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LA POSTE

Accelerating the transformation

La Poste group, France's second-largest public sector employer with over 250,000 employees, operates across a variety of fields (banking, postal services, parcels delivery, mobile telephony, etc.), including through subsidiaries in France and abroad. La Poste delivers a public service throughout the country through two major networks: a network of contact points (over 17,000, including 9,149 post offices) and a delivery network (with over 72,000 postmen and women delivering mail to 39 million letterboxes, six days a week).

La Poste is facing a steady decline in mail volumes, reducing its revenue by €500 million every year. In addition to this challenge, the company needs to successfully complete its digital transformation, respond to growth in e-commerce and, for La Banque Postale, cope with low interest rates. While La Poste has managed to evolve and has proved resilient, weaknesses and exogenous risks remain. To endure, it must therefore step up the pace of its transformation.

A company that has evolved

Faced with the rapid recession of its legacy business, La Poste has embarked on far-reaching changes affecting its legal form, capital structure, business model and service offering. The post office counter experience has been modernised and waiting times reduced; the number of company-owned post offices has decreased in favour of 'postal contact points' in partnership with local councils and retailers; and the workforce has been reduced by not replacing staff when they retire. Although the company now generates a stable operating profit every year, since 2013 this has been partly reliant on the competitiveness and employment tax credit, of which La Poste is the country's number one recipient.

Persistent weaknesses

These undeniable improvements have not, however, made up for weaknesses partly inherited from the past. The complexity of labour relations makes finding the right balance between the pace of change and a satisfactory industrial relations climate a tricky endeavour. The quality of the postal and parcel service leaves room for improvement, and delays in developing high-performing digital services for the company's various audiences will take a long time to make up.

The four components of La Poste's public service mandate (universal postal service, press transport and distribution, accessibility of banking services and territorial presence, which form part of the group's identity, contribute to its business and cover part of its networks' fixed costs, though the cost they represent is not fully offset by public funding. In this regard, public funding represents a key issue, equating to 61% of the group's operating profit in 2015. The fact that the amount of public funding has been declining since 2010, sometimes unpredictably, is a handicap for La Poste, as is uncertainty over the terms under which the group will fulfil its missions in the future.



Ambitions threatened by uncertainty over growth drivers

Since 2010, La Poste has overestimated its ability to equal or surpass the results it achieved before the financial crisis; for a while, it even underestimated the scale of the decline in mail volumes. Risk factors now threaten the company's ability to achieve the targets it has set for the period 2014-2020.

Indeed, the possibility that mail volumes might decline even faster cannot be ruled out, while the increase in the price of stamps, which has up to now partly offset the decline in volumes, cannot continue indefinitely. Furthermore, very intense competition in the parcel market is driving down prices and forcing operators to continuously improve the quality of the services they deliver. In addition, the exceptionally low level of interest rates is resulting in a significant shortfall for La Banque Postale. Lastly, digital business is not yet generating a financial return, and the new services offered by postmen and women, notably aimed at the elderly, are still in the development phase.

A necessary acceleration in reforms

Against this backdrop, La Poste must activate all available levers to secure its financial equilibrium and speed up its transformation: cutting costs by rationalising its organisational structure; continuing to cut its workforce and limiting pay growth; and optimising the scope and structure of the two key networks made up of post offices and distribution.

It is also critical that La Poste modernises its range of commercial services, in particular by responding more readily to customers' expectations and offering new modes of contact with users (including opening hours and delivery options). The development of 'partner contact points' must be continued in rural areas and resolutely implemented in urban areas. The rollout of digital services must be accelerated, with a more dynamic and cross-cutting commercial strategy.

Lastly, La Poste must continue to invest in new growth drivers. While consideration may be given to acquiring external companies, external growth must form part of a coherent business-wide strategy and remain financially sustainable.

La Poste will not be able to meet challenges of this scale unless the State plays its part, by reviewing La Poste's public service mandate, the content of which was designed and shaped before the digital era and must evolve.

Recommendations

The Cour des comptes issues eight recommendations, aimed in particular at updating La Poste's public service mandate, adjusting the structure of the network of postmen and women in line with current demands, furthering the transformation of low-volume post offices, developing digital business offerings, improving the management of salary policy by linking pay growth to the company's transformation targets, and formalising the external growth framework.

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