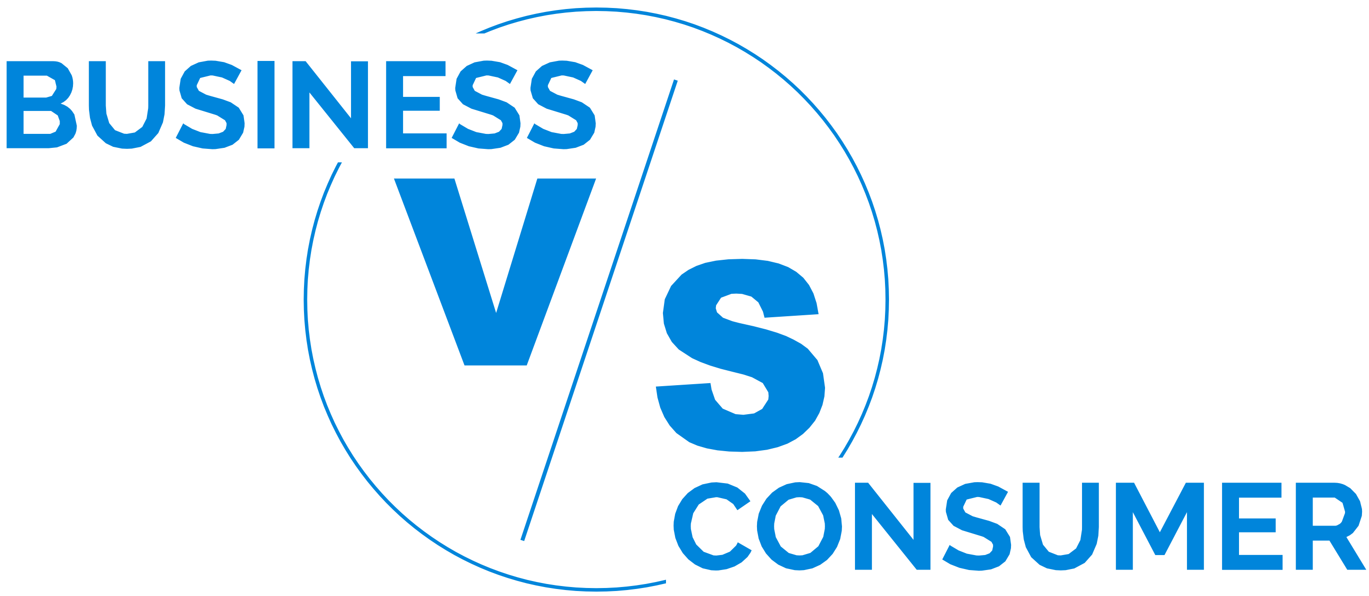
Unless a carrier has some unique advantage, such as IDM, PUDOs or APMs, and/or is heavily integrated with the customer, switching costs are relatively low and, in most markets, there exists a range of alternative providers. As a consequence, customer churn rates are frequently high, in particular for larger B2C customers.

Business vs. Consumer delivery

There has been significant convergence in recent years between the traditional parcels segments of B2B, B2C and C2C.

In the past, each was considered to be a distinct market.
Business carriers were wary of the risks of home deliveries, fearing that they would not fit their models and would increase costs. Residential addresses, likely to be off the normal delivery routes, can often be harder to locate and present a high probability of a failed delivery with no-one being available to receive or sign for the package.
Home deliveries were largely carried out by specialist consumer carriers, many of whom had been set up by the catalogue mail order companies to enable them to serve their networks of agents. These carriers used low-cost models which were often able to offer segment-specific features such as evening and weekend delivery but tended not to have the same level of parcel tracking and security as the business delivery models.
Consumers and small businesses looking to send occasional or one-off parcels would drop them off at their local post office.

However, in recent years, many of the barriers have broken down.
The expansion of home shopping has made consumer deliveries a faster-growing segment, attracting business carriers to the area. Increasing parcel density/volumes, developed PUDO or APM networks have enabled more efficient collection and delivery consolidation. Together with improved routing, satellite navigation systems the above reduced costs and risks of consumer delivery to the point that it can be a scalable and profitable business as demonstrated by Nova Post in Ukraine.



- Most traditional B2C delivery carriers have invested in sophisticated tracking and tracing systems and, in some cases, lured B2B customers with low prices to improve their delivery density and hence their economics.
- As a result of the hostilities, most small companies have suspended operations or disappeared from the market altogether. At the end of 2022, Nova Post, UkrPoshta and Meest remained the only active operators of any significance.

Nevertheless, it is still useful to consider online shopping as a distinct market driver. As a rule of thumb, the market growth model does this in tandem with the overall level of economic activity measured in real GDP, which is important given that parcel carriers serve a wide range of customers in many different sectors of the economy. This was also the case in Ukraine until 24 February 2022. Unfortunately, the hostilities caused rapid changes in the market and purchasing trends due to the crisis situation across the country.

Business deliveries no longer make up the majority of the market in most developed countries, where deliveries are mainly driven by the growth of online retail. However, Ukraine is in a different situation, before the war, during the dynamic development of many CEP/logistic companies, B2B deliveries accounted for a significant percentage of domestic shipments. In 2022, after the outbreak of war, the situation changed even more, as most companies from the CEP sector joined humanitarian or military transport operations. This, of course, distorted many statistics regarding both the volume and turnover generated by these entities.

At the same time, C2C volumes (examples include Vinted, OLX, etc.) are growing in Europe, and we see that Ukrainian consumers are also seeing the benefits of buying second-hand items. We expect that as soon as the war ends, C2C will also become a significant factor in terms of volume growth.

Nova Post Branch
Source: Nova Post

Other segmentations of the market

PREMIUM/ECONOMY

Premium services are those which commit or "guarantee" to deliver a parcel on a specific date (typically next working day for most domestic services) and/or by a specified time of day.

- Introduction of such services enabled carriers to charge premium prices. However, as operations have become more efficient, more carriers incorporated premium deliveries into their offer, thus reducing differentiation.
- The gradual shift towards premium services seen in the B2B segment has been offset by the faster growth of B2C segments. Initially skewed towards economy services, carriers are now increasingly moving towards next day as the default option

INTERNATIONAL/DOMESTIC

The percentage of international shipments fluctuates between global carriers, such as DHL, FedEx, UPS, and local players. Due to the hostilities, global operators have completely suspended their air operations, or premium shipment service. Nonetheless, after the hiatus, international service via road transport, mainly in transit through Poland, has partially returned.

Historically, significant premiums could be charged for international traffic, and this was a clear area of differentiation between the global integrators/international networks and domestic operators.

Nova Post parcel locker produced by Modern Expo
Source: Nova Post

Ukrainian CEP market trends

MARKET TRENDS

Last mile is currently the fastest growing major segment of logistics.

Some of the key trends include:

- While the war is skewing some of the trends in favor of B2C and C2C "aid" type shipments.
- Continued development of PUDO's and, in particular, lockers.
- Changes in retail patterns with e-tailers and retailers paying more attention to the last mile and even setting up their own capability here.
- Improvement in carrier IDM and a general increased use of technology in the last mile.
- Growth of same day delivery.
- Continued role of brokers to serve the C2X segment.
- Importance of C2C volume.

LOOKING AT THESE TRENDS IN TURN:

1 Development of OOH

The development and implementation of OOH points in Ukraine have encountered unique challenges over the past year. The ongoing war has impeded the growth of this sector, resulting in limited progress compared to previous years. The restoration of pre-war volumes is currently underway, but the market for PUDO and parcel lockers delivery services in Ukraine has not yet fully recovered. According to delengine.com, there is currently a variety of OOH locations in Ukraine, totalling 29,710 points (data from June 16th 2023) and it is estimated that by the end of 2022, the number was approximately 28,000.

In 2022 major CEP networks such as Ukrposhta, Meest, Delivery, and SAT have experienced significant declines in their networks. Ukrposhta, for instance, has witnessed a reduction of one-third, while Meest and Delivery have experienced declines of 45% and 40% respectively (source: LME). Only Nova Post has managed to restore its network to pre-war levels, with approximately 24,000 service points across the country. However, around 1175 branches still remain in the occupied territories, and their current status is uncertain.

The increase in the number of OOH delivery options in Ukraine has been driven by several factors. One significant factor is the formation of partnerships among businesses. Collaborative efforts, such as PUDO arrangements, have proven to be mutually beneficial. This collaboration allows stores to attract more customers, while delivery operators can expand their network of service points, thereby transforming fixed costs into variables.

Challenges specific to the Ukrainian market have impacted the growth of OOH delivery volume. The destruction of infrastructure facilities, the implementation of curfews, constant air alarms, and targeted attacks on Ukraine's energy systems have all had adverse effects on the development or restoration of OOH delivery services in the country. These challenges disrupted business operations and services, making it difficult to provide consistent and reliable delivery options.

However, despite the challenges, OOH delivery in Ukraine presents new opportunities for business development. It offers increased market coverage and meets the growing demand for convenient and flexible delivery services from consumers. Nova Post, for example, has responded to these challenges by introducing innovative solutions such as postal lockers powered by special batteries. These lockers allow customers to receive shipments 24/7, independent of power outages, internet connectivity, or mobile network availability. Nova Post's branches have also been equipped with generators and "STARLINK's", internet connections via satellite, to ensure uninterrupted delivery, providing a reliable service to customers.

In conclusion, while the Ukrainian market for OOH delivery has faced notable challenges, it remains an essential service with significant potential. The ongoing restoration efforts, combined with innovative solutions, enable businesses to overcome obstacles and offer convenient and flexible delivery options to customers throughout the country. With almost 30,000 OOH locations available in Ukraine, the network continues to expand, providing a solid foundation for the future growth of OOH delivery services.

The reason for locker (and to a similar degree PUDO) success is:

- More choices for the customer.
- High first-time delivery rates.
- Ease of locating and accessing by couriers.
- Highly efficient delivery method which increases last mile capacity by up to 5 times.
- Significant cost benefits vs D2D.
- Significantly less congestion.
- Some 2/3 less carbon emissions in urban areas and more in rural ones.

ZEBRA TECHNOLOGIES – Mobile computer
Source: Zebra Technologies

2 Changes in retail patterns

The Ukrainian E-commerce market was significantly impacted by the Russian invasion in 2022. Online stores experienced a dramatic 82.7% loss in sessions on the day of the invasion, resulting in a decline in online activity. However, there was a recovery observed in the following weeks.

Interestingly, from mid-March 2022 onwards, there was a notable increase in transactions, which can be attributed to the emotional stages experienced by individuals during times of war. As Ukrainians sought stability and safety, they turned to online platforms to purchase essential items and support the economy. The automotive sector also experienced a rise in sessions, likely due to the seasonal demand for changing winter tires to summer ones.

However, the impact on revenue was severe, as Ukrainian online retailers experienced an unprecedented average drop of 92% in revenue during the first week after the start of the war. This decline resulted in job losses, damage to infrastructure, warehouses, physical stores, and delivery systems. Although there were signs of revenue growth by mid-March, the losses sustained by early April remained significant.

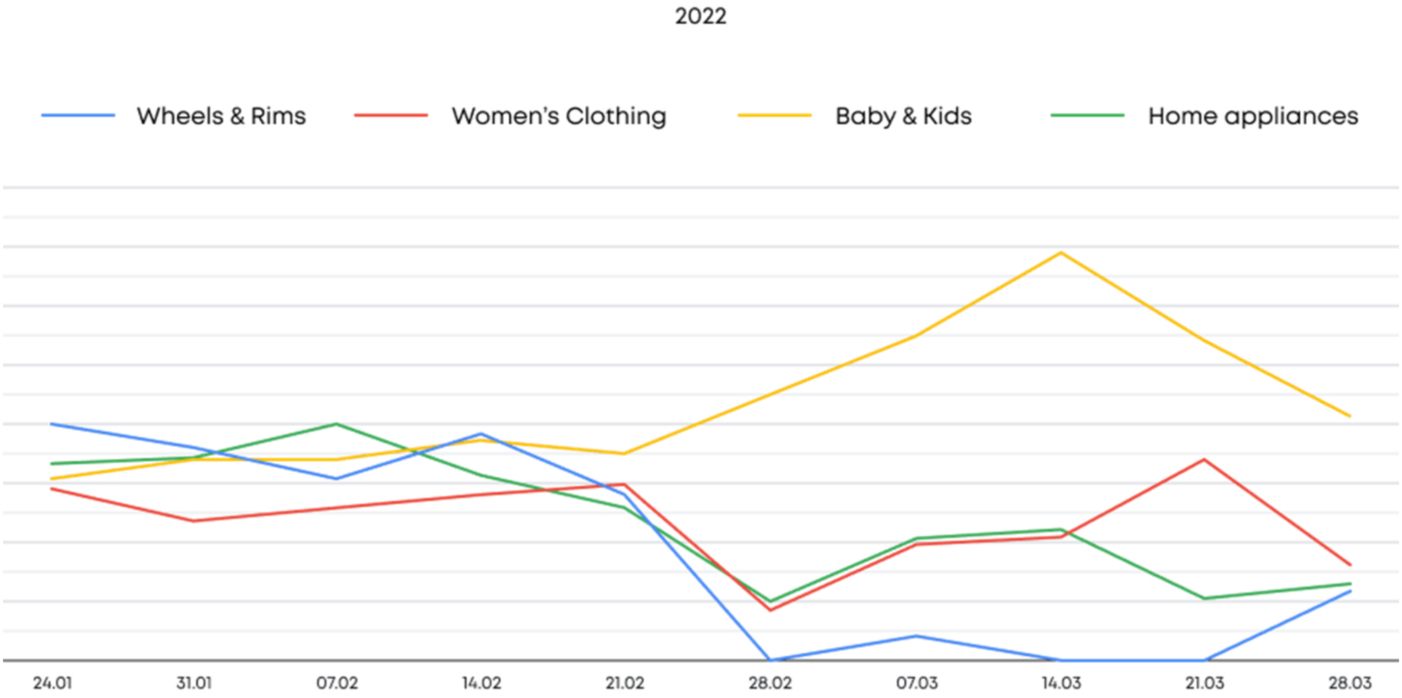
The clothing sector was particularly affected, given the non-essential nature of these products during a war crisis. However, a remarkable 1,264.3% surge in transactions was observed a month after the invasion, possibly driven by changing weather and the need for summer garments among displaced individuals

E-commerce transaction statistics

Period	Home appliances	Baby & Kids	Automotive (Wheels & Rims)	Women's Clothing
31.01 - 06.02 / 28.02 - 06.03	-87.2%	-96.5%	-93.1%	-98%
28.02 - 06.03 / 28.03 - 03.04	+165.3%	+597%	+3,323.9%	+1,264.3%
28.03 - 03.04 / 31.01 - 06.02	-66%	-75.3%	+149.9%	-72.4%

Source: Promodo.com

E-commerce transaction rates



Source: Promodo.com

E-commerce conversion rate

Period	Home appliances	Baby & Kids	Automotive (Wheels & Rims)	Women's Clothing
31.01 - 06.02 / 28.02 - 06.03	-45.7%	-51.8%	-54.3%	-98%
28.02 - 06.03 / 28.03 - 03.04	+59.5%	+103.1%	+113.5%	+1,264.3%
28.03 - 03.04 / 31.01 - 06.02	-13.3%	-2.2%	+149.9%	-2.5%

Source: Promodo.com

On a positive note, approximately a month after the invasion, the conversion rate for online purchases in Ukraine returned to nearly normal levels, indicating a resilient consumer base. The automotive sector also experienced an uptick in conversion rate due to seasonal demand.

The Russian invasion has underscored the significance of investing in organic traffic and increasing brand awareness for online businesses. It has highlighted the need for ongoing efforts to bolster online presence and adapt to challenging circumstances.

The migration crisis resulting from the war, which led to the largest wave of the 21st century and compelled over 5 million refugees to seek refuge in EU countries (Source: https://war.ukraine.ua/), had a significant influence on the development of the E-commerce market in Ukraine. The volume of E-commerce (B2C) in Ukraine experienced a decline of nearly 29% in 2022 compared to 2021 (Source: Effigy consulting). However, due to the migration of Ukrainians, mainly to neighbouring countries, some Ukrainian E-commerce demand has shifted to the those markets, resulting in additional growth there. On the contrary to B2C, the C2X segment, encompassing both C2C and C2B transactions, exhibited remarkable volume growth (+53.6%). Currently, the C2X segment constitutes 36.6% of the total Ukrainian CEP market (source: Effigy Consulting).

A significant number of internally displaced people who relocated from the southern and eastern regions to western Ukraine have started purchasing household items online. This has led to a redistribution of shipment volumes, with an increase of 30% in shipments to the western regions and a decrease in shipments to the eastern regions (Source: Ukrposhta).

The revenue in the E-commerce market is expected to reach between 2.8 billion USD (Source: Statista) up to 3,5 billion (Source: Meest) in 2023. The future forecast includes annual growth rates of 13.84% by 2027, with a market volume of 5,860 million USD and an estimated 24.8 million E-commerce consumers by 2027. User penetration is predicted to be 58.8% in 2023 and 63.6% in 2027 (source: Meest).

In terms of retail structure, there has been a notable shift towards an omnichannel approach, combining online and offline sales for a seamless shopping experience. Additionally, there has been an increase in marketing collaborations between different businesses, aiming to offer unique and personalised services to customers. This includes providing enhanced customer service for the delivery of items and products, even in cities where the retailer does not have a physical store presence.

In terms of consumer behaviour, a growing trend of mobile shopping has been observed, with more consumers making purchases using their smartphones and tablets. Social networks have become popular channels for shopping, and consumers are taking advantage of social commerce opportunities for convenient online shopping experiences.

E-Commerce is on the rise in Ukraine, and there is particularly high demand for delivery from online stores based in the EU, the US, and China. During the autumn and winter of 2022, when Ukraine faced deliberate power system disruptions caused by Russia, Ukrainians turned to international online stores to order essential items such as charging stations, generators, power banks, lights, and "STARLINKS". The domestic market couldn't fully meet the consumer needs at that time.
To facilitate the delivery process, it would be beneficial for European stores to include Ukrainian carriers as a delivery option on their websites, potentially through the use of APIs.

Data indicates a slight decrease in the number of Ukrainians shopping in domestic online stores in 2022. However, this decrease was compensated by Ukrainians living abroad who continued to make online orders for their families remaining in Ukraine. Additionally, there was an increase in the number of first-time online shoppers and a rise in the frequency of online purchases among occasional buyers.
The most popular categories for online purchases among Ukrainians remained

relatively stable, including clothing and footwear, household goods, appliances and electronics, health and beauty products, tools and automotive products. However, there was an increased interest in online purchases of pet products, goods for the countryside and garden, goods for tourism, and sporting goods.

These changes in the retail structure have had a significant impact on the CEP sector in Ukraine. Firstly, there has been a recovery in the volume of deliveries from online stores, with the industry experiencing growth, especially during war crisis. Nova Post research indicates that the current E-commerce market is 12% lower than before the war, but there is a positive trend towards recovery and growth.

Furthermore, many individuals in the de-occupied territories of Ukraine rely on OOH delivery services to access essential goods that may not be readily available in regular stores. They use online platforms to order necessary items and have them delivered to APM's and PUDO's for convenient pick-up. Carriers have actively collaborated with overseas online retailers. For example, following the resumption of deliveries by Nova Post and Meest from E-commerce platforms such as AliExpress, NOTINO, ANSWEAR, iHerb, LPP, or MODIVO in May and June 2022, there was a significant increase in consumer orders for delivery to Ukraine.

To facilitate the delivery process, it would be beneficial for European stores to include Ukrainian carriers as a delivery option on their websites, potentially through the use of APIs.

Since March 2022, shipment volumes from Ukraine to European and North American countries have begun to recover and increase by 30% per month. The most common destinations include Poland, Germany, and the Czech Republic (source: Meest).

"We cross countries and even continents, but always with the aim of delivering a parcel to a specific door, to a specific person. The strength of GLS lies in the whole Group and in the cooperation of our companies in Europe, the United States and Canada. Despite our international reach, we operate locally everywhere, which has a positive impact on the quality of service and the satisfaction of our customers. We are focused on growth and look forward to Ukraine as a promising new market with huge potential. Every day, we deliver parcels to millions of homes and workplaces. We do this with passion and openness because we know that every parcel is more than just a shipment. The key to our success is flexible, modern, and sustainable solutions. This enables us to deliver quickly and efficiently in more than 40 countries - whether in large metropolitan areas or small towns. The customer always comes first for us.""

Tomek Zwiercan
Managing Director GLS Poland

In 2022, there was an increase in the average online purchase amount. The average checkout in the E-commerce segment in Ukraine was 42,25 USD (source: Meest) partially due to the fact that Ukrainians, during the war crisis, have started to make purchase decisions based on product availability and delivery times, whilst price remained an important but not determining factor.

As a result of this change in demand, consumers currently show minimal brand preference and instead purchase whatever is readily accessible. Categories that meet essential needs, such as food, cigarettes, medicines, footwear and clothing, hygiene and household goods, and pet products, are still witnessing growth. In this scenario, the crucial factor for achieving success lies in guaranteeing product availability and implementing efficient logistics systems.

As the country progresses towards recovery, construction materials, household goods, electronics, and appliances are expected to be among the best-selling products. However, consumers will exhibit heightened price sensitivity, making it crucial to incorporate economy segment products into the product assortment.

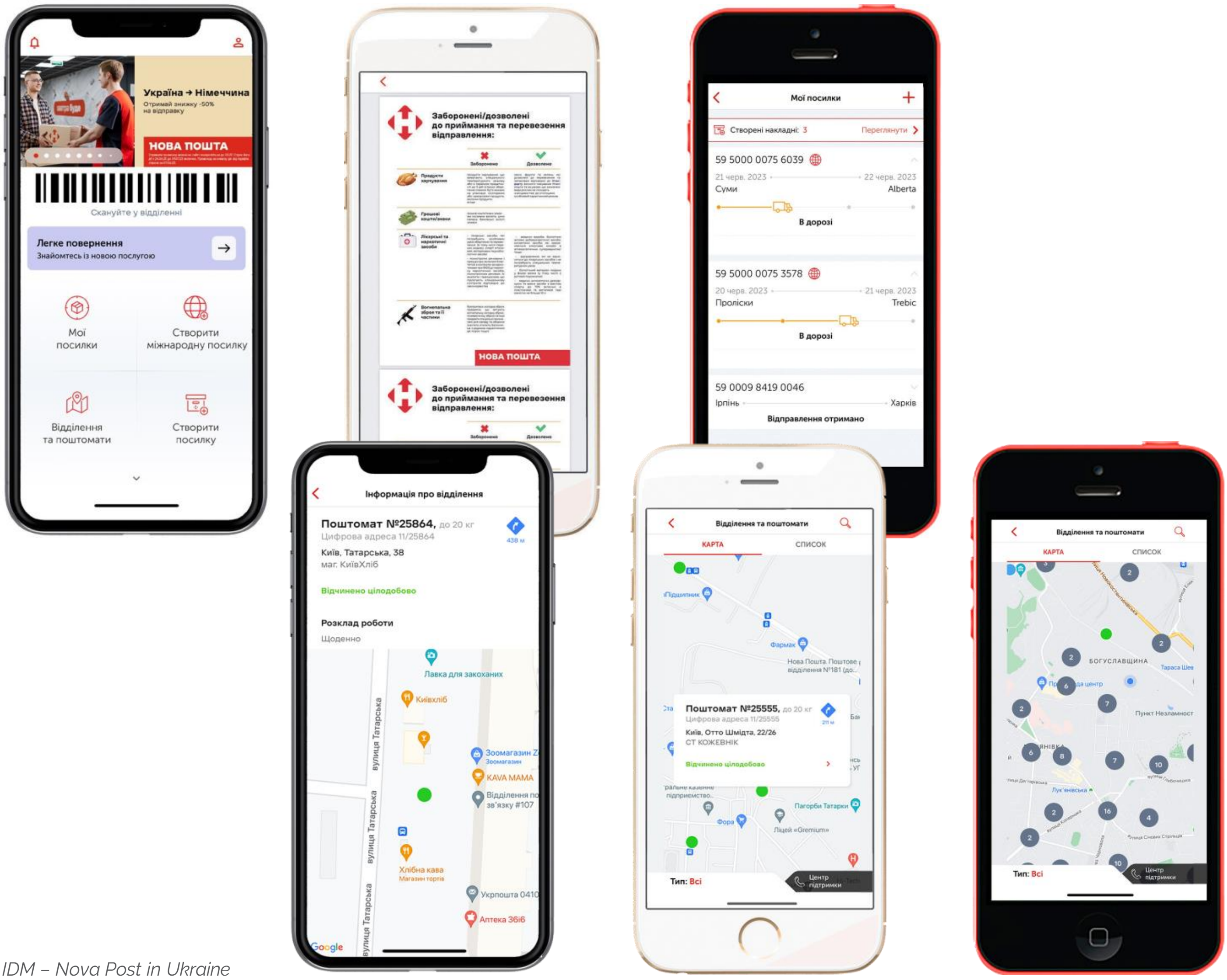
As Ukraine continues its efforts to reclaim its territory from Russian invaders and sees positive developments in military actions, it is projected that by 2023, Ukraine will almost reach the level of 2020. By 2024, it is expected to surpass the indicators of 2021. Additionally, there is a forecast for ongoing growth in consumer spending, which will contribute to increased business revenues (source Meest).

GLS – GLS Courier
Source: GLS

3 Interactive Delivery Management; the “secret sauce” in the last mile

Even the most exceptional OOH networks will struggle if they cannot communicate interactively and promptly with recipients. This is where IDM systems come into play, often referred to as the "Uber app for parcels". These systems allow recipients to share their preferences for the time and location of collection, track the progress of their deliveries in real-time, and make changes, even when a parcel is already in transit to their chosen delivery address. IDM not only enhances the customer experience but also maximises first-time delivery rates, which are the ultimate objective for any carrier.

There is a success story in Ukraine related to the implementation of IDM systems. Nova Post has long used a proprietary IDM system based on identification, navigation and monitoring. Each parcel has its own schedule, which tracks its movement at every stage on the way to the consignee. Additionally, customers have the capability to adjust the delivery plan. This feature gives customers complete control over their shipments as they can monitor their progress, precisely determine their location minute-by-minute, and anticipate their arrival time at each stage of the delivery chain.



IDM – Nova Post in Ukraine
Source: Nova Post

4 Increased use of technology in last mile operations

Regarding the impact of technological progress on last mile operations in Ukraine, operators encountered situations where certain technological advancements aimed at optimising delivery process had to be temporarily reversed due to military regulations. For instance, the real-time tracking of parcel routes on the map on mobile apps had to be disabled.
However, a notable technological solution that has become widespread in last-mile delivery in Ukraine during 2022 is the implementation of mobile branches. As soon as Ukraine regains control over the de-occupied territories, this solution will allow for the prompt rebuilding of branches. Two types of mobile branches are available: custom-designed mobile branches housed in parcel shipping containers equipped with air conditioning, solar panels, generators, or regular vehicles transformed into mobile branches.

Approximately 80% of carriers' branches in the liberated territories have been destroyed or severely damaged, necessitating significant time for reconstruction. To facilitate quick service restoration in these areas, the establishment of new premises and the deployment of mobile branches will serve as effective remedies (source: Nova Post).

Fixed industrial scanning (which goes hand in hand with machine vision) is a technology that allows to scan barcodes, parcels or objects more or less automatically. The fixed industrial scanner is a robust device designed to be mounted on top of a conveyor belt or table. It automatically reads barcodes on objects passing by and transfers the data to the back-end system, streamlining the process and making it more efficient.

Implementing technology in last mile operations brings several advantages. Firstly, it enhances efficiency by automating processes, optimising routes, and allocating resources, resulting in more efficient delivery and lower costs.

Nova Post parcel locker produced by Modern Expo
Source: Nova Post

Several other technologies are likely to develop in the Ukrainian last mile, including AGVs or delivery robots. Estonian companies Cleveron and US Starship Technologies are at the forefront of AGV development, although significant tests in Ukraine are yet to be conducted. The current technology for small machines that carry only one or two standard parcels may not be cost-effective or efficient for local delivery models. However, we can expect AGVs in the form of standard last mile vans or larger linehaul vehicles that eliminate the need for a human driver, allowing for longer uninterrupted driving times and more efficient "machine" driving for linehaul operations. Last mile vans offer even more compelling advantages as the courier can focus on planning deliveries and does not require a driving license; the van simply transports them to an optimal location near their stop and waits in a safe and convenient place.

UAVs are used for transporting smaller parcels or medication and have gained considerable attention. However, their utilisation in the Ukrainian last mile is limited, and their application at scale for non-specialist cases is not expected in the near future, especially when war activity in place. While specific use cases such as urgent deliveries of medical supplies or circumventing natural obstructions or poor infrastructure hold promise, broader implementation is hampered by various factors.

In terms of emerging technologies, smart locks and blockchain systems are showing potential in the last mile. Smart locks, which allow controlled and safe access to couriers for successful first-time deliveries, are gaining credibility, particularly for heavy and bulky items that cannot be served by PUDOs or parcel lockers. While smart locks are still rare in the Ukrainian last mile, their benefits are evident. Similarly, blockchain-based systems have the potential to track shipments and deliveries handled by multiple third-party carriers, offering benefits such as automated invoicing and reduced disputed billing. However, these technologies are currently not widely adopted in the Ukrainian last mile, and their mass implementation is not anticipated in the near future.

Sameday (Romania) parcel locker battery powered developed by Modern Expo
Source: Modern Expo

"For over a decade, we have been providing support to our valued customers in Ukraine by empowering their businesses with cutting-edge products and solutions designed to identify, track, and manage assets. We take a customer-centric approach by actively listening to their needs and offering expert advice on innovative technologies that can significantly improve their productivity and enhance customer satisfaction. Our local team and our partners are committed to delivering solutions that meet the needs of today and tomorrow, ensuring that our clients are always ahead of the curve."

Marian Šramko,
Vice President Sales Eastern Europe & Middle East, Zebra Technologies

ZEBRA TECHNOLOGIES – Fixed industrial scanner
Source: Zebra Technologies

5 Sameday shipping and premium delivery

At the beginning of the war and throughout 2022, the prompt delivery of vital medicines became a crucial and challenging task in Ukraine. The speed of delivering medical equipment and supplies became critically important for patients and medical facilities. Same-day delivery and premium delivery services played a significant role in ensuring that these essential healthcare items reached their destinations quickly and efficiently. Medical organisations, pharmacies, and individuals in need of urgent medical supplies relied heavily on these services to meet their immediate requirements.

The E-commerce industry in Ukraine has witnessed a surge in demand for same-day and premium delivery services. As more consumers turn to online shopping, there is a growing expectation for fast and convenient delivery options. Young and affluent consumers, in particular, are willing to pay more for the convenience of receiving their orders on the same day. This trend is especially evident for higher-value items such as mobile phones, where customers value prompt delivery and immediate access to their purchases.

Furthermore, the food and grocery delivery sector has seen a significant increase in the popularity of same-day and premium delivery services. The ability to provide timely and convenient service has made them popular choices for those seeking immediate gratification or dealing with time-sensitive situations.

In major cities of Ukraine, there has been a significant rise in the popularity of same-day and premium delivery services. Particularly, these services have gained traction in the medical sector, E-commerce industry, and food/grocery delivery segment. They are specifically designed to meet the urgent needs and expectations of customers who value promptness and convenience in their deliveries. This trend reflects the growing demand for fast and efficient service in these key sectors within urban areas of Ukraine.

Nova Post UAV
Source: Nova Post

6 Changing situation in Nova Post

Nova Post, is the leading Ukrainian CEP company, with an over 85% parcel volume market share. It has been adapting to the changing situation and demonstrating resilience despite the challenges posed by the war. With 22 years of experience, Nova Post has established itself as a trusted provider of global document, parcel, and cargo delivery services.

In 2022, Nova Post achieved impressive milestones, delivering 315 million parcels and contributing 180 million euros in taxes to the Ukrainian budget. Despite the war's impact, the company remained committed to expansion, opening 1,000 new branches and 1,330 post lockers, resulting in a total of approximately 24,000 service points.

To ensure operational stability and prompt service resumption after the war, Nova Post made strategic adjustments to its logistics. The company implemented new storage technology to accommodate the increased weight of parcels as people left the country with their belongings. Furthermore, Nova Post equipped its branches and sorting terminals with generators and fuel supplies, demonstrating preparedness for a challenging winter and a commitment to providing reliable services.

During the war, Nova Post actively engaged in supporting the recovery of online stores and partnered with various entities to hold over 100 marketing activities. These efforts included offering free shipping and promoting the revival of the E-commerce sector.
In a testament to their commitment to the country's well-being, company invested approximately 10 million EUR in supporting Ukraine's victory. This included contributions to the Armed Forces, charitable foundations, hospitals, and rehabilitation centres.
Moreover, Nova Post's commitment to humanitarian aid extended to de-occupied territories. The company established innovative mobile branches that could operate using solar panels and generators, ensuring the provision of essential services in these regions.

Despite the challenging circumstances Nova Post and other Ukrainian CEP players have demonstrated its determination to adapt, expand, and support Ukraine's recovery.
With their continuous efforts and investments, company remains a reliable and vital player in the logistics and distribution industry, contributing to the country's economic growth and development.

7 Brokers and consolidators

In Ukraine, there are several notable companies that operate as CEP brokers and consolidators, including Meest, Eurosender, and Delengine. These companies provide valuable services in the logistics and shipping industry by offering convenient solutions for both small shippers and carriers.

CEP brokers act as intermediaries between shippers and carriers, consolidating multiple orders and shipments to achieve cost efficiencies. They negotiate competitive rates with carriers and pass on these benefits to small shippers, who may not have the volume or resources to negotiate favourable terms on their own. By leveraging their expertise and network, brokers help streamline the shipping process for their clients.

For small shippers, using a broker offers numerous advantages. Firstly, they can access a wider range of shipping options from different carriers, enabling them to choose the most suitable service based on factors such as price, speed, and reliability. This increased flexibility allows small shippers to optimise their shipping strategies and better meet the needs of their customers.

Additionally, brokers and consolidators provide transparency and convenience. Customers can compare prices and services from multiple carriers through a single platform, simplifying the decision-making process. Companies also handle administrative tasks such as documentation, tracking, and customer support, reducing the workload for shippers and allowing them to focus on their core business operations.

Carriers also benefit from working with brokers and consolidators. By consolidating multiple shipments, they provide carriers with higher volumes, which can lead to more cost-effective operations. This volume consolidation helps carriers optimise their routes and capacity utilisation, resulting in improved efficiency and reduced costs.

8 C2C and Second Life

C2C is becoming the next big thing in Europe, courtesy of companies such as Vinted and, to a lesser degree, OLX.

This is significant as C2C, more than any other segment requires low-cost OOH options including exchange services where a parcel may even be delivered to and collected from the same access point or locker. This same exchange service fits well with in-car delivery (especially if enhanced with a camera option, for added security). C2C volumes in Ukraine have experienced remarkable growth of 53.6% in 2022 compared to 2021 (source: Effigy Consulting), and this trend is expected to continue due to the economic necessity driving a shift in purchasing habits.

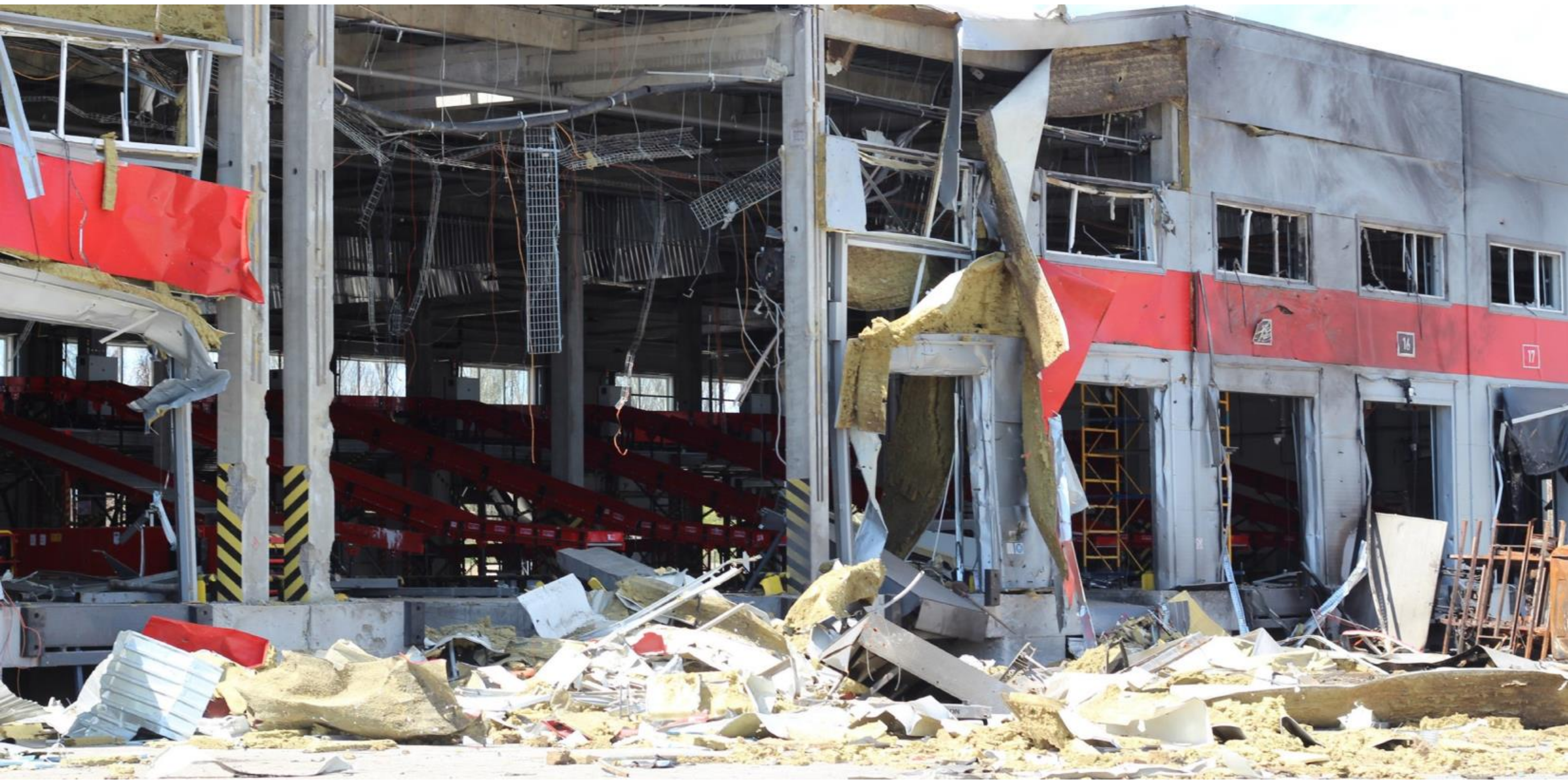
Vinted Go parcel locked developed by Bloq.it
Source: Bloq.it

What will the new last mile be like?

- APMs or PUDO's
- Smart locks enabling in-home/in-garage/in-fridge delivery
- AGVs & UAVs
- Crowdsourcing (Amazon Flex)
- Smart cities and the sharing economy
- On demand (Amazon Now)
- Grocery & fresh... disruption ahead
- Technology will be key: IDM & AI
- White Gloves (Heavy & Bulky)
- 3D printing (limited use cases for now)

“Business in Ukraine is actively working and developing. We experienced a severe disruption in the first two months of the full-scale war, but all those who recovered have redoubled their efforts to expand their business formats and enter international markets. There are 30 million active consumers in Ukraine. Ukrainians have started to buy online even more than before the war, as not all offline stores were able to recover and timely restock their product range. This provides a powerful incentive for the development of online commerce and express delivery. Nova Post is doing everything possible to be a backbone for business and every Ukrainian consumer. We are opening new branches, parcel lockers and PUDOs in towns and villages to be as close to our customers as possible and provide access to an expanded range of Ukrainian and foreign online stores in the most remote regions. We deliver parcels and cargo around the world so that local businesses can quickly deliver to their customers all over the world. In addition, we are actively developing a network of branches in Europe - Poland, Lithuania, Moldova, Czech Republic, and soon - in Germany and Romania. This allows Ukrainians to support and take care of each other even at a distance, and international businesses to enter the Ukrainian market.”

Oleksii Taranenko,
Nova Post Chief Business Development Officer



Nova Post terminal in Mykolaiv
Source: Nova Post

Market share by carrier, volume and value

INTRODUCTION

This chapter constitutes a summary of the review of the Ukrainian CEP Market on 2020 to 2022 data. The research has been undertaken by **Effigy Consulting.**

The Ukrainian CEP market review involves extensive desk research, assessments and interviews. Our methodology and consistency of approach has enabled us to cross-reference several sources and data points, creating improved transparency and accuracy.

Details on the methodology, including the parcel items in scope as well as the definitions, are available upon request.

The study provides the following market dimensions:

- Revenue and Volume from 2020 to 2022.
- Products: Express and Deferred.
- Flows: Import and Export.
- Destinations: Domestic, Intra-Continent, and Extra-Continent.
- Recipients: B2B, B2C and C2X.
- Weight: 0-31.5kg (~0-68 lbs).
- Year-on-Year Growth.
- CEP Market extension including Small Packets.*

The CEP market in this study is defined in terms of 4 main parameters:

- Parcels: Individual boxes or packages that can be carried by one man.
- Network visibility and traceability: the item is tracked through the delivery chain.
- Network Operations: the item is transported through a regular transport network.
- Brand view: the carriers are grouped at Corporate level under the same brand footprint.

This definition excludes Pallets, Freight, Same Day and any other Logistics and Value-Added Services.

The allocation of CEP products has been reviewed by country and by carrier. The main carrier products have been mapped against the service levels.

- **Express:** Timed delivery guaranteed by the next business day.
- **Deferred:** More economical product, within the above-mentioned CEP market boundaries.

**A review of Small Packets is available in the 'Extended CEP market' section.*

METHODOLOGY

EFFIGY CONSULTING METHODOLOGY INTRODUCTION

The methodology in place is a combination of Primary Research by doing extensive market interviews and Secondary Desk Research performed by Effigy Consulting

Primary Research: Interviews are managed through Effigy Consulting and Last Mile Experts team, local market consultants, multiple carriers and regional experts. The benefit of interviews is to cross- reference the information collected, to confirm country trends in specific segments, to review specific data points and to consider local news articles. Our preferred modus operandi is to use local consultants. It is also worth noting that we run multiple interviews each year with country experts. We have developed our own network to ensure in-depth market knowledge built up through multiple years of experience. Effigy Consulting's network provides the capability to launch analyses in more than 40 countries Worldwide with a panel of more than 300 carriers, including all Postal operators.

Secondary Desk Research: Effigy Consulting is continuously screening news articles and storing information related to the CEP market and we combine them with financial sources. Our main sources are: Web reports and news articles, Chamber of Commerce and other financial data, Dun & Bradstreet and UPU, Country regulators and Local reports, Airport and Airline information (database, reports, etc.), etc.

Effigy Consulting methodology also includes the following steps:

- We build dedicated business cases to determine the segmentation of each company's revenue and volumes into various dimensions such as destination, recipient, flow, product, etc.
- We validate with local and European market experts the positioning of each player in various segments in terms of market share, growth and ranking.
- We permanently update our database (retroactively when needed) to ensure quality of information: official information is often published a few years later, which enables us to backtrack on our assumptions and to take corrective actions if necessary.
- Our market assessments are not limited to Europe; we often review other key regions such as China and the US (among many others). Indeed, these destinations have a strong impact on the European CEP market..
- We have developed our own business intelligence tool for CEP data modelling. The tool is continuously updated and is focused on improving the quantity and quality of the data through various checks, benchmarks, market insights, backtracking, performance scenarios across the various segments of the market (e.g. Domestic/International, B2B/B2C, Time Definite/Day Definite/Day Probable/Deferred, etc.), addition of new dimensions, etc.
- Good relationships and networking with players in the parcels market throughout the regions are also key to ensure high-quality data.

We have made specific choices for special cases/situations:

- It is difficult to gather information on Direct Injections. Carriers themselves are not always aware of certain internal practices/behaviours. Where we find information related to a Direct Injection from one country to another (without using the 'standard' network), we report it accordingly. Otherwise, we assume that Direct Injections are mostly included within domestic activities.
- We use discounting techniques to offset potential grey areas for activities that do not belong in our CEP Market perimeter, such as Food, Same Day, Mail, Heavy Weight, Freight, Warehousing, other logistics activities, etc.
- We run a specific assessment on the Small Packets which can be 'hidden' in the parcel activities of carriers. Small Packets are light items carried through Mail networks. If the carrier officially declares the Small Packets as Parcels, we follow their input, if not they are processed in a separate database. Such information is important in order to better determine the revenue per piece (RPP) which could be low for certain carriers.

PERIMETER

The CEP market perimeter is defined in terms of 4 drivers:

- Parcels: Individual boxes or packages that can be carried by one man.
- Network visibility and traceability: the item is tracked through a barcode or potentially any other device (unlike "Mail items" that are typically untracked).
- Network Operations: the item is transported through a regular transport network, with regular daily connections, routes and tours.
- Brand view: the carriers are grouped at Corporate level under the same brand footprint.

This definition excludes Foods, Pallets, Freight, Contract Logistic, Innight service, Air Cargo Linehauls,, etc.

Please note that an extension to the CEP Market is provided in a dedicated section (Extended CEP Market) in which we also consider Small Packets (light items carried through Mail Networks).

DIMENSIONS

The perimeter of the CEP Market study includes the following dimensions:

- **Revenue** and **Volume**
  - Revenue is calculated in EUR
    We track all revenues in local currency, and we apply the same exchange rate to all years to avoid a 'currency conversion effect'.
  - Volume is calculated in parcels
    All volumes are allocated to the carrier with commercial ownership of the customer. Sub-contracted volumes have been removed as far as possible to avoid double counting.

- **Product** split by volume and revenue
  - Express (Time Definite)
  - Deferred (Day Definite + Day Probable)
  - Small Packets - not in standard CEP perimeter – see additional dimensions below
- **Destination** split by volume and revenue
  - Domestic
  - International Intra-Continent (EU countries + European countries outside of the EU, i.e. UK, CH, NO, RU, UA, TR, RS, and IS)
  - International Extra-Continent (non-European countries)
- **Recipient** split by volume and revenue
  - B2B
  - B2C
  - C2X (C2C and C2B (Returns))
- **Flow** split by volume and revenue
  - Import
  - Export
- **Years in scope**
  - 2020
  - 2021
  - 2022
- **Weight break**
  - 0-31.5 kg (equivalent to ~0-68 lbs)
  - 31.5-70kg (equivalent to ~68-155 lbs) - not in standard CEP perimeter – see additional dimensions below
- **Additional dimensions:**
  these are items that are not yet considered as part of the existing standard CEP perimeter. We include them as they may become part of standard CEP in the future.
  - Small Packets (light weight items (<2kg; ~4.4 lbs) carried through postal mail networks) are not in the standard data set, unless the carrier has counted them as parcels. Small Packets are treated as an extension and are addressed in a dedicated section (Extended CEP Market).
  - Heavier Weight parcels: 31.5 to ~70kg. (equivalent to ~68-155 lbs) Certain carriers set a limit at 68kg (~150 lbs) for heavy-weight parcels. A weight over 31.5kg (~68 lbs) requires either 2-Man delivery or the use of a forklift to deliver the parcel to the client's front door. Please note that certain carriers extend the weight of a parcel to 300kg (~660 lbs). We have not taken these items into consideration as the delineation between parcels and pallets/freight is already blurred at 31.5-70kg and can be misleading up to 300kg. Furthermore, the Revenue allocated to such parcels can be very high and it is therefore appropriate to exclude them.
  - Heavier Weight parcels are treated as an extension and are addressed in a dedicated section (Extended CEP Market).

DEFINITIONS

- **Revenue**
  Calculated in local currency and converted EUR, generated from the collection and delivery of parcels to final addressee, or in case of Import, the delivery from the gateway to the consignee.
  The revenue figures provided include Fuel Charges and other Value-Added Services related to the delivery of the parcel items.

- **Volume**
  Measured in number of parcel items (domestic, outbound or inbound); all volumes are allocated to the carrier with commercial ownership of the customer.
  Sub-contracted volumes are to be removed (as much as possible) to avoid double counting.
  In case of Import, the delivery of the parcels from the gateway to the consignee are attributed to the operator with responsibility for the last mile delivery.

- **Flow**
  - Import
    Inbound parcels are delivered into a country typically through an owned network (but can be via a 3rd party for carriers without a pan-European network).
  - Export
    Outbound parcels delivered into the country of destination.

- **Recipient**
  - B2B
    Traditional Business to Business activities.
  - B2C
    Traditional Business including Retailer to final Consumer activities and including e-traders, marketplaces, power-sellers (former consumers who have become E-commerce professionals).
  - C2X
    - C2C: Activities between private individuals, i.e. parcels sent to friends and family and those generated via platforms such as eBay.
    - C2B: Return of items initially purchased through distance selling and to be dropped off by the consumer/ individual at a collection point (e.g. post office or parcel shop). Return costs may be paid by the consumer, however these costs are increasingly covered by the retailer or even sometimes shared between the consumers and the retailer.

- **Product**
  - Express (Time Definite)
    Guaranteed timed deliveries, such as 09:00, 12:00, EOB delivery; typically, next business day (domestic and international) and with a money-back guarantee.
  - Deferred (including Day Definite and Day Probable)
    Economy-type products, but still with a specific date or number of days commitment; deliveries without a specific delivery time, typically more than 1 business day for

international services. This often represents the road-based transportation products.
- Small Packets
  Small parcels with a weight limit up to 2kg (~4.4 lbs) and commercialised by Mail divisions - most of the time accounted for in the Mail division.

- **Destination**
  - Destination is split into Domestic, Intra-Continent and Extra-Continent.
  - Direct Injections are generally treated as Domestic.

LIST OF CARRIERS CONSIDERED IN THIS STUDY

The carriers considered for the review of the Ukrainian CEP market are the following:
Carrier level Brand name:
- CAT
- DHL Express
- FedEx/TNT
- Meest
- Nochnoy Express
- Nova Post
- Ukrposhta
- UPS
- Others[1]

AVAILABILITY OF THE UKRAINIAN CEP MARKET FULL DATASET

The views provided in this report only represent part of the Ukrainian CEP market data contained in the full dataset available upon request with Effigy Consutling.

The Effigy Consulting full report provides:
- a top-line view of the total Ukrainian CEP market from 2020 to 2022 in both revenue and volume.
- a view of the market's evolution by segment from 2020-2022 in both revenue and volume.
- a top-line view by carrier for 2022, including year-on-year growth, in both revenue and volume.
- a drill-down in volume on the various segments split by carrier brand view.
- an extended view of the market providing Small Packet and Heavy-weight volumes.
- a 2023-2027 Forecast in volume of the total Ukrainian CEP market and with a B2B vs. B2C/C2X split.

The Effigy Consulting full data provides:
- A database with a data point for each segment mix for each carrier in revenue and volume from 2015 to 2022.

[1] *Others represents the consolidation all other carriers and rest of market*

The goal of this report is to provide you with a good understanding of the Ukrainian CEP market and of its evolution in recent years.

If you wish to have access to all the data dimensions available, such as
- a breakdown of the carriers' revenue by segment.
- additional years (from 2014).
- segments mix details, e.g. carriers' revenue and volume for B2C Domestic Deferred, B2B. International Export, B2C/C2X International Intra EU, etc.

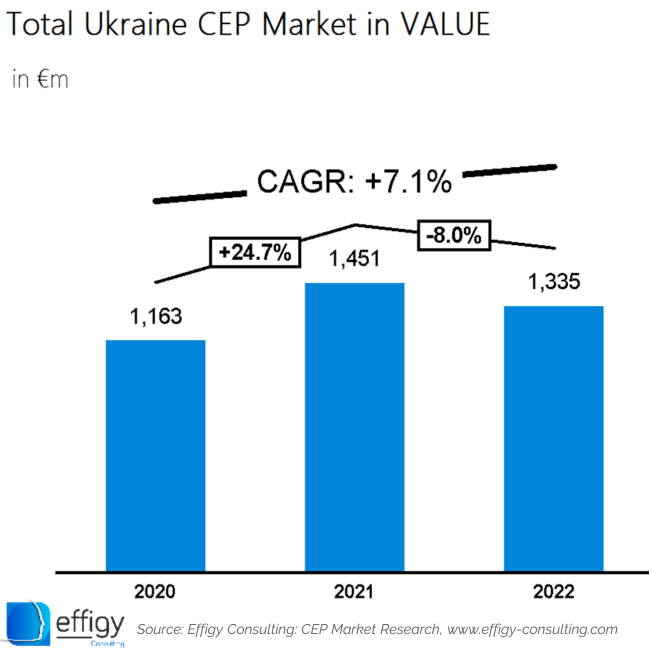
Our full Ukrainian CEP market dataset is also available for purchase. The dataset is provided in a flat-file format (Ms-Excel), enabling you to make your own simulations, select any segment splits and mixes, etc. For further information please contact **info@effigy-consulting.com**

GLS parcel locker developed by Modern Expo
Source: Modern Expo

THE 2022 UKRAINIAN CEP MARKET AT A GLANCE

TOTAL 2022 UKRAINIAN CEP MARKET IN REVENUE

In terms of revenue, the overall 2022 Ukrainian CEP market[2] is estimated at € 1.3 Billion, dropping by -8.0%.



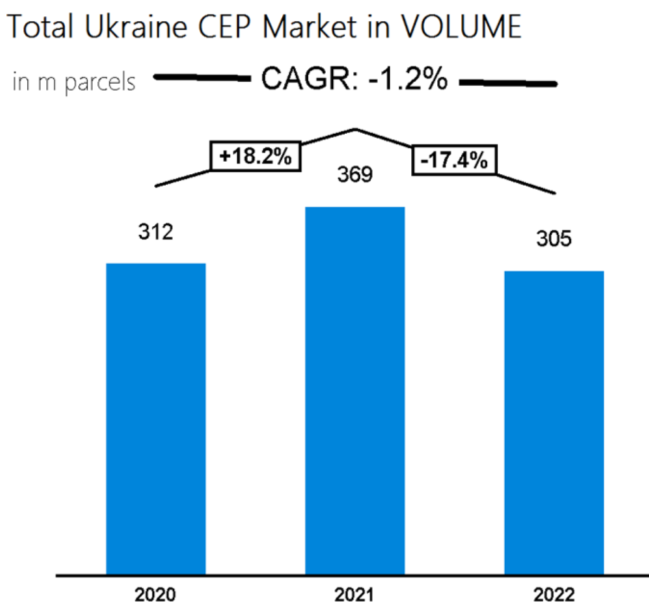
All carriers in Ukraine suffered from a drop in activities in 2022 due to the war as the country came to a standstill during the first few months following February 24th.

National postal operator Ukrposhta and Nova Post experienced the least severe drops in revenue as they were able to maintain some International and C2X activities. Their revenues dropped by -1.4% and -6.4% respectively.

UPS, Meest and DHL Express were the carriers that experienced the most severe drops in revenue, with -58.6%, -41.8% and -41.1% respectively.

TOTAL 2022 UKRAINIAN CEP MARKET IN VOLUME

In terms of volume, the overall 2022 Ukrainian CEP market[3] is estimated at 305m parcels, decreasing by -17.4%.



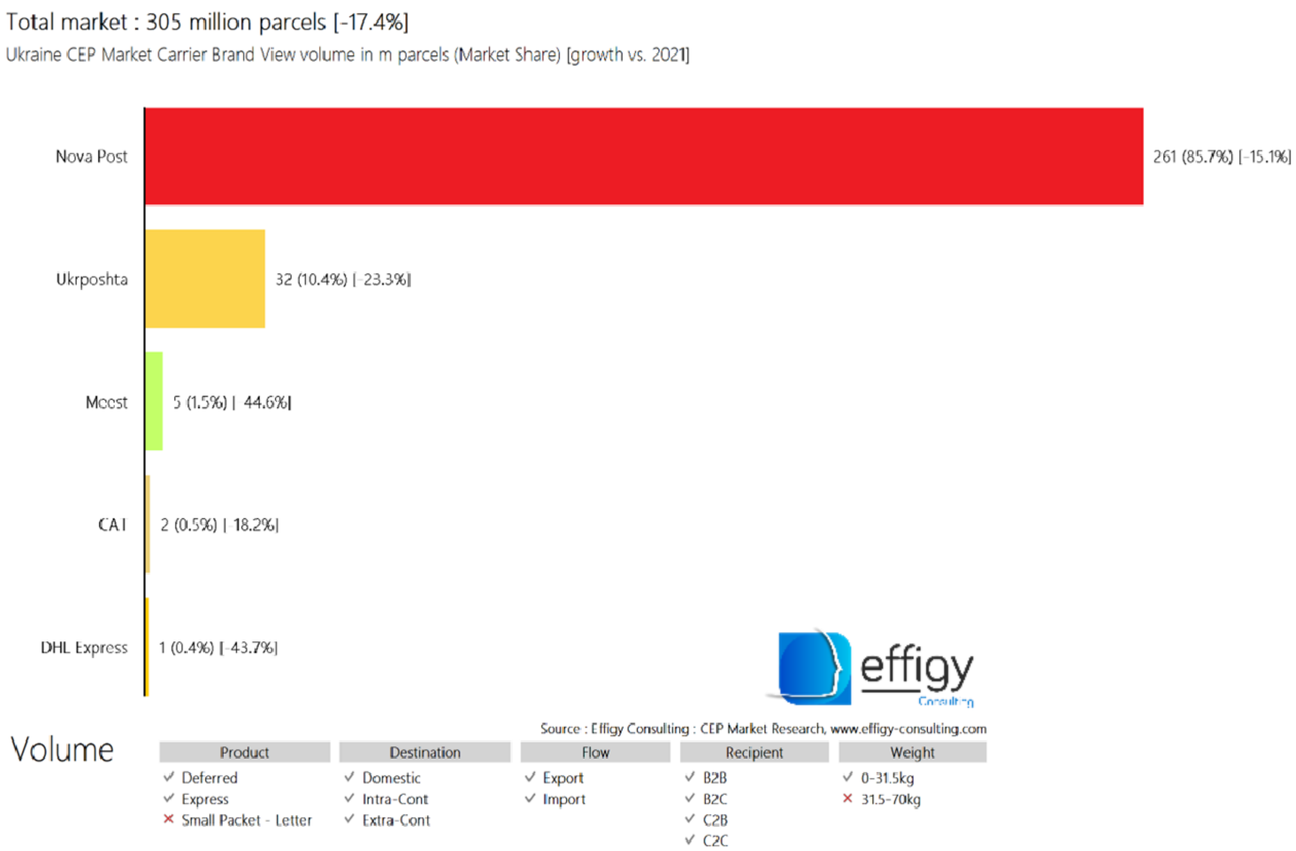
[2,3] Small Packets - Letters are excluded.

In volume, Nova Post, CAT and Nochnoy Express were the carriers that experienced the least severe declines, with -15.1%, -18.2%, and -20.4%.

The carriers that experienced the most severe decreases were again UPS, Meest and DHL Express, with -59.1%, -44.6% and -43.7% respectively.

MAIN CARRIERS ON THE UKRAINIAN CEP MARKET IN 2022

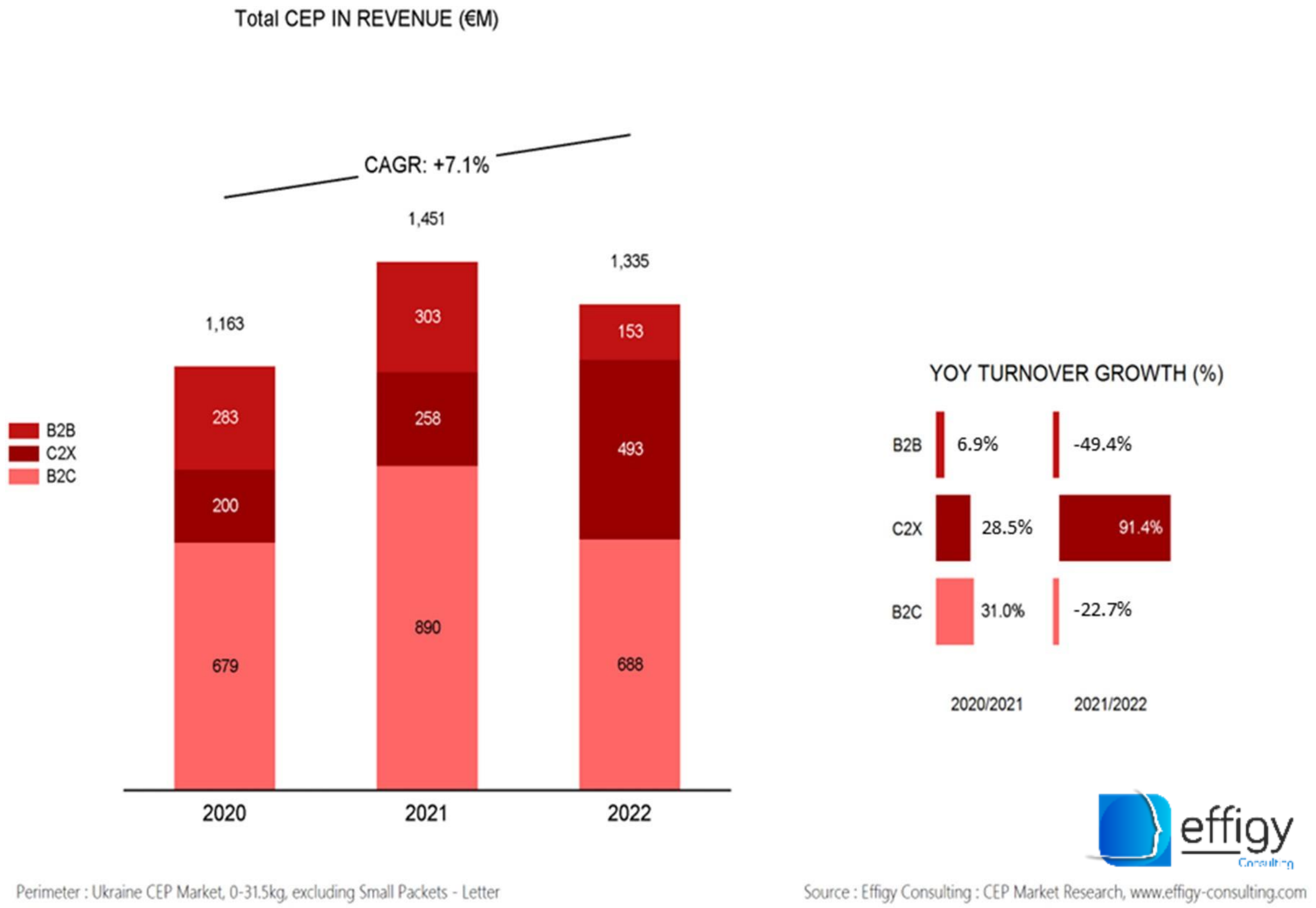
The top five players on the Ukrainian CEP market in **2022** were **Nova Post, Ukrposhta, FedEx/ TNT, DHL Express and Meest** in terms of revenue, together holding 98.4% of the total market. In terms of volume, the top five are **Nova Post, Ukrposhta, Meest, CAT and DHL Express**, holding 98.5% of the market.



THE UKRAINIAN 2020-2022 CEP MARKET BY SEGMENT

TOTAL UKRAINIAN 2020-2022 MARKET SPLIT BY RECIPIENT IN REVENUE

In 2022, the B2B and B2C segments suffered from severe drops due to Russia's invasion of Ukraine. The B2B segment dropped by -49.4% in revenue, and its share of the total CEP market revenue stood at 11.5% (vs. 20.9% in 2021).

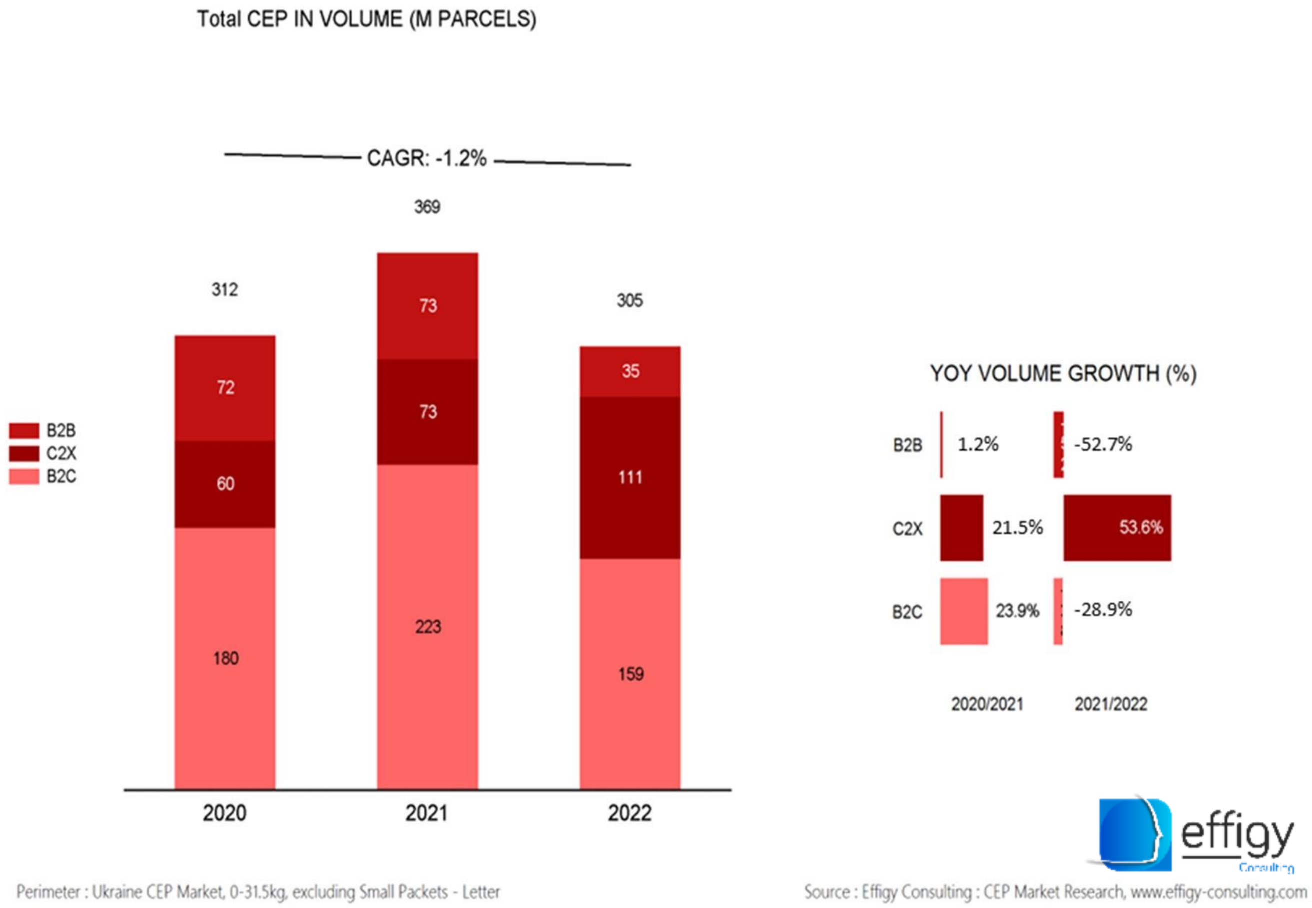


The B2C segment dropped by -22.7% in revenue. The share of B2C (excl. C2X) on the Ukrainian CEP market represented 51.6% in 2022 (vs. 61.4% in 2021).

The C2X segment (C2C and C2B combined) experienced strong growth in 2022 (+91.4% revenue growth) due to the high growth in the C2C segment as parcels between individuals were the main parcels that were sent during the year. C2X now represents a larger share than B2B on the Ukrainian CEP market, at 36.9%.

TOTAL UKRAINIAN 2020-2022 MARKET SPLIT BY RECIPIENT IN VOLUME

The B2B segment decreased by -52.7% in volume in 2022, and its share of total CEP market volumes stood at 11.4% (vs. 19.9% in 2021).



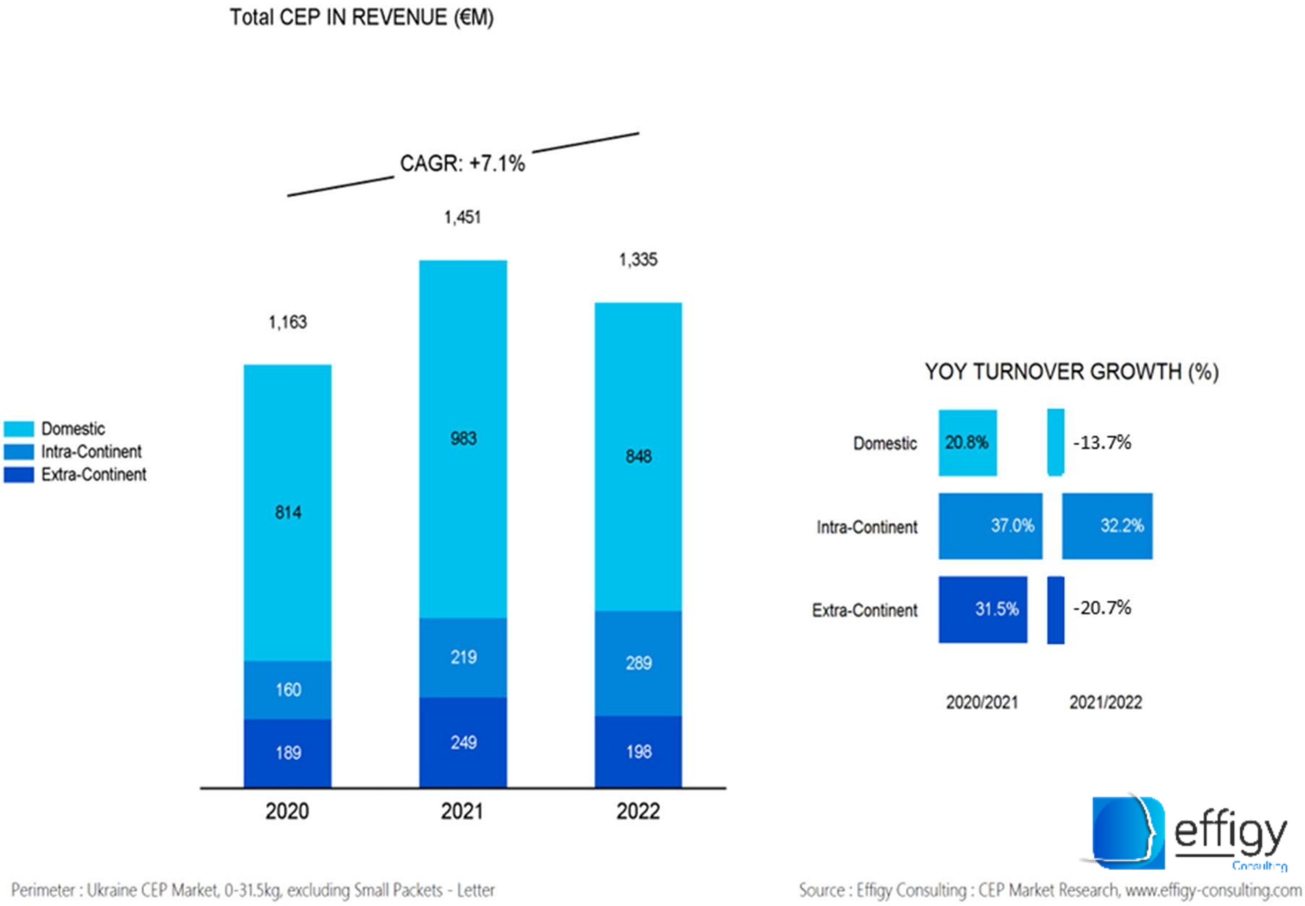
The B2C segment decreased by -28.9% in volume. The share of B2C (excl. C2X) on the Ukrainian CEP market represented 52.1% in 2022 (vs. 60.5% in 2021).

Like in revenue, the C2X segment (C2C and C2B combined) experienced strong growth in volume (+53.6%) thanks to high growth in the C2C segment. The C2X segment now represents 36.6% of the total Ukrainian CEP market in terms of volume.

TOTAL UKRAINIAN 2020-2022 MARKET SPLIT BY DESTINATION IN REVENUE

The Domestic market represents the largest segment in Ukraine in terms of revenue with 63.5% but has been growing at a lower rate than international (Intra-Continent and Extra-Continent combined). In 2022, the Domestic segment dropped by -13.7% whereas the International segment grew by +4.1%. Growth in the International market is attributed to Inbound parcels coming from European countries.

The share of the International segment is larger in terms of revenue (36.5%) than it is in terms of volume (22.2%) due to the higher average RPP of international parcels.

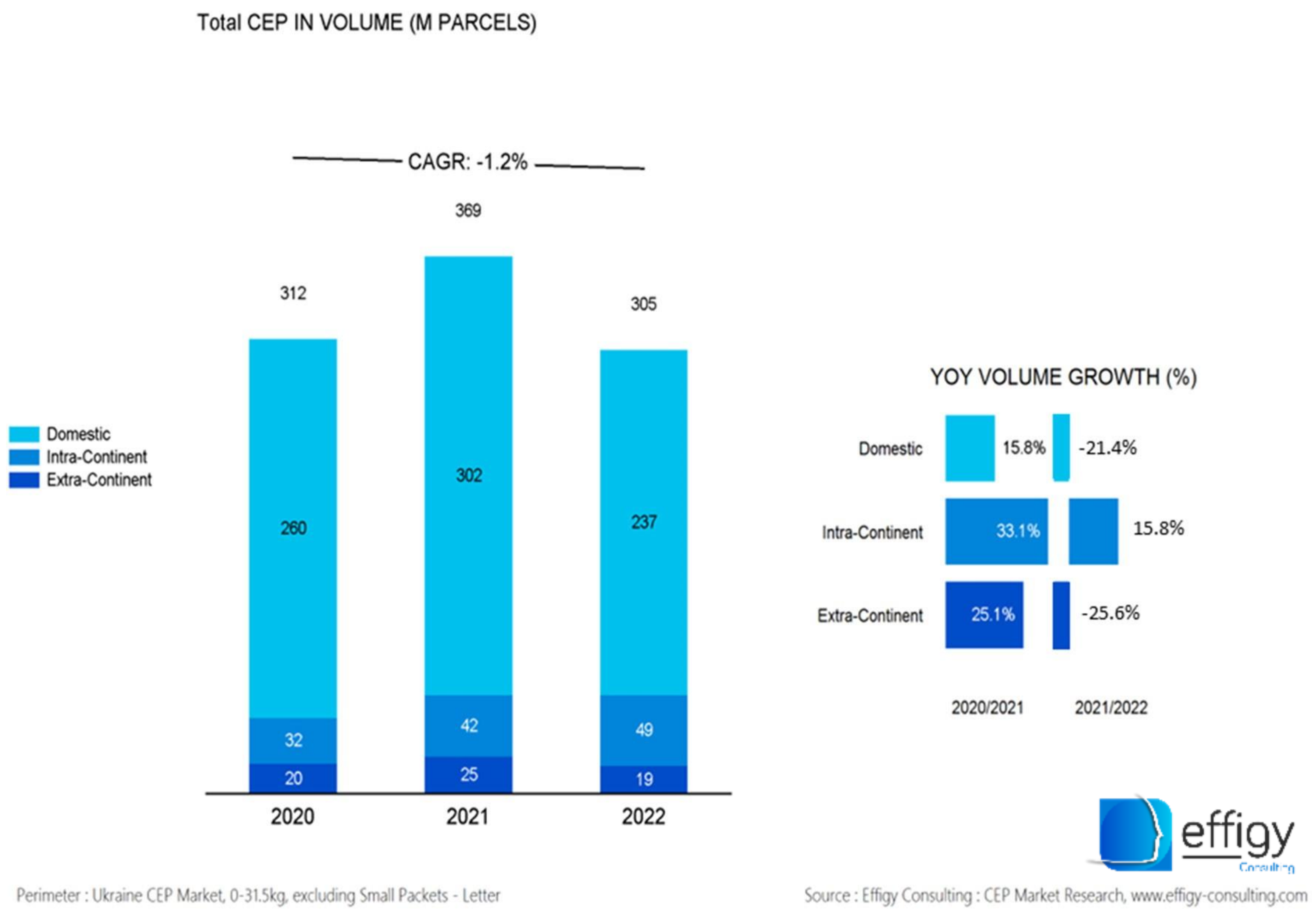


Within International, Extra-Continent used to represent a larger share than Intra-Continent in terms of revenue, but revenue from Intra-Continent parcels took over in 2022 as it was the only segment that grew during the year. Extra-Continent had grown by 31.5% in 2021 but dropped by -20.7% in 2022, whereas Intra-Continent had grown by 37.0% in 2021 and grew by 32.2% in 2022.

TOTAL UKRAINIAN 2020-2022 MARKET SPLIT BY DESTINATION IN VOLUME

The Domestic market represents the largest segment in Ukraine in terms of volume also, with 77.8%. In terms of volume, Domestic also experienced a lower growth rate than International, with -21.4% for Domestic in 2022 vs. +0.2% for International.

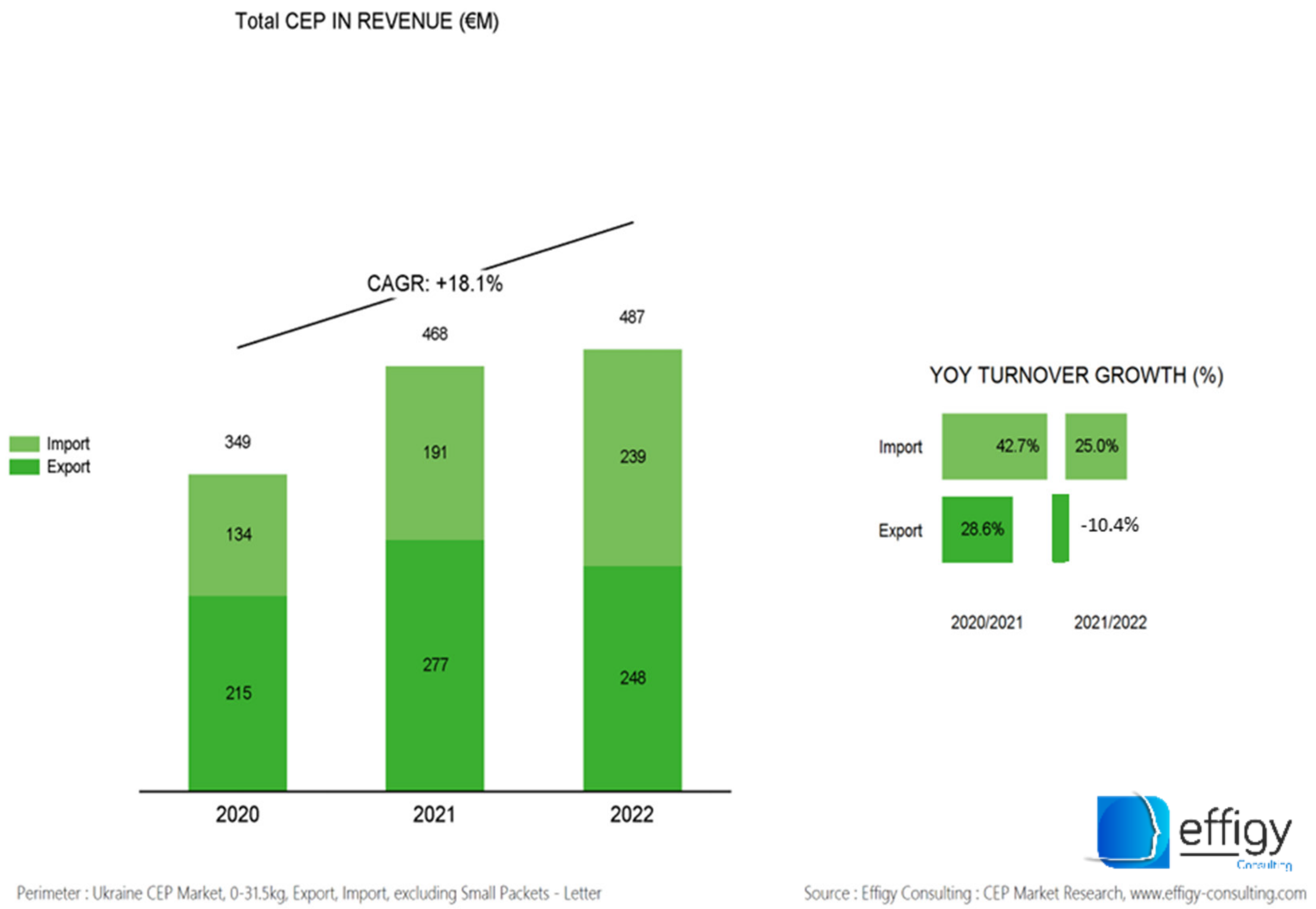
As mentioned above, the share of International parcels (Intra-Continent and Extra-Continent combined) is smaller in terms of volume than it is in terms of revenue and only represented 22.2% of the total CEP market in 2022.



Within International, in terms of Volume Intra-Continent already represented a larger share than Extra-Continent. Intra-Continent has grown faster than Extra-Continent in the past two years. Intra-Continent grew by +15.8% in 2022 and by +33.1% in 2021, whereas Extra-Continent decreased by -25.6% in 2022 but had grown by +25.1% in 2021.

TOTAL UKRAINIAN 2020-2022 MARKET SPLIT BY FLOW IN REVENUE

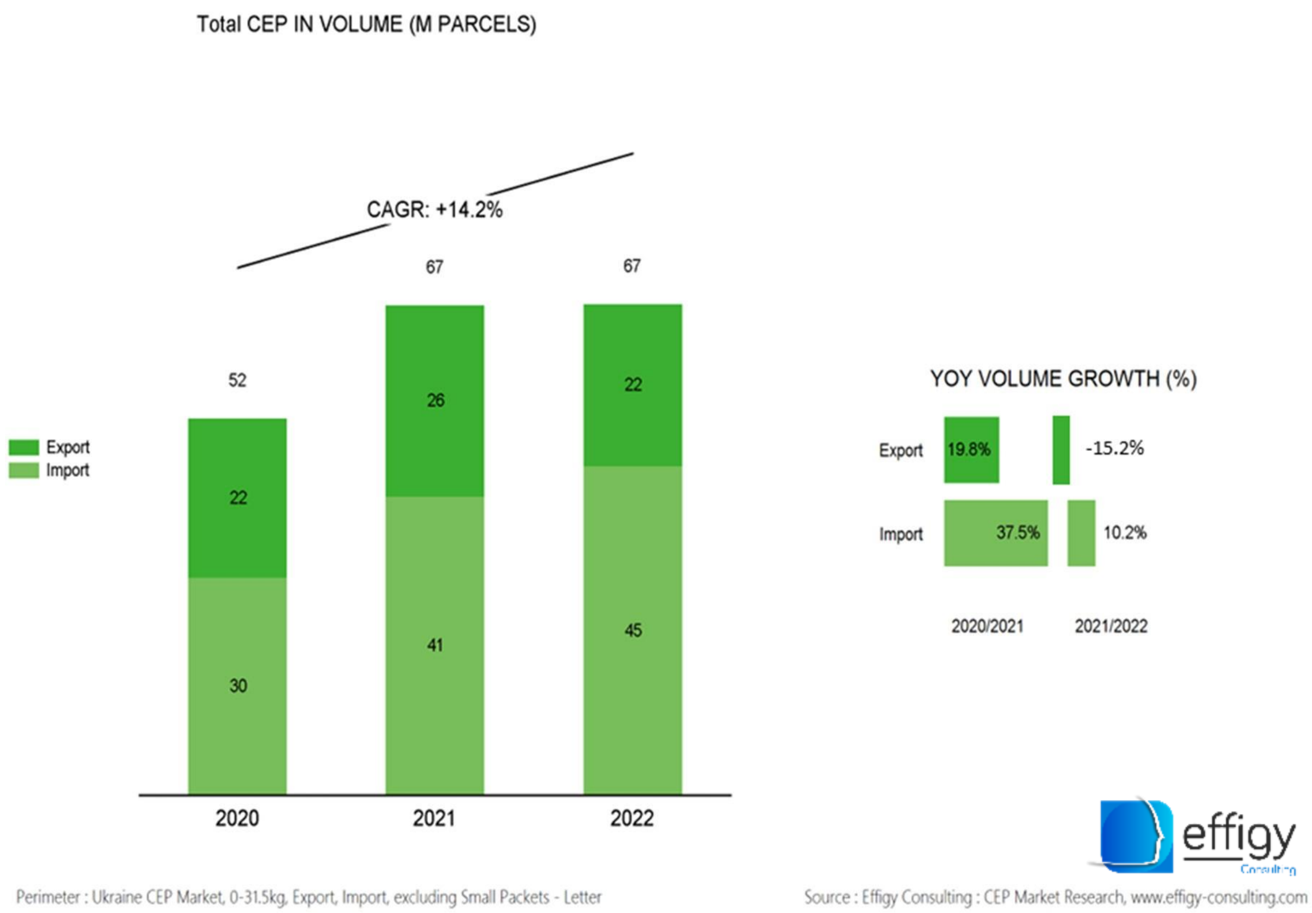
Exports represent a larger share of International parcels than Imports in the Ukrainian CEP market in terms of revenue due to a higher RPP, although the share of Imports increased in 2022.



When considering growth, Imports grew by +25.0% in 2022 and by +42.7% in 2021, whereas Exports dropped by -10.4% in 2022 but had grown by +28.6% in 2021.

TOTAL UKRAINIAN 2020-2022 MARKET SPLIT BY FLOW IN VOLUME

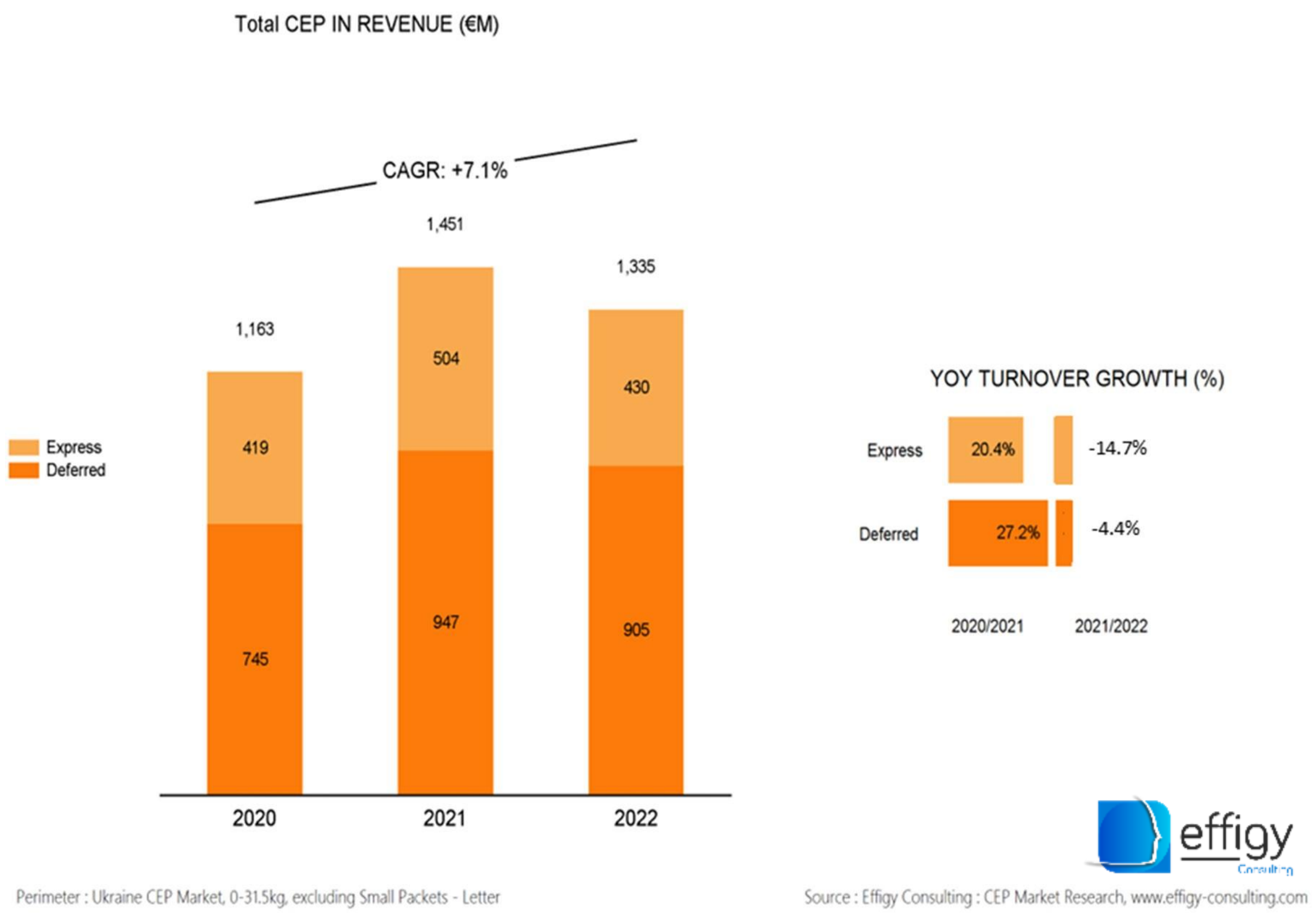
In terms of volume, Exports represent a smaller share of International parcels than Imports in the Ukrainian CEP market.



Exports decreased by -15.2% in 2022 vs. a +19.8% growth in 2021, whereas Imports grew by 10.2% in 2022 and by 37.5% in 2021.

TOTAL UKRAINIAN 2020-2022 MARKET SPLIT BY PRODUCT IN REVENUE

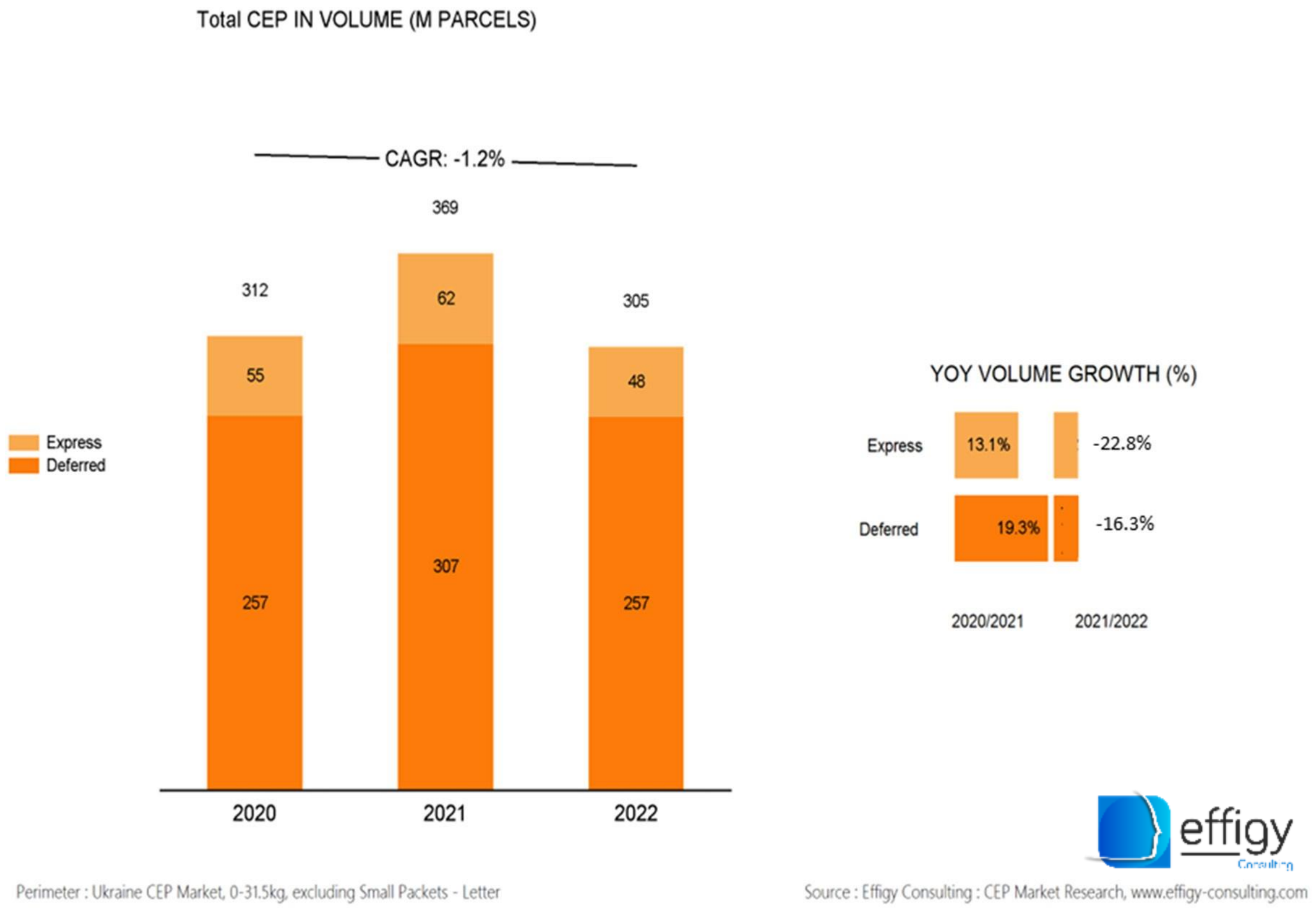
The Ukrainian CEP market is predominantly a Deferred market, with the revenue of Deferred parcels representing 67.8% of the total market's revenue.



Revenue in the Deferred segment dropped by -4.4% in 2022, and revenue in the Express segment dropped by -14.7%. In 2021, Express revenue had grown by +20.4% vs. +27.2% for Deferred.

TOTAL UKRAINIAN 2020-2022 MARKET SPLIT BY PRODUCT IN VOLUME

In terms of volume, the share of the Deferred segment on the Ukrainian CEP market is even larger than in revenue (representing 84.2% of total volumes). The Express segment thus holds only 15.8% of Ukrainian CEP volumes.

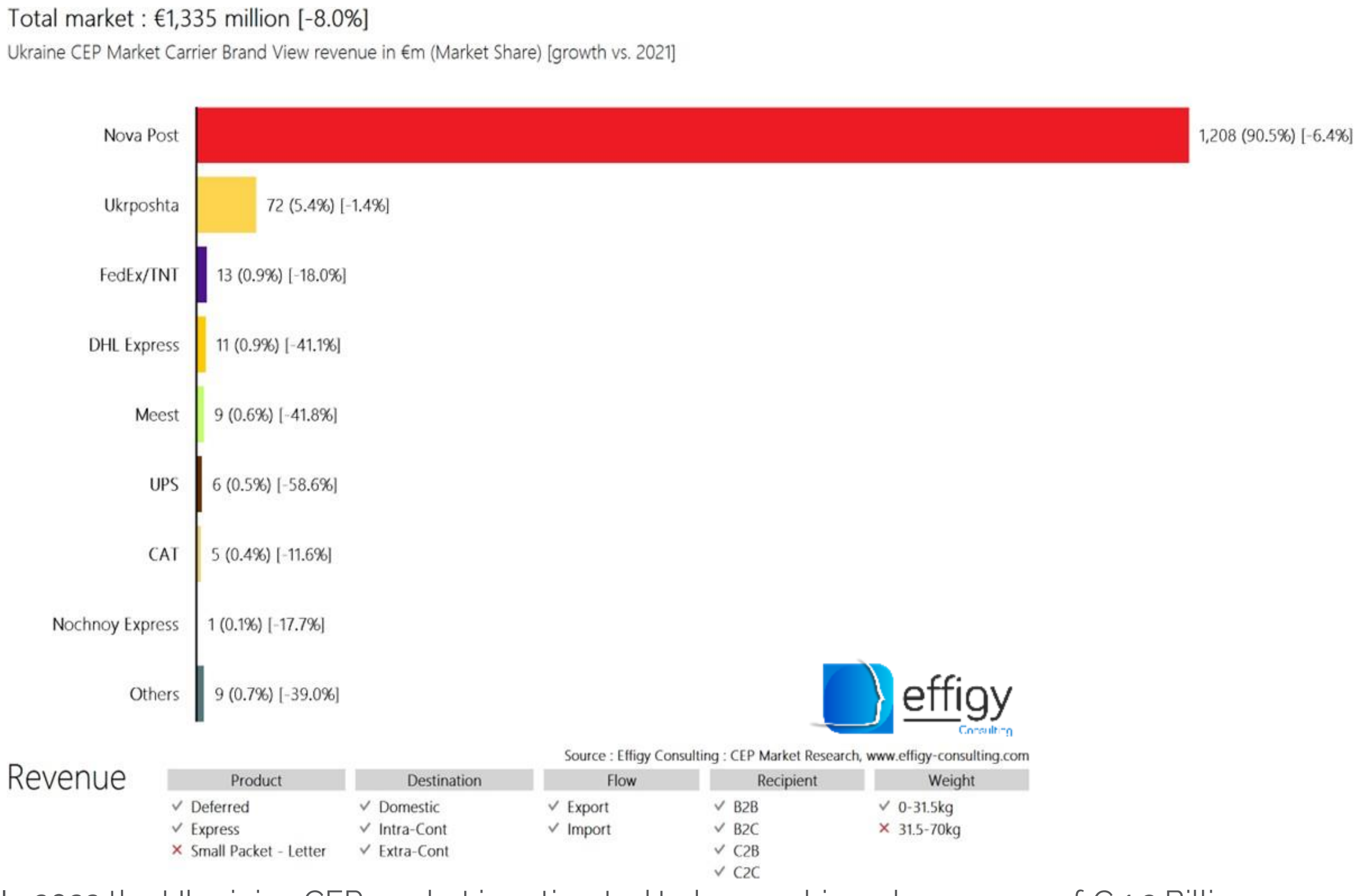


Volumes in the Deferred segment decreased by -16.3% in 2022, and volumes in the Express segment decreased by -22.8%. In 2021, Deferred volumes had grown by +19.3% vs. a growth of +13.1% for Express.

TOTAL 2022 UKRAINIAN CEP MARKET SPLIT BY CARRIER IN REVENUE AND VOLUME

TOTAL 2022 UKRAINIAN MARKET BY CARRIER BRAND VIEW (IN REVENUE)

2022 UKRAINIAN CEP MARKET in revenue, split by Carrier brand view.



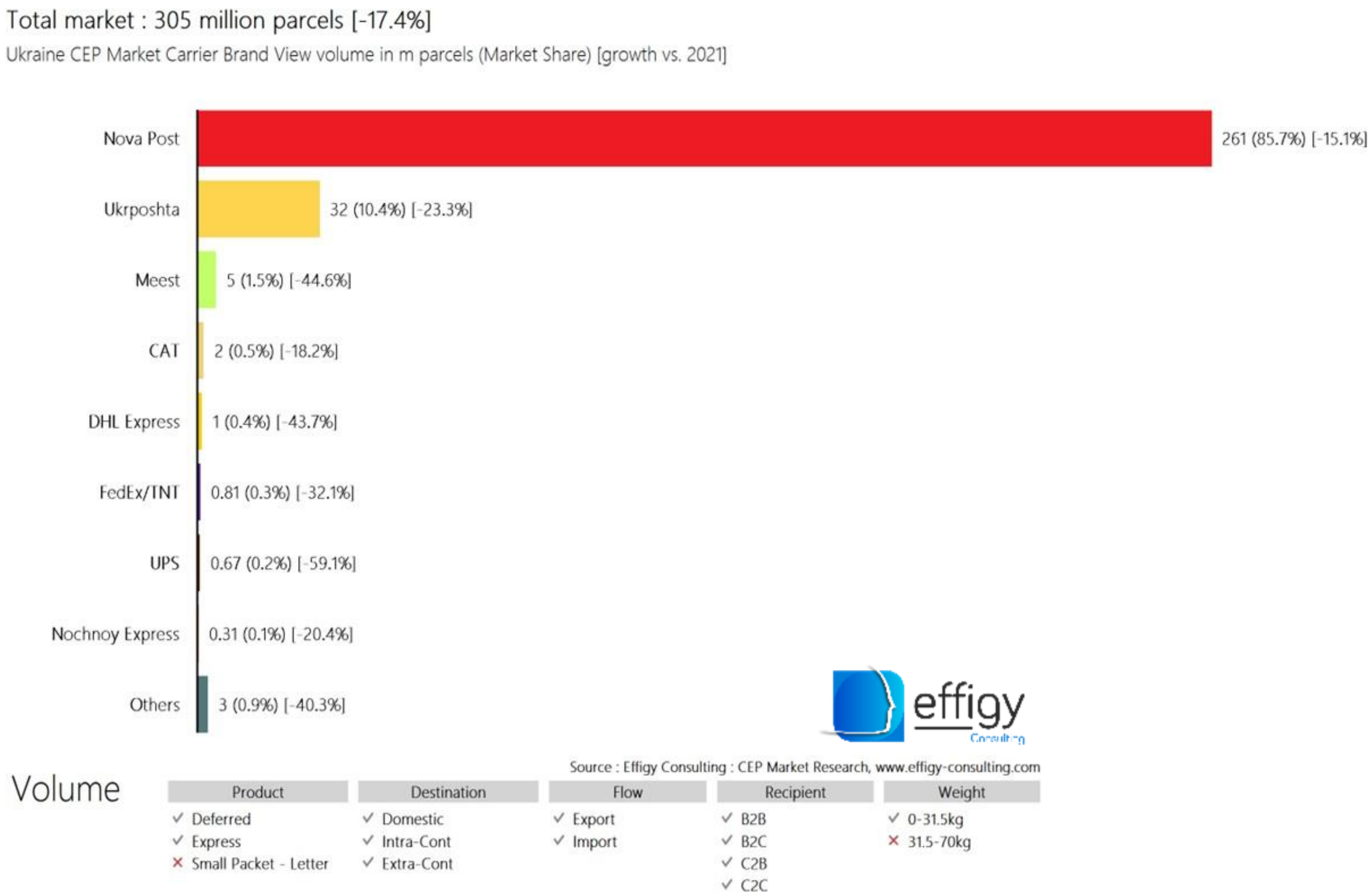
In 2022 the Ukrainian CEP market is estimated to have achieved a revenue of € 1.3 Billion, dropping by -8.0%.

Nova Post leads the Ukrainian CEP market in terms of revenue with a revenue of € 1.2 Billion in 2022, a market share of 90.5%, and a drop of -6.4%.
Ukrposhta follows with a revenue of € 72 million, a market share of 5.4%, and a drop of -1.4%, and FedEx/TNT comes third with a revenue of € 13 million, a market share of 0.9%, and a drop of -18.0%.

The carriers with the least severe drops in 2022 were Ukrposhta (with -1.4%), Nova Post (-6.4%) and CAT (-11.6%).

TOTAL 2022 UKRAINIAN MARKET BY CARRIER BRAND VIEW (IN VOLUME)

2022 UKRAINIAN CEP MARKET in volume, split by Carrier brand view.



In 2022 the Ukrainian CEP market is estimated to have achieved 305m parcels, decreasing by -17.4%.

The market leaders in terms of volume in 2022 are Nova Post with 261m parcels, a market share of 85.7%, and a decrease of -15.1%, Ukrposhta with 32m parcels, a market share of 10.4%, and a decline of -23.3%, and Meest with 5m parcels, a market share of 1.5%, and a decline of -44.6%.

The carriers with the least severe decreases in terms of volume were Nova Post (with -15.1%), CAT (-18.2%) and Nochnoy Express (-20.4%).

2022 UKRAINIAN CEP MARKET SEGMENTS SPLIT BY CARRIER IN VOLUME

TOTAL 2022 UKRAINIAN CEP MARKET VOLUME GROWTH BY CARRIER BRAND VIEW

2022 UKRAINIAN CEP MARKET volume growth by Segment, split by Carrier brand view.

Total Ukraine Growth rate 2021-2022 in VOLUME, Split by carrier brand view

2022, m parcels

Total Volume: 304.6m parcels

Total growth: -17.4%

Player	Growth	Total Value	Domestic	International	Deferred	Express	B2B	B2C	C2X
Nova Post		-15.1%	-19.5%	+4.9%	-13.5%	-21.6%	-54.4%	-27.1%	+53.6%
CAT		-18.2%	-18.2%		-18.2%		-16.8%	-19.7%	
Nochnoy Express		-20.4%	-20.4%		-20.4%		-27.0%	-9.6%	
Ukrposhta		-23.3%	-27.4%	+101.2%	-23.3%		-42.1%	-35.2%	+79.1%
FedEx/TNT		-32.1%	-71.4%	-16.2%	-23.8%	-38.1%	-47.4%	-25.3%	
DHL Express		-43.7%	-78.9%	-36.6%	-38.0%	-48.8%	-59.8%	-36.8%	
Meest		-44.6%	-51.1%	-41.4%	-44.6%		-58.9%	-41.0%	-46.6%
UPS		-59.1%	-86.1%	-56.3%	-56.1%	-62.0%	-60.3%	-58.7%	
Others		-40.3%	-44.7%	+20.3%	-40.3%		-51.1%	-38.0%	

effigy Consulting

Source : Effigy Consulting : CEP Market Research, www.effigy-consulting.com

All carriers in Ukraine suffered from a drop in activities in 2022 due to the war as the country came to a standstill during the first few months following February 24th.

Nova Post, CAT and Nochnoy Express were the carriers that experienced the least severe declines in terms of volume in 2022, with -15.1%, -18.2%, and -20.4% respectively.

National postal operator Ukrposhta experienced a decrease in volume of -23.3%.

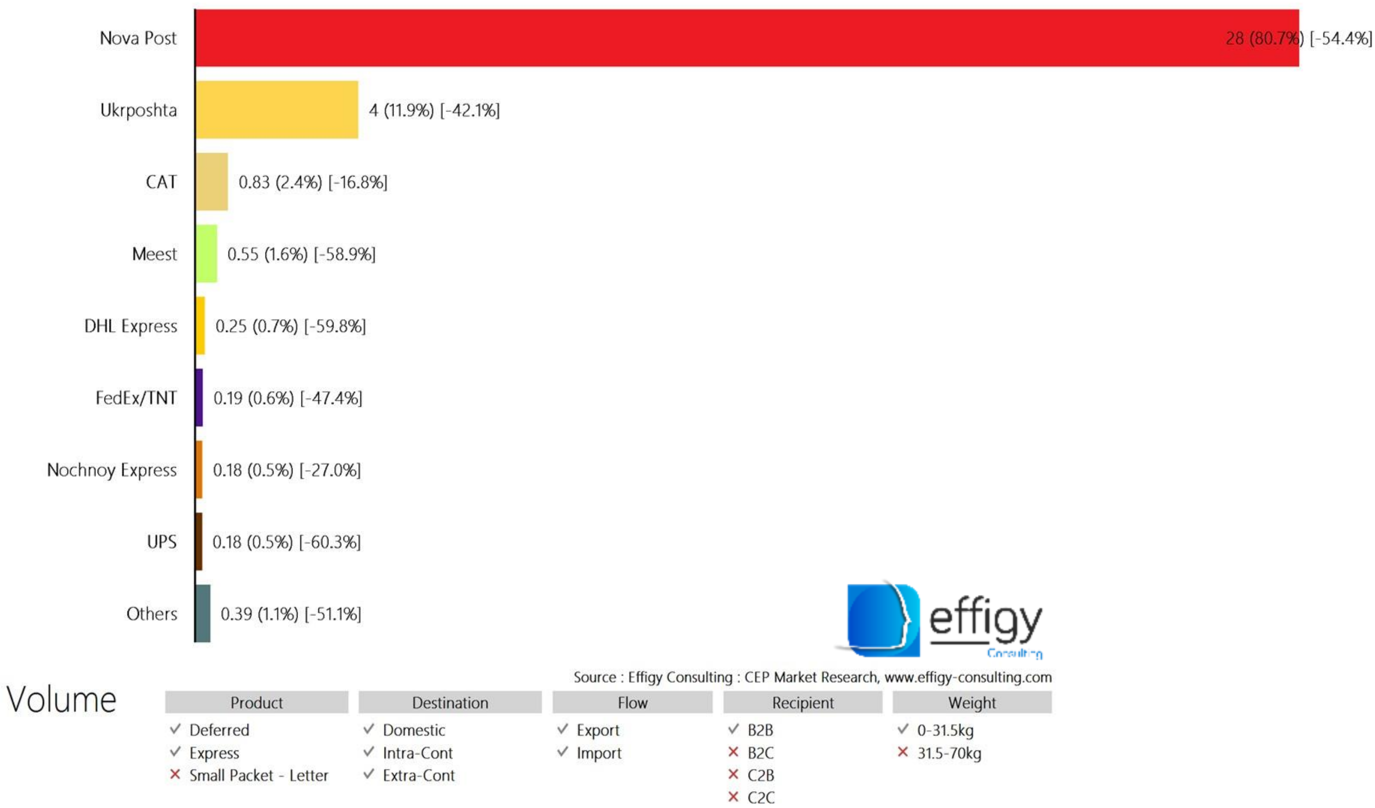
The carriers that experienced the most severe decreases were UPS, Meest and DHL Express, with -59.1%, -44.6% and -43.7% respectively.

2022 B2B CEP MARKET BY CARRIER BRAND VIEW (IN VOLUME)

2022 UKRAINIAN B2B CEP MARKET in volume, split by Carrier brand view.

Total market : 35 million parcels [-52.7%]

Ukraine B2B CEP Market Carrier Brand View volume in m parcels (Market Share) [growth vs. 2021]



The Ukrainian B2B CEP market for 2022 is estimated to have generated 35m parcels which represents a decrease of -52.7% compared to 2021.

The market leaders of the Ukrainian B2B market in terms of volume in 2022 were Nova Post with 28m parcels, a market share of 80.7%, and a decline of -54.4%, Ukrposhta with 4m parcels, a market share of 11.9%, and a decrease of -42.1%, and CAT with 0.83m parcels, a market share of 2.4%, and a decrease of -16.8%.

The carriers with the least severe decreases in terms of volume in 2022 were CAT (-16.8%), Nochnoy Express (-27.0%) and Ukrposhta (-42.1%).

2022 B2C/C2X CEP MARKET BY CARRIER BRAND VIEW (IN VOLUME)

2022 UKRAINIAN B2C/C2X CEP MARKET in volume, split by Carrier brand view.

Total market : 270 million parcels [-8.7%]

Ukraine B2C, C2B, C2C CEP Market Carrier Brand View volume in m parcels (Market Share) [growth vs. 2021]

Source : Effigy Consulting : CEP Market Research, www.effigy-consulting.com

Volume

Product	Destination	Flow	Recipient	Weight
✓ Deferred	✓ Domestic	✓ Export	✕ B2B	✓ 0-31.5kg
✓ Express	✓ Intra-Cont	✓ Import	✓ B2C	✕ 31.5-70kg
✕ Small Packet - Letter	✓ Extra-Cont		✓ C2B	
			✓ C2C	

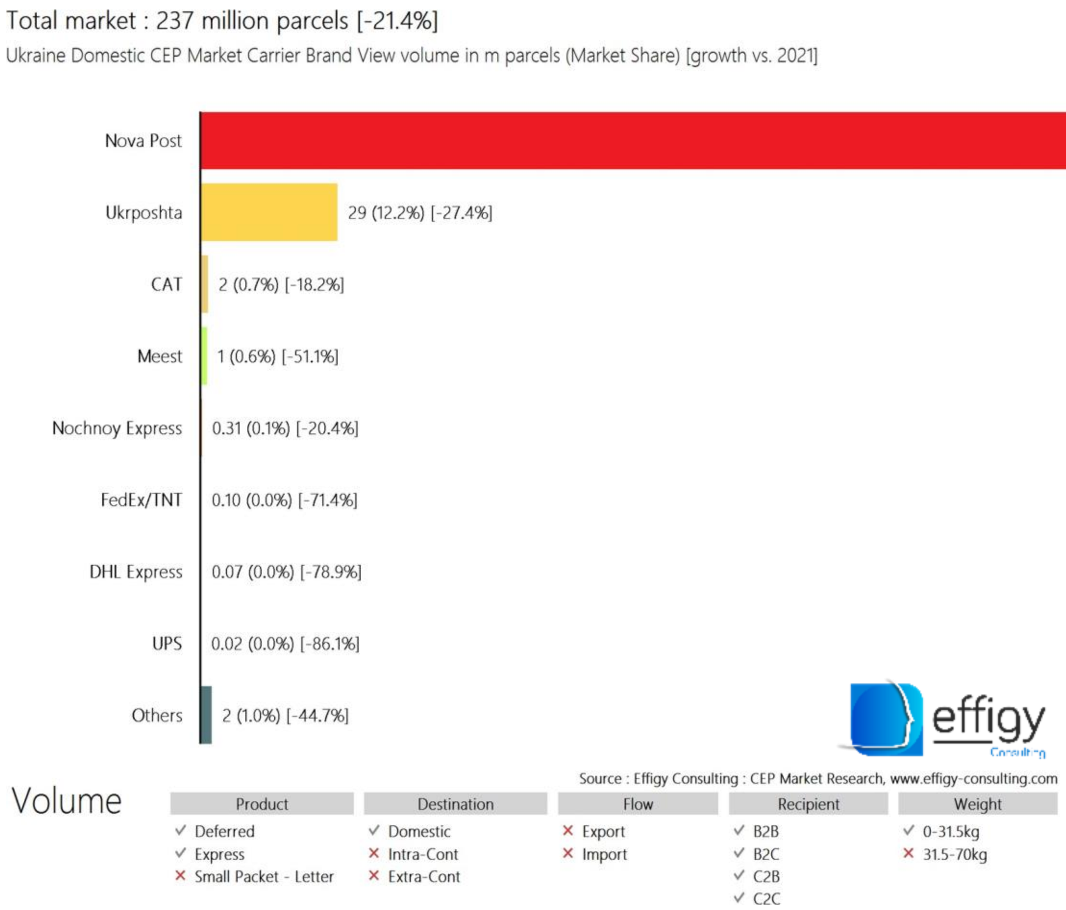
The Ukrainian B2C/C2X CEP market for 2022 is estimated to have generated 270m parcels which represents a decrease of -8.7% compared to 2021.

The market leaders of the Ukrainian B2C/C2X market in terms of volume in 2022 are Nova Post with 233m parcels, a market share of 86.4%, and a decrease of -5.3%, Ukrposhta with 27m parcels, a market share of 10.2%, and a decrease of -19.4%, and Meest with 4m parcels, a market share of 1.5%, and a decline of -41.9%.

The carriers with the least severe decreases in terms of volume in 2022 were Nova Post (with -5.3%), Nochnoy Express (-9.6%) and Ukrposhta (-19.4%).

2022 DOMESTIC CEP MARKET BY CARRIER BRAND VIEW (IN VOLUME)

2022 UKRAINIAN DOMESTIC CEP MARKET in volume, split by Carrier brand view.



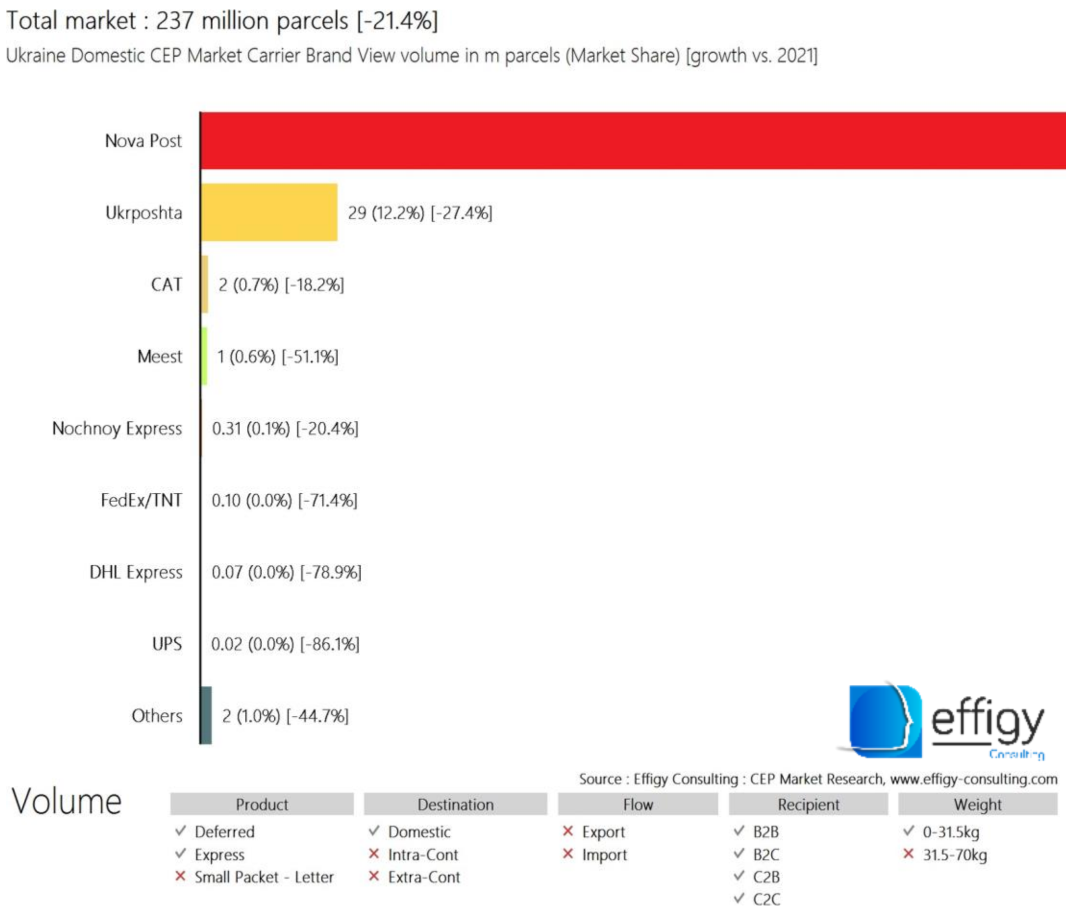
The Ukrainian Domestic CEP market is estimated to have generated 237m parcels in 2022, which represents a decrease of -21.4% compared to 2021.

The market leaders of the Ukrainian Domestic market in terms of volume in 2022 are Nova Post with 202m parcels, a market share of 85.4%, and a decrease of -19.5%, Ukrposhta with 29m parcels, a market share of 12.2%, and a decline of -27.4%, and CAT with 2m parcels, a market share of 0.7%, and a decrease of -18.2%.

The carriers with the least severe decreases in terms of volume were CAT (with -18.2%), Nova Post (-19.5%) and Nochnoy Express (-20.4%).

2022 INTERNATIONAL CEP MARKET BY CARRIER BRAND VIEW (IN VOLUME)

2022 UKRAINIAN INTERNATIONAL CEP MARKET in volume, split by Carrier brand view.



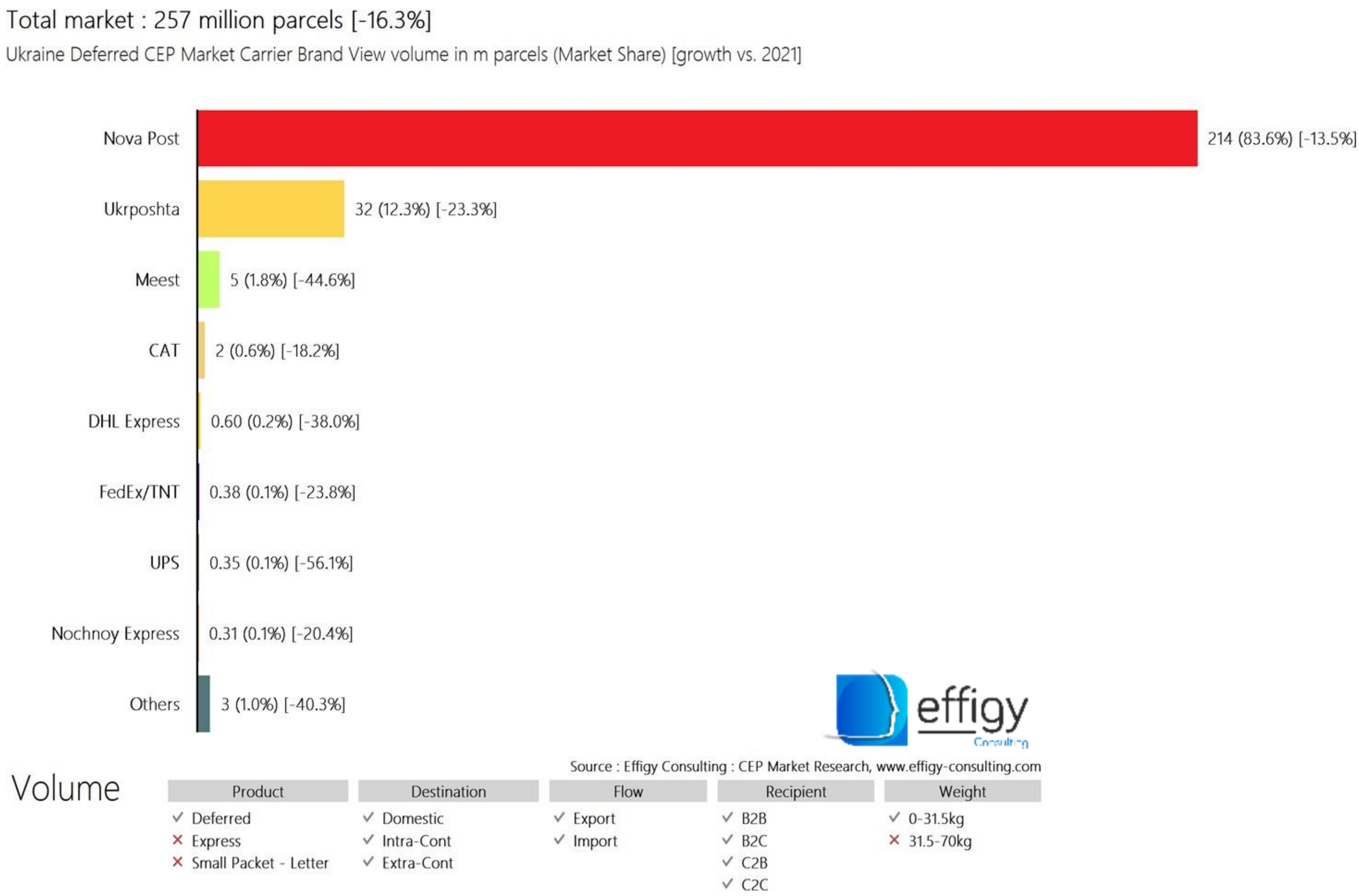
The Ukrainian International CEP market for 2022 is estimated to have generated 67m parcels which represents a small growth of 0.2% compared to 2021.

The market leaders of the Ukrainian International market in terms of volume in 2022 are Nova Post with 59m parcels, a market share of 87.0%, and a growth of 4.9%, Meest with 3m parcels, a market share of 4.9%, and a decrease of -41.4%, and Ukrposhta with 3m parcels, a market share of 3.9%, and a growth of 101.2%.

Ukrposhta benefitted from strong growth in the International market in 2022 (+101.2%), and Nova Post experienced a relatively small growth of +4.9% arguably because much government related (Aid) volume was channeled via the National Post.

2022 DEFERRED CEP MARKET BY CARRIER BRAND VIEW (IN VOLUME)

2022 UKRAINIAN DEFERRED CEP MARKET in volume, split by Carrier brand view.



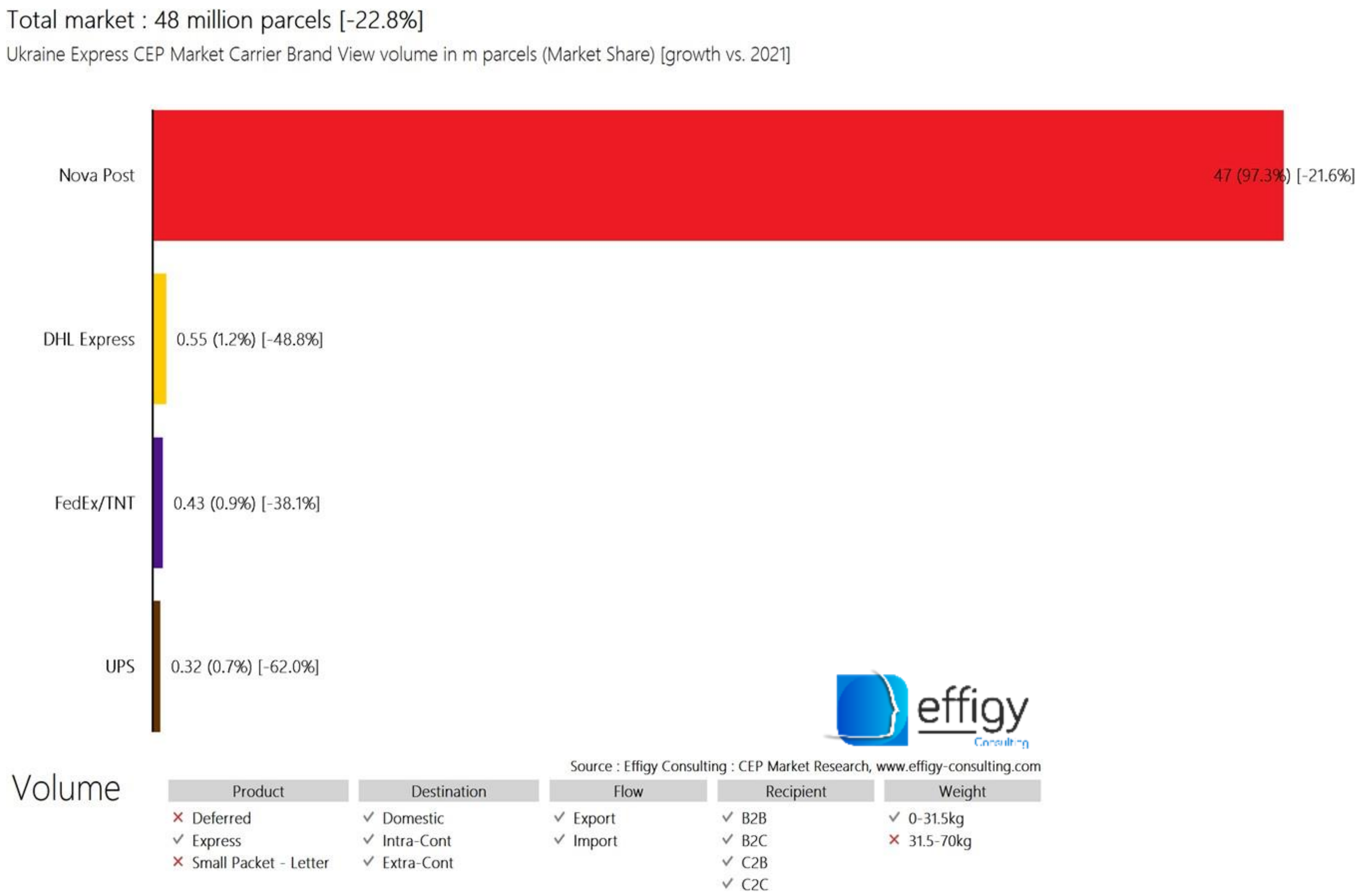
The Ukrainian Deferred CEP market for 2022 is estimated to have generated 257m parcels which represents a decrease of -16.3% compared to 2021.

The market leaders of the Ukrainian Deferred market in terms of volume in 2022 are Nova Post with 214m parcels, a market share of 83.6%, and a decrease of -13.5%, Ukrposhta with 32m parcels, a market share of 12.3%, and a drop of -23.3%, and Meest with 5m parcels, a market share of 1.8%, and a decline of -44.6%.

The carriers with the least severe decreases in terms of volume were Nova Post (with -13.5%), CAT (-18.2%) and Nochnoy Express (-20.4%).

2022 EXPRESS CEP MARKET BY CARRIER BRAND VIEW (IN VOLUME)

2022 UKRAINIAN EXPRESS CEP MARKET in volume, split by Carrier brand view.



The Ukrainian Express CEP market for 2022 is estimated to have generated 48m parcels which represents a decrease of -22.8% compared to 2021.

The market leaders of the Ukrainian Express market in terms of volume in 2022 are Nova Post with 47m parcels, a market share of 97.3%, and a decrease of -21.6%, DHL Express with 0.55m parcels, a market share of 1.2%, and a decline of -48.8%, and FedEx/TNT with 0.43m parcels, a market share of 0.9%, and a decrease of -38.1%.

The carriers with the least severe decreases in terms of volume were Nova Post (with -21.6%), FedEx/TNT (-38.1%), and DHL Express (-48.8%).

EXTENDED UKRAINIAN 2020-2022 CEP MARKET: DRILL-DOWN ON ADDITIONAL SEGMENTS

2020-2022 SMALL PACKETS MARKET IN VOLUME

Small packets (SP) are light-weight items carried through postal mail networks. They are usually reported by the Mail division; however, certain carriers have started to include them in their parcel volumes.

A differentiation has therefore been made between Small Packets-CEP and Small Packets-Letters. The first category (SP-CEP) identifies the Small Packets that have been allocated by the carrier in their CEP figures, while the second category (SP-Letters) is not allocated to CEP volumes by the operator.

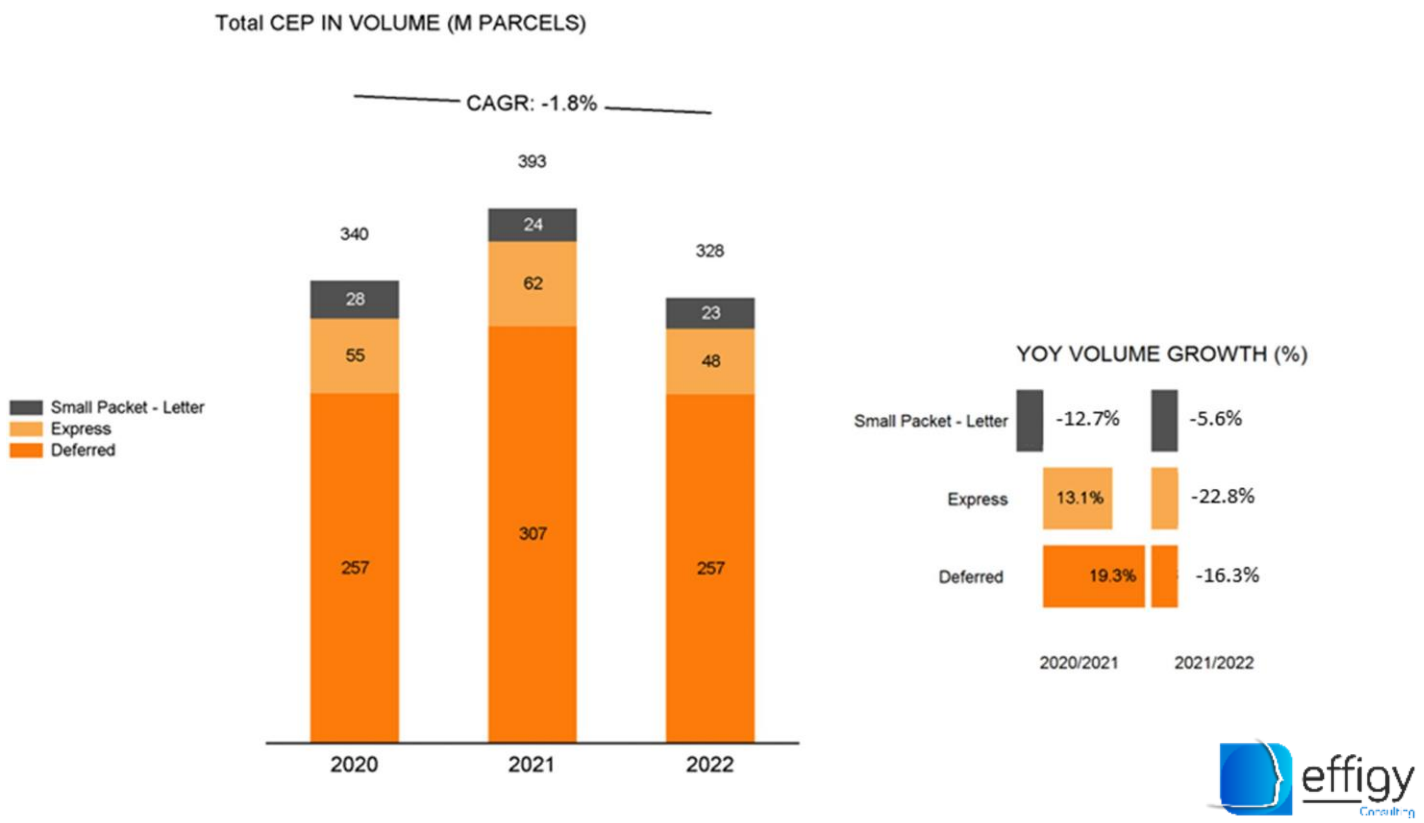
The Small Packet segment is generally linked to light-weight B2C parcels and Imports from China. The change in the EU regulations related to duties and taxes on Small Packets is expected to result in them becoming increasingly reported as Parcels. A drop in SPs related to the changed regulations was already seen in 2021. It is therefore important to project the potential size of this additional volume, even though it is not yet part of the standard CEP market perimeter.

In this section we aim to provide a market sizing of the Small Packets not yet accounted under CEP (i.e. SP-Letters).

The Small Packet product characteristics are:

- No lead time commitment – it can be more than 15 days for International, especially for imports from China.
- Limited or No track & trace.
- Limited or No 'Proof of Delivery' (POD) (except for registered mail) – but often 'Information on Delivery' (IOD).
- A weight limit up to 2kg (~4.4 lbs) and even lower for certain carriers.
- Various thickness limits.
- Commercialised by Mail divisions - and most of the time accounted for in the Mail division.
- Sorted and transported either in the Letter or in the Parcel network, depending on the thickness. Can sometimes induce manual sorting, e.g. CN post outbound to Europe for some 'oversized' packets.
- Distributed either by the Letter or the Parcel network, depending on the thickness.
- Often not subject to customs clearance, versus mandatory customs clearance for parcels.

We have estimated that 23m Small Packets (SP-Letters) are not yet considered in the CEP market. Were SP-Letters reported as Parcels, the total CEP market size would be estimated at approx. 328m items. Small Packet-Letters dropped by -5.6% versus 2021.



Perimeter : Ukraine CEP and Small Packet - Letter Market, 0-31.5kg

Source : Effigy Consulting : CEP Market Research, www.effigy-consulting.com

2020-2022 HEAVY-WEIGHT MARKET IN VOLUME

The standard CEP perimeter usually excludes Heavier Weight goods as there is a grey area between Heavy-weight and Pallet/Freight activities.

The CEP market is often measured for goods up to 31.5kg without an estimate of an average weight.

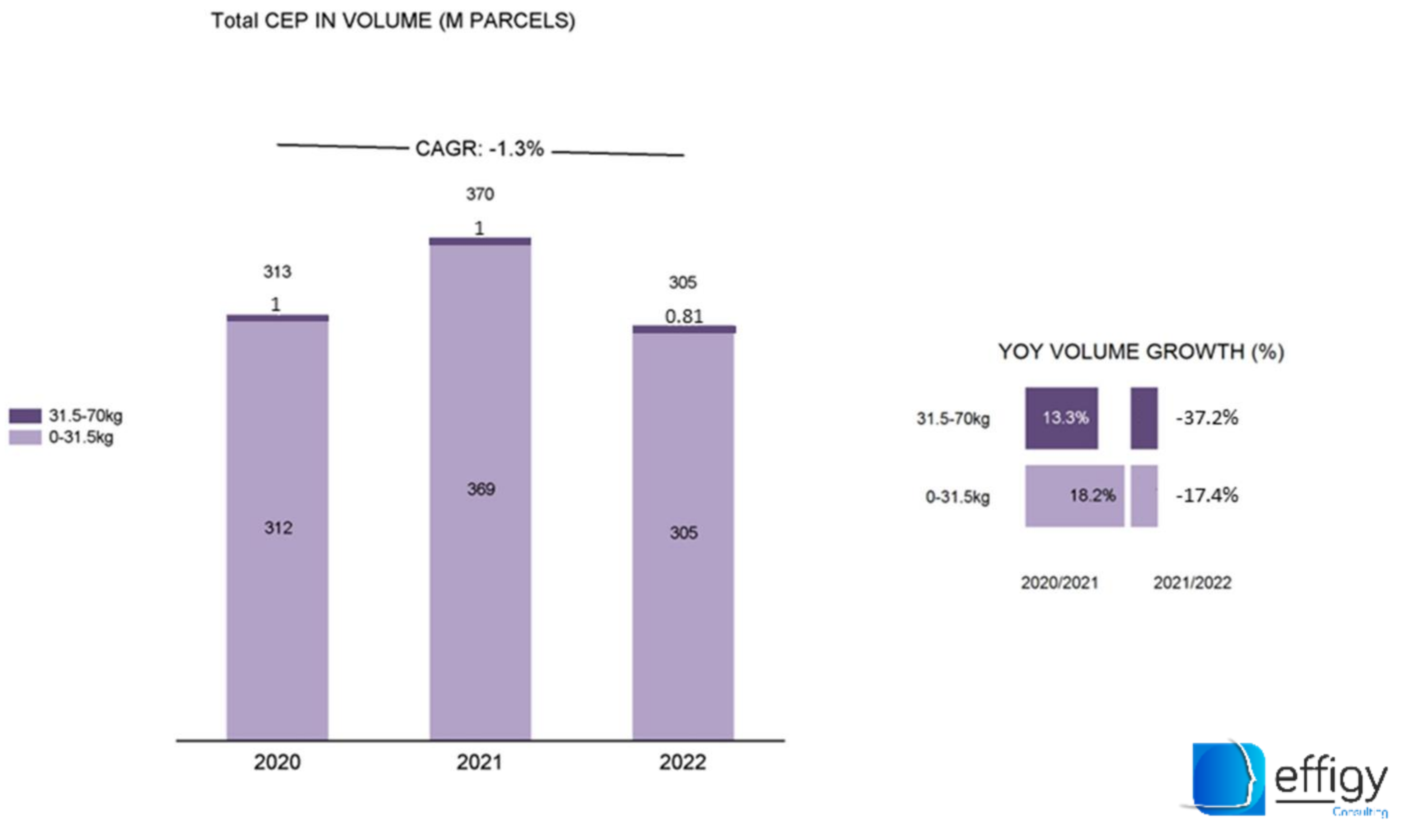
Recent analysis performed by Effigy Consulting based on market reviews, interviews and analyses of RPP (Revenue per Piece), combined with carriers' products in scope, indicates that the average weight is usually light, at around 2kg to 3kg for the B2C segment. However, eTailers have been looking to diversify their offers on the E-commerce market by also promoting heavier items such as household appliances, large televisions, furniture, etc. This is attractive to certain carriers as consumers are generally prepared to pay for such a service, whilst the tendency for small items is to get the delivery for free or through a yearly fee (e.g. Amazon Prime). Several carriers have been offering such heavier parcel services through 2 man-delivery and/or white glove delivery (which includes value-added-services).

Several integrators also offer Express and Deferred services for parcels up to ~70kg without the need for 2-man delivery, if the carrier is equipped with special fork-lift in the vehicle. Certain integrators also claim that they can deliver parcels up to 300kg, but we have decided not to include those shipments in the assessment as such deliveries could be assimilated to pallets and freight.

This section provides a market sizing of heavy-weight parcels from 31.5kg to 70kg in Ukraine. A carrier-by-carrier analysis has been completed, reviewing the product portfolio and the heavy weight capability. This has been combined with market interviews and niche market analysis (i.e. 2-man delivery within the European countries).

Carriers limiting weight to 40kg or 68kg are also included in this weight break (31.5-70kg). Were heavier goods (from 31.5-70kg) included, an additional 0.81m heavy-weight parcels would be added to the Ukrainian CEP market in 2022. Most of the deliveries are Domestic.

It is understood that the revenue per piece (RPP) for such parcels is much higher than the one estimated for the standard CEP market.



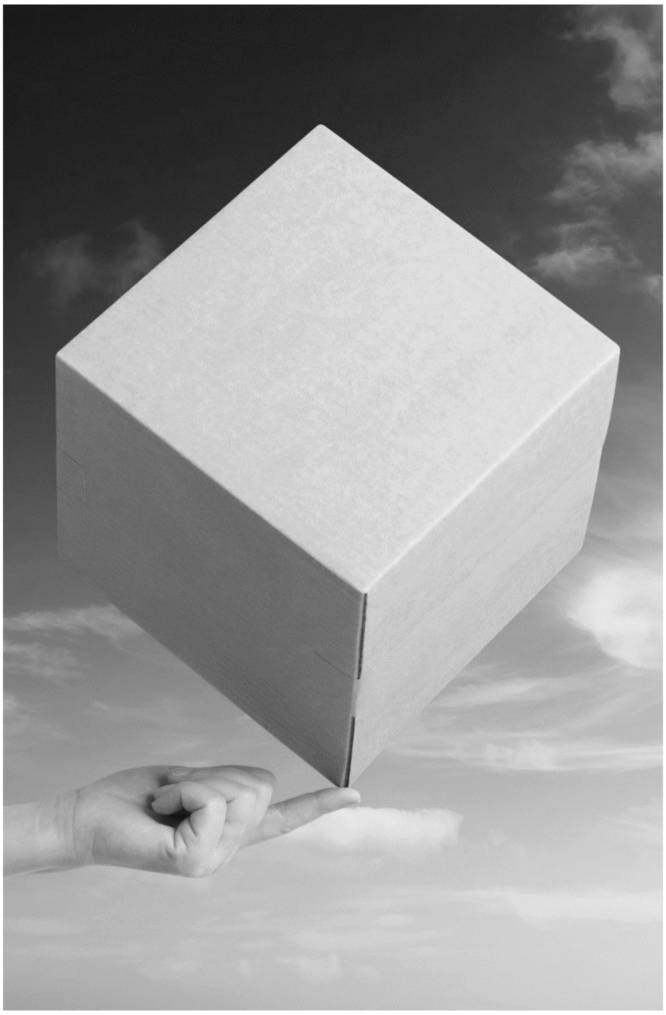
Perimeter : Ukraine CEP Market, 0-31.5kg, 31.5-70kg, excluding Small Packets - Letter

Source : Effigy Consulting : CEP Market Research, www.effigy-consulting.com

Conclusions

CONCLUSIONS

- Ukraine, despite being part of Europe has not been top of mind until the tragic Russian war. Because of the expected future relevance of this market and
- due to the many positive surprises, we encountered when working with our clients here, Last Mile Experts together with Effigy Consulting have decided to prepare the first and only holistic Ukrainian CEP report.
- Ukraine will be important as we anticipate that, whatever the final outcome of President Putin's "Special Military Operation", the country will be closer to the EU and likely have customs privileges, significant inbound investment and a return of a large number of "Westernised" Ukrainians who spent the war as refugees.
- This is expected to result in significant cross border flows, with Poland as the key gateway to and from Europe, and Nova Post as the key facilitator due to its dominant coverage and market share in Ukraine.
- Even today, Ukraine's leading carrier boasts a network of parcel lockers which is only second to that of InPost in Poland and has several customer centric technological IDM features that set it apart from even the most developed players in, for example, the United States.
- We expect that as a result of the ongoing war, technological advancement will be made in the CEP space, especially in areas such as back up communication tools, more use of mobile applications by consumers, pop up PUDO's and a drive towards re-commerce.



- Irrespective of how things finally develop, this is clearly a market that should be observed as it is very likely to be one of the most innovative and fastest growing markets in Europe.

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ABOUT US

Effigy Consulting focuses mainly on the Courier, Express, Parcel (CEP) Market since 2013, developing dedicated research, CEP Market Dataset and Standard Reports.

CEP / PARCEL MARKET REPORTS

The Effigy Consulting Team develops Standard Reports on the CEP Market in Europe, North America and Asia-Pacific, as well as individual Country Market Reports (41 countries).

CEP / PARCEL MARKET DATA ANALYTICS

Production of an extensive dataset which includes over 500,000 data points related to more than 300 carriers across 41 countries.
Drill-down in revenue and volume by country and carrier by segment since 2013: B2B/B2C/C2C/C2B, Express/Deferred/Small Packet-Letter, Domestic/International, Import/Export, etc.

DECIDATED MARKET RESEARCH

Courier, Express, Parcel (CEP) Market analysis and assessment, Carrier profiling and sizing, Trade Lane reviews, CEP Market forecasts, etc.
Drill-down on specific themes: Cross-border activities, Product assessments, carrier pricing and discounting policies, trading rules (DDP/DDU), extension of the CEP Market to segments such as Heavy Weight, Trade Lanes, PUDO/Lockers, Out-of-Home Delivery, C2C platforms, etc.

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