

# Always on the **MOVE**



CMD Antwerp – 15 November 2016



**WE ARE LEAN,  
AGILE & FLEXIBLE**



Always on the  
**MOVE**

# Philippe Dubois

## Director Mail Services Operations



Always on the  
**MOVE**



**LEAN**

**Focusing**

**on added value  
activities and  
elimination of waste**

**Fast moving**

**to seize opportunities,  
respond to our customers  
and cope with unexpected  
changes**

**Responding**

**quickly and efficiently  
to the needs of our  
consumers and  
customers**



# bpost continuously identifies and captures cost improvements across the entire organization

## Cost control initiative

### Description

#### "Vision 2020"

- Centralize & automate the preparation activities in five specialized Industrial Mail Centers (IMCs)
- Centralize parcels in new Brussels X with the new Parcel Sorting Machine (doubling capacity)
- Organize the distribution network around 60 Mail Centres as backbone of logistic network

#### Continuous productivity improvement in Mail Service Operations

- Georoute enables adaptation of the collection and distribution rounds to volume evolutions and process / project improvement every 18 months in each distribution office
- Benchmarking and improvements in transport, sorting, etc.

#### Further improvement of factor cost

- Optimization of employment plans, i.e., replacing statutory workers with auxiliary postmen
- Currently ~6,400 auxiliary postmen at lower cost

#### Further productivity improvement across the rest of the organization

- Yearly restructuring and productivity improvement programs in retail network
- Reduction of overheads (Alpha program)

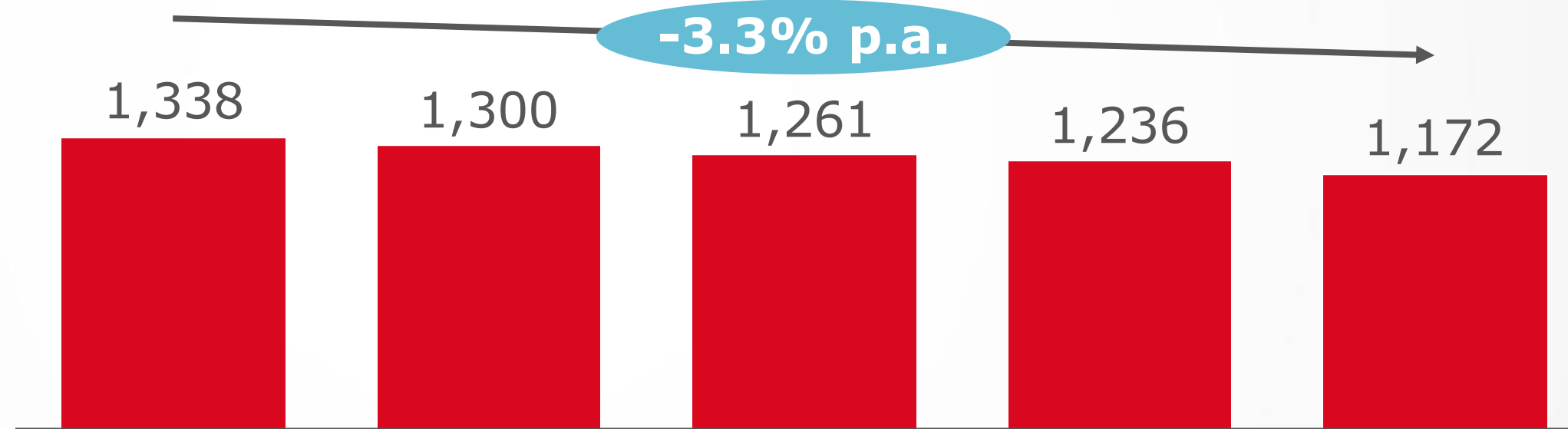
**Financial discipline at project level through thorough financial assessment and close follow-up during execution (including stopping projects that do not deliver)**



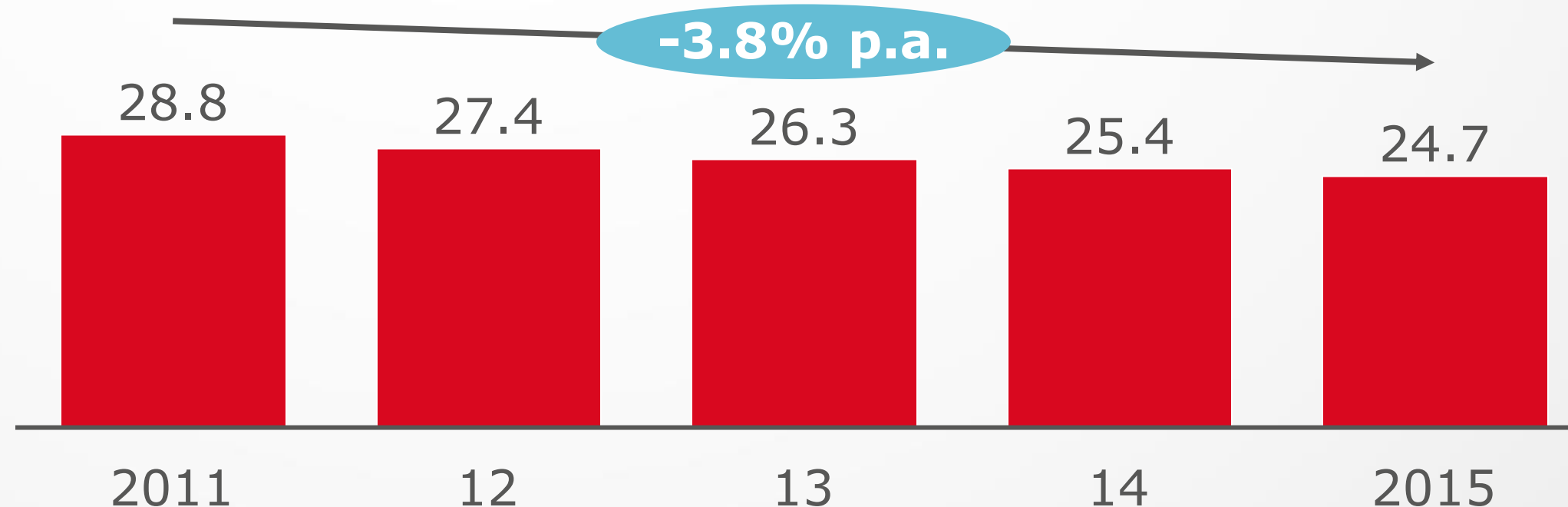
Always on the  
**MOVE**

# bpost's approach to cost base optimization has proven to drive cost reductions

**Cost evolution,** EUR mln, norm. payroll & interim costs



**FTE evolution,** thd, year average, incl. interims



**The favorable  
age pyramid  
has allowed  
bpost to reduce  
FTEs without  
forced  
redundancies**

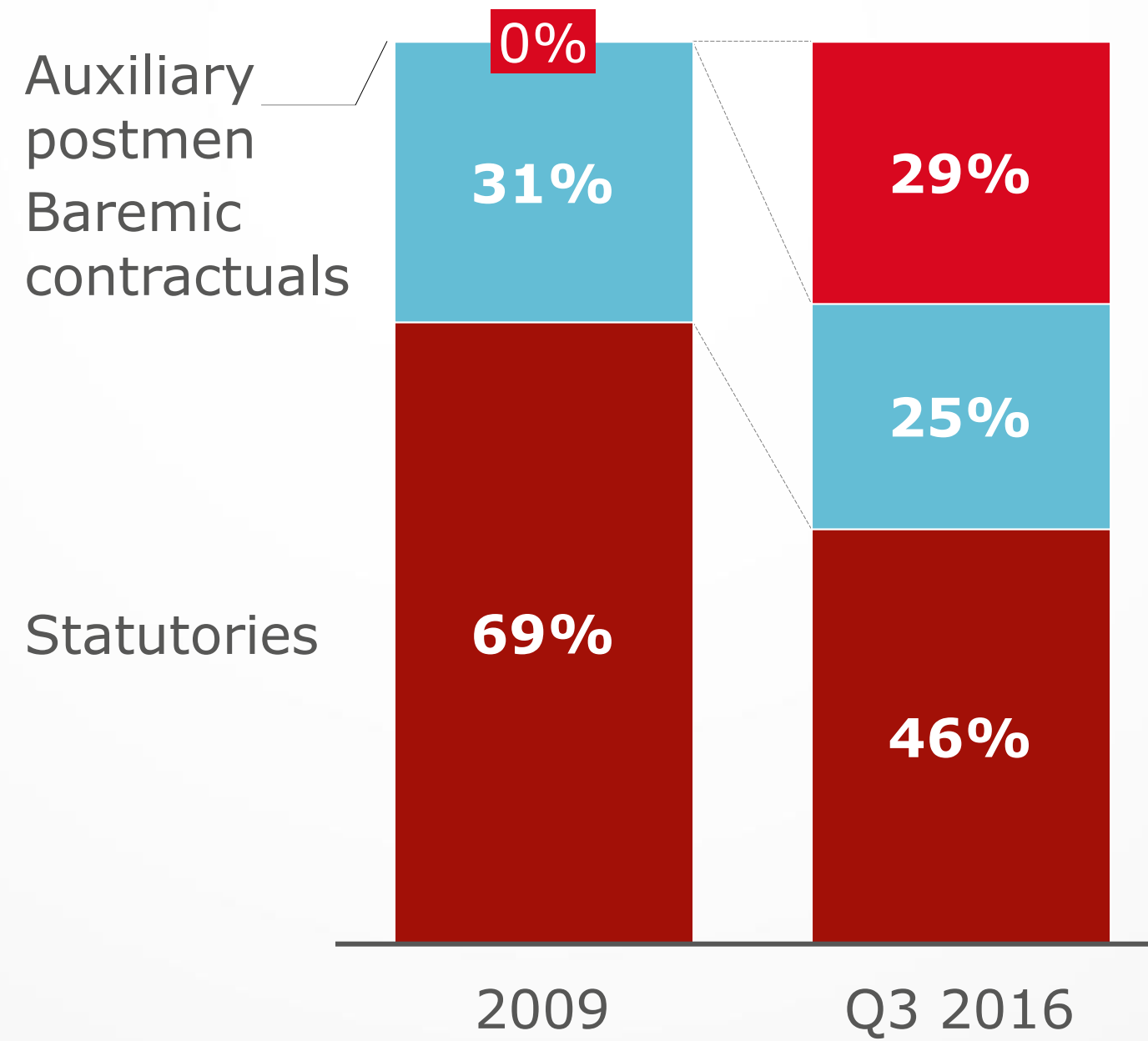


Always on the  
**MOVE**

# Besides productivity gains, change in mix continues to contribute to labor cost control

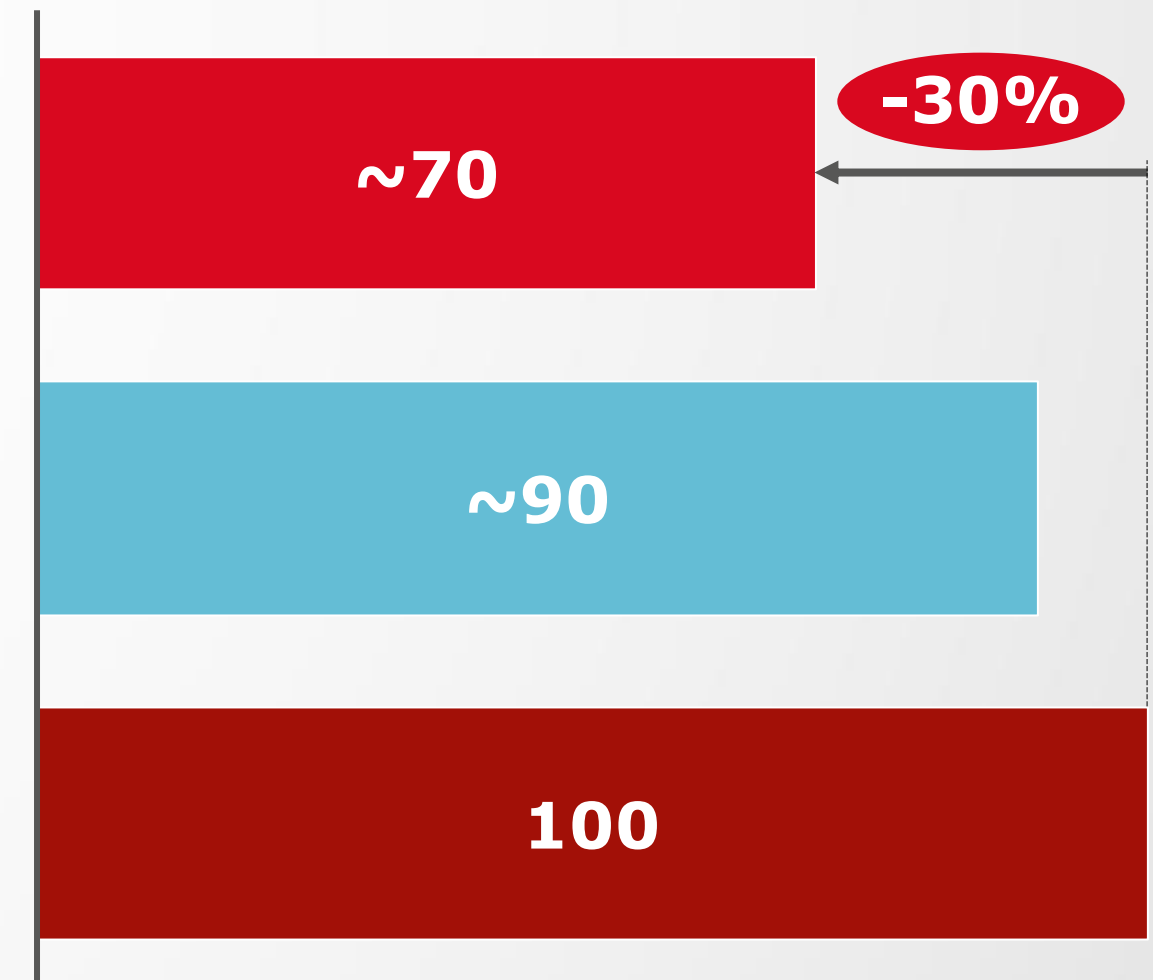
## bpost contract types<sup>1</sup>

Average number of FTEs, %



## Average cost per contract type

Indexed on statutory employee cost

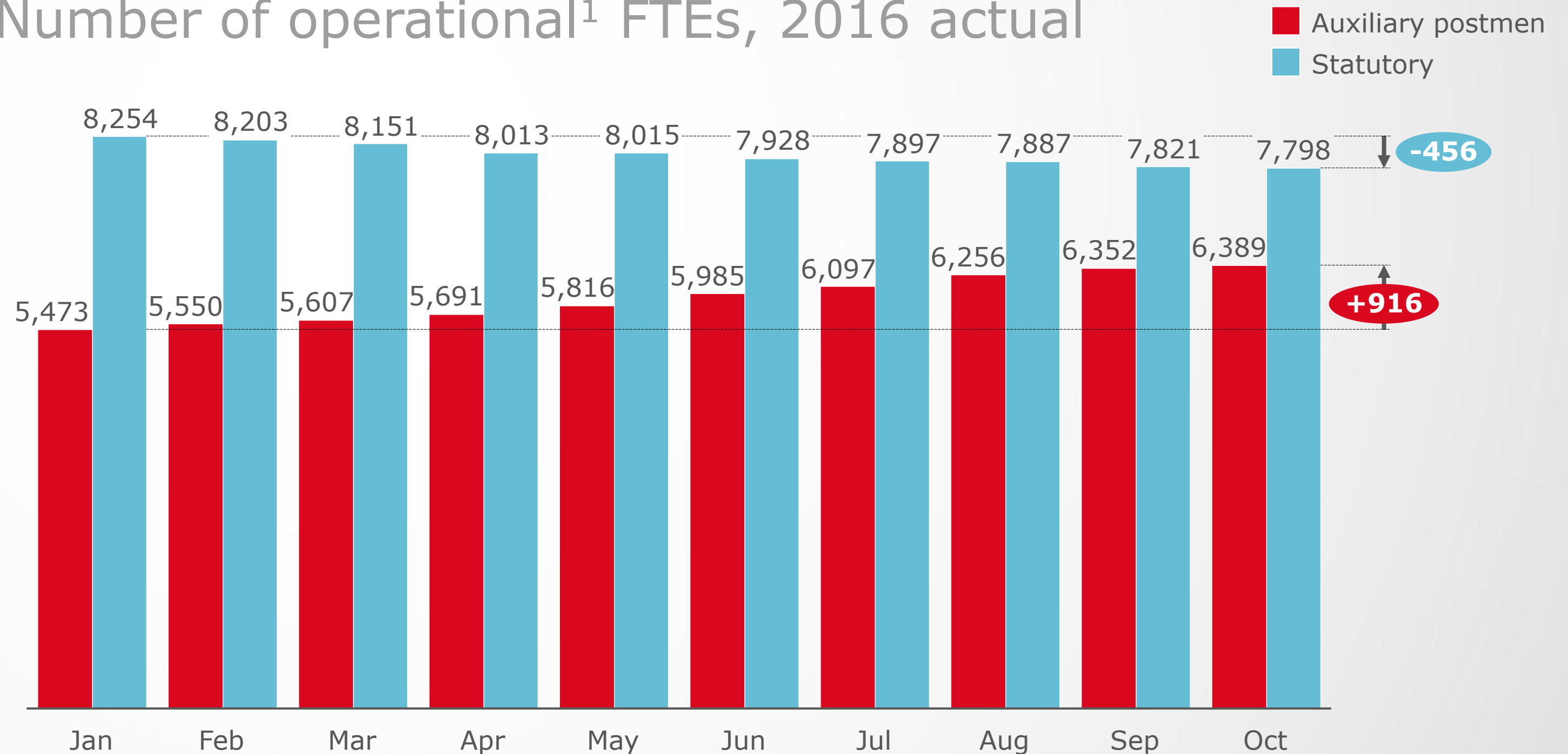


<sup>1</sup> Average number of FTEs excluding students, interims, non-baremic contractuels and subsidiaries



# Structuring positive mix effect; growth areas are covered by auxiliary postmen

Number of operational<sup>1</sup> FTEs, 2016 actual



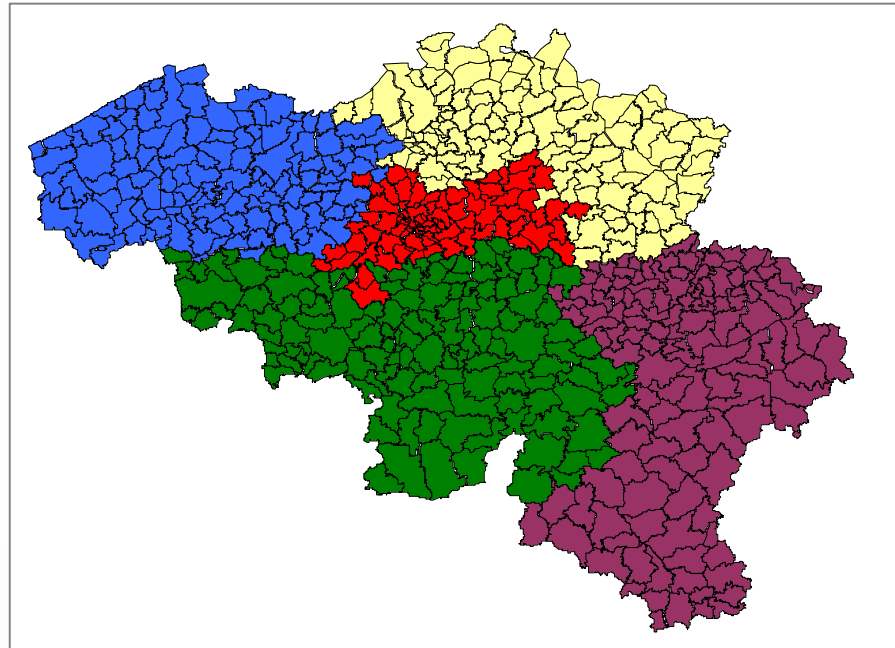
1 Postmen and sorting employees



Always on the  
**MOVE**



# Reminder of Vision 2020 concept



**Centralize & automate** the preparation activities **in five specialized Industrial Mail Centers (IMCs)**



**Centralize parcels** in new Brussels X with the new Parcel Sorting Machine (doubling capacity)

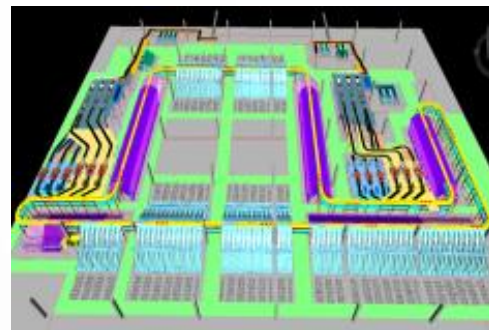


Organize the **distribution network** around 60 Mail Centres **as backbone of logistic network**

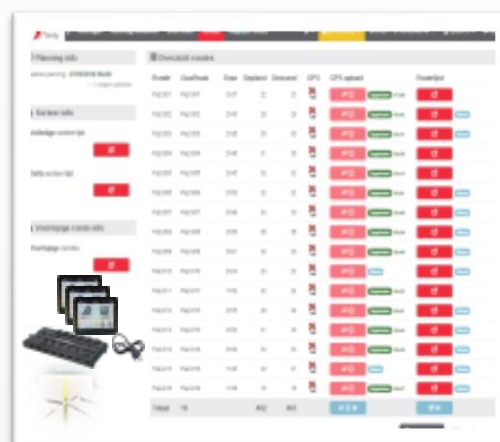


Always on the  
**MOVE**

# New BX will reinforce bpost's position in parcels



**New central parcel sorting machine (PSM) with twice current installed capacity**



**Support to preparation in the MCs**

## Today

- Two industrial sorting centers for parcels (Charleroi, Antwerp)
- Difficult to accommodate "very late in product" because of time windows

- Fully manual parcel round preparation in MCs
- Parcel routes based on sorter's and postman's knowledge

## Vision 2020 benefits

- Sorting cost reduction thanks to automation
- Only one sorting pass
- Possibility to accommodate late-ins
- Productivity improvements from automation (scan-to-sort devices and conveying systems), optimized routing



Always on the  
**MOVE**

# Vision 2020 savings will come from six main levers

## New sorting configuration

- **Collect & national sorting centralized** in 3 IMCs
- Regional sorting and mail prep. in 5 IMCs (NewBX, CX, GX, LX, AX)
- Savings generated from **productivity increase** and **reduction of overheads**, GF sorting **automation**, better address **recognition rates** and **faster sorting machines** in NewBX

## Central mailbag preparation

- **Roundsorting and sequencing GF mail on MSMs**; picking manu product into meca GF
- **Improved frames** in cars to support distribution
- No need to assemble mailbags for car rounds

## New parcels model

- Savings from **productivity improvements**: automation of infeeds on PSM and direct outfeeds; automation of round preparation in the MCs

## New distribution model

- New Mail Centers setup will **reduce stem time and #km**
- Collect activities **integrated** with parcels and refill bag distribution where possible
- Max. of parcels in **Coureg** rounds
- **3 distinct organizations** (normal, summer and end of year)
- **Synergies** with A.M.P. and Lagardère

## Revamping transport

- **Transport optimization** based on new footprint set-up
- **Standardization** of norming activities, route optimization and introduction of dynamic working schedules in transport

## Fore-casting and planning

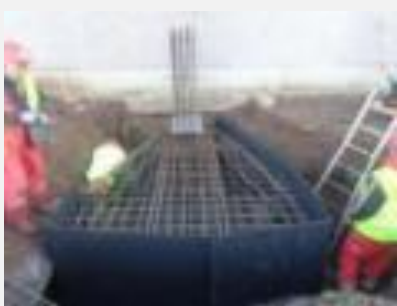























- **Reduction FTEs "buffer"** to cope with uncertain demand forecasts in IMCs
- **More accurate workforce planning**
- Optimized design and sizing of collect and distribution organizations from better volume forecast, and better leveling of drops from large clients



Always on the  
**MOVE**



# Sorting centre extensions completed ahead of planning and within original budget

	Foundation works	Steel structure	Roof and wall cladding	Concrete floor	Ready to install sorting machines	Provisional acceptance
Ghent						
Antwerp						
Charleroi						
Liège						





16

Mixed sorting machines installed

Automation

85%

of large format sorted on distribution round

Sorting Centre	Installed MSM	MSM still to be installed
AX	4	3
BX	2	4
CX	3	3
GX	5	2
LX	2	2



Always on the  
**MOVE**



# An integrated preparation and routing solution for Saturday parcels has been deployed

## Main achievements



- **Automation** of manual steps to prepare distribution routings
- Solution to “manually” **match non recognized parcels** before launching routing
- **ScanToSort** providing operator the round and sequence number for each parcel
- Automation of **GPS uploads** for turn-by-turn navigation
- **ETA messaging** flow prepared (information available at Ring Ring, bpack to decide when to use)

The screenshot displays the 'ScanToSort' interface with the following details:

- Navigation:** Demandes, Traiter demande, **ScanToSort**, Tournées, Tournées possibles
- Info de tri:** Tournée **PaZ-012**, Sequence **38**
- Info demande:**
  - Code barre: 323210386400000251360030
  - Produit: Parcel
  - Adresse de géolocalisation: Rue RUE DES BRASSEURS, Code postal 5000, Commune NAMUR
  - Adresse sur étiquette: Destinataire NELSON ANDRE LOPES CUNHA c/o, Rue 28/8 RUE DES BRASSEURS, No, Code postal 5000, Commune NAMUR
  - Organisation: Boite

A barcode scanner is shown at the bottom left of the interface.



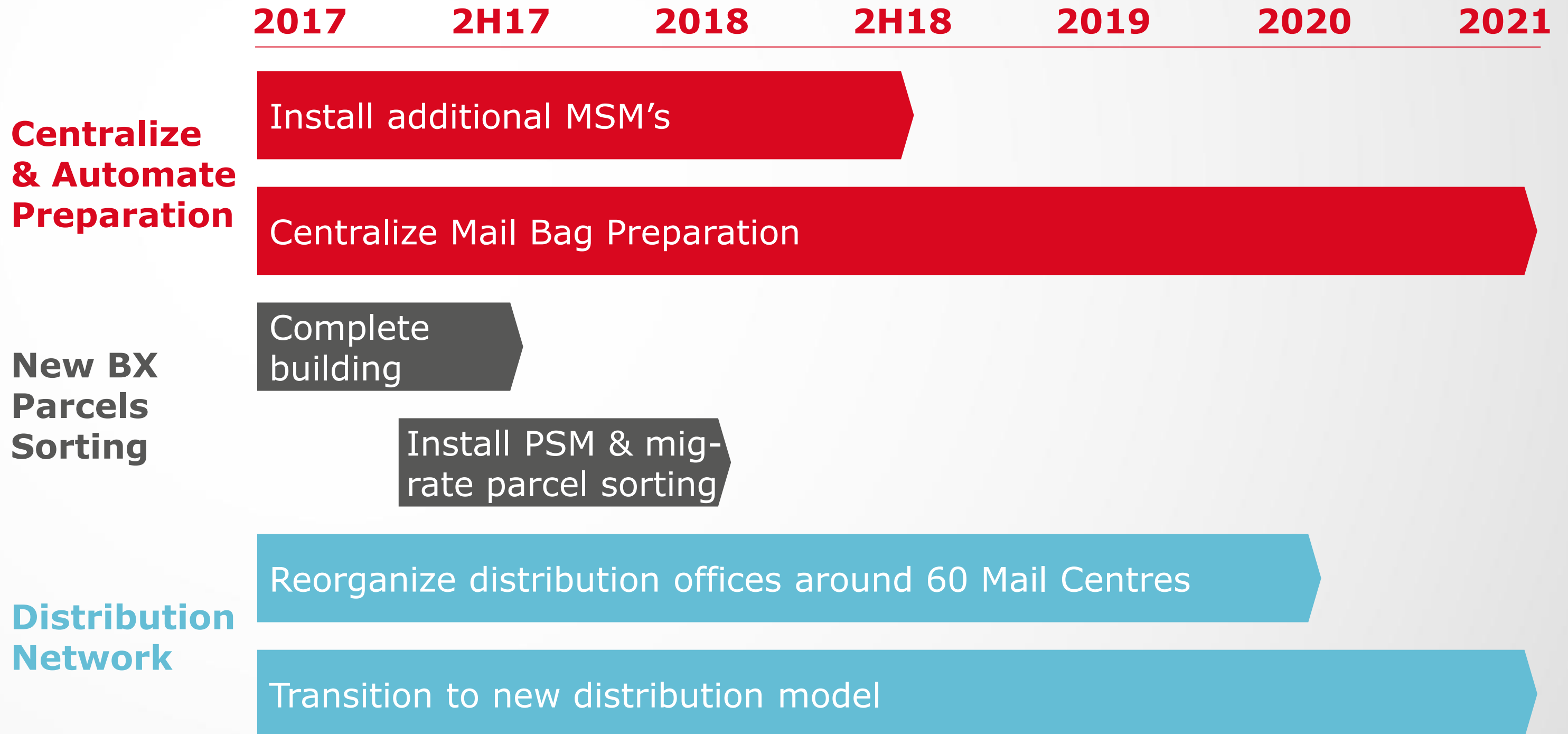
Ronde	GeoRoute	Duur	Gepland	Gescand	GPS	GPS upload	Routelijst
PaZ-001	PaZ-001	2h37	22	23		Opgeladen 07u58	
PaZ-002	PaZ-002	2h43	29	29		Opgeladen 08u42	Nieuw
PaZ-003	PaZ-003	2h38	30	30		Opgeladen 08u01	Nieuw
PaZ-004	PaZ-004	2h46	31	30		Opgeladen 08u00	
PaZ-005	PaZ-005	2h45	32	32		Opgeladen 08u10	
PaZ-006	PaZ-006	2h53	32	32		Opgeladen 08u51	Nieuw
PaZ-007	PaZ-007	2h49	33	33		Opgeladen 08u48	Nieuw
PaZ-008	PaZ-008	2h56	38	38		Opgeladen 08u04	Nieuw
PaZ-009	PaZ-009	3h01	30	30		Opgeladen 08u54	Nieuw
PaZ-010	PaZ-010	2h24	23	22		Nieuw	Nieuw
PaZ-011	PaZ-011	1h52	22	22		Opgeladen 08u22	
PaZ-012	PaZ-012	2h55	38	38		Opgeladen 08u51	Nieuw
PaZ-013	PaZ-013	2h52	31	30		Opgeladen 08u43	Nieuw
PaZ-014	PaZ-014	2h54	33	33		Opgeladen 08u08	Nieuw
PaZ-015	PaZ-015	1h45	24	27		Nieuw	Nieuw
PaZ-016	PaZ-016	1h36	16	16		Opgeladen 08u27	Nieuw
Totaal	16		462	463			

Buttons: Vernieuwen, GPS configuratie



Always on the  
**MOVE**

# Major upcoming milestones



Always on the  
**MOVE**





Double parcel  
sorting capacity

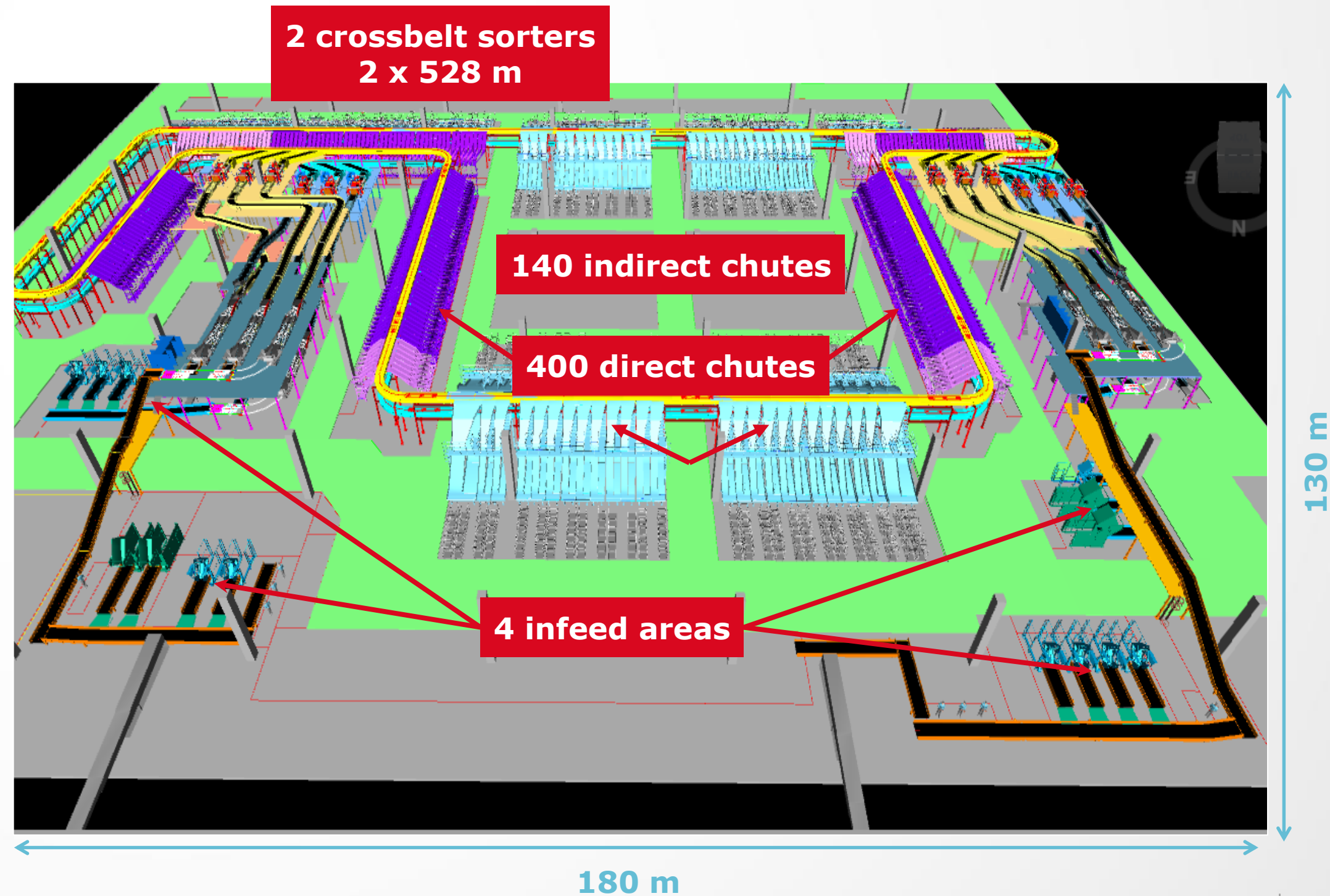
# New BX

Operational end 2017

- ▶ Total surface: 103,000 m<sup>2</sup>
- ▶ Letter sorting hall:
  - Ground floor: 29,000 m<sup>2</sup>
  - Mezzanine: 16,000 m<sup>2</sup>
- ▶ Parcel sorting hall: 25,000 m<sup>2</sup>
- ▶ Parking on the roof: 25,000 m<sup>2</sup>
- ▶ Offices: 5,000 m<sup>2</sup>



# New PSM with double capacity operational end 2017





# Thinking beyond Vision 2020



Always on the  
**MOVE**

# Besides Vision 2020, several continuous improvement initiatives have been identified

	Opportunity description	Proposed improvement
<b>Revamping Collect</b>	<ul style="list-style-type: none"><li>Collect activities organized at local level today with lack of visibility on efficiency of rounds proposed</li></ul>	<ul style="list-style-type: none"><li>Redefine collect organizations with central support and dedicated tools</li></ul>
<b>Benchmarking and sharing best practices in Preparation</b>	<ul style="list-style-type: none"><li>Important productivity gaps between IMC for a given work center</li><li>Lack of best practice sharing</li></ul>	<ul style="list-style-type: none"><li>Benchmark and best practice sharing between IMCs to reap further productivity improvements in Preparation</li></ul>
<b>Reviewing “penetration rate” on a continuous basis in Distribution</b>	<ul style="list-style-type: none"><li>Penetration Rate (fraction of mailboxes receiving mail on a given distribution segment) has an impact on offices reorganizations</li><li>Rate depends on mail volumes, but tedious measurements needed to update rate</li><li>Last extensive measurements date from 2004</li></ul>	<ul style="list-style-type: none"><li>Systematize computation of volume decline impact on penetration rate and size organizations accordingly in the future</li></ul>



**Include  
emerging  
technology  
into our  
integrated  
distribution  
network  
approach**







Use of  
cobots for  
repetitive and  
heavy manual  
processes  
will be  
investigated

**Cobots  
as innovative  
complements  
to existing  
sorting  
machines**



Always on the  
**MOVE**



# High performance hybrid network

We will start using an ecosystem of networks in complementary ways

We keep the **bpost strengths** for normal deliveries

- ▶ Every day, we pass by all frontdoors in Belgium

&

We will install **complementary networks**

- ▶ To start up deliveries of any item without density or synergy advantage



# Beyond MSO, bpost has a pipeline of initiatives across the organization which will generate cost savings over the next years

## ICT

- Implementation of Agile development
- IT infrastructure and application outsourcing program

## Central support functions

- Continuous improvement programs for central units after Alpha exercise (productivity increase, challenging of value-adding activities, etc.)
- Cost optimization program for further cost reduction in all units

## Retail network

- Optimization of call centers and retail offices opening time

## Procurement

- Procurement optimization for new tenders on fleet, energy, cleaning and maintenance, etc.

## Parcels & International

- Synergies between bpack, European and Landmark P&I organizations

Management has a 'toolbox' of measures ready for further cost savings, incl. in case of acceleration of mail volume decline, e.g. "XY distribution setup", further cost savings in overhead, pricing, etc.



Always on the  
**MOVE**

# All in all there will be scope for continuous cost improvement

**Overall, ongoing and planned initiatives create room for continuous cost improvement of up to 4% on FTEs and interims**

- In **Collect, Preparation and Distribution**, through the impact of Vision 2020, reducing and automating low value adding activities, reducing transport cost, and capturing gains from the new footprint
- In **Distribution** specifically, through the continuous application of Georoute, “beefed up” by
  - Penetration rate update
  - Forward-looking reference volumes to design the organizations
  - Three different organizations (high, medium, low volumes, e.g., in the summer)
- In **Preparation** specifically, through ongoing reboost of Lean all across
- In **Transport**, from national / cross-regional optimization
- In all **central and service units**, through Alpha-like initiatives
- In **Procurement and ICT** through demand management and selected outsourcing



Always on the  
**MOVE**

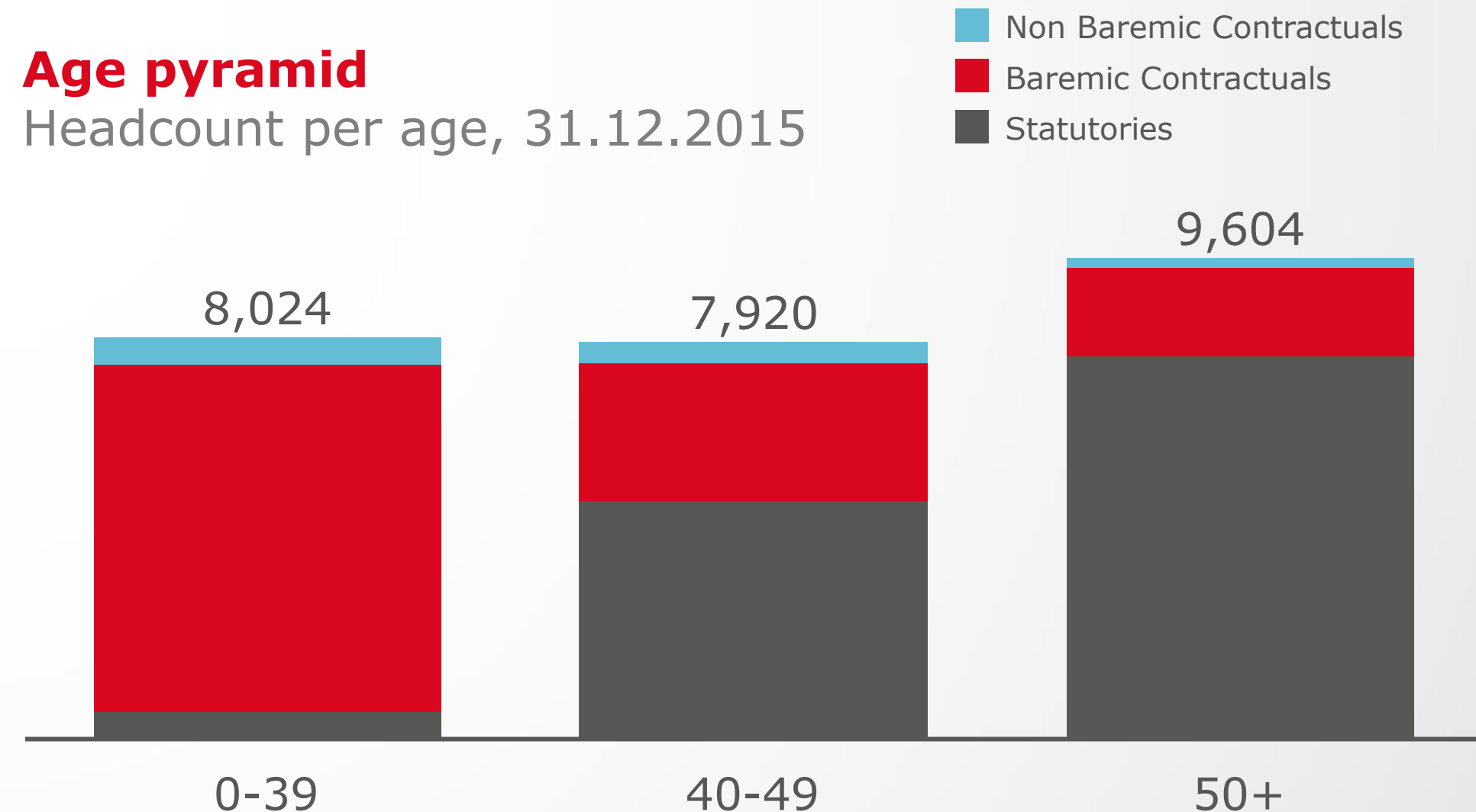
# Such cost savings will still benefit from natural attrition<sup>1</sup> going forward

bpost will be able to take advantage of natural attrition<sup>1</sup> going forward with 38% of workforce above 50

## Age pyramid

Headcount per age, 31.12.2015

- In the past, headcount reductions mainly realized through **natural attrition<sup>1</sup>**
- **Full time jobs maintained** to largest extent possible



**Upon reaching retirement, employees' pensions are the responsibility of the Belgian State, as part of the national social security**

<sup>1</sup> bpost considers as natural attrition retirements, voluntary departures and death



Always on the  
**MOVE**



**WE ARE LEAN,  
AGILE & FLEXIBLE**



Always on the  
**MOVE**