



## Australia Post - The Business

Australia Post is the mail and parcel carrier for Australia. It has a retail distribution network of Licensed Post Offices (LPO) and Post Shops. With over 2,900 LPO's, it is Australia's largest franchise network.

Post Shops are a branded retail experience with postal services, stationery, giftware, greeting cards, mobile phones and bill paying services. They are a single Post Office business, unlike LPO's which generally are attached to other retail offers such as newsagents, chemists and general stores. Australia Post has a service obligation to provide postal services Australia wide, including remote and outback areas.

The Post Shop offer has been well accepted by the general consumer and the vast majority of Post Shop stores trade well.

The Australia Post's LPO network is a franchised network. This network is Australia's largest franchised system, from large and profitable metropolitan outlets to small remote outlets attached to a roadhouse. The larger LPO's are highly sought after in the business sales marketplace. They are considered low risk, offer monopoly products, have short opening hours and are considered to be 'white collar'. As a result, these outlets command very high goodwill.

Australia Post, through its experience with the LPO network, understands that a competent franchisee will provide a higher level of service than a company operation and therefore is seeking to franchise its Post Shop network. It also wishes to learn from its experience with the LPO network and build a substantially different Post Shop franchise culture.



## The Challenge

To facilitate the franchising of the Post Shop network, Australia Post needed to define the economic structure of the network, including a valuation of the Post Shops to be franchised.

Using the experience of the LPO network, Australia Post developed a Post Shop Franchise system that shares goodwill and also values the business for purchase by a prospective Franchisee.

Australia Post engaged DC Strategy (DCS) to undertake three key tasks:

- 1 To confirm the Post Shop valuation process is the most appropriate valuation methodology
- 2 To confirm the valuation as meeting market demands
- 3 To provide expert validation of the methodology, for use by senior management

### The Solution

DCS reviewed the valuation methodology and provided Australia Post with:

- A discussion on valuation for senior management
- A comparison of the valuation with industry data
- A discussion and recommendation of the discounted cash flow rate selected



### The Outcomes

Australia Post can now go to market, with confidence that their valuation methodology and processes are fair and reasonable. Senior management can be sure that the economic analysis conducted by the staff at Australia Post was reasonable and accurate. Prospective Franchisees can be confident that they can expect reasonable returns if they purchase a Post Shop Franchise.

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