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Spain grows into dynamic express and parcels market

by Paul Needham

The Spanish express and parcels market is one of the fastest growing in Europe and offers operators attractive growth opportunities. Although estimates of the market size vary, it is seen as in the top five behind Germany, Britain and France and close to Italy. In contrast to these more mature markets, however, Spain is still a relatively young market and is continuing to grow at faster rates than elsewhere in Western Europe.

According to CEP-Research information, the Spanish express and parcels market has grown at high single-digit rates in recent years and is now worth some EUR 6.6 billion. Domestic shipments account for more than 80% of the market but the smaller international market is growing rapidly at double-digit rates as the Spanish economy trades more intensively with the EU and other parts of the world.

Increasing competition and falling margins

Senior industry figures agree on the main trends in the Spanish CEP market. Consolidation to a small number of leading players, falling margins due to aggressive pricing, more international business and portfolio broadening into value-added services and logistics are seen as some of the key factors.

The market is heading for serious consolidation, according to Fernando Rodríguez Sousa, president of the Spanish Association of Couriers (Aecaf). “Although there are nearly 5,500 registered courier companies, 57% of the market is shared by 10 of them and consolidation will continue to increase,” he told the Courier Parcel Logistics conference in Barcelona last month. “ The challenge is to improve the management model in a more competitive market with pressure on margins.”

Couriers, too, have to upgrade their business models, according to Alberto Genescá Boronat, president of the Spanish Association of Messengers (AEM). “Companies are concentrating their offer to increase their range of services and take on new business lines through mergers, acquisitions and alliances,” he told delegates. Couriers needed to offer added value in the face of falling margins, adjust their prices, improve quality and offer a wider range of services, he explained.

Competitors invest in network expansion

The leading players in the Spanish express and parcels market can essentially be divided into the multinational integrators and a number of larger, medium-sized locally-owned companies. In overall terms, DHL Express, TNT, UPS along with Spanish-owned Seur, MRW and Azkar are the major players. But a significant number of smaller firms such as Ochoa, Integra 2, Nacex and MEX are also important competitors.

The common trend among most of these players is their current focus on investing in building up their ground infrastructure. The objective is to ensure nationwide coverage, with expanded capacity for growth at key locations. There appear to be relatively few developments at present in terms of product and service enhancement.

DHL opens new regional facilities

The current DHL Express Spain is the result of the merger of the old DHL Express with several acquired companies. In late 2006, DHL extended its presence in the Basque region by buying the regional transport company, Egañaberri. As in other European countries, the company has faced the challenge of integrating different business models and structures over the past few years. But as the leading international and domestic player, it benefits from a strong presence and brand awareness. During 2006-07, DHL Express invested strongly in the extension and modernisation of its network. Major moves included a EUR 7.3 million regional air hub at Vitoria airport, a EUR 10.6 million distribution centre at Bilbao airport, and new facilities at Murcia, Alicante airport, Tarragona, Pontevedra and Vigo.

TNT grows through acquisition

TNT has built up its presence in Spain through the acquisition of TG+ at the start of 2006. This domestic road distribution company complements TNT's traditional international air express services. TNT recently opened a new customer service centre in the city of Cadiz, complementing existing facilities in Barcelona and Madrid.

The other two international integrators, UPS and FedEx, are less visible on the Spanish market. However, given their known ambitions to expand in Europe, an acquisition by one or even both cannot be ruled out. Similarly, the leading European parcel operators are currently eyeing Spain. GeoPost/DPD is steadily building up its financial stake in Seur by acquiring key regional franchisees. GLS is reportedly planning to acquire a Spanish parcel company to grow its current limited presence. CEO Rico Back said in April he aimed to seal a deal within two months, but no announcement has been made so far.

Spanish carriers invest heavily in Iberian network

The leading Spanish-owned parcels company Seur announced in June this year that it will invest EUR 270 million in new technology and a new corporate image over the next three years. In October, the company, with 85 depots, opened a EUR 40.5 million new hub in Barcelona.

The express company MRW has continued to expand its network this year and now has 786 franchise outlets across Spain and Portugal. In July, it opened a new EUR 17 million hub at Barcelona, its 40th such facility, and in May opened new logistics platforms in San Sebastian and at Guadix (Granada).

Family-owned Azkar is also investing strongly in its infrastructure, and has spent about EUR 50 million on new facilities over the last 18 months. It now has about 85 depots and hubs across the country. In September, it opened a EUR 9.5 million hub at La Coruña in Galicia, and in May it opened a new hub in Vitoria in the Basque country.

Logista, the logistics and distribution group, is a significant player through its parcels/freight carrier Integra 2 and express delivery subsidiary Nacex. Integra2 has opened depots in Seville and Lisbon this year, and is currently investing in a new hub for Madrid and a regional depot in Almería. Nacex has continued its expansion this year with new depots near Bilbao, Jerez in southern Spain and in the Balearic islands.

Another important player is the parcels and freight transport group, Transportes Ochoa, which this year opened a sorting facility near Madrid and a EUR 15 million logistics centre near Tarragona. It is due to open a EUR 12 million base outside Valencia next October. Other fast-growing companes are express carrier MEX, which now has some 260 franchise branches, and Tourline Express, a subsidiary of Portuguese postal operator Correios.

Meanwhile, Chronoexprés, the small express parcel subsidiary of Spanish postal operator Correos, opened a new 2,500 sqm depot in Malaga in October under its modernisation strategy. This gives it six logistics hubs and 50 depots across Spain, and a fleet of 2,000 delivery vehicles. In September, Eduardo Herrera, the former finance director, was named as the company's new director general with the clear objective of continuing the company's financial turnaround.

Market consolidation ahead?

All in all, Spain represents one of the most dynamic express and parcel markets in Europe at present, and offers exciting potential for market participants. The growth rates are higher than those in more mature Western European markets, and are likely to be maintained for the foreseeable future. The main challenges for market players will be to finance the necessary further expansion of their infrastructure, and to enhance their services as customer requirements and expectations rise.

In view of the fragmented nature of the market, and the fact that some of the Spanish players are family-owned or part of the broader, diversified groups, observers believe further acquisitions are likely. In the medium-term, the Spanish market is likely to consolidate into a handful of larger players along with niche specialists, and thus reflect the structure of other European markets.

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